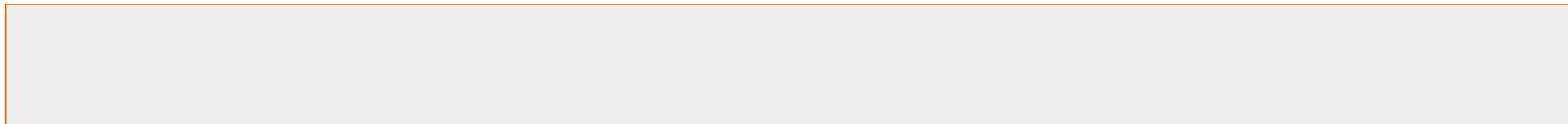

For business information, annual reports, laws, ordinances, regulations and articles.



Web Paksearch.com

MAHMOOD TEXTILE MILLS LTD.

Annual Reports 2003

Vision

be recognized internationally and locally as dynamic, quality conscious and ever progressive, Yarn/Grey Cloth manufacturing Industry.

Mission

Mahmood(Textile MillsLimited)is committed to:
Be ethical in its practices.
Excel through continuous improvement by adopting most modernized technology introduction.
Operate through professional Teamwork
Retain our position as leading and innovative Textile Industry.
Achieve "Excellence in the Quality of our product.
Be apart of country's development and economic Prosperity.

Moto

Honesty.
Fair Dealing,
Buyer Satisfaction,
Reliability.

CONTENTS

MAHMOOD TEXTILE MILLS LTD.

- Company's information
- Notice of Meeting
- Directors' Report
- Yearwise Statistical summary
- Statement of Compliance of corporate governance
- Auditors' Review Report on Statement of Compliance of corporate governance
- Auditors' Report
- Balance Sheet
- Profits Loss Account
- Cash Flow Statement
- Statement of Changes in Equity
- Notes to the Accounts
- Pattern of Share Holding
- Form of Proxy

MAHMOOD TEXTILE MILLS LTD.
(Consolidated Accounts)
Company's information
Auditors' Report
Balance Sheet
Profits Loss Account
Cash Flow Statement
Statement of Changes in Equity
Notes to the Accounts

MAHMOOD POWER GENERATION LTD.
(Subsidiary Company)
Company's information
Notice of Meeting
Directors' Report
Auditors' Report
Balance Sheet
Profits Loss Account
Cash Flow Statement
Notes to the Accounts

COMPANY INFORMATION

BOARD OF DIRECTORS:

Chairman KHAWAJA MUHAMMAD MASOOD
Chief Executive KHAWAJA MUHAMMAD IQBAL
Directors KHAWAJA MUHAMMAD ILYAS
KHAWAJA MUHAMMAD YOUNUS
JALAL-UD-DIN ROOMI
MRS. MEHRFATIMA
MUHAMMAD MUZAFAR IQBAL

Company Secretary : GHULAMMOHAYUDDIN

Chief Financial Officer: MUHAMMAD AMIN PAL
A.C.A.

Auditors : HAMEED CHAUDHRI & CO.
Chartered Accountants
7-Bank Square, Lahore.

Bankers : MUSLIM COMMERCIAL BANK LTD.
UNITED BANK LIMITED
HABIB BANK LIMITED

Registered Office : MEHR MANZIL, LOHARI GATE, MULTAN.
Tel.:061-111-181-181 Fax:511262
E-mail: info@mahmoodgroup.com
mtm@mul.paknet.com. pk
URL : www.mahmoodgroup.com

Mills: MAHMOODABAD, MULTAN ROAD,
MUZAFFARGARH.
MASOODABAD, D.G.KHAN ROAD,
MUZAFFARGARH.

NOTICE OF MEETING

Notice is hereby given that 33rd Annual General Meeting of the Company will be held on Saturday, 31st January, 2004 at 10:00 A.M., at its Registered Office, MehrManzil, LohariGate, Multan to transact the following business:-

1. To confirm the Minutes of 32nd Annual General Meeting held on 31st March, 2003.

2. To receive, consider and adopt the Audited Accounts for the year ended 30th September, 2003 together with Director's and Auditor's Reports thereon.
3. To approve payment of Cash Dividend @ 40% (Rs. 4.00 Per Ordinary Share of Rs. 10/- each) for the year ended 30th September, 2003 as recommended by the Board of Directors.
4. To appoint Auditors for the year 2003-2004 and to fix their remuneration. The present Auditors M/s. Hameed Chaudhri & Company, Chartered Accountants are retiring as per conditions laid down by the Code of Corporate Governance. The Audit Committee and Board have recommended the Appointment of M/S. M. Yousaf Adil Saleem & Company, Chartered Accountants in place of retiring Auditors.
5. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD OF DIRECTORS.

Sd/-
(GHULAM MOHAYUDDIN)

COMPANY SECRETARY

MULTAN

Dated: 5th January, 2004.

Notes:-

i) The Share Transfer Books of the Company will remain closed from 20th January to

31st January 2004 (both days inclusive).

ii) A Member entitled to attend and vote at the meeting may appoint another member of the

Company as a proxy to attend and vote instead of him/her. Proxy form duly completed should reach the Registered office of the Company at least 48 hours before the time of the Meeting.

iii) Members are requested to notify immediately any change in their addresses.

DIRECTORS' REPORT TO THE SHAREHOLDERS

IN THE NAME OF ALLAH, THE MOST BENEFICENT, THE MOST MERCIFUL

Your Directors take pleasures in presenting you 33rd Annual Report of the Company together with audited accounts for the year ended 30th September 2003.

The operating results along with the appropriations are summarized as under-

	2003	2002
	Rupees	Rupees
Profit after taxation.	192,990,070	123,652,770
Un-appropriated profit B/F	883,494,820	784,777,030
Profit available for appropriation.	1,076,484,890	908,429,800
Proposed dividend @ 40% (2002@ 25%)	39,895,956	24,934,980
Un-appropriate profit- carried to Balance Sheet	1,036,588,934	883,494,820
Earnings per share.	19.35	12.4

The year under report witnessed different favourable and unfavourable challenges at local and international level. Incidence 9/11, US Iraq war and out break of SARS adversely effected on the international market. Continuous weakening of US \$ parity vs Pak rupees also badly effected on export proceeds but the Management of Company made efforts to continue exports. A good profit of Rs. 192.990 (M) was earned by the company as compared to Rs. 123.653 (M) last year.

Keeping in view, unfavourable international situation, the management changed its market strategy and penetrated into local market. Local sales were, therefore, increased to Rs. 564.176 (M) as compared to Rs. 318.157 (M) last year. The sale not only achieved good results but also the selling expenses were drastically reduced to Rs. 89.978 (M) as compared to Rs. 128.580 (M) incurred last year.

One of the reason of achievement was reduction in mark up rates. In addition, Treasury Bills and discount rates were also reduced by State Bank of Pakistan. The management negotiated with the concerned banks and suitable mark up rates were decided with them. Financial charges were, therefore, decreased from Rs. 85.332 (M) to Rs. 50.075 (M) during current year.

Obviously there was significant improvement in the operating results of the company and net profit increased by 56% during reporting year.

The detail of export and local sales made during the year under report is given below:

		2003	2002
1)	Export Sales (yarn and cloth)	2,628,269,965	2,750,306,985
2)	Local sales (yarn and cloth)	555,544,482	319,231,460
		3,183,814,447	3,069,538,445

The increase in sale was mainly due to increase in production as compared to last year.

The detail of yarn and cloth produced during the year under review is given below:-

		2003	2002
i)	Yarn: Actual production converted into 20/s count Kgs.	24,183,109	23,654,727
ii)	Grey cloth: Actual production converted into 60 picks. Sq. Meters	20,902,088	20,587,672

Production of yarn and fabrics was increased due to good efficiency and optimal utilization of plant capacity.

Dividend.

The company is steadily following good payout policy for the shareholders. In view of good financial results of the company, the Board of Directors of the company have pleasure to propose handsome cash dividend @ 40% for the current year.

Future outlook.

Survival of textile industry depends upon the availability of good quality cotton at competitive rates. Cotton season for the next period of 2003-2004 is presenting bleak situation. Due to seasonal and cyclical circumstances of cotton production and quality conscious policy of the company, each year cotton is purchased in early cotton season i.e., October, November & December. Prices of cotton during the early season remained too high. Prices of imported cotton jumped to alarming rate to 85 cents per Lb. while in the local market it was traded @ Rs.3,600/- per maund. Later on by the end of December, 2003 international prices drastically dropped to 72 cent per Lb. and local cotton to Rs.3100/- per maund.

The performance of the units who purchased good cotton comparatively at higher rates will obviously be effected. On the other hand, the prices of yarn/fabrics were not fetching good rates in the international market as compared with the input cost of cotton as well as other overhead expenses. If the same trend continues, good results cannot be expected in next year. Moreover, unjustified imposition of anti-dumping duty by European Union on textile products of Pakistan and continuous depreciation of US \$ will further aggravate the situation.

W.T.O. CHALLENGE.

W.T.O. challenge is great threat to the local industry. The company is aware about the situation and planning to face competition at global scale by improving quality of products with latest technology, adopting aggressive marketing strategy backed with prompt service to customers. In addition, team work of highly experienced and professional personnel will yield financial and other resources at optimum level.

It is also urged that Government should take appropriate measures by providing good infra-structure, competitive utilities, cost effective import and export policies and other assistance to enable local industry that can compete international barrier free trade. The Government policy can play vital role to compete new era of world trade.

CORPORATE GOVERNENCE.

The various information and statements as required by the Code are given below:

- Financial statement, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper Books of accounts of the Company have been maintained.

- c) Appropriate accounting policies have been consistently applied in preparation of financial statements except for change in accounting policy as stated in note 2.18 to the accounts.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. The process of review will continue and any weaknesses in controls will be removed.
- f) The Company is confident to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) Key financial data for last six years is annexed.
- i) There are no outstanding statutory payments due on account of taxes, duties, levies and charges except of those discussed in the financial statements.
- j) During the year, there is no trade reported in the shares of the company, carried out by Directors, CEO, CFO, Company Secretary and their spouses and minor children.
- k) Audit committee was established last year and is working satisfactorily.

Board's Meeting

During the year under report four meetings of the Board of Directors were held and attendance of meeting was as follows:-

		Attended
1	Khawaja Muhammad Masood	4
2	Khawaja Muhammad Iqbal	4
3	Mr. Muhammad Ilyas	4
4	Muhammad Muzaffar Iqbal	4
5	Mr. Muhammad Younus	4
6	Muhammad Jalaluddin Roomi	4
7	Mst. Mehr Fatima	4

Pattern

Pattern of share holding is annexed and details have been submitted according to the requirement of Code of Corporate Governance and section 236 of the companies ordinance 1984.

Auditors.

As per condition laid down in the Code of Corporate Governance, an Auditor cannot continue for a period of more than five years in an organisation. As the tenure of existing Auditors M/S Hameed Chaudhri & Company, Chartered Accountants has been completed, they cannot further continue.

The Management is pleased to place on record; the nice services rendered by M/S Hameed Chaudhri & Company during their long stay with us.

M/S Yousuf Adil Saleem & Company Chartered Accountants have given their consent for appointment as Auditor of the company for the year ending 30.09.2004. Their name has been recommended by the Audit Committee and the Board of Directors for appointment as auditors of the company for the next year.

Compliance with the Code of Corporate Governance.

The requirements of the Code of Corporate Governance set out by the Karachi Stock in its listing Rules, relevant for the year ended 30th September 2003, have been duly complied with. A statement to that effect is annexed with the report.

Acknowledgment.

Your Directors would like to thank the workers, staff and officers of your Company for their efficient work and dedication and hope that with their wholehearted support better results will be achieved during the next year.

Forand on behalf of the Board.

Sd/-

KHAWAJA MUHAMMAD MASOOD.
CHAIRMAN

Multan:

Dated: 31 December, 2003.

YEAR WISE STATISTICAL SUMMARY

	2003	2002	2001	2000	RS. IN MILLION	
					1999	1998
ASSETS :						
Fixed Assets	728	729	807	747	597	650
Investment and Long term advances & deposits	148	111	123	98	107	116
Current assets	595	552	564	658	442	579
Total assets	1,471	1,392	1,494	1,503	1,146	1,345
FINANCED BY:						
Equity	1,136	983	885	816	563	550
Long term liability	68	143	227	201	95	175
Deferred liabilities	19	16	15	16	3	3
Current liabilities	248	251	369	470	495	647
Total Funds Invest	1,471	1,393	1,496	1,503	1,156	1,375
TURNOVER AND PROFIT:						
Turnover- net	3,173	3,037	3,325	2,636	2,621	2,310
Operation profit	276	238	267	545	273	294
Profit before taxati	222	154	168	457	170	173
Profit after taxation	193	124	115	421	151	151
Dividends	40%	25%	47%	169%	107%	23%
Profit/f	1,037	883	785	716	464	420

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance Contained in Listing Regulation No. 37 of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner-

1. The Company encourages representation of independent non-executive directors. At present there is no independent new executive director in the Board.
2. The directors have confirmed that none of them is serving as a director in more than ten listed Companies including this Company.
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, aDF1 or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancies were occurred in the Board during the year.
5. The Company has prepared a "Statement of Ethics and Business Practices" which has been signed by all the directors and employees of the Company.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The meeting of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. There were no new appointments of CFO Company Secretary or head of internal Audit Department during the year.
10. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and if fully describes the salient matters required to be.
11. The financial statement of the Company were duly endorsed by the CEO and the CFO before approval by the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of share-holding.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee, which comprises of 3 members.
15. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formulated and advised to the Committee for compliance.
16. The Board has set-up an effective internal audit function.
17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
19. We confirm that all other material principles contained in the Code have been complied.

For and on behalf of the Board of Directors.

Sd/-
KHAWAJA MUHAMMAD MASOOD.

CHAIRMAN

Multan:

Dated: 31 December, 2003.

Review report to the members on statement of compliance with
Best practices of code of corporate governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of MAHMOOD TEXTILE MILLS LIMITED to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does

not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Sd/-

HAMEED CHAUDHRI & CO.,

LAHORE;

CHARTERED ACCOUNTANTS.

Date: 31 December, 2003

AUDITORS' REPORT TO THE MEMBERS OF
MAHMOOD TEXTILE MILLS LIMITED

We have audited the annexed balance sheet of MAHMOOD TEXTILE MILLS LIMITED as at 30 September, 2003 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 2.18 with which we concur;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September, 2003 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Sd/-

LAHORE;

HAMEED CHAUDHRI & CO.,

Dated: 31 December, 2003.

CHARTERED ACCOUNTANTS.

BALANCE SHEET AS AT

	Note	2003 Rupees	2002 Rupees
CAPITAL AND RESERVES			
Authorised capital		150,000,000	150,000,000

Issued, subscribed and paid-up capital	3	99,739,890	99,739,890
Unappropriated profit		1,036,588,934	883,494,820
		1,136,328,824	983,234,710
LONG TERM LOANS AND FINANCES	4	66,341,447	138,823,808
SUPPLIERS' CREDITS	5	0	2,585,976
IQRASURCHARGE PAYABLE	6	1,713,574	1,713,574
STAFF RETIREMENT BENEFITS -GRATUITY	2.3	18,451,111	16,161,821
CURRENT LIABILITIES			
Current portion of long term liabilities	7	75,310,394	83,454,222
Short term finances	8	297,885	9,970
Creditors, accruals and other payables	9	130,515,086	134,373,037
Provision for taxation	10	1,745,999	5,732,950
Dividends	11	40,326,746	26,725,502
		248,196,110	250,295,681
CONTINGENCIESAND COMMITMENTS	12		
		1,471,031,066	1,392,815,570

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

	Note	2003 Rupees	2002 Rupees
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	13	708,267,837	726,293,731
Capital work-in-progress	14	19,626,598	2,886,625
		727,894,435	729,180,356
LONG TERM INVESTMENTS	15	146,806,000	106,806,000
LONG TERM DEPOSITS	16	1,644,030	4,389,181
CURRENT ASSETS			
Stores, spares and loose tools	17	55,484,417	53,040,054
Stock-in-trade	18	220,730,167	200,993,803
Trade debtors	19	48,589,001	45,139,823
Advances, deposits and other receivables	20	97,068,120	146,875,256
Cash and bank balances	21	172,814,896	106,391,097
		594,686,601	552,440,033
		1,471,031,066	1,392,815,570

Sd/-
(KH. MUHAMMAD IQBAL)
CHIEF EXECUTIVE

Sd/-
(KH. MUHAMMAD MASOOD)
CHAIRMAN

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER, 2003

	Note	2003 Rupees	2002 Rupees
SALES -Net	22	3,172,585,332	3,037,297,758
COST OF SALES	23	2,776,538,726	2,642,374,220
GROSS PROFIT		396,046,606	394,923,538
ADMINISTRATIVE AND SELLING EXPENSES	24	119,630,035	157,358,706
OPERATING PROFIT		276,416,571	237,564,832
OTHER INCOME	25	9,411,990	10,814,374
		285,828,561	248,379,206
FINANCIALCHARGES	26	50,075,475	85,332,752
MISCELLANEOUS CHARGES	27	2,412,928	1,190,122
WORKERS' (PROFIT) PARTICIPATION FUND	9.2	11,667,000	8,093,000
		64,155,403	94,615,874
PROFIT BEFORE TAXATION		221,673,158	153,763,332

PROVISION FOR TAXATION			
-Current year	10	39,000,000	38,000,000
-Prioryears		-10,316,912	-7,889,438
		28,683,088	30,110,562
PROFIT AFTER TAXATION		192,990,070	123,652,770
UNAPPROPRIATED PROFIT- Brought forward		883,494,820	784,777,030
PROFIT AVAILABLE FOR APPROPRIATION		1,076,484,890	908,429,800
APPROPRIATION:			
Proposed dividend - @ Rs.4.00 per share			
(2002: @ Rs.2.50 per share)		39,895,956	24,934,980
UNAPPROPRIATED PROFIT - Carried to Balance Sheet		1,036,588,934	883,494,820
EARNINGS PER SHARE	28	19.35	12.4

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

Sd/-	Sd/-	Sd/-	Sd/-
(MUHAMMADAMIN PAL)	(KH. MUHAMMAD KUNUSHAMMAD)	(KH. MUHAMMAD MASOOD)	
CHIEF FINANCIAL OFFICER	DIRECTOR	CHIEF EXECUTIVE	CHAIRMAN

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER, 2003

	Note	2003 Rupees	2002 Rupees
NET CASH INFLOW FROM OPERATING ACTIVITIES (note 'A')		342,869,257	218,290,662
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		-79,278,727	-13,192,350
Sale proceeds of fixed assets		865,000	11,410,000
Long term investments in an Associated Company		-40,000,000	0
Foreign currency fixed deposits encashed		11,050,310	18,891,790
Income on bank deposits received		5,442,395	6,008,407
NET CASH (OUTFLOW) /INFLOW FROM INVESTING ACTIVITIES		-101,921,022	23,117,847
CASH FLOW FROM FINANCING ACTIVITIES			
Long term loans and finances repaid		-72,486,480	-62,486,480
Suppliers' credits repaid		-11,269,577	-15,284,372
Short term finances - net		287,915	9,970
Dividends paid		-26,294,712	-45,914,428
Financial charges paid		-56,456,423	-84,591,736
NET CASH OUTFLOWFROM FINANCING ACTIVITIES		-166,219,277	-208,267,046
NET INCREASE IN CASH AND CASH EQUIVALENTS		74,728,958	33,141,463
CASH AND CASH EQUIVALENTS			
-At the beginning of the year		95,399,843	62,258,380
CASH AND CASH EQUIVALENTS (note 'B')			
-At the end of the year		170,128,801	95,399,843

-The annexed notes 'A' and 'B' form an integral part of this statement.

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

Sd/-	Sd/-	Sd/-	Sd/-
(MUHAMMADAMIN PAL)	(KH. MUHAMMAD KUNUSHAMMAD)	(KH. MUHAMMAD MASOOD)	
CHIEF FINANCIAL OFFICER	DIRECTOR	CHIEF EXECUTIVE	CHAIRMAN

NOTE 'A'

	Note	2003 Rupees	2002 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year -before taxation		221,673,158	153,763,332
Adjustments for:			
Depreciation		79,748,672	81,110,910
Staff retirement benefits - gratuity (net)		2,289,290	1,481,636
Gain on disposal of fixed assets		-49,024	-1,565,479
Income on deposits with banks		-1,528,418	-2,059,523
Financial charges		50,075,475	85,332,752
Exchange loss /(gain) on repayment/ translation of suppliers' credits		543,892	-815,120

Provision for obsolete stores and spares	2,361,428	0
CASH FLOW FROM OPERATING ACTIVITIES		
- Before working capital changes	355,114,473	317,248,508
(increase)Adecrease in current assets		
Stores, spares and loose tools	-4,805,791	-7,319,537
Stock-in-trade	-19,736,364	15,589,459
Trade debtors	-3,449,178	38,140,625
Advances, deposits and other receivables (excluding interest / profit on deposits with banks)	45,893,159	-73,455,600
Increase / (decrease) in creditors, accruals and other payables (excluding accrued financial charges)	2,522,997	-35,135,881
	20,424,823	-62,180,934
CASH INFLOW FROM OPERATING ACTIVITIES		
-Before taxation	375,539,296	255,067,574
Taxes paid	-32,670,039	-36,776,912
NET CASH INFLOW FROM OPERATING ACTIVITIES	342,869,257	218,290,662
NOTE'S		
CASH AND CASH EQUIVALENTS		
Cash-in-hand and balances with banks	172,814,896	106,391,097
Less: Current portion of long term foreign currency fixed deposits	2,686,095	10,991,254
	170,128,801	95,399,843

Sd/-	Sd/-	Sd/-	Sd/-
(MUHAMMAD AMIN PAL)	(KH. MUHAMMAD YOUNUS)	(KH. MUHAMMAD IQBAL)	(KH. MUHAMMAD MASOOD)
CHIEF FINANCIAL OFFICER	DIRECTOR	CHIEF EXECUTIVE	CHAIRMAN

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER, 2003

	Share Capital	Unappropriated profit	Total
		----- Rupees -----	
Balance as at 30 September, 2001	99,739,890	784,777,030	884,516,920
Profit after taxation for the year ended 30 September, 2002	0	123,652,770	123,652,770
Proposed dividend	0	-24,934,980	-24,934,980
Balance as at 30 September, 2002	99,739,890	883,494,820	983,234,710
Profit after taxation for the year ended 30 September, 2003	0	192,990,070	192,990,070
Proposed dividend	0	-39,895,956	-39,895,956
Balance as at 30 September, 2003	99,739,890	1,036,588,934	1,136,328,824

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

Sd/-	Sd/-	Sd/-	Sd/-
(MUHAMMAD AMIN PAL)	(KH. MUHAMMAD YOUNUS)	(KH. MUHAMMAD IQBAL)	(KH. MUHAMMAD MASOOD)
CHIEF FINANCIAL OFFICER	DIRECTOR	CHIEF EXECUTIVE	CHAIRMAN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER, 2003

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on 25 February, 1970 as a Public Company and its shares are quoted on Karachi Stock Exchange. The Company is principally engaged in manufacture and sale of yarn and grey cloth.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984.

Approved accounting standards comprise of such International Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984. Whereas the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for:

- modification of foreign currency translation adjustments as stated in note 2.4 and 2.6; and
- recognition of employee retirement benefits at present value.

2.3 Staff retirement benefits

The Company operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Provision for gratuity is made periodically / annually to cover obligation under the scheme in accordance with the actuarial recommendations.

Last actuarial valuation has been conducted on 30 September, 2003 on the basis of projected unit credit method by an independent Actuary. The projected unit credit method is based on the following significant assumptions:

	2003	2002
- Discount rate	8%	10%
- Expected rate of increase in salary	7%	9%
- Average expected remaining working life time of the employees	6 Years	5 Years
The amount recognised in the balance sheet is as follows:	2003	2002
	Rupees	Rupees
Present value of obligation	18,810,374	17,042,625
Unrecognised actuarial losses	-359,263	-880,804
Liability recognised in the balance sheet	18,451,111	16,161,821
Movement in the net liability recognised in the balance sheet is as follows:	2003	2002
	Rupees	Rupees
Net liability at the beginning of the year	16,161,821	14,680,185
Expense recognised	7,611,570	7,092,439
Contribution paid	-5,322,280	-5,610,803
Net liability at the end of the year	18,451,111	16,161,821
The amounts recognised in the profit and loss account is as follows:		
Current service cost	5,907,307	6,250,279
Interest cost	1,704,263	1,411,122
Transitional asset recognised during the year	0	-568,962
Expense recognised in the profit and loss account	7,611,570	7,092,439

The Company's policy with regard to actuarial gains/losses is to follow the minimum recommended approach under IAS-19 (Employee Benefits - Revised 2000).

2.4 Foreign currency translations

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Rupees at the exchange rates prevailing on the balance sheet date. Exchange differences are taken to Profit and Loss Account.

2.5 Taxation

Provision for taxation is made at the current rates of taxation. Tax credits and brought forward losses are recognised for arriving at taxable income for the year, if any.

The Company does not account for tax effects of major timing differences due to reasons stated in note 10.3.

2.6 Tangible operating fixed assets and depreciation thereon

These are stated at cost less accumulated depreciation except freehold land and capital work-in-progress which are stated at cost. Cost of some plant and machinery consists of historical cost and exchange fluctuations on foreign currency loans utilised in prior years for acquisition thereof. Borrowing costs relating to construction/erection period are also capitalised as part of the historical cost of the respective assets.

Depreciation is charged to income applying reducing balance method to write-off the historical cost and capitalised exchange fluctuations over estimated remaining useful life of assets. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets. Rates of depreciation are stated in note 13. No depreciation is provided on assets in the year of disposal / retirement whereas full year's depreciation is charged in the year of purchase/commercial operations.

Gains / losses on disposal of fixed assets are taken to Profit and Loss account.

Normal repairs and maintenance are taken to profit and loss account as and when incurred.

Major renewals and replacements are capitalised and the assets so replaced, if any, other the those kept as stand-by, are retired.

Impairment of assets

Assets are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying amount of an asset may not be recoverable, whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income for items of assets.

2.7 Long term investments

a) Investments in the Associated Companies and Subsidiary Company are stated at cost. Impairment losses are recognised whenever the carrying amount of investment exceeds its recoverable amount. An impairment loss is recognised in income currently. Gain / loss on sale of investments is included in income currently.

b) Bonus shares are accounted for by increase in number of shares without any change in value.

2.8 Stores, spares and loose tools

These are valued at moving average cost except items-in-transit which are valued at cost accumulated to the balance sheet date.

2.9 Stock - in - trade

Basis of valuation are as follows:

Particulars	Mode of valuation
Raw materials	
At mills	- At lower of cost (FIFO) and net realisable value.
In transit	- At cost accumulated to the balance sheet date.
Work-in-process	- At manufacturing cost.
Finished goods	- At lower of cost and net realisable value.
Waste	- At realisable value.

- Cost in relation to work-in-process and finished goods represents annual average manufacturing cost which consists of prime cost and appropriate manufacturing overheads.

- Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

2.10 Trade debtors

Trade debtors are carried at original invoice amount less an estimate for doubtful debtors based on review of outstanding amounts at the year-end. Bad debts are written-off when identified.

2.11 Revenue recognition

- Local sales through agents are booked on intimation from agents.
- Direct sales are accounted for when goods are delivered to customers and invoices raised.
- Export sales are booked on shipment of goods.
- Export rebate is accounted for on accrual basis.

2.12 Borrowing costs

Borrowing costs incurred on finances obtained for acquisition of fixed assets are capitalised upto the date of commissioning of the respective assets. All other borrowing costs are taken to profit and loss account.

2.13 Cash and cash equivalents

Cash and cash equivalents consist of cash-in-hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise of cash-in-hand, balances with banks and temporary bank overdrafts.

2.14 Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.15 Financial assets and liabilities

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

All purchases and sales of financial assets are recognised on the trade date.

2.16 **Offsetting of financial instruments**

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.17 Related party transactions

Sales, purchases and other transactions with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses relating to combined offices shared with the Associated Companies, which are on the actual basis.

2.18 Change in accounting policy

The Company, during the current year for better presentation of its sale revenues and to comply with the prevalent industry practice, has changed its accounting policy in respect of export sales, which are now being booked on shipment of goods; till 30 September, 2002 export sales were booked on despatch of goods. The change in policy has reduced export sale revenues for the year by Rs.31.999 million and has increased profit for the year by Rs.3.994 million approximately.

3. SHARE CAPITAL	Note	2003 Rupees	2002 Rupees
Authorised capital			
15,000,000 ordinary shares of Rs. 10 each		150,000,000	150,000,000
Issued, subscribed and paid-up capital			
6,288,800 ordinary shares of Rs. 10 each			

		issued for cash	62,888,000	62,888,000
		3,685,189 ordinary shares of Rs. 10 each		
		issued as fully paid bonus shares	36,851,890	36,851,890
		9,973,989	99,739,890	99,739,890
4.		LONG TERM LOAN AND FINANCES - Secured		
		Muslim Commercial Bank Limited (MCB)	4.1	36,231,921
		United Bank Limited (UBL)	4.2	102,591,887
			138,823,808	211,310,288
		Less: Current portion grouped under current liabilities		
		-MCB	19,890,474	19,890,480
		-UBL	52,591,887	52,596,000
			72,482,361	72,486,480
			66,341,447	138,823,808
	4.1	MCB		
		MCB -IBRD loan	(a)	13,353,874
		MCB - Demand finances	(b)	22,878,047
			36,231,921	56,122,401

b) MCB - Demand Finances

These finances equivalent to Swiss Francs 0.915 million and Deutsche Marks 0.339 million were translated into Pak Rupees at the exchange rates prevailing on the dates of opening of letters of credit for machinery acquired out of the proceeds of these finances. Originally, these finances carried mark-up @ 15% per annum; however, MCB, during the year, charged mark-up at the rates ranging from 3.73% to 11.00% per annum. The year-end balance is repayable in 07 half-yearly equal instalments ending May, 2007.

c) The aforementioned loan and finances are secured by first charge by way of an equitable mortgage of present and future movable and immovable properties and fixed assets of the Company, hypothecation of the Company's plant, equipment and machinery, a first floating charge on all other assets of the Company, personal guarantees of the directors and demand promissory notes. These charges rank pari-passu with the charges created in favour of other creditors.

4.2	UBL	Note	2003 Rupees	2002 Rupees
	Demand finance - I	(a)	32,591,887	65,187,887
	Demand finance - II	(b)	70,000,000	90,000,000
			102,591,887	155,187,887

a) Demand finance - I

This finance was obtained against the sanctioned limit of Rs. 130.380 million. Originally, it carried mark-up @ 15% per annum; however, UBL, during the year, charged mark-up at the rates ranging from 3.66% to 12.50% per annum, payable on quarterly basis. It is secured against UBL's specific charge on fixed assets of the Company for Rs. 130.380 million and personal guarantees of some of the directors of the Company. The year-end balance of this finance is repayable in 02 equal half-yearly instalments ending April, 2004.

b) Demand finance - II

This finance was obtained against the sanctioned limit of Rs. 100 million. Originally, it carried mark-up @ 15% per annum; however, UBL, during the year, charged mark-up at the rates ranging from 3.66% to 12.50% per annum, payable on quarterly basis. It is repayable in 20 quarterly instalments commencing 18 April, 2002 and is secured against specific charge on fixed assets of the Company for Rs. 133.340 million and equitable mortgage of specific assets.

5. SUPPLIERS' CREDITS - Secured

Particulars	Note	Swiss Francs		Pak Rupees	
		2003	2002	2003	2002
Sulzer Ruti Ltd., Switzerland	5.1	0	145,329	0	5,795,788
Sulzer Ruti Ltd., Switzerland	5.2	64,600	193,800	2,828,033	7,757,930
		64,600	339,129	2,828,033	13,553,718
Less: Current portion grouped undercurrent liabilities		64,600	274,529	2,828,033	10,967,742

0 64,600 0 2,585,976

5.1 This credit carried interest @ 5.75% per annum and was repayable in 10 equal half-year instalments commencing 09 May, 1998. It was secured by letter of credit established through Habib Bank Limited. The letter of credit, in turn, was secured by way of charge on the machinery imported under this credit. The outstanding balance of this credit was fully repaid during the year.

5.2 This credit carries interest @ 6.5% per annum and is repayable in 10 equal half-year instalments commencing 31 March, 1999. It is secured by letter of credit established through Muslim Commercial Bank Limited (MCB). The letter of credit, in turn, is secured by way of charge on the machinery imported under this credit, lien over foreign currency fixed deposits in U.S. \$46,410 (2002: U.S. \$139,230) and personal guarantees of the directors. The year-end balance of this credit has been translated into Pak Rupees at the exchange rate prevailing on the balance sheet date as confirmed by MCB i.e. 1 Swiss Franc = Rs.43.777 (2002: Rs. 40.0306).

6. IORA SURCHARGE PAYABLE

This represents Iqra surcharge imposed by the Central Excise and Land Customs Department on imported plant and machinery against which the Company has applied to the (Member Customs) Central Board of Revenue, Islamabad. The matter is pending adjudication.

7. CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2003 Rupees	2002 Rupees
Long term loan and finances	4	72,482,361	72,486,480
Suppliers' credits	5	2,828,033	10,967,742
		75,310,394	83,454,222

8. SHORT TERM FINANCES-Secured

Short term finance facilities available from commercial banks under mark-up arrangements aggregate Rs. 2.700 billion (2002:Rs. 2.709 billion) of which facilities aggregating Rs.2.400 billion (2002: Rs.2.409 billion) remained unutilised at the year-end. These facilities, during the year, carried mark-up at the rates ranging from 2.5% to 10.5% per annum. The aggregate short term finance facilities are secured against first hypothecation charge on current assets of the Company, lien over export bills, banks' lien on letters of credit and export documents and personal guarantees of all the directors.

Facilities available for opening letters of credit and guarantee aggregate Rs.105 million (2002:Rs.205 million) of which amounts remaining unutilised at the year-end aggregated Rs. 53.031 million (2002: Rs.168.848 million). These facilities are secured against lien on shipping documents and personal guarantees of all the directors.

These facilities are expiring on various dates by 31 May, 2004.

9. CREDITORS, ACCRUALS AND OTHER PAYABLES

	Note	2003 Rupees	2002 Rupees
Due to Associated Company		397,133	2,921,030
Due to Subsidiary Company		0	27,492,454
Due to executives		17,950	70,000
Creditors		42,281,203	35,287,674
Bills payable		17,783,771	2,400,116
Advance payments		5,554,318	6,073,640
Accrued expenses		43,584,150	36,677,611
Retention money		58,455	61,455
Interest / mark-up accrued on secured:			
- long term loan and finances		1,816,636	5,421,075
- suppliers' credits		92,168	381,167
Mark-up accrued on short term finances		0	2,487,510
Tax deducted at source		105,371	7,718
Export duty payable	9.1	873,635	873,635
Workers' (profit) participation fund	9.2	11,667,000	8,093,000
Excise duty on bank borrowings		5,979,803	5,979,803
Others		303,493	145,149
		130,515,086	134,373,037

9.1	This is secured against bank guarantees.		
9.2	Workers' (profit) participation fund		
	Opening balance	8,093,000	8,833,000
	Add:		
	- Interest on funds utilised in the Company's business	573,716	1,200,396
	- Allocation for the year	11,667,000	8,093,000
		12,240,716	9,293,396
		20,333,716	18,126,396
	Less:		
	- Amount paid to the fund	8,658,300	10,028,080
	- Amount deposited in the Government Treasury	8,416	5,316
		8,666,716	10,033,396
		11,667,000	8,093,000
10.	PROVISION FOR TAXATION - Net		
	Opening balance	76,643,860	72,741,022
	Provision made during the year for:		
	- Current year	10.2 39,000,000	38,000,000
	- Prior years' - net	-10,316,912	-7,889,438
		28,683,088	30,110,562
		105,326,948	102,851,584
		2003	2002
	Note	Rupees	Rupees
Less:	Adjustments / payments against finalised assessments	32,448,576	26,207,724
		72,878,372	76,643,860
Less:	Payments of advance tax / tax deducted at source	71,132,373	70,910,910
		1,745,999	5,732,950

10.1 Income tax assessments of the Company have been finalised upto the Income Year ended 30 September, 2001 (Assessment Year 2002-03).

10.2 Provision for taxation represents tax payable under section 154 of the Income Tax Ordinance, 2001 (the Ordinance).

10.3 No provision for deferred taxation is required as the Company is liable to pay tax under section 154 of the Ordinance.

10.4 No numeric tax rate reconciliation is given in these financial statements as the Company is liable to pay tax under section 154 of the Ordinance.

11. DIVIDENDS

Unclaimed	430,790	1,790,522
Proposed	39,895,956	24,934,980
	40,326,746	26,725,502

12. CONTINGENCIES AND COMMITMENTS

12.1 The Company, during the year has imported textile plant & machinery availing exemption from customs duty and sales tax on importation thereof under SRO Nos. 554(1)/98 and 987(1)/799 amended vide SRO Nos. 839(1)/2000 and 503(1)/72003. In case the conditions of the aforementioned SROs are violated, the amount of customs duty and sales tax exempted aggregating Rs.13.311 million shall be recoverable by the Customs Authorities along with penalties under section 202 of the Customs Act, 1969. The Company, during the year after installation of some of the imported plant and machinery, has submitted installation-cum-production certificates to the Customs and Sales Tax Departments.

12.2 Guarantees given as at 30 September, 2003 on behalf of the Company, by the commercial banks (excluding those referred to in note 9.1), were outstanding for Rs. 8.315 million (2002:Rs.6.568 million).

12.3 Foreign bills discounted outstanding as at 30 September, 2003 aggregated Rs. 470.853 million.

	2003	2002
12.4 Commitments for irrevocable letters of credit for:		
- capital expenditure	0.87	17.949
- others	42.784	9.235
	43.654	27.184

12.5 Commitment outstanding against inland letters of credit as at 30 June, 2003 were for Rs. 15.622 million.

13. OPERATING FIXED ASSETS - Tangible

Particulars	Cost			Rate %/	Depreciation			NET BOOK VALUE AS AT 30 SEPTEMBER, 2003
	As at 30 September, 2002	Additions during the year	Disposals during the year		To 30 September, 2002	For the Year	on disposals	
Land-Freehold	4,536,225	0	0		0	0	0	4,536,225
Protective dam	3,631,049	0	0	5	1,457,007	108,702	0	2,065,340
Buildings on freehold land	158,392,069	0	0	10	99,813,441	5,857,863	0	52,720,765
Plant and machinery	1,424,007,531	56,682,684	0	10	788,751,749	69,193,848	0	622,744,618
Electric installations	26,479,876	959,112	0	10	16,790,004	1,064,898	0	9,584,086
Gas installations	625,869	0	0	10	404,857	22,101	0	198,911
Tools and equipment	4,591,786	409,891	0	10	2,385,018	261,666	0	2,354,993
Furniture and fixtures	3,245,996	402,112	0	10	1,566,450	208,166	0	1,873,492
Office equipment	2,506,564	107,450	0	10	1,301,282	131,274	0	1,181,458
Computers and accessories	3,587,462	728,665	115,000	30	1,298,063	874,370	11,500	2,040,194
Vehicles	19,835,474	2,468,840	1,113,244	20	12,327,531	1,852,861	400,768	7,411,446
Weighing bridge	1,781,871	780,000	0	10	832,639	172,923	0	1,556,309
2003: Rupees	1,653,221,772	62,538,754	1,228,244		926,928,041	79,748,672	412,268	708,267,837
2002: Rupees	1,692,346,789	10,305,725	49,430,742		885,403,352	81,110,910	39,586,221	726,293,731

13.1 The Company has leased 32 Kanals and 17 Marias of its freehold land having book value of Rs. 14,058 situated at District Muzaffargarh to its Subsidiary Company for a period of fifty years for yearly rent of Rs. 25,000.

	2003 Rupees	2002 Rupees
13.2 Depreciation for the year has been apportioned as under:		
Cost of sales	76,682,001	78,659,010
Administrative expenses	3,066,671	2,451,900
	79,748,672	81,110,910

13.3 Disposal of operating fixed assets

Particulars	Cost	Accumulated depreci- ation	Book value	insurance claim / Sale proceeds	Gain	Insurance claim received from/sold through negotiation to :
Computer:						
Laptop	115,000	11,500	103,500	115,000	11,500	EFU General Insurance Company Ltd. Rajput commercial Centre, Multan.
Vehicle:						
Honda Civic	1,113,244	400,768	712,476	750,000	37,524	Farooq Enterprises 1 636/1 -B-1, Pir Khurshid Colony, Multan.
	1,228,244	412,268	815,976	865,000	49,024	

14. CAPITAL WORK-IN-PROGRESS

	2003 Rupees	2002 Rupees
Plant and machinery	15,862,398	2,886,625
Vehicles - advance payments	3,764,200	0
	19,626,598	2,886,625

15. LONG TERM INVESTMENTS - Un-quoted
Subsidiary Company:
Mahmood Power Generation Limited
7,348,660 fully paid ordinary shares of
Rs. 10 each including 668,060 bonus shares

Percentage of equity held: 99.26%	15.1	66,806,000	66,806,000
Associated Companies:			
Masood Spinning Mills Limited			
4,000,000 fully paid ordinary shares of Rs. 10 each			
Percentage of equity held: 20%	15.2	40,000,000	40,000,000
Roomi Fabrics Limited			
4,000,000 fully paid ordinary shares of Rs. 10 each			
Percentage of equity held: 26.67%	15.3	40,000,000	0
		146,806,000	106,806,000

15.1 The value of the Company's investment, based on net assets of the Subsidiary Company as disclosed in its audited financial statements for the year ended 30 June, 2003, amounted Rs.193.667 million (2002: Rs. 178.594 million).

15.2 The value of the Company's investment, based on net assets of the Associated Company as disclosed in its audited financial statements for the year ended 30 September, 2003 amounted Rs. 47.525 million (2002:Rs.40.219 million).

15.3 The value of the Company's investment, based on net assets of the Associated Company as disclosed in its audited financial statements for the year ended 30 September, 2003 amount Rs. 40.197 million.

16. LONG TERM DEPOSITS

Security deposits		1,644,030	1,644,030
Foreign currency fixed deposits	16.1	2,686,095	13,736,405
Less: Current portion grouped under current assets		2,686,095	10,991,254
		0	2,745,151
		1,644,030	4,389,181

16.1 The year-end balance represents Fixed Term Deposit Receipts (FTDR) amounting U.S. \$46,410 held with Muslim Commercial Bank Limited (MCB) (2002: U.S. \$232,230 held with Habib Bank Limited and MCB). It carries interest @ 7.82% per annum and has been translated into Pak Rupees at the exchange rate prevailing on the balance sheet date i.e. U.S. \$1 = Rs. 57.8775. This deposit has been held with MCB as security of supplier's credit mentioned in note 5.2.

17. STORES, SPARES AND LOOSE TOOLS

	Note	2003 Rupees	2002 Rupees
Stores:			
- At mills		13,782,067	11,700,201
- In transit		10,372,587	4,831,988
		24,154,654	16,532,189
Spares			
Loose tools		33,591,604	36,396,287
		99,587	111,578
		57,845,845	53,040,054
Less: Provision for obsolete stores and spares		2,361,428	0
		55,484,417	53,040,054

17.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

18. STOCK-IN-TRADE

Raw materials		69,433,646	58,550,133
Work-in-process		24,855,609	20,405,236
Finished goods			
Manufacturing - including in-transit inventory valuing Rs.31.999 million (2002: Nil)		118,311,855	115,591,347
Trading		8,129,057	6,447,087
		126,440,912	122,038,434
		220,730,167	200,993,803

19. TRADE DEBTORS

Secured - Export Bills		20,686,343	41,909,743
Unsecured			
- Considered good		27,902,658	3,230,080
- Considered doubtful		2,097,018	2,097,018
		29,999,676	5,327,098
		50,686,019	47,236,841
Less: Provision for doubtful debts		2,097,018	2,097,018

48,589,001 45,139,823

20. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

	Note	2003 Rupees	2002 Rupees
Due from a Subsidiary Company			
-Mahmood Power Generation Ltd.		12,064,804	0
Due from Associated Companies	20.1	15,645,062	67,462,154
Due from executives - considered good	20.2	682,416	126,136
Advances to employees - considered good		947,110	984,835
Advance payments to suppliers and contractors - considered good		7,953,245	6,247,909
Advance against imported raw materials		41,578,031	0
Letters of credit		56,424	101,387
Margin deposits		776,750	602,140
Octroi and zila tax refundable		91,308	91,308
Sales tax refundable		10,876,246	59,100,087
Export rebate receivable		4,857,497	6,570,396
Accrued interest/profit on bank deposits		1,210,769	5,124,746
Others		328,458	464,158
		97,068,120	146,875,256
20.1 Due from Associated Companies on account of normal trading transactions:			
Masood Fabrics Ltd.		8,066,673	67,462,154
Masood Spinning Mills Ltd.		368,999	0
Roomi Fabrics Ltd.		7,209,390	0
		15,645,062	67,462,154

20.2 Maximum aggregate amount due from executives at any month end during the year was Rs.751,146 (2002: Rs.375,284)

21. CASH AND BANK BALANCES

Cash-in-hand		418,467	128,549
Cash at banks on:			
- current accounts		16,866,175	13,287,998
- dividend account		77,033	7,743
- current portion of foreign currency fixed deposits	16	2,686,095	10,991,254
Saving accounts	21.1	152,767,126	81,975,553
		172,396,429	106,262,548
		172,814,896	106,391,097

21.1 These include foreign currency balance of U.S \$11,646 (2002: U.S.\$ 11,828) which has been translated into Pak Rupees at the exchange rate prevailing at the balance sheet date i.e. U.S.\$1 = Rs. 57.90 (2002: Rs. 59.15)

22. SALES - Net

	Note	2003 Rupees	2002 Rupees
Local:			
- Own manufactured goods	22.1		
Yarn		355,959,331	176,139,109
Cloth		96,398,847	95,733,960
Waste		66,574,859	46,063,017
Doubling / sizing		272,881	1,295,374
		519,205,918	319,231,460
-Trading goods			
Yarn		36,339,064	0
Cotton		10,400,794	0
		46,739,858	0
		565,945,776	319,231,460
Less: Commission		1,769,169	1,074,460
		564,176,607	318,157,000
Export:			
- Own manufactured goods	22.2		
Yarn		1,803,127,213	1,766,333,590
Cloth		712,713,098	605,014,148
Waste		47,054,343	46,361,572
Export rebate		34,601,544	21,828,095
		2,597,496,198	2,439,537,405

Less:		
Export development surcharge	5,618,032	4,812,432
Commission	47,747,128	42,972,617
	53,365,160	47,785,049
	2,544,131,038	2,391,752,356
-Trading goods		
Yarn	43,337,618	239,534,059
Cloth	21,567,402	91,082,098
Waste	469,791	1,981,518
	65,374,811	332,597,675
Less:		
Export development surcharge	160,908	1,495,474
Commission	936,216	3,713,799
	1,097,124	5,209,273
	64,277,687	327,388,402
	3,172,585,332	3,037,297,758

22.1 Local sales have been shown after deduction of sales tax aggregating Rs. 106.876 million (2002:Rs.48.085 million).

22.2 Export sales include indirect export sales to Associated Companies, Masood Fabrics Limited, and Masood Spinning Mills Limited amounting Rs. 147,385,069 and Rs. 1,260,759 respectively, under Standard Purchase Order.

23. COST OF SALES		2003	2002
	Note	Rupees	Rupees
Raw materials consumed	23.1	2,056,103,124	1,760,730,156
Packing materials consumed		47,181,587	50,313,641
Salaries, wages and benefits	23.2	133,297,738	114,746,950
Power and fuel		260,664,534	238,330,017
Repair and maintenance			
- stores consumed		83,433,091	73,180,496
- expenses		6,544,150	5,753,000
		89,977,241	78,933,496
Depreciation		76,682,001	78,659,010
Insurance		9,457,401	8,145,422
		2,673,363,626	2,329,858,692
Adjustment of work-in-process			
Opening		20,405,236	26,540,118
Closing		-24,855,609	-20,405,236
		-4,450,373	6,134,882
Cost of goods manufactured		2,668,913,253	2,335,993,574
Adjustment of finished goods			
Opening stock		115,591,347	122,213,104
Closing stock - including in-transit inventory valuing Rs. 31.999 million (2002: Nil)		-118,311,855	-115,591,347
		-2,720,508	6,621,757
Cost of goods sold - Own manufactured		2,666,192,745	2,342,615,331
Cost of goods sold - Trading goods			
Opening stock		6,447,087	2,958,440
Purchases		112,027,951	303,247,536
Closing stock		-8,129,057	-6,447,087
		110,345,981	299,758,889
		2,776,538,726	2,642,374,220
23.1 Raw materials consumed			
Opening stock		58,550,133	64,871,600
Purchases		2,065,447,016	1,752,912,260
		2,123,997,149	1,817,783,860
Less: Closing stock		69,433,646	58,550,133
		2,054,563,503	1,759,233,727
Cotton cess		1,539,621	1,496,429
		2,056,103,124	1,760,730,156

23.2 Expense for the year includes staff retirement benefits - gratuity amounting Rs. 7.197 million (2002: Rs.6.829 million).

24. ADMINISTRATIVE AND SELLING EXPENSES	2003	2002
---	------	------

	Note	Rupees	Rupees
Administrative:			
Salaries, wages and benefits	24.1	7,493,128	7,421,718
Travelling and conveyance including director's travelling amounting Rs. 2.211 million (2002: Rs. 2.155 million)		3,649,591	3,639,699
Rent, rates and taxes		219,727	429,265
Entertainment		1,377,197	1,490,527
Electricity		913,738	581,370
Communication		5,453,735	5,371,087
Printing and stationery		1,235,635	1,524,797
Insurance		228,868	357,263
Repair and maintenance		1,028,293	1,207,991
Vehicles' running		2,686,528	2,662,475
Subscription		429,466	217,816
Auditors' remuneration			
- statutory audit		100,000	100,000
- half yearly review		40,000	0
- accounting and certification charges		45,000	25,000
		185,000	125,000
Legal and professional charges (other than Auditors)		188,934	194,000
General		1,494,596	1,103,713
Depreciation		3,066,671	2,451,900
		29,651,107	28,778,621
Selling:			
Advertisement		77,300	84,074
Export expense		83,910,744	121,671,846
Purchase of export quota		1,272,014	1,984,753
Freight and other expenses		4,718,870	4,839,412
		89,978,928	128,580,085
		119,630,035	157,358,706
24.1 Expense for the year includes staff retirement benefits - gratuity amounting Rs.0.415 million (2002:Rs. 0.263 million).			
25. OTHER INCOME			
Sale of salvage {net of sales tax amounting Rs. 158,845 (2002: Rs.165,516)}		3,056,661	2,887,418
Rent		3,600	5,480
Gain on disposal of fixed assets	13.3	49,024	1,565,479
Export rebate on packing materials		3,424,297	4,271,474
Exchange fluctuation gain - net	25.1	1,324,990	0
Rentals on freehold land leased to the Subsidiary Company	13.1	25,000	25,000
Interest on foreign currency fixed deposits		273,115	1,792,593
Income on bank deposits		1,255,303	266,930
		9,411,990	10,814,374
25.1 Exchange fluctuation gain - net		2003	2002
	Note	Rupees	Rupees
Exchange (loss) / gain on repayment / translation of suppliers' credits		-543,892	815,120
Exchange loss on translation of foreign currency fixed deposits		-164,524	-1,883,384
Exchange loss on translation of foreign Currency accounts		-14,525	-46,085
Exchange gain on export proceeds		2,047,931	0
		1,324,990	-1,114,349
26. FINANCIAL CHARGES			
Interest/mark-up on:			
- long term loan and finances		12,356,850	33,816,956
- suppliers' credits		312,982	1,064,318
- short term finances		15,040,671	24,276,033
- workers' (profit) participation fund		573,716	1,200,396
Bank charges and commission		21,791,256	22,487,539
Charges on export refinance		0	2,487,510
		50,075,475	85,332,752
27. MISCELLANEOUS CHARGES			
Donations (without directors' interest)		51,500	74,788
Exchange fluctuation loss -net	25.1	0	1,114,349

	Zakat		0	985
	Provision for obsolete stores and spares	17	2,361,428	0
			2,412,928	1,190,122
28.	BASIC EARNINGS PER SHARE			
	Profit after taxation attributable to ordinary shareholders		192,990,070	123,652,770
			Number of shares	
	Weighted average number of shares outstanding during the year		9,973,989	9,973,989
			Rupees	
	Basic earnings per share		19.35	12.4
			2003	2002
29.	NUMBER OF EMPLOYEES			
	Number of employees at the year-end		Numbers	
			2,018	2,077

30. FINANCIAL INSTRUMENTS

30.1 Financial assets and liabilities	Interest /mark-un UfJ rates range % per annum	Interest / mark-up bearing			Non interest / mark-up bearing			Total
		Maturity upto one year	Maturity after one year	Sub - total	Maturity upto one year	Maturity after one year	Sub -total	
Financial assets:								
Long term deposits	7.82%	2,686,095	0	2,686,095	0	1,644,030	1,644,030	4,330,125
Trade debtors		0	0	0	48,589,001	0	48,589,001	48,589,001
Advances, deposits and other receivables		0	0	0	1,987,519	0	1,987,519	1,987,519
Cash and bank balances	0.75% to 1.60%	132,753,792	0	132,753,792	37,375,009	0	37,375,009	170,128,801
2003:		135,439,887	0	135,439,887	87,951,529	1,644,030	89,595,559	225,035,446
2002:		92,966,807	4,389,181	97,355,988	64,755,157	0	64,755,157	162,111,145
Financial liabilities:								
Long term loans and finances	3.66% to 13.00%	72,482,361	66,341,447	138,823,808	0	0	0	138,823,808
Suppliers' credits	6.50%	2,828,033	0	2,828,033	0	0	0	2,828,033
Short term finances	2.50% to 10.50%	297,885	0	297,885	0	0	0	297,885
Creditors, accruals and other payables		0	0	0	105,937,826	0	105,937,826	105,937,826
Dividends		0	0	0	40,326,746	0	40,326,746	40,326,746
2003:		75,608,279	66,341,447	141,949,726	146,264,572	0	146,264,572	288,214,298
2002:		83,464,192	141,409,784	224,873,976	137,149,713	0	137,149,713	362,023,689
Off balance sheet items								
Letters of credit		0	0	0	59,275,943	0	59,275,943	59,275,943
Guarantees		0	0	0	4,085,000	4,229,504	8,314,504	8,314,504
Foreign bills discounted		0	0	0	470,853,805	0	470,853,805	470,853,805
2003:		0	0	0	534,214,748	4,229,504	538,444,252	538,444,252
2002:		0	0	0	29,839,607	3,913,004	33,752,611	33,752,611

30.2 Foreign exchange risk management

Foreign exchange risk arises when receivables and payables exist due to transactions with foreign undertakings. The management takes out forward exchange contracts, where appropriate, to mitigate the Risk. No forward foreign exchange contracts were outstanding at the year-end.

30.3 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. All of the Company's financial assets, except for cash-in-hand amounting Rs.0.418 million (2002: Rs.0.129 million), are subject to credit risk.

30.4 Fairvalues of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fairvalues.

31. REMUNERATION TO EXECUTIVES	Note	2003 Rupees	2002 Rupees
Managerial remuneration		7,199,200	1,868,000
House rent		3,239,640	840,600
Utilities		359,960	93,400
Retirement benefits - gratuity		899,900	197,500
		11,698,700	2,999,500
Number of persons		46	9

No remuneration or meeting fee were paid to the Chief Executive and Directors during the year (2002: Nil). Some of the Directors and the Executives, however, have been provided with the Company maintained cars and residential telephones.

32. TRANSACTIONS WITH ASSOCIATED COMPANIES AND SUBSIDIARY COMPANY.

32.1 Maximum aggregate debit balance of the Associated Companies and Subsidiary Company, accrued due to trading activities, at any month-end during the year was Rs. 264,545,464 (2002: Rs. 110,876,789).

32.2 Aggregate transactions made during the year with the Associated Companies and Subsidiary Company were as follows:

- Sale of goods	253,665,546	160,152,262
- Purchase of electricity from the Subsidiary Company	292,150,208	266,043,905
- Purchase of goods	1,322,251,614	1,276,784,548
- Sizing revenues	220,089	521,805
- Sizing charges	1,583,778	84,187
- Conversion charges	0	1,490,273
- Doubling revenue	93,725	0

33. CAPACITY AND ACTUAL PRODUCTION

	2003	2002
Yarn		
Number of spindles installed	65,280	65,280
Number of spindles-Shifts worked	70,890,101	71,012,114
Production capacity at 20's Count - 1 ,089 Shifts	Kgs. 22,170,000	22,170,000
Actual production converted into 20's count	Kgs. 24,183,109	23,654,727
Cloth		
Number of looms installed	103	103
Number of looms - Shifts worked	112,579	112,579
Installed capacity at 60 picks - 1 ,080 Shifts	Sq. Mtrs. 19,975,000	19,975,000
Actual production converted into 60 picks	Sq. Mtrs. 20,902,088	20,587,672

33.1 It is difficult to describe precisely the production capacity in Spinning/Weaving Mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, twist, the width and construction of cloth woven, etc. It also varies according to the pattern of production adopted in a particular year.

34 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on 31 December, 2003 by the board of directors of the Company.

35 FIGURES

in the financial statements have been rounded-off to the nearest Rupee except stated otherwise; and

of the corresponding year have neither been rearranged nor reclassified.

FORM - 34

PATTERN OF HOLDINGS OF THE SHAREHOLDERS
AS AT 30TH SEPTEMBER, 2003.

NUMBER OF SHAREHOLDERS	FROM	SHAREHOLDING	TO	TOTAL SHARES HELD
35	1	100	Shares	2,059
89	101	500	Shares	25,935
55	501	1,000	Shares	44,304
58	1,001	5,000	Shares	123,004
22	5,001	10,000	Shares	141,376
2	10,001	15,000	Shares	20,185
3	15,001	20,000	Shares	53,020
1	20,001	25,000	Shares	20,901
1	60,001	65,000	Shares	63,528
4	70,001	75,000	Shares	287,029
2	105,001	110,000	Shares	215,050
6	110,001	115,000	Shares	683,100
1	125,001	130,000	Shares	126,500
6	140,001	145,000	Shares	432,057
1	160,001	165,000	Shares	163,850
1	180,001	185,000	Shares	182,787
3	185,001	190,000	Shares	567,057
1	190,001	195,000	Shares	194,019
1	210,001	215,000	Shares	213,850
2	215,001	220,000	Shares	432,057
1	275,001	280,000	Shares	275,573
1	315,001	320,000	Shares	311,629
1	355,000	360,000	Shares	356,889
1	445,001	450,000	Shares	449,889
1	460,001	465,000	Shares	464,460
1	490,001	495,000	Shares	493,781
1	525,001	530,000	Shares	527,331
1	535,001	540,000	Shares	536,075
1	555,001	560,000	Shares	551,756
1	575,001	580,000	Shares	576,907
1	665,001	670,000	Shares	669,955
1	765,001	770,000	Shares	768,076
306				9,973,989

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
Individual	299	9,448,222	94.73
Investment Companies	2	188,601	1.9
Insurance Companies	-	-	-
Modaraba Companies	1	3,199	0.03
Joint Stock Companies	3	22,338	0.22
Financial Institutions	1	311,629	3.12
Other			
1. Securities and Exchange Authority of Pakistan	-	-	-
2. Director Abandoned Properties	-	-	-
3. Government of Pakistan	-	-	-
	306	9,973,989	100

SHAREHOLDINGS OF DIRECTORS.
ALONGWITH SPOUSE AND MINORS

Sr. No.	Name of Director.	No. of shares Held	TOTAL SHARES
1	Khawaja Muhammad Masood	669,955	
	Mst. Mehr Fatima (Spouse)	536,075	1,206,030
2	Khawaja Muhammad Iqbal	449,889	
	Mst. Khadija Qureshi (Spouse)	63,528	513,417

3	Khawaja Muhammad Ilyas	356,889	
	Mst. Bilquees Akhtar (Spouse)	493,781	850,670
4	Khawaja Muhammad Younus	551,756	
	Mst. Rubina Younus (Spouse)	71,979	623,735
5	Khawaja Muhammad Jalaluddin Roomi	768,076	
	Mrs. Humera Jalaluddin (Spouse)	126,500	894,576
6	Mr. Muhammad Muzaffar Iqbal	275,573	275,573
7	Mst. Mehr Fatima (Spouse)	Already given above.	
	Khawaja Muhammad Masood	Already given above.	
	Grand Total:		4,364,001

MAHMOOD TEXTILE MILLS LTD.

CONSOLIDATED ACCOUNTS

COMPANY INFORMATION

BOARD OF DIRECTORS:

Chairman KHAWAJA MUHAMMAD MASOOD

Chief Executive KHAWAJA MUHAMMAD IQBAL

Directors KHAWAJA MUHAMMAD ILYAS
KHAWAJA MUHAMMAD YOUNUS
JALAL-UD-DIN ROOMI
MRS.MEHRFATIMA
MUHAMMAD MUZAFAR IQBAL

Company Secretary : GHULAMMOHAYUDDIN

Chief Financial Officer: MUHAMMAD AMIN PAL
A.C.A.

Auditors : HAMEEDCHAUDHRI&CO.
Chartered Accountants
7-Bank Square, Lahore.

Bankers : MUSLIM COMMERCIAL BANK LTD.
UNITED BANK LIMITED
HABIB BANK LIMITED

Registered Office : MEHR MANZIL, LOHARI GATE, MULTAN.
Tel.:061-111-181-181 Fax:511262
E-mail: info@mahmoodgroup.com
mtm@mul.paknet.com.pk
URL : www.mahmoodgroup.com

Mills: MAHMOODABAD, MULTAN ROAD,
MUZAFFARGARH.
MASOODABAD,D.G.KHAN ROAD,
MUZAFFARGARH.

Mahmood Textile Mills Limited
Consolidated Accounts

Auditors' Report To The Members

We have examined the annexed consolidated financial statements comprising the consolidated balance sheet o Mahmood Textile Mills Limited and its Subsidiary Company (Mahmood Power Generation Limited) as at 3(

September, 2003 and the related consolidated profit and loss account, consolidated cash flow statement ant consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of Mahmood Textile Mills Limited. The financia statements of the Subsidiary Company were audited by another firm of Chartered Accountants, whose report has beer furnished to us and our opinion in so far as it relates to the amounts included for the Subsidiary Company, is based soleh on the report of such other Auditors. These financial statements are the responsibility of the Holding Company!

management. Our responsibility is to express an opinion on these financial statements based on our examination.

Our examination was made in accordance with International Standards on Auditing and accordingly included such test; of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, except for the contents of note 12.1 and the extent to which this may affect the annexed financial statements, the consolidated financial statements examined by us present fairly the financial position of Mahmood Textile Mills Limited and its Subsidiary Company as at 30 September, 2003 and the results of their operations for the year then ended.

Sd/-

LAHORE;

HAMEED CHAUDHRI & CO.,

Dated: 31 December, 2003.

CHARTERED ACCOUNTANTS.

CONSOLIDATED BALANCE SHEET

	Note	2003 Rupees	2002 Rupees
CAPITAL AND RESERVES			
Authorised capital		150,000,000	150,000,000
Issued, subscribed and paid-up capital	3	99,739,890	99,739,890
Capital reserve		6,680,794	6,680,794
Unappropriated profit		1,164,471,596	988,794,227
		1,270,892,280	1,095,214,911
MINORITY INTEREST		1,443,859	1,333,384
LONG TERM LOANS AND FINANCES	4	66,341,447	148,435,275
SUPPLIERS' CREDITS	5	0	2,585,976
IQRA SURCHARGE PAYABLE	6	1,713,574	1,713,574
STAFF RETIREMENT BENEFITS -GRATUITY			
-the Holding Company		18,451,111	16,161,821
- the Subsidiary Company		1,059,566	974,100
		19,510,677	17,135,921
CURRENT LIABILITIES			
Current portion of long term liabilities	7	76,756,694	120,801,367
Short term finances	8	12,059,482	839,871
Creditors, accruals and other payables	9	132,865,277	117,812,630
Provision for taxation	10	1,745,999	5,732,950
Dividends	11	40,326,746	26,725,502
		263,754,198	271,912,320
CONTINGENCIES AND COMMITMENTS	12	1,623,656,035	1,538,331,361

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

Sd/-
(MUHAMMADAMIN PAL)
CHIEF FINANCIAL OFFICER

Sd/-
(KH. MUHAMMAD YOUNUS)
DIRECTOR

	Note	2003 Rupees	2002 Rupees
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	13	865,159,747	899,987,702
Capital work-in-progress	14	19,626,598	2,886,625
		884,786,345	902,874,327
LONG TERM INVESTMENTS	15	87,722,246	40,219,162
LONG TERM DEPOSITS	16	1,644,030	4,389,181
CURRENT ASSETS			
Stores, spares and loose tools	17	91,260,552	85,986,466
Stock-in-trade	18	220,730,167	200,993,803
Trade debtors	19	48,589,001	45,139,823
Advances, deposits prepayments and other receivables	20	123,537,603	152,238,464
Cash and bank balances	21	165,386,091	106,490,135
		649,503,414	590,848,691

1,623,656,035 1,538,331,361

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER, 2003

	Note	2003 Rupees	2002 Rupees
SALES - Net	22	3,172,585,332	3,037,297,758
COST OF SALES	23	2,755,983,567	2,626,196,963
GROSS PROFIT		416,601,765	411,100,795
ADMINISTRATIVE AND SELLING EXPENSES	24	121,096,493	159,224,928
OPERATING PROFIT		295,505,272	251,875,867
OTHER INCOME	25	9,382,780	10,785,345
		304,888,052	262,661,212
FINANCIALCHARGES	26	53,249,884	94,580,610
MISCELLANEOUS CHARGES	27	2,412,928	1,238,591
WORKERS' (PROFIT) PARTICIPATION FUND		12,462,387	8,344,616
		68,125,199	104,163,817
		236,762,853	158,497,395
PROFIT FROM ASSOCIATED COMPANY		8,485,938	2,364,113
PROFIT BEFORE TAXATION		245,248,791	160,861,508
PROVISION FOR TAXATION			
-The Holding Company:	10		
- current year		39,000,000	38,000,000
- prioryears		-10,316,912	-7,889,438
Associated Companies		982,854	1,178,017
		29,665,942	31,288,579
PROFIT AFTER TAXATION		215,582,849	129,572,929
MINORITY INTEREST		-110,475	-35,032
PROFITFORTHEYEAR		215,472,374	129,537,897
UNAPPROPRIATED PROFIT -Brought forward (refer statement of changes in Equity)		988,895,178	884,191,310
PROFIT AVAILABLE FOR APPROPRIATION		1,204,367,552	1,013,729,207
APPROPRIATION:			
Proposed dividend - @ Rs.4.00 Per Share (2002: @Rs. 2. 50 Per Share)		39,895,956	24,934,980
UNAPPROPRIATED PROFIT - Carried to Balance Sheet		1,164,471,596	988,794,227
EARNINGS PERSHARE	23	21.6	12.99

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER, 2003

	Note	2003 Rupees	2002 Rupees
NET CASH INFLOW FROM OPERATING ACTIVITIES (note 'A')		373,781,751	282,361,373
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		-81,766,154	-31,857,887
Sale proceeds of operating fixed assets		2,662,000	11,756,000
Long term investment in an Associated Company		-40,000,000	0
Foreign currency fixed deposits		11,050,310	18,891,790
Income on bank deposits		5,442,395	6,008,407
NET CASH (OUTFLOW) /INFLOW FROM INVESTING ACTIVITIES		-102,611,449	4,798,310
CASH FLOW FROM FINANCING ACTIVITIES			
Long term loans and finances repaid		-117,998,792	-99,224,212
Suppliers' credits repaid		-11,269,577	-15,284,372
Short term finances - secured (net)		287,915	9,970
Dividends paid		-26,294,712	-45,914,428
Financial charges paid		-59,625,717	-94,371,657
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		-214,900,883	-254,784,699
NET INCREASE IN CASH AND CASH EQUIVALENTS		56,269,419	32,374,984
CASH AND CASH EQUIVALENTS			
-At the beginning of the year		94,668,980	62,293,996
CASH AND CASH EQUIVALENTS			

-At the end of the year (note 'B')	150,938,399	94,668,980
- The annexed notes 'A' and 'B' form an integral part of this Statement.		
- The annexed notes form an integral part of these financial statements.		

NOTE 'A'

	2003	2002
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year - before taxation	245,248,791	160,861,508
Adjustments for:		
Depreciation	97,236,950	100,550,004
Staff retirement benefits - gratuity (net)	2,475,707	1,775,003
Gain on disposal of fixed assets - net	-44,814	-1,561,450
Income on bank deposits	-1,528,418	-2,059,523
Financial charges	53,249,884	94,580,610
Exchange loss / (gain) on repayment/ translation of suppliers' credits	543,892	-815,120
Preliminary expenses amortised	0	48,469
Provision for obsolete stores and spares	2,361,428	0
Profit from Associated Companies	-8,485,938	-2,364,113
CASH FLOW FROM OPERATING ACTIVITIES		
-Before working capital changes	391,057,482	351,015,388
(Increase)/decrease in current assets		
Stores, spares and loose tools	-7,635,514	-18,209,896
Stock-in-trade	-19,736,364	15,589,459
Trade debtors	-3,449,178	38,140,625
Advances, deposits, prepayments and other receivables (excluding interest/ profit on bank deposits)	24,794,887	-67,518,069
Increase in creditors, accruals and other payables (excluding accrued financial charges)	21,428,480	129,408
	15,402,311	-31,868,473
CASH INFLOW FROM OPERATING ACTIVITIES		
-Before taxation	406,459,793	319,146,915
Taxes paid	-32,678,042	-36,785,542
NET CASH INFLOW FROM OPERATING ACTIVITIES	373,781,751	282,361,373
NOTE'S'		
CASH AND CASH EQUIVALENTS		
Cash-in-hand and balances with banks	165,386,091	106,490,135
Less:		
- Current portion of long term foreign currency fixed deposits	2,686,095	10,991,254
- Temporary bank overdrafts	11,761,597	829,901
	14,447,692	11,821,155
	150,938,399	94,668,980

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER, 2003

	Share capital	Capital reserve	Unappropriated profit	Total
			Rupees	
Balance as at 30 September, 2001	99,739,890	6,680,794	884,191,310	990,611,994
Profit after taxation for the year ended 30 September, 2002	0	0	129,537,897	129,537,897
Proposed dividend	0	0	-24,934,980	-24,934,980
Balance as at 30 September, 2002 (as previously reported)	99,739,890	6,680,794	988,794,227	1,095,214,911
Effect of change in accounting policy as stated in note 2.4(b)	0	0	100,951	100,951
Balance as at 01 October, 2002 (as restated)	99,739,890	6,680,794	988,895,178	1,095,315,862
Profit after taxation for the year ended 30 September, 2003	0	0	215,472,374	215,472,374
Proposed dividend	0	0	-39,895,956	-39,895,956
Balance as at 30 September, 2003	99,739,890	6,680,794	1,164,471,596	1,270,892,280

CONSOLIDATED NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 SEPTEMBER, 2003

1. STATUS AND OPERATIONS

Mahmood Textile Mills Limited, the Holding Company, was incorporated in Pakistan on 25 February, 1970 as a Public Company and its shares are quoted on Karachi Stock Exchange. The Company is principally engaged in manufacture and sale of yarn and grey cloth.

Mahmood Power Generation Limited, the Subsidiary Company, was incorporated in Pakistan on 27 June, 1996 as a Public Company. The object of the Subsidiary Company is generation, distribution and supply of electricity.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for:

- modification of foreign currency translation adjustments as stated in note 2.5 and 2.7; and
- recognition of employee retirement benefits at present value.

2.3 Principles of consolidation

The consolidated financial statements include the financial statements of Mahmood Textile Mills Limited as at 30 September, 2003 and its Subsidiary Company Mahmood Power Generation Limited as at 30 June, 2003. The Holding Company's interest in Subsidiary Company was 99.26% as at 30 September, 2003 and as at 30 September, 2002.

All intra-company balances and transactions have been eliminated.

Investments in Associated Companies, as defined in the Companies Ordinance 1984, are accounted for by the equity method.

Minority interest is calculated on the basis of their proportionate share in the net assets of the Subsidiary Company.

2.4 **Staff retirement benefits**

(a) The Holding Company:

The Company operates an un-funded gratuity scheme covering all its eligible employees completing the minimum qualifying period of service as specified by the scheme. Provision for gratuity is made periodically / annually to cover obligation under the scheme in accordance with actuarial recommendations.

Last actuarial valuation has been conducted on 30 September, 2003 on the basis of projected unit credit method by an independent Actuary. The projected unit credit method is based on the following significant assumptions:

	2003	2002
- Discount rate	8%	10%
- Expected rate of increase in salary	7%	9%
- Average expected remaining working life time of employees	6 Years	5 Years
The amount recognised in the balance sheet is as follows:	2003	2002

	Rupees	Rupees
Present value of obligation	18,810,374	17,042,625
Unrecognised actuarial losses	-359,263	-880,804
Liability recognised in the balance sheet	18,451,111	16,161,821
Movement in the net liability recognised in the balance sheet is as follows:		
Net liability at the beginning of the year	16,161,821	14,680,185
Expense recognised	7,611,570	7,092,439
Contribution paid	-5,322,280	-5,610,803
Net liability at the end of the year	18,451,111	16,161,821
The amount recognised in the profit and loss account is as follows:		
Current service cost	5,907,307	6,250,279
Interest cost	1,704,263	1,411,122
Transitional asset recognised during the year	0	-568,962
Expense recognised in the profit and loss account	7,611,570	7,092,439

The Company's policy with regard to actuarial gains / losses is to follow the minimum recommended approach under IAS 19 (Employee Benefits - Revised 2000).

(b) The Subsidiary Company:

The Subsidiary Company operates an un-funded gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations.

Actuarial valuation was conducted on 30 June, 2003 on the basis of projected unit credit method by an independent Actuary. Actuarial gains or losses which exceed 10 percent of the present value of the Company's gratuity obligations are amortised over the expected average remaining working life time of the employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

Consequent to adoption of IAS 19, the actuarial valuation determined a transitional asset of Rs. 100,951 as at 30 June, 2002, which has been recognised under IAS 8 (Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies). The change has been applied retrospectively and the corresponding figures have been restated to conform to the changed policy. Had there been no change in the accounting policy, unappropriated profit would have been lower by Rs. 100,951.

The projected unit credit method is based on the following significant assumptions:

	2003	
-Discount rate	8%	
- Expected rate of increase in salary	7%	
- Average expected remaining working life time of employees	12 years	
The amount recognised in the balance sheet is as follows:	2003	2002
	Rupees	Rupees
Present value of obligation	1,118,732	0
Unrecognised actuarial loss	-59,166	0
Liability recognised in the balance sheet	1,059,566	0
Movement in the net liability recognised in the balance sheet is as follows:		
Net liability at the beginning of the year	873,149	680,733
Effect of change in accounting policy	0	-100,951
Expense recognised	305,793	390,973
Contribution paid	-119,376	-97,606
Net liability at the end of the year	1,059,566	873,149
The amount recognised in the profit and loss account is as follows:		
Current service cost	235,941	0
Interest cost	69,852	0
Expense recognised in the profit and loss account	305,793	0

The Company's policy with regard to actuarial gains / losses is to follow minimum recommended approach under IAS19.

2.5 Foreign currency translations

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Rupees at the exchange rates prevailing on the balance sheet date. Exchange differences are taken to profit and loss account.

2.6 Taxation

Provision for taxation is made at the current rates of taxation. Tax credits and brought forward losses are recognised for arriving at taxable income for the year, if any.

The Company does not account for tax effects of major timing differences due to the reason stated in note 10.3.

2.7 Tangible operating fixed assets and depreciation thereon

These are stated at cost less accumulated depreciation except freehold land and capital work-in-progress which are stated at cost. Cost of some plant and machinery consists of historical cost and exchange fluctuations on foreign currency loans utilised in prior years for acquisition thereof. Borrowing costs relating to construction/erection period are also capitalised as part of the historical cost of the respective assets.

Depreciation is charged to income applying reducing balance method to write-off the historical cost and capitalised exchange fluctuations overestimated remaining useful life of assets. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets. Rates of depreciation are stated in note 13. No depreciation is provided on assets in the year of disposal / retirement whereas full year's depreciation is charged in the year of purchase / commercial operations.

Gains / losses on disposal of fixed assets are taken to profit and loss account.

Normal repairs and maintenance are taken to profit and loss account as and when incurred. Major renewals and replacements are capitalised and the assets so replaced, if any, other than those kept as stand-by, are retired.

Impairment of assets

Assets are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income for items of assets.

2.8 Long term investments

- a) Investments in equity instruments of Associated Companies are stated at the Group's share of their underlying net assets using the equity method.
- b) Bonus shares are accounted for by increase in number of shares without any change in value.

2.9 Stores, spares and loose tools

These are valued at moving average cost except items-in-transit, which are valued at cost accumulated to the balance sheet date.

2.10 Stock-in-trade

Basis of valuation are as follows:

Particulars	Mode of valuation
Raw materials	
At mills	-At lower of cost (FIFO) and net realisable value.
In transit	- At cost accumulated to the balance sheet date.
Work-in-process	- At manufacturing cost.
Finished goods	- At lower of cost and net realisable value.
Waste	-At realisable value.

- Cost in relation to work-in-process and finished goods represents annual average manufacturing cost which consists of prime cost and appropriate manufacturing overheads.

- Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

2.11 Trade debtors

Trade debtors are carried at original invoice amount less an estimate for doubtful debtors based on review of

outstanding amounts at the year-end. Bad debts are written-off when identified.

2.12 Revenue recognition

- Local sales through agents are booked on intimation from agents.
- Direct sales are accounted for when goods are delivered to customers and invoices raised.
- Export sales are booked on shipment of goods.
- Export rebate is accounted for on accrual basis.

2.13 Borrowing costs

Borrowing costs incurred on finances obtained for acquisition of fixed assets are capitalised upto the date of commissioning of the respective assets. All other borrowing costs are taken to profit and loss account.

2.14 Cash and cash equivalents

Cash and cash equivalents consist of cash-in-hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise of cash-in-hand, balances with banks and temporary bank overdrafts.

2.15 Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.16 Financial assets and liabilities

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

All purchases and sales of financial assets are recognised on the trade date.

2.17 **Offsetting of financial instruments**

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.18 Related party transactions

Sales, purchases and other transactions with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses relating to combined offices shared with the Associated Companies, which are on the actual basis.

2.19 Change in accounting policies

(a) The Holding Company, during the current year for better presentation of its sale revenues and to comply with the prevalent industry practice, has changed its accounting policy in respect of export sales, which are now being booked on shipment of goods; till 30 September, 2002 export sales were booked on despatch of goods. The change in policy has reduced export sale revenues for the year by Rs. 31.999 million and has increased profit for the year by Rs. 3.994 million approximately.

(b) Also refer contents of note 2.4 (b).

3. SHARE CAPITAL	2003	2002
	Rupees	Rupees
Authorised capital		
1 5,000,000 ordinary shares of Rs. 1 0 each	150,000,000	150,000,000
Issued, subscribed and paid-up capital		
6,288,800 ordinary shares of Rs. 10each		

			62,888,000	62,888,000
3,685,189	issued for cash			
	ordinary shares of Rs. 1 0 each			
9,973,989	issued as fully paid bonus shares		36,851,890	36,851,890
			99,739,890	99,739,890
4.	LONG TERM LOANS AND FINANCES - Secured		2003	2002
		Note	Rupees	Rupees
	Muslim Commercial Bank Limited (MCB)	4.1	37,678,221	103,081,013
	United Bank Limited (UBL)	4.2	102,591,887	155,187,887
			140,270,108	258,268,900
	Less: Current portion grouped under current liabilities			
	-MCB		21,336,774	57,237,625
	-UBL		52,591,887	52,596,000
			73,928,661	109,833,625
			66,341,447	148,435,275
4.1	MCB			
	IBRD loan	(a)	13,353,874	26,707,754
	L.M.M. loans	(b)	0	1,977,797
	Demand finances	(c)	24,324,347	51,732,961
	IFC loan	(d)	0	22,662,501
			37,678,221	103,081,013

(a) MCB-IBRD loan

This loan equivalent to U.S.\$ 3.211 million was translated into Pak Rupees at the exchange rates prevailing at the dates of opening of letters of credit for machinery acquired out of the proceeds of loan. Originally, the loan carried interest @ 15% per annum and penal interest @ 5% on overdue amounts. MCB, during the year, reduced the interest rate to 13% per annum with effect from 15 November, 2002. The year-end balance is repayable in 02 half-yearly equal instalments ending May, 2004.

(b) L.M.M. Loans

This loan was obtained under the State Bank of Pakistan's L.M.M. Scheme and carried mark-up @ 14% per annum. The outstanding balance of this loan was fully repaid during the year.

(c)	Demand finance			
	Demand finance I	(i)	22,878,047	29,414,647
	Demand finance II	(ii)	0	17,368,414
	Demand finance III	(ii)	835,300	2,505,900
	Demand finance IV	(ii)	611,000	2,444,000
			24,324,347	51,732,961

(i) These finances equivalent to Swiss Francs 0.915 million and Deutsche Marks 0.339 million were translated into Pak Rupees at the exchange rates prevailing on the dates of opening of letters of credit for machinery acquired out of the proceeds of these finances. Originally, these finances carried mark-up @ 15% per annum; however, MCB, during the year, charged mark-up at the rates ranging from 3.73% to 11.00% per annum. The year-end balance is repayable in 07 half-yearly equal instalments ending January, 2007.

(ii) Demand finances II, III and IV have been obtained by the Subsidiary Company and carry mark-up @ 3.73% per annum. Demand finance II has been fully repaid during the year; whereas year-end outstanding balances of demand finances III and IV are repayable during the financial year 2003-04.

(d) IFC Loan

This loan was repayable in 10 half-yearly instalments commencing 01 March, 1999 and carried mark-up @ 3.73% per annum. The Subsidiary Company, during the year, paid amounts aggregating Rs. 15.108 million and transferred the balance of Rs. 7.554 million to demand finance V under an arrangement with MCB. The balance of demand finance V was fully repaid during August, 2003.

(e) The aforementioned loan and finances are secured by first charge by way of an equitable mortgage of present and future movable and immovable properties and fixed assets of the Holding and Subsidiary Companies, hypothecation of the Holding and Subsidiary Companies' plant, equipment and machinery, a first floating charge on all other assets of the Holding and Subsidiary Companies,

personal guarantees of the directors and demand promissory notes. These charges rank pari-passu with the charges created in favour of other creditors.

4.2 UBL	Note	2003 Rupees	2002 Rupees
Demand finance - I		32,591,887	65,187,887
Demand finance - II		70,000,000	90,000,000
		102,591,887	155,187,887

(a) **Demand finance - I**

This finance was obtained against the sanctioned limit of Rs. 130.380 million. Originally, it carried mark-up @ 15% per annum; however, UBL, during the year, charged mark-up at the rates ranging from 3.66% to 12.50% per annum, payable on quarterly basis. It is secured against UBL's specific charge on fixed assets of the Holding Company for Rs: 130.380 million and personal guarantees of some of the directors of the Company. The year-end balance of this finance is repayable in 02 equal half-yearly instalments ending April, 2004.

(b) **Demand finance - II**

This finance was obtained against the sanctioned limit of Rs. 100 million. Originally, it carried mark-up @ 15% per annum; however, UBL, during the year, charged mark-up at the rates ranging from 3.66% to 12.50% per annum, payable on quarterly basis. It is repayable in 20 quarterly instalments commencing 18 April, 2002 and is secured against specific charge on fixed assets of the Holding Company for Rs. 133.340 million and equitable mortgage of specific assets.

5. SUPPLIERS' CREDITS - Secured

Particulars	Note	Swiss		Francs		PakF		Rupees	
		2003	2002	2003	2002	2003	2002	2003	2002
Sulzer Ruti Ltd., Switzerland	5.1	0	145,329	0	0	0	5,795,788	0	0
Sulzer Ruti Ltd., Switzerland	5.2	64,600	193,800	2,828,033	193,800	2,828,033	7,757,930	2,828,033	7,757,930
		64,600	339,129	2,828,033	339,129	2,828,033	13,553,718	2,828,033	13,553,718
Less: Current portion grouped under current liabilities		64,600	274,529	2,828,033	274,529	2,828,033	10,967,742	2,828,033	10,967,742
		0	64,600	0	64,600	0	2,585,976	0	2,585,976

5.1 This credit carried interest @ 5.75% per annum and was repayable in 10 equal half-yearly instalments commencing 09 May, 1998. It was secured by letter of credit established through Habib Bank Limited. The letter of credit, in turn, was secured by way of charge on the machinery imported under this credit. The outstanding balance of this credit was fully repaid during the year.

5.2 This credit carries interest @ 6.5% per annum and is repayable in 10 equal half-yearly instalments commencing 31 March, 1999. It is secured by letter of credit established through Muslim Commercial Bank Limited (MCB). The letter of credit, in turn, is secured by way of charge on machinery imported under this credit, lien over foreign currency fixed deposits of U.S.\$ 46,410 (2002: U.S.\$ 139,230) and personal guarantees of the directors. The year-end balance of this credit has been translated into Pak Rupees at the exchange rate prevailing on the balance sheet date as confirmed by MCB i.e. 1 Swiss Franc = Rs. 43.7776 (2002: Rs.40.0306).

6. IQRA SURCHARGE PAYABLE

This represents Iqra surcharge imposed by the Central Excise and Land Customs Department on imported plant and machinery against which the Company has applied to the (Member Customs) Central Board of Revenue, Islamabad. The matter is pending for adjudication.

7. CURRENT PORTION OF LONG TERM LIABILITIES	Note	2003 Rupees	2002 Rupees
Long term loan and finances	4	73,928,661	109,833,625
Suppliers' credits	5	2,828,033	10,967,742
		76,756,694	120,801,367
8. SHORT TERM FINANCES			
Secured	8.1	297,885	9,970
Un-secured (temporary bank overdrafts)	8.2	11,761,597	829,901
		12,059,482	839,871

8.1 Short term finance facilities available from commercial banks under mark-up arrangements aggregate Rs.2.700 billion (2002:Rs.2.709 billion) of which facilities aggregating Rs.2.400 billion (2002: Rs.2.409 billion) remained unutilised at the year-end. These facilities, during the year, carried mark-up at the rates ranging from 2.5% to 10.5% per annum. The aggregate short term finance facilities are secured against first hypothecation charge on current assets of the Company, lien over export bills, banks' lien on letters of credit and export documents and personal guarantees of all the directors.

Facilities available for opening letters of credit and guarantee aggregate Rs.105 million (2002:Rs.205 million) of which amounts remaining unutilised at the year-end aggregated Rs. 53.031 million (2002:Rs.168.848 million). These facilities are secured against lien on shipping documents and personal guarantees of all the directors.

These facilities are expiring on various dates by 31 May, 2004.

8.2 The year-end credit balance has arisen due to issuance of cheques by the Subsidiary Company for amounts in excess of balance in the bank accounts.

CREDITORS, ACCRUALS AND OTHER PAYABLES		2003	2002
	Note	Rupees	Rupees
Due to Associated Companies		397,133	2,921,030
Due to executives		17,950	70,000
Creditors		42,771,631	43,967,140
Bills payable		17,783,771	2,400,116
Advance payments		5,554,318	6,073,640
Accrued expenses		43,923,214	37,943,779
Retention money		58,455	61,455
Interest/mark-up accrued on secured:			
- long term loans and finances		2,309,440	5,908,764
- suppliers' credits		92,168	381,167
Mark-up accrued on short term finances		0	2,487,510
Tax deducted at source		106,491	32,328
Export duty payable	9.1	873,635	873,635
Workers' (profit) participation fund:			
- the Holding Company	9.2	11,667,000	8,093,000
- the Subsidiary Company	9.3	795,387	251,616
Electricity duty		231,388	222,498
Excise duty on bank borrowings		5,979,803	5,979,803
Others		303,493	145,149
		132,865,277	117,812,630
9.1	This is secured against bank guarantees.		
9.2	Workers' (profit) participation fund (the Holding Company)		
		Opening balance	8,093,000
		Add:	
		- Interest on funds utilised in the Company's business	573,716
		- Allocation for the year	11,667,000
			12,240,716
			20,333,716
		Less:	
		- Amount paid to the fund	8,658,300
		- Amount deposited in the Government Treasury	8,416
			5,316
			8,666,716
			11,667,000
			10,028,080
			10,033,396
			8,093,000
9.3	Workers' (profit) participation fund (the Subsidiary company)		
		2003	2002
	Note	Rupees	Rupees
		Opening balance	251,616
		Add:	
		- Interest on funds utilised in the Company's business	22,663
		- Allocation for the year	795,387
			818,050
			1,069,666
		Less: Amount paid during the year	274,279
			795,387
			46,643
			251,616
			298,259
			799,499
			547,883
			251,616

10. PROVISION FOR TAXATION - Net

Opening balance		76,643,860	72,741,022
Provision made during the year for:			
- current year	10.2	39,000,000	38,000,000
- prior years' - net		-10,316,912	-7,889,438
		28,683,088	30,110,562
		105,326,948	102,851,584
Less: Adjustments / payments against finalised assessments		32,448,576	26,207,724
		72,878,372	76,643,860
Less: Payments of advance tax / tax deducted at source		71,132,373	70,910,910
		1,745,999	5,732,950

10.1 Income tax assessments of the Holding Company have been finalised upto the Income Year ended 30 September, 2001 (Assessment Year 2002-03).

10.2 Provision for taxation represents tax payable under section 154 of the Income Tax Ordinance, 2001 (the Ordinance)

10.3 No provision for deferred taxation is required as the Holding Company is liable to pay tax under section 154 of the Ordinance.

10.4 No numeric tax rate reconciliation is given in these financial statements as the Holding Company is liable to pay tax under section 154 of the Ordinance.

10.5 Profit and gains of the Subsidiary Company derived from power generation are exempt from levy of income tax under Clause 176 of Part I of the Second Schedule to the repealed Income Tax Ordinance, 1979. Moreover, provisions of Section 80 D of the repealed Ordinance are also not applicable under Clause 20 of Part IV of the Second Schedule to the repealed Ordinance.

11. DIVIDENDS

Unclaimed		430,790	1,790,522
Proposed		39,895,956	24,934,980
		40,326,746	26,725,502

12. CONTINGENCIES AND COMMITMENTS

12.1 The Subsidiary Company had filed a writ petition against Central Board of Revenue (CBR) with the Lahore High Court (LHC) challenging the levy of customs duty, regulatory duty, sales tax and service charges; the appeal was decided against the Subsidiary Company. The Subsidiary Company (as an interim payment) deposited 2.5% of the customs duty amounting Rs. 4,424,133 and filed an appeal with the Supreme Court of Pakistan, which sustained the judgment of the LHC and upheld the charge of above levies except sales tax. The Subsidiary Company has paid remaining amount of customs duty and regulatory duty amounting Rs. 14,186,004. The Supreme Court, in its judgment, had not given any ruling on sales tax levied amounting Rs. 21,235,770, which is still unpaid. The Subsidiary Company is seeking to file a review petition against the chargeability of sales tax. Any liability, consequent to the judgment of the Supreme Court, is not ascertainable.

The management is of the view that as per S.R.O. No.230(1)/97, this amount is not payable by the Subsidiary Company. This matter, vide the Subsidiary Company's letter no. MPG/2002/8379 dated 28 June, 2002, was brought to the notice of the Collector of Customs, Karachi. The Customs Authorities have kept this demand in abeyance for the time being vide their letter no. IB/283/97-VII(BGCELL) dated 19 June, 2002. The Subsidiary Company has not made provision of Rs.21.235 million (being levy of sales tax on import of power generators), consequent upon the judgment of the Supreme Court. Had the provision of sales tax been made and capitalised, profit for the year and unappropriated profit at the year-end would have decreased by Rs. 2.123 million (being the amount of depreciation).

12.2 The Company, during the year, has imported textile plant & machinery availing exemption from customs duty and sales tax on importation thereof under SRO Nos. 554(1)/98 and 987(1)/99 amended vide SRO Nos. 839(1)72000 and 503(1)72003. In case the conditions of the aforementioned SROs are violated, the amount of customs duty and sales tax exempted aggregating Rs. 13.311 million shall be recoverable by the Customs Authorities along with penalties under section 202 of the Customs Act, 1969. The Company, during the year after installation of some of the imported plant and machinery, has submitted installation-cum-production certificates to the Customs and Sales Tax Departments.

12.3 Guarantees given as at 30 September, 2003 on behalf of the Company, by the commercial banks (excluding those referred to in note 9.1), were outstanding for Rs.8.315 million

(2002:Rs.6.568 million).

12.4 Foreign bills discounted outstanding as at 30 September, 2003 aggregated Rs. 470.853 million.

12.5 Commitments for irrevocable letters of credit for:	2003	2002
	Rupees in million	
- capital expenditure	0.87	17.949
- others	55.872	10.657
	56.742	28.606

12.6 Commitments outstanding against inland letters of credit as at 30 September, 2003 were for Rs.15.622 million.

13. OPERATING FIXED ASSETS - Tangible

Particulars	Cost			As at 30 September, 2003	Rate	Depreciation			To 30 September, 2003	NET BOOK VALUE AS
	As at 30 September, 2002	Additions during the year	Disposals during the year			To 30 September, 2002	For the Year	On disposals		AT 30 SEPTEMBER, 2003
Land-Freehold	4,536,225	0	0	4,536,225		0	0	0	0	4,536,225
Protective dam	3,631,049	0	0	3,631,049	5	1,457,007	108,702	0	1,565,709	2,065,340
Buildings on freehold land	210,826,282	0	0	210,826,282	10	120,425,724	9,040,056	0	129,465,780	81,360,502
Plant and machinery	1,640,174,329	56,682,684	0	1,696,857,013	10	868,273,767	82,858,326	0	951,132,093	745,724,920
Electric installations	32,467,695	959,112	0	33,426,807	10	19,126,856	1,429,995	0	20,556,851	12,869,956
Gas installations	625,869	0	0	625,869	10	404,857	22,101	0	426,958	198,911
Tools and equipment	4,664,886	409,891	0	5,074,777	10	2,410,157	266,462	0	2,676,619	2,398,158
Furniture and fixtures	3,838,358	402,112	0	4,240,470	10	1,762,844	247,763	0	2,010,607	2,229,863
Office equipment	2,743,578	107,450	0	2,851,028	10	1,412,230	143,881	0	1,556,111	1,294,917
Computers and accessories	3,587,462	728,665	115,000	4,201,127	30	1,298,062	874,370	11,500	2,160,932	2,040,195
Vehicles	21,930,960	4,956,267	3,211,937	23,675,290	20	13,416,719	2,072,371	698,251	14,790,839	8,884,451
i/Veighing bridge	1,781,871	780,000	0	2,561,871	10	832,639	172,923	0	1,005,562	1,556,309
2003: Rupees	1,930,808,564	65,026,181	3,326,937	1,992,507,808		1,030,820,862	97,236,950	709,751	1,127,348,061	865,159,747
2002: Rupees	1,651,951,694	28,971,262	50,114,392	1,930,808,564		970,190,700	100,550,004	39,919,842	1,030,820,862	899,987,702

13.1 Depreciation for the year has been apportioned as under:	2003	2002
	Rupees	
Cost of sales	93,911,172	97,802,532
Administrative expenses	3,325,778	2,747,472
	97,236,950	100,550,004

13.2 Additions to plant and machinery, during the preceding year, included customs duty and regulatory duty paid by the Subsidiary Company on import of diesel generators consequent upon the Supreme Court's judgment as detailed in note 12.1.

13.3 Disposal of operating fixed assets

Particulars	Cost	Accumulated depreciation	Book value	insurance claim / Sale proceeds	Gain/ (loss)	insurance claim received from/sold through negotiation to :
Computer:						
Laptop	115,000	11,500	103,500	115,000		11.5 EFU General Insurance Company Ltd. Rajput commercial Centre, Multan.
Vehicle:						
Honda Civic	1,272,349	0	1,272,349	1,272,000	-349	EFU General Insurance Company Ltd., Tareen Road, Multan.
Honda Civic	1,113,244	400,768	712,476	750,000	37,524	Farooq Enterprises 1636/1-B-1, Pir Khurshid Colony, Multan.
Toyota Corolla	826,344	297,483	528,861	525,000	-3,861	Toyota Motors, Mulan.
	3,211,937	698,251	2,513,686	2,547,000	33,314	
	3,326,937	709,751	2,617,186	2,662,000	44,814	

14. CAPITAL WORK-IN-PROGRESS	2003	2002
	Rupees	
	Note	

Plantand machinery		15,862,398	2,886,625
Vehicles - advance payments		3,764,200	0
		19,626,598	2,886,625
15. LONG TERM INVESTMENTS -Unquoted			
Associated Companies:			
Masood Spinning Mills Limited			
4,000,000 fully paid ordinary shares of Rs. 10 each.			
Percentage of equity held-20%			
Cost		40,000,000	40,000,000
Post acquisition profit / (loss) brought forward		219,162	-966,934
		40,219,162	39,033,066
Profit for the year before taxation		8,239,332	2,364,113
Less: Provision for taxation		-933,446	-1,178,017
		7,305,886	1,186,096
		47,525,048	40,219,162
Roomi Fabrics Limited			
4,000,000 fully paid ordinary shares of Rs. 10 each			
Percentage of equity held: 26.67%			
Cost		40,000,000	0
Profit for the year before taxation		246,606	0
Less: Provision for taxation		-49,408	0
		197,198	0
		40,197,198	0
		87,722,246	40,219,162
16. LONG TERM DEPOSITS			
Security deposits		1,644,030	1,644,030
Foreign currency fixed deposits	16.1	2,686,095	13,736,405
Less: Current portion grouped under current assets		2,686,095	10,991,254
		0	2,745,151
		1,644,030	4,389,181
16.1 The year-end balance represents Fixed Term Deposit Receipts (FTDR) amounting U.S. \$46,410 held with Muslim Commercial Bank Limited (MCB) {(2002: U.S. \$232,230 held with Habib Bank Limited and MCB). It carries interest @ 7.82% per annum and has been translated into Pak Rupees at the exchange rate prevailing on the balance sheet date i.e. U.S. \$1 = Rs. 57.8775. This deposit has been held with MCB as security of supplier's credit mentioned in note 5.2.			
17. STORES, SPARES AND LOOSE TOOLS			
	Note	2003 Rupees	2002 Rupees
Stores:			
-at mills		37,039,942	24,540,985
-in transit		10,372,587	4,831,988
		47,412,529	29,372,973
Spares		46,109,864	56,501,915
Loose tools		99,587	111,578
		93,621,980	85,986,466
Less: Provision for obsolete stores and spares		2,361,428	0
		91,260,552	85,986,466
17.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.			
18. STOCK-IN-TRADE			
Raw materials		69,433,646	58,550,133
Work-in-process		24,855,609	20,405,236
Finished goods			
Manufacturing - including in-transit inventory valuing Rs.31.999 million (2002: Nil)		118,311,855	115,591,347
Trading		8,129,057	6,447,087
		126,440,912	122,038,434
		220,730,167	200,993,803
19. TRADE DEBTORS			
Secured - Export Bills		20,686,343	41,909,743
Unsecured			
- considered good		27,902,658	3,230,080
- considered doubtful		2,097,018	2,097,018
		29,999,676	5,327,098

	50,686,019	47,236,841
Less: Provision for doubtful debts	2,097,018	2,097,018
	48,589,001	45,139,823

20. ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES

	Note	2003 Rupees	2002 Rupees
Due from an Associated Companies	20.1	15,645,062	67,492,154
Due from executives - considered good	20.2	682,416	126,136
Advances to employees - considered good		1,000,722	1,127,646
Advances for distribution license fee - NEPRA		3,281,637	3,281,637
Advance payments to suppliers			
contractors and others - Considered good		42,253,930	7,427,776
Advance payment for imported raw materials		41,578,031	0
Letters of credit		696,099	1,516,738
Margin deposits		776,750	602,140
Security deposits		14,750	14,750
Prepayments		109,950	141,557
Excise duty		0	223,419
Octroi and zila tax refundable		91,308	91,308
Income tax deducted at source		41,708	33,705
Sales tax refundable - net		10,968,516	57,999,954
Export rebate receivable		4,857,497	6,570,396
Accrued interest/profit on bank deposits		1,210,769	5,124,746
Others		328,458	464,402
		123,537,603	152,238,464
20.1 Due from Associated Companies on account of normal trading transactions:			
Masood Fabrics Ltd.		8,066,673	67,462,154
Masood Spinning Mills Ltd.		368,999	0
Roomi Fabrics Ltd.		7,209,390	0
		15,645,062	67,462,154

20.2 Maximum aggregate amount due from executives at any month end during the year was Rs. 751,146 (2002:Rs. 375,284).

21. CASH AND BANK BALANCES

Cash-in-hand		429,771	129,783
Cash at banks on:			
- current accounts		9,312,022	13,287,998
- dividend account		77,033	7,743
- current portion of foreign currency fixed deposits	16	2,686,095	10,991,254
- saving accounts	21.1	152,881,170	82,073,357
		164,956,320	106,360,352
		165,386,091	106,490,135

21.1 These include foreign currency balance of U.S. \$ 11,646 (2002: U.S. \$ 11,828), which has been translated into Pak Rupees at the exchange rate prevailing on the balance sheet date i.e. U.S. \$1 = Rs.57.90 (2002: Rs.59.15).

22. SALES - Net

	Note	2003 Rupees	2002 Rupees
Local:			
- Own manufactured goods			
Yarn		355,959,331	176,139,109
Cloth		96,398,847	95,733,960
Waste		66,574,859	46,063,017
Doubling / sizing		272,881	1,295,374
		519,205,918	319,231,460
- Trading goods			
Yarn		36,339,064	0
Cotton		10,400,794	0
		46,739,858	0
		565,945,776	319,231,460
Less: Commission		1,769,169	1,074,460
		564,176,607	318,157,000

Export:

- Own manufactured goods		
Yarn	1,803,127,213	1,766,333,590
Cloth	712,713,098	605,014,148
Waste	47,054,343	46,361,572
Export rebate	34,601,544	21,828,095
	2,597,496,198	2,439,537,405
Less:		
Export development surcharge	5,618,032	4,812,432
Commission	47,747,128	42,972,617
	53,365,160	47,785,049
	2,544,131,038	2,391,752,356
-Trading goods		
Yarn	43,337,618	239,534,059
Cloth	21,567,402	91,082,098
Waste	469,791	1,981,518
	65,374,811	332,597,675
Less:		
Export development surcharge	160,908	1,495,474
Commission	936,216	3,713,799
	1,097,124	5,209,273
	64,277,687	327,388,402
	3,172,585,332	3,037,297,758

22.1 Local sales have been shown after deduction of sales tax aggregating Rs. 106.876 million (2002:Rs.48.085 million).

22.2 Export sales include sales aggregating Rs. 148.646 million made to the Associated Companies (Direct Exporters) against Standard Purchase Orders.

23. COST OF SALES

	Note	2003 Rupees	2002 Rupees
Raw materials consumed	23.1-	2,056,103,124	1,760,730,156
Packing materials consumed		47,181,587	50,313,641
Salaries, wages and benefits	23.2	138,898,238	120,219,286
Power and fuel		198,222,670	173,333,589
Repair and maintenance			
-stores consumed		93,542,138	91,266,048
-expenses		7,186,635	5,943,968
		100,728,773	97,210,016
Electricity duty		2,780,970	2,544,980
Excise duty		223,419	0
Depreciation		93,911,172	97,802,532
Insurance		14,688,648	11,469,049
Others		69,866	58,186
		2,652,808,467	2,313,681,435
Adjustment of work-in-process			
Opening		20,405,236	26,540,118
Closing		-24,855,609	-20,405,236
		-4,450,373	6,134,882
Cost of goods manufactured		2,648,358,094	2,319,816,317
Adjustment of finished goods			
Opening stock		115,591,347	122,213,104
Closing stock - including in-transit inventory valuing Rs. 31.999 million (2002: Nil)		-118,311,855	-115,591,347
		-2,720,508	6,621,757
Cost of goods sold - Own manufactured		2,645,637,586	2,326,438,074
Cost of goods sold - Trading goods			
Opening stock		6,447,087	2,958,440
Purchases		112,027,951	303,247,536
Closing stock		-8,129,057	-6,447,087
		110,345,981	299,758,889
		2,755,983,567	2,626,196,963
23.1 Raw materials consumed			
Opening stock		58,550,133	64,871,600
Purchases		2,065,447,016	1,752,912,260
		2,123,997,149	1,817,783,860

Less: Closing stock		69,433,646	58,550,133
		2,054,563,503	1,759,233,727
Cotton cess		1,539,621	1,496,429
		2,056,103,124	1,760,730,156
24. ADMINISTRATIVE AND SELLING EXPENSES		2003	2002
	Note	Rupees	Rupees
Administrative:			
Salaries and benefits	24.1	7,897,519	7,878,170
Travelling and conveyance including directors' travelling amounting Rs. 2.211 million (2002: Rs. 2.155 million)		3,681,066	3,646,013
Rent, rates and taxes		283,712	490,900
Entertainment		1,389,836	1,502,854
Electricity		913,738	581,370
Communication		5,640,911	5,716,727
Printing and stationery		1,247,451	1,553,627
Insurance		279,068	433,586
Repair and maintenance		1,028,293	1,207,991
Vehicles' running		2,860,773	2,987,009
Subscription		562,779	354,943
Auditors' remuneration:			
Hameed Chaudhri & Co.			
- Mahmood Textile Mills Limited			
- statutory audit		100,000	100,000
- half yearly review		40,000	0
- accounting and certification charges		45,000	25,000
		185,000	125,000
M. Yousuf Adil Saleem & Co.			
- Mahmood Power Generation Limited			
- statutory audit		100,000	60,000
		285,000	185,000
Legal and professional charges (other than Auditor's)		211,114	202,065
General		1,510,527	1,157,116
Depreciation		3,325,778	2,747,472
		31,117,565	30,644,843
Selling:			
Advertisement		77,300	84,074
Export expenses		83,910,744	121,671,846
Purchase of export quota		1,272,014	1,984,753
Freight and other expenses		4,718,870	4,839,412
		89,978,928	128,580,085
		121,096,493	159,224,928

24.1 Expense for the year includes staff retirement benefits - gratuity amounting Rs. 0.428 million (2002:Rs.0.323 million).

25. OTHER INCOME		2003	2002
	Note	Rupees	Rupees
Sale of salvage (net of sales tax amounting Rs. 156,845 (2002: Rs.165,516))		3,056,661	2,887,418
Rent		3,600	5,480
Gain on disposal of fixed assets	13.3	44,814	1,561,450
Export rebate on packing materials		3,424,297	4,271,474
Exchange fluctuation gain - net	25.1	1,324,990	0
Interest on foreign currency fixed deposits		273,115	1,792,593
Income on bank deposits		1,255,303	266,930
		9,382,780	10,785,345
25.1 Exchange fluctuation gain - net			
Exchange (loss) / gain on repayment / translation of suppliers' credits		-543,892	815,120
Exchange loss on translation of foreign currency fixed deposits		-164,524	-1,883,384
Exchange loss on translation of foreign currency account		-14,525	-46,085
Exchange gain on export proceeds		2,047,931	0
		1,324,990	-1,114,349

26.	FINANCIAL CHARGES			
	Interest/mark-up on:			
	- long term loan and finances		14,397,116	40,667,685
	- suppliers' credits		312,982	1,064,318
	- short term finances		15,040,671	24,276,033
	- workers' (profit) participation funds	9.2	596,379	1,247,039
	Bank charges and commission		21,805,414	22,493,069
	Exchange risk coverage fee		1,097,322	2,344,956
	Charges on export refinance		0	2,487,510
			53,249,884	94,580,610
27.	MISCELLANEOUS CHARGES			
	Donations (without directors' interest)		51,500	74,788
	Preliminary expense amortised		0	48,469
	Exchange fluctuation loss - net	25.1	0	1,114,349
	Zakat		0	985
	Provision for obsolete stores and spares	17	2,361,428	0
			2,412,928	1,238,591
28.	BASIC EARNINGS PER SHARE			
	Profit attributable to ordinary shareholders		215,472,374	129,537,897
				Number of shares
	Weighted average number of shares outstanding during the year		9,973,989	9,973,989
	Basic earnings per share		21.6	12.99
			2003	2002
29.	NUMBER OF EMPLOYEES			
	Number of employees at the year-end		2,153	2,212
				Numbers

30. FINANCIAL INSTRUMENTS

1 Financial assets and liabilities	Interest / mark-up	Interest / mark-up bearing			Non interest/ mark-up bearing			Total
		Maturity upto one year	Maturity after one year	Sub - total	Maturity upto one year	Maturity after one year	Sub - total	
	rates range % per annum							
Financial assets:								
Long term deposits	7.82%	2,686,095	0	2,686,095	0	1,644,030	1,644,030	4,330,125
Trade debtors		0	0	0	48,589,001	0	48,589,001	48,589,001
Advances, deposits and other receivables		0	0	0	5,283,906	0	5,283,906	5,283,906
Cash and bank balances	0.75% to 1.60%	152,881,170	0	152,881,170	9,818,826	0	9,818,826	162,699,996
2003:		155,567,265	0	155,567,265	63,691,733	1,644,030	65,335,763	220,903,028
2002:		93,064,611	4,389,181	97,453,792	71,298,097	0	71,298,097	168,751,889
Financial liabilities:								
Long term loans and finances	3.66% to 13.00%	73,928,661	66,341,447	140,270,108	C	0	0	140,270,108
Suppliers' credits	6.50%	2,828,033	0	2,828,033	C	0	0	2,828,033
Short term finances	2.50% to 10.50%	297,885	0	297,885	11,761,597	0	11,761,597	12,059,482
Creditors, accruals and other payables		0	0	0	107,260,122	0	107,260,122	107,260,122
Dividends		0	0	0	40,326,746	0	40,326,746	40,326,746
2003:		77,054,58	66,341,447	143,396,026	159,348,465	0	159,348,465	302,744,491
2002:		121,641,238	151,021,251	272,662,489	120,122,910	0	120,122,910	392,785,399
Off balance sheet items								
Letters of credit		0	0	0	72,363,943	0	72,363,943	72,363,943
Guarantees		0	0	0	4,085,000	4,229,504	8,314,504	8,314,504
Foreign bills discounted		0	0	0	470,853,805	0	470,853,805	470,853,805
2003:		0	0	0	547,302,748	4,229,504	551,532,252	551,532,252

2002:	0	0	0	31,261,607	3,913,004	35,174,611	35,174,611
-------	---	---	---	------------	-----------	------------	------------

30.2 Foreign exchange risk management

Foreign exchange risk arises when receivables and payables exist due to transactions with foreign undertakings. The management takes out forward exchange contracts, where appropriate, to mitigate the risk. No forward foreign exchange contracts were outstanding at the year-end.

30.3 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. All of the Company's financial assets, except for cash-in-hand amounting Rs.0.430 million (2002: Rs.0.130 million), are subject to credit risk.

30.4 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

31. REMUNERATION TO EXECUTIVES	Note	2003 Rupees	2002 Rupees
Managerial remuneration		9,178,800	2,228,000
House rent		3,239,640	1,164,600
Utilities		359,960	129,400
Staff retirement benefits - gratuity		899,900	257,500
		13,678,300	3,779,500
Number of persons		56	11

No remuneration or meeting fee were paid to the Chief Executive and Directors during the year (2002: Nil). Some of the Directors and the Executives, however, have been provided with the Company maintained cars and residential telephones.

32. TRANSACTIONS WITH ASSOCIATED COMPANIES

32.1 Maximum aggregate debit balance of the Associated Companies, accrued due to trading activities, at any month-end during the year was Rs. 264,545,464 (2002: Rs. 110,876,789).

32.2 Aggregate transactions made during the year with the Associated Companies were as follows:

	Note	2003 Rupees	2002 Rupees
- Sale of goods		253,665,546	160,152,262
- Purchase of goods		1,322,251,614	1,276,784,548
- Sizing revenues		220,089	521,805
- Sizing charges		1,583,778	84,187
- Conversion charges		0	1,490,273
- Doubling revenue		93,725	0

33. CAPACITY AND ACTUAL PRODUCTION

Yarn	Note	2003 Rupees	2002 Rupees
Number of spindles installed		65,280	65,280
Number of spindles - Shifts worked		70,890,101	71,012,114
Production capacity at 20's Count - 1,089 Shifts	Kgs.	22,170,000	22,170,000
Actual production converted into 20's count	Kgs.	24,183,109	23,654,727
Cloth			
Number of looms installed		103	103
Number of looms - Shifts worked		112,579	112,579
Installed capacity at 60 picks - 1,080 Shifts	Sq. Mtrs.	19,975,000	19,975,000
Actual production converted into 60 picks	Sq. Mtrs.	20,902,088	20,587,672
The Subsidiary Company			
Plant capacity	Kwh.	80,592,000	80,592,000
Actual power generation	Kwh.	70,758,370	68,245,770

33.1 It is difficult to describe precisely the production capacity in Spinning/Weaving Mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, twist, the width and construction of cloth woven, etc. It also varies according to the pattern of production adopted in a particular year.

32.2 Power generation was limited to the actual demands.

34 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on 31 December, 2003 by the board of directors of the Company.

35 FIGURES

in the financial statements have been rounded-off to the nearest Rupee except stated otherwise; and of the corresponding year, where necessary, have been rearranged for the purposes of comparison.

COMPANY INFORMATION

Board of Directors:

Chairman/Chief Executive Khawaja Muhammad Masood
 Khawaja Muhammad Iqbal
 Khawaja Muhammad Ilyas
 Khawaja Muhammad Younus
 Khawaja M. Jalaluddin Roomi
 Mr. Muhammad Muzaffar Iqbal
 Mrs. Farrah Ilyas

Company Secretary:

Ghulam Mohayuddin

Auditors:

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Imran Centre
Opp. Union Bank Ltd,
Multan.

Bankers:

Muslim Commercial Bank Ltd.
Hussain Agahi Road, Multan.

Registered Office:

Mehr Manzil, Lohari Gate, Multan.

Power Plant:

Mahmoodabad, Multan Road,
Muzaffar Garh.

NOTICE OF MEETING.

NOTICE is hereby given that the 6th Annual General Meeting of the Company will be held on Saturday, 21st December-2003 at 11:00 A.M at its Registered Office, Mehr Manzil, Lohari Gate, Multan for the purpose of transacting the following business:-

1. To Confirm the Minutes of last Annual General Meeting held on 22nd December-2002.
2. To receive, consider and adopt the Audited Accounts for the year ended 30-06-2003 together with the Directors and Auditor's Reports thereon.
3. To appoint Auditors for the year 2003-2004 and to fix their remuneration. The retiring Auditors M/s. Yousaf Adil Saleem & Co., Chartered Accountants, being eligible have offered themselves for re-appointment.
4. To transact any other ordinary business as may be placed before the meeting with the permission of the Chair.

By the order of the Board of Directors

(Ghulam Mohayuddin)

Company Secretary.

Dated: 01-12-2003

- i) The Share Transfer Books of the Company will remain closed from 15th December to 22nd December 2003 (both days inclusive).

ii) Members are requested to notify immediately any change in their addresses.

DIRECTOR'S REPORT TO THE SHAREHOLDERS

IN THE NAME OF ALLAH, THE MOST BENEFICENT, THE MOST MERCIFUL

Your Directors cordially welcome you to the 7th Annual General Meeting and place before you the Annual Accounts for the year ending 30.06.2003.

The Company during the year under report earned a net profit of Rs. 15,089,6957- as compared to the profit of Rs.4,835,0147- lastyear.

The summarized operating results are appended below:-

	Note	2003 Rupees	2002 Rupees
Sale of Electric Energy.		254,898,262	227,887,015
Cost of sales.		234,368,103	211,633,807
Gross Profit.		20,530,159	16,253,208
Operating expenses & other charges.		5,440,464	11,418,194
NET PROFIT.		15,089,695	4,835,014

Your Directors are pleased to report that during the year under report despite various handicaps, the company earned a reasonable profit on account of the following reasons:-

1. Increase in sale.

Last year, major repairs and complete overhauling of the engine at the expense of Rs. 18.085 Million was carried out due to which the sale of electric energy raised by about 3.60%.

2. Increase in Generating Capacity.

Due to general overhauling of the engines, against the installed capacity of 80,592,000 Kwh the plant generating 70,758,370 Kwh electricity i.e., 88% of the installed capacity against 68,245,770 Kwh i.e., 85% generated lastyear.

3. Loan liabilities.

The loan liabilities of the banks were considerably decreased due to which the mark up/interest on long terms loans substantially decreased from Rs. 6,850,729 last year to Rs. 2,040,266 this year.

Price fluctuation in furnace oil.

America raided Iraq on 09.04.2003, Since then there is no stability in the prices of furnace oil and are being increased after every fortnight. That is one of the reason that the average price of furnace oil raised to Rs. 11,500 per ton as compared to Rs. 10,355 per ton last year.

Future Outlook

The viability of a generation plant entirely depends on the availability of furnace oil at reasonable rates. It is hoped that as soon as the conflict of Iraq is subsided there will be some stability in prices of furnace oil.

Auditors

The present Auditors M/S M. Yousuf Adil Saleem & Company, Chartered Accountants, retire and being eligible offer themselves for re-appointment.

Your Directors would like to thank the whole staff both at Plant Site and at Head Office for their dedication & Loyalty towards their esteemed organization and hope that with their whole hearted support results will be achieved in future.

For and on behalf of the Directors

Sd/-

(KHAWAJA MUHAMMAD MASOOD)
CHAIRMAN.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Mahmood Power Generation Limited, as at June 30,2003 and the related profit & loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that;

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion;

(i) the balance sheet and profit and loss account together with the notes thereon have

been drawn up in conformity with the Companies Ordinance, 1984, and are in

agreement with the books of account and are further in accordance with the

accounting policies consistently applied except for the changes as stated in note 2.3 with which we

concur;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the

year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, give the information required by the Companies Ordinance, 1984, in the manner so required and except for the contents of Note No. 7 regarding a liability shown under contingencies, respectively give a true and fair view of the company's affairs as at June 30, 2003 and of the profit, changes in equity and its cash flows for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: 26-09-2003

M. YOUSUF ADIL SALEEM & CO.

Place: Multan

CHARTERED ACCOUNTANTS

BALANCE SHEET

	Note	2003 Rupees	2002 Rupees
SHARE CAPITAL AND RESERVES			
Authorized capital			

1 5,000,000 ordinary shares of Rs.10/-each		150,000,000	150,000,000
Issued, subscribed and paid up capital	3	74,036,600	74,036,600
Un-appropriated profit		121,079,469	105,989,774
		195,116,069	180,026,374
LONG TERM LOANS	4	-	9,611,467
DEFERRED LIABILITY			
Gratuity	5	1,059,566	873,149
CURRENT LIABILITIES			
Current portion of long term loans	4	9,000,453	37,347,145
Creditors, accrued and other liabilities	6	14,111,788	12,553,670
		23,112,241	49,900,815
CONTINGENCIES AND COMMITMENTS	7		
		219,287,876	240,411,805

The annexed notes from 1 to 23 form an integral part of these financial statements

	Note	2003 Rupees	2002 Rupees
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	8	156,891,910	173,693,971
CURRENT ASSETS			
Stores	9	35,776,135	32,946.41
Trade debtors		21,221,201	27,130,678
Advances, deposits, prepayments and other receivables	10 11	5,273,282	6,541,706
Cash and Banks	12	125,348	99,038
		62,395,966	66,717,834
		219,287,876	240,411,805

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2003

	Note	2003 Rupees	2002 Rupees
Sales		254,898,262	227,887,015
Cost of sales	13	234,368,103	211,633,807
Gross profit		20,530,159	16,253,208
Operating expenses			
Administrative	14	1,470,668	1,918,720
Operating profit		19,059,491	14,334,488
Other charges			
Financial	15	3,174,409	9,247,858
Workers' profit participation fund		795,387	251,616
		3,969,796	9,499,474
Profit for the year		15,089,695	4,835,014
Unappropriated profit brought forward		105,989,774	101,154,760
Unappropriated profit carried to balance sheet		121,079,469	105,989,774
Earnings per share	16	2.04	0.65

The annexed notes from 1 to 23 form an integral part of these financial statements

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2003

	Note	2003 Rupees	2002 Rupees
A) CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		15,089,695	4,835,014
Adjustment for non cash items			
Depreciation		17,488,278	19,439,094
Provision for gratuity		305,793	390,973
Effect of change in accounting policy			-100,951

Loss on disposal of fixed assets	4,210	4,029
Amortization of deferred cost		48,469
Write off of excise duty	223,419	
Financial charges	3,174,409	9,247,858
Operating cash flow before working capital changes	36,285,804	33,864,486
Changes in working capital (increase) /decrease in current assets		
Stores	-2,829,723	-10,890,359
Trade debtors	5,909,477	21,782,599
Advances, deposits, prepayments and other receivables	1,045,005	10,416,202
Increase /(decrease) in current liabilities Creditors, accrued and other liabilities	1,553,003	9,825,290
	5,677,762	31,133,732
Cash generated from operations	41,963,566	64,998,218
Financial charges paid	-3,169,294	-9,779,921
Gratuity paid	-119,376	-97,606
Net cash inflow from operating activities	38,674,896	55,120,691
B) CASH FROM INVESTING ACTIVITIES		
Fixed capital expenditure	-2,487,427	-18,665,537
Proceeds from disposal of fixed assets	1,797,000	346,000
Net cash used in investing activities	-690,427	-18,319,537
C) CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term loans	-37,958,159	-36,737,732
Net cash used in financing activities	-37,958,159	-36,737,732
Net Increase in cash and bank balances during the year(A+B+C)	26,310	63,422
Cash and bank balances at the beginning of the year	99,038	35,616
Cash and bank balances at the end of the year	125,348	99,038

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2003

	Share Capital	Accumulated Profit	Total Rupees
Balance as at July 01, 2001	74,036,600	101,154,760	175,191,360
Profit for the year (as previously reported)	-	4,734,063	4,734,063
Effect of change in accounting policy	-	100,951	100,951
Balance as at June 30, 2002 (re-stated)	74,036,600	105,989,774	180,026,374
Profit for the year	-	15,089,695	15,089,695
Balance as at June 30, 2003	74,036,600	121,079,469	195,116,069

The annexed notes from 1 to 23 form an integral part of these financial statements

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2003

1. LEGAL STATUS AND OPERATIONS

The company limited by shares was incorporated in Pakistan on June 27,1996 under Companies Ordinance, 1984 and commenced its commercial operations from October 1, 1997. The object of the company is generation, distribution and supply of electricity. The project is a captive power plant located at Muzaffargarh in the province of Punjab.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under historical cost convention modified by adjustments of certain exchange rate fluctuations.

2.2 Statement of compliance

These financial statements have been prepared in accordance with approved Accounting Standards as applicable in Pakistan and the requirements of Companies

Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies ordinance, 1984. Wherever, the requirements of Companies Ordinance 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance 1984 or requirements of the said directives take precedence.

2.3 Staff Retirement Benefits

The company operates an unfunded gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with actuarial recommendations.

Actuarial valuation was conducted on June 30, 2003 on the basis of the projected unit credit method by an independent Actuary. Actuarial gains or losses which exceed 10 percent of the present value of the company's gratuity obligations are amortized over the expected average remaining working lives of the employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight line basis over the average period until the amended benefits become vested.

Consequent to adoption of IAS-19 (revised 1998), the actuarial valuation has determined a transitional asset of Rs. 100,951 as at June 30, 2002. As a result, transitional asset is being recognized immediately under IAS-8. The change has been applied retrospectively and the corresponding figures for the year ended June 30, 2002 have been restated to conform to the changed policy. Had there been no change in accounting policy, the accumulated profit would have lower by Rs. 100,951.

The projected unit credit method is based on the following significant assumptions:

Discount rate	8% per annum
Expected rate of salary increase in future years	7% per annum
Average expected remaining working life time of employees	12 years

2.4 Taxation

The profit and gains derived by the company are exempt from income tax.

2.5 Operating fixed assets

These are stated at cost less accumulated depreciation and impairment loss, if any.

Depreciation is charged to income applying the reducing balance method at the rates mentioned in the relevant note. Depreciation on additions during the year is charged on the basis of whole year while no depreciation is charged on deletion during the year. However, major capitalization of project cost is depreciated on proportionate basis for the period of use.

Maintenance and normal repairs are charged to profit and loss account. Major renewals and improvements are capitalized.

Gains and losses on disposal of fixed assets are taken to profit and loss account.

2.6 Capital work in progress

All cost / expenditure directly related to specific assets incurred during the project implementation period are carried under this head. These are transferred to specific assets as and when assets are available for use.

2.7 Deferred costs

These are amortized over a period of five years from the year of deferment

2.8 Foreign currency translation

Assets and liabilities in foreign currency are translated into Pak Rupees at the rate of

exchange ruling at the balance sheet date, except where forward exchange contracts have been entered into for payment of liabilities in which case the rate contracted for is used. Transactions in foreign currencies are translated into Pak rupee at the rate of exchange ruling at the date of transaction.

Exchange differences are included in current income.

2.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets until such time as the assets are ready for their intended use or sale.

All other borrowing costs are charged to income in the period of incurrence.

2.10 Impairment of assets

The management assesses at each balance sheet date whether there is any indication that an asset is impaired. If such indication exists, the management estimates the recoverable amount of the asset. If the recoverable amount is less than carrying amount of an asset, the carrying amount of the asset is reduced to its recoverable amount.

Any impairment loss is charged to current year income, unless the asset is carried at revalued amount in which case impairment loss is treated as decrease in revaluation surplus on that asset.

2.11 Provisions

Provisions are recognized in the balance sheet when the company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

2.12 Stores and spares

Stores and spares are stated at lower of cost (determined by the moving average method) and net realizable value, except those in transit which are valued at actual cost.

2.13 Revenue Recognition

Revenue from supply of electricity is recognized on the basis of actual supply received by the client during the month.

2.14 Financial instruments

Financial instrument is recognized using trade date accounting basis, when the company becomes the party to the contractual provision of the instrument.

Financial assets

All financial assets are initially recognized at nominal value of consideration given for it. Subsequent to initial recognition, financial assets are recognized at fair value except financial assets whose fair value cannot be measured reliably. Any gain or loss is included in current year income.

Financial liabilities

All financial liabilities are initially recognized at nominal value of consideration received. Subsequent to initial recognition, financial liabilities are recognized at fair value, amortised cost or cost as the case may be. Any gain or loss is included in current year income.

Offsetting

Financial assets and financial liabilities are set off and net amount is reported in the

financial statements when there is a legally enforceable right to set off and the company intends to either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

2.15 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for the goods and services received, whether or not billed to the company.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	Note	2003 Rupees	2002 Rupees
6,730,600(2002:6,730,600)			
Ordinary shares of Rs. 1 0V- each fully paid in cash		67,306,000	67,306,000
673,060 (2002 : 673,060) ordinary shares of Rs. 1 01- each			
Issued as fully paid bonus shares		6,730,600	6,730,600
		74,036,600	74,036,600

7,348,660 (2002:7,348,660) ordinary shares of the company representing 99.26% of the paid up capital are held by holding company, Mahmood Textile Mills Limited.

4. LONG TERM LOANS

Secured

	From Banking Company						2003 Rupees	2002 Rupees
	IFC loan	Demand Finance I	Demand Finance II	Demand Finance III	Demand Finance IV	LMM loan		
Opening balance	22,662,501	17,368,414	2,505,900	2,444,000	-	1,977,797	46,958,612	83,696,344
Paid / adjusted during the year	-15,108,348	-17,368,414	-1,670,600	-1,833,000	-	-1,977,797	-37,958,159	-36,737,732
Transferred	-7,554,153	-	-	-	7,554,153	-	-	-
Current portion shown under current maturity	-	-	835,300	611,000	7,554,153	-	9,000,453	46,958,612
	-	-	-835,300	-611,000	-7,554,153	-	-9,000,453	-37,347,145
	-	-	-	-	-	-	-	9,611,467
NOTE					4.1			
Repayment terms & conditions								
No. of installments	10	10	10	10	10	10		
Mode of payment	Half yearly	Half yearly	Half yearly	Half yearly		Half yearly		
Commenced from	March 01, 1999	September 30, 1998	March 31, 1999	July 01, 1999	August 06, 2003	December 31, 1998		
Rate of markup % per annum	3.73	3.73	3.73	3.73	3.73	14		

Securities

These loans have been obtained from banking company and are secured against first charge on all present and future assets and properties of the company by way of equitable mortgage / hypothecation / floating charges and personal guarantee of all the directors.

	Note	2003 Rupees	2002 Rupees
5. DEFERRED LIABILITIES			
Movement in the liability recognized in the balance sheet is as follows:			
Liability as previously reported		873,149	680,733
Effect of change in accounting policy		-	-100,951
Liability as restated		873,149	579,782
Amount recognized during the period		305,793	390,973
		1,178,942	970,755
Benefit payments during the year		-119,376	-97,606
Liability as at June 30, 2003		1,059,566	873,149
The amount recognized in the balance sheet is determined as under:			
Present value of defined benefit obligation as at June 30, 2003		1,118,732	.
Unrecognized actuarial loss		-59,166	.
Balance sheet liability as at June 30, 2003		1,059,566	-
Expense recognized in the profit and loss account is as follows:			
Current service cost		235,941	.
Interest cost		69,852	.
		305,793	-

The company's policy with regard to actuarial gain / loss is to follow minimum recommended approach under IAS-19 (Employee Benefits)

6. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		490,428	8,679,466
Accrued expenses		209,064	789,148
Accrued markup on long term loans		492,804	487,689
Audit fee		130,000	60,000
With holding tax		1,120	24,610
Sales tax			1,208,742
Electricity duty		231,388	222,498
Workers' Profit Participation Fund	6.1	795,387	251,616
Others	6.2	11,761,597	829,901
		14,111,788	12,553,670

		2003	2002
	Note	Rupees	Rupees
6.1 Workers' Profit Participation Fund			
Opening balance		251,616	501,240
Interest provided on funds utilized in company's business		22,663	46,643
		274,279	547,883
Amount paid		274,279	547,883
Allocation for the year		795,387	251,616
Balance at the end of the year		795,387	251,616

6.2 This represents temporary book overdraft due to issuance of cheques in excess of bank balance.

7. CONTINGENCIES AND COMMITMENTS

Contingencies

The Company had filed writ petition against CBR in Lahore High Court challenging the levy of custom duty, regulatory duty, sales tax, and service charges which was decided against the company. The company (as an interim payment) deposited 2.5% of custom duty Rs. 4,424,133/- and filed an appeal in Supreme Court of Pakistan. The Supreme Court sustained the decision of High Court and upheld the charge of above levies. The Company has paid remaining amount of custom duty and regulatory duty of Rs. 14,186,004/-. The Honorable Supreme Court in its judgment did not give an ruling on sales tax payment amounting to Rs. 21,235,770/-. The amount of sales tax of Rs. 21,235,770/- (approximately) is still unpaid and the company is seeking to file review petition against chargeability of sales tax. Any liability consequent to the decision of Supreme Court of Pakistan is unascertained. The management has confirmed opinion that vide S.R.O. 230(1)97 this amount is not payable by the company. This matter vide our letter no. MPG/2002/8379 dated June 28, 2002 was brought to the notice of collector Customs Karachi. The Custor authorities have kept this demand in abeyance for the time being vide their letter no IB/283/97-VII(BGCELL) dated June 19, 2002. The Company has not made provision of Rs. 21.235 million consequent upon the decision of Supreme Court of Pakistan being levy of sales tax on import of power generators, in the financial statements. Had the provision of sales tax been made and capitalized the profit for the year and accumulated profit would have been decreased by Rs. 2.123 million (being the amount of depreciation).

Commitments

Letters of credit -Stores	13,087,755	1,422,000
---------------------------	------------	-----------

8. OPERATING FIXED ASSETS

PARTICULARS	COST			Rate %	Accumulated Depreciation at July 01, 2002	DEPRECIATION		Accumulated Depreciation at June 30, 2003	Written down value June 30, 2003
	Cost at July 01, 2002	Additions	(Deletion)			(adjustment)	for the year		
Building-on lease									
hold land									
-Residential	3,284,726	-	-	10	1,291,249	-	199,348	1,490,597	1,794,12E
-Factory	49,149,487	-	-	10	19,321,033	-	2,982,845	22,303,878	26,845,60E

Plant & machinery	216,166,798	-	-	216,166,798	10	79,522,019	-	13,664,478	93,186,497	122,980,301
Electric installations	5,987,819	-	-	5,987,819	10	2,336,851	-	365,097	2,701,948	3,285,871
Tools & equipments	73,100	-	-	73,100	10	25,139	-	4,796	29,935	43,16E
Office equipments	237,014	-	-	237,014	10	110,948	-	12,607	123,555	113,459
-urniture & fixtures	592,362	-	-	592,362	10	196,394	-	39,597	235,991	356,371
Vehicles	2,095,486	2,487,427	-2,098,693	2,484,220	20	1,089,188	-297,483	219,510	1,011,215	1,473,00f
RUPEES-2003	277,586,792	2,487,427	-2,098,693	277,975,526		103,892,821	-297,483	17,488,278	121,083,616	156,891,91C
RUPEES-2002	259,604,905	18,665,537	-683,650	277,586,792		84,787,348	-333,621	19,439,094	103,892,821	173,693,971

8.1 The depreciation for the year has been apportioned as under:

	Note	2003 Rupees	2002 Rupees
Cost of sales	12	17,229,171	19,143,522
Administrative expenses	13	259,107	295,572
		17,488,278	19,439,094

8.2 Detail of disposal of operating assets.

Description	Original Cost	Written Down value	Sale Proceeds	(Loss)	Particulars of Buyer	Mode of Disposal
Toyota Corolla MNY-5511	826,344	528,861	525,000	-3,861	M/s Toyota Motors, Multan	Negotiation
Honda Civic ML-9229	1,272,349	1,272,349	1,272,000	-349	M/s EFU General Insurance Company, Tareen Road, Multan	Insurance claim
Rupees 2003	2,098,693	1,801,210	1,797,000	-4,210		
Rupees 2002	683,650	350,029	346,000	-4,029		

	Note	2003 Rupees	2002 Rupees
9. STORES			
Fuel and lubricants		22,690,850	12,471,799
Stores		567,025	368,985
Spare parts		12,518,260	20,105,628
		35,776,135	32,946,412
10. TRADE DEBTORS-UNSECURED CONSIDERED GOOD	9.1	21,221,201	27,130,678

10'.1 This includes Rs. 21,221,201 (2002: Rs. 27,100,432) due from Mahmood Textile Mills Ltd (holding Company) and Rs. Nil (2002: Rs. 30,244) due from Masood Fabrics Ltd. (Associated undertaking). Maximum aggregate balance at any month end during the year was Rs.31,036,282.

		2003 Rupees	2002 Rupees
11. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances (considered good)			142,811
To staff		53,612	57,000
For expenses			150,081
For services		75,000	3,281,637
For distribution license fee-NEPRA		3,281,637	1,029,786
Oil suppliers		964,680	33,705
Advance Income tax		41,708	
Deposits:			3,000
Security with WAPDA		3,000	10,000
Security with Supreme Court		10,000	1,750
Security with Shell		1,750	
Prepayments:			
Insurance		45,926	26,844
Generation license fee		59,299	57,713
Others		4,725	-
Other receivables:			
Excise duty		-	223,419
Sales tax		92,270	108,609
Letters of credit		639,675	1,415,351
		5,273,282	6,541,706
12. CASH AND BANKS			

Advances, deposits and other receivables		-	-	-	55,362	-	55,362	55,362
Cash and banks		114,044	-	114,044	11,304	-	11,304	125,348
		114,044	-	114,044	21,287,867	-	21,287,867	21,401,911
Financial liabilities								
Long term loans	5.9	9,000,453	-	9,000,453		-		9,000,453
Creditors, accrued and other liabilities	12.5	788,173	-	788,173	13,085,013	-	13,085,013	13,873,186
		9,788,626	-	9,788,626	13,085,013	-	13,085,013	22,873,639

2002

	Interest rate %	Interest bearing			Non-Interest bearing			Total
		Maturity upto one year	Maturity on to five year	Sub-total	Maturity upto one year	Maturity one to five year	Sub-total	
Financial assets								
Trade debts	-	-	-	27,130,678	-	27,130,678	27,130,678	
Advances, deposits and other receivables	-	-	-	6,541,706	-	6,541,706	6,541,706	
Cash and banks	-	-	-	99,038	-	99,038	99,038	
	-	-	-	33,771,422	-	33,771,422	33,771,422	
Financial liabilities								
Long term loans	9,611,467	37,347,145	46,958,612		-		46,958,612	
Creditors, accrued and other liabilities		-	-	-	-	-	-	
	9,611,467	37,347,145	46,958,612	12,553,670	12,553,670	12,553,670	59,512,282	
on-balance sheet gap								-25,740,860

18.2 INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rate will affect the value of financial instruments. The company is exposed to interest rate risk in respect of long term loans. Effective interest rates for the monetary financial assets and financial liabilities are mentioned in the respective notes to the accounts.

18.3 CREDIT RISK

Credit risk represents accounting loss that would be recognized at the reporting date if the counter parties to the contract fail completely to perform the contract. The company supplies electricity to its holding company, applies credit limits for advances and is therefore not exposed to any credit risk.

18.4 LIQUIDITY RISK

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The company's management closely monitors the company's liquidity and cash flow position.

18.5 CURRENCY RISK

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company is not materially exposed to currency risk on its assets and liabilities.

18.6 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all the financial instruments reflected in the financial statements approximate to their fair value

	2003 Rupees	2002 Rupees
19. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS		
Sale of goods and services	255,262,427	227,887,015
Purchase of goods and services	159,181	-
Expense charged by	17,757,938	25,766,662
20. NUMBER OF EMPLOYEES		
Average number of employees	135	135
21. PLANT CAPACITY AND PRODUCTION		
	2003 KWH	2002 KWH

Plant Capacity	80,592,000	80,592,000
Actual Generation	70,758,370	68,245,770
% age	88%	85%

Reason of shortfall

The generation of power was limited to actual demand of electricity by Mahmood Textile Mills Ltd. (Holding Company)

22. DATE OF AUTHORIZATION OF ISSUE

These financial statements have been authorized for issue on 24-09-2003 by board of directors of the company

23. GENERAL

Figures have been rounded off to the nearest rupee.



Web Paksearch.com