



Nishat Mills Limited Half Yearly Report

For the period ended 31 December 2008



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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	Standard Chartered Bank (Pakistan) Limited
Faysal Bank Limited	The Royal Bank of Scotland
Habib Bank Limited	United Bank Limited
Habib Metropolitan Bank Limited	

MILLS:

Nishatabad, Faisalabad	(Spinning units & Power plant)
12 K.M. Faisalabad Road, Sheikhupura.	(Weaving units & Power plant)
21 K.M. Ferozpur Road, Lahore.	(Stitching unit)
5 K.M. Nishat Avenue Off 22 K.M. Ferozpur 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: 042-5716351-9, 042-111 332 200
Fax: 042-5716349-50
E-mail: nishat@nishatmills.com
Website: www.nishatmillsLtd.com

LIAISON OFFICE:

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

DIRECTORS' REPORT

Operating Results

We are pleased to present financial statements for the half year ended December 31, 2008 duly reviewed by the auditors. The net profit after tax has increased to Rs. 1,196.832 million as compared to Rs. 524.569 million, thus showing an increase of 128.155%. The gross profit has increased to Rs. 2,783.261 million as compared to Rs. 1,316.843 million for the previous corresponding period, thus showing an increase of 111.36%. This drastic increase in gross profit is 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 which includes increase in borrowing rates, minimum wages of workers and gas tariff as compared to previous period. Stoppage of research and development support further affected the profitability of the Company. Finance cost increased by 90.94% (December 2008: Rs 710.332 million, December 2007: Rs 372.021 million) as compared to previous period as the average borrowing rates of the Company increased from 7.83% to 10.89% during the half year under review. During the period under review, operating results of the company were as follows:

Financial Highlights	Half Year Ended December 31	
	2008	2007
Net Sales ('000' Rs)	11,940,905	8,721,329
Gross Profit ('000' Rs)	2,783,261	1,316,843
Pre-tax Profit ('000' Rs)	1,343,332	645,569
After Tax Profit ('000' Rs)	1,196,832	524,569
Gross Profit (%)	23.31	15.10
After Tax Profit (%)	10.02	6.01
Earning Per Share (Rs)	7.49	3.28

Market Review & Future Prospects

In conditions, where global economy is under recession and where renowned financial institutions are facing sheer downfall of their capital value, overall textile industry was not expected to perform differently. Declining business volumes, coupled with power shortages severely affected the textile business and many small and medium size production houses are at the brink of closure. Calendar year 2009 is going to be a year of survival for many textile companies both outside and within Pakistan. Textile market has become extremely unpredictable and it is nearly impossible to take long position in buying and selling.

The period under review can be best described as volatile and truculent for many reasons. On one hand, cotton and oil prices shoot up to a historic record high and then plumbed back to the bottom towards the end of the period thus posing a great uncertainty in the market and on the other, domestic textile industry saw a record influx of woven dyed business from US and Europe market caused mainly by textile industry crises in China. A record fall in domestic currency against US Dollar helped to set off the inflated cotton and yarn prices and to secure additional business.

In such circumstances, Nishat being the vertically integrated unit, with least dependency on other mills, was able to survive well. Vertical integration and comprehensive capabilities to turn raw cotton into final made-up products and Nishat's own power generation plants with uninterrupted supplies played a vital role and widely facilitated to maintain an extra ordinary record of timely shipments. With the strengthening of dollar against Euro and UK Pound sterling, business in the next quarter seems slow and very demanding. Coming quarter of year 2008-2009 is going to be most challenging and will set the trend for the whole 2009-2010.

Spinning

Prices of local cotton remained at Rs.4,000 per maund until the end of first quarter of 2008-2009 and, consequently, yarn rates were on higher side. However, in second quarter, the influx of new cotton crop led to an inverse scenario as compared to the first quarter and all conjectures about cotton prices went wrong. Prices of local cotton fell drastically, touched to Rs. 2,500 per maund, and then kept fluctuating around Rs. 3,200 per maund by the end of the period under review. Speedy and daily fall in cotton prices resulted in prompt reduction in yarn rates and abridged yarn buying in last 2 months of the period. Moreover, overall economic recession in the world also resulted in reduction in demand and supply during first half of year 2008-2009.

Yarn	Half Year July to December		Variance	
	2008	2007	Total	%age
Sales - '000' Kgs	15,385	14,795	590	3.99
Rate / Kg	190.10	151.41	38.69	25.55
Sales - '000' Rs.	2,924,648	2,240,099	684,549	30.56

At Nishat, during the period under review, we have achieved more than 80 % of our buying target of local cotton for current cotton season. Average purchase rate of local cotton for half year ended December 2008 was Rs. 3,205 per maund as compared to Rs. 3,168 per maund for the previous corresponding period. Average purchase rate of different qualities of imported cotton was Rs. 4,934 per maund as compared to Rs. 3,460 per maund for the previous corresponding period.

Far East remained our main market. Diminution in Pak Rupee in first quarter resulted in good business margin for exporters and improved yarn prices in local market as well. However, in second quarter, conversely, reduction in demand in export and local markets, especially in Europe and USA, resulted in low rates of yarn.

Development in terms of machinery is in progress for better quality of yarn. Installation of state of the art ring frames is under way at one of our spinning units and will be completed in near future.

Weaving

For Nishat Weaving, our planning for timely purchase of yarn in such a volatile market remained successful. During the early months of the period under review, we enjoyed weaving business at good margins as the fabric orders were at high prices and yarn was purchased at the lower rates. However, by the end of this half year, fabric rates also started declining and our weaving profits showed a downward trend.

Grey Cloth	Half Year July to December		Variance	
	2008	2007	Total	%age
Sales - '000' Mtrs	23,397	21,949	1,448	6.60
Rate / Mtrs	122.49	96.91	25.58	26.40
Sales - '000' Rs.	2,866,010	2,127,180	738,830	34.73

Our strategy, again for second quarter, has been product innovation and customer diversification. Special fibers like kapok, nylon, viscose, linen and organic cotton, along with creative designs helped us to increase our margin. Competition for such products is less that allowed us to get good prices and become the market leader.

Processing, Dyeing and Stitching

Keeping in view the current market scenario and business volumes, we have taken our position to invest more in cost cutting strategies and efficient resource utilization. In this regard, we have installed a caustic recovery plant which is fully operational now.

Made-Ups	Half Year July to December		Variance	
	2008	2007	Total	%age
Sales - '000' Mtrs	7,748	10,013	(2,265)	(22.62)
Rate / Mtrs	189.59	146.00	43.59	29.86
Sales - '000' Rs.	1,468,954	1,461,858	7,096	0.49

These plants have a capability of 70% recovery of useful chemicals, making this a highly cost effective process, which is pivotal for survival in current scenario. Moreover, we have been involved in several developments for our clientele around the globe with potential business growth in days to come. Other than traditional markets of Western Europe & North America, we are also exploring new markets in Eastern Europe. With some early success in new area, we intend to increase our focus here to obtain the benefit of early entrant. On the other hand, we successfully maintained our relations with existing clients and received respectable feedback throughout, while we always keep on striving to achieve optimum satisfaction level.

Processed Cloth (Bleached, Dyed & Printed)	Half Year July to December		Variance	
	2008	2007	Total	%age
Sales - '000' Mtrs	685	811	(126)	(15.54)
Rate / Mtrs	190.68	159.79	30.89	19.33
Sales - '000' Rs.	130,616	129,592	1,024	0.79

Nishat Dyeing & Finishing (NDF)

NDF was able to grab the largest share of this business throughout the period under review. After filling up of existing plant capacities, a sizable portion of production had to be outsourced to meet the demand. Optimum production and profits were thus generated in this half of the year.

However, the outlook for next half year does not look as promising. As the economic crisis deepens in all leading economies, demand seems to be reaching towards a negligible level. Major US retailers have responded to the recession by cutting the number of their stores countrywide. Moreover, demand from Europe does not look better. At the same time, domestic textile industry has to deal with their own set of challenges that include energy crises and the demand supply gap between cotton crops.

Dyed Cloth	Half Year July to December		Variance	
	2008	2007	Total	%age
Sales - '000' Mtrs	21,673	19,338	2,335	12.07
Rate / Mtrs	167.12	120.97	46.15	38.15
Sales - '000' Rs.	3,621,949	2,339,411	1,282,538	54.82

In order to combat these domestic and international challenges, NDF has laid out its strategy. This mainly includes market segmentation of US and Europe according to their level of prices, offering relevant products focused on the needs of respective market only, increasing the overall customer base, tapping the PFD and PFGD market in Europe and an overall increase in marketing efforts by manifolds.

Nishat USA Incorporation - Subsidiary Company

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 and will provide marketing services in USA to Nishat Mills Limited.

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

Auditors' Qualification

The auditors have issued a qualified review report since the Company has recognized the decline in fair value of available for sale investments in quoted companies in shareholders' equity instead of impairment loss through profit and loss account. In the opinion of the management, this decline cannot be regarded as a significant and prolonged impairment. The management feels that prices quoted on stock exchanges at the balance sheet date show movement of only 15 days after opening of stock exchanges as on 15 December 2008, therefore, this decline can not be considered as prolonged. Further, these prices do not reflect fair value due to change in conditions after freezing of stock exchanges. Major decline has been observed in the share prices of MCB Bank Limited and D.G.Khan Cement Company Limited. The share prices of D.G.Khan Cement Company Limited and MCB Bank Limited were Rupees 21.27 and Rupees 125.81 respectively as at 31 December 2008. The management has calculated the fair values of these companies by discounting the future cash flows and earnings. The fair values calculated on the aforesaid basis are much higher than the prevailing quoted market prices on stock exchanges as at 31 December 2008.

Moreover, the six months average of quoted market prices of D.G.Khan Cement Company Limited and MCB Bank Limited from 28 February 2008 to 27 August 2008, when the stock market was active, were Rupees 82.42 and Rupees 239.23 respectively. The share price of D.G.Khan Cement Company Limited was Rupees 39.28 and MCB Bank Limited was Rupees 238.75 as at 27 August 2008, the date when the stock market was frozen. All these factors clearly conclude that the share prices of D.G.Khan Cement Company Limited and MCB Bank Limited quoted on stock exchanges as at 31 December 2008 should not be used as the basis to determine the impairment of these securities.

Meger 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 has 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 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. The swap ratio in the scheme is one share of Nishat Mills Limited for every 19 shares of Nishat Apparel Limited.

Change in Board of Directors

Mr Muhammad Ali Zeb has been appointed as director on the board of the company to fill the casual vacancy in place of Mr Manzar Mushtaq.

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:
February 02, 2009.

REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying interim condensed balance sheet of NISHAT MILLS LIMITED as at 31 December 2008 and the related interim condensed profit and loss account, interim condensed cash flow statement and interim condensed statement of changes in equity together with the notes forming part thereof (herein after referred to as "interim financial information"), for the period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the interim condensed profit and loss account for the quarters ended 31 December 2008 and 31 December 2007 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended 31 December 2008.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

Decline in fair value of available for sale investments in quoted companies has been recognized directly in equity instead of impairment loss through profit and loss account as required by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" as referred to in note 8 to the financial statements. Had the impairment loss been recognized through profit and loss account, profit for the half year ended 31 December 2008 amounting to Rupees 1.197 billion would have been converted into loss of Rupees 1.856 billion. However, there will be no financial impact of this qualification on the shareholders' equity as at 31 December 2008.

Qualified Conclusion

Based on our review, except for the matter referred to in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

LAHORE: February 02, 2009

RIAZ AHMAD & COMPANY
Chartered Accountants

INTERIM CONDENSED BALANCE SHEET

AS AT 31 DECEMBER 2008

	Note	Unaudited 31 December 2008	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			
159,785,717 (30 June 2008: 159,785,717) ordinary shares of Rupees 10 each		1,597,857	1,597,857
Reserves		12,531,434	25,108,870
Total equity		14,129,291	26,706,727
NON-CURRENT LIABILITIES			
Long term financing	5	1,699,265	1,047,794
CURRENT LIABILITIES			
Trade and other payables		1,426,308	1,141,227
Accrued markup		250,231	201,847
Short term borrowings		10,635,909	9,175,518
Current portion of non-current liabilities	5	717,892	926,025
Provision for taxation		166,917	276,988
		13,197,257	11,721,605
Total Liabilities		14,896,522	12,769,399
CONTINGENCIES AND COMMITMENTS	6	-	-
TOTAL EQUITY AND LIABILITIES		29,025,813	39,476,126

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

CHIEF EXECUTIVE OFFICER

	Note	Unaudited 31 December 2008	Audited 30 June 2008 Restated
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	10,828,801	10,647,310
Long term investments	8	2,935,278	14,034,481
Long term loans		9,640	8,122
Long term deposits and prepayments		10,717	10,541
		13,784,436	24,700,454
CURRENT ASSETS			
Stores, spare parts and loose tools		626,604	490,229
Stock-in-trade		6,222,893	4,103,648
Trade debts		1,581,442	1,329,027
Short term Investments	8	6,027,243	7,975,308
Loans and advances		314,907	403,295
Short term deposits and prepayments		48,953	30,400
Other receivables		347,735	370,013
Cash and bank balances		71,600	73,752
		15,241,377	14,775,672
TOTAL ASSETS		29,025,813	39,476,126

DIRECTOR

**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008
(UN-AUDITED)**

Note	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
----- (Rupees in thousand) -----				
SALES	11,940,905	8,721,329	5,927,240	4,444,292
COST OF SALES	9,157,644	7,404,486	4,617,000	3,918,986
GROSS PROFIT	2,783,261	1,316,843	1,310,240	525,306
DISTRIBUTION COST	662,930	438,867	353,267	229,611
ADMINISTRATIVE EXPENSES	200,719	183,799	110,611	90,691
OTHER OPERATING EXPENSES	181,664	48,731	92,396	18,819
	1,045,313	671,397	556,274	339,121
	1,737,948	645,446	753,966	186,185
OTHER OPERATING INCOME	315,716	372,144	164,557	255,672
PROFIT FROM OPERATIONS	2,053,664	1,017,590	918,523	441,857
FINANCE COST	710,332	372,021	393,132	194,676
PROFIT BEFORE TAXATION	1,343,332	645,569	525,391	247,181
PROVISION FOR TAXATION	146,500	121,000	85,000	68,000
PROFIT AFTER TAXATION	1,196,832	524,569	440,391	179,181
EARNINGS PER SHARE- BASIC AND DILUTED (RUPEES)	7.49	3.28	2.76	1.12

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

**INTERIM CONDENSED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008
(UN-AUDITED)**

	HALF YEAR ENDED	
	31 December 2008	31 December 2007
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,343,332	645,569
Adjustments for non-cash charges and other items:		
Depreciation	494,475	489,914
Provision for doubtful debts	80,458	-
(Gain) / loss on sale of property, plant and equipment	(2,255)	2,986
Dividend income	(271,110)	(341,633)
Translation gain on foreign investment in subsidiary	(31)	-
Amortization of deferred cost	-	158
Finance cost	710,332	372,021
Cash flow from operating activities before adjustment of working capital changes	2,355,201	1,169,015
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(136,375)	(89,675)
Stock-in-trade	(2,119,245)	(1,378,002)
Trade debts	(332,873)	(240,868)
Loans and advances	(35,681)	(34,881)
Short term deposits and prepayments	(18,561)	(29,648)
Other receivables	22,278	(48,320)
	(2,620,457)	(1,821,394)
Increase in current liabilities		
Trade and other payables	267,439	433,646
Short term borrowings	1,460,391	2,258,785
	1,727,830	2,692,431
Cash generated from operations	1,462,574	2,040,052
Finance cost paid	(661,948)	(356,515)
Income tax paid	(131,636)	(108,742)
Net decrease / (increase) in long term loans	(2,384)	1,923
Net increase in long term deposits and prepayments	(168)	(2,391)
Net cash generated from operating activities	666,438	1,574,327

	HALF YEAR ENDED	
	31 December 2008	31 December 2007
	(Rupees in thousand)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(690,647)	(400,049)
Proceeds from sale of property, plant and equipment	16,936	70,158
Dividends received	271,110	341,633
Investments made	(327,505)	(456,095)
Net cash used in investing activities	(730,106)	(444,353)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term financing	1,000,000	-
Repayment of long term financing	(556,662)	(664,372)
Payment of finance lease liabilities	-	(15,610)
Dividend paid	(381,822)	(394,760)
Net cash from / (used in) financing activities	61,516	(1,074,742)
Net (decrease) / increase in cash and cash equivalents	(2,152)	55,232
Cash and cash equivalents at the beginning of the period	73,752	69,607
Cash and cash equivalents at the end of the period	71,600	124,839

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 HALF YEAR ENDED 31 DECEMBER 2008 (UN-AUDITED)

(RUPEES IN THOUSAND)

Share Capital	RESERVES							Total	Total equity
	CAPITAL RESERVES			REVENUE RESERVES					
	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 3.1)	-	-	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	-	-	(234,577)	(234,577)	-	-	-	(234,577)	(234,577)
Net profit for the half year ended	-	-	-	-	-	524,569	524,569	524,569	524,569
Balance as at 31 December 2007	1,597,857	1,027,622	21,553,592	22,581,214	7,974,028	(344,711)	7,629,317	30,210,531	31,808,388
Fair value adjustment on investments	-	-	(10,716,060)	(10,716,060)	-	-	-	(10,716,060)	(10,716,060)
Net profit for the half year ended	-	-	-	-	-	5,614,399	5,614,399	5,614,399	5,614,399
Balance as at 30 June 2008	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)
Transfer to general reserve	-	-	-	-	4,870,000	(4,870,000)	-	-	-
Fair value adjustment on investments	-	-	(13,374,804)	(13,374,804)	-	-	-	(13,374,804)	(13,374,804)
Net profit for the half year ended	-	-	-	-	-	1,196,832	1,196,832	1,196,832	1,196,832
Balance as at 31 December 2008	1,597,857	1,027,622	(2,537,272)	(1,509,650)	12,844,028	1,197,056	14,041,084	12,531,434	14,129,291

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 HALF YEAR ENDED 31 DECEMBER 2008**

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 but subject to limited scope review by the statutory auditors 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. 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 3.1.

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

- 3.1.1 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.

4. 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.

	Unaudited 31 December 2008 (Rupees in thousand)	Audited 30 June 2008
5. LONG TERM FINANCING - SECURED		
Opening balance	1,973,819	3,082,354
Add: Obtained during the period / year	1,000,000	200,000
Less: Repaid during the period / year	556,662	1,308,535
	<hr/>	<hr/>
Closing balance	2,417,157	1,973,819
Less: Current portion shown under current liabilities	717,892	926,025
	<hr/>	<hr/>
Non-Current Portion	1,699,265	1,047,794
	<hr/> <hr/>	<hr/> <hr/>

6. 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 143.486 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 360.448 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 79.200 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 30.813 million (30 June 2008: Rupees 370.168 million).

ii) Letters of credit other than for capital expenditure are amounting to Rupees 97.558 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 211.083 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 31 December 2008 (Rupees in thousand)	Audited 30 June 2008
7. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 7.1)	10,116,213	10,365,262
Capital work in progress (Note 7.2)	712,588	282,048
	10,828,801	10,647,310
7.1 OPERATING FIXED ASSETS		
Opening book value	10,365,262	10,309,611
Add: Cost of additions during the period / year (Note 7.1.1)	260,107	1,132,568
Add: Plant and machinery transferred from leased assets	-	64,174
	10,625,369	11,506,353
Less: Book value of deletions during the period / year (Note 7.1.2)	14,681	147,864
	10,610,688	11,358,489
Less: Depreciation charged for the period / year	494,475	993,227
	10,116,213	10,365,262
7.1.1 Cost of additions during the period / year		
Freehold land	-	7,971
Buildings on freehold land	60,284	299,004
Plant and machinery	126,049	730,187
Electric installations	5,627	24,222
Factory equipment	21,266	19,362
Furniture, fixtures and office equipment	6,769	14,414
Computer equipment	2,817	4,137
Vehicles	37,295	33,271
	260,107	1,132,568

	Unaudited 31 December 2008 (Rupees in thousand)	Audited 30 June 2008
7.1.2 Book value of deletions during the period / year		
Freehold land	-	249
Buildings on freehold land	-	457
Plant and machinery	4,446	129,083
Electric installations	17	-
Factory equipment	2,018	911
Furniture, fixtures and office equipment	471	76
Computer equipment	-	121
Vehicles	7,729	16,967
	14,681	147,864

7.2 CAPITAL WORK-IN-PROGRESS

Building on freehold land	79,611	51,974
Plant and machinery	619,051	213,937
Electric installation	2,340	3,820
Letters of credit against machinery	119	756
Letters of credit and advances against furniture and office equipment	9,918	5,646
Advances for purchase of vehicles	1,549	5,915
	712,588	282,048

8. INVESTMENTS

The management has recognized the decline in fair value of available for sale investments in quoted companies in shareholders' equity instead of impairment loss through profit and loss account, as it is not a significant and prolonged impairment. The management feels that prices quoted on stock exchanges at the balance sheet date show movement of only 15 days after opening of stock exchanges as on 15 December 2008, therefore, this decline can not be considered as prolonged. Further, these prices do not reflect fair value due to change in conditions after freezing of stock exchanges. Major decline has been observed in the share prices of MCB Bank Limited and D.G.Khan Cement Company Limited. The share prices of D.G.Khan Cement Company Limited and MCB Bank Limited were Rupees 21.27 and Rupees 125.81 respectively as at 31 December 2008. The management has calculated the fair values of these companies by discounting the future cash flows and earnings. The fair values calculated on the aforesaid basis are much higher than the prevailing quoted market prices on stock exchanges as at 31 December 2008.

Moreover, the six months average of quoted market prices of D.G.Khan Cement Company Limited and MCB Bank Limited from 28 February 2008 to 27 August 2008, when the stock market was active, were Rupees 82.42 and Rupees 239.23 respectively. The share price of D.G.Khan Cement Company Limited was Rupees 39.28 and MCB Bank Limited was Rupees 238.75 as at 27 August 2008, the date when the stock market was frozen. All these factors clearly conclude that the share prices of D.G.Khan Cement Company Limited and MCB Bank Limited quoted on stock exchanges as at 31 December 2008 should not be used as the basis to determine the impairment of these securities.

(Un-Audited)			
HALF YEAR ENDED		QUARTER ENDED	
31 December 2008	31 December 2007	31 December 2008	31 December 2007

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

9. COST OF SALES

Raw materials consumed	2,991,712	2,655,134	1,484,248	1,431,466
Cloth and yarn purchased / used	3,058,372	2,441,813	1,391,349	1,186,840
Processing charges	30,075	50,018	14,176	14,028
Salaries, wages and other benefits	720,445	606,324	383,151	315,199
Staff retirement benefits	22,145	19,188	11,552	9,917
Stores, spare parts and loose tools	958,883	681,822	513,426	329,713
Packing materials	220,221	206,070	110,109	101,760
Repair and maintenance	69,324	49,884	41,000	30,284
Fuel and power	1,087,651	650,879	565,455	326,222
Insurance	12,527	11,189	6,273	5,582
Other factory overheads	95,527	68,299	49,533	34,278
Depreciation	468,084	462,215	235,432	230,272
	9,734,966	7,902,835	4,805,704	4,015,561
Work-in-process				
Opening stock	1,157,415	942,753	1,566,684	1,135,350
Closing stock	(1,482,482)	(1,068,021)	(1,482,482)	(1,068,021)
	(325,067)	(125,268)	84,202	67,329
Cost of goods manufactured	9,409,899	7,777,567	4,889,906	4,082,890
Finished goods				
Opening stock	1,145,407	898,896	1,124,756	1,108,073
Closing stock	(1,397,662)	(1,271,977)	(1,397,662)	(1,271,977)
	(252,255)	(373,081)	(272,906)	(163,904)
	9,157,644	7,404,486	4,617,000	3,918,986

10. OTHER OPERATING EXPENSES

Workers' profit participation fund	72,291	34,823	28,216	13,275
Workers' welfare fund	27,415	13,175	10,722	5,045
Provision for doubtful debts	80,458	-	53,458	-
Amortization of deferred cost	-	158	-	-
Donation (Note 10.1)	1,500	575	-	499
	181,664	48,731	92,396	18,819

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)			
HALF YEAR ENDED		QUARTER ENDED	
31 December 2008	31 December 2007	31 December 2008	31 December 2007

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

Subsidiary companies

Purchase of goods and services	4,662	-	4,662	-
Investment made	332,939	-	268,939	-

Associated companies

Purchase of goods and services	49,957	90,700	38,886	48,908
Sale of goods and services	293,002	64,923	141,424	40,071
Purchase of operating fixed assets	670	19,060	-	19,060
Sale of operating fixed assets	1,683	-	-	-
Dividend income	15,384	148,452	15,384	134,817
Dividend paid	52,564	52,564	52,564	52,564
Insurance premium paid	26,678	23,219	9,526	6,929
Insurance claims received	9,768	1,164	9,525	484

Other related parties

Dividend income	255,376	191,931	127,688	96,369
Company's contribution to provident fund trust	28,792	24,900	14,981	13,020
Remuneration paid to Chief Executive Officer, Directors and Executives	44,978	32,831	24,337	21,432
Sale of operating fixed assets	1,100	-	522	-

13. DATE OF AUTHORIZATION FOR ISSUE

This interim financial information was approved by the Board of Directors and authorized for issue on February 02, 2009.

14. CORRESPONDING FIGURES

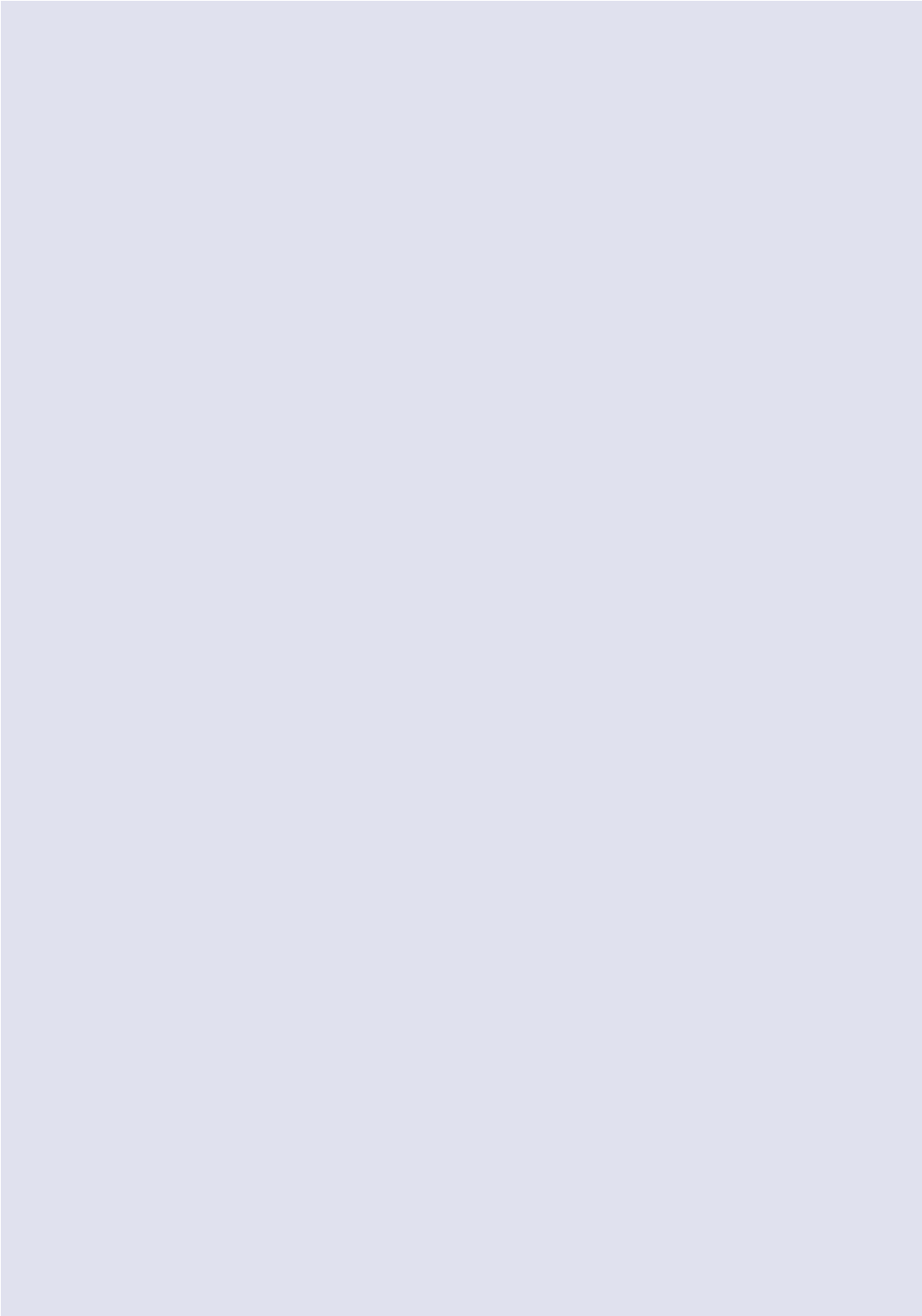
14.1 Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison. However, there were no major reclassification except required for the change in accounting policy stated in note 3.1.

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 HALF YEAR

ENDED 31 DECEMBER 2008

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	Unaudited 31 December 2008	Audited 30 June 2008 Restated
(Rupees in thousand)			
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 159,785,717 (30 June 2008: 159,785,717) ordinary shares of Rupees 10 each		1,597,857	1,597,857
Reserves		16,599,329	29,808,692
Minority interest		242,500	160,000
Total equity		18,439,686	31,566,549
NON-CURRENT LIABILITIES			
Long term financing	6	1,699,265	1,047,794
Long term murabaha		4,567,420	2,841,813
		6,266,685	3,889,607
CURRENT LIABILITIES			
Trade and other payables		1,450,033	1,155,457
Accrued mark-up		422,408	292,419
Short term borrowings		10,635,909	9,175,518
Current portion of non-current liabilities	6	717,892	926,025
Provision for taxation		166,917	276,988
		13,393,159	11,826,407
Total Liabilities		19,659,844	15,716,014
CONTINGENCIES AND COMMITMENTS	7	-	-
TOTAL EQUITY AND LIABILITIES		38,099,530	47,282,563

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

CHIEF EXECUTIVE OFFICER

	Note	Unaudited 31 December 2008	Audited 30 June 2008 Restated
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	16,306,330	14,289,480
Long term investments	9	6,030,013	18,081,799
Long term loans		9,640	8,122
Long term deposits and prepayments		11,033	10,541
		22,357,016	32,389,942
CURRENT ASSETS			
Stores, spare parts and loose tools		626,604	490,229
Stock-in-trade		6,222,893	4,103,648
Trade debts		1,581,442	1,329,027
Short term Investments	9	6,027,243	7,975,308
Loans and advances		315,149	403,399
Short term deposits and prepayments		124,660	143,477
Other receivables		350,022	371,397
Cash and bank balances		494,501	76,136
		15,742,514	14,892,621
TOTAL ASSETS		38,099,530	47,282,563

DIRECTOR

**INTERIM CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008
(UN-AUDITED)**

	Note	HALF YEAR ENDED		QUARTER ENDED	
		31 December 2008	31 December 2007	31 December 2008	31 December 2007
----- (Rupees in thousand) -----					
SALES		11,940,905	8,721,329	5,927,240	4,444,292
COST OF SALES	10	9,157,644	7,404,486	4,617,000	3,918,986
GROSS PROFIT		2,783,261	1,316,843	1,310,240	525,306
DISTRIBUTION COST		662,768	438,867	353,105	229,611
ADMINISTRATIVE EXPENSES		200,719	183,799	110,611	90,691
OTHER OPERATING EXPENSES	11	181,664	40,491	92,396	10,579
		1,045,151	663,157	556,112	330,881
		1,738,110	653,686	754,128	194,425
OTHER OPERATING INCOME		315,808	252,722	164,649	136,250
PROFIT FROM OPERATIONS		2,053,918	906,408	918,777	330,675
FINANCE COST		710,332	372,021	393,132	194,676
		1,343,586	534,387	525,645	135,999
SHARE OF PROFIT/ (LOSS) IN ASSOCIATED COMPANIES		(60,554)	209,119	91,271	71,138
PROFIT BEFORE TAXATION		1,283,032	743,506	616,916	207,137
PROVISION FOR TAXATION		146,500	121,000	85,000	68,000
PROFIT AFTER TAXATION		1,136,532	622,506	531,916	139,137
EARNINGS PER SHARE- BASIC AND DILUTED (RUPEES)	12	7.11	3.90	3.33	0.87

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

**INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008
(UN-AUDITED)**

	HALF YEAR ENDED	
	31 December 2008	31 December 2007
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,283,032	743,506
Adjustments for non-cash charges and other items:		
Depreciation	494,475	489,914
Provision for doubtful debts	80,458	-
(Gain) / loss on sale of property, plant and equipment	(2,255)	2,986
Dividend income- other than associated companies	(271,110)	(222,211)
Share of (profit) / loss from associated companies	60,554	(209,119)
Unrealized gain on exchange rate differences		
- Subsidiary Company	31	-
Amortization of deferred cost	-	158
Finance cost	710,332	372,021
Cash flow from operating activities before adjustment of working capital changes	2,355,517	1,177,255
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(136,375)	(89,675)
Stock-in-trade	(2,119,245)	(1,378,002)
Trade debts	(332,873)	(240,868)
Loans and advances	(35,809)	(35,352)
Short term deposits and prepayments	18,809	(29,748)
Other receivables	21,375	(48,320)
	(2,584,118)	(1,821,965)
Increase in current liabilities		
Trade and other payables	359,401	428,469
Short term borrowings	1,460,391	2,258,785
	1,819,792	2,687,254
Cash generated from operations	1,591,191	2,042,544
Finance cost paid	(661,948)	(356,515)
Income tax paid	(132,508)	(108,742)
Net decrease/ (increase) in long term loans	(2,384)	1,923
Net increase in long term deposits and prepayments	(484)	(2,391)
Net cash generated from operating activities	793,867	1,576,819

	HALF YEAR ENDED	
	31 December 2008	31 December 2007
	(Rupees in thousand)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,526,006)	(515,954)
Proceeds from sale of property, plant and equipment	16,936	70,158
Dividends received	271,110	341,633
Investments made	(7,165)	(253,190)
Net cash used in investing activities	(2,245,125)	(357,353)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term financing	2,725,607	-
Proceeds from issue of share to minority shareholders	82,500	50,000
Repayment of long term financing	(556,662)	(664,372)
Payment of finance lease liabilities	-	(15,610)
Dividend paid	(381,822)	(394,760)
Net cash generated from/ (used in) financing activities	1,869,623	(1,024,742)
Net increase in cash and cash equivalents	418,365	194,724
Cash and cash equivalents at the beginning of the period	76,136	69,607
Cash and cash equivalents at the end of the period	494,501	264,331

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 HALF YEAR ENDED 31 DECEMBER 2008 (UN-AUDITED)

(RUPEES IN THOUSAND)

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY										Minority Interest	Total	
	Share Capital	CAPITAL RESERVES					REVENUE RESERVES			Total Reserves			Share-holders' Equity
Premium on issue of right shares		Fair value reserve	Exchange rate differences reserve	Capital redemption reserve fund	Sub Total	General reserve	Unappropriated profit	Sub Total					
Balance as on 30 June 2007	1,597,857	1,027,622	18,173,948	-	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 3.1)	-	-	1,788,632	-	-	1,788,632	-	-	-	1,788,632	1,788,632	-	1,788,632
Balance as on 30 June 2007- restated	1,597,857	1,027,622	19,962,580	-	110,214	21,100,416	7,404,132	1,643,651	9,047,783	30,148,199	31,746,056	-	31,746,056
Final dividend for the year ended 30 June 2007 @ Rupees 2.5 per share	-	-	-	-	-	-	-	(399,464)	(399,464)	(399,464)	(399,464)	-	(399,464)
Transfer to general reserve	-	-	-	-	-	-	1,244,000	(1,244,000)	-	-	-	-	-
Fair value adjustment on investments	-	-	1,496,253	-	-	1,496,253	-	-	-	1,496,253	1,496,253	-	1,496,253
Share in reserves of associated companies under equity method	-	-	1,378,575	-	-	1,378,575	431,750	(437,250)	(5,500)	1,373,075	1,373,075	-	1,373,075
Minority interest arising on investment in Subsidiary Company	-	-	-	-	-	-	-	-	-	-	-	50,000	50,000
Net profit for the half year ended	-	-	-	-	-	-	-	622,506	622,506	622,506	622,506	-	622,506
Balance as at 31 December 2007	1,597,857	1,027,622	22,837,408	-	110,214	23,975,244	9,079,882	185,443	9,265,325	33,240,569	34,838,426	50,000	34,888,426
Fair value adjustment on investments	-	-	(8,516,993)	-	-	(8,516,993)	-	-	-	(8,516,993)	(8,516,993)	-	(8,516,993)
Share in reserves of associated companies under equity method	-	-	(424,793)	-	788	(424,005)	-	(788)	(788)	(424,793)	(424,793)	-	(424,793)
Minority interest arising on investment in Subsidiary Company	-	-	-	-	-	-	-	-	-	-	-	110,000	110,000
Net profit for the half year ended	-	-	-	-	-	-	-	5,509,909	5,509,909	5,509,909	5,509,909	-	5,509,909
Balance as at 30 June 2008	1,597,857	1,027,622	13,895,622	-	111,002	15,034,246	9,079,882	5,694,564	14,774,446	29,808,692	31,406,549	160,000	31,566,549
Final dividend for the year ended 30 June 2008 @ Rupees 2.5 per share	-	-	-	-	-	-	-	(399,464)	(399,464)	(399,464)	(399,464)	-	(399,464)
Fair value adjustment on investments	-	-	(9,722,646)	-	-	(9,722,646)	-	-	-	(9,722,646)	(9,722,646)	-	(9,722,646)
Share in reserves of associated companies under equity method	-	-	(4,223,816)	-	-	(4,223,816)	-	-	-	(4,223,816)	(4,223,816)	-	(4,223,816)
Exchange rate differences reserve - Subsidiary Company	-	-	-	31	-	31	-	-	-	31	31	-	31
Minority interest arising on investment in Subsidiary Company	-	-	-	-	-	-	-	-	-	-	-	82,500	82,500
Net profit for the half year ended	-	-	-	-	-	-	-	1,136,532	1,136,532	1,136,532	1,136,532	-	1,136,532
Balance as at 31 December 2008	1,597,857	1,027,622	(50,840)	31	111,002	1,087,815	9,079,882	6,431,632	15,511,514	16,899,329	18,197,186	242,500	18,439,686

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 HALF YEAR ENDED 31 DECEMBER 2008

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 and will 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 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. 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 change disclosed in note 3.1.

3.1 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 consolidated financial information would have been different as follows:

	Unaudited 31 December 2008 (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. 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 Company 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 Companies 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.

5. 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 preceding annual published financial statements of the Parent Company for the year ended 30 June 2008.

	Unaudited 31 December 2008 (Rupees in thousand)	Audited 30 June 2008
6. LONG TERM FINANCING - SECURED		
Opening balance	1,973,819	3,082,354
Add: Obtained during the period / year	1,000,000	200,000
Less: Repaid during the period / year	556,662	1,308,535
	<hr/>	<hr/>
Closing balance	2,417,157	1,973,819
Less: Current portion shown under current liabilities	717,892	926,025
	<hr/>	<hr/>
Non-Current Portion	1,699,265	1,047,794
	<hr/> <hr/>	<hr/> <hr/>

7. 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 143.486 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 360.448 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 79.200 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 423.665 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 458.806 million (30 June 2008: 451.385 million).

Commitments

- i) Contracts for capital expenditure of the Group are approximately amounting to Rupees 9,563.252 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 97.558 million (30 June 2008: Rupees 403.627 million).
- iii) Irrevocable standby letters of credit of Rupees 211.083 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 December 2008 (Rupees in thousand)	Audited 30 June 2008
8. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 8.1)	10,201,009	10,449,290
Capital work in progress (Note 8.2)	6,105,321	3,840,190
	16,306,330	14,289,480

	Unaudited 31 December 2008 (Rupees in thousand)	Audited 30 June 2008
8.1 OPERATING FIXED ASSETS		
Opening book value	10,449,290	10,309,611
Add: Cost of additions during the period/ year (Note 8.1.1)	261,254	1,215,063
Add: Plant and machinery transferred from leased assets	-	64,174
	10,710,544	11,588,848
Less: Book value of deletions during the period/ year (Note 8.1.2)	14,681	146,195
	10,695,863	11,442,653
Less: Depreciation charged for the period/ year	494,854	993,363
	10,201,009	10,449,290
8.1.1 Cost of additions during the period/ year		
Freehold land	-	88,657
Buildings on freehold land	60,284	299,004
Plant and machinery	126,049	730,187
Electric installations	5,627	24,377
Factory equipment	21,266	19,362
Furniture, fixtures and office equipment	7,772	14,519
Computer equipment	2,961	4,448
Vehicles	37,295	34,509
	261,254	1,215,063
8.1.2 Book value of deletions during the period/ year		
Freehold land	-	249
Buildings on freehold land	-	457
Plant and machinery	4,446	129,083
Electric installations	17	-
Factory equipment	2,018	911
Furniture, fixtures and office equipment	471	76
Computer equipment	-	121
Vehicles	7,729	15,298
	14,681	146,195

	Unaudited 31 December 2008 (Rupees in thousand)	Audited 30 June 2008
8.2 CAPITAL WORK-IN-PROGRESS		
Building on freehold land	197,611	127,950
Plant and machinery	2,033,104	229,001
Electric installation	2,609	3,848
Letters of credit against plant and machinery	119	7,616
Letters of credit and advances against furniture and office equipment	9,918	5,646
Advances against plant and machinery	2,554,773	2,839,426
Advances against vehicles	3,188	5,915
Advances to contractors	627,080	304,329
Unallocated expenditure (Note 8.2.1)	676,919	316,459
	6,105,321	3,840,190
8.2.1 Unallocated expenditures - Nishat Power Limited - Subsidiary Company		
Salaries and other benefits	16,712	8,312
Insurance	75,397	37,684
Traveling and conveyance	3,025	1,734
Entertainment	281	150
Rent, rates and taxes	931	589
Vehicle running and maintenance	972	440
Printing and stationery	216	109
Postage and telephone	237	77
Fuel and power	51	21
Legal and professional charges	3,599	2,375
Auditor's remuneration	50	50
Consultancy charges	9,832	9,121
Registration fee	40	40
Advertisement expenses	71	71
Fee and subscription	22,300	22,289
Mark-up on long term murabaha	423,672	119,408
Bank charges and financing fee	112,583	107,394
Bank guarantee commission	7,645	6,740
Miscellaneous	1,477	1,149
Depreciation	515	136
Exchange gain on foreign currency bank accounts	(49)	(24)
Profit on saving bank accounts	(2,638)	(1,406)
	676,919	316,459
9. INVESTMENTS		

The management of the Parent Company has recognized the decline in fair value of available for sale investments in quoted companies in shareholders' equity instead of impairment loss through profit and loss account, as it is not a significant and prolonged impairment. The management feels that prices quoted on stock exchanges at the balance sheet date show movement of only 15 days after opening of stock exchanges as on 15 December 2008, therefore, this decline can not be considered as prolonged. Further,

these prices do not reflect fair value due to change in conditions after freezing of stock exchanges. Major decline has been observed in the share prices of MCB Bank Limited. The share price of MCB Bank Limited was Rupees 125.81as at 31 December 2008. The management has calculated the fair value of this company by discounting the future cash flows and earnings. The fair value calculated on the aforesaid basis is much higher than the prevailing quoted market price on stock exchanges as at 31 December 2008. Moreover, the six months average of quoted market price of MCB Bank Limited from 28 February 2008 to 27 August 2008, when the stock market was active, was Rupees 239.23 . The share price of MCB Bank Limited was Rupees 238.75 as at 27 August 2008, the date when the stock market was frozen. All these factors clearly conclude that the share prices of MCB Bank Limited quoted on stock exchanges as at 31 December 2008 should not be used as the basis to determine the impairment of these securities.

(Un-Audited)			
HALF YEAR ENDED		QUARTER ENDED	
31 December	31 December	31 December	31 December
2008	2007	2008	2007

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

10. COST OF SALES

Raw materials consumed	2,991,712	2,655,134	1,484,248	1,431,466
Cloth and yarn purchased/ used	3,058,372	2,441,813	1,391,349	1,186,840
Processing charges	30,075	50,018	14,176	14,028
Salaries, wages and other benefits	720,445	606,324	383,151	315,199
Staff retirement benefits	22,145	19,188	11,552	9,917
Stores, spare parts and loose tools	958,883	681,822	513,426	329,713
Packing materials	220,221	206,070	110,109	101,760
Repair and maintenance	69,324	49,884	41,000	30,284
Fuel and power	1,087,651	650,879	565,455	326,222
Insurance	12,527	11,189	6,273	5,582
Other factory overheads	95,527	68,299	49,533	34,278
Depreciation	468,084	462,215	235,432	230,272
	9,734,966	7,902,835	4,805,704	4,015,561
Work-in-process				
Opening stock	1,157,415	942,753	1,566,684	1,135,350
Closing stock	(1,482,482)	(1,068,021)	(1,482,482)	(1,068,021)
	(325,067)	(125,268)	84,202	67,329
Cost of goods manufactured	9,409,899	7,777,567	4,889,906	4,082,890
Finished goods				
Opening stock	1,145,407	898,896	1,124,756	1,108,073
Closing stock	(1,397,662)	(1,271,977)	(1,397,662)	(1,271,977)
	(252,255)	(373,081)	(272,906)	(163,904)
	9,157,644	7,404,486	4,617,000	3,918,986

11. OTHER OPERATING EXPENSES

Workers' profit participation fund	72,291	28,852	28,216	7,304
Workers' welfare fund	27,415	10,906	10,722	2,776
Provision for doubtful debts	80,458	-	53,458	-
Amortization of deferred cost	-	158	-	-
Donation (Note 11.1)	1,500	575	-	499
	181,664	40,491	92,396	10,579

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

12. EARNINGS PER SHARE - BASIC AND DILUTED

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

13. 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)			
HALF YEAR ENDED		QUARTER ENDED	
31 December 2008	31 December 2007	31 December 2008	31 December 2007

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

Associated companies

Purchase of goods and services	54,347	90,700	39,914	48,908
Sale of goods and services	293,002	64,923	141,424	40,071
Purchase of operating fixed assets	670	19,060	-	19,060
Sale of operating fixed assets	1,683	-	-	-
Dividend income	15,384	148,452	15,384	134,817
Dividend paid	52,564	52,564	52,564	52,564
Insurance premium paid	26,678	23,219	9,417	6,929
Insurance claims received	9,768	1,164	9,525	484

Other related parties

Dividend income	255,376	191,931	127,688	96,369
Group's contribution to provident fund trust	29,061	24,973	15,129	13,093
Remuneration paid to Chief Executive Officer, Directors and Executives of the Holding Company	44,978	32,831	24,337	21,432
Sale of operating fixed assets	1,100	-	522	-
Profit on saving account	1	-	-	-

14. AUTHORIZED FOR ISSUE

This interim condensed consolidated financial information was approved by the Board of Directors and authorized for issue on February 02, 2009.

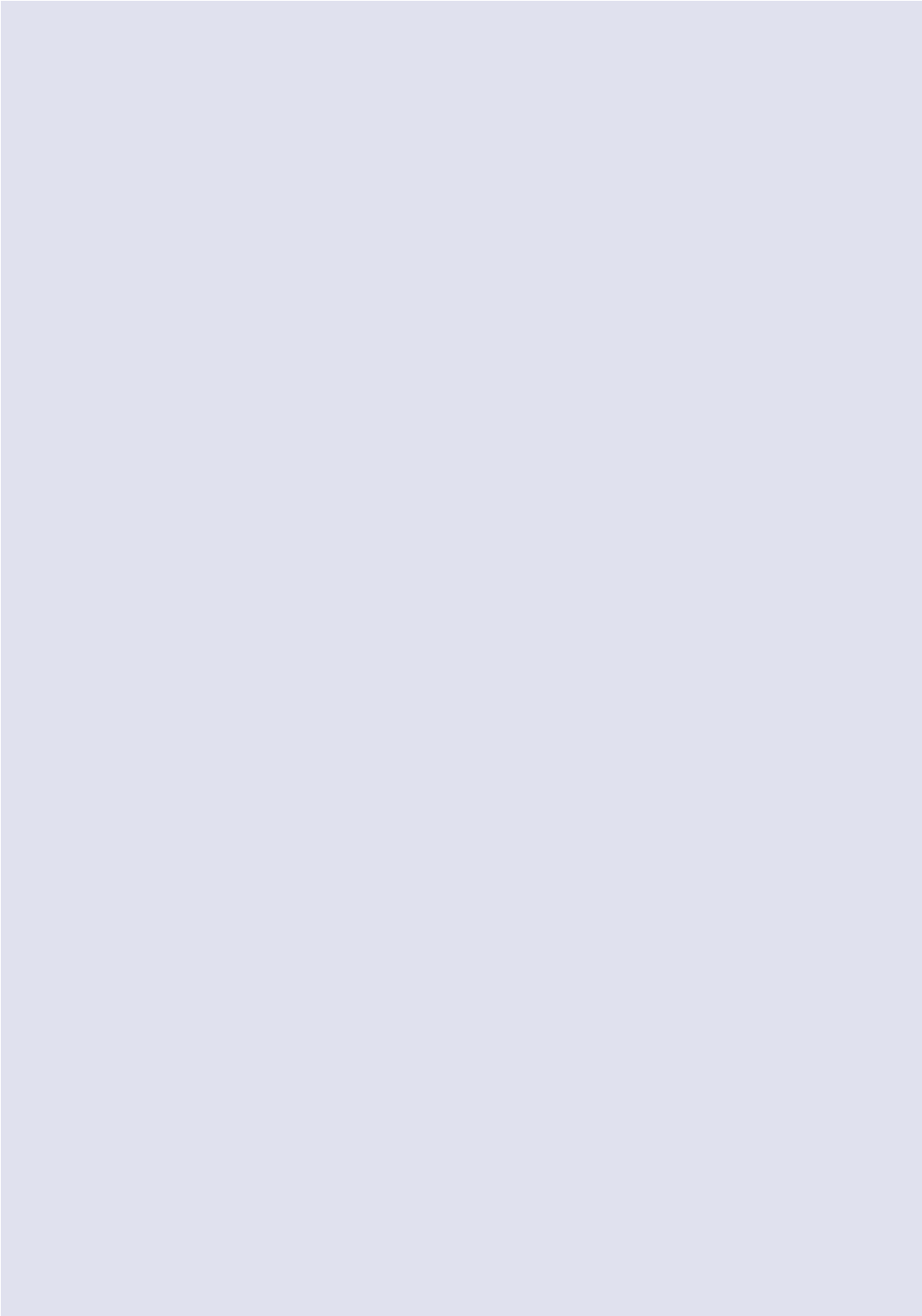
15. CORRESPONDING FIGURES

15.1 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 3.1.

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

CHIEF EXECUTIVE OFFICER

DIRECTOR



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