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COMPANY INFORMATION

BOARD OF DIRECTORS:

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

AUDIT COMMITTEE:

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

COMPANY SECRETARY:

Mr. Khalid Mahmood Chohan

AUDITORS:

Riaz Ahmad & Company	Chartered Accountants
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LEGAL ADVISOR:

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

BANKERS TO THE COMPANY:

ABN AMRO Bank	KASB Bank Limited
Albaraka Islamic Bank B.S.C (E.C)	Meezan Bank Limited
Allied Bank of Pakistan Limited	National Bank of Pakistan
American Express Bank	NDLC-IFIC Bank Limited
Askari Commercial Bank Limited	PICIC Commercial Bank Limited
Bank Alfalah Limited	Standard Chartered Grindlays
Citibank N.A.	The Bank of Punjab
Crescent Commercial Bank Limited	The Hong Kong & Shangai
Deutsche Bank	Banking Corporation Limited
Faysal Bank Limited	Union Bank Limited
Habib Bank Limited	United Bank Limited
Habib Bank A.G. Zurich	

MILLS:

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

REGISTERED OFFICE & SHARES DEPARTMENT:

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

HEAD OFFICE:

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

LIAISON OFFICE:

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

DIRECTORS' REPORT

Operating Results

We are pleased to present Un-Audited Financial statements for the quarter ended September 30, 2005. The company has earned an after tax profit of Rs 320.140 million as compared to Rs 299.731 million in the corresponding quarter ending September 30, 2004, resulting in net increase of 6.81 %. This increase in profitability is mainly due to increase in sales by 4.01 % and drastic decrease in local cotton rates (2005: Rs 2,139/maund, 2004: Rs 2,822/maund) and imported cotton rates (2005: Rs 3,296/maund, 2004: Rs 3,501/maund), despite decrease in other income by Rs. 143.002 million and increase in financial cost of the Company by Rs 52.410 million .

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

	Quarter Ended		% age
	Sep 30, 2005	Sep 30, 2004	Inc./ (Dec.)
Net Sales ('000' Rs)	4,009,124	3,854,622	4.01
Gross Profit ('000' Rs)	743,822	534,517	39.16
Pre-tax Profit ('000' Rs)	373,054	340,380	9.60
After Tax Profit ('000' Rs)	320,140	299,731	6.81
Gross Profit (%)	18.55	13.87	
After Tax Profit (%)	7.99	7.78	
Earning Per Share (Rs)	2.20	2.06	

Market Review & Future Prospects

Spinning

In the first quarter of 2005-2006, cotton prices remained stable and trading was between Rs. 2,100/maund to Rs. 2,250/maund. One of the reasons for this consistency is low buying pressure from spinners as many of them were covered already. In addition, TCP has played vital role in stabilizing prices in order to safeguard interest of growers. Now, all the eyes are focused on new crop and it is expected to have production between 14 to 15 million bales this year. In Nishat, we have started buying new crop for whole next year and by the end of second quarter, we will be in a position to fulfill all our requirements.

Demand for cotton yarn from all over the world remained under pressure but no major change in prices was observed. In Far East especially, demand for combed counts superseded the requirements of coarser counts. European markets showed decreasing trend in 100% cotton yarn due to factors like low price of Chinese finished goods which cost lower as compared to finished items being produced in Europe with imported raw material. Euro has already lost ground against Dollar and many knitters and weavers around the region were forced to close down. However, Nishat's major markets for cotton yarn remained Far East and some areas of North America this quarter.

Our sale quantities have increased to 7,644,151 Kgs as compared to sale quantities of 6,789,692 Kgs of corresponding quarter ending September 30, 2004. However, average sale rates dropped by Rs. 12.18/Kg from 150.64/kg to Rs. 138.46/Kg in current quarter thus recording a decrease of 8.09%.

Weaving

Markets remained relatively slow during the first two months of the new quarter but showed some signs of recovery near the end of the first quarter amid speculation of a bullish yarn market. Our sale quantities decreased by 18.06% to 13,109,262 meters in current quarter and unlike quantities there can be seen an increasing trend in sale rates which increased from 72.32/mtr to 80.67/mtr as compared to the corresponding quarter.

Grey fabrics exporters were hurt by the sudden changes in the import export policy. Duty drawbacks were taken away from the polyester cotton blended fabrics resulting in tremendous set-back to the work wear producers. Oil prices remained bullish and made it even more difficult for the manufacturer to retain this business. Inclement weather in America and political turmoil in Middle East made the oil prices extremely bullish.

Export and local grey sales improved in this quarter- new prospective customers were targeted and break through was made in the European and also in the near eastern markets. We started business in Morocco, Malaysia and consolidated on the existing business in Europe and the Far East. Nicaragua was one market where our business had slowed down - weaving section was able to get the business back on track during this quarter by targeting this area aggressively. In Europe the weaving section was able to expand its business in the industrial fabrics especially Germany and United Kingdom.

In line with Nishat's continuous policy of up gradation and innovation - weaving section is planning to replace the old airjets at Sheikhpura with the latest machines - this will help to enhance the product mix and subsequent profitability. The plan is to replace these old airjet looms by the beginning of 2006. Looms will also have doobby attachments to give the weaving more flexibility.

Production of 30 new wider width looms started in this quarter and weaving section was able to start business in Italy, Mexico and Brazil. Product mix is still under development stage. Another batch of 42 looms is expected to be added to this unit by the end of 2005- beginning of 2006. The main target of this wider width unit will be to support the wider width dyeing plant. However export market will also be developed side by side.

Processing, Dyeing and Stitching

The first quarter July – September of fiscal year 2005 - 2006 had been very triumphant for our Home Textile and Apparel division. The sales and contribution margin figures showed substantial increase as compared to the previous corresponding quarter. There is an increase of 12.57% in sale quantities (2005: 14,776,101 meters, 2004: 13,126,092 meter). Moreover, sale rates showed an increase of 2.50% (2005: 119.61/meter, 2004: 116.69 meter).

Due to aggressive marketing, immense development of new products (including new finishes) and better services, customer base was significantly improved. The products performed more than expected and the marketing strategy "sell to high end customers with more buying power, which will demand better products and eventually will pay better prices" paid a major roll to achieve better results.

We are looking forward to carry on this successful trend during the whole fiscal year 2005-2006. Furthermore, due to the increase in customer base, sales volumes and better margins, we have started actively working to enhance the production capacities by another one million meters per month. This will make us the largest dedicated apparel dyeing house in Pakistan as compared to all other local competitors.

Our new dyeing plant for Home Textiles having wider width thermosole dyeing machine has started trial production. This plant will help in improving quality and reduction of operational costs. This plant is specially geared to do bleaching and dyeing of delicate and high density fabric up to 126 inches. Sophisticated machinery and energy efficient processes are the hallmark of this plant.

Acknowledgement

The Directors have placed, on record, their appreciation for efforts put in by the executives, staff members and the workers of the company.

For and on behalf of the Board

Chief Executive / Chairperson

Lahore:

October 26, 2005

BALANCE SHEET
AS AT 30 SEPTEMBER 2005
(UN-AUDITED)

	Note	Unaudited 30 September 2005 (Rupees in thousand)	Audited 30 June 2005
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 178,470,000 (2005: 178,470,000) ordinary shares of Rupees 10 each		<u>1,784,700</u>	<u>1,784,700</u>
Issued, subscribed and paid up share capital 145,259,743 (2005: 145,259,743) fully paid ordinary shares of Rupees 10 each	4	<u>1,452,597</u>	1,452,597
Reserves		<u>13,398,402</u>	10,468,761
		14,850,999	11,921,358
NON-CURRENT LIABILITIES			
Long term finances	5	2,340,156	2,796,512
Liabilities against assets subject to finance lease		54,801	61,643
		2,394,957	2,858,155
CURRENT LIABILITIES			
Trade and other payables		946,233	812,216
Accrued markup		57,906	88,449
Short term finances		3,959,631	4,284,815
Current portion of long term liabilities		721,426	711,164
Provision for taxation		409,603	356,689
		6,094,799	6,253,333
CONTINGENCIES AND COMMITMENTS			
	6	-	-
		<u>23,340,755</u>	<u>21,032,846</u>

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

CHIEF EXECUTIVE OFFICER

	Note	Unaudited 30 September 2005 (Rupees in thousand)	Audited 30 June 2005
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	9,562,333	9,151,096
Long term investments		6,031,817	4,113,421
Long term loans		5,527	4,890
Long term deposits, prepayments and deferred cost		11,495	12,022
		15,611,172	13,281,429
CURRENT ASSETS			
Stores, spare parts and loose tools		409,444	424,827
Stock-in-trade		2,360,473	2,897,392
Trade debts		814,108	877,358
Short term Investments		3,041,657	2,173,530
Loans and advances		590,595	429,533
Short term deposits and prepayments		35,303	39,180
Other receivables		414,734	388,598
Cash and bank balances		63,269	520,999
		7,729,583	7,751,417
		23,340,755	21,032,846

DIRECTOR / CHIEF FINANCIAL OFFICER

PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED 30 SEPTEMBER 2005
(UN-AUDITED)

	Note	Quarter Ended	
		30 September 2005	30 September 2004
		(Rupees in thousand)	
SALES		4,009,124	3,854,622
COST OF GOODS SOLD	8	3,265,302	3,320,105
GROSS PROFIT		743,822	534,517
DISTRIBUTION AND SELLING COST		159,442	186,326
ADMINISTRATIVE AND GENERAL EXPENSES		64,666	57,492
		224,108	243,818
OPERATING PROFIT		519,714	290,699
OTHER INCOME		30,721	173,723
		550,435	464,422
FINANCIAL AND OTHER CHARGES		158,537	106,127
WORKERS' PROFIT PARTICIPATION FUND	9	18,844	17,915
		177,381	124,042
PROFIT BEFORE TAXATION		373,054	340,380
PROVISION FOR TAXATION		52,914	40,649
PROFIT AFTER TAXATION		320,140	299,731
EARNINGS PER SHARE (RUPEES)		2.20	2.06

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

CHIEF EXECUTIVE OFFICER

DIRECTOR / CHIEF FINANCIAL OFFICER

CASH FLOW STATEMENT
FOR THE QUARTER ENDED 30 SEPTEMBER 2005
(UN-AUDITED)

	Quarter Ended	
	30 September 2005	30 September 2004
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	373,054	340,380
Adjustments for non cash charges and other items.		
Depreciation	196,441	209,572
Gain on disposal of fixed assets	(2,348)	(7,196)
Gain on sale of investment	(15,035)	(147,802)
Amortization of deferred cost	603	37,636
Finance costs	158,537	106,127
CASH FLOW FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES	711,252	538,717
CASH FLOW FROM WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	15,383	(32,392)
Stock-in-trade	536,919	525,256
Trade debts	63,250	(591,186)
Loans and advances	(113,166)	45,041
Short term deposits and prepayments	3,347	19,370
Other receivables	(26,136)	175,468
Increase / (decrease) in current liabilities		
Trade and other payables	134,448	28,156
Short term finances	(325,184)	(383,887)
NET CASH GENERATED FROM/ (USED IN) WORKING CAPITAL CHANGES	288,861	(214,174)
CASH GENERATED FROM OPERATING ACTIVITIES	1,000,113	324,543
Finance costs paid	(189,080)	(152,012)
Income tax paid	(48,588)	(20,185)
NET CASH GENERATED FROM OPERATING ACTIVITIES	762,445	152,346
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term loans	55	621
Long term deposits, prepayments and deferred cost	454	(22,447)
Proceeds from disposal of operating fixed assets	5,970	31,412
Proceeds from sale of equity investment	16,808	203,232
Investment made	(178,795)	(15,744)
Fixed capital expenditure	(611,300)	(445,449)
NET CASH USED IN INVESTING ACTIVITIES	(766,808)	(248,375)

Quarter Ended
30 September 2005 **30 September**
2004
(Rupees in thousand)

CASH FLOWS FROM FINANCING ACTIVITIES

Long term finances	-	500,000
Repayment of long term finances	(436,538)	(294,991)
Repayment of finance lease liabilities	(16,398)	(11,438)
Dividend paid	(431)	(244)
NET CASH (USED IN)/ GENERATED FROM FINANCING ACTIVITIES	(453,367)	193,327
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(457,730)	97,298
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	520,999	518,084
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	63,269	615,382

CHIEF EXECUTIVE OFFICER

DIRECTOR / CHIEF FINANCIAL OFFICER

STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 2005 (UN-AUDITED)

	(Rupees in thousand)					
	Share capital	Premium on issue of right shares	Fair value reserve	General reserve	Unappropriated profit	Shareholders equity
Balance as on 30 June 2004	1,224,788	1,027,622	1,884,788	3,312,518	451,336	7,901,052
Fair value deficit	-	-	(104,465)	-	-	(104,465)
Net profit for the quarter ended 30 September 2004	-	-	-	-	299,731	299,731
Proposed dividend	-	-	-	-	(244,958)	(244,958)
Transfer to general reserve	-	-	-	506,000	(506,000)	-
Balance as on 30 September 2004	1,224,788	1,027,622	1,780,303	3,818,518	109	7,851,340
Effect of change in accounting policy	-	-	-	-	244,958	244,958
Effect of scheme of arrangement for merger with Umer Fabrics Limited as approved by honourable High Court, Lahore	227,809	-	675,150	500,510	2,377	1,405,846
Balance as on 30 September 2004- restated	1,452,597	1,027,622	2,455,453	4,319,028	247,444	9,502,144
Dividend @ Rs 2 per share	-	-	-	-	(244,958)	(244,958)
Fair value gain adjusted on sale of investment	-	-	(316,394)	-	-	(316,394)
Fair value gain for the period	-	-	1,475,101	-	-	1,475,101
Profit for the period	-	-	-	-	1,505,465	1,505,465
Transfer to general reserve	-	-	-	1,142,000	(1,142,000)	-
Balance as on 30 June 2005	1,452,597	1,027,622	3,614,160	5,461,028	365,951	11,921,358
Fair value gain adjusted on sale of investment	-	-	(12,492)	-	-	(12,492)
Fair value gain for the quarter	-	-	2,621,993	-	-	2,621,993
Net profit for the quarter ended 30 September 2005	-	-	-	-	320,140	320,140
Balance as on 30 September 2005	1,452,597	1,027,622	6,223,661	5,461,028	686,091	14,850,999

Proposed dividend

Rupees Nil (June 2005; Rupees 2.50) per share

(Rupees in thousand)

Sep-05	Jun-05
-	363,149

CHIEF EXECUTIVE OFFICER

DIRECTOR / CHIEF FINANCIAL OFFICER

NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2005
(UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

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

2. ACCOUNTING POLICIES

Accounting policies adopted for the preparation of these accounts are consistent with those applied in the preparation of the latest preceding annual published accounts.

3. These financial statements are unaudited, being submitted to shareholders as required u/s 245 of Companies Ordinance, 1984 and have been prepared in accordance with the International Accounting Standard No.34 ; "Interim Financial Reporting" as applicable in Pakistan, in accordance with notification issued by Securities and Exchange Commission of Pakistan.

30 September 2005	30 June 2005
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(Rupees in thousand)

4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

67,762,264 (June 2005: 67,762,264) ordinary shares of Rupees 10 each fully paid up in cash	677,623	677,623
37,252,280 (June 2005: 37,252,280) fully paid ordinary shares of Rupees 10 each issued for consideration other than cash	372,522	372,522
40,245,199 (June 2005: 40,245,199) ordinary shares of Rupees 10 each issued as fully paid bonus shares	402,452	402,452
	1,452,597	1,452,597

- 4.1 19,094,024 (June 2005: 18,324,901) shares of the company are held by the associated undertakings.

5. LONG TERM FINANCES

Opening balance	3,466,155	3,392,278
Add: Disbursement during the period	-	700,000
	3,466,155	4,092,278
Less: Repayment during the period	436,538	626,123
	3,029,617	3,466,155
Less: Current portion shown under current liabilities	689,461	669,643
	2,340,156	2,796,512

6. CONTINGENCIES AND COMMITMENTS

Contingencies

- i) The company is contingently liable for Rupees 61,891 thousand (June 2005: Rupees 61,891 thousand) on account of central excise duty not acknowledged as debt as the cases are pending before court.
- ii) Guarantees of Rupees 229,005 thousand (June 2005: Rupees 235,051 thousand) have been given by the banks of the Company to Sui Northern Gas Pipelines Company Limited against gas connections, Shell Pakistan Limited against purchase of furnace oil and collector of customs.

Commitments

- i) Contracts for capital expenditure are approximately amounting to Rupees 706,501 thousand (June 2005: Rupees 664,662 thousand).
- ii) Letters of credit other than for capital expenditure are amounting to Rupees 152,227 thousand (June 2005: Rupees 77,875 thousand).

30 September **30 June**
2005 **2005**
(Rupees in thousand)

7. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (Note 7.1)	7,991,529	7,926,838
Assets subject to finance lease	118,887	160,070
Capital work-in-progress	1,451,917	1,064,188
	9,562,333	9,151,096

7.1 OPERATING FIXED ASSETS

Opening written down value	7,926,838	7,631,620
Add: Additions during the period	261,706	1,100,896
	8,188,544	8,732,516
Less: Disposals during the period	3,622	211,368
	8,184,922	8,521,148
Less: Depreciation charged for the period	193,393	594,310
	7,991,529	7,926,838

	Quarter ended	
	30 September 2005	30 September 2004
(Rupees in thousand)		
8. COST OF GOODS SOLD		
Raw material consumed	1,054,041	1,266,229
Cloth and yarn consumed	1,087,149	910,872
Processing charges	42,368	379
Salaries, wages and other benefits	230,457	194,925
Staff retirement benefits	7,080	5,922
Stores, spare parts and loose tools	303,183	278,972
Packing material consumed	79,702	67,454
Repair and maintenance	18,423	32,193
Fuel and power	261,859	244,240
Insurance	5,304	4,058
Other factory overheads	34,326	30,895
Depreciation and amortization	188,314	207,886
	3,312,206	3,244,025
Work-in-process:		
Opening stock	877,560	856,299
Closing stock	(889,695)	(862,971)
	(12,135)	(6,672)
Cost of goods manufactured	3,300,071	3,237,353
Finished goods:		
Opening stock	826,365	1,037,071
Closing stock	(861,134)	(954,319)
	(34,769)	82,752
	3,265,302	3,320,105

9. WORKERS' PROFIT PARTICIPATION FUND

No provision for Workers' Profit Participation Fund has been made against profit on sale of equity investment amounting to Rupees 15,035 thousand in the light of an opinion given by the legal adviser.

Quarter ended
30 September 30 September
2005 2004
(Rupees in thousand)

10. TRANSACTIONS WITH RELATED PARTIES

Purchase of goods and services	14,496	17,969
Sale of goods	11,241	20,175
Sale of fixed assets	-	347
Dividend income	-	856

11. AUTHORIZATION FOR ISSUE

These financial statements were approved by Board of Directors and authorized for issue on 26 October, 2005.

12. CORRESPONDING FIGURES

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

13. Figures have been rounded off to nearest thousand rupees.

CHIEF EXECUTIVE OFFICER

DIRECTOR / CHIEF FINANCIAL OFFICER