

# بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



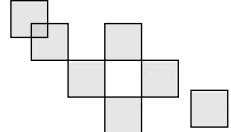

## VISION STATEMENT

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.
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## COMPANY INFORMATION

### BOARD OF DIRECTORS:

Chairman	KHAWAJA MUHAMMAD MASOOD
Chief Executive Officer	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, Ali 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: <a href="mailto:info@mahmoodgroup.com">info@mahmoodgroup.com</a> URL : <a href="http://www.mahmoodgroup.com">www.mahmoodgroup.com</a>
Mills:	MAHMOODABAD, MULTAN ROAD, MUZAFFARGARH.  MASOODABAD, D.G. KHAN ROAD, MUZAFFARGARH.

## NOTICE OF MEETING

Notice is hereby given that 38<sup>th</sup> Annual General Meeting of the Company will be held on Friday, 31<sup>st</sup> October, 2008, at 11.00 A.M., at its Registered Office, Mehr Manzil, Lohari Gate, Multan to transact the following business:-

### ORDINARY BUSINESS

1. To confirm the Minutes of Extra ordinary General Meeting held on 31<sup>st</sup> January, 2008.
2. To receive consider and adopt the Audited Accounts for the year ended 30<sup>th</sup> June, 2008 together with Director's and Auditor's Report thereon.
3. To approve payment of Cash Dividend @ 15% (Rs.1.50 per ordinary Share of Rs. 10/- each) for the year ended 30<sup>th</sup> June, 2008 as recommended by the Board of Directors.
4. To appoint Auditors for the year 2008-2009 and to fix their remuneration. The present Auditors M/s. M.Yousaf 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.

### SPECIAL BUSINESS

6. To consider and if thought fit to pass with or without modifications the following resolution:-  
"Resolved that consent and approval of the Company be and is hereby accorded under Section 208 of the Companies Ordinance, 1984 for provision of short term loan/advances aggregated amount of Rs.80.000(M) to Associated Companies @ KIBOR Plus 1% markup. It is further resolved that the Chief Executive Officer of the Company be and is hereby authorized to negotiate and take any action on behalf of the Company as may be deemed necessary In this regard.
7. To consider and if thought fit to pass with or without modifications the following resolution to add/amend the following clauses of the Memorandum and Articles of Associations of the Company:-  
-Resolved that Clause-24 be added, after existing Clause-23 in the Memorandum of Association and re-numbering of Clauses thereafter:  
"Clause-24. To finance, design, construct, own, operate and maintain power generation facilities, power stations, power Houses, grid stations, hydroelectric, thermal gas and thermal energy projects together with all machinery, equipment and works and ancillary thereto and plan, survey, design, supply equipment and carry out the construction of grid stations and transmission lines of all voltages and to do all such acts, deeds and things, without limitation whatsoever as may be necessary or desirable in furtherance of the objects of the Company subject to approval of competent regulatory authority. To sell own generated electricity to WAPDA and other electricity consumers and execute agreement/contracts thereof.  
-Resolved that the Article No.23 of the Articles of Association of the Company be and is hereby amended so that the words "six months" appearing in 2<sup>nd</sup> line be substituted with the words "four months".

BY ORDER OF THE BOARD OF DIRECTORS

Sd/-  
GHULAM MOHAYUDDIN  
COMPANY SECRETARY

Multan.

Date: 06<sup>th</sup> October, 2008.

Notes:-

- i) The Share Transfer Books of the Company will remain Closed from 20<sup>th</sup> October, 2008 to 31<sup>st</sup> October, 2008 (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 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.

#### STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984:

The names of Associated Companies in which short terms investment will be made are as follow:-

- |                           |                                  |
|---------------------------|----------------------------------|
| 1. Masood Fabrics Limited | 2. Masood Spinning Mills Limited |
| 3. Roomi Fabrics Limited  | 4. Roomi Enterprises (Pvt) Ltd.  |

Loans and advances given to Associated Companies will be on revolving basis and total aggregated amount at any time in all Associated Companies will not exceed Rs.80.000 Million. The loans/advances will be refundable/adjustable within the whole year up to the revolving limit and markup will be charged on utilized amount calculated on daily product basis. Markup rate will be revised at the start of each year and it will be not less than the borrowing cost of the company.

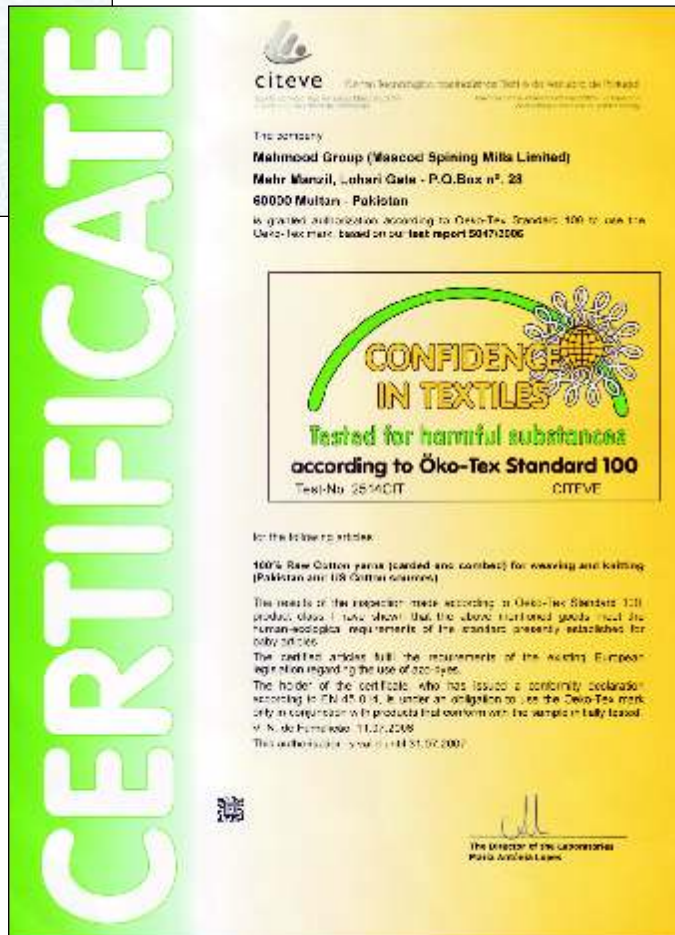
Due to common nature of the business of the Group of Companies, there are many instances where Import and export L/Cs are interchangeable and one company pass on business to the other due to specific requirement of the customer in such circumstances need arises to make short term loans or advances to inter companies to complete transactions expeditiously and smoothly. Moreover, on certain occasion temporary liquidity problem also arises by any Associated Companies and short term financing is given to handle the situation. The proper running of all Associated Companies is in the interest of the Company because the Company has already made million of rupees investment in the equity of the Associated Companies. The Company's Directors and their family have no vested and unvested interest in the aforementioned business transactions.

All documents of Associated Companies e.g Memorandum and Articles of Association, Financial Statement etc are available at Registered Office of the Company which can be inspected from 9 AM to 2 PM up to 25<sup>th</sup> October, 2009.

The sale of surplus electricity is not only in the interest of the Company but it is also serving the Country by providing substantial quantity of electricity to Wapda which is in dire need of single unit of electricity now-a-days. The Wapda is facing acute shortage of electricity production and the whole Country is under the grip of severe load shedding. So it is imperative to make addition in the Memorandum and Articles of Association of the Company. Generation from own sources and sale of surplus power will help to reduce cost of electricity and improve operational results of the Company.









RIETER

**Competence in Compacting**

## CERTIFICATE

**Mahmood Textile Mills Ltd.**

We confirm that the named spinning company is a

**LICENSEE**

Who meets all required quality standards.  
The company is allowed to use the brand **COM4**  
for compact yarns produced on  
Rieter Combi-Spin<sup>®</sup> machines.

**Com4** yarn makes the difference!



Dr. Mustafa Hani  
Head  
Spinning Systems



Rami Tahir  
Head Sales  
Spinning Systems

**your systems supplier**



**Rieter Textile Systems**  
[www.rieter.com](http://www.rieter.com)

## CERTIFICATE

CERTIFICATE NO: 08276100-01.0807

FIELD OF APPLICATION  
**Textile**  
**Organic Exchange 100 Guidelines**

Issued to:  
**Masood Fabrics Limited,**  
**Multan 60000, Punjab, PAKISTAN**  
**Project in: PAKISTAN**

Standard:  
OC 100 Standard of The Organic Exchange

**Valid until: 30 September 2008**

Control Union Certifications declares to have inspected the plant, under a policy of the above mentioned standard and have found that it complies with the above mentioned above. This certificate does not imply any responsibility on the part of the customer of the certificate.

This certificate is only valid if the holder provides the above mentioned details and confirms meeting the conditions as laid down in the Control Union Certifications Control Union Certifications. Where in the future conditions the Control Union Certifications performs, it is a certificate issued and kept to force.

Date of last issue:  
30 June 2007  
Place and date of issue:  
Ghent, Belgium 27 June 2008

Declared by:  
Control Union Certifications (Control Union Certifications) B.V.  
Dr. G.K. Dierckx  
Control Union Certifications  
1000 Brussels  
The Netherlands  
[www.controlunioncertifications.com](http://www.controlunioncertifications.com)



**CONTROL UNION CERTIFICATIONS**



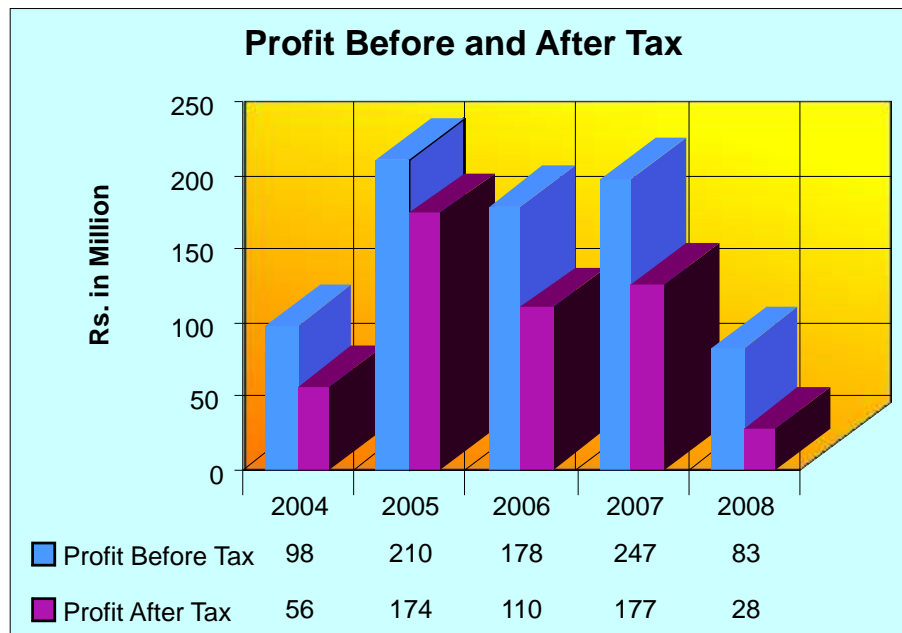
## DIRECTORS' REPORT TO THE SHAREHOLDERS

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

Your Directors take pleasure in presenting you to the 38<sup>th</sup> Annual Report of the Company together with audited accounts for the year ended 30<sup>th</sup> June, 2008.

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

	2008 Rupees	(Restated) 2007 Rupees
Profit after taxation	27,647,209	181,649,569
Un-appropriated profit B/F	1,586,563,478	1,444,853,869
Profit available for appropriation	1,614,210,687	1,626,503,438
Proposed dividend @ 1.5% per share (2007 @ Rs.4/- per share)	(14,977,484)	(39,939,960)
Balance retained earning.	<u>1,599,233,203</u>	<u>1,586,563,478</u>
Earning per share	2.77	17.71



This year is quite tough and critical year for textile industry and particularly for spinning sector as compared to last year. The industry faced vulnerable challenges of different nature in the reporting year. Although the spinning industry is in the grip of crises for the last two/three years but this year is one of the worst historical year for textile business.

In the year 2004-05 billions of rupees of investment was made for BMR and Expansion in textile industry to meet the emerging challenges of WTO regime in a befitted manner. This Expansion brought substantial increase in the production capacity of spinning units. Resultantly demand for cotton increased manifold, but unfortunately no planning and measures were taken by the Govt. to enhance production of cotton to combat with the increasing requirement of cotton, since then the gap between consumption/supply of cotton is continuously widening due to lower output of cotton crops in the country every year.

It is worth mentioning that cotton prices play vital and prime role in the performance of Textile Sector. The history of the textile business indicates that when-ever quality cotton was available at economical prices this sector showed commendable results, but vice-a-versa when cotton prices reached to alarming and unviable level the performance badly suffered. This year price of cotton started from Rs. 2900-3200 per maund and reached to history building height to Rs. 4000 per maund at the end of season as compared to Rs. 2500-2800 per maund last year.

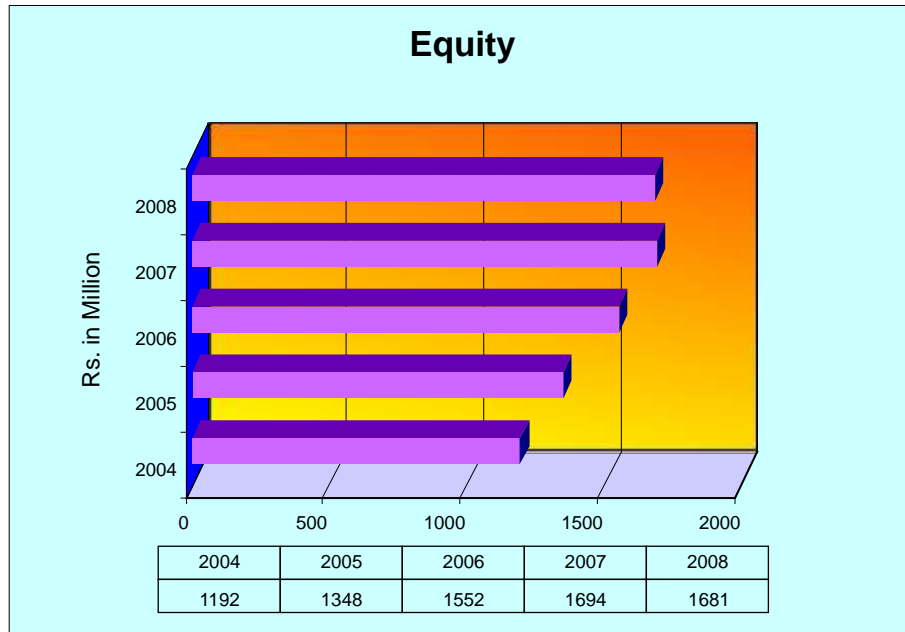
In the reporting year the company also faced severe set-back due to unprecedented and severe load shedding of gas and electricity. It is needless to mention that Textile mills are operating round the clock, round the year and stoppage of a single hour costs heavily to this industry. In the month of December/January total load shedding of gas resulted in millions of rupees of production losses to the company.

The textile sector is observing serious financial threats due to continuous increase of interest rate. In the year 2004-05 when heavy investment was made against long term loan from the commercial banks the rate of interest was 6/7% but it has now increased to 12/13% almost 100% of increase. Similar situation is found in the interest rate on short term loans. This situation is moving fastly towards 80's decade where interest rates were too high and textile industry failed to meet financial obligations and totally collapsed.

The interest expenses in the current year have increased to Rs. 221.00 millions against Rs. 191.00 millions of last year. Being an export oriented company and keeping in view good difference in the rates of interest between Dollar financing and Pak Rupee financing for short term loan, the company availed Dollar financing at very rational interest rates, but unfortunately we could not get benefit of this financing due to sudden harsh and crucial devaluation of Pak Rupee by 25-30% against dollar within a very short period of two months and company suffered unusual and unexpected millions of rupees losses on 'Dollar finance' transactions.

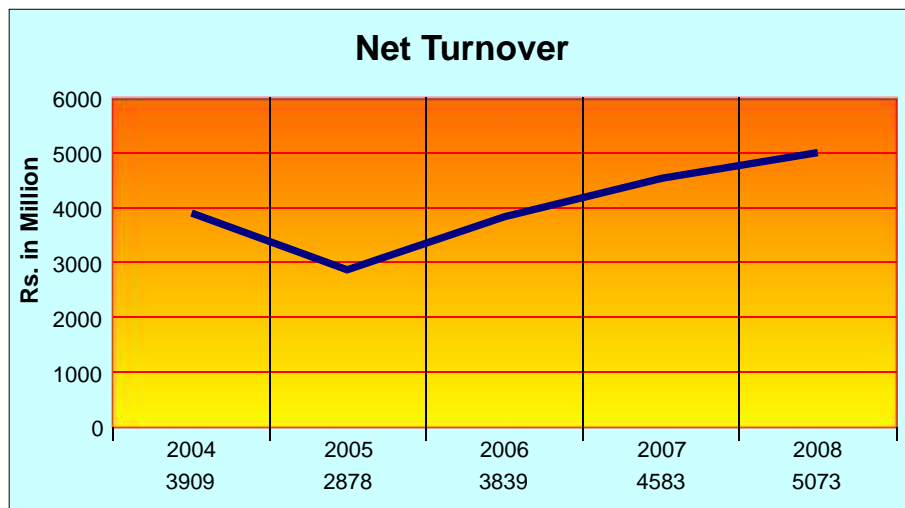
The other factors which are also heavily effecting on the performance of Textile Industry is continuous increase in the input operating cost. The salaries/wages, stores, forwarding and overhead cost have increased tremendously because of uncontrolled inflation in the country. Due to aforementioned adverse factors the survival of textile industry was at stake and many textile units have closed their operations. In this bleak scenario the management was able to obtain green result at bottom level and earned net profit of Rs. 27.650 millions after providing depreciation of Rs. 174.00 million and taxation of Rs. 54.800 millions.

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



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

	2008 Rupees	(Restated) 2007 Rupees
Export Sale	2,640,249,898	2,905,319,177
Local Sale	2,432,918,769	1,678,030,892
	5,073,168,667	4,583,350,069



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

		2008 Rupees	(Restated) 2007 Rupees
i) Yarn	Actual production converted into 20/S count Kgs.	29,245,027	28,675,326
ii) Grey Cloth	Actual production converted into 60 picks Sq Meters.	14,540,633	32,853,877

The short fall in the production of Grey Fabrics is due to the reason that 55 Sulzer Ruti Projectile Shuttleless Looms were disposed off and in their place 24 Toyota Air Jet Looms were installed and new looms could not operate whole year due to replacement process.

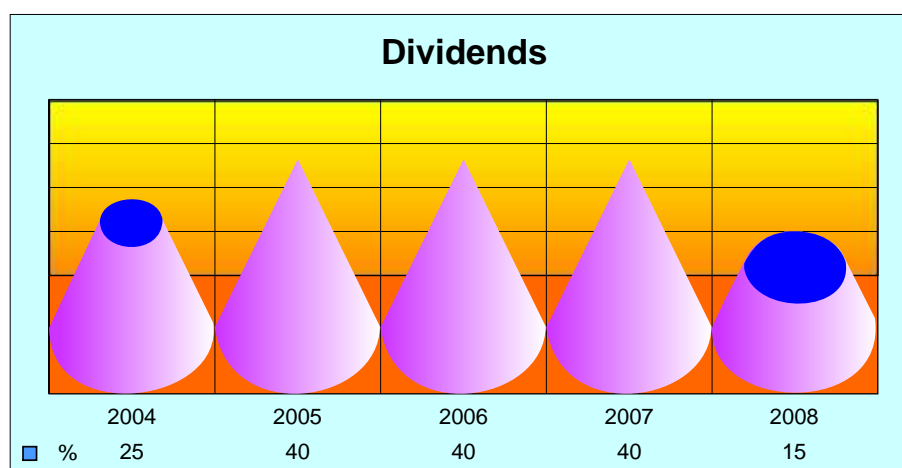
#### BMR AND EXPANSION

It is also a part of Company strategic policy to review technical aspect of the company regularly we put emphasis to run our plant with most modern techniques and technology. BMR and Expansion is made to cater the need of our valued customers and to get quality production in economical way, so that we can stand at better edge in the stream of severe competition at local and international markets.

This year the company has made handsome investment amounting to Rs. 340.00 millions in the capital expenditure. The state of the art e-drafting Toyoda Rx-240 spindles and Murata autocones high speed winders have been installed to produce lycra, slub and other diversified qualities of yarn. In the weaving unit 24 Nos of looms have been added to make this unit more economical and productive by enhancing production. Two Nos of gas Generators have been installed to produce cheaper and uninterrupted electricity.

#### DIVIDENDS PAY OUT

Although in the current year profitability has squeezed very much, but management always considers to pay good return regularly to our valued shareholders in a line with profitability of the company. This year directors propose 15% cash dividend which will be put up in the Annual General meeting for final approval.



## FUTURE OUTLOOK

There is no need to mention the overall importance of Textile Sector for the country. This particular industry is significantly and vigorously contributing towards earning of foreign exchange, providing employment, paying taxation and adding values in Macro Economics of the country, as compared to any other Industry of the country. It is pointed out with great concern that government has completely ignored to address the grievances of this sector. In the current year many textile units have shut down their operations and survival of the remaining industry is at stake. It will be difficult to do business in textile sector where cotton is not available at economical rate and interest rates have become double, rates of sui gas, electricity have increased by 50% and all other input costs have increased manifold due to uncontrollable inflation. This industry is also facing severe problem of load shedding and no priority is given to this sector in load management system. Under these circumstances, business friendly policies along-with drastic relief package with the consent of textile owners should be prepared by the Govt. to support this sector.

## 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 Yousuf Adil Saleem and Company, Chartered Accountants retire and being eligible offer themselves for re-appointment.

## COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange in its listing Rules, relevant for the year ended 30<sup>th</sup> June, 2008, have been duly complied with. A statement to this effect is annexed with the report.

## 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.
- j) Audit Committee has been established and is working satisfactorily.

#### ACKNOWLEDGMENT

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

For and on behalf of the Board

Sd/-  
(KHAWAJA MUHAMMAD MASOOD)  
CHAIRMAN

Multan  
Dated: 6th October, 2008

## STATEMENT SHOWING ATTENDANCE AT BOARD MEETINGS

From July 1st 2007 to June 30, 2008

Sr. No.	Name	Designation	Meeting Held	Meeting Attended
1.	Khawaja Muhammad Masood	Chairman	4	4
2.	Khawaja Muhammad Iqbal	CEO	4	4
3.	Khawaja Muhammad Ilyas	Director	4	4
4.	Khawaja Muhammad Younus	Director	4	4
5.	Jalal-ud-Din Roomi	Director	4	4
6.	Muhammad Muzaffar Iqbal	Director	4	4
7.	Mrs. Mehr Fatima	Director	4	4

## YEAR WISE STATISTICAL SUMMARY

Rupees in million

	2008	2007	2006	2005	2004	2003
	(Nine months)					
<b>ASSETS :</b>						
FIXED ASSETS	1,756	1,736	1,666	1,182	712	728
INVESTMENT AND LONG TERM ADVANCES & DEPOSITS	277	257	138	178	149	148
CURRENT ASSETS	2,321	1750	1,387	1,261	696	595
<b>TOTAL</b>	<b>4,354</b>	<b>3,743</b>	<b>3,191</b>	<b>2,621</b>	<b>1,557</b>	<b>1,471</b>
<b>FINANCED BY:</b>						
EQUITY	1,681	1,694	1,552	1,348	1,192	1,136
LONG TERM LIABILITIES	656	602	550	366	40	68
DEFERRED LIABILITIES	93	63	33	19	18	19
CURRENT LIABILITIES	1,924	1,384	1,056	888	307	248
<b>TOTAL FUNDS INVESTED</b>	<b>4,354</b>	<b>3,743</b>	<b>3,191</b>	<b>2,621</b>	<b>1,557</b>	<b>1,471</b>
<b>TURNOVER AND PROFIT :</b>						
TURNOVER - NET	5,073	4,583	3,839	2,878	3,909	3,173
OPERATING PROFIT	285	411	280	245	129	276
PROFIT BEFORE TAXATION	83	247	178	210	98	222
PROFIT AFTER TAXATION	28	177	110	174	56	193
DIVIDENDS	15%	40%	40%	40%	25%	40%
PROFIT c/f	1,574	1,587	1,445	1,249	1,093	1,037

## 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 least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formulated and advised to the Committee for compliance.
16. The Board has set-up an effective internal audit function.
17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics 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 of the Board of Directors.

Multan:  
Dated: 6th October, 2008

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 XI) of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company, for the year ended June 30, 2008.

Multan:  
Dated: 6th October, 2008

Sd/  
M. YOUSUF ADIL SALEEM & CO.  
CHARTERED ACCOUNTANTS.

## 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, 2008 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 except that the object clause of the Memorandum of Association was in the process of being amended in respect to include generation and sale of electricity;
- 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 except as stated in para b (iii) above and respectively give a true and fair view of the state of the company's affairs as at June 30, 2008 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.

Multan:  
Dated: 6th October, 2008

Sd/  
M. YOUSUF ADIL SALEEM & CO.  
CHARTERED ACCOUNTANTS.

## BALANCE SHEET

AS AT JUNE 30, 2008

	Note	2008 Rupees	(Restated) 2007 Rupees
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	1,755,924,188	1,735,708,078
Long term investments	4	273,105,921	252,768,148
Long term security deposits		3,866,043	3,891,043
		<u>2,032,896,152</u>	<u>1,992,367,269</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	5	166,162,912	101,838,606
Stock in trade	6	1,646,958,926	1,130,147,435
Trade debts	7	145,330,859	97,238,436
Short term investments	8	170,420,643	290,499,002
Loans and advances	9	97,294,991	76,907,185
Other receivables	10	56,278,559	10,568,982
Tax refunds due from Government	11	31,350,252	34,315,247
Cash and bank balances	12	7,611,631	8,848,952
		<u>2,321,408,773</u>	<u>1,750,363,845</u>
		<u>4,354,304,925</u>	<u>3,742,731,114</u>
<b>SHARE CAPITAL AND RESERVES</b>			
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
Un-appropriate profit		1,574,270,731	1,586,563,478
		<u>1,681,241,221</u>	<u>1,693,533,968</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	14	656,022,181	601,618,507
Deferred liabilities	15	92,536,734	63,496,387
		<u>748,558,915</u>	<u>665,114,894</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	175,725,155	190,449,262
Interest/mark up on loans	17	42,989,299	26,689,180
Short term borrowings	18	1,549,880,031	1,030,769,598
Current portion of long term financing	14	127,693,166	95,583,307
Provision for taxation	19	28,217,138	40,590,905
		<u>1,924,504,789</u>	<u>1,384,082,252</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	20	-	-
		<u>4,354,304,925</u>	<u>3,742,731,114</u>

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

sd/-  
(KH. MUHAMMAD MASOOD)  
CHAIRMAN

sd/-  
(KH. MUHAMMAD IQBAL)  
CHIEF EXECUTIVE OFFICER

sd/-  
(KH. MUHAMMAD YOUNUS)  
DIRECTOR

sd/-  
(MUHAMMAD AMIN PAL)  
CHIEF FINANCIAL OFFICER



## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees	(Restated) 2007 Rupees
Sales - net	21	5,073,168,667	4,583,350,069
Cost of sales	22	(4,478,253,669)	(4,038,046,572)
Gross profit		594,914,998	545,303,497
Other Operating Income	23	23,315,928	110,785,408
		618,230,926	656,088,905
Distribution cost	24	(178,321,913)	(169,029,403)
Administrative expenses	25	(62,222,756)	(54,443,705)
Other operating expenses	26	(92,381,565)	(21,940,857)
Finance cost	27	(221,160,302)	(190,691,630)
Share of profits of associates (net of tax)		18,570,982	27,337,812
Profit before taxation		82,715,372	247,321,122
Provision for taxation	28	(55,068,163)	(70,478,561)
Profit for the year		27,647,209	176,842,561
Earnings per share	31	2.77	17.71

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

sd/-  
(KH. MUHAMMAD MASOOD)  
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DIRECTOR

sd/-  
(MUHAMMAD AMIN PAL)  
CHIEF FINANCIAL OFFICER

## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees	(Restated) 2007 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (used in) / from operations	32	(129,280,698)	250,768,462
Income tax paid		(30,755,978)	(41,061,870)
Net cash (used in) / from operating activities		(160,036,676)	209,706,592
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(268,966,022)	(239,009,136)
Sale proceeds of property, plant and equipment		68,452,400	447,200
Long term security deposits		25,000	(119,900)
Long Term Investments		(1,766,791)	(85,818,372)
Income on bank deposits received		82,132	30,705
Net cash used in investing activities		(202,173,281)	(324,469,503)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term finances obtained		182,096,840	146,539,672
Long term finances paid		(95,583,307)	(74,636,163)
Short term borrowings-net		519,110,433	262,217,019
Dividend paid		(39,791,147)	(40,297,384)
Finance cost paid		(204,860,183)	(177,795,540)
Net cash from financing activities		360,972,636	116,027,604
Net (decrease)/increase in cash and cash equivalents		(1,237,321)	1,264,693
Cash and cash equivalents at the beginning of the year		8,848,952	7,584,259
Cash and cash equivalents at the end of the year		7,611,631	8,848,952

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

sd/-  
(KH. MUHAMMAD MASOOD)  
CHAIRMAN

sd/-  
(KH. MUHAMMAD IQBAL)  
CHIEF EXECUTIVE OFFICER

sd/-  
(KH. MUHAMMAD YOUNUS)  
DIRECTOR

sd/-  
(MUHAMMAD AMIN PAL)  
CHIEF FINANCIAL OFFICER

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2008

	Issued, subscribed and paid up capital	Capital Reserve	Unappropriated Profit	Total
	----- Rupees -----			
Balance as at June 30, 2006	99,849,890	7,120,600	1,444,853,869	1,551,824,359
Profit for the year (Restated)	-	-	176,842,561	176,842,561
Shares of post acquisition profits of investee company (Restated)	-	-	4,807,008	4,807,008
Final cash dividend for the year ended June 30, 2006 @ Rs. 4 per share	-	-	(39,939,960)	(39,939,960)
Balance as at June 30, 2007 (Restated)	99,849,890	7,120,600	1,586,563,478	1,693,533,968
Profit for the year	-	-	27,647,209	27,647,209
Final cash dividend for the year ended June 30, 2007 @ Rs. 4 per share	-	-	(39,939,956)	(39,939,956)
Balance as at June 30, 2008	99,849,890	7,120,600	1,574,270,731	1,681,241,221

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

sd/-  
(KH. MUHAMMAD MASOOD)  
CHAIRMAN

sd/-  
(KH. MUHAMMAD IQBAL)  
CHIEF EXECUTIVE OFFICER

sd/-  
(KH. MUHAMMAD YOUNUS)  
DIRECTOR

sd/-  
(MUHAMMAD AMIN PAL)  
CHIEF FINANCIAL OFFICER

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

### 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.

The company is principally engaged in manufacture and sales of yarn, grey cloth and 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 Financial Reporting Standards (IFRS) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

#### Adoption of new International Financial Reporting Standards

In the current year, the company has adopted all new Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and as notified by the Securities and Exchange Commission of Pakistan that are relevant to its operations and effective for company's accounting period beginning on July 01, 2007. The adoption of these new Standards and Interpretations has resulted in no changes to the Company's accounting policies in the following areas:

IFRS 2	Share based payment
IFRS 3	Business combinations
IFRS 5	Non-current assets held for sale and discontinued operations

#### New accounting standards and IFRS interpretations that are not yet effective

The following International Financial Reporting Standards and Interpretations as notified by the Securities and Exchange Commission of Pakistan are only effective for accounting periods, beginning on or after the date mentioned against each of them.

Effective from accounting period beginning on or after April 28, 2008  
IFRS 7 - Financial Instruments: Disclosures

Effective from accounting period beginning on or after January 01, 2009  
IFRS 8 - Operating Segments

Effective from accounting period beginning on or after January 01, 2008  
IFRIC 12 - Service Concession Agreements

Effective from accounting period beginning on or after July 01, 2008  
IFRIC 13 - Customer Loyalty Programs

Effective from accounting period beginning on or after January 01, 2009  
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Effective from accounting period beginning on or after January 01, 2009  
IFRIC 15 - Agreements for the Construction of Real Estate

Effective from accounting period beginning on or after October 01, 2008  
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

Interpretations to existing standards that are effective and not relevant for the company's operations

IFRIC 11 - IFRS 2: Group and Treasury Shares Transactions                      March 01, 2007

## 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.
- measurement of long term investments under equity method.

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 translated 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 and balances with banks.

## 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.

#### 2.20 Government grants

Government grant that compensates the company for expenses incurred is recognised in the profit and loss account on a systematic basis in the same period in which the expenses are recognised. Government grants are deducted in reporting the related expense.

<b>3. PROPERTY, PLANT AND EQUIPMENT</b>		<b>2008</b>	<b>2007</b>
		Rupees	Rupees
Operating assets	3.1	1,747,713,655	1,656,746,168
Capital work in progress	3.2	8,210,533	78,961,910
		<u>1,755,924,188</u>	<u>1,735,708,078</u>

**3.1 Operating Assets**
**Year ended June 30, 2008**

Particulars	C O S T			D E P R E C I A T I O N					Net Book Value as at June 30, 2008
	As at July 01, 2007	Additions during the year	Disposals	As at June 30, 2008	Rate	As at July 01, 2007	For the Year	Disposals	
					%				
									Rupees-----
<b>Owned</b>									
Land - Freehold	4,800,725	-	-	4,800,725		-	-	-	4,800,725
Building on freehold land	320,333,616	10,012,058	-	330,345,674	10	167,048,474	15,839,963	-	182,888,437
Buildings on leasehold land in industrial estate	24,714,302	-	-	24,714,302	10	3,145,134	2,156,917	-	5,302,051
Plant and machinery	2,607,638,548	304,458,641	(247,321,231)	2,664,775,958	10	1,226,780,267	143,758,076	(177,291,829)	1,193,246,514
Furniture and fittings	5,957,990	469,812	-	6,427,802	10	3,041,839	310,932	-	3,352,771
Vehicles	43,112,073	7,302,060	(9,154,573)	41,259,560	20	20,806,738	4,874,801	(4,500,493)	21,181,046
Office equipments	3,296,448	38,500	-	3,334,948	10	1,988,546	132,196	-	2,120,742
Protective dam	3,631,049	-	-	3,631,049	5	1,926,683	85,218	-	2,011,901
Electric installations	70,315,101	13,076,208	(47,800)	83,343,509	10	29,292,831	4,622,904	(1,275)	33,914,460
Gas installations	805,023	1,915,000	-	2,720,023	10	515,839	105,518	-	621,357
Tools and equipment	6,869,583	364,621	-	7,234,204	10	3,886,866	312,685	-	4,199,551
Computer and accessories	10,997,266	2,046,999	-	13,044,265	30	6,453,270	1,697,848	-	7,851,118
Weighing bridge	2,747,872	33,500	-	2,781,372	10	1,541,796	122,847	-	1,664,643
	3,105,219,596	339,717,399	(256,523,604)	3,188,413,391		1,466,128,283	174,019,905	(181,793,597)	1,458,354,591
<b>Leased</b>									
Land - Leasehold in Industrial Estate	17,654,855	-	-	17,654,855		-	-	-	17,654,855
	3,122,874,451	339,717,399	(256,523,604)	3,206,068,246		1,466,128,283	174,019,905	(181,793,597)	1,458,354,591



3.1.3 Disposal of operating assets

Particulars	Numbers	Cost	Accumulated depreciation	Netbook value	Sale proceeds	Gain/(loss)	Mode of Disposal	Particulars of Buyers
----- Rupees -----								
Plant and machinery								
Sulzer Looms	55	244,838,521	175,230,469	69,608,052	63,250,000	(6,358,052)	Negotiation	20 Looms Weave MB Textiles Faisalabad. 11 Looms A. W. Advani Agency Karachi. 12 Looms M. Irfan International Karachi. 12 Looms Al-Irfan International Karachi. Unicat Engineering & Services Lahore.
Cater Piller Generator	1	2,482,710	2,061,360	421,350	530,000	108,650	Negotiation	
		247,321,231	177,291,829	70,029,402	63,780,000	(6,249,402)		
Vehicles								
Mitsubishi Lancer MLH-132	1	1,071,710	337,801	733,909	733,400	(509)	Insurance claim	Premier Insurance Ltd., Multan.
Toyota Corolla MNY-9229	1	1,078,480	849,890	228,590	242,000	13,410	Negotiation	Mr. Naeem Paras Bhatti Kabir Wala.
Honda Civic DGL-11	1	1,316,575	882,559	434,016	435,000	984	Negotiation	Mr. Hazaray Shah (Employee)
Toyota Corolla MLC-211	1	1,021,057	603,964	417,093	429,000	11,907	Negotiation	Anwar Sharif Motors, Multan.
Suzuki Mehran MLL-5211	1	363,250	90,904	272,346	275,000	2,654	Negotiation	Mr. Nayar Alhaf (Employee)
Suzuki Car MNR-9611	1	186,300	178,286	8,014	20,000	11,986	Negotiation	Mr. Safdar Hussain Shah (Employee)
Suzuki Mehran MNU-5811	1	274,393	240,364	34,029	40,000	5,971	Negotiation	Anwar Sharif Motors, Multan.
Suzuki Pick UP MNV-8011	1	243,770	218,169	25,601	30,000	4,399	Negotiation	Anwar Sharif Motors, Multan.
Toyota Corolla MNA-07-411	1	1,341,580	221,270	1,120,310	1,119,000	(1,310)	Negotiation	Mr. Ayyub Shah (Employee)
Toyota Corolla MLE-911	1	1,050,790	584,090	466,700	475,000	8,300	Negotiation	Mr. Abdul Sattar (Employee)
Toyota Corolla MNA-07-611	1	1,146,163	260,106	886,057	825,000	(61,057)	Insurance claim	Premier Insurance Ltd., Multan.
Motorcycle MLG-2159	1	60,505	33,090	27,415	28,000	585	Negotiation	Mr. Muhammad Sharif (Employee)
		9,154,573	4,500,493	4,654,080	4,651,400	(2,680)		
Air Conditions								
Split A.C. Haier	2	47,800	1,275	46,525	21,000	(25,525)	Negotiation	Mr. Usman Akbar Multan.
	2008	256,523,604	181,793,597	74,730,007	68,452,400	(6,277,607)		
	2007	1,514,061	1,135,192	378,869	447,200	68,331		

	2008 Rupees	(Restated) 2007 Rupees
<b>3.2 CAPITAL WORK IN PROGRESS</b>		
Plant and machinery	-	70,404,545
Building - advance payments	8,210,533	8,557,365
	<u>8,210,533</u>	<u>78,961,910</u>
<b>4 LONG TERM INVESTMENTS</b>		
Associated Companies:		
Un-quoted		
Masood Spinning Mills Limited		
4,000,000 fully paid ordinary shares of Rs. 10 each		
Percentage of equity held: 13.33% (2007: 13.33%)		
Cost	40,000,000	40,000,000
Post acquisition profit brought forward	23,238,596	21,595,955
	63,238,596	61,595,955
Shares of profit for the year (net of tax)	3,495,571	1,642,641
	66,734,167	63,238,596
Roomi Fabrics Limited		
4,000,000 fully paid ordinary shares of Rs.10 each		
Percentage of equity held: 18.18% (2007: 18.18%)		
Cost	40,000,000	40,000,000
Post acquisition profit brought forward	49,711,923	28,883,330
	89,711,923	68,883,330
Share of profit for he year (net of tax)	11,098,370	20,828,593
	100,810,293	89,711,923
Quoted		
Askari Leasing Limited		
3,372,209 (2007: 3,147,580) fully paid ordinary shares of		
Rs. 10 each percentage of equity held: 7.50% (2007: 7.35%)		
Cost	87,585,163	85,818,372
Post acquisition profit brought forward	13,999,257	4,807,008
	101,584,420	90,625,380
Share of profit for the year (net of tax)	3,977,041	9,192,249
	105,561,461	99,817,629
	<u>273,105,921</u>	<u>252,768,148</u>

	Note	2008 Rupees	2007 Rupees
4.1	Following is the summary of financial information of the investee companies.		
	Masood Spinning Mills Limited		
		2,040,433,923	1,819,442,056
		1,532,688,562	1,339,097,687
		27,400,992	19,331,174
	Roomi Fabrics Limited		
		1,969,651,161	1,523,949,486
		1,393,136,266	1,010,595,999
		114,260,777	129,434,655
	Askari Leasing Limited		
		12,007,028,280	11,744,094,041
		10,871,692,751	10,661,785,720
		110,408,693	140,309,936
4.2	The financial information of Roomi Fabrics Limited and Masood Spinning Limited is based on unaudited financial statements for the year ended June 30, 2008.		
4.3	The financial information of Askari Leasing Limited is based on unaudited financial statements for the period of nine months ended March 31, 2008.		
4.4	The investment in Askari Leasing Limited has been restated for the year June 30, 2007 due to restatement of information in the financial statements of investee company.		

## 5 STORES, SPARES AND LOOSE TOOLS

Stores			
- At mills		95,165,664	32,935,795
Spares		70,837,959	68,702,659
Loose tools		159,289	200,152
		166,162,912	101,838,606

- 5.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.
- 5.2 Store at mills includes in-transit inventory amounting to Rs. 4,275,273 (2007: Nil)

	Note	2008 Rupees	2007 Rupees
<b>6. STOCK IN TRADE</b>			
Raw material	6.1	1,406,287,990	899,460,567
Work in process		35,602,983	34,855,280
Finished goods			
- Own manufactured	6.2	201,485,153	192,164,599
- Trading		3,582,800	3,666,989
		205,067,953	195,831,588
		<u>1,646,958,926</u>	<u>1,130,147,435</u>
6.1 Raw material includes in-transit inventory amounting Rs. 109.271 million (2007: 0.822 million).			
6.2 Finished goods (own manufactured) include in-transit inventory amounting Rs. 58.70 million (2007: Rs. 32.397 million).			
<b>7. TRADE DEBTS</b>			
Secured - Export bills		58,437,471	62,916,595
Unsecured			
- considered good		86,893,388	34,321,841
- considered doubtful		714,602	714,602
		87,607,990	35,036,443
		146,045,461	97,953,038
		(714,602)	(714,602)
Provision for doubtful debts		<u>145,330,859</u>	<u>97,238,436</u>
<b>8. SHORT TERM INVESTMENTS - Quoted (At fair value)</b>			
Hub Power Company Limited 2,117,000 (2007: 6,550,500) fully paid ordinary shares of Rs. 10 each		60,546,200	240,403,350
United Bank Limited 250,000 (2007: Nil) fully paid ordinary shares of Rs. 10 each		21,272,500	-
Soneri Bank Limited 41,040 (2007: Nil) fully paid ordinary shares of Rs. 10 each		1,019,434	-
Bank Islami Pakistan Limited 2,348,500 (2007: Nil) fully paid ordinary shares of Rs. 10 each		34,781,285	-
Fuji Cement Company Limited 61,800 (2007: Nil) fully paid ordinary shares of Rs. 10 each		625,416	-
Dandot Cement Limited 2,382,457 (2007: 1,721,500) fully paid ordinary shares of Rs. 10 each		52,175,808	50,095,652
		<u>170,420,643</u>	<u>290,499,002</u>

	Note	2008 Rupees	2007 Rupees
<b>9. LOANS AND ADVANCES</b>			
Considered good			
Advances to employees		3,802,975	4,237,097
Advances to suppliers and contractors		43,484,248	19,422,210
Advance income tax		30,063,775	39,247,755
Letters of credit		19,943,993	14,000,123
		<u>97,294,991</u>	<u>76,907,185</u>
<b>10. OTHER RECEIVABLES</b>			
Export rebate receivable		5,028,751	5,077,513
Cotton claim receivable		866,158	732,363
Export tax receivable	20.1	1,335,100	1,335,100
Insurance claim receivable		8,529,631	2,234,201
Receivable against sale of shares	10.1	39,000,000	-
Others		1,518,919	1,189,805
		<u>56,278,559</u>	<u>10,568,982</u>
<p>10.1 This represents amount receivable from M/s Three star Hoisery Mills (Pvt.) Limited against sale of 2 million number of shares of Dandot Cement Limited sold @ Rs. 19.50 per share during the year. The amount will be paid by the buyer as per the terms and conditions defined in agreement made between parties. In case of delay of payments, buyer will be responsible to pay the mark up at the rate of 3 months KIBOR + 2% p.a for the delayed period. Such mark up will be payable on quarterly basis.</p>			
<b>11. TAX REFUNDS DUE FROM GOVERNMENT</b>			
Income tax refundable		2,616,872	1,078,496
Sales tax refundable		28,733,380	33,236,751
		<u>31,350,252</u>	<u>34,315,247</u>
<b>12. CASH AND BANK BALANCES</b>			
Cash in hand		443,541	502,425
Cash at banks on:			
Current accounts		3,29,894	5,614,873
Dividend account		9	564
Saving accounts	12.1	3,876,187	2,731,090
		7,168,090	8,346,527
		<u>7,611,631</u>	<u>8,848,952</u>
<p>12.1 These include foreign currency balance of US \$ 39,618.57 (2007: US \$ 39,712.75) which has been translated into Pak Rupees at the exchange rate prevailing at the balance sheet date.</p>			





	Note	2008 Rupees	2007 Rupees
<b>14.1 United Bank Limited</b>			
Demand Finance - NIDF-III	14.1.1	29,048,548	29,048,548
Demand Finance - NIDF-V	14.1.2	12,735,840	-
SBP - Export oriented projects			
- Loan no.1	14.1.3	101,147,851	121,377,421
- Loan no. 2	14.1.3	22,505,005	27,006,005
- Loan no. 3	14.1.3	1,275,598	1,530,718
- Loan no. 4	14.1.4	87,706,210	105,247,452
- Loan no. 5	14.1.5	56,320,800	56,320,800
- Loan no. 6	14.1.6	23,005,010	23,005,010
- Loan no. 7	14.1.7	32,035,800	32,035,800
- Loan no. 8	14.1.8	9,820,000	9,820,000
- Loan no. 9	14.1.9	7,248,000	-
- Loan no. 10	14.1.10	39,845,000	-
- Loan no. 11	14.1.11	4,364,000	-
- Loan no. 12	14.1.12	43,904,000	-
- Loan no. 13	14.1.13	34,000,000	-
- Loan no. 14	14.1.14	40,000,000	-
		544,961,662	405,391,754

14.1.1 During the year 2006 the company obtained demand finance facility of Rs. 29.05 million from the available limit. It carries mark-up at 6 month KIBOR + 150bps. During the year mark-up rates ranging from 11.51% to 11.85% per annum (2007: 10.94% to 12.13% per annum). The loan is repayable in 10 semi-annual installments of Rs. 2,904,855 each commencing from 23 February, 2009 and is secured against specific charge for Rs. 178 million created over specific textile machinery of the company. As on current year end the total loan is outstanding.

14.1.2 During the year the company has obtained the demand finance facility from the sanctioned limit of Rs. 12.74 million. It carries mark-up at 6 month KIBOR + 150bps. During the year mark-up was charged at 7% per annum on quarter basis. It is repayable in 12 semi-annual installments of Rs. 1,061,320 each commencing from 14 June, 2009 and is secured against specific charge for Rs. 235 million created over specific textile machinery of the company. As on current year end the total loan is outstanding.

14.1.3 During the year 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 @ 7% per annum (2007: 7% to 8% per annum) on semi-annual basis. These loans are repayable in 12 semi-annual installments of Rs. 2,250,500 and Rs. 127,560 each commencing from 06 December, 2007 for the Loan no. 2 and 3 respectively, and of Rs. 10,114,785 each commencing from 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. As on current year end the company has paid off 2 installments of each loans.

- 14.1.4 This loan was converted from demand finance to long term loan during the year 2006. 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 of Rs. 8,770,621 each commencing from 14 July, 2007 and is secured against specific charge for Rs. 178 million created over specific textile machinery of the company. As on current year end the company has paid off 2 installments of loan.
- 14.1.5 During the year 2006 the company obtained the long term facility from the sanctioned limit of Rs. 56.231 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 of Rs. 4,693,400 each commencing from 14 November, 2008 and is secured against specific charge for Rs. 180 million created over specific textile machinery of the company. As on current year end the total loan is outstanding.
- 14.1.6 During the year 2006 the company 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 of Rs. 1,917,084 each commencing from 28 November, 2008 and is secured against specific charge for Rs. 180 million created over specific textile machinery of the company. As on current year end the total loan is outstanding.
- 14.1.7 During the year 2006 the company obtained the long term facility from the sanctioned limit of Rs. 32 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 of Rs. 2,669,650 each commencing from 12 December, 2008 and is secured against specific charge for Rs. 180 million created over specific textile machinery of the company. As on current year end the total loan is outstanding.
- 14.1.8 During the year 2006 the company 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 of quarter basis. It is repayable in 12 semi-annual installments of Rs. 818,333 each commencing from 29 December, 2008 and is secured against specific charge for Rs. 180 million created over specific textile machinery of the company. As on current year end the total loan is outstanding.
- 14.1.9 During the year the company has obtained the long term facility from the sanctioned limit of Rs. 7.25 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 ranging from 7% per annum on quarter basis. However some times the company has also paid the mark-up at 11.51%. It is repayable in 12 semi-annual installments of Rs. 604,000 each commencing from 04 January, 2009 and is secured against specific charge for Rs. 180 million created over specific textile machinery of the company. As on current year end the total loan is outstanding.
- 14.1.10 During the year the company has obtained the long term facility from the sanctioned limit of Rs. 39.85 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 ranging from 7% per annum on quarter basis. However some times the company has also paid the mark-up at 11.50%. It is repayable in 12 semi-annual installments of Rs. 3,320,417 each commencing from 10 May, 2009

and is secured against specific charge for Rs. 235 million created over specific textile machinery of the company. As on current year end the total loan is outstanding.

- 14.1.11 During the year the company has obtained the long term facility from the sanctioned limit of Rs. 4.36 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 ranging from 7% per annum on quarter basis. However some times the company has also paid the mark-up at 11.50%. It is repayable in 12 semi-annual installments of Rs. 363,667 each commencing from 24 March, 2009 and is secured against specific charge for Rs. 235 million created over specific textile machinery of the company. As on current year end the total loan is outstanding.
- 14.1.12 During the year the company has obtained the long term facility from the sanctioned limit of Rs. 43.90 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 of Rs. 3,658,666 each commencing from 14 June, 2009 and is secured against specific charge for Rs. 235 million created over specific textile machinery of the company. As on current year end the total loan is outstanding.
- 14.1.13 During the year the company has obtained the long term facility from the sanctioned limit of Rs. 34. 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 of Rs. 2,833,333 each commencing from 11 September, 2009 and is secured against specific charges for Rs. 235 million created over specific textile machinery of the company. As on current year end the total loan is outstanding.
- 14.1.14 During the year the company has obtained the long term facility from the sanctioned limit of Rs. 40 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 of Rs. 3,333,333 each commencing from 11 September, 2009 and is secured against specific charge for Rs. 235 million created over specific textile machinery of the company. As on current year end the total loan is outstanding.

14.2 Habib Bank Limited	Note	2008 Rupees	2007 Rupees
Demand finance		238,753,685	291,810,060

This finance was obtained against the sanctioned limit of Rs. 372 million against import of machinery. For the first three years mark up has been charged at the rate of 6 month KIBOR+ 0.45%, which has been paid on quarterly basis. The mark up rate from 01 January 2008 has been changed to 6 month KIBOR + 1.0%. During the year, HBL charged mark-up at the rates ranging from 10.54% to 11.27%. 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

Deferred taxation	15.1	92,536,734	63,496,387
Staff retirement benefits-gratuity	15.2	-	-
		<u>92,536,734</u>	<u>63,496,387</u>

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

Taxable temporary differences			
- accelerated tax depreciation allowances		132,332,328	81,104,430
- investment in associates		4,340,069	1,386,135
- investment in other than associates		(3,054,381)	5,136,696
		<u>133,618,061</u>	<u>87,627,261</u>
Deductible temporary differences			
-brought forward tax losses		(41,081,282)	(24,130,874)
		<u>92,536,734</u>	<u>63,496,387</u>

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

Movement in the net liability recognized in the balance sheet is as follows:

Net liability at the beginning of the year	-	-
Expense recognized	12,176,230	8,046,878
Contribution paid	(12,176,230)	(8,046,878)
Net liability at the end of the year	<u>-</u>	<u>-</u>

The amount recognized in the profit and loss account is as follows:

Current service cost	12,176,230	8,046,878
Interest cost	-	-
Expense recognized in the profit and loss account	<u>12,176,230</u>	<u>8,046,878</u>

	Note	2008 Rupees	2007 Rupees
<b>16. TRADE AND OTHER PAYABLES</b>			
Creditors		31,065,084	38,355,778
Bill payable		8,569,021	1,220,922
Due to associated undertaking	16.1	45,172,811	23,050,994
Accrued liabilities		67,353,248	77,606,005
Advances from customers		8,858,229	8,991,924
Advances against of sale of machinery		3,000,000	19,500,000
Tax deducted at source		607,892	197,555
Workers' profit participation fund	16.2	3,469,039	14,054,061
Workers' welfare fund		5,316,539	5,316,539
Unclaimed dividend		203,238	54,429
Others		2110,054	2,101,055
		<u>175,725,155</u>	<u>190,449,262</u>
16.1 This represents amount payable to M/s Khawaja Muzaffar Mahmood Muhammad Masood on account of normal trading transactions.			
16.2 Workers' profit participation fund			
Opening balance		14,054,061	8,131,594
Add: Interest on funds utilized in the company's business	27	1,767,346	1,209,713
Allocation for the year	26	3,469,039	14,054,061
		5,236,385	15,263,774
		19,290,446	23,395,368
Less: Amount paid to the fund		15,817,000	9,337,700
Amount deposited in the Government Treasury		4,407	3,607
		15,821,407	9,341,307
		<u>3,469,039</u>	<u>14,054,061</u>
<b>17. INTEREST/MARK UP ON LOANS</b>			
Interest / markup accrued on secured:			
- Long term financing		15,833,209	13,733,231
- Short term borrowings		27,156,090	12,955,949
		<u>42,989,299</u>	<u>26,689,180</u>
<b>18. SHORT TERM BORROWINGS - from banking companies</b>			
Secured			
Short term borrowings		1,285,403,940	982,769,858
Short term running finance		264,476,091	47,822,722
Un-secured			
Bank overdraft		-	177,018
		<u>1,549,880,031</u>	<u>1,030,769,598</u>



Short term borrowing facilities available from commercial banks under mark up arrangements aggregate Rs. 2.30 billion (2007: Rs 2.86 billion) of which facilities aggregating Rs 0.75 billion (2007: Rs. 1.83 billion) remained unutilized at the year end. These facilities, during the year, carried mark up at rates ranging from 9.90% to 13.31% per annum (2007: 9.37% to 11.12% p.a). 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. 1,310 million (2007: Rs. 810 million) of which amounts aggregating Rs. 1,116.73 million (2007: Rs 431.35 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 expiring on various dates by November 30, 2008.

	Note	2008 Rupees	2007 Rupees
<b>19. PROVISION FOR TAXATION</b>			
Opening balance		40,590,905	36,416,518
Provision made during the year			
- Current	19.2	28,217,138	39,687,342
- Prior		(1,186,411)	338,532
		27,030,727	40,025,874
		67,621,632	76,442,392
Less: Payments / adjustments against finalized assessments		39,404,494	35,851,487
		28,217,138	40,590,905

19.1 Income tax assessments of the company have been finalized up to the income year ended June 30, 2007.

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. 10) 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. 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 said amount as the company is expecting the decision of the case in its favour.

20.2 Guarantees given as at June 30, 2008 on behalf of the company, by the commercial banks, were outstanding for Rs. 110.38 million (2007: Rs. 85.75 million)

20.3 Foreign bills discounted outstanding as at June 30, 2007 aggregated Rs. 120.558 million (2007: Rs. 700.936 million)

20.4 Commitments for irrevocable letters of credit for:

	2008 (Rupees in million)	2007
- Capital expenditure	0.600	154.424
- Others	221.220	138.557
	<u>221.820</u>	<u>292.981</u>

21. SALES - NET	Note	2008 Rupees	2007 Rupees
Local:	21.1		
- Own manufactured good			
Yarn		1,802,901,509	1,380,648,665
Cloth		224,349,428	218,746,261
Electricity sale to WAPDA		251,537,364	-
Waste		104,245,915	75,419,595
Doubling/sizing		14,948,152	831,750
		<u>2,397,982,368</u>	<u>1,675,646,271</u>
- Trading goods			
Cotton		25,714,731	2,384,621
Yarn		8,598,070	-
Waste		623,600	-
		<u>34,936,401</u>	<u>2,384,621</u>
Export:			
- Own manufactured goods			
Cotton		-	41,928
Yarn		1,478,390,317	1,571,770,379
Cloth	794,415,512	885,654,740	-
Waste		50,612,464	57,877,807
Export rebate		-	252,734
		<u>2,323,418,293</u>	<u>2,515,597,588</u>
- Trading goods			
Yarn		288,399,757	352,722,276
Cloth	25,649,318	21,741,389	-
Waste		2,782,530	15,257,924
		<u>316,831,605</u>	<u>389,721,589</u>
		<u>5,073,168,667</u>	<u>4,583,350,069</u>

21.1 Local sales have been shown after deduction of sales tax aggregating Rs. 38,409,100 (2007: Rs. 267,894).



	Note	2008 Rupees	2007 Rupees
<b>22. COST OF SALES</b>			
Raw material consumed	22.1	3,118,986,579	2,852,336,832
Stores consumed		96,765,362	111,056,829
Packing material consumed		73,338,251	69,724,390
Salaries, wages and benefits	22.2	231,089,802	228,721,993
Power and fuel		465,259,994	336,142,444
Repair and maintenance		4,425,069	10,010,344
Depreciation	3.1.2	167,004,128	162,075,077
Insurance		20,451,527	14,612,526
		<u>4,177,320,712</u>	<u>3,784,680,435</u>
Adjustment of work-in-process			
Opening		34,855,280	30,807,354
Closing		(35,602,983)	(34,855,280)
		<u>(747,703)</u>	<u>(4,047,926)</u>
Cost of goods manufactured		<u>4,176,573,009</u>	<u>3,780,632,509</u>
Adjustment of finished goods			
Opening stock		192,164,599	94,250,358
Closing stock		(201,485,153)	(192,164,599)
		<u>(9,320,554)</u>	<u>(97,914,241)</u>
Cost of sales - Own manufactured		<u>4,167,252,455</u>	<u>3,682,718,268</u>
Cost of sales - Trading goods			
Opening stock		3,666,989	1,701,632
Purchases		310,917,025	357,293,661
Closing stock		(3,582,800)	(3,666,989)
		<u>311,001,214</u>	<u>355,328,304</u>
		<u>4,478,253,669</u>	<u>4,038,046,572</u>
22.1 Raw material consumed			
Opening stock		898,638,967	810,837,052
Purchases and purchase expenses		3,514,899,573	2,937,401,162
		<u>4,413,538,540</u>	<u>3,748,238,214</u>
Less: Closing stock		<u>(1,297,016,499)</u>	<u>(898,638,967)</u>
		<u>3,116,522,041</u>	<u>2,849,599,247</u>
Cotton cess		2,464,538	2,737,585
		<u>3,118,986,579</u>	<u>2,852,336,832</u>
22.2 Expenses for the year include staff retirement benefit - gratuity amounting Rs. 9.978 million (2007: Rs. 7.223 million)			

	Note	2008 Rupees	2007 Rupees
<b>23. OTHER OPERATING INCOME</b>			
Rent		83,100	9,900
Gain on sales of operating assets	3.1.3	-	68,331
Export rebate on packing materials		6,366	-
Income on bank deposits		82,132	30,705
Dividend income		23,144,330	12,974,725
Profit on sale of shares		-	47,233,132
Profit on re-measurement of short term investments (held for trading) at fair value		-	50,468,615
		<u>23,315,928</u>	<u>110,785,408</u>
<b>24. DISTRIBUTION COST</b>			
Advertisement		138,460	61,500
Export expenses		97,709,770	95,418,517
Commission expenses		62,770,601	57,906,831
Export development surcharge		6,038,915	6,916,069
Freight and other expenses		11,664,167	8,726,486
		<u>178,321,913</u>	<u>169,029,403</u>
<b>25. ADMINISTRATIVE EXPENSES</b>			
Salaries and benefits	25.1	19,953,200	15,511,247
Traveling and conveyance	25.2	7,963,985	7,117,608
Rent, rates and taxes		3,870,798	2,350,751
Entertainment		2,952,455	1,899,088
Electricity		1,679,617	1,012,841
Communication		6,492,839	5,524,484
Printing and stationery		1,317,919	1,285,913
Insurance		1,315,583	1,559,657
Repair and maintenance		1,721,875	960,353
Vehicles running and maintenance		5,286,513	5,368,841
Subscription		1,287,883	802,023
Bad debts		-	3,399,085
Auditors' remuneration			
- Statutory audit		200,000	200,000
- Half yearly review		40,000	40,000
		240,000	240,000
Legal and professional charges		145,100	276,548
Depreciation	3.1.2	7,015,777	6,674,462
General		979,212	460,804
		<u>62,222,756</u>	<u>54,443,705</u>

25.1 Expenses for the year include staff retirement benefit - gratuity amounting Rs. 2,198 million (2007: Rs. 0.824 million.)

25.2 This include directors' traveling amounting Rs. 6.137 million (2007: Rs. 5.259 million).

	Note	2008 Rupees	2007 Rupees
<b>26. OTHER OPERATING EXPENSES</b>			
Donations (without directors' interest)		27,000	296,000
Loss on sales of operating assets	3.1.3	6,277,607	-
Exchange fluctuation loss		46,360,544	2,274,257
Loss on sale of shares		15,029,767	-
Loss on re-measurement of short term investments at fair value		21,217,608	-
Workers' Profit Participation Fund	16.2	3,469,039	14,054,061
Workers' Welfare Fund		-	5,316,539
		<u>92,381,565</u>	<u>21,940,857</u>
<b>27. FINANCE COST</b>			
Interest/mark-up on:			
- Long term financing	27.1	60,098,736	59,448,621
- Short term borrowings		139,310,730	110,095,459
- Workers' Profit Participation Fund	16.2	1,767,346	1,209,713
Bank charges and commission		19,983,490	19,937,837
		<u>221,160,302</u>	<u>190,691,630</u>
27.1 The Company applied for subsidy @ 3% granted for spinning sector as per SBP Circular 6 dated October 30, 2007. During the year, the company adjusted the sanctioned amount of Rs. 4.72 million against Interest/mark up on long term financing.			
<b>28. PROVISION FOR TAXATION</b>			
Current			
- for the year		28,217,138	39,687,342
- for prior years		(2,189,322)	338,532
		<u>26,027,816</u>	<u>40,025,874</u>
Deferred		29,040,347	30,452,687
		<u>55,068,163</u>	<u>70,478,561</u>
<b>29. RECONCILIATION BETWEEN TAX EXPENSES AND ACCOUNTING PROFIT</b>			
Major components of tax expenses:			
Current tax		26,027,816	40,025,874
Deferred tax		29,040,347	30,452,687
		<u>55,068,163</u>	<u>70,478,561</u>

	Note	2008 Rupees	2007 Rupees
29.1 Relationship between tax expenses and accounting profit			
Accounting profit before tax		82,715,372	247,321,122
Tax rate		35%	35%
Tax on accounting profit		28,950,380	86,562,393
adjustment in respect of:			
- Deferred tax		29,040,347	30,452,687
Provision relating to section 154 of the income Tax Ordinance 2001		(2,922,564)	(46,536,519)
Tax charge for the year		55,068,163	70,478,561

### 30. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The board of directors in its meeting held on 6th October, 2008 has proposed to pay final cash dividend for the year ended June 30, 2008 of Rs. 14,977,484 (2007: Rs. 39,939,960) @ Rs. 1.50 (2007: 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.

31. EARNINGS PER SHARE	2008	(Restated) 2007
31.1 Basic earnings per share		
Number of ordinary shares	9,984,989	9,984,989
Profit attributable to ordinary shareholders	27,647,209	176,842,561
Earning per share	2.77	17.71
31.2 Diluted earnings per share		
There is no dilutive effect on the basic earnings per share of the company as the company has no such commitment.		

	2008	(Restated) 2007
	Rupees	Rupees
<b>32. CASH (USED IN)/FROM OPERATION</b>		
Profit before taxation	82,715,372	247,321,122
Adjustments for:		
Depreciation	174,019,905	168,749,539
Loss/(gain) on sale of operating assets	6,277,607	(68,331)
Loss/(profit) on sale of shares	15,029,767	(47,233,132)
Loss/(profit) on re-measurement of short term investments at fair value	21,217,608	(50,468,615)
Income on deposits with banks	(82,132)	(30,705)
Share of profits of associates (net of tax)	(18,570,982)	(27,337,812)
Finance cost	221,160,302	190,691,630
Operating cash flows before movements in working capital	501,767,447	481,623,696
(Increase)/decrease in current assets		
Stores, spares and loose tools	(64,324,306)	(4,662,155)
Stock in trade	(516,811,491)	(190,271,839)
Trade debts	(48,092,423)	(27,844,097)
Short term investment	83,830,984	(54,302,522)
Loans and advance	(29,571,786)	35,399,607
Trade deposits and short term prepayments	-	1,949,959
Other receivables	(45,709,577)	2,852,098
Tax refunds due from government	4,503,371	12,716,191
Decrease in current liabilities		
Trade and other payables	(14,872,917)	(6,692,476)
	(631,048,145)	(230,855,234)
	(129,280,698)	250,768,462

### 33. FINANCIAL INSTRUMENTS

33.1 Financial assets and liabilities	Interest bearing/mark-up bearing				Non-Interest bearing/mark up bearing			Total
	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	
	% per annum	Rupees						
<b>Financial assets:</b>								
Long term investments		-	-	-	-	273,105,921	273,105,921	273,105,921
Long term Security deposits		-	-	-	-	3,866,043	3,866,043	3,866,043
Trade debts		-	-	-	145,330,859	-	145,330,859	145,330,859
Short term investments		-	-	-	170,420,643	-	170,420,643	170,420,643
Other receivables		-	-	-	56,278,559	-	56,278,559	56,278,559
Cash and bank balances	0.50% to 1.5%	3,876,187	-	3,876,187	3,291,903	-	3,291,903	7,168,090
2008:		3,876,187	-	3,876,187	375,321,964	276,971,964	652,293,928	656,170,115
2007:		2,731,090	-	2,731,090	403,921,857	265,041,974	668,963,831	671,694,921
<b>Financial liabilities</b>								
Long term finances	7% to 11.85%	127,693,166	656,022,181	783,715,347	-	-	-	783,715,347
Short term borrowings	9.90% to 13.31%	1,549,880,031	-	1,549,880,031	-	-	-	1,549,880,031
Trade and other payables	30.00%	8,785,578	-	8,785,578	155,081,348	-	155,081,348	163,866,926
Interest/mark up on loans		-	-	-	42,989,299	-	42,989,299	42,989,299
2008:		1,686,358,775	656,022,181	2,342,380,956	198,070,647	-	198,070,647	2,540,451,603
2007:		1,140,406,966	601,618,507	1,742,025,473	174,592,457	-	174,592,457	1,916,617,930
<b>Off balance sheet item:</b>								
Letters of credit		-	-	-	221,819,340	-	221,819,340	221,819,340
Guarantees		-	-	-	110,380,000	-	110,380,000	110,380,000
Foreign bills discounted		-	-	-	120,558,000	-	120,558,000	120,558,000
2008:		-	-	-	452,757,340	-	452,757,340	452,757,340
2007:		-	-	-	1,079,665,945	-	1,079,665,945	1,079,665,945

#### 33.2 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.

#### 33.3 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.

#### 33.4 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. 0.444 million (2007: Rs. 0.502 million) are subject to credit risk. To manage exposure to credit risk, the company applies credit limit to its customers.

#### 33.5 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.

#### 33.6 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.

### 34. CAPITAL MANAGEMENT

The company's objectives when managing capital are:

- to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders or issue new shares.

### 35. REMUNERATION TO EXECUTIVES

No remuneration or meeting fee were paid to chief executive, directors and executives during the year (2007: Nil). Some of the directors and the executives, however, have been provided with the company maintained cars and residential telephones.

### 36. TRANSACTIONS WITH RELATED PARTIES

36.1 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.

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

36.3 Maximum aggregate debit and (credit) balance of related parties, accrued due to trading activities, at any month end during the year was Rs. 27,496,240 and Rs. (51,324,777) (2007: Rs. 66,003,380 and (Rs. 23,050,994)).

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

	2008 Rupees	2007 Rupees
- Sale of goods	801,629,761	799,971,258
- Sale of shares	50,970,752	48,088,556
- Purchase of goods	1,147,019,567	1,165,462,308
- Purchase of shares	34,082,272	121,950
- Sizing charges	100,230	4,861,368
- Sizing revenue	341,955	-
- Doubling charges	250,153	2,816,354
- Doubling revenue	511,275	831,750
- Conversion revenue	14,094,922	-

### 37. PLANT CAPACITY AND ACTUAL PRODUCTION 2008

		2007		2007
Yarn				
Number of spindles installed		84,912		79,632
Number of spindles-shifts worked		86,125,545		86,082,192
Production capacity at 20's count				
1,089 shifts (2007: 1,089 Shifts)	Kgs.	29,299,452	Kgs.	29,284,704
Actual production converted into				
20's count	Kgs.	29,245,027	Kgs.	28,675,326



		2008	2007
<b>Cloth</b>			
Number of looms installed		88	119
Number of looms-Shifts worked		85,648	127,558
Installed capacity at 60 picks			
1,063 shifts (2007: 1,063 Shifts)	Sq. mtrs.	25,406,863	35,842,743
Actual production converted into			
60 picks	Sq. mtrs.	14,540,633	32,853,877

**POWER HOUSE**

No. of generators installed		9	-
No. of shifts worked		1,089	-
Generation capacity in Mega Watts		18	-
Actual generation in Mega Watts	11	-	-

37.1 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.

**38. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 6th October, 2008 by Board of Directors of the company.

**39. RECLASSIFICATIONS**

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

Previous classification	Current classification	Rupees
Sales tax refundable	Tax refunds due from Government	33,236,751
Provision for taxation	Tax refunds due from Government	1,078,496
	Loans and advances	39,247,755
Commission - Sales	Distribution cost	57,906,831
Export development surcharge - Sales	Distribution cost	6,916,069

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

	From	To	
Trade and other payables	Creditors	Bill payable	1,220,922
Other receivables	Others	Insurance claim receivable	2,234,201

**40. FIGURES**

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

sd/-  
(KH. MUHAMMAD MASOOD)  
CHAIRMAN

sd/-  
(KH. MUHAMMAD IQBAL)  
CHIEF EXECUTIVE OFFICER

sd/-  
(KH. MUHAMMAD YOUNUS)  
DIRECTOR

sd/-  
(MUHAMMAD AMIN PAL)  
CHIEF FINANCIAL OFFICER



**FORM-34**  
**PATTERN OF SHAREHOLDING**  
 AS AT 30TH JUNE, 2008

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	FROM	TO	
40	1	100 Shares	2,214
62	101	500 Shares	15,789
31	501	1,000 Shares	24,461
33	1,001	5,000 Shares	63,702
11	5,001	10,000 Shares	80,635
1	10,001	15,000 Shares	10,095
1	15,001	20,000 Shares	20,000
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	130,000 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	355,001	360,000 Shares	358,649
1	450,001	455,000 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	670,001	675,000 Shares:	671,715
1	675,001	680,000 Shares	678,035
1	765,001	770,000 Shares	769,836
217			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	1,279	0.01
Insurance Companies:	-	-	-
Modarabas & Mutual Funds:	-	-	-
Shareholders Holding 10%:	-	-	-
General Public:			
a. Local:	202	5,464,390	54.72
b. Foreign:	-	-	-
Others:	-	-	-
	217	9,984,989	100

N.B:- The above two statements include 75 shareholders Holding 678,035 Share through Central Depository Company of Pakistan Limited.

SHAREHOLDINGS OF DIRECTORS.  
ALONGWITH SPOUSE AND MINORS

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

## FORM OF PROXY

I, \_\_\_\_\_  
of \_\_\_\_\_  
being a member of Mahmood Textile Mills Ltd., hereby appoint \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_  
as my proxy in my absence to attend and vote for me and on my behalf at the (Ordinary or/  
and extraordinary as the case may be) General Meeting of the Company to be held on the  
\_\_\_\_\_ and at any adjournment thereof \_\_\_\_\_  
Day of \_\_\_\_\_ 2008.

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.*