بسم الله الرحمن الرحيم

CONTENTS

MAHMOOD GROUP

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. MEHR FATIMA** **MUHAMMAD MUZAFAR IQBAL**
Company Secretary:	**GHULAM MOHAYUDDIN**
Chief Financial Officer:	**MUHAMMAD AMIN PAL** F.C.A.
Auditors:	**M. YOUSUF ADIL SALEEM & CO.** Chartered Accountants 61-B,AIi Imran Centre Abdali Road, Multan.
Bankers:	**MUSLIM COMMERCIAL BANK LTD.** **UNITED BANK LIMITED** **HABIB BANK LIMITED**
Registered Office:	**MEHR MANZIL, LOHARI GATE, MULTAN.** Tel.: 061-111-181-181 Fax: 4511262 E-mail: info@mahmoodgroup.com URL : www.mahmoodgroup.com
Mills:	**MAHMOODABAD, MULTAN ROAD,** MUZAFFARGARH. **MASOODABAD, D.G. KHAN ROAD,** MUZAFFARGARH.

NOTICE OF MEETING

Notice is hereby given that 36th Annual General Meeting of the Company will be held on Tuseday 31st October, 2006, at 2:00 PM at its registered Office, Mehr Manzil, Lohari Gate, Multan to transact the following business:

1. To confirm the Minutes of the 35th Annual General Meeting held on 31st October, 2005.

2. To receive, consider and adopt the Audited Accounts for the year ended 30th June, 2006 together with director's and Auditor's Report Thereon.

3. To approve payment of Cash Dividend @ 40% (Rs. 4/- Per Ordinary Share of Rs. 10/- each) for the year ended 30th June, 2006 as recommended by the Board of Directors.

4. To appoint Auditors for the year 2006-2007 and to fix their remuneration. The present Auditors M/s. M. Yousuf Adil Saleem & Company, Chartered Accountants being eligible have offered themselves for re-appointment.

5. To transact any other ordinary business with the permission of the Chair.

BY ORDER OF THE BOARD OF DIRECTORS

Sd/-
(GHULAM MOHAYUDDIN)
COMPANY SECRETARY

Multan
Dated: 5th October, 2006

Notes:-

i) The Share Transfer Books of the Company will remain closed from 20th October, 2006 to 31st October, 2006 (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) Any individual beneficial owner of CDC entitled to attend and vote at this Meeting must bring his/her CNIC or Passport to prove his/her identity, and in case of Proxy must enclose an attested copy of his/her CNIC or Passport. Representative of Corporate Member should bring the usual documents required for such purpose.

iv) 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

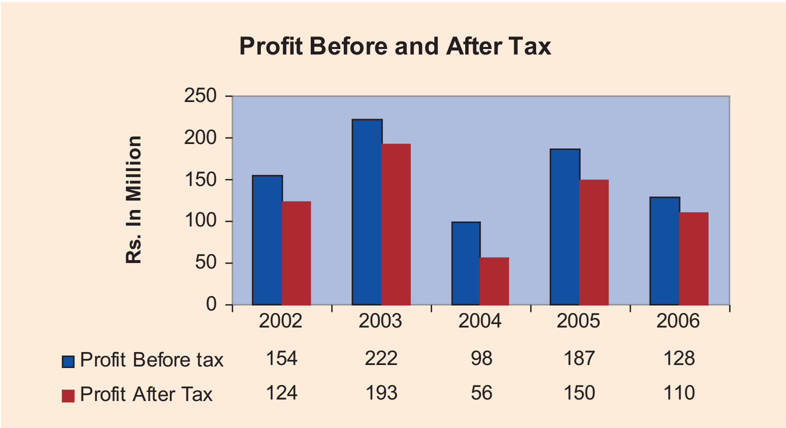
Your Directors take pleasure in presenting you 36th Annual Report of the Company together with audited accounts for the year ended 30th June, 2006.

This year accounts present operational result of full complete year from 1st July 2005 to 30 June, 2006 whereas comparative figures of last year comprise nine months period from 1st October 2004 to 30th June 2005. The change in previously accounting year was due to the requirement of S.R.O. No. 684(1)2004 dated August 10, 2004 and Circular No. 29 of Securities and Exchange Commission of Pakistan.

The operating results alongwith the appropriations are summarized as under :-

	2006 Rupees	2005 Rupees
Profit after taxation	110,127,922	173,781,887
Unappropriated profit B/F	1,374,621,907	1,074,842,766
Profit available for appropriation.	1,484,749,829	1,248,624,653
Proposed dividend @ 4/- per share. (2005 @ 4/- per share)	(39,939,960)	(39,895,960)
Unappropriate profit carried to Balance Sheet	1,444,809,869	1,208,728,693
Earning per share	11.03	17.42

The graphical view of profit earning is presented as follow.



This year was quite difficult year for Textile Industry and particularly for Spinning Sector as compared to last year. In the preceding two years billion of rupees investment has been made in the expansion and B.M.R. of Textile Sector. This phenomenon has increased demand and consumption of cotton as compared to availability and supply of cotton in the country resultantly cotton prices in the reporting year soard to Rs. 2400-2500 per maund as compared to Rs. 1900- 2100 last year.

It is worth mentioning that cotton prices play vital and prime role in the performance of Textile Sector. The history of the Textile business indicates that whenever quality cotton was available at economical prices this sector showed commendable results, but vice-a-versa when prices of cotton reached to alarming and unviable level the performance badly suffered. This year has also witnessed like situation due to abnormal increase in cotton prices.

The other main reason is continuous increase in the mark up rates which is also effecting badly the operating result of the Company. In the reporting year financial expenses have increased to Rs. 127.242 million against Rs. 57.811 million last year. The business community overall is feeling great concern on this serious problem. But financial expenses of Textile Sector have increased manifold due to heavy capital expenditure in plant and machinery met through bank financing.

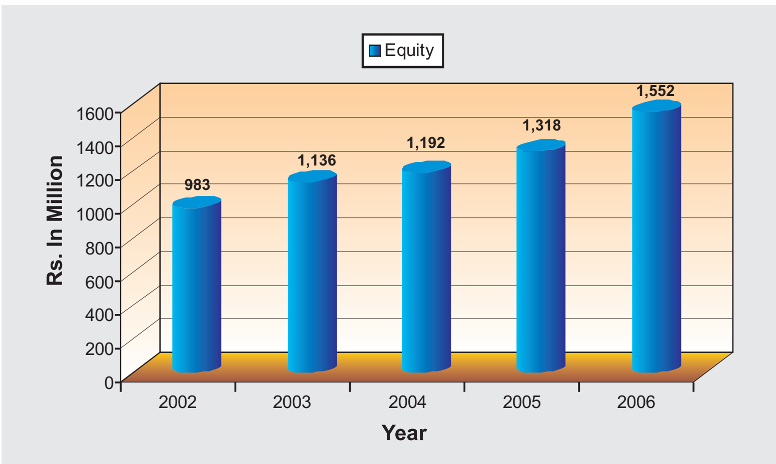
The Company also faced set back due to unprecedent increase in the prices of Furnace Oil. It rose to alarming level and touched to new heights at average Rs. 22000 per ton in the reporting year as compared to Rs. 13800 per ton last year. The Current year accounts also include operating data of Mahmood Power Generation Limited due to its merger with Mahmood Textile Mills Ltd. Therefore, tremendous increase in the prices of Furnace Oil have also effected adversely operating results of the Company. Now it has become absolutely uneconomical to run Power Plant with Furnace Oil. Therefore, it was decided by the Management to import three more Gas Generators to produce electricity at cheap rate. These Generators have been imported and subsequently installed in the existing building of Captive Power Plant. The Company also got Wapda connection to off set partly heavy costly payment on Furnace Oil.

It is hoped that with the installation of these Gas Generators the Company profitability will improve substantially by producing electricity at cheaper rates.

A new phenomenon about deferred Taxation has been accounted for in current year account to comply with the requirements of IAS-12 Against the Company regular taxation policy of presumptive tax regime. Rs. 33.037 million deferred Taxation has been provided in the current year accounts. Therefore, profit of the reporting year has further dwindled by this amount.

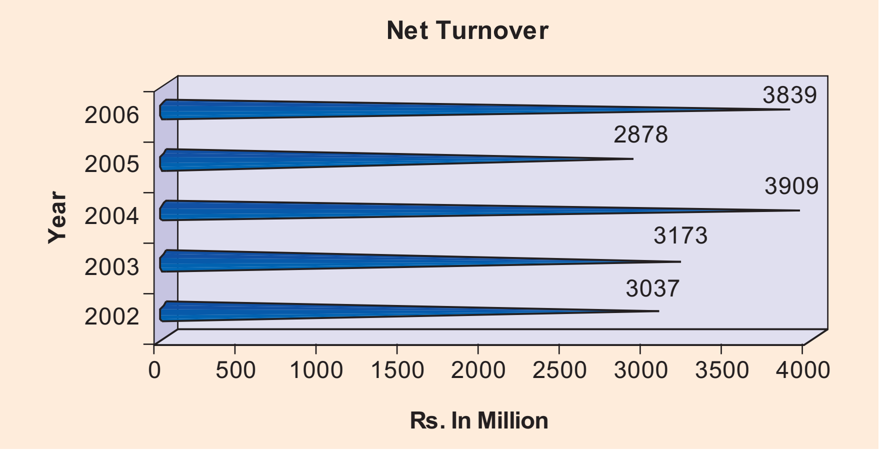
Despite aforementioned anomalies and adverse factors the Company has earned net profit amounting to Rs. 110,062,814/- after providing depreciation of Rs. 111,864,934/- against net profit of Rs. 173,781,887/- earned in last year.

The Company accumulated total equity base is quite strong even a handsome pay out is made every year. The pictorial view of this strength is presented as under:



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

	2006 Rupees	2005 Rupees
i) Export Sales	2,459,729,788	2,480,106,072
ii) Local Sales	1,379,439,032	398,023,994
	3,829,168,820	2,878,130,066

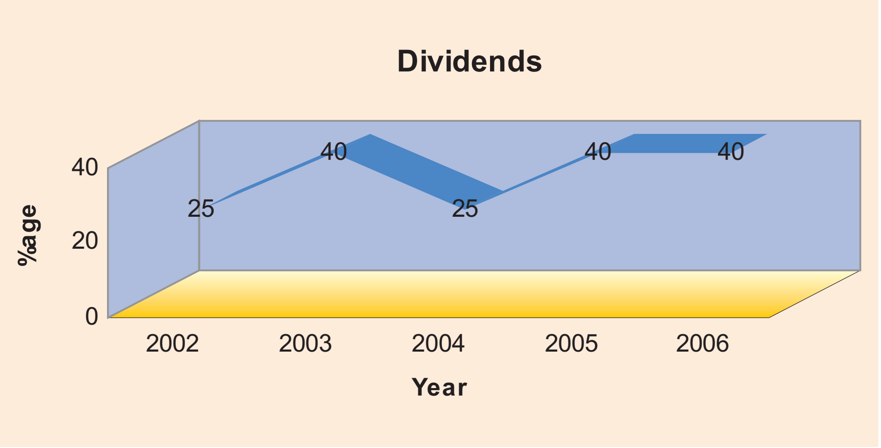


The detail of yarn and cloth produced during the year under review is given below:

		2006	2005
i) Yarn	Actual production converted into 20/S count Kgs.	28,276,551	18,554,804
ii) Grey Cloth	Actual production converted into 60 picks Sq Meters.	18,227,015	15,987,310

DIVIDED

The Board of Directors of the Company have pleasure to propose cash dividend to shareholders @ 40% for the current year.



MERGER OF MAHMOOD POWER GENERATION LIMITED WITH MAHMOOD TEXTILE MILLS LIMITED.

Mahmood Power Generation Limited was wholly owned subsidiary of Mahmood Textile Mills Ltd. In order to run power Plant appropriately in the existing critical situation of Furnace Oil prices too much enhancement in corporate and legal formalities, the management decided to merge Mahmood Power Generation Ltd with Mahmood Textile Mills Limited.

After completing all formalities Under Section 284 to 288 of the Companies Ordinance 1984, Petition was filed before the Honorable Lahore High Court, Multan Bench, Multan. The Honorable Court approved merger of Mahmood Power Generation Ltd with and into Mahmood Textile Mills Limited w.e.f. July 2005.

CORPORATE GOVERNANCE

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

a) Financial statement prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flow and changes in equity.

b) Proper books of account have been maintained by the company.

c) Appropriate accounting policies have consistently been applied in preparation of financial statement.

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements. 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 control will be overcome.

e) The company is confident to continue as a progressive concern.

f) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

g) Key financial data for last six years is annexed.

h) There are no outstanding statutory payments due on account of taxes, duties, levies and charges except for those discussed in the financial statements.

i) 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 has been established 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	5
2.	Khawaja Muhammad Iqbal	5
3.	Khawaja Muhammad Ilyas	5
4.	Khawaja Muhammad Younus	5
5.	Khawaja Jalaludding Roomi	5
6.	Khawaja Muhammad Muzaffar Iqbal	5
7.	Mst. Mehr Matima	5

PATTERN

Pattern of share holding is annexed and details have been submitted according to the requirment of Code of Corporate Governance and Section 236 of the Companies Ordinance 1984.

AUDITORS:

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

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange in its listing Rules, relevant for the year ended 30th June, 2006, have been duly complied with. A statement to the effect is annexed with the report.

FUTURE OUTLOOK:

The Cotton Season for the next year has been now started and prices at the Start of the season are being quoted at very high level Rs. 2500-2600 per maund. This is not good sign for the textile industry. It is difficult to estimate crop size and price behaviour of Cotton at this initial stage. However future results entirely depend upon availability of quality cotton at economical prices, stabilization of mark up rates and other input cost.

ACKNOWLEDGEMENT

Your Directors would like to thank to 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.

For and on behalf of the Board

Sd/-
(KHAWAJA MUHAMMAD MASOOD)
CHAIRMAN

Multan
Dated :4th October, 2006

YEAR WISE STATISTICAL SUMMARY

Rupees in million

	2006	2005 (Nine months)	2004	2003	2002	2001
ASSETS :						
FIXED ASSETS	1,666	1,182	712	728	729	807
INVESTMENT AND LOG TERM ADVANCES & DEPOSITS	138	178	149	148	111	123
CURRENT ASSETS	1,387	1,261	696	595	552	564
TOTAL	3,191	2,621	1,557	1,471	1,392	1,494
FINANCED BY:						
EQUITY	1,552	1,348	1,192	1,136	983	885
LONG TERM LIABILITIES	550	366	40	68	143	227
DEFFERED LIABILITIES	33	19	18	19	16	15
CURRENT LIABILITIES	1,056	888	307	248	251	369
TOTAL FUNDS INVESTED	3,191	2,621	1,557	1,471	1,393	1,496
TURNOVER AND PROFIT :						
TURNOVER - NET	3,839	2,878	3,909	3,173	3,037	3,325
OPERATING PROFIT	280	245	129	276	238	267
PROFIT BEFORE TAXATION	178	210	98	222	154	168
PROFIT AFTER TAXATION	110	174	56	193	124	115
DIVIDENDS	40%	40%	25%	40%	25%	47%
PROFIT c/f	1,445	1,249	1,093	1,037	883	785

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 non 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, a DF1 or an NBF1.

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 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 feast 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 a adopted by ICAP.

18. The statutory auditors or the persons associated with them have not been appointed to provide other service, except in accordance with the Listing Regulations and the auditors have confirmed that they have observed (IFA) guidelines in this regard.

19. We confirm that all other material principles contained in the Code have been complied.

For and on behalf ofthe Board of Directors.

Multan:
Dated: 4th October, 2006

Sd/
CHAIRMAN

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 Xl) 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 as applicable to the Company.

Sd/

M. YOUSUF ADILSALEEM & CO.
CHARTERED ACCOUNTANTS.

Multan:
Dated: 4th October, 2006

AUDITORS' REPORT TO THE MEMBERS OF MAHMOOD TEXTILE MILLS LIMITED

We have audited the annexed balance sheet of **MAHMOOD TEXTILE MILLS LIMITED,** as at June 30, 2006 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 Companies Ordinance, 1984. Our responsibility is to express an opinion on these statments 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 changes as stated in note 2.7 and 2.9 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 June 30, 2006 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/

Multan:
Dated: 4th October, 2006

M. YOUSUF ADILSALEEM & CO.
CHARTERED ACCOUNTANTS.

BALANCE SHEET AS AT

	Note	2006 Rupees	(Restated) 2005 Rupees
SHARE CAPITAL AND RESERVES			
Authorized capital			
30,000,000 (2005: 15,000,000) ordinary shares of Rs. 10 each		300,000,000	150,000,000
Issued, subscribed and paid up capital	3	99,849,890	99,739,890
Capital Reserve		7,120,600	-
Unappropriated profit		1,444,853,869	1,248,624,653
		1,551,824,359	1,348,364,543
NON-CURRENT LIABILITIES			
Long term financing	4	550,618,900	366,446,223
Deferred liability	5	33,043,700	18,638,048
CURRENT LIABILITIES			
Trade and other payables	6	197,499,162	231,241,520
Interest/mark up on loans	7	13,793,090	15,995,363
Short term borrowings	8	768,552,579	584,313,022
Current portion of long term liabilities	4	74,679,405	53,108,029
Provision for taxation	9	1,300,650	3,266,410
		1,055,824,886	887,924,344
CONTINGENCIES AND COMMITMENTS	10	-	-
		3,191,311,845	2,621,373,158

The annexed notes from 1 to 38 form an integral part of these financial statements.

sd/-
(MUHAMMAD AMIN PAL)
CHIEF FINANCIAL OFFICER

sd/-
(KH. MUHAMMAD YOUNUS)
DIRECTOR

JUNE 30, 2006

	Note	2006 Rupees	(Restated) 2005 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	11	1,665,827,350	1,182,801,694
Investment Property	12	-	14,058
Long term investments	13	134,804,956	176,807,382
Long term security deposits		3,771,143	1,180,685
		1,804,403,449	1,360,803,819
CURRENT ASSETS			
Stores, spares and loose tools	14	97,176,451	65,443,171
Stock in trade	15	939,875,596	854,404,570
Trade debts	16	69,394,339	44,812,703
Short term investments	17	138,494,733	169,036,865
Loans and advances	18	74,394,137	25,952,751
Trade deposits and short term prepayments	19	1,949,959	1,550,875
Other receivables	20	12,085,980	18,696,131
Sales Tax refundable		45,952,942	70,986,096
Cash and bank balances	21	7,584,259	9,686,177
		1,386,908,396	1,260,569,339
		3,191,311,845	2,621,373,158

sd/-
(KH. MUHAMMAD IQBAL)
CHIEF EXECUTIVE

sd/-
(KH. MUHAMMAD MASOOD)
CHAIRMAN

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2006

	Note	For year ended June 30, 2006 Rupees	(Restated) For nine months ended June 30, 2005 Rupees
Sales - net	22	3,839,168,820	2,878,130,066
Cost of sales	23	(3,435,116,791)	(2,487,727,799)
Gross profit		404,052,029	390,402,267
Other Opening Income	24	42,969,100	8,286,375
		447,021,129	398,688,642
Distribution cost	25	(98,500,306)	(88,692,539)
Administrative expenses	26	(46,198,337)	(28,621,516)
Other operating expenses	27	(22,201,896)	(36,433,230)
Finance cost	28	(127,242,498)	(57,811,012)
Share of profits of associates (net of tax)	13.2	24,803,574	22,861,217
		(269,339,463)	(188,697,080)
Profit before taxation		177,681,666	209,991,562
Provision for taxation			
- For the year / period	9	(34,510,044)	(36,209,675)
- Deferred	5.1	(33,043,700)	-
		(67,553,744)	(36,209,675)
Profit for the year / period		110,127,922	173,781,887
Earnings per share	30	11.03	17.42

The annexed notes from 1 to 38 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

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2006

	Note	For year ended June 30, 2006 Rupees	(Restated) For nine months ended June 30, 2005 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	31	252,614,738	58,769,293
Gratuity paid		(28,230,761)	(4,856,065)
Income tax paid		(36,475,804)	(35,234,528)
Net cash from / (used) in operating activities		187,908,173	18,678,700
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed assets		(488,729,468)	(531,415,033)
Sale proceeds of property, plant and equipment		26,524,081	335,000
Long term security deposits		(2,590,458)	652,345
Cash and Cash equivalent acquired in merger		103,970	-
Short term investments		53,935,165	(229,479,636)
Income on bank deposits received		130,922	74,952
Net cash used in investing activities		(410,625,788)	(759,832,372)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans and finances		205,744,053	353,212,805
Short term borrowings-net		184,239,556	449,792,801
Dividend paid		(39,923,141)	24,988,774
Finance cost paid		(129,444,771)	(43,226,933)
Net cash generated from financing activities		220,615,697	734,789,899
Net (decrease) in cash and cash equivalents		(2,101,918)	(6,363,773)
Cash and cash equivalents at the beginning of the year / period		9,686,177	16,049,950
Cash and cash equivalents at the end of the year / period		7,584,259	9,686,177

The annexed notes from 1 to 38 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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2006

	Share Capital	Capital Reserve	Unappropriated Profit	Total
	------------------------ Rupees --------------------			
Balance as at September 30, 2004	99,739,890	-	1,092,637,576	1,192,377,466
Profit for the period ended June 30, 2005	-	-	173,781,887	173,781,887
Final cash dividend for the year ended September 30, 2004 @ Rs. 2.5 per share	-	-	(24,934,975)	(24,934,975)
Balance as at June 30, 2005 as reported	99,739,890	-	1,241,484,488	1,341,224,378
Effect of change in accounting policy relating to investment in associate			12,692,126	12,692,126
Effect of change in equity holding in associates			(5,551,961)	(5,551,961)
Balance as at June 30, 2005 as restated	99,739,890	-	1,248,624,653	1,348,364,543
Shares issued to Mahmood Power Limited consequent to merger	110,000	-	-	110,000
Adjustment of excess of net assets and accumulated profit acquired from Mahmood Power Generation Limited over consideration for acquisition.	-	7,120,600	-	7,120,600
Profit for the year ended June 30, 2006	-	-	110,127,922	110,127,922
Unappropriated profit of Mahmood Power transfer due to Merger	-	-	125,997,254	125,997,254
Final cash dividend for the period ended June 30, 2005 @ Rs. 4/- per share	-	-	(39,895,960)	(39,895,960)
Balance as at June 30, 2006	99,849,890	7,120,600	1,444,853,869	1,551,824,359

The annexed notes from 1 to 38 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 JUNE 30, 2006

1. GENERAL INFORMATION

The company was incorporated in Pakistan on February 25, 1970 as a Public Company and its shares are quoted on Karachi Stock Exchange.

During the year Mahmood Power Generation Ltd. MPGL (previously 99.3 % owned by the company) was merged into the company under section 284 to 288 of the Companies Ordinance vide order of High Court, Multan Bench, dated May 19, 2006. As per the order MPGL is deemed to be merged effective from July 1, 2005 and as per the merger scheme approved by the court, MTM issued 1 for 5 shares for the shares owned by minority share holders and all the assets, liabilities and unappropriated profit of the subsidiary have become part of the assets, liabilities and unappropriated profit of the company.
The company is principally engaged in manufacture and sale of yarn & grey cloth and generation of electricity.

The registered office of the company is situated at Multan. The Mills is located at District Muzaffargarh, Dera Ghazi Khan Division, in the province of Punjab.

1.1 The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

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.

Last year as per SRO 684 (1) 2004 dated August 10,2004 issued by Central Board of Revenue, the Company's tax year was required to end on June 30, instead of September 30 as per practice in previous years. In order to make the Company's accounting period consistent with the aforementioned requirement the Company had prepared the financial statements covering period of nine months ending on June 30, 2005. Since the audited comparative figures available are for the nine months ended June 30 2005 the same have been disclosed as comparatives. Hence, the comparative amounts for the income statement, statement of changes in equity, cash flow statement and related notes are not entirely comparable.

2.2 Adoption of revised International Accounting Standards

In the current year, the Company has adopted all of revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting period beginning on or after January 01, 2005. The adoption of these revised Standards and Interpretations has resulted in no changes to the Company's accounting policies except for IAS 16 Property, plant and equipment as stated in 2.7.

2.3 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
- measurement of short term investments at fair value.

The preparation of financial statements in conformity with IASs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of fixed assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, the results of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on the ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustments to the carrying amounts of assets and liabilities in the next year.

2.4 Staff retirement benefits

The company operates an unfunded gratuity scheme for its confirmed employees who have completed the minimum qualifying period of service as defined under the respective scheme. Contributions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to profit and loss account. At year end, valuation of the defined gratuity scheme is conducted by using "Project Unit Credit Method".

The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses.

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceeds 10% of the greater of the present value of the Company's gratuity is amortized over the average expected remaining working lives of the employees.

In current year the company has paid off all of its outstanding liability relating to gratuity, but the retirement benefits will continue in future.

2.5 Foreign currency translations

Transactions in currencies other than Pakistani Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

2.6 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available if any or minimum taxation at the rate of one-half percent of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

Deferred tax liability is generally recognized for all taxable temporary differences. Deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credit can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is not recognized in the year, if turnover is subject to tax on presumptive basis. Such provision will be recognized as and when the company's whole or part of the income is taxed on normal income basis.

2.7 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment in value, if any, except freehold land and capital work-in-progress which are stated at cost. Cost includes borrowing costs as referred to in note 2.15.

Depreciation is charged to income applying reducing balance method to write-off the historical cost and capitalized exchange fluctuations over estimated remaining useful life of the 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 property, plant and equipment. Rates of depreciation are stated in note 11. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and upto the month preceding the disposal respectively.

Gains / losses on disposal of property, plant and equipment 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 capitalized and the assets so replaced, if any, other than those kept as stand-by, are retired.

Changes in accounting policy

Previously, depreciation was being charged on the basis of whole year in the year of addition and no depreciation was being charged in the year of disposal. To remain compliant with the requirements of IAS-16 'Property, plant and equipment", applicable for annual periods beginning on or after January 01, 2005, management has decided to charge depreciation on additions from the month in which an asset is acquired or capitalised and to charge no depreciation for the month in which the asset is disposed off.

The above mentioned revision has been accounted for as change in accounting policy in accordance with the requirements of IAS-8 "Accounting Policies, Changes in accounting estimates and Errors". The effect of change in accounting policy has been recognised prospectively to the carrying amounts of assets, as the amount to be adjusted in the carrying amounts of assets required by paragraph 22 cannot be reasonably determined.

Impairment of assets

The management assesses at each balance sheet date whether there is any indication that an asset is impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by charging the impairment loss against income for the year. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognized as income.

Recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

2.8 Investment Property

Investment property is stated at cost

Subsequent expenditure relating to investment property is added to carrying amount when it is probable that future economic benefits in excess of originally assessed standard of performance of the existing property will flow to the enterprise.

All other subsequent expenditures are recognized as expense in the period in which they are incurred.

2.9 Long term investments

a) Investments in the associated companies are accounted for using equity method of accounting under which they are initially recognized at cost and then are subsequently restated to reflect company's share in the net assets of the associate. Gain / loss on sale of investments is included in income.

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

Change in accounting policy

The company was previously valuing its investment in associates at cost in its separate financial statements which were presented with consolidated financials statements as allowed by IAS 28. As the subsidiary has been merged into the company with effect from 1st July 2005 the investments have been re-measured using the equity method as per requirement of IAS 28. The impact of change of accounting policy on opening balance of Unappropriated profit is Rs. 30 million and on profit for the year is Rs. 25.5 million and has been accounted for according to IAS 8.

2.10 Short term investments

Short term investments are designated at fair value through profit or loss at inception. These are initially measured at fair value and changes on re-measurement are taken to profit and loss account. Regular way purchase or sale of held for trading investments is recognized using trade date accounting. A trade date is the date that an enterprise commits to purchase or sell an asset. All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

2.11 Stores, spares and loose tools

These are valued at moving average cost less allowance for obsolete and slow moving items except items-in-transit which are valued at cost accumulated to the balance sheet date.

2.12 Stock in trade

Basis of valuation are as follows:

Particulars	Mode of valuation
Raw material	
At mills	At lower of cost (FIFO) and net realizable 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 realizable value
Waste	At realizable value

- Cost in relation to work in process and finished goods represents the annual average manufacturing cost which consists of prime cost and appropriate manufacturing overheads.
- Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

2.13 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

2.14 Revenue Recognition

- Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.
- Local sales through agents are booked on intimation from agents.
- Direct local 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.
- Dividend income is recognized when right to receive dividend is established.

2.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.16 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks and highly liquid short-term investments.

2.17 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.

2.18 Provisions

Provisions are recognized 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.

2.19 Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has a legal enforceable right to set off the balance and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.20 Related party transactions

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 actual basis.

2.21 Dividend

Dividend is recognized as a liability in the period in which it is declared.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2006	2005		2006	2005
Number of shares			Rupees	Rupees
		Ordinary shares of Rs. 10 fully paid		
6,288,800	6,288,800	In cash	62,888,000	62,888,000
11,000	-	Other than cash		
		Against shares of Mamhood Power Generation Limited consequent to merger	110,000	-
3,685,189	3,685,189	As bonus shares	36,851,890	36,851,890
9,984,989	9,973,989		99,849,890	99,739,890

3.1 During the year Mahmood Power Generation Ltd. (previously 99 % owned by the company) was merged into the company under section 284 to 288 of the Companies Ordinance 1984, vide High Court Multan Bench Order dated May 19, 2006. As per the order MPGL was deemed to be merged effective from July 1, 2005 and as per the merger scheme approved by the court, MTM had to issue 1 for 5 shares for the shares owned by minority share holders.

As per the order of the High Court mentioned above the Authorised Capital of Mahmood Power Generation of Rs. 150 million has been included in the books of the company.

During the year due to merger the company has issued 11,000 shares of Rs. 10 each against the 55,000 shares owned by the minority in Mahmood Power Generation.

3.2 The company has one class of ordinary shares which carry no right to fixed income.

3.3 3235 (2005: 635) ordinary shares of Rs.10 each were held by the Roomi Enterprises (Private) Limited an associated company.

3.4 The Company has no reserved shares for issuance under options and sales contracts.

	Note	2006 Rupees	2005 Rupees
4. LONG TERM FINANCING-Secured (Banking companies)			
MCB Limited	4.1	6,536,547	13,073,147
United Bank Limited	4.2	273,852,082	35,000,000
Habib Bank Limited	4.3	344,909,676	371,481,105
		625,298,305	419,554,252
Less Current portion grouped under current liabilities			
- MCB Limited		6,536,547	6,536,600
- United Bank Limited		15,000,000	20,000,000
- Habib Bank Limited		53,142,858	26,571,429
		74,679,405	53,108,029
		550,618,900	366,446,223

4.1 MCB LIMITED

Demand finance	6,536,547	13,073,147

This finance equivalent to Swiss Francs 0.915 million and Deutsche Mark 0.339 million was translated into Pak Rupees at exchange rate prevailing on the dates of opening of letters of credit for machinery acquired out of the proceeds of these finances. Originally, this finance carried mark up at the fixed rate of 15% per annum which subsequently was linked with KIBOR under instructions from State Bank of Pakistan. During the year mark-up was charged at rates ranging from 8.98% to 9.29% per annum (2005: 4.03% to 6.69% per annum). The year-end balance is repayable in 2 half-yearly equal installments by January 2007.

This finance is secured by pari passu charge on the assets and properties of the company by way of equitable mortgage and personal guarantees of sponsors.

4.2 United Bank Limited

Demand Finance	4.2.1	15,000,000	35,000,000
Demand Finance - NIDF-iii	4.2.2	108,937,938	-
SBP - Export oriented projects	4.2.3	149,914,144	-
		273,852,082	35,000,000

4.2.1 The finance was obtained against sanctioned limit of Rs. 100 million. Originally, it carried mark-up at the rate of 15% per annum which was subsequently linked with KIBOR under instructions from State Bank of Pakistan. During the year mark-up was charged at rates ranging from 7.28% to 9.99% per annum (2005: 3.38% to 7.28% per annum). It is repayable in 20 quarterly installments commenced from April 18, 2002 and is secured against specific charge on fixed assets of the Company for Rs. 133.340 million and equitable mortgage of specific assets.

4.2.2 During the year the company obtained long term finance facility from the sanctioned limit of

Rs. 108.938 million. It carries mark-up at 6month KIBOR + 150bps. During the year mark-up rates ranging from 10.63% to 10.94% per annum were paid on semi-annual basis. The loan is repayable in 10 semi-annual installments commencing from March, 2008 and is secured against specific charge for Rs. 178 million created over specific textile machinery of the company.

4.2.3 The company, during the year, obtained long term finance facility of the sanctioned limit of Rs. 149.914 million. It carries mark-up at 3% per annum over the rate of refinance as worked out by State Bank of Pakistan. During the year mark-up was charged at the rate of 8% per annum on semi-annual basis. It is repayable in 12 semi-annual installments commencing from March, 2008 and is secured against specific charge for Rs. 200 million over specific textile machinery of the company.

4.3 Habib Bank Limited (HBL)	**Note**	**2006 Rupees**	**2005 Rupees**
Demand finance		344,909,676	371,481,105

This finance was obtained against the sanctioned limit of Rs. 372 million against import of machinery. For the first three years mark up will be charged at the rate of 6 month KIBOR+ 0.45%, which is payable on quarterly basis. The mark up for the remaining tenor will be re-negotiated in April 2008. During the year, HBL charged mark-up at the rates ranging from 9.16% to 10.11%. The loan is repayable in 14 equal half yearly installments by October 2012 and is secured against first pari passu charge on entire fixed assets of the company and the personal guarantees of all the directors.

5. DEFERRED LIABILITIES

Deferred taxation	5.1	33,043,700	-
Staff retirement benefits-gratuity	5.2	-	18,638,048
		33,043,700	18,638,048

5.1 The deferred tax liability comprises of temporary differences arising due to:

Taxable temporary differences		
- accelerated tax depreciation allowances	55,379,332	-
- investment in associates	674,923	-
	56,054,255	
Deductible temporary differences		
-brought forward tax losses	(23,010,555)	-
	33,043,700	-

5.2 In current year the company has paid off its liability relating to gratuity.

	2006	**2005**
- Discount rate	N/A	9%
- Expected rate of increase in salary in future years	N/A	8%
- Average expected remaining working life time of the employees	N/A	6 Years

The amount recognized in the balance sheet is as follows:	**Note**	**2006 Rupees**	**2005 Rupees**
Present value of obligation		-	21,280,112
Unrecognized actuarial losses		-	(2,642,064)
Liability recognized in the balance sheet		-	18,638,048

	Note	2006 Rupees	2005 Rupees
Movement in the net liability recognized in the balance sheet is as follows:			
Net liability at the beginning of the year / period		18,638,048	17,741,861
Expense recognized		8,405,249	5,752,252
Gratuity transferred due to merger		1,187,464	-
Contribution paid		(28,230,761)	(4,856,065)
		-	18,638,048
The amount recognized in the profit and loss account is as follows:			
Current service cost		8,405,249	4,628,192
Interest cost		-	1,124,060
Expense recognized in the profit and loss account		8,405,249	5,752,252

6. TRADE AND OTHER PAYABLES

	Note	2006 Rupees	2005 Rupees
Creditors		66,037,846	53,767,978
Foreign bills payable		-	822,202
Due to associated undertakings	6.1	58,957,393	115,171,911
Due to subsidiary company			
- Mahmood Power Generation Ltd.		-	8,380,904
Accrued liabilities		59,656,973	39,329,964
Advances from customers		3,104,070	2,336,172
Retention money		3,700	58,455
Tax deducted at source		156,207	25,672
Workers' Profit Participation Fund	6.2	8,131,594	9,868,347
Unclaimed dividend		411,853	439,034
Others		1,039,526	1,040,881
		197,499,162	231,241,520

6.1 Due to associated undertakings - on account of normal trading transactions

	2006 Rupees	2005 Rupees
Masood Spinning Mills Limited	3,850,583	-
M/s Khawaja Muzaffar Mahmood Muhammad Masood	50,255,893	108,515,267
Masood Fabrics Limited	2,113,571	-
Roomi Fabrics Limited	2,636,760	-
Roomi Enterprises (Pvt) Limited	100,586	6,656,644
	58,957,393	115,171,911

6.2 WORKERS' PROFIT PARTICIPATION FUND

	Note	2006 Rupees	2005 Rupees
Opening balance		9,868,347	5,194,726
Add: Interest on funds utilized in the company's business	28	1,622,194	368,256
Allocation for the year / period	27	8,131,594	9,868,347
		9,753,788	10,236,603
		19,622,135	15,431,329
Less: Amount paid to the fund		11,485,000	5,561,300
Amount deposited in the Government Treasury		5,541	1,682
		11,490,541	5,562,982
		8,131,594	9,868,347

	Note	2006 Rupees	2005 Rupees
7. INTEREST / MARK UP ON LOANS			
Interest / markup accrued on secured:			
- Long term financing		8,834,021	8,258,419
- Short term borrowings		4,959,069	7,736,944
		13,793,090	15,995,363
8. SHORT TERM BORROWINGS - secured			
From banking companies			
Short term borrowings		492,790,550	347,438,688
Short term running finance		275,762,029	236,874,334
		768,552,579	584,313,022

Short term borrowing facilities available from commercial banks under mark up arrangements aggregate Rs. 2.30 billion (2005: Rs 2.1 billion) of which facilities aggregating Rs 1.53 billion (2005:Rs 1.52 billion) remained unutilized at the year end. These facilities, during the year, carried mark up at rates ranging from 5.75% to 10.06% per annum (2005: 3.0% to 7.61% 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 letter of credit , export documents and personal guarantees of all the directors.

Facilities available for opening letters of credit and guarantee were of Rs. 825 million(2005: Rs. 585 million) out of which amounts aggregating to Rs. 681.632 million (2005: Rs 350.372 million) remained unutilized at the year end. These facilities are secured against lien on shipping documents and personal guarantees of all the directors.

These facilities will expire on various dates by November 30, 2006.

	Note	2006 Rupees	2005 Rupees
9. PROVISION FOR TAXATION			
Opening balance		79,901,694	82,949,356
Provision made during the year / period			
- Current	9.2	34,510,044	35,848,330
- Prior		-	361,345
		34,510,044	36,209,675
		114,411,738	119,159,031
Less: Payments / adjustments against finalized assessments		77,995,220	39,257,337
		36,416,518	79,901,694
Less: Payments of advance tax / tax deducted at source		35,115,868	76,635,284
		1,300,650	3,266,410

9.1 Income tax assessments of the company have been finalized up to the income year ended June 30, 2005.

9.2 Provision for taxation represents tax payable under section 154 and 120 of the Income Tax Ordinance.

10. CONTINGENCIES AND COMMITMENTS

10.1 Guarantees given as at June 30, 2006 on behalf of the company, by the commercial banks, were outstanding for Rs. 19.51 million (2005: Rs. 15.88 million)

10.2 Foreign bills discounted outstanding as at June 30, 2006 aggregated Rs. 252.771 million (2005: Rs. 632.940 million)

10.3 Commitments for irrevocable letters of credit for:

	2006 (Rupees in million)	2005
- Capital expenditure	7.194	216,568
- Others	31.183	2.180
	38.377	218.748

11. PROPERTY, PLANT AND EQUIPMENT

Operating assets	11.1	1,351,809,313	738,093,535
Capital work in progress	11.2	314,018,037	444,708,159
		1,665,827,350	1,182,801,694

11.1 Operating Assets

Particulars	COST						DEPRECIATION					
	As at June 30, 2005	Additions during the year due to merger	Additions during the year	Disposals/ Adjustments	As at June 30, 2006	Rate	Accumulated Depreciation as at June 30, 2005	Additions during the year due to merger	For the year	Disposals/ Adjustment	Accumulated Depreciation as at June 30, 2006	Net Book Value as at June 30, 2006
	Rupees					%	Rupees					
Land - Freehold	4,522,167	-	278,558	-	4,800,725		-	-	-	-	-	4,800,725
Buildings on freehold land	162,782.294	52,434,213	77,850,598	-	293,067,105	10	114,950,301	29,236,026	10,460,898	-	154,647,225	138,419,880
Plant and machinery	1,628,652,545	206,099,576	495,286,343	111,873,361	2,218,165,103	10	976,695,178	104,673,433	93,637,678	89,329,133	1,085,677,156	1,132,487,947
Furniture and fittings	4,375,536	635,472	170,130	-	5,181,138	10	2,202,239	308,012	256,320	-	2,766,571	2,414,567
Vehicles	27,855,355	3,163,120	9,492,869	3,927,651	36,583,693	20	15,489,745	1,083,006	3,471,302	3,154,262	16,889,791	19,693,902
Office equipments	2,955,408	246,714	296,800	146,974	3,351,948	10	1,682,500	146,955	145,340	112,007	1,862,788	1,489,160
Protective dam	3,631,049	-	-	-	3,631,049	5	1,742,554	-	94,425	-	1,836,979	1,794,070
Electric installations	28,724,272	5,997,579	31,259,063	-	65,980,914	10	19,560,861	3,328,118	2,079,974	-	24,968,953	41,011,961
Gas installations	625,869	-	179,154	-	805,023	10	460,276	-	23,432	-	483,708	321,315
Tools and equipment	6,687,483	73,100	-	-	6,760,583	10	3,171,973	38,137	355,047	-	3,565,157	3,195,426
Computer and accessories	5,358,913	-	4,486,133	587,950	9,257,096	30	3,457,132	-	1,201,451	251,511	4,407,072	4,850,024
Weighing bridge	2,604,872	-	134,000	-	2,738,872	10	1,269,469	-	139,067	-	1,408,536	1,330,336
2006	1,878,775,763	268,649,774	619,433,648	116,535,936	2,650,323,249		1,140,682,228	138,813,687	111,864,934	92,846,913	1,298,513,936	1,351,809,313
2005	1,781,888,212	-	98,076,923	1,189,372	1,878,775,763		1,080,813,170	-	60,976,697	1,107,639	1,140,682,228	738,093,535

11.1.1 Depreciation for the period / year has been apportioned as under:

	Note	For year ended June 30, 2006 Rupees	For nine months ended June 30, 2005 Rupees
Cost of sale	23	107,250,304	57,962,979
Administrative expenses	26	4,614,630	3,013,718
		111,864,934	60,976,697

11.1.2 Disposal of property, plant and equipment

Particulars	Numbers	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of Disposal	Particulars of Buyers
		---------- Rupees ----------						
MACHINERY:								
SETS OF LOOMS	48	111,873,361	88,329,133	22,544,229	24,278,960	1,734,731	Negotiation	TEX MACHINE INTERNATIONAL LIMITED DUBAI
COMPUTERS:								
COMPUTER	1	35,000	9,926	25,074	30,000	4,926	Insurance claim	EFU GENERAL INSURANCE LTD. TAREEN ROAD MULTAN
COMPUTER LAPTOP	1	127,000	36,018	90,982	100,000	9,018	Insurance claim	EFU GENERAL INSURANCE LTD. TAREEN ROAD MULTAN
COMPUTER NOTEBOOK	1	199,000	62,902	136,098	133,740	(2,358)	Insurance claim	EFU GENERAL INSURANCE LTD. TAREEN ROAD MULTAN
COMPUTER & UPS	1	44,250	17,482	26,768	34,200	7,432	Insurance claim	EFU GENERAL INSURANCE LTD. TAREEN ROAD MULTAN
COMPUTER NOTEBOOK	1	132,000	93,450	38,550	53,600	15,050	Insurance claim	EFU GENERAL INSURANCE LTD. TAREEN ROAD MULTAN
COMPUTERS	2	25,200	14,686	10,514	8,500	(2,014)	Insurance claim	EFU GENERAL INSURANCE LTD. TAREEN ROAD MULTAN
LASSER PRINTER	1	11,000	4,444	6,556	7,500	944	Insurance claim	EFU GENERAL INSURANCE LTD. TAREEN ROAD MULTAN
PRINTER EPSON 2170	1	14,500	12,603	1,897	5,218	3,321	Insurance claim	EFU GENERAL INSURANCE LTD. TAREEN ROAD MULTAN
		587,950	251,511	336,439	372,758	36,319		
OFFICE EQUIPMENT:								
TELEPHONE EXCHANGE	1	146,974	112,006	34,968	59,400	24,432	Insurance claim	EFU GENERAL INSURANCE LTD. TAREEN ROAD MULTAN
VEHICLES:								
LAND CRUISER - BC - 9011	1	2,607,157	2,281,809	325,348	1,000,000	674,652	Insurance claim	ADAMJEE INSURANCE COMPANY LIMITED MULTAN
KIA CLASSIC - MNY - 4411	1	485,540	343,728	141,812	425,000	283,188	Insurance claim	EFU GENERAL INSURANCE LTD. TAREEN ROAD MULTAN
FIAT CAR - MLA - 311	1	605,209	405,814	199,395	160,000	(39,395)	Negotiation	MUHAMMAD AMJAD AHSAN SHAMS ABAD COLONY MULTAN
HONDA CD-70 - MLA - 1120	1	70,185	37,549	32,636	70,185	37,549	Negotiation	MUHAMMAD ALI S/O WALI MUHAMMAD CHAK # 69 WB VEHARI
HONDA CG-125 - MLA - 1169	1	79,780	42,682	37,098	78,000	40,902	Negotiation	AAMIR SAJID S/O ASGHAR ALI CAHAK # 46/5 L SAHIWAL
HONDA CG-125 - MLA - 1126	1	79,780	42,682	37,098	79,778	42,680	Negotiation	MUHAMMAD ISHAQ S/O HAYAT MUHAMMAD BILAL ABAD CHAKWAL
		3,927,651	3,154,264	773,387	1,812,963	1,039,576		
2006		116,535,936	92,846,914	23,689,023	26,524,081	2,835,058		
2005		1,189,372	1,107,639	81,733	335,000	253,267		

11.2 CAPITAL WORK IN PROGRESS

	Note	2006 Rupees	2005 Rupees
Land	11.2.1	9,951,000	-
Plant and machinery		267,125,509	394,789,491
Building - advance payments		36,941,528	49,558,211
Unallocated capital expenditure	11.2.2	-	360,457
		314,018,037	444,708,159

11.2.1 This represents the amount advanced to Board of Management, Industrial Estate Multan for procurement of lease of land for 99 years.

11.2.2 Unallocated capital expenditure

	2006 Rupees	2005 Rupees
Sales- Net		
Local	-	6,483,849
Export	-	53,932,884
Waste	-	631,411
	-	61,048,144
Less: Commission	-	(911,535)
	-	60,136,609
Cost of sales		
Raw materials consumed	-	46,067,052
Salaries, wages and benefits	-	2,950,000
Stores consumed	-	2,605,325
Packing material consumed	-	1,672,560
Power and fuel	-	8,976,348
Repair and maintenance	-	235,325
Insurance	-	265,630
Others	-	154,330
	-	62,926,570
Adjustment of closing work-in-process	-	(2,425,349)
Cost of goods manufactured	-	60,501,221
Adjustment of closing finished goods	-	(2,700,799)
	-	57,800,422
Trial run gross profit	-	2,336,187
Selling expenses	-	(2,696,644)
Net trial run loss	-	(360,457)

12. INVESTMENT PROPERTY

	2006 Rupees	2005 Rupees
Land - cost	-	14,058

The company had leased 32 Kanals and 17 Marlas of its freehold land situated at district Muzaffargarh to its subsidiary company Mahmood Power Generation Ltd. (MPGL) for a period of fifty years. As in the current year MPGL has merged into the company, the land has been transferred from investment property to property, plant and equipment.

13. LONG TERM INVESTMENTS - Un-quoted	Note	2006 Rupees	(Restated) 2005 Rupees
Subsidiary Company:			
Mahmood Power Generation Limited			
7,348,660 fully paid ordinary shares of Rs. 10 each including 668,060 bonus shares			
Merged with the company (2005: 99.26%)	13.1	-	66,806,000
Associated Companies			
Masood Spinning Mills Ltd			
4,000,000 fully paid ordinary shares of Rs.10 each			
Percentage of equity held: 16% (2005: 20%)			
Cost		40,000,000	40,000,000
Post acquisition profit brought forward (transferred to opening balance of Unappropriated profit)		17,002,619	9,773,243
		57,002,619	49,773,243
Share of profit for the year before taxation		10,378,458	12,908,773
Less: Provision for taxation		(1,459,451)	(1,428,742)
		8,919,007	11,480,031
		65,921,626	61,253,274
Adjustment of change in equity holding	13.3	-	(4,250,655)
		65,921,626	57,002,619
Roomi Fabrics Limited			
4,000,000 fully paid ordinary shares of Rs.10 each			
Percentage of equity held: 18.18% (2005: 20%)			
Cost		40,000,000	40,000,000
Post acquisition profit brought forward (transferred to opening balance of Unappropriated profit)		12,998,763	2,918,883
		52,998,763	42,918,883
Share of profit for the year before taxation		20,142,420	12,903,926
Less: Provision for taxation		(4,257,853)	(1,522,740)
		15,884,567	11,381,186
		68,883,330	54,300,069
Adjustment of change in equity holding	13.3	-	(1,301,306)
		68,883,330	52,998,763
		134,804,956	176,807,382

13.1 Merged with company with effect from 1 July 2005.

13.2 The company has restated its investment in associates to equity method according to IAS 28 (Investment in associates) as consolidated financial statements are no longer prepared consequent to the merger of the subsidiary company.

13.3 During the year the associates have made right issue of its shares of which the company had not subscribed its portion resultantly the holding in the associates has decreased to 16% and 18.18% relating to Masood Spinning Mills Ltd. and Roomi Fabrics Ltd. respectively. But the classification of investment as associate has not changed as the company still has significant influence over the investees as 6 directors of the company are also directors of the investees having a total of 7 each.

	Note	2006 Rupees	2005 Rupees
13.4 Following is the summary of financial information of the investee companies.			
Masood Spinning Mills Limited			
Total Assets		1,521,646,621	842,062,800
Total Liabilities		1,110,633,426	536,063,780
Profit after tax for the year/period		55,014,175	57,129,680
Roomi Fabrics Limited			
Total Assets		1,199,578,891	957,132,501
Total Liabilities		815,660,060	685,878,742
Profit after tax for the year/period		92,665,072	56,905,929

14. STORES, SPARES AND LOOSE TOOLS

Stores			
- At mills		27,977,281	20,003,563
- In transit		-	8,245,908
		27,977,281	28,249,471
Spares		66,979,618	37,098,974
Loose tools		219,552	94,726
		97,176,451	65,443,171

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

15. STOCK IN TRADE

Raw material	15.1	813,116,252	678,544,478
Work in process		30,807,354	29,227,518
Finished goods			
- Own manufactured	15.2	94,250,358	140,674,752
- Trading		1,701,632	5,957,822
		95,951,990	146,632,574
		939,875,596	854,404,570

15.1 Raw material includes in-transit inventory amounting Rs. 2,279,200 (2005: 6,545,196).

16.2 Finished goods (own manufactured) include in-transit inventory amounting Rs. 40.467 million (2005: Rs. 37.097 million).

17. TRADE DEBTS

Secured - Export bills		52,821,036	37,144,173
Unsecured			
- considered good		16,573,303	7,668,530
- considered doubtful		2,097,018	2,097,018
		18,670,321	9,765,548
		71,491,357	46,909,721
Less: Provision for doubtful debts		2,097,018	2,097,018
		69,394,339	44,812,703

17. SHORT TERM INVESTMENTS

	Note	2006 Rupees	2005 Rupees
Held for Trading-Quoted (At fair value)			
Hub Power Company Ltd. 426,000 (2005: 3,419,500) fully paid ordinary shares of Rs. 10 each		9,798,000	90,274,800
Pakistan International Airlines Corporation Nil (2005: 2,900,300) fully paid ordinary shares of Rs. 10 each		-	24,797,565
Askari Leasing Ltd. 2,664,700 (2005: 1,458,500) fully paid ordinary shares of Rs. 10 each		83,538,345	53,964,500
Askari Commercial Bank Ltd. 581,938 (2005: Nil) fully paid ordinary shares of Rs. 10 each		45,158,388	-
		138,494,733	169,036,865

18. LOANS AND ADVANCES

	Note	2006 Rupees	2005 Rupees
Considered good			
Due from associated companies	18.1	-	6,735,371
Advances to employees		2,773,736	1,726,449
Advances to suppliers and contractors		52,710,612	17,037,279
Letters of credit		15,628,152	453,652
Distribution Licence Fee		3,281,637	-
		74,394,137	25,952,751

18.1 Due from Associated Companies-on account of normal trading transactions:

		2006 Rupees	2005 Rupees
Masood Fabrics Limited		-	1,684,311
Roomi Fabrics Limited		-	3,738,310
Masood Spinning Mills Limited		-	1,312,750
		-	6,735,371

19. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

		2006 Rupees	2005 Rupees
Margin deposits		1,913,945	1,550,875
Prepayments		36,014	-
		1,949,959	1,550,875

20. OTHER RECEIVABLES

		2006 Rupees	2005 Rupees
Export rebate receivable		6,243,491	13,033,008
Iqra surcharge receivable		3,399,085	3,399,085
Cotton claim receivable		-	1,676,186
Accrued interest/profit on bank deposits		-	7,001
Others		2,443,404	580,851
		12,085,980	18,696,131

21. CASH AND BANK BALANCES

	Note	2006 Rupees	2005 Rupees
Cash in hand		404,098	573,501
Cash at banks on:			
Current accounts		4,048,928	5,503,972
Dividend account		1,164	358,751
Saving accounts	21.1	3,130,069	3,249,953
		7,180,161	9,112,676
		7,584,259	9,686,177

21.1 These include foreign currency balance of U.S.$ 39,924.86 (2005: U.S $ 36,903.97) which has been translated into Pak Rupees at the exchange rate prevailing at the balance sheet date.

22. SALES - Net	Note	For year ended June, 30 2006 Rupees	For nine months ended June, 30 2005 Rupees
Local:	22.1		
- Own manufactured goods			
Yarn		1,234,715,947	224,757,051
Cloth		56,917,629	55,606,834
Waste		81,122,281	48,259,494
Doubling/sizing		6,917,201	1,080,600
		1,379,673,058	329,703,979
- Trading goods			
Cotton		1,429,500	69,210,640
		1,381,102,558	398,914,619
Less: Commission		1,663,526	890,625
		1,379,439,032	398,023,994
Export:			
- Own manufactured goods			
Yarn		1,567,011,532	1,543,579,152
Cloth		658,216,170	560,454,294
Waste		52,878,396	43,897,721
Export rebate		82,519	10,175,669
		2,278,188,617	2,158,106,836
Less: Export development surcharge		5,650,823	4,424,238
Commission		49,171,072	39,787,198
		54,821,895	44,211,436
		2,223,366,722	2,113,895,400
- Trading goods			
Yarn		227,125,510	352,065,126
Cloth		-	5,836,569
Waste		14,843,373	12,509,738
		241,968,883	370,411,433
Less: Export development surcharge		573,795	910,234
Commission		5,032,022	3,290,527
		5,605,817	4,200,761
		236,363,066	366,210,672
		3,839,168,820	2,878,130,066

22.1 Local sales have been shown after deduction of sales tax aggregating Rs. 189,266 (2005: Rs. 43.150 million).

	Note	For year ended June 30 2006 Rupees	For nine months ended June 30 2005 Rupees
23. COST OF SALES			
Raw material consumed	23.1	2,350,011,487	1,688,095,157
Stores consumed		99,459,990	70,956,487
Packing material consumed		55,279,977	38,516,186
Salaries, wages and benefits	23.2	193,020,389	121,751,406
Power and fuel	23.3	339,963,350	200,167,950
Repair and maintenance		8,799,792	6,594,950
Depreciation			
For the year	11.1	107,250,304	57,962,979
Insurance		10,568,437	6,085,381
		3,164,353,726	2,190,130,496
Adjustment of work -in- process			
Opening		29,227,518	31,738,172
Closing		(30,807,354)	(26,802,169)
		(1,579,836)	4,936,003
Cost of goods manufactured		3,162,773,890	2,195,066,499
Adjustment of finished goods			
Opening stock		140,674,752	116,576,394
Closing stock	23.4	(94,250,358)	(137,973,953)
		46,424,394	(21,397,559)
Cost of sale - Own manufactured		3,209,198,284	2,173,668,940
Cost of sale - Trading goods			
Opening stock		5,957,822	1,063,930
Purchases		221,662,317	318,952,751
Closing stock		(1,701,632)	(5,957,822)
		225,918,507	314,058,859
		3,435,116,791	2,487,727,799

23.1 Raw material consumed

Opening stock	671,999,282	239,133,732
Purchases	2,487,250,544	2,119,931,580
	3,159,249,826	2,359,065,312
Less: Closing stock	810,837,052	671,999,282
	2,348,412,774	1,687,066,030
Cotton cess	1,598,713	1,029,127
	2,350,011,487	1,688,095,157

23.2 Expenses for the year include staff retirement benefit gratuity amounting Rs. 8.405 million (2005: Rs. 5.142 million).

23.3 Power and fuel cost includes cost of electricity purchase from power unit (previously Mahmood Power Generation Limited) and WAPDA. The detail of cost incurred at power unit is as follows:

	Note	For year ended June 30 2006 Rupees	For nine months ended June 30 2005 Rupees
Furnace Oil Consumed		158,939,602	-
Store General Consumed		425,677	-
Repair to Building (Power)		309,695	-
Salary Wages		4,681,157	-
Insurance		4,058,912	-
Admin cost		1,991,759	-
		170,406,802	-

23.4 This includes in-transit inventory amounting Rs. 40.440 million (2005: Rs. 37.097 million)

24. OTHER OPERATING INCOME

	Note	2006 Rupees	2005 Rupees
Rent		3,600	2,700
Rent on freehold land leased to the subsidiary company	12	-	25,000
Gain on sales of property, plant and equipment	11.1	2,835,058	253,267
Export rebate on packing materials		4,321	697,730
Exchange fluctuation gain	24.1	20,419	153,432
Income on bank deposit		123,921	75,546
Dividend income		4,121,025	7,078,700
Profit on sale of shares		35,860,756	-
		42,969,100	8,286,375

24.1 Exchange fluctuation gain

	2006 Rupees	2005 Rupees
Exchange gain on translation of foreign currency accounts	20,419	17,448
Exchange gain on export proceeds	-	135,984
	20,419	153,432

25. DISTRIBUTION COST

	2006 Rupees	2005 Rupees
Advertisement	318,320	59,050
Export expenses	88,873,964	85,018,009
Purchase of export Quota	-	52,790
Freight and other expenses	9,308,022	3,562,690
	98,500,306	88,692,539

	Note	For year ended June 30 2006 Rupees	For nine months ended June 30 2005 Rupees
26. ADMINISTRATION EXPENSE			
Salaries and benefits	26.1	13,185,070	7,961,486
Travelling and conveyance	26.2	6,820,692	5,250,971
Rent, rates and taxes		810,826	19,430
Entertainment		2,412,173	1,684,052
Electricity		1,046,785	473,577
Communication		5,317,756	4,364,378
Printing and stationery		1,829,409	890,526
Insurance		662,824	301,761
Repair and maintenance		2,120,069	1,528,604
Vehicles running and maintenance		4,372,976	2,376,595
Subscription		862,920	258,227
Auditors' remuneration			
- Statutory audit		150,000	125,000
- Half yearly review		40,000	40,000
- Certification charges.		-	50,000
- Corporate compliance services		500,000	-
		690,000	215,000
Legal and professional charges		516,886	177,079
Depreciation	11.1	4,614,630	3,013,718
General		935,321	106,112
		46,198,337	28,621,516

26.1 Expenses for the year include staff retirement benefit - gratuity amounting Rs. 0.700 million (2005: Rs. 0.610 million).

26.2 This include directors' travelling amounting Rs.5.392 million (2005: Rs. 4.364 million).

27. OTHER OPERATING EXPENSES

	Note	2006 Rupees	2005 Rupees
Donations (without directors' interest)		1,602,275	1,040,000
Zakat		304	2,259
Loss on remeasurement of short term investments at fair value		12,467,723	37,581,554
Gain on sale of shares		-	(12,058,930)
		12,467,723	25,522,624
Workers' (Profit) Participation Fund	6.2	8,131,594	9,868,347
		22,201,896	36,433,230

	Note	For year ended June 30 2006 Rupees	For nine months ended June 30 2005 Rupees
28. FINANCE COST			
Interest / markup on:			
- Long term loans and finances		43,094,953	14,792,797
- Short term borrowings		62,198,721	27,188,253
- Workers' (Profit) Participation Fund	6.2	1,622,194	368,256
Bank charges and commission		20,326,630	15,461,706
		127,242,498	57,811,012

29. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The board of directors in its meeting held on 4th October, 2006 has proposed to pay final cash dividends for the period ended June 30, 2006 of Rs. 39,895,960 (2005: Rs. 39,895,960) @ Rs.4/- (20054: Rs. 4) per ordinary share of Rs. 10/- each. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements. This will be accounted for subsequently in the year of payment.

30. EARNINGS PER SHARE

30.1 Basic earnings per share

	2006	2005
	No. of shares	
Number of ordinary shares	9,984,989	9,973,989
	Rupees	
Profit attributable to ordinary shareholders	110,127,922	173,781,887
	Rupees	
Earnings per share	11.03	17.42

30.2 Diluted earnings per share

There is no dilutive effect on the basic earnings per share of the company as the company has no such commitment.

	Note	For year ended June 30 2006 Rupees	For nine months ended June 30 2005 Rupees
31. CASH GENERATED FROM / (USED IN) OPERATIONS			
Profit before taxation		177,681,666	209,991,562
Adjustments for:			
Depreciation		111.864.934	60,976,697
Provision for gratuity		8,405,249	5,752,252
Gain on sale of operating assets		(2,835,058)	(253,267)
Share of profit of associates		(24,803,574)	-
Loss on remeasurement of short term investments at fair value		12,467,723	37,581,554
Income on remeasurement of short term investments at fair value		(35,860,756)	-
Income on deposits with banks		(123,921)	(75,546)
Finance cost		127,242,499	57,811,012
Operating cash flow before movement in working capital		374,038,762	371,784,264
(Increase)/decrease in current assets			
Stores, spares and loose tools		(11,140,703)	(11,796,603)
Stock in trade		(43,781,756)	(465,438,570)
Trade debts		(16,200,732)	22,947,426
Loans and advance		(34,815,387)	98,824,323
Trade deposits and short term prepayments		(328,320)	(303,955)
Other receivables		11,366,742	(3,143,647)
Sales tax refundable		25,033,154	(42,981,738)
Increase/(decrease) in current liabilities			
Trade and other payables		51,557,022	88,877,793
		(121,424,024)	(313,014,971)
		252,614,738	58,769,293

31.1 During the year Mahmood Power Generation Ltd. (previously 99% owned by the company) was merged into the company effective from July 1, 2005 following are the assets and liabilities acquired in result of the merger and effect of which has been taken while calculating the cash flows during the year.

	Fixed Assets	129,836,087	-
	Store, spares and loose tools	20,592,577	-
	Stock in trade	41,689,270	-
	Trade debts	8,380,904	-
	Loans and advance	13,625,999	-
	Trade deposits and short term prepayments	70,764	-
	Other receivables	4,763,592	-
		218,959,193	-
Less :	Trade and other payables	(17,841,845)	-
	Gratuity	(1,187,464)	-
	Net assets acquired other than cash	199,929,884	-
	Cash and bank balances acquired in merger	103,970	-

32. FINANCIAL INSTRUMENTS

32.**1** Financial assets and liabilities

	Interest bearing/mark-up bearing				Non-Interest bearing/mark up bearing			
	Interest/ mark-up rate range	Maturity upto one year	Maturity after one year	Sub-Total	Maturity upto one year	Maturity after one year	Sub-total	Total
	% per annum	R u p e e s						
Financial assets:								
Long term investments		-	-	-	-	134,804,956	134,804,956	134,804,956
Long term Security deposits		-	-	-	-	3,771,143	3,771,143	3,771,143
Trade debts		-	-	-	69,394,339	-	69,394,339	69,394,339
Short term investments					138,494,733	-	138,494,733	138,494,733
Trade deposits		-	-	-	1,913,945	-	1,913,945	1,913,945
Other receivables		-	-	-	2,443,404	-	2,443,404	2,443,404
Cash and bank balances	4.50% to 7%	3,130,069	-	3,130,069	4,454,190	-	4,454,190	7,584,259
2006:		**3,130,069**	**-**	**3,130,069**	**216,700,611**	**138,576,099**	**355,276,710**	**358,406,779**
2005:		3,249,953	-	3,249,953	232,562,525	147,986,685	380,549,210	383,799,163
Financial liabilities								
Long term finances	7.28% to 10.94%	74,679,405	550,618,900	625,298,305	-	-	-	625,298,305
Short term borrowings	5.75% to 10.06%	768,552,579	-	768,552,579	-	-	-	768,552,579
Trade and other payables	30.00%	8,127,844	-	8,127,844	186,338,498	-	186,338,498	194,466,342
Interest/mark up on loans		-	-	-	13,793,090	-	13,793,090	13,793,090
2006:		**851,359,828**	**550,618,900**	**1,401,978,728**	**200,131,588**	**-**	**200,131,588**	**1,602,110,316**
2005:		647,289,398	366,446,223	1,013,735,621	226,651,460	-	226,651,460	1,240,387,081
Off balance sheet item:								
Letters of credit		-	-	-	38,377,331	-	38,377,331	38,377,331
Guarantees		-	-	-	1,296,045	18,213,955	19,510,000	19,510,000
Foreign bills discounted	-	-	-		252,771,000	-	252,771,000	252,771,000
2006:		**-**	**-**	**-**	**292,444,376**	**18,213,955**	**310,658,331**	**310,658,331**
2005:		-	-	-	863,643,783	3,924,450	867,568,233	867,568,233

32.2 Interest rate risk management

Interest rate risk represents the value of financial instrument which will fluctuate due to changes in market interest rate. Since the company borrows most of the funds at fixed interest rate, exposure to interest rate risk is minimal.

32.3 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.

32.4 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized 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. 0.404 million (2005: Rs. 0.574 million), are subject to credit risk. To manage exposure to credit risk, the company applies credit limit to its customers.

32.5 Market risk

Market risk represents the risk that the value of a financial instrument will fluctuate as a result of change in market prices whether those changes are caused by factors specific to individual security or its issuer or factors affecting all securities.

32.6 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 except long term investments.

33. REMUNERATION TO EXECUTIVES

No remuneration or meeting fee were paid to chief executive, directors and executives during the period (2005: Nil). Some of the directors and the executives, however, have been provided with the company maintained cars and residential telephones.

34. TRANSACTIONS WITH RELATED PARTIES

34.1 Related parties comprise associated companies, directors and executives. The company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables note 18.1 and 6.1 respectivly.

34.2 No interest was charged on the balances of related parties during the year as these arose due to normal trading transactions.

34.3 Maximum aggregate debit and (credit) balance of the related parties, accrued due to trading activities, at any month end during the year was Rs. 109,133,886 and (Rs. 154,988,966) (2005: Rs. 442,965206 and Rs. 251,543,888).

34.4 Aggregate transactions made during the year with the associated undertakings were as follows:

	Note	For year ended June 30 2006 Rupees	For nine months ended June 30 2005 Rupees
- Sale of goods		655,754,934	523,358,951
- Sale of shares	.	105,869,475	-
- Purchase of electricity from the subsidiary company		-	211,251,261
- Purchase of goods		1,216,156,585	1,232,947,935
- Purchase of shares		91,818,203	132,147,808
- Sizing revenue		81,356	-
- Doubling charges		-	923,910
- Doubling revenue		6,835,845	1,242,690
- Lease rent from subsidiary company		-	25,000

35. PLANT CAPACITY AND ACTUAL PRODUCTION

Yarn			
Number of spindles installed		79,632	65,280
Number of spindles-shifts worked		85,279,240	54,426,296
Production capacity at 20's count 1089 shifts (2005: 819 Shifts)	Kgs.	28,271,300	16,627,500
Actual production converted into 20's count	Kgs.	28,276,551	18,554,804
Cloth			
Number of looms installed		103	103
Number of looms-Shifts worked		92,446	84,151
Installed capacity at 60 picks 1080 shifts (2005: 810 Shifts)	Sq. mtrs.	17,204,000	14,981,250
Actual production converted into 60 picks	Sq. mtrs.	18,227,015	15,987,310

35.1 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 fabric woven etc. It also varies according to the pattern of production adopted in a particular year.

35.2 During the year the company has acquired Mahmood Power Generation Limited with power generation capacity of 80 million Kilo Watt Hours (KWH).

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 4th October, 2006 by Board of Directors of the company.

37. RECLASSIFICATIONS

37.1 Following re-classifications / rearrangements have been made in the financial statements to incorporate changes in Fourth Schedule of Companies Ordinance 1984.

Previous classification	Current classification
Property, Plant and equipment Capital work in Progress	Property, Plant and equipment

38. FIGURES

In these financial statements have been rounded-off to the nearest Rupee except stated otherwise.

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

FORM-34
PATTERN OF SHAREHOLDING
AS AT 30TH JUNE, 2005

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	SHAREHOLDING TO	TOTAL SHARES HELD
42	1	100 Shares	2,272
68	101	500 Shares	17,908
36	501	1,000 Shares	28,491
37	1,001	5,000 Shares	73,754
11	5,001	10,000 Shares	80,635
1	10,001	15,000 Shares	10,095
2	15,001	20,000 Shares	36,000
1	30,001	35,000 Shares	30,269
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	130,00.0 Shares	126,500
3	140,001	145,000 Shares	432,057
1	160,001	165,000 Shares	163,850
3	185,001	190,000 Shares	567,057
1	190,000	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	276,673
1	285,001	290,000 Shares	285,129
1	340,001	345,000 Shares	358,649
1	355,000	360,000 Shares	360,647
1	445,001	450,000 Shares	451,649
1	460,001	465,000 Shares	464,460
1	490,001	495,000 Shares	494,881
1	525,001	530,000 Shares	527,331
1	535,001	540,000 Shares	536,075
1	550,001	555,000 Shares:	553,516
1	575,001	580,000 Shares	576,907
1	665,001	670,000 Shares	671,715
1	765,001	770,000 Shares	769,836
236			9,984,989

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARE HELD	PERCENTAGE
Directors, Chief Executive Officer, & their spouse & Minor Children:	12	4,488,851	44:96
Associated Companies, Undertakings & related parties:	-	-	-
NIT & ICP:	2	30,469	0.31
Banks, Development Financial Institutions, Non-Banking Financial Institutions:	1	285,129	2.86
Joint Stock Companies:	2	1,437	0.01
Insurance Companies:	-	-	-
Modarabas & Mutual Funds:	-	-	-
Shareholders Holding 10%:	-	-	-
General Public:			
a. Local:	219	5,179,103	51.86
b. Foreign:	-	-	-
Others:	-	-	-
	236	9,984,989	100

N.B:- The above two statements include 62 shareholders Holding **360,647** Share through **Central Depository Company of Pakistan Limited.**

SHAREHOLDINGS OF DIRECTORS.
ALONGWITH SPOUSE AND MINORS

Sr. No.	Name fo Director.	No. of shares Held	TOTAL SHARES
1	Khawaja Muhammad Masood	671,715	
	Mst. Mehr Fatima (Spouse)	536,075	1,207,790
2	Khawaja Muhammad Iqbal	451,649	
	Mst. Khadija Qureshi (Spouse)	63,528	515,177
3	Khawaja Muhammad Ilyas	358,649	
	Mst. Bilquees Akhtar (Spouse)	494,881	853,530
4	Khawaja Muhammad Younus	553,516	
	Mst. RubinaYounus (Spouse)	71,979	625,495
5	Khawaja Muhammad Jalaluddin Roomi	769,836	
	Mrs. Humera Jalaluddin (Spouse)	126,500	896,336
6	Mr. Muhammad Muzaffar Iqbal	276,673	
	Mrs. Attiya Fatima (Spouse)	113,850	390,523
7	Mst. Mehr Fatima (Spouse)	Already given above.	
	Khawaja Muhammad Masood	Already given above.	
		Grand Total:	4,488,851

FORM OF PROXY

I,____

of____

being a member of Mahmood Textile Mills Ltd., hereby appoint____________________________

____

of____

as my proxy in my absence to attend and vote for me and on my behalf at the (Ordinary or/

and extraordinary as the case may be) General Meeting of the Company to be held on the

____

and at any adjournment thereof____

Day of____________________________ 2006.

Signed by the siad

Affix
Revenue Stamp

IMPORTANT

This form of proxy, duly completed, must be deposited at the Company's Registered Office at Mehr Manzil, Lohari Gate, Multan not less than 48 hours before the time for holding the meeting.