MAHMOOD GROUP

بسم الله الرحمن الرحيم

MAHMOOD GROUP

VISION STATEMENT

To be recognized internationally and locally as dynamic, quality conscious and ever progressive Textile Product manufacturer in the Textile Industry of Pakistan

MISSION STATEMENT

Mahmood Group is committed to:

Be ethical in its practices.

Excel through continuous improvement by adopting most modernized technology in production.

Operate through professional Team work.

Retain our position as leading and innovative in the Textile Industry.

Achieve Excellence in the quality of our product.

Be a part of country's economic development and social Prosperity.

USTERIZED®

MAHMOOD GROUP

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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:	**MCB BANK LTD.** **UNITED BANK LIMITED** **HABIB BANK LIMITED**
Registered Office:	**MEHR MANZIL, LOHARI GATE, MULTAN.** Tel.: 061-111-181-181 Fax: 061-4511262 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 37th Annual General Meeting of the Company will be held on Wednesday 31st October, 2007, at 11:00 AM at its registered Office, Mehr Manzil, Lohari Gate, Multan to transact the following business:

1. To confirm the Minutes of the 36th Annual General Meeting held on 31st October, 2006.

2. To receive, consider and adopt the Audited Accounts for the year ended 30th June, 2007 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, 2007 as recommended by the Board of Directors.

4. To appoint Auditors for the year 2007-2008 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 business with the permission of the Chair.

BY ORDER OF THE BOARD OF DIRECTORS

Sd/-
(GHULAM MOHAYUDDIN)
COMPANY SECRETARY

Multan
Dated: 5th October, 2007

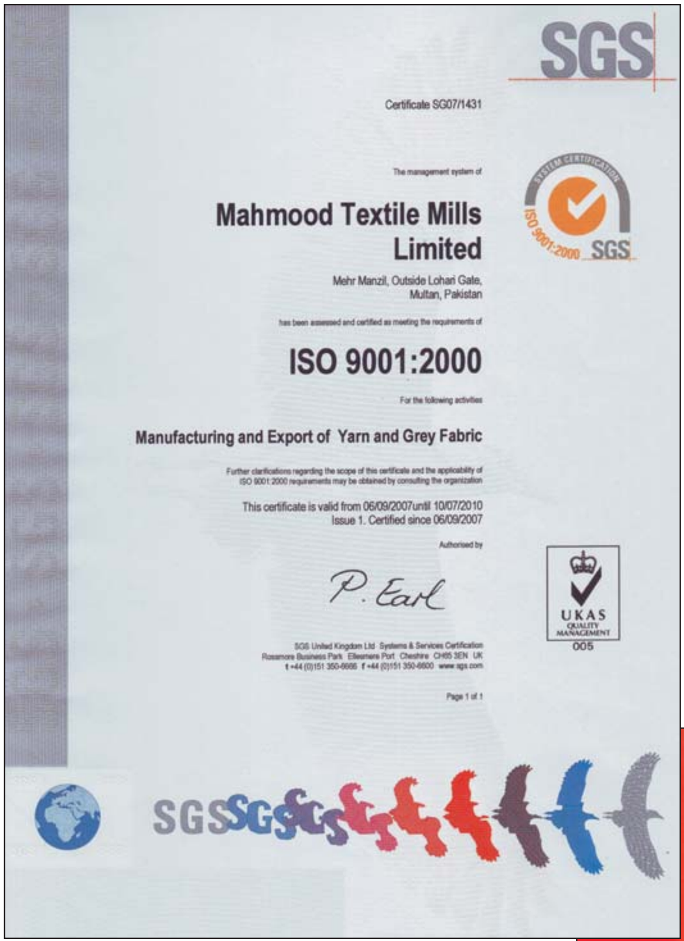
Notes:-

i) The Share Transfer Books of the Company will remain closed from 20th October, 2007 to 31st October, 2007 (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.



SGS

Certificate SG07/1431

The management system of

Mahmood Textile Mills Limited

Mehr Manzil, Outside Lohari Gate,
Multan, Pakistan

has been assessed and certified as meeting the requirements of

ISO 9001:2000

For the following activities

Manufacturing and Export of Yarn and Grey Fabric

Further clarifications regarding the scope of this certificate and the applicability of ISO 9001:2000 requirements may be obtained by consulting the organization

This certificate is valid from 06/09/2007until 10/07/2010
Issue 1. Certified since 06/09/2007

Authorised by

P. Earl

SGS United Kingdom Ltd Systems & Services Certification
Rossmore Business Park Ellesmere Port Cheshire CH65 3EN UK
t +44 (0)151 350-6666 f +44 (0)151 350-6600 www.sgs.com

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SYSTEM CERTIFICATION ISO 9001:2000 SGS

UKAS QUALITY MANAGEMENT 005

USTER® Think quality

Uster Technologies AG
CH-8610 Uster / Switzerland

Certificate

Is granting authorization to use the Trademark USTERIZED®

USTERIZED®

According to
Audit Report Number 131 / Registration Number 200612
to following company:

Mahmood Textile Mills Ltd., Unit No. 5
2 km D.G. Khan Road
Jhang Road
Muzaffargarh
Punjab
Pakistan

Mahmood Textile Mills Ltd., Unit No. 5, Muzaffargarh / Pakistan fulfills all conditions for using the brand USTERIZED® and will be checked regularly at a once per year basis.

CH-8610 Uster, November 30, 2006

Dr. Geoffrey Scott Chief Executive Officer	Richard Furter Executive Vice President Textile Technology

MAHMOOD GROUP

CERTIFICATE

CERTIFICATE N°: C807762OE-01.2007

Field of attention:

Textile
Organic Exchange 100 Guidelines

Issued to:

Masood Spinning Mills Ltd.
Multan 60000, Punjab, PAKISTAN
Project in: PAKISTAN

Standard:

OE 100 Standard of The Organic Exchange

Valid until: 2 October 2008

Control Union Certifications declares to have inspected the unit(s), and/or product(s) of the above mentioned client, and have found them in accordance with the standards mentioned above.
This certificate covers the unit(s), and/or product(s) as mentioned in the authenticated annex of this certificate.
This certificate is in force until further notice, provided that the above-mentioned client continues meeting the conditions as laid down in the client contract with Control Union Certifications.
Based on the annual inspections that Control Union Certifications performs, this certificate is updated and kept into force.

Date of certification:
8 June 2007
Place and date of issue:
Colombo-04, 15 June 2007

CONTROL UNION CERTIFICATIONS
MEMBER OF CONTROL UNION WORLD GROUP

Declared by:
On behalf of the Managing Director

Certifier
Control Union Certifications
P.O. Box 161
8000 AD Zwolle
The Netherlands
http://www.controlunion.com
tel.: +31(0)38-4260100

CONTROL UNION CERTIFICATIONS

CERTIFICATE

citeve Centro Tecnológico das Indústrias Têxtil e do Vestuário de Portugal

The company

Mahmood Group (Masood Spining Mills Limited)
Mehr Manzil, Lohari Gate - P.O.Box n°. 28
60000 Multan - Pakistan

is granted authorization according to Oeko-Tex Standard 100 to use the Oeko-Tex mark, based on our **test report 5047/2006**

CONFIDENCE IN TEXTILES
Tested for harmful substances
according to Öko-Tex Standard 100
Test-No. 2514CIT CITEVE

for the following articles:

100% Raw Cotton yarns (carded and combed) for weaving and knitting (Pakistan and US Cotton sources).

The results of the inspection made according to Oeko-Tex Standard 100, product class I have shown that the above mentioned goods meet the human-ecological requirements of the standard presently established for baby articles

The certified articles fulfil the requirements of the existing European legislation regarding the use of azo-dyes.

The holder of the certificate, who has issued a conformity declaration according to EN 45 014, is under an obligation to use the Oeko-Tex mark only in conjunction with products that conform with the sample initially tested.

V. N. de Famalicão, 11.07.2006

This authorisation is valid until 31.07.2007

The Director of the Laboratories
Maria Antónia Lopes

COTTON USA

Cotton Council International

certifies that

Mahmood Group of Industries

is a verified

COTTON USA Licensee

This licensee has complied with the necessary licensing requirements and has been granted the right to use CCI's registered trademark on all qualifying labels, print and promotional materials for one calendar year from the date of the certificate.

Issued this **10th** *day of* **July 2007**

Executive Director
Cotton Council International

Cotton Council International · COTTON USA · Certified Licensee

Supima

WORLD'S FINEST COTTONS

This is to certify that

Mahmood Group of Industries

is authorized to use the Supima® trademark and name as governed by Supima. The company is a member and licensee of Supima and has agreed to uphold the highest standards of quality and distribution of all Supima cotton textile products.

This also certifies that said licensee is purchasing, consuming or using yarn or fabric made from American Pima cotton that is grown in the United States of America, specifically in the states of California, Arizona, New Mexico and the El Paso region of Texas, and that the cotton is grown by a member in good-standing of Supima.

Effective: January 1, 2006 – December 31, 2007
Licensed Product: Yarns and Woven Fabrics
License No: Pakistan-20
Member Since: 2005

SUPIMA · CORPORATE SEAL · 1954 · ARIZONA · WORLD'S FINEST COTTONS

Jesse W. Curlee, President
Supima

RIETER

Competence in Compacting

CERTIFICATE

Mahmood Textile Mills Ltd.

We confirm that the named spinning company is a

LICENSEE

who meets all required quality demands.
The company is allowed to use the brand COM4®
for compact yarns produced on
Rieter ComforSpin® machines.

COM4 yarn makes the difference!

Dr. Martin Folini
Head
Spun Yarn Systems

Reto Thom
Head Sales
Spun Yarn Systems

your systems supplier

Rieter Textile Systems
www.rieter.com

CERTIFICATE

CERTIFICATE Nº: C807761OE-01.2007

Field of attention:

Textile
Organic Exchange 100 Guidelines

Issued to:

Masood Fabrics Limited.
Multan 60000, Punjab, PAKISTAN
Project in: PAKISTAN

Standard:

OE 100 Standard of The Organic Exchange

Valid until: 30 September 2008

Control Union Certifications declares to have inspected the unit(s), and/or product(s) of the above mentioned client, and have found them in accordance with the standards mentioned above.
This certificate covers the unit(s), and/or product(s) as mentioned in the authenticated annex of this certificate.
This certificate is in force until further notice, provided that the above-mentioned client continues meeting the conditions as laid down in the client contract with Control Union Certifications.
Based on the annual inspections that Control Union Certifications performs, this certificate is updated and kept into force.

Date of certification:
5 June 2007
Place and date of issue:
Colombo-04, 11 June 2007

CONTROL UNION CERTIFICATIONS

Declared by:
On behalf of the Managing Director

Mr. S.K. Pathirage
Certifier
Control Union Certifications
P.O. Box 161
8000 AD Zwolle
The Netherlands
http://www.controlunion.com
tel.: +31(0)38-4260100

CONTROL UNION CERTIFICATIONS

DIRECTORS' REPORT TO THE SHAREHOLDERS

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

Your Directors cordially welcome you to the 37th Annual General Meeting and place before you annual report along with audited accounts of the company for the year ending June 30, 2007 which are reflective of the state of affairs of the Company.

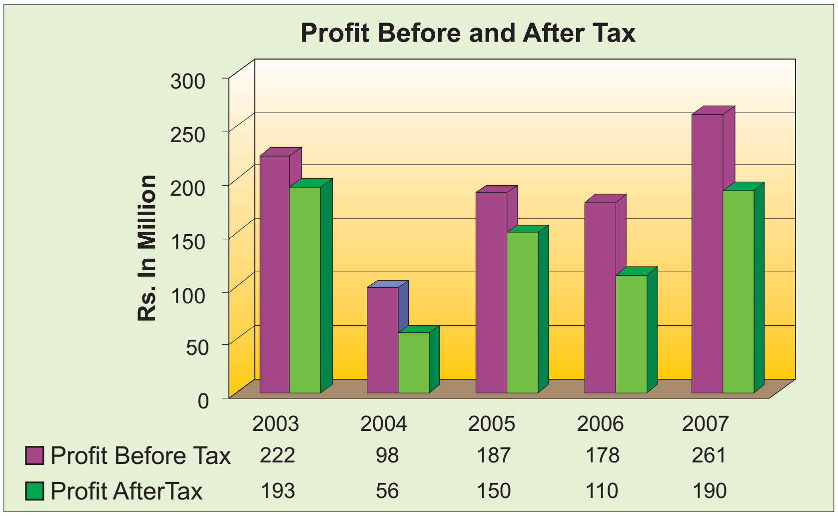
OPERATING PERFORMANCE

With the grace of Almighty Allah and dedicated efforts of the Management, the year under report overall showed satisfactory results and Company has earned aggregate net profit of Rs. 190,032,350 after providing depreciation amounting Rs. 168,749,539 against Rs. 110,127,922 last year.

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

	2007 Rupees	2006 Rupees
Profit after taxation	190,032,352	110,127,922
Unappropriated profit B/F	1,444,853,869	1,374,621,907
Profit available for appropriation.	1,634,886,221	1,484,749,829
Proposed dividend @ 4/- per share. (2006 @ 4/- per share)	(39,939,960)	(39,939,960)
Earning per share	19.03	11.03

The graphical view of profit earning is presented as follow.



The company in the reporting year has booked reasonable capital gain on its investment, if we deeply analyse the performance of Textile Sector, it does not present a commendable results. The overall Textile Industry and particularly Spinning Units are operating under critical situation since last two years. In the year 2004-2005 billion of rupees Investment was made in the expansion and B.M.R. of Textile Industry in order to meet the challenge of W.T.Os. After this heavy investment the Textile industry attained sound technical footing but on the other hand this phenomena increased the demand and consumption of cotton as compared to availalility and supply of cotton in the local market resultantly cotton prices fetched vulnerable position. In the reporting year cotton crisis further aggravated when the cotton was also found short and prices reached to critical and uneconomical level at Rs. 2800-3000 per manud.

It is worth to mention 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 factors which are also heavily effecting on the performance of Textile Industry is continuous increase in the input operating cost. The electricity, wages/salaries, stores and other overhead cost are increasing tremendously due to uncontrolled inflation in the country. The financial expenses have increased from Rs. 127.242 million to Rs. 190.691 million due to heavy investments which have been financed from the financial institution and further tremendous increase in utilizing the volume of Short Term financing because of too much enhancement in the cost of cotton material. Profitability of the Company was at stake due to the above mentioned factors. But the management controlled the adverse situation and was able to obtain successfully result at green level due to adopting the below mentioned innovative policies.

INNOVATIVE POLICIES OF MANAGEMENT

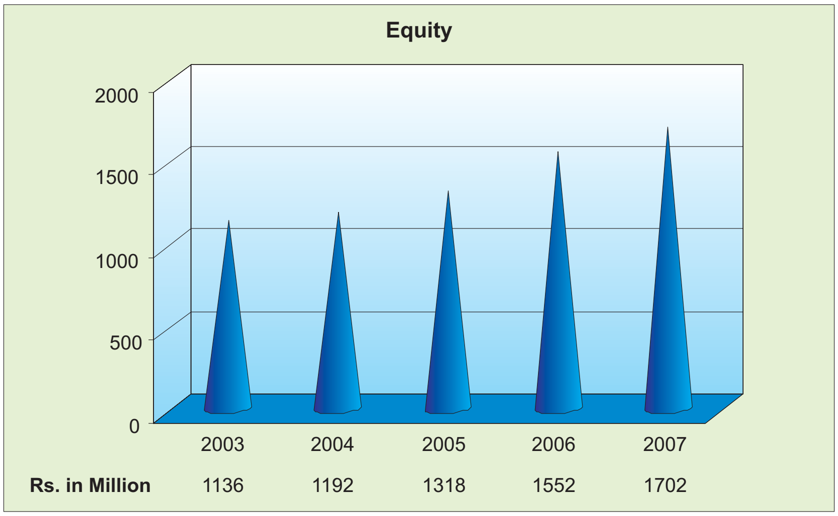
The Management always strictly monitor and keep regular watch over the price behaviour of cotton. They managed to purchase sufficient quantity of cotton well in time according to the requirement of the Company. Further import of cotton was also made at good competitive prices and saved the Company from the bad effect of price fluctuation in cotton material.

The electricity to the mills was supplied by own Captive Power Plant which was based on furnace oil fuel. It was absolutely not viable to run furnace oil based power house due to unprecedent increase in the prices of Furnace Oil. In these circumstances, the management switched over mills partially on Wapda and Sui Gas Generators. Now 80% portion of the mills is operating on Gas based Generators which are providing electricity at economical cost as compared to other sources. Management is also trying its best to convert the remaining portion of the mill on Gas Generators if gas is available from SNGP.

Financial cost has increased due to Long Term Financing for capital investment and utilizing high volume of short term financing in the reporting year. Further no down ward trend was noted in KIBOR rate on which entire financing is based. So there was a big challenge to manage and control financial cost. But the management availed every opportunity to reduce this cost by availing Money Market facility and Doller financing at maximum possible level at very competitive rates.

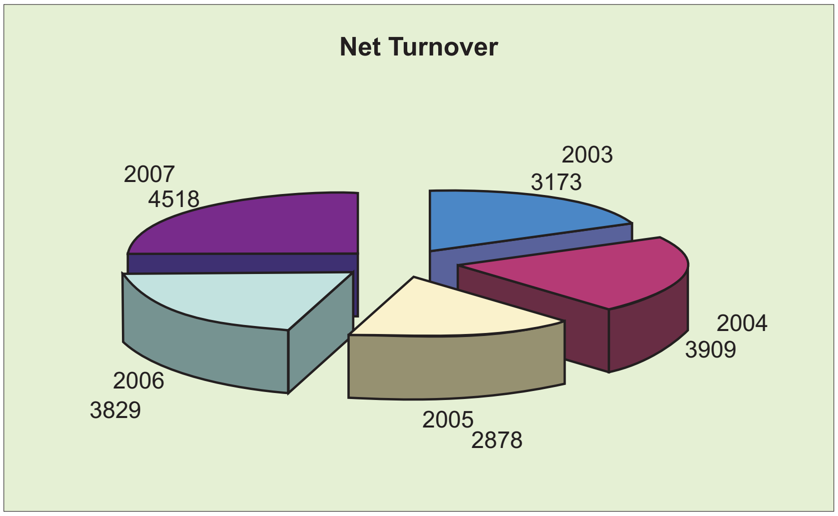
The management always has innovation policies for capital investment keeping in view cost benefit ratio and emerging needs of our foreign customers. After refurbishing the entire Spinning Unit with latest and most modern machinery now the management has decided to equip Weaving Unit with most sophisticated high tech looms. The Sulzer looms which were not giving result upto the mark have been replaced by state of the Art Technology Air Jet Looms. As of today 74 Air Jet Looms have been installed which are operating perfectly and further addition in these looms is in process. After completing the required capacity these looms will provide successful operating restult as compared to previous Sulzer Looms.

The pictorial view regarding strength of the Company is presented as under:



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

	2007 Rupees	2006 Rupees
Export Sales	2,844,349,592	2,459,729,788
Local Sales	1,674,177,577	1,379,439,032
	4,518,527,169	3,829,168,820



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

			2007	2006
i)	Yarn	Actual production converted into 20/S count KGs	28,675,326	28,276,551
ii)	Grey Cloth	Actual production converted into 60 picks sq Meters.	32,853,877	18,227,015

FUTURE OUTLOOK

The textile Industry has not yet been provided the needed relief package to become competitive. The Government promise to reduce mark up rate for Spinning Units has not yet fulfilled. We would like to reiterate here that Government must immediately provide the needed incentives/subsidies to improve the competitive position of our textile industry which could in turn would boost up the whole chain of textile. The future performance of textile industry depend upon the availability of good quality cotton at viable prices and good economic policies of Government for Textile Sector.

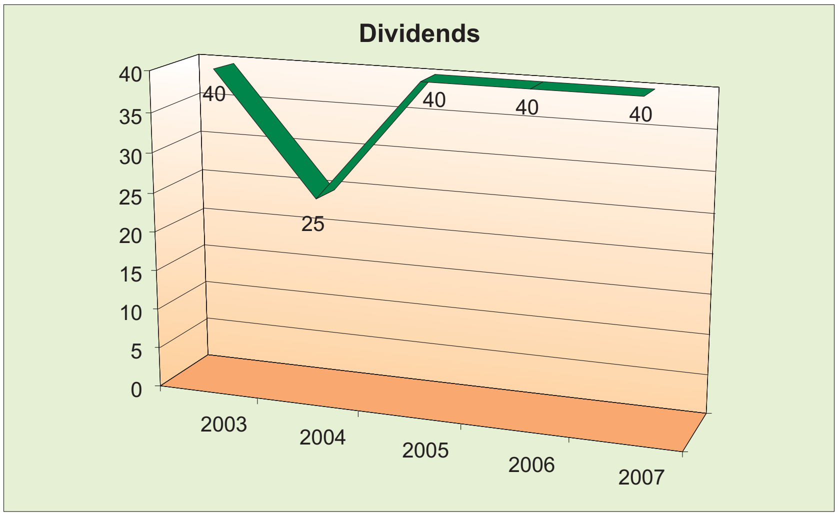
BOARD'S MEETING:

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.	Khawaja Muhammad Ilyas	4
4.	Khawaja Muhammad Younus	4
5.	Jalal-ud-Din Roomi	4
6.	Muhammad Muzaffar Iqbal	4
7.	Mrs. Mehr Fatima	4

DIVIDEND

The Board of Directors of the Company have pleasure to propose cash dividend to shareholders @ 40% for the current year. The history of regular pay out of the Company is presented in the following graph.



CORPORATE GOVERNANCE

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

a) Proper books of account have been maintained by the Company

b) 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.

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.

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, 2007, have been duly complied with. A statement to the effect is annexed with the report.

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:

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

ACKNOWLEDGMENT

The management is thankful and wishes to place on record its deep appreciation for the hard work and positive efforts made by the workers and staff. The management would also like to thank its valued customers, bankers, financial institutions and shareholders for their support and hope for the same in future.

For and on behalf of the Board

Sd/-
(KHAWAJA MUHAMMAD MASOOD)
CHAIRMAN

Multan
Dated :4th October, 2007

YEAR WISE STATISTICAL SUMMARY

Rupees in million

	2007	2006	2005 (Nine months)	2004	2003	2002
ASSETS :						
FIXED ASSETS	1,736	1,666	1,182	712	728	729
INVESTMENT AND LONG TERM ADVANCES & DEPOSITS	265	138	178	149	148	111
CURRENT ASSETS	1710	1,387	1,261	696	595	552
TOTAL	3,711	3,191	2,621	1,557	1,471	1,392
FINANCED BY:						
EQUITY	1,702	1,552	1,348	1,192	1,136	983
LONG TERM LIABILITIES	602	550	366	40	68	143
DEFFERED LIABILITIES	63	33	19	18	19	16
CURRENT LIABILITIES	1,344	1,056	888	307	248	251
TOTAL FUNDS INVESTED	3,711	3,191	2,621	1,557	1,471	1,393
TURNOVER AND PROFIT :						
TURNOVER - NET	4,519	3,839	2,878	3,909	3,173	3,037
OPERATING PROFIT	411	280	245	129	276	238
PROFIT BEFORE TAXATION	261	178	210	98	222	154
PROFIT AFTER TAXATION	190	110	174	56	193	124
DIVIDENDS	40%	40%	40%	25%	40%	25%
PROFIT c/f	1,595	1,445	1,249	1,093	1,037	883

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, 2007

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, for the year ended June 30, 2007.

Sd/

M. YOUSUF ADILSALEEM & CO.
CHARTERED ACCOUNTANTS.

Multan:
Dated: 4th October, 2007

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, 2007 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 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;

   (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, 2007 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/

M. YOUSUF ADILSALEEM & CO.
CHARTERED ACCOUNTANTS.

Multan:
Dated: 4th October, 2007

BALANCE SHEET

AS AT JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	3	1,735,708,078	1,665,827,350
Long term investments	4	261,150,931	134,804,956
Long term security deposits		3,891,043	3,771,143
		2,000,750,052	1,804,403,449
CURRENT ASSETS			
Stores, spares and loose tools	5	101,838,606	97,176,451
Stock in trade	6	1,130,147,435	939,875,596
Trade debts	7	97,238,436	69,394,339
Short term investments	8	290,499,002	138,494,733
Loans and advances	9	37,659,430	73,059,037
Trade deposits and short term prepayments	10	-	1,949,959
Other receivables	11	10,568,982	13,421,080
Sales tax refundable		33,236,751	45,952,942
Cash and bank balances	12	8,848,952	7,584,259
		1,710,037,594	1386,908,396
		3,710,787,646	3,191,311,845
SHARE CAPITAL AND RESERVES			
Authorized capital			
30,000,000 Ordinary shares of Rs. 10 each		300,000,000	300,000,000
Issued, subscribed and paid up capital	13	99,849,890	99,849,890
Capital reserve		7,120,600	7,120,600
Unappropriated profit		1,594,946,261	1,444,853,869
		1,701,916,751	1,551,824,359
NON-CURRENT LIABILITIES			
Long term finances	14	601,618,507	550,618,900
Deferred liability	15	63,496,387	33,043,700
CURRENT LIABILITIES			
Trade and other payables	16	190,449,262	197,499,162
Interest/mark up on loans	17	26,689,180	13,793,090
Short term borrowings	18	1,030,769,598	768,552,579
Current portion of long term finances	14	95,583,307	74,679,405
Provision for taxation	19	264,654	1,300,650
		1,343,756,001	1,055,824,886
CONTINGENCIES AND COMMITMENTS	20	-	-
		3,710,787,646	3,191,311,845

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

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

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
Sales - net	21	4,518,527,169	3,839,168,820
Cost of sales	22	(4,038,046,572)	(3,433,125,032)
Gross profit		480,480,597	406,043,788
Other Operating Income	23	110,785,408	42,969,100
		591,266,005	449,012,888
Distribution cost	24	(104,206,503)	(98,500,306)
Administrative expenses	25	(54,443,705)	(48,190,096)
Other operating expenses	26	(21,940,857)	(22,201,896)
Finance cost	27	(190,691,630)	(127,242,498)
Share of profits of associates (net of tax)		40,527,603	24,803,574
		(330,755,092)	(271,331,222)
Profit before taxation		260,510,913	177,681,666
Provision for taxation			
- For the year	19	(40,025,874)	(34,510,044)
- Deferred		(30,452,687)	(33,043,700)
		(70,478,561)	(67,553,744)
Profit for the year		190,032,352	110,127,922
Earnings per share	30	19.03	11.03

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

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	31	299,342,943	306,549,903
Gratuity paid		(8,046,878)	(28,230,761)
Income tax paid		(41,061,870)	(36,475,804)
Net cash from operating activities		250,234,195	241,843,338
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(239,009,136)	(488,729,468)
Sale proceeds of operating assets		447,200	26,524,081
Long term security deposits		(119,900)	(2,590,458)
Long Term Investments		(126,345,975)	-
Cash and cash equivalent acquired in merger		-	103,970
Income on bank deposits received		30,705	130,922
Net cash used in investing activities		(364,997,106)	(464,560,953)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - net		71,903,509	205,744,053
Short term borrowings-net		262,217,019	184,239,556
Dividend paid		(40,297,384)	(39,923,141)
Finance cost paid		(177,795,540)	(129,444,771)
Net cash generated from financing activities		116,027,604	220,615,697
Net increase/(decrease) in cash and cash equivalents		1,264,693	(2,101,918)
Cash and cash equivalents at the beginning of the year		7,584,259	9,686,177
Cash and cash equivalents at the end of the year		8,848,952	7,584,259

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

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2007

	Issued, subscribed and paid up capital	Capital Reserve	Unappropriated Profit	Total
		------------------------ Rupees	--------------------	
Balance as at June 30, 2005	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
Profit for the year ended June 30, 2007	-	-	190,032,352	190,032,352
Final cash dividend for the period ended June 30, 2006 @ Rs. 4 per share	-	-	(39,939,960)	(39,939,960)
Balance as at June 30, 2007	99,849,890	7,120,600	1,594,946,261	1,701,916,751

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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 2006 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 was 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 shares for the shares owned by minority share holders and all the assets, liabilities and unappropriated profit of the subsidiary had become part of the assets, liabilities and unappropriated profit of the company.

The company is principally engaged in manufacture and sales 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 and International Financial Reporting Standards (IFRS). 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.

Standards and interpretations that are not yet effective

The following standards and interpretations of accounting standards are either not relevant to Company's operations or are not expect to have significant impact on the Company's financial statements other than increased disclosures in certain cases.

Effective from accounting period beginning on or after January 1, 2007

IFRS 2	Share based payment
IFRS 3	Business combinations
IFRS 5	Non-current assets held for sale and discontinued operations
IFRS 6	Exploration for and evaluation of mineral resources
IFRIC 12	Services Concession arrangements

Effective from accounting period beginning on or after November 01, 2006

IFRIC 10 - Interim financial reporting and impairment.

Effective from accounting period beginning on or after March 01, 2007

IFRIC 11 - Group and treasury share transactions.

Effective from accounting period beginning on or after July 01, 2008

IFRIC 13 - Customer loyalty programmes

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
- 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.

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

2.4 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.

2.5 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.

2.6 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 2.13.

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 3. 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.

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.

2.7 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.

2.8 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.

2.9 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.

2.10 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.

2.11 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.

2.12 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.
- Interest/mark-up is required as the interest/mark-up become due.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 Dividend

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

MAHMOOD GROUP

3. PROPERTY, PLANT AND EQUIPMENT

		2007 Rupees	2006 Rupees
Operating assets	3.1	1,656,746,168	1,351,809,313
Capital work in progress	3.2	78,961,910	314,018,037
		1,735,708,078	1,665,827,350

3.1 Operating Assets

Particulars	COST						DEPRECIATION					
	As at July 01, 2006	Additions during the year due to merger	Additions during the year	Disposals/ Adjustments	As at June 30, 2007	Rate	Accumulated Depreciation as at July 01, 2006	Additions during the year due to merger	For the year	Disposals/ Adjustment	Accumulated Depreciation as at June 30, 2007	Net Book Value as at June 30, 2007
	---Rupees---					%	---Rupees---					
Land - Freehold	4,800,725	-	-	-	4,800,725		-	-	-	-	-	4,800,725
Land - Leasehold in Industrial Estate	-	-	17,654,855		17,654,855		-	-	-	-	-	17,654,855
Buildings on freehold land	268,565,721	-	51,767,895		320,333,7616	10	153,878,832	-	13,169,642	-	167,048,474	153,285,142
Buildings on leasehold land in Industrial Estate	24,501,384	-	212,918		24,714,302	10	768,393	-	2,376,741	-	3,145,134	21,569,168
Plant and machinery	2,218,165,103	-	390,212,118	738,673	2,607,638,548	10	1,085,677,156	-	141,628,012	524,901	1,226,780,267	1,380,858,281
Furniture and fittings	5,181,138	-	776,852		5,957,990	10	2,766,571	-	275,268	-	3,041,839	2,916,151
Vehicles	36,583,693	-	7,219,918	691,538	43,112,073	20	16,889,791	-	4,511,458	594,511	20,806,738	22,305,335
Office equipments	3,351,948	-	-	55,500	3,296,448	10	1,862,788	-	135,928	10,170	1,988,546	1,307,902
Protective dam	3,631,049	-			3,631,049	5	1,836,979	-	89,704	-	1,926,683	1,704,366
Electric installations	65,980,914	-	4,334,187		70,315,101	10	24,968,953	-	4,323,878	-	29,292,831	41,022,270
Gas installations	805,023	-			805,023	10	483,708	-	32,131	-	515,839	289,184
Tools and equipment	6,760,583	-	109,000		6,869,583	10	3,565,157	-	321,709	-	3,886,866	2,982,717
Computer and accessories	9,257,096	-	1,768,520	28,350	10,997,266	30	4,407,072	-	1,751,808	5,610	6,153,270	4,843,996
Weighing bridge	2,738,872	-	9,000		2,747,872	10	1,408,536	-	133,260	-	1,541,796	1,206,076
2007	2,650,323,249	-	474,065,263	1,514,061	3,122,874,451		1,298,513,936	-	168,749,539	1,135,192	1,466,128,283	1,656,746,168
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

3.1.1 Lease hold land and buildings on lease hold land represents the lease assets from Board of Management, Industrial Estate Multan for 99 years.

3.1.2 Depreciation for the year has been apportioned as under:

	Note	2007 Rupees	2006 Rupees
Cost of sale	22	162,075,077	107,250,304
Administrative expenses	25	6,674,462	4,614,630
		168,749,539	111,864,934

3.1.3 Disposal of operating assets

Particulars	Numbers	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain/(loss)	Mode of Disposal	Particulars of Buyers
	-------- Rupees --------							
Automatic Bale Plucker	2	738,673	524,901	213,772	215,000	1,228	Negotiation	Masood Spinning Mills Limited, Multan
Computer & Printer	1	28,350	5,610	22,740	25,200	2,460	Insurance claim	Efu General Insurance Ltd. Tareen Road, Multan
Panasonic PABX with OGM Card	1	55,500	10,170	45,330	32,000	(13,330)	Insurance claim	Efu General Insurance Ltd. Tareen Road, Multan
Toyota Corolla MNV-8911	1	393,788	338,585	55,203	75,000	19,797	Negotiation	Sheikh Muhammad Ashraf, Tughlaq Road, Multan
Suzuki Mehran MNV-9011	1	297,750	255,926	41,824	100,000	58,176	Negotiation	Javaid Ahmad C/o Muhd. Anwar Bhatti Chak Bandi Teh. Kabirwala Distt. Khanewal.
		691,538	594,511	97,027	175,000	77,973		
	2007	1,514,061	1,135,192	378,869	447,200	68,331		
	2006	116,535,936	92,846,914	23,689,023	26,524,081	2,835,058		

	Note	2007 Rupees	2006 Rupees
3.2 CAPITAL WORK IN PROGRESS			
Land	3.2.1	-	9,951,000
Plant and machinery		70,404,545	267,125,509
Building - advance payments		8,557,365	36,941,528
		78,961,910	314,018,037

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

4 LONG TERM INVESTMENTS

Associated Company:
Un-quated
Masood Spinning Mills Limited
4,000,000 fully paid ordinary shares of Rs. 10 each
percentage of equity held: 13.33% (2006: 16%)

	2007 Rupees	2006 Rupees
Cost	40,000,000	40,000,000
Post acquisition profit brought forward (transferred to opening balance of Unappropriated profit)	21,595,955	17,002,619
	61,595,955	57,002,619
Share of profit for the year before taxation	4,609,350	10,378,458
Less: Provision for taxation	(2,966,709)	(1,459,451)
	1,642,641	8,919,007
	63,238,596	65,921,626

Roomi Fabrics Limited
4,000,000 fully paid ordinary shares of Rs.10 each
Percentage of equity held: 18.18% (2006: 18.18%)

	2007 Rupees	2006 Rupees
Cost	40,000,000	40,000,000
Post acquisition profit brought forward (transferred to opening balance of Unappropriated profit)	28,883,330	12,998,763
	68,883,330	52,998,763
Share of profit for he year before taxation	23,841,018	20,142,420
Less: Provision for taxation	(3,012, 425)	(4,257,853)
	20,828,593	15,884,567
	89,711,923	68,883,330

	Note	2007 Rupees	2006 Rupees
Quoted			
Askari Leasing Limited			
3,147,580 fully paid ordinary shares of Rs. 10 each percentage of equity held: 7.35% (2006: Nil)			
Cost		85,818,372	-
Post acquisition profit brought forward (transferred to opening balance of Unappropriated profit)		12,069,260	-
		97,887,632	-
Share of profit for the year before taxation		10,312,780	-
Less: Provision for taxation		-	-
		10,312,780	-
		108,200,412	-
		261,150,931	134,804,956

4.1 Following is the summary of financial information of the investee companies.

	2007	2006
Masood Spinning Mills Limited		
Total Assets	1,819,442,056	1,521,646,621
Total Liabilities	1,339,097,687	1,110,633,426
Profit after tax for the year	19,331,174	55,014,175
Roomi Fabrics Limited		
Total Assets	1,523,949,486	1,199,578,891
Total Liabilities	1,010,595,999	815,660,060
Profit after tax for the year	129,434,655	92,665,072
Askari Leasing Limited		
Total Assets	11,744,094,041	-
Total Liabilities	10,661,785,720	-
Profit after tax for the year	140,309,936	-

4.2 The financial information of Masood Spinning Mills Limited and Roomi Fabrics Limited is based on unaudited financial statements for the year ended June 30, 2007.

4.3 The financial information of Askari Leasing Limited is based on Unaudited financial statements for the period of nine months ended March 31, 2007.

	Note	2007 Rupees	2006 Rupees
5 STORES, SPARES AND LOOSE TOOLS			
Stores			
- At mills		32,935,795	27,977,281
Spares		68,702,659	68,979,618
Loose Tools		200,152	219,552
		101,838,606	97,176,451

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

	Note	2007 Rupees	2006 Rupees
6. STOCK IN TRADE			
Raw material	6.1	899,460,567	813,116,252
Work in process		34,855,280	30,807,354
Finished goods			
- Own manufactured	6.2	192,164,599	94,250,358
- Trading		3,666,989	1,701,632
		195,831,588	95,951,990
		1,130,147,435	939,875,596

6.1 Raw material includes in-transit inventory amounting Rs. 821,600 (2006: 2,279,200).

6.2 Finished goods (own manufactured) include in-transit inventory amounting Rs. 32.397 million (2006:Rs. 40.467 million).

	2007 Rupees	2006 Rupees
7. TRADE DEBTS		
Secured - Export bills	62,916,595	52,821,036
Unsecured		
- considered good	34,321,841	16,573,303
- considered doubtful	714,602	2,097,018
	35,036,443	18,670,321
	97,953,038	71,491,357
Provision for doubtful debts	(714,602)	(2,097,018)
	97,238,436	69,394,339

	Note	2007 Rupees	2006 Rupees
8. SHORT TERM INVESTMENTS			
Held for Trading-Quoted (At fair value)			
Hub Power Company Ltd. 6,550,500 (2006: 426,000) fully paid ordinary shares of Rs. 10 each		240,403,350	9,798,000
Askari Leasing Ltd. Nil (2006: 2,664,700) fully paid ordinary share of Rs. 10 each	4	-	83,538,345
Askari Commercial Bank Ltd. Nil (2006: 581,938) fully paid ordinary shares of Rs. 10 each		-	45,158,388
Dandot Cement Limited 1,721,500 (2006: Nil) fully paid ordinary shares of Rs. 10 each		50,095,652	-
		290,499,002	138,494,733

		2007 Rupees	2006 Rupees
9. LOANS AND ADVANCES			
Considered good			
Advances to employees		4,237,097	2,773,736
Advances to suppliers and contractors		19,422,210	51,375,512
Letters of credit		14,000,123	15,628,152
Distribution Licence Fee		-	3,281,637
		37,659,430	73,059,037

		2007 Rupees	2006 Rupees
10. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Margin deposits		-	1,913,945
Prepayments		-	36,014
		-	1,949,959

	Note	2007 Rupees	2006 Rupees
11. OTHER RECEIVABLES			
Export rebate receivable		5,077,513	6,243,491
Iqra surcharge receivable		-	3,399,085
Cotton claim receivable		732,363	-
Export tax receivable	20.1	1,335,100	1,335,100
Others		3,424,006	2,443,404
		10,568,982	13,421,080

	Note	2007 Rupees	2006 Rupees
12. CASH AND BANK BALANCES			
Cash in hand		502,425	404,098
Cash at banks on:			
Current accounts		5,614,873	4,048,928
Dividend account		564	1,164
Saving accounts	12.1	2,731,090	3,130,069
		8,346,527	7,180,161
		8,848,952	7,584,259

12.1 These include foreign currency balance of U.S $ 39,712.75 (2006: U.S $ 39,924.86) which has been translated into Pak Rupees at the exchange rate prevailing at the balance sheet date.

13. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2007	2006			
Number of shares				
		Ordinary shares of Rs. 10 fully paid		
6,288,800	6,288,800	In cash	62,888,000	62,888,000
		Other than cash		
11,000	11,000	Against shares of Mamhood Power Generation Limited consequent to merger	110,000	110,000
3,685,189	3,685,189	As bonus shares	36,851,890	36,851,890
9,984,989	9,984,489		99,849,890	99,849,890

13.1 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 2006 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.

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

13.3 455 (2006: 3,235) ordinary shares of Rs.10 each were held by the Roomi Enterprises (Private) Limited an associated company.

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

14. LONG TERM FINANCING
(Secured from Banking companies)

	Note	2007 Rupees	2006 Rupees
MCB Bank Limited	14.1	-	6,536,547
United Bank Limited	14.2	405,391,754	273,852,082
Habib Bank Limited	14.3	291,810,060	344,909,676
		697,201,814	625,298,305
Less Current portion grouped under current liabilities			
- MCB Bank Limited		-	6,536,547
- United Bank Limited		42,526,932	15,000,000
- Habib Bank Limited		53,056,375	53,142,858
		95,583,307	74,679,405
		601,618,507	550,618,900

14.1 MCB BANK LIMITED

	2007 Rupees	2006 Rupees
Demand finance	-	6,536,547

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 9.49% to 9.81% per annum (2006: 8.98% to 9.29% per annum). The loan was fully repaid during the year.

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.

14.2 United Bank Limited

	Note	2007 Rupees	2006 Rupees
Demand Finance	14.2.1	-	15,000,000
Demand Finance - NIDF-iii	14.2.2	29,048,548	108,937,938
SBP - Export oriented projects			
- Loan No.1	14.2.3	121,377,421	149,914,144
- Loan No.2	14.2.3	27,006,005	-
- Loan No.3	14.2.3	1,530,718	-
- Loan No.4	14.2.4	105,247,452	-
- Loan No.5	14.2.5	56,320,800	-
- Loan No.6	14.2.6	23,005,010	-
- Loan No.7	14.2.7	32,035,800	-
- Loan No.8	14.2.8	9,820,000	-
		405,391,754	273,852,082

14.2.1 The finance was obtained against sanctioned limit of Rs. 100 million and is secured against specific charge on fixed assets of the Company for Rs. 133.340 million and equitable mortgage of specific assets. 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 10.35% to 11.66% per annum (2006: 7.28% to 9.99% per annum). The loan was fully repaid during the year.

14.2.2 During 2006 the company obtained demand finance facility of Rs. 108.938 million from the sanctioned limit of Rs. 134.296 million. During the year Rs. 105.247 million out of availed limit was converted into long term loan (refer to note 14.2.4). The company has further obtained demand finance facility of Rs. 25.39 million from the available limit during the year. It carries mark-up at 6 month KIBOR + 150bps. During the year mark-up rates ranging from 10.94% to 12.13% per annum (2006: 10.63% to 10.94% per annum). The loan is repayable in 10 semi-annual installments commencing from 23 February, 2009 and is secured against specific charge for Rs. 178 million created over specific textile machinery of the company.

14.2.3 During 2006 the company obtained long term finance facility of the sanctioned limit of Rs. 149.914 million which was converted into three long term loans during the year Loan no. 1,2 and 3. These carry mark-up at 2% per annum over the rate of refinance as worked out by State Bank of Pakistan. During the year mark-up was charged ranging from 7% to 8% per annum on semi-annual basis. These loans are repayable in 12 semi-annual installments commencing from 06 December, 2007 for the Loan no.2 and 3, and 05 November 2007 for the Loan no.1 and are secured against specific charge for Rs. 200 million over specific textile machinery of the company.

14.2.4 This loan was converted from demand finance to long term loan during the year. It carries mark-up at 2% per annum over the rate of refinance as worked out by State Bank of Pakistan. During the year mark-up was charged at 7% per annum on semi-annual basis. It is repayable in 12 semi-annual installments commencing from 14 July, 2007 and is secured against specific charge for Rs. 178 million created over specific textile machinery of the company (Refer to note 14.2.2.)

14.2.5 During the year the company has obtained the long term facility from the sanctioned limit of Rs. 56.321 million. It carries mark-up at 2% per annum over the rate of refinance as worked out by State Bank of Pakistan. During the year mark-up was charged at 7% per annum on quarter basis. It is repayable in 12 semi-annual installments commencing from 14 May, 2008 and is secured against specific charge for Rs. 180 million created over specific textile machinery of the company.

14.2.6 During the year the company has obtained the long term facility from the sanctioned limit of Rs. 23 million. It carries mark-up at 2% per annum over the rate of refinance as worked out by State Bank of Pakistan. During the year mark-up was charged at 7% per annum on quarter basis. It is repayable in 12 semi-annual installments commencing from 28 November, 2008 and is secured against specific charge for Rs. 180 million created over specific textile machinery of the company.

14.2.7 During the year the company has obtained the long term facility from the sanctioned limit of Rs.9.82 million. It carries mark-up at 2% per annum over the rate of refinance as worked out by State Bank of Pakistan. During the year mark-up was charged at 7% per annum on quarter basis. It is repayable in 12 semi-annual installments commencing from 12 December, 2008 and is secured against specific charge for Rs. 180 million created over specific textile machinery of the company.

14.2.8 During the year the company has obtained the long term facility from the sanctioned limit of Rs. 9.82 million. It carries mark-up at 2% per annum over the rate of refinance as worked out by State Bank of Pakistan. During the year mark-up was charged at 7% per annum on quarter basis. It is repayable in 12 semi-annual installments commencing from 29 December, 2008 and is secured against specific charge for Rs. 180 million created over specific textile machinery of the company.

14.3 Habib Bank Limited (HBL)	**Note**	**2007 Rupees**	**2006 Rupees**
Demand finance		291,810,060	344,909,676

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 10.06% to 11.10%. 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.

15. DEFERRED LIABILITIES

	Note	2007 Rupees	2006 Rupees
Deferred taxation	15.1	63,496,387	33,043,700
Staff retirement benefits-gratuity	15.2	-	-
		63,496,387	33,043,700

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

	2007	2006
Taxable temporary differences		
- accelerated tax depreciation allowances	81,104,430	55,379,332
- investment in associates	1,386,135	674,923
- investment in other than associates	5,136,696	-
	87,627,261	56,054,255
Deductible temporary differences		
-brought forward tax losses	(24,130,874)	(23,010,555)
	63,496,387	33,043,700

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

	Note	2007 Rupees	2006 Rupees
Movement in the net liability recognized in the balance sheet is as follows:			
Net liability at the beginning of the year		-	18,638,048
Expense recognized		8,046,878	8,405,249
Gratuity transferred due to merger		-	1,187,464
Contribution paid		(8,046,878)	(28,230,761)
Net liability at the end of the year		-	-
The amount recognized in the profit and loss account is as follows:			
Current service cost		8,046,878	8,405,249
Interest cost		-	
Expense recognized in the profit and loss account		8,046,878	8,405,249

16. TRADE AND OTHER PAYABLES

	Note	2007 Rupees	2006 Rupees
Creditors		39,576,700	66,037,846
Due to associated undertakings	16.1	23,050,994	58,957,393
Accrued liabilities		77,606,005	59,656,973
Advances from customers		8,991,924	3,104,070
Advances against of sale of machinery		19,500,000	-
Retention money		-	3,700
Tax deducted at source		197,555	156,207
Workers' Profit Participation fund	16.2	14,054,061	8,131,594
Workers' Welfare Fund		5,316,539	-
Unclaimed dividend		54,429	411,853
Others		2,101,055	1,039,526
		190,449,262	197,499,162

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

	2007 Rupees	2006 Rupees
Masood Spinning Mills Limited	-	3,850,583
M/s Khawaja Muzaffar Mahmood Muhammad Masood	23,050,994	50,255,893
Masood Fabrics Limited	-	2,113,571
Roomi Fabrics Limited	-	2,636,760
Roomi Enterprises (Pvt.) Limited	-	100,586
	23,050,994	58,957,393

	Note	2007 Rupees	2006 Rupees
16.2 WORKERS PROFIT PARTICIPATION FUND			
Opening balance		8,131,594	9,868,347
Add: Interest on funds utilized in the company's business	27	1,209,713	1,622,194
Allocation for the year	26	14,054,061	8,131,594
		15,263,774	9,753,788
		23,395,368	19,622,135
Less: Amount paid to the fund		9,337,700	11,485,000
Amount deposited in the Government Treasury		3,607	5,541
		9,341,307	11,490,541
		14,054,061	8,131,594

17. INTEREST/MARK UP ON LOANS

	2007 Rupees	2006 Rupees
Interest / markup accrued on secured:		
- Long term financing	13,733,231	8,834,021
- Short term borrowings	12,955,949	4,959,069
	26,689,180	13,793,090

18. SHORT TERM BORROWINGS

	2007 Rupees	2006 Rupees
Secured from banking companies		
Short term borrowings	982,769,858	492,790,550
Short term running finance	47,822,722	275,762,029
Un-secured		
Bank overdraft	177,018	-
	1,030,769,598	768,552,579

Short term finance facilities available from commercial banks under mark up arrangements aggregate Rs. 2.86 billion (2006: Rs 2.30 billion) of which facilities aggregating Rs 1.83 billion (2006:Rs 1.53 billion) remained unutilized at the year end. These facilities, during the year, carried mark up at rates ranging from 9.37% to 11.12% per annum (2006: 5.75% to 10.06% 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 Rs. 810 million(2006: Rs. 825 million) of which amounts aggregating Rs. 431.35 million (2006: Rs 681.632 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 are expire on various dates by November 30, 2007.

		Note	2007 Rupees	2006 Rupees
19. PROVISION FOR TAXATION				
Opening balance			36,416,518	79,901,694
Provision made during the year				
-	Current	19.2	39,687,342	34,510,044
-	Prior		338,532	-
			40,025,874	34,510,044
			76,442,392	114,411,738
Less:	Payments / adjustments against finalized assessments		35,851,487	77,995,220
			40,590,905	36,416,518
Less:	Payments of advance tax / tax deducted at source		40,326,251	35,115,868
			264,654	1,300,650

19.1 Income tax assessments of the company have been finalized up to the income year ended June 30, 2006.

19.2 Provision for taxation represents tax payable under section 154 and 120 of the Income Tax Ordinance, 2001.

20. CONTINGENCIES AND COMMITMENTS

20.1 The company filed the application during the year in Supreme Court of Pakistan for the refund of Export Tax amounting to Rs. 1,335,100 (refer to note no. 11) deposited with the Additional Registrar, Lahore High Court, Multan Bench, Multan in compliance with the order of Supreme Court of Pakistan in civil appeal No. 2246/1998 in the year 1999. Later on the said appeal was dismissed by the Supreme Court of Pakistan on dated February 04, 2002. The company filed the said application on the grounds of dismissing of said appeal. The application is still pending in Supreme Court of Pakistan. No provision has been provided in these financial statements for the said amount as company is expecting the decision of the case in its favour.

20.2 Guarantees given as at June 30, 2007 on behalf of the company, by the commercial banks, were outstanding for Rs. 85.75 million (2006: Rs. 19.51 million)

20.3 Foreign bills discounted outstanding as at June 30, 2007 aggregated Rs. 700.936 million (2006: Rs. 252.771 million)

20.4 Commitments for irrevocable letters of credit for:

	2007	2006
	(Rupees in million)	
- Capital expenditure	154.424	7.194
- Others	138.557	31.183
	292.981	38.377

	Note	2007 Rupees	2006 Rupees
21. SALES - NET			
Local:	21.1		
- Own manufactured good			
Yarn		1,380,648,665	1,234,715,947
Cloth		218,746,261	56,917,629
Waste		75,419,595	81,122,281
Doubling/sizing		831,750	6,917,201
		1,675,646,271	1,379,673,058
- Trading goods			
Cotton		2,384,621	1,429,500
		1,678,030,892	1,381,102,558
Less: Commission		3,853,315	1,663,526
		1,674,177,577	1,379,439,032
Export:			
- Own manufactured goods			
Cotton		41,928	-
Yarn		1,571,770,379	1,567,011,532
Cloth		885,654,740	658,216,170
Waste		57,877,807	52,878,396
Export rebate		252,734	82,519
		2,515,597,588	2,278,188,617
Less: Export development surcharge		6,075,952	5,650,823
Commission		49,172,253	49,171,072
		55,248,205	54,821,895
		2,460,349,383	2,223,366,722
- Trading goods			
Yarn		352,722,276	227,125,510
Cloth		21,741,389	-
Waste		15,257,924	14,843,373
		389,721,589	241,968,883
Less: Export development surcharge		840,117	573,795
Commission		4,881,263	5,032,022
		5,721,380	5,605,817
		384,000,209	236,363,066
		4,518,527,169	3,839,168,820

21.1 Local sales have been shown after deduction of sales tax aggregating Rs. 267,894 (2006: Rs. 189,266).

22. COST OF SALES

	Note	2007 Rupees	2006 Rupees
Raw material consumed	22.1	2,924,505,281	2,350,011,487
Stores consumed		111,056,829	99,885,667
Packing material consumed		69,724,390	55,279,977
Salaries, wages and benefits	22.2	228,721,993	197,701,546
Power and fuel		336,142,444	328,496,150
Repair and maintenance		10,010,344	9,109,487
Depreciation	3.1.2	162,075,077	107,250,304
Insurance		14,612,526	14,627,349
		3,856,848,884	3,162,361,967
Adjustment of work-in-process			
Opening		30,807,354	29,227,518
Closing		(34,855,280)	(30,807,354)
		(4,047,926)	(1,579,836)
Cost of goods manufactured		3,852,800,958	3,160,782,131
Adjustment of finished goods			
Opening stock		94,250,358	140,674,752
Closing	22.3	(264,333,048)	(94,250,358)
		(170,082,690)	46,424,394
Cost of sales - Own manufactured		3,682,718,268	3,207,206,525
Cost of sales - Trading goods			
Opening stock		1,701,632	5,957,822
Purchases		357,293,661	221,662,317
Closing stock		(3,666,989)	(1,701,632)
		355,328,304	225,918,507
		4,038,046,572	3,433,125,032

22.1 Raw material consumed

	2007 Rupees	2006 Rupees
Opening stock	810,837,052	671,999,282
Purchases and purchase expenses	2,937,401,162	2,487,250,544
	3,748,238,214	3,159,249,826
Less: Clsoing stock	(826,470,518)	(810,837,052)
	2,921,767,696	2,348,412,774
Cotton cess	2,737,585	1,598,713
	2,924,505,281	2,350,011,487

22.2 Expenses for the year include staff retirement benefit - gratuity amounting Rs. 7.223 million (2006: Rs. 8.405 million)

22.3 This inlcludes in-transit inventory amounting Rs. 32.397 million (2006: Rs. 40.467 million).

	Note	2007 Rupees	2006 Rupees
23. OTHER OPERATING INCOME			
Rent		9,900	3,600
Gain on sales of property, plant and equipment	3.1.3	68,331	2,835,058
Export rebate on packing materials		-	4,321
Exchange fluctuation gain	23.1	-	20,419
Income on bank deposits		30,705	123,921
Dividend income		12,974,725	4,121,025
Profit on sale of shares		47,233,132	35,860,756
Profit on re-measurement of short term investments at fair value		50,468,615	-
		110,785,408	42,969,100
23.1 Exchange fluctuation gain			
Exchange gain on translation of foreign Currency account		-	20,419
		-	20,419
24. DISTRIBUTION COST			
Advertisement		61,500	318,320
Export expenses		95,418,517	88,873,964
Freight and other expenses		8,726,486	9,308,022
		104,206,503	98,500,306
25. ADMINISTRATIVE EXPENSES			
Salaries and benefits	25.1	15,511,247	13,185,070
Traveling and conveyance	25.2	7,117,608	6,848,082
Rent, rates and taxes		2,350,751	813,726
Entertainment		1,899,088	2,432,533
Electricity		1,012,841	2,490,806
Communication		5,524,484	5,376,654
Printing and stationery		1,285,913	1,844,423
Insurance		1,559,657	662,824
Repair and maintenance		960,353	2,120,069
Vehicles running and maintenance		5,368,841	4,651,658
Subscription		802,023	954,808
Bad debts		3,399,085	-
Auditors' remuneration			
- Statutory audit		200,000	150,000
- Half yearly review		40,000	40,000
- Corporate compliance services		-	500,000
		240,000	690,000
Legal and professional charges		276,548	516,886
Depreciation	3.1.2	6,674,462	4,614,630
General		460,804	987,927
		54,443,705	48,190,096

25.1 Expenses for the year include staff retirement benefit - gratuity amounting Rs. 0.824 million (2006: Rs. 0.700 million.)

25.2 This include directors' traveling amounting Rs. 5.259 million (2006: Rs. 5.392 million).

26. OTHER OPERATING EXPENSES

	Note	2007 Rupees	2006 Rupees
Donations (without directors' interest)		296,000	1,602,275
Zakat		-	304
Exchange fluctuation loss	26.1	2,274,257	-
Loss on remeasurement of short term investment at fair value		-	12,467,723
Workers' Profit Participation Fund	16.2	14,054,061	8,131,594
Workers' Welfare Fund		5,316,539	-
		21,940,857	22,201,896

26.1 Exchange fluctuation loss

	2007 Rupees	2006 Rupees
Exchange loss on translation of foreign Currency short term finances	2,274,257	-
	2,274,257	-

27. FINANCE COST

	Note	2007 Rupees	2006 Rupees
Interest/mark-up on:			
- Long term loans and finances		59,448,621	43,094,953
- Short term borrowings		110,095,459	62,198,721
- Workers' (Profit) Participation Fund	16.2	1,209,713	1,622,194
Bank charges and commission		19,937,837	20,326,630
		190,691,630	127,242,498

28. RECONCILIATION BETWEEN TAX EXPENSES AND ACCOUNTING PROFIT

	2007 Rupees	2006 Rupees
Major components of tax expenses:		
Current tax	40,025,874	34,510,044
Deferred tax	30,452,687	33,043,700
	70,478,561	67,553,744

28.1 Relationship between tax expenses and accounting profit

	2007 Rupees	2006 Rupees
Accounting profit before tax	260,510,913	177,681,666
Tax rate	35%	35%
Tax on accounting rate	91,178,819	62,188,583
adjustment in respect of:		
- Deferred tax	30,452,687	33,043,700
Provision relating to section 154 of the income Tax Ordinance 2001	(51,152,945)	(27,678,539)
Tax charge for the year	70,478,561	67,553,744

29. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The board of directors in its meeting held on October 04, 2007 has proposed to pay final cash dividend for the year ended June 30, 2007 of Rs. 39,939,960 (2006: Rs. 39,939,960) @ Rs. 4 (2006: 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. EARNING PER SHARE

30.1 Basic earning s per share

	2007	2006
	Number of Shares	
Number of ordinary shares	9,984,989	9,984,989
	Rupees	
Profit attributable to ordinary shareholders	190,032,350	110,127,922
	Rupees	
Earning per share	19:03	11:03

30.2 Diluted earning s per share

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

31. CASH GENERATED FROM/(USED IN) OPERATIONS

	Note	2007 Rupees	2006 Rupees
Profit before taxation		260,510,913	177,681,666
Adjustments for:			
Depreciation		168,749,539	111,864,934
Gratuity expense		8,046,878	8,405,249
Gain on sale of operating assets		(68,331)	(2,835,058)
Share of profit of associates			(24,803,574)
Loss on re-measurement of short term investments at fair value		-	12,467,723
Income on re-measurement of short term investments at fair value		(47,233,132)	(35,860,756)
Income on deposits with banks		(30,705)	(123,921)
Finance cost		190,691,630	127,242,499
Operating cash flows before movements in working capital		580,666,792	374,038,762
(Increase)/decrease in current assets			
Stores, spares and loose tools		(4,662,155)	(11,140,703)
Stock in trade		(190,271,839)	(43,781,756)
Trade debts		(27,844,097)	(16,200,732)
Short term investment		(104,771,137)	53,935,165
Loans and advance		35,399,607	(34,815,387)
Trade deposits and short term prepayments		1,949,959	(328,320)
Other receivables		2,852,098	11,366,742
Sales tax refundable		12,716,191	25,033,154
Decrease in current liabilities			
Trade and other payables		(6,692,476)	(51,557,022)
		(281,323,849)	(67,488,859)
		299,342,943	306,549,903

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	Rupees						
Financial assets:								
Long term investments		-	-	-	-	261,150,931	261,150,931	261,150,931
Long term Security deposits		-	-	-	-	3,891,043	3,891,043	3,891,043
Trade debts		-	-	-	97,238,436	-	97,238,436	97,238,436
Short term investments					290,499,002	-	290,499,002	290,499,002
Trade deposits		-	-	-	-	-	-	-
Other receivables		-	-	-	10,568,982	-	10,568,982	10,568,982
Cash and bank balances	0.33% to 1.833%	2,731,090	-	2,731,090	5,615,437	-	5,615,437	8,346,527
2007:		**2,731,090**	**-**	**2,731,090**	**403,921,857**	**265,041,974**	**668,963,831**	**671,694,921**
2006:		3,130,069	-	3,130,069	216,700,611	138,576,099	355,276,710	358,406,779
Financial liabilities								
Long term finances	7% to 12.13%	95,583,307	601,618,508	697,201,814	-	-	-	697,201,814
Short term borrowings	9.37% to 11.12%	1,030,769,598	-	1,030,769,598	-	-	-	1,030,769,598
Trade and other payables	30.00%	14,054,061	-	14,054,061	147,903,277	-	147,903,277	161,957,338
Interest/mark up on loans		-	-	-	26,689,180	-	26,689,180	26,689,180
2007:		**1,140,406,966**	**601,618,508**	**1,742,025,473**	**174,592,457**	**-**	**174,592,457**	**1,916,617,930**
2006:		851,359,828	550,618,900	1,401,978,728	200,131,588	-	200,131,588	1,602,110,316
Off balance sheet item:								
Letters of credit		-	-	-	292,981,000	-	292,981,000	292,981,000
Guarantees		-	-	-	85,748,945	-	85,748,945	85,748,945
Foreign bills discounted		-	-	-	700,936,000	-	700,936,000	700,936,000
2007:		**-**	**-**	**-**	**1,079,665,945**	**-**	**1,079,665,945**	**1,079,665,945**
2006:		-	-	-	292,444,376	18,213,955	310,658,331	310,658,331

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. 0.502 million (2006: Rs. 0.404 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 year (2006: 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 to related parties are shown under payables note 16.1.

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 related parties, accrued due to trading activities, at any month end during the year was Rs. 66,003,380 and Rs. (23,050,994) respectively (2006: Rs. 109,133,886 and Rs. 154,988,966).

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

	2007 **Rupees**	2006 **Rupees**
- Sale of goods	799,971,258	655,754,934
- Sale of shares	48,088,556	105,869,475
- Purchase of goods	1,165,462,308	1,216,156,585
- Purchase of shares	121,950	91,818,203
- Sizing charges	4,861,368	-
- Sizing revenue	-	81,356
- Doubling charges	2,816,354	-
- Doubling revenue	831,750	6,835,845

35. PLANT CAPACITY AND ACTUAL PRODUCTION

		2007	2006
Yarn			
Number of spindles installed		79,632	79,632
Number of spindles-shifts worked		86,082,192	85,279,240
Production capacity at 20's count 1,089 shifts (2006: 1,089 Shifts)	Kgs.	29,284,704	28,271,300
Actual production converted into 20's count	Kgs.	28,675,326	28,276,551
Cloth			
Number of looms installed		119	103
Number of looms-Shifts worked		127,558	92,446
Installed capacity at 60 picks 1,063 shifts (2006: 1,080 Shifts)	Sq. mtrs.	35,842,743	17,204,000
Actual production converted into 60 picks	Sq. mtrs.	32,853,877	18,227,015

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 2006 the company 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 October 4, 2007 by Board of Directors of the company.

37. RECLASSIFICATIONS

37.1 Following reclassifications / rearrangements have been made in the financial statements to conform with the presentation in the current year.

Previous classification	Current classification	Rupees
Cost of sales (Power and fuel)	Administrative expenses	
	- Traveling and conveyance	27,390
	- Rent, rates and taxes	2,900
	- Entertainment	20,360
	- Electricity	1,444,021
	- Communication	58,898
	- Printing and stationery	15,014
Advances to suppliers and contractors	Export tax receivable	1,335,100

37.2 Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. Significant re-arrangements made are as follows:

		From	To	
Cost of sales	Power and fuel			
		Store General Consumed	Store consumed	425,677
		Repair to Building (Power)	Repair and maintenance	309,695
		Salary Wages	Salaries, wages and benefits	4,681,157
		Insurance	Insurance	4,058,912
		Buildings on freehold land	Buildings on leasehold land in Industrial Estate	24,501,384

38. FIGURES

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

MAHMOOD GROUP

FORM-34

PATTERN OF SHAREHOLDING
AS AT 30TH JUNE, 2007

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	SHAREHOLDING TO	TOTAL SHARES HELD
40	1	100 Shares	2,214
65	101	500 Shares	17,289
31	501	1,000 Shares	24,461
35	1,001	5,000 Shares	67,535
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	340,001	345,000 Shares	358,649
1	445,001	450,000 Shares	451,649
1	460,000	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	655,001	660,000 Shares:	656,702
1	665,001	670,000 Shares	671,715
1	765,001	770,000 Shares	769,836
223			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:	-	-	-
Joint Stock Companies:	1	1,379	0.01
Insurance Companies:	-	-	-
Modarabas & Mutual Funds:	-	-	-
Shareholders Holding 10%:	-	-	-
General Public:			
a. Local:	208	5,464,290	54.72
b. Foreign:	-	-	-
Others:	-	-	-
	223	9,984,989	100

N.B:- The above two statements include **69** shareholders Holding **656,063 Share** through **Central Depository Company of Pakistan Limited.**

MAHMOOD GROUP

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

MAHMOOD GROUP

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____________________ 2007.

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.