

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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MAHMOOD TEXTILE MILLS LTD.

(Consolidated Accounts)

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COMPANY INFORMATION

BOARD OF DIRECTORS:

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

NOTICE OF MEETING

Notice is hereby given that 35th Annual General Meeting of the Company will be held at its Registered Office, Mehr Manzil, Lohari Gate, Multan on Monday, 31st October, 2005 at 10:00 A.M., to transact the following business:-

1. To confirm the Minutes of the 34th Annual General Meeting held on 31st January 2005.
2. To receive, consider and adopt the Audited Accounts for the period of nine months ended 30th June, 2005 together with Director's and Auditor's Report thereon.
3. To approve payment of Cash Dividend @ 40% (Rs. 4 Per Ordinary Share of Rs. 10/- each) for the period of nine months ended 30th June, 2005 as recommended by the Board of Directors.
4. To appoint Auditors for the year 2005-2006 and to fix their remuneration. The present Auditors M/s. M. Yousuf Adil Saleem & Company, Chartered Accountants being eligible have offered themselves for re-appointment.
5. To transact any other ordinary business with the permission of the Chair.

BY ORDER OF THE BOARD OF DIRECTORS

Multan
Dated: 5th October, 2005

Sd/-
(GHULAM MOHAYUDDIN)
COMPANY SECRETARY

Notes:-

- i) The Share Transfer Books of the Company will remain closed from 20th October, 2005 to 31st October, 2005 (both days inclusive).
- ii) A Member entitled to attend and vote at the meeting may appoint another member of the Company as a proxy to attend and vote instead of him/her. Proxy form duly completed should reach the Registered office of the Company at least 48 hours before the time of the Meeting.
- iii) Any individual beneficial owner of CDC entitled to attend and vote at this Meeting must bring his/her CNIC or Passport to prove his/her identity, and in case of Proxy must enclose an attested copy of his/her CNIC or Passport. Representative of Corporate Member should bring the usual documents required for such purpose.
- iv) Members are requested to notify immediately any change in their addresses.

DIRECTORS' REPORT TO THE SHAREHOLDERS

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

Your Directors take pleasure in presenting you 35th Annual Report of the Company together with audited accounts for the period ended 30th June, 2005.

The Central Board of Revenue has withdrawn special year consideration of Textile Industry vide SRO No. 684(1)2004 dated August 10, 2004. As per this SRO the Company's Tax year/financial year is required to end on June 30, instead of September 30. The Securities and Exchange Commission of Pakistan has also issued Circular No. 29 in this respect.

In order to make Company's accounting period consistent with the aforementioned requirements the company has prepared its financial statements covering period of nine months ended on June 30, 2005. Therefore, current year sales production and operating results comprise nine month period only whereas corresponding comparative audited figures are of twelve months presenting complete full year.

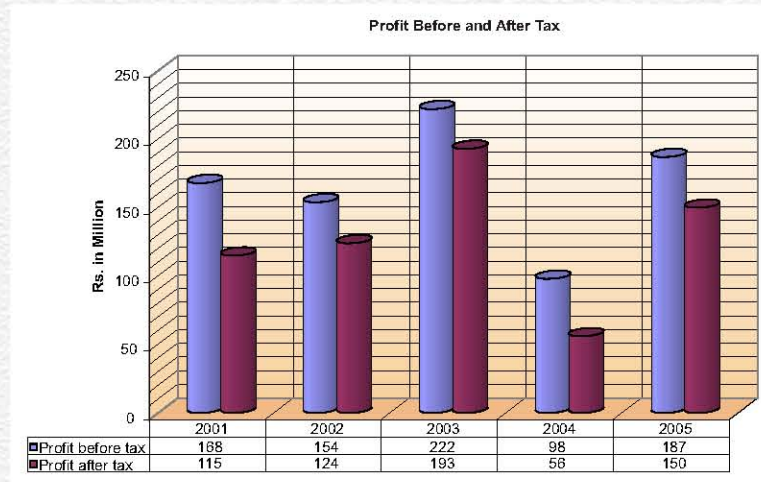
This year can be characterized as unique year where Textile Sector has shown their performance under new era of W.T.O regime. The business environments in this new phenomena were quite different than the habitual and traditional circumstances on which Pakistan Textile Industry was operating. In this new situation the world business Community has access to conduct business dealing under barrier and quota free atmosphere without any constraint. The Company's management not only successfully maintained sustainable relations with old associated customers who have shown strong loyalty to the Company's products but new customers in Europe and America have also placed a lot of confidence on the Company's ability to produce quality products of international standard in diversified categories.

The performance of the Company in reporting period is commendable in respect of sales, production, efficiency and overall profit.

The operating results alongwith the appropriations are summarized as under:

	2005	2004
	Rupees	Rupees
Profit after taxation	150,920,670	56,048,642
Unappropriated profit B/F	1,092,637,576	1,036,588,034
	<hr/>	<hr/>
Profit available for appropriation.	1,243,558,246	1,092,637,576
Proposed dividend @ 4 per share. (2004 @ 2.50 per share)	39,895,960	24,934,975
	<hr/>	<hr/>
Unappropriate profit carried to Balance Sheet	1,203,662,286	1,067,702,601
	<hr/>	<hr/>
Earning per share	15.13	5.62

The graphical view of profit earning is presented as follow.



The Company during the period of nine months under report earned a net after-tax profit of Rs. 150,920,670/- as compared to Rs. 56,048,642/- last year.

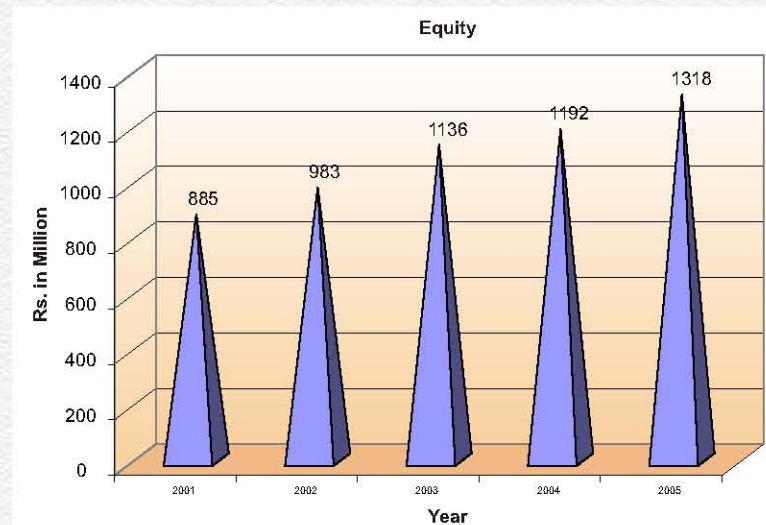
The Cotton prices in current year played a significant role in achieving good profitability. The prices in the local as well as international market witnessed smooth trend in the current year as compared to previous year's speculative and alarming fluctuating behavior.

At the market front the prices of yarn and fabrics remained stable and no adverse position was noted in the current period as compared to previous year.

Amongst the challenges of W.T.O. regime one of alarming draw back noted at the Internal level in the current year was abnormal increase in the financial cost as Compared to previous year. The financial expenses in nine months period have increased to Rs. 57,811,012/- from Rs. 34,420,914/- reported in previous year.

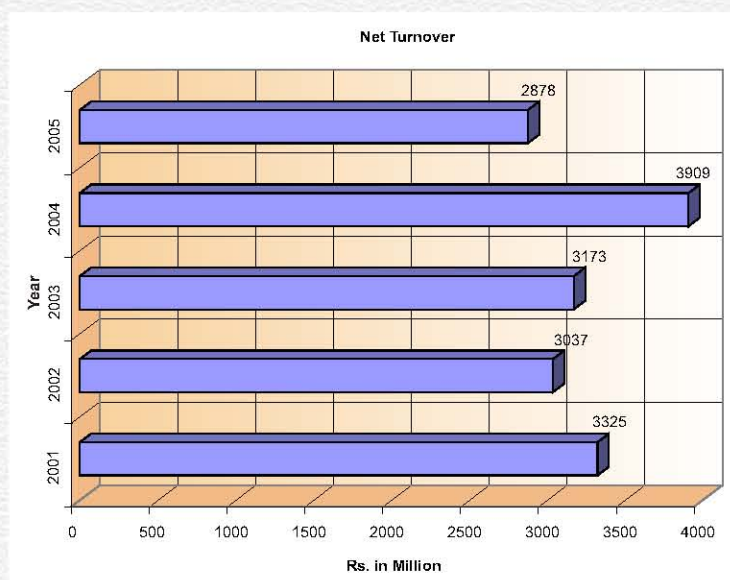
The sharp increase has been due to increase in mark up rates of Commercial Banks due to un-precedent rise in T.B. and discount rates by the State Bank. The closing stocks of raw materials cotton was maintained high due to Company policy.

The pictorial view of company financial strength is given as under:



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

	2005 Rupees	2004 Rupees
i) Export Sales (Yarn and cloth)	2,518,342,600	3,024,314,702
ii) Local Sales (Yarn and cloth)	328,623,379	931,492,279
	2,846,965,979	3,955,806,981



The decrease is due to the reason that figures relate to nine months only.
The detail of yarn and cloth produced during the year under review is given below:

i) Yarn		
Actual production converted into 20/S count kgs	18,554,804	24,626,977
ii) Grey Cloth		
Actual production converted into 60 picks Sq Meters.	15,987,310	21,182,850

The decrease is due to the reason that figures relate to 09 months only.

FIXED CAPITAL INVESTMENT

This year can also be termed as eventful year in respect of capital investment. Significant heavy investment has been made in both spinning and weaving sections of the Company. Plant and Machinery valuing Rs. 450.00 Million have been imported for spinning unit. The entire existing spinning unit has been upgraded alongwith addition of 11,664 brand new Spindles and now total capacity of Spinning unit has increased from 65,280 Spindles to 76,944 Spindles. This machinery has started commercial production in subsequent year.

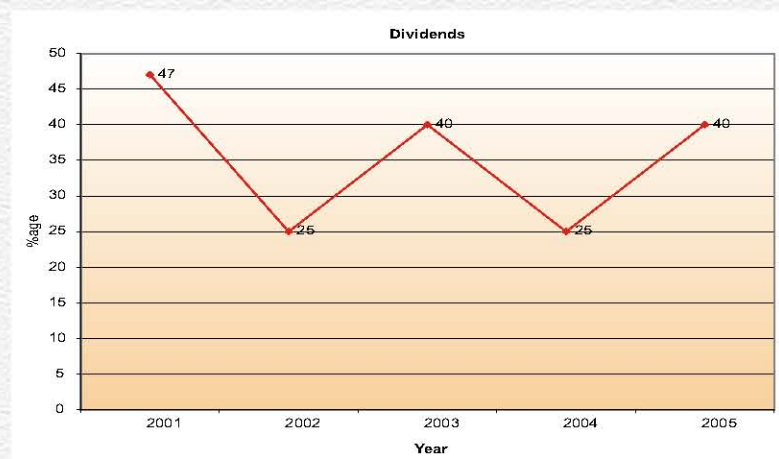
In order to equip weaving unit with most modern and sophisticated machinery, L.C for 64 Air Jet Looms of World renowned Japanese brand has been opened and these looms will be replaced with 48 Sulzer Ruti Looms during Second quarter of next year. Expansion/upgrading of existing project has been made to meet the challenging requirements of W.T.O. regime and to cater the emerging needs of our foreign customers in the value added diversified products.

The Company was getting electricity from its wholly owned subsidiary Mahmood Power Generation Ltd which is based on Furnace Oil Power House. Now the cost of Furnace Oil has increased drastically to the alarming extent @ 21,000 per Ton and it is absolutely un-viable to run power house on Furnace Oil. Management is, therefore, considering and making efforts at priority basis to run the entire operation on gas fire engines.

Two Gas Generators have already been installed and are operating perfectly. L.C. of two more Gas Generators has also been opened which are likely to reach early 2006. L.Cs for Gas Generators for balance load requirement are under process and hope to be opened shortly provided sanctioned by SNGP.

DIVIDEND

The Management of the Company is optimistic in adopting a good consistent pay-out policy so that shareholders may not be deprived of a good return on their investment. Keeping in view good profitability, the Board has pleasingly approved cash dividend @ 40% for current year.



FUTURE OUTLOOK

It is quite encouraging that in the new phenomena of W.T.O. regime Company is facing different challenges with confidence by adopting appropriate measures within the organization.

But some external factors beyond the control of the management may adversely effect on the performance of the Company. The availability of cotton at economical prices is basic pre-requisite on which entire Textile Industry depends.

Moreover, it is feared that continuous increase in Furnace Oil / Petrol products mark up rates, utility cost, and extra-ordinary cut in rebate would entail Textile Industry to become un-competitive in international market.

CORPORATE GOVERNANCE

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

- Financial statement prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flow and changes in equity.
- Proper books of account have been maintained by the company.
- 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.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. The process of review will continue and any weaknesses in control will be overcome.
- f) The company is confident to continue as a progressive concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) Key financial data for last six years is annexed.
- i) There are no outstanding statutory payments due on account of taxes, duties, levies and charges except for those discussed in the financial statements.
- j) During the year, there is no trade reported in the shares of the company, carried out by Directors, CEO, CFO, Company Secretary and their spouses and minor Children.
- k) Audit committee has been established and is working satisfactorily.

Board's Meeting:

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

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

Pattern

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

Auditors

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 period ended 30th June, 2005, have been duly complied with. A statement to the effect is annexed with the report.

Acknowledgment

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

For and on behalf of the Board

Multan:
Dated: 3rd October, 2005

Sd/-
(KHAWAJA MUHAMMAD MASOOD)
CHAIRMAN

YEAR WISE STATISTICAL SUMMARY

	Rupees in million					
	2005	2004	2003	2002	2001	2000
ASSETS:						
Fixed Assets	1,182	712	728	729	807	747
Investment and Long term advances & deposits	149	149	148	111	123	98
Current assets	1,260	696	595	552	564	658
Total assets	2,591	1,557	1,471	1,392	1,494	1,503
FINANCED BY:						
Equity	1318	1,192	1,136	983	885	816
Long term liabilities	366	40	68	143	227	201
Deferred liabilities	19	18	19	16	15	16
Current liabilities	888	307	248	251	369	470
Total Funds Invested	2,591	1,557	1,471	1,393	1,496	1,503
TURNOVER AND PROFIT						
Turnover - net	2,878	3,909	3,173	3,037	3,325	2,636
Operation profit	237	129	276	238	267	545
Profit before taxation	187	98	222	154	168	457
Profit after taxation	151	56	193	124	115	421
Dividends	40%	25%	40%	25%	47%	169%
Profit c/f	1,219	1,093	1,037	883	785	716

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: 3rd October, 2005

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.

Multan:

Dated: 3rd October, 2005

Sd/

**M. YOUSUF ADILSALEEM & 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, 2005 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 period from October 01, 2004 to June 30, 2005 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, except for the changes as stated in note 2.6 with which we concur;
 - (ii) the expenditure incurred during the period was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2005 and of the profit, its cash flows and changes in equity for the period from October 01, 2004 to June 30, 2005; 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: 3rd October, 2005

Sd/
M. YOUSUF ADILSALEEM & CO.
CHARTERED ACCOUNTANTS.

BALANCE SHEET AS AT

	Note	2005 Rupees	2004 Rupees
SHARE CAPITAL AND RESERVES			
Authorized capital	3	<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid up capital	3	99,739,890	99,739,890
Unappropriated profit		<u>1,218,623,271</u>	<u>1,092,637,576</u>
		1,318,363,161	1,192,377,466
NON-CURRENT LIABILITIES			
Long term loans and finances	4	366,446,223	39,804,847
Deferred liability - gratuity	5	18,638,048	17,741,861
CURRENT LIABILITIES			
Trade and other payables	6	231,241,520	142,417,526
Interest/mark up on loans	7	15,995,363	1,411,284
Short term borrowings	8	584,313,022	134,520,221
Current portion of long term liabilities	4	53,108,029	26,536,600
Provision for taxation	9	3,266,410	2,291,263
		887,924,344	307,176,894
CONTINGENCIES AND COMMITMENTS			
	10	-	-
		<u>2,591,371,776</u>	<u>1,557,101,068</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

sd/-
(MUHAMMAD AMIN PAL)
CHIEF FINANCIAL OFFICER

sd/-
(KH. MUHAMMAD YOUNUS)
DIRECTOR

JUNE 30, 2005

	Note	2005 Rupees	2004 Rupees
FIXED ASSETS			
Property, plant and equipment	11	738,093,535	701,075,042
Capital work in progress	12	444,708,159	11,370,049
		1,182,801,694	712,445,091
INVESTMENT PROPERTY			
	13	14,058	14,058
LONG TERM INVESTMENTS			
	14	146,806,000	146,806,000
LONG TERM SECURITY DEPOSITS			
		1,180,685	1,833,030
CURRENT ASSETS			
Stores, spares and loose tools	15	65,443,171	53,646,568
Stock in trade	16	854,404,570	388,966,000
Trade debts	17	44,812,703	67,760,129
Short term investments	18	169,036,865	-
Loans and advances	19	25,952,751	124,777,074
Trade deposits	20	1,550,875	1,246,920
Other receivables	21	89,682,227	43,556,248
Cash and bank balances	22	9,686,177	16,049,950
		1,260,569,339	696,002,889
		<u>2,591,371,776</u>	<u>1,557,101,068</u>

sd/-
(KH. MUHAMMAD IQBAL)
CHIEF EXECUTIVE

sd/-
(KH. MUHAMMAD MASOOD)
CHAIRMAN

PROFIT AND LOSS ACCOUNT

FOR NINE MONTHS ENDED JUNE 30, 2005

	Note	2005 Rupees	2004 Rupees
Sales net	23	2,878,130,066	3,909,712,718
Cost of sales	24	2,487,727,799	3,652,569,264
Gross profit		390,402,267	257,143,454
Operating expenses			
Selling	25	88,692,539	95,151,804
Administration	26	28,621,516	32,247,865
Other operating expenses	27	36,433,230	5,879,609
		153,747,285	133,279,278
		236,654,982	123,864,176
Other operating income	28	8,286,375	8,326,372
Profit from operations		244,941,357	132,190,548
Finance cost	29	57,811,012	34,420,914
Profit before taxation		187,130,345	97,769,634
Provision for taxation			
Current	9	35,848,330	44,000,000
Prior		361,345	(2,279,008)
		36,209,675	41,720,992
Net Profit for the period / year		150,920,670	56,048,642
Earnings per share - Basic	31	15.13	5.62

The annexed notes from 1 to 40 form an integral part of these financial statements.

sd/-
(MUHAMMAD AMIN PAL)
CHIEF FINANCIAL OFFICER

sd/-
(KH. MUHAMMAD YOUNUS)
DIRECTOR

sd/-
(KH. MUHAMMAD IQBAL)
CHIEF EXECUTIVE

sd/-
(KH. MUHAMMAD MASOOD)
CHAIRMAN

CASH FLOW STATEMENT

FOR NINE MONTHS ENDED JUNE 30, 2005

	Note	For nine months ended June, 30 2005 Rupees	For year ended September, 30 2004 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	32	35,908,076	(28,607,014)
Gratuity paid		(4,856,065)	(6,953,317)
Income tax paid		(35,234,528)	(41,175,728)
Net cash used in operating activities		(4,182,517)	(76,736,059)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed assets		(531,415,033)	(66,117,537)
Sale proceeds of property, plant and equipment		335,000	475,000
Long term security deposits		652,345	(189,000)
Foreign currency fixed deposits encashed		-	2,686,095
Short term investments		(206,618,419)	-
Income on bank deposits received		74,952	1,643,055
Net cash used in investing activities		(736,971,155)	(61,502,387)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans and finances		353,212,805	(72,482,361)
Suppliers' credits repaid		-	(2,828,033)
Short term borrowings-net		449,792,801	134,222,336
Dividend paid		(24,988,774)	(39,833,913)
Finance cost paid		(43,226,933)	(34,918,434)
Net cash generated from / (used in) financing activities		734,789,899	(15,840,405)
Net (decrease) in cash and cash equivalents		(6,363,773)	(154,078,851)
Cash and cash equivalents at the beginning of the period / year		16,049,950	170,128,801
Cash and cash equivalents at the end of the period / year		9,686,177	16,049,950

The annexed notes from 1 to 40 form an integral part of these financial statements.

sd/-
(MUHAMMAD AMIN PAL)
CHIEF FINANCIAL OFFICER

sd/-
(KH. MUHAMMAD YOUNUS)
DIRECTOR

sd/-
(KH. MUHAMMAD IQBAL)
CHIEF EXECUTIVE

sd/-
(KH. MUHAMMAD MASOOD)
CHAIRMAN

STATEMENT OF CHANGES IN EQUITY

FOR NINE MONTHS ENDED JUNE 30, 2005

	Share capital	Un appropriated Profit	Total
	_____ Rupees _____		
Balance as at September 30, 2003	99,739,890	1,036,588,934	1,136,328,824
Profit for the year ended September 30, 2004	-	56,048,642	56,048,642
Balance as at September 30, 2004	99,739,890	1,092,637,576	1,192,377,466
Profit for the period ended June 30, 2005	-	150,920,670	150,920,670
Final cash dividend for the year ended September 30, 2004 @ Rs. 2.5 per share	-	(24,934,975)	(24,934,975)
Balance as at June 30, 2005	99,739,890	1,218,623,271	1,318,363,161

The annexed notes from 1 to 40 form an integral part of these financial statements.

sd/-
(MUHAMMAD AMIN PAL)
CHIEF FINANCIAL OFFICER

sd/-
(KH. MUHAMMAD YOUNUS)
DIRECTOR

sd/-
(KH. MUHAMMAD IQBAL)
CHIEF EXECUTIVE

sd/-
(KH. MUHAMMAD MASOOD)
CHAIRMAN

NOTES TO THE FINANCIAL STATEMENTS

FOR NINE MONTHS ENDED JUNE 30, 2005

1. THE COMPANY AND ITS OPERATIONS

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 sale of yarn and grey cloth. 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.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

As per SRO 684 (1) 2004 dated August 10, 2004 issued by the Central Board of Revenue, the Company's tax year / financial year is required to end on June 30, instead of September 30 and it is further clarified by the Securities and Exchange Commission of Pakistan vide circular No.29 of 2004 dated November 05, 2004. In order to make the company's accounting period consistent with the aforementioned requirement the company has prepared its financial statements covering period of nine months ended on June 30, 2005. Since the audited comparative figures are available for the year ended September 30, 2004 the same has been disclosed as comparatives.

2.2 Accounting convention

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

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

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 recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses and as reduced by the fair value of plan assets.

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 amortised over the average expected remaining working lives of the employees.

2.4 Foreign currency translations

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

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 utilised.

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 loss, if any, except freehold land and capital work-in-progress which are stated at cost. Cost of some plant and machinery consists of historical cost. Borrowing costs relating to construction/erection period are also capitalized as part of the historical cost of the respective assets.

Depreciation is charged to income applying reducing balance method to write-off the historical cost and capitalized exchange fluctuations over estimated remaining useful life of the assets. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Rates of depreciation are stated in note 11. No depreciation on assets is provided in the year of disposal/retirement whereas full year's depreciation is charged in the year of purchase/commercial operation.

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.

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

Change in accounting policy

Up to September 30, 2004, the exchange differences on the foreign currency loans obtained for the acquisition of fixed assets were capitalized in the carrying amount of the relevant assets. During the period, this policy has been changed to bring it in line with the International Accounting Standard "The effect of changes in the foreign exchange rates - (IAS-21)" and henceforth, such exchange differences will be charged to profit and loss account. Since the impact of the amount capitalized in the previous years can not be quantified reliably, this policy is being applied prospectively. There is no impact of the change on the current period's financial statements.

2.7 Investment property

Investment property is stated at cost

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

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

2.8 Long term investments

- a) Investments in the associated companies and subsidiary company are stated at cost. Impairment losses are recognized whenever the carrying amount of investments exceed its recoverable amount. An impairment loss is recognized in income. 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.

2.9 Short term investments

Short term investments are classified as held for trading. Investments held for trading are those which are acquired for generating profit from short term fluctuation in prices. A 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. Held for trading investments are initially recognized at cost, being the fair value of the consideration given including the transaction costs. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price). Any gain or loss from change in the fair value of investments held for trading is recognized in income.

2.10 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.

2.11 Stock in trade

Basis of valuation are as follows:

Particulars	Mode of valuation Raw material
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.

2.12 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.

2.13 Revenue Recognition

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

2.14 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 capitalisation.

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

2.15 Cash and cash equivalents

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

2.16 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.

2.17 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.

2.18 Financial assets and liabilities

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised 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 transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.19 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.

2.20 Dividend

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

	June, 30 2005 Rupees	September, 30 2004 Rupees
3. SHARE CAPITAL		
Authorized capital		
15,000,000 (2004: 15,000,000) Ordinary shares of Rs. 10 each	150,000,000	150,000,000
Issued, subscribed and paid up capital		
	June, 30, 2005	September 30, 2004
	No. of shares	
6,288,800	6,288,800	6,288,800
		Ordinary shares of Rs. 10 each issued for cash
3,685,189	3,685,189	62,888,000
		Ordinary shares of Rs. 10 each issued as fully paid bonus shares
	36,851,890	36,851,890
	9,973,989	99,739,890
	9,973,989	99,739,890

3.1 There were no movement in the share capital of the company during reporting period.

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

3.3 635 (2004; Nil) ordinary shares of Rs.10 each are held by the Roomi Enterprises (Private) Limited an associated company in the capital of the company.

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

	Note	June, 30 2005 Rupees	September, 30 2004 Rupees
4. LONG TERM LOANS AND FINANCES- Secured (Banking companies)			
Muslim Commercial Bank Limited	4.1	13,073,147	16,341,447
United Bank Limited	4.2	35,000,000	50,000,000
Habib Bank Limited	4.3	371,481,105	-
		<u>419,554,252</u>	<u>66,341,447</u>
Less: Current portion grouped under current liabilities			
- Muslim Commercial Bank Limited		6,536,600	6,536,600
- United Bank Limited		20,000,000	20,000,000
- Habib Bank Limited		26,571,429	-
		<u>53,108,029</u>	<u>26,536,600</u>
		<u><u>366,446,223</u></u>	<u><u>39,804,847</u></u>

4.1 Muslim Commercial Bank Limited

Demand finance	<u>13,073,147</u>	<u>16,341,447</u>
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This finance equivalent to Swiss Francs 0.915 million and Deutsche Marks 0.339 million were translated into Pak Rupees at the exchange rates prevailing on the dates of opening of letters of credit for machinery acquired out of the proceeds of these finances. Originally these finances carried markup at the rate of 15% p.a, however, Muslim Commercial Bank Limited, during the year, charged markup at the rates ranging from 4.03% to 6.69% p.a (2004: 2.66% to 3.23% p.a). The year end balance is repayable in 4 half-yearly equal installments ending January 2007.

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

4.2 United Bank Limited

Demand finance - II	<u>35,000,000</u>	<u>50,000,000</u>
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This finance was obtained against the sanctioned limit of Rs. 100 million. Originally, it carried markup at the rate of 15% p.a, however, United Bank Limited, during the year, charged markup at the rates ranging from 3.38% to 7.28% p.a. (2004 3.51 % to 3.81 % p.a.) payable on quarterly basis. It is repayable in 20 quarterly installments commenced from April 18, 2002 and is secured against specific charge on fixed assets of the company for Rs. 133.340 million and equitable mortgage of specific assets.

4.3 Habib Bank Limited

Demand finance	<u>371,481,105</u>	<u>-</u>
----------------	--------------------	----------

The company, during the year, obtained long term finance facility of the sanctioned limit of Rs. 372 million against import of machinery. Mark up rate of 6 month KIBOR + 0.45%, payable on quarterly basis, will be applicable for first three years and for the remaining tenor the mark up rate will be re-negotiated. The loan is repayable in 14 equal half early installments with a grace period of one year and is secured against first pari passu charge on entire fixed assets of the company and the personal guarantees of all the directors.

5. DEFERRED LIABILITY-GRATUITY

Actuarial valuation has been conducted on June 30, 2005 based on the following significant assumptions:

	Note	June, 30 2005 Rupees	September, 30 2004 Rupees
- Discount rate		9%	8%
- Expected rate of increase in salary in future years		8%	7%
- Average expected remaining working life time of the employees		6 Years	6 Years

The amount recognized in the balance sheet is as follows:

	Rupees	Rupees
Present value of obligation	21,280,112	18,734,340
Unrecognized actuarial losses	(2,642,064)	(992,479)
Liability recognized in the balance sheet	<u>18,638,048</u>	<u>17,741,861</u>

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

	Rupees	Rupees
Net liability at the beginning of the period / year	17,741,861	18,451,111
Expense recognized	5,752,252	6,244,067
Contribution paid	(4,856,065)	(6,953,317)
Net liability at the end of the period / year	<u>18,638,048</u>	<u>17,741,861</u>

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

	Rupees	Rupees
Current service cost	4,628,192	4,739,237
Interest cost	1,124,060	1,504,830
Expense recognized in the profit and loss account	<u>5,752,252</u>	<u>6,244,067</u>

6. TRADE AND OTHER PAYABLES

Creditors		53,767,978	47,569,156
Foreign bills payable		822,202	-
Due to associated undertakings	6.1	115,171,911	25,028,560
Due to subsidiary company			
- Mahmood Power Generation Ltd.		8,380,904	25,460,684
Accrued liabilities		39,329,964	30,398,679
Advances from customers		2,336,172	7,795,079
Retention money		58,455	58,455
Tax deducted at source		25,672	4,957
Workers' Profit Participation Fund	6.2	9,868,347	5,194,726
Unclaimed dividend		439,034	492,833
Others		1,040,881	414,397
		<u>231,241,520</u>	<u>142,417,526</u>

	Note	June, 30 2005 Rupees	September, 30 2004 Rupees
6.1 Due to associated undertakings - on account of normal trading transactions			
Masood Spinning Mills Limited		-	1,526,129
M/s Khawaja Muzaffar Mahmood Muhammad Masood		108,515,267	23,502,431
Roomi Enterprises (Pvt.) Limited		6,656,644	-
		<u>115,171,911</u>	<u>25,028,560</u>
6.2 WORKERS' PROFIT PARTICIPATION FUND			
Opening balance		5,194,726	11,667,000
Add: Interest on funds utilized in the company's business	29	368,256	930,163
Allocation for the period / year	27	9,868,347	5,194,726
		10,236,603	6,124,889
		15,431,329	17,791,889
Less: Amount paid to the fund		5,561,300	12,361,500
Amount deposited in the Government Treasury		1,682	235,663
		5,562,982	12,597,163
		<u>9,868,347</u>	<u>5,194,726</u>
7. INTEREST/MARK UP ON LOANS			
Interest / mark up accrued on secured:			
- Long term loans and finances		8,258,419	337,913
- Short term borrowings		7,736,944	1,073,371
		15,995,363	1,411,284
8. SHORT TERM BORROWINGS - secured			
From banking companies			
Short term borrowings		347,438,688	78,852,128
Short term running finance		236,874,334	55,668,093
		<u>584,313,022</u>	<u>134,520,221</u>

Short term borrowing facilities available from commercial banks under mark up arrangements aggregate Rs. 2.1 billion (2004: Rs. 2.7 billion) of which facilities aggregating Rs. 1.52 billion (2004: Rs. 2.63 billion) remained unutilized at the year end. These facilities, during the year, carried mark up at the rates ranging from 3.00% to 7.61% p.a (2004: 1.95% to 4% 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 letters of credit, export documents and personal guarantees of all the directors.

Facilities available for opening letters of credit and guarantee aggregate Rs. 585 million (2004: Rs. 545 million) of which amounts aggregating Rs. 350.372 million (2004: Rs.104 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 September 30, 2005.

	Note	June, 30 2005 Rupees	September, 30 2004 Rupees
9. PROVISION FOR TAXATION- Net			
Opening balance		82,949,356	72,878,372
Provision made during the period / year			
- Current	9.2	35,848,330	44,000,000
- Prior		361,345	(2,374,875)
		<u>36,209,675</u>	<u>41,625,125</u>
		119,159,031	114,503,497
Less: Payments / adjustments against finalized assessments		<u>39,257,337</u>	<u>31,554,141</u>
		79,901,694	82,949,356
Less: Payments of advance tax / tax deducted at source		<u>76,635,284</u>	<u>80,658,093</u>
		<u>3,266,410</u>	<u>2,291,263</u>

9.1 Income tax assessments of the company have been finalized up to the income year ended September 30, 2003 (Tax year 2004).

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

9.3 As the company was liable to pay tax under presumptive tax regime, tax effects of temporary differences due to accelerated tax depreciation allowance and provision for gratuity as at June 30, 2005 worked out to Rs. Nil (September 30, 2004: Rs. 20.631 million - credit).

10. CONTINGENCIES AND COMMITMENTS

10.1 The company, during the year, has imported textile plant and machinery availing exemption from custom duty and sales tax on importation thereof under SRO Nos. 554(1)/98 and 987(1)/99 amended vide SRO Nos. 839(1)/2000 and 503(1)/2003. In case the conditions of the aforementioned SROs are violated, the amount of custom duty and sales tax exempted aggregating Rs. 12.844 million (2004: Rs. 0.447 million) shall be recoverable by the Custom Authorities along with penalties under section 202 of the Customs Act, 1969. The company, during the year, after installation of some of the imported plant and machinery, has submitted installation-cum-production certificates to the Custom and Sales Tax Departments.

10.2 Guarantees given as at June 30, 2005 on behalf of the company, by the commercial banks, were outstanding for Rs. 15.88 million (2004: Rs. 12.84 million).

10.3 Foreign bills discounted outstanding as at June 30, 2005 aggregated Rs. 632.940 million (2004: Rs. 707.205 million).

10.4 Commitments for irrevocable letters of credit for:

	June, 30 2005	September, 30 2004
	(Rupees in million)	
- Capital expenditure	216.568	401.833
- Others	2.180	39.117
	<u>218.748</u>	<u>440.950</u>

11. PROPERTY, PLANT AND EQUIPMENT

Particulars	C O S T			D E P R E C I A T I O N				Net Book value as at June 30, 2005		
	As at September 30, 2004	Additions during the period	Disposals/ Adjustments	As at June 30, 2005	Rate %	As at September, 30 2004	For the period		Disposals/ Adjustments	As at June 30, 2005
	-----Rupees-----			-----Rupees-----						
Land - Freehold	4,522,167	-	-	4,522,167	-	-	-	-	-	4,522,167
Buildings on freehold land	159,678,569	3,103,725	-	162,782,294	10	111,072,031	3,878,270	-	114,950,301	47,831,993
Plant and machinery	1,543,033,771	85,618,774	-	1,628,652,545	10	923,833,770	52,861,408	-	976,695,178	651,957,367
Furniture and fittings	4,288,718	86,818	-	4,375,536	10	2,026,026	176,213	-	2,202,239	2,173,297
Vehicles	23,108,347	5,936,380	1,189,372	27,855,355	20	14,415,218	2,182,166	1,107,639	15,489,745	12,365,610
Office equipments	2,899,908	55,500	-	2,955,408	10	1,579,291	103,209	-	1,682,500	1,272,908
Protective dam	3,631,049	-	-	3,631,049	5	1,668,976	73,578	-	1,742,554	1,888,495
Electric installations	27,847,618	876,654	-	28,724,272	10	18,817,882	742,979	-	19,560,861	9,163,441
Gas installations	625,869	-	-	625,869	10	446,849	13,427	-	460,276	165,593
Tools and equipment	5,049,162	1,638,321	-	6,687,483	10	2,886,932	285,041	-	3,171,973	3,515,510
Computer and accessories	4,641,163	717,750	-	5,358,913	30	2,905,002	552,130	-	3,457,132	1,901,781
Weighing bridge	2,561,871	43,001	-	2,604,872	10	1,161,193	108,276	-	1,269,469	1,335,403
2005	1,781,888,212	98,076,923	1,189,372	1,878,775,763		1,080,813,170	60,976,697	1,107,639	1,140,682,228	738,093,535
2004	1,714,518,224	74,374,086	7,004,098	1,781,888,212		1,006,264,445	79,038,564	4,489,839	1,080,813,170	701,075,042

11.1 Depreciation for the period /year has been apportioned as under;

Cost of sale Administrative expenses	Note	For nine months	For year ended
		ended June, 30	September, 30
		Rupees	Rupees
	21	57,962,979	75,723,068
	22	3,013,718	3,315,496
		<u>60,976,697</u>	<u>79,038,564</u>

11.2 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	-----Rupees-----			Particulars of buyers
			Netbook value	Sale proceeds	Gain	
Vehicles						
Mitsubishi Pajero BC-2611	1,189,372	1,107,639	81,733	335,000	253,267	Syed Mazher Hussain Bukhari, Ward # 1, Muhallah Sadat, Tehsil Jatoi, Dist. Muzaffar Gath.
2005	1,189,372	1,107,639	81,733	335,000	253,267	
2004	1,891,439	1,578,012	313,427	475,000	161,573	

	Note	June, 30 2005 Rupees	September, 30 2004 Rupees
12. CAPITAL WORK IN PROGRESS			
Plant and machinery		394,789,491	2,136,257
Building - advance payments		49,558,211	8,154,792
Unallocated capital expenditure	12.1	360,457	-
Vehicles - advance payments		-	1,079,000
		<u>444,708,159</u>	<u>11,370,049</u>
12.1 Unallocated capital expenditure			
Sales- Net			
Local		6,483,849	-
Export		53,932,884	-
Waste		631,411	-
		61,048,144	-
Less: Commission		(911,535)	-
		<u>60,136,609</u>	-
Cost of sales			
Raw materials consumed		46,067,052	-
Salaries, wages and benefits		2,950,000	-
Stores consumed		2,605,325	-
Packing material consumed		1,672,560	-
Power and fuel		8,976,348	-
Repair and maintenance		235,325	-
Insurance		265,630	-
Others		154,330	-
		62,926,570	-
Adjustment of closing work-in-process		(2,425,349)	-
Cost of goods manufactured		<u>60,501,221</u>	-
Adjustment of closing finished goods		(2,700,799)	-
		<u>57,800,422</u>	-
Trial run gross profit		2,336,187	-
Selling expenses		(2,696,644)	-
Net trial run loss		<u>(360,457)</u>	-
13. INVESTMENT PROPERTY			
Land - cost		<u>14,058</u>	<u>14,058</u>

The company has leased 32 Kanals and 17 Marlas of its freehold land situated at district Muzaffargarh to its subsidiary company for a period of fifty years for yearly rent of Rs. 25,000. Fair value of the land as at June 30, 2005 was Rs. 800,000 which is estimated by the management.

	Note	June, 30 2005 Rupees	September, 30 2004 Rupees
14. LONG TERM INVESTMENTS - Un-quoted			
Subsidiary Company:			
Mahmoody Power Generation Limited			
7,348,660 fully paid ordinary shares of Rs. 10 each including 668,060 bonus shares Percentage of Equity held: 99.26% (2004:99.26%)			
	14.1	66,806,000	66,806,000
Associated Companies			
Masood Spinning Mills Ltd			
4,000,000 fully paid ordinary shares of Rs.10 each Percentage of equity held: 20% (2004: 2%)			
	14.2	40,000,000	40,000,000
Roomi Fabrics Limited			
4,000,000 fully paid ordinary shares of Rs.10 each Percentage of equity held: 20.00% (2004: 26.67%)			
	14.3	40,000,000	40,000,000
		146,806,000	146,806,000

14.1 The value of the company's investment, based on net assets of the subsidiary company as disclosed in its audited financial statements for the year ended June 30, 2005 amounted Rs. 198.608 million (2004: Rs. 203.974 million).

14.2 The value of the company's investment, based on net assets of the associated company as disclosed in its audited financial statements for the period ended June 30, 2005, amounted Rs. 61.254 million (2004: Rs. 49.774 million).

14.3 The value of the company's investment, based on net assets of the associated company as disclosed in its audited financial statements for the period ended June 30, 2005, amounted Rs. 54.251 million (2004: Rs. 42.870 million).

15. STORES, SPARES AND LOOSE TOOLS

Stores			
- At mills		20,003,563	15,669,408
- In transit		8,245,908	5,680,777
		28,249,471	21,350,185
Spares			
Loose tools		37,098,974	32,171,092
		94,726	125,291
		65,443,171	53,646,568

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

	Note	June, 30 2005 Rupees	September, 30 2004 Rupees
16. STOCK IN TRADE			
Raw material		678,544,478	239,587,504
Work in process		29,227,518	31,738,172
Finished goods			
- Own manufactured		140,674,752	116,576,394
- Trading		5,957,822	1,063,930
		146,632,574	117,640,324
		<u>854,404,570</u>	<u>388,966,000</u>
16.1 Raw material includes in-transit inventory amounting Rs. 6,545,196 (2004: 453,772).			
16.2 Finished goods (own manufactured) include in-transit inventory amounting Rs. 37.097 million (2004: Rs. 28.276 million).			
17. TRADE DEBTS			
Secured - Export bills		37,144,173	52,467,480
Unsecured			
- considered good		7,668,530	15,292,649
- considered doubtful		2,097,018	2,097,018
		9,765,548	17,389,667
		46,909,721	69,857,147
Less: Provision for doubtful debts		2,097,018	2,097,018
		<u>44,812,703</u>	<u>67,760,129</u>
18. SHORT TERM INVESTMENTS			
Held for Trading-Quoted (At fair value)			
Hub Power Company Ltd. 3,419,500 (2004: Nil) fully paid ordinary shares of Rs. 10 each		90,274,800	-
Pakistan International Airlines Corporation 2,900,300 (2004: Nil) fully paid ordinary shares of Rs. 10 each		24,797,565	-
Askari Leasing Ltd. 1,458,500 (2004: Nil) fully paid ordinary shares of Rs. 10 each		53,964,500	-
		169,036,865	-
19. LOANS AND ADVANCES			
Considered good			
Due from associated companies	19.1	6,735,371	110,814,841
Advances to employees		1,726,449	1,455,712
Advances to suppliers and contractors		17,037,279	11,790,978
Letters of credit		453,652	715,543
		<u>25,952,751</u>	<u>124,777,074</u>

	Note	June, 30 2005 Rupees	September, 30 2004 Rupees
19.1 Due from Associated Companies-on account of normal trading transactions:			
Masood Fabrics Limited		1,684,311	424,686
Roomi Enterprises (Private) Limited		-	109,975,560
Roomi Fabrics Limited		3,738,310	414,595
Masood Spinning Mills Limited		1,312,750	-
		<u>6,735,371</u>	<u>110,814,841</u>
20. TRADE DEPOSITS			
Margin deposits		<u>1,550,875</u>	<u>1,246,920</u>
21. OTHER RECEIVABLES			
Sales tax refundable		70,986,096	28,004,358
Export rebate receivable		13,033,008	11,661,398
Iqra surcharge receivable		3,399,085	3,399,085
Cotton claim receivable		1,676,186	-
Accrued interest/profit on bank deposits		7,001	6,407
Others		580,851	485,000
		<u>89,682,227</u>	<u>43,556,248</u>
22. CASH AND BANK BALANCES			
Cash in hand		573,501	479,306
Cash at banks on:			
Current accounts		5,503,972	10,470,409
Dividend account		358,751	21,838
Saving accounts	22.1	3,249,953	5,078,397
		9,112,676	15,570,644
		<u>9,686,177</u>	<u>16,049,950</u>

22.1 These include foreign currency balance of U.S.\$ 36,903.97 (2004: U.S \$ 36,907.02) which has been translated into Pak Rupees at the exchange rate prevailing at the balance sheet date.

	Note	For nine months ended June, 30 2005 Rupees	For year ended September, 30 2004 Rupees
23. SALES - Net			
Local:	23.1		
- Own manufactured goods			
Yarn		224,757,051	745,768,985
Cloth		55,606,834	58,152,497
Waste		48,259,494	81,892,742
Doubling/sizing		1,080,600	1,084,200
		329,703,979	886,898,424
- Trading goods			
Yarn		-	40,578,464
Cloth		-	5,049,134
Cotton		69,210,640	-
		69,210,640	45,627,598
		398,914,619	932,526,022
Less: Commission		890,625	2,636,302
		398,023,994	929,889,720
Export:	23.2		
- Own manufactured goods			
Yarn		1,543,579,152	1,850,317,796
Cloth		560,454,294	838,359,551
Waste		43,897,721	69,637,431
Export rebate		10,175,669	15,911,586
		2,158,106,836	2,774,226,364
Less: Export development surcharge		4,424,238	7,301,848
Commission		39,787,198	48,944,254
		44,211,436	56,246,102
		2,113,895,400	2,717,980,262
- Trading goods			
Yarn		352,065,126	236,385,887
Cloth		5,836,569	18,739,297
Waste		12,509,738	10,874,740
		370,411,433	265,999,924
Less: Export development surcharge		910,234	558,329
Commission		3,290,527	3,598,859
		4,200,761	4,157,188
		366,210,672	261,842,736
		2,878,130,066	3,909,712,718

23.1 Local sales have been shown after deduction of sales tax aggregating Rs. 43.150 million (2004: Rs. 136.636 million).

23.2 Export sales include indirect export sales to associated companies amounting Rs.350,326,944 (Masood Fabrics Ltd. Rs. 203,684,825, Masood Spinning Mills Ltd. Rs. 37,526,806 and Roomi Fabrics Ltd. Rs. 109,115,313 (2004: Nil). under Standard Purchase Order.

	Note	For nine months ended June, 30 2005 Rupees	For year ended September, 30 2004 Rupees
24. COST OF SALES			
Raw material consumed	24.1	1,688,095,157	2,759,221,559
Stores consumed		70,956,487	89,990,622
Packing material consumed		38,516,186	45,772,329
Salaries, wages and benefits	24.2	121,751,406	132,789,205
Power and fuel		200,167,950	261,636,996
Repair and maintenance		6,594,950	7,418,690
Depreciation			
For the year	11.1	57,962,979	75,723,068
Adjustment	24.3	-	(2,911,827)
		57,962,979	72,811,241
Insurance		6,085,381	9,824,909
		2,190,130,496	3,379,465,551
Adjustment of work -in- process			
Opening		31,738,172	24,855,609
Closing		(26,802,169)	(31,738,172)
		4,936,003	(6,882,563)
Cost of goods manufactured		2,195,066,499	3,372,582,988
Adjustment of finished goods			
Opening stock		116,576,394	118,311,855
Closing stock	24.4	(137,973,953)	(116,576,394)
		(21,397,559)	1,735,461
Cost of goods sold - Own manufactured		2,173,668,940	3,374,318,449
Cost of goods sold - Trading goods			
Opening stock		1,063,930	8,129,057
Purchases		318,952,751	271,185,688
Closing stock		(5,957,822)	(1,063,930)
		314,058,859	278,250,815
		2,487,727,799	3,652,569,264
24.1 Raw material consumed			
Opening stock		239,133,732	69,433,646
Purchases		2,119,931,580	2,927,674,850
		2,359,065,312	2,997,108,496
Less: Closing stock		671,999,282	239,133,732
		1,687,066,030	2,757,974,764
Cotton cess		1,029,127	1,246,795
		1,688,095,157	2,759,221,559

24.2 Expenses for the year include staff retirement benefit gratuity amounting Rs. 5.142 million (2004: Rs. 6.086 million).

24.3 This represents depreciation on iqra surcharge which was reversed due to withdrawal of iqra surcharge.

24.4 This includes in-transit inventory amounting Rs. 37.097 million (2004: Rs. 28.276 million).

	Note	For nine months ended June, 30 2005 Rupees	For year ended September, 30 2004 Rupees
25. SELLING EXPENSES			
Advertisement		59,050	82,875
Export expenses		85,018,009	89,834,639
Purchase of export Quota		52,790	699,185
Freight and other expenses		3,562,690	4,535,105
		<u>88,692,539</u>	<u>95,151,804</u>
26. ADMINISTRATION EXPENSES			
Salaries and benefits	26.1	7,961,486	7,696,108
Travelling and conveyance	26.2	5,250,971	4,816,471
Rent, rates and taxes		19,430	507,413
Entertainment		1,684,052	1,996,761
Electricity		473,577	822,546
Communication		4,364,378	5,840,382
Printing and stationery		890,526	1,145,942
Insurance		301,761	462,304
Repair and maintenance		1,528,604	704,419
Vehicles running and maintenance		2,376,595	3,018,068
Subscription		258,227	507,823
Auditors' remuneration			
- Statutory audit		125,000	125,000
- Half yearly review		40,000	40,000
- Certification charges.		50,000	50,000
		215,000	215,000
Legal and professional charges		177,079	173,092
Depreciation	11.1	3,013,718	3,315,496
General		106,112	1,026,040
		<u>28,621,516</u>	<u>32,247,865</u>

26.1 Expenses for the year include staff retirement benefit - gratuity amounting Rs. 0.610 million (2004: Rs. 0.158 million).

26.2 This include directors' travelling amounting Rs. 4.364 million (2004: Rs. 3.131 million).

	Note	For nine months ended June, 30 2005 Rupees	For year ended September, 30 2004 Rupees
27. OTHER OPERATING EXPENSES			
Donations (without directors' interest)		1,040,000	223,500
Zakat		2,259	181
Loss on remeasurement of short term investments at fair value		37,581,554	-
Gain on sale of shares		(12,058,930)	-
		25,522,624	-
Loss on sale of shares		-	461,202
Workers' (Profit) Participation Fund	6.2	9,868,347	5,194,726
		<u>36,433,230</u>	<u>5,194,726</u>
28. OTHER OPERATING INCOME			
Rent		2,700	3,600
Rent on freehold land leased to the subsidiary company	13	25,000	25,000
Gain on sales of property, plant and equipment	11.2	253,267	161,573
Export rebate on packing materials		697,730	1,657,745
Excise duty on bank borrowings written off		-	5,979,804
Exchange fluctuation gain	28.1	153,432	59,957
Income on bank deposits		75,546	438,693
Dividend income		7,078,700	-
		<u>8,286,375</u>	<u>8,326,372</u>
28.1 Exchange fluctuation gain			
Exchange gain on translation of foreign currency accounts		17,448	59,957
Exchange gain on export proceeds		135,984	-
		<u>153,432</u>	<u>59,957</u>
29. FINANCE COST			
Interest / markup on:			
- Long term loans and finances		14,792,797	3,670,634
- Short term borrowings		27,188,253	13,695,003
- Workers' (Profit) Participation Fund	6.2	368,256	930,163
Bank charges and commission		15,461,706	16,125,114
		<u>57,811,012</u>	<u>34,420,914</u>
30. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE			

The board of directors in its meeting held on October 3, 2005 has proposed to pay final cash dividends for the period ended June 30, 2005 of Rs.39,895,960 (2004: Rs. 24,934,975) @ Rs.4/- (2004: Rs. 2.50) 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.

	For nine months ended June, 30 2005 Rupees	For year ended September, 30 2004 Rupees
31. EARNINGS PER SHARE-BASIC		
	No. of shares	
Number of ordinary shares	9,973,989	9,973,989
	Rupees	
Profit attributable to ordinary shareholders	150,920,670	56,048,642
	Rupees	
Earnings per share	15.13	5.62
32. CASH GENERATED FROM / (USED IN) OPERATIONS		
Profit before taxation	187,130,345	97,769,634
Adjustments for:		
Depreciation	60,976,697	76,126,737
Provision for gratuity	5,752,252	6,244,067
Gain on sale of property, plant and equipment	(253,267)	(161,573)
Loss on remeasurement of short term investments at fair value	37,581,554	-
Income on deposits with banks	(75,546)	(438,693)
Finance cost	57,811,012	34,420,914
Operating profit before working capital changes	348,923,047	213,961,086
(Increase)/decrease in current assets		
Stores, spares and loose tools	(11,796,603)	1,837,849
Stock in trade	(465,438,570)	(168,235,833)
Trade debts	22,947,426	(19,171,128)
Loans and advance	98,824,323	(45,849,982)
Trade deposits	(303,955)	(470,170)
Other receivables	(46,125,385)	(23,997,247)
Increase/(decrease) in current liabilities		
Trade and other payables	88,877,793	13,318,411
	(313,014,971)	(242,568,100)
	35,908,076	(28,607,014)
33. NUMBER OF EMPLOYEES		
	N u m b e r s	
Number of employees at the period / year end	1,793	1,894

34. FINANCIAL INSTRUMENTS

34.1 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						
Financial assets:								
Long term Security investments		-	-	-	-	146,806,000	146,806,000	146,806,000
Long term deposits		-	-	-	-	1,180,685	1,180,685	1,180,685
Trade debts		-	-	-	44,812,703	-	44,812,703	44,812,703
Short term investments		-	-	-	169,036,865	-	169,036,865	169,036,865
Loans and advances		-	-	-	8,461,820	-	8,461,820	8,461,820
Trade deposits		-	-	-	1,550,875	-	1,550,875	1,550,875
Other receivables		-	-	-	2,264,038	-	2,264,038	2,264,038
Cash and bank balances	0.75% to 1.5%	3,249,953	-	3,249,953	6,436,224	-	6,436,224	9,686,177
2005:		3,249,953	-	3,249,953	232,562,525	147,986,685	380,549,210	383,799,163
2004:		5,078,397	-	5,078,397	81,925,721	148,639,030	230,564,751	235,643,148
Financial liabilities								
Long term loans and finances	3.38% to 9.29%	53,108,029	366,446,223	419,554,252	-	-	-	419,554,252
Short term borrowings	3.00% to 7.61%	584,313,022	-	584,313,022	-	-	-	584,313,022
Trade and other payables	18.75%	9,868,347	-	9,868,347	210,656,097	-	210,656,097	220,524,444
Interest/mark up on loans		-	-	-	15,995,363	-	15,995,363	15,995,363
2005:		647,289,398	366,446,223	1,013,735,621	226,651,460	-	226,651,460	1,240,387,081
2004:		166,251,547	39,804,847	206,056,394	80,349,761	-	80,349,761	286,406,155
Off balance sheet item:								
Letters of credit		-	-	-	218,748,438	-	218,748,438	218,748,438
Guarantees		-	-	-	11,955,345	3,924,450	15,879,795	15,879,795
Foreign bills discounted		-	-	-	632,940,000	-	632,940,000	632,940,000
2005:		-	-	-	863,643,783	3,924,450	867,568,233	867,568,233
2004:		-	-	-	1,154,952,575	6,042,700	1,160,995,275	1,160,995,275

34.2 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.

34.3 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.

34.4 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. 0.574 million (2004: Rs. 0.479 million), are subject to credit risk. To manage exposure to credit risk, the company applies credit limit to its customers.

34.5 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. The company is not exposed to market risk.

34.6 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.

35. REMUNERATION TO EXECUTIVES

No remuneration or meeting fee were paid to chief executive, directors and executives during the period (2004: 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 from and due to related parties are shown under receivables and payables. Remuneration of chief executive, directors and executives are disclosed in note 35. Transactions with related parties are entered into and recorded at fair value. There were no transactions with related parties except disclosed in note 36.4.

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 balance of the related parties, accrued due to trading activities, at any month end during the year was Rs. 442,965,206 (2004: Rs. 195,164,084).

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

	For nine months ended June, 30 2005 Rupees	For year ended September, 30 2004 Rupees
- Sale of goods	523,358,951	443,261,610
- Sale of shares	-	115,994,588
- Purchase of electricity from the subsidiary company	211,251,261	278,143,024
- Purchase of goods	1,232,947,935	51,877,874
- Purchase of shares	132,147,808	90,925,750
- Sizing revenue	-	632,926
- Doubling charges	923,910	4,340,836
- Doubling revenue	1,242,690	1,246,830
- Lease rent from subsidiary company	25,000	25,000

	Note	For nine months ended June, 30 2005 Rupees	For year ended September, 30 2004 Rupees
37. PLANT CAPACITY AND ACTUAL PRODUCTION			
Yarn			
Number of spindles installed		65,280	65,280
Number of spindles-shifts worked		54,426,296	70,764,800
Production capacity at 20's count			
819 shifts (2004: 1,089 Shifts)	Kgs.	16,627,500	22,170,000
Actual production converted into			
20's count	Kgs.	18,554,804	24,626,977
Cloth			
Number of looms installed		103	103
Number of looms-Shifts worked		84,151	112,888
Installed capacity at 60 picks			
810 shifts (2004: 1,080 Shifts)	Sq. mtrs.	14,981,250	19,975,000
Actual production converted into			
60 picks	Sq. mtrs.	15,987,310	21,182,850

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 October 3, 2005 by Board of Directors of the company.

39. RECLASSIFICATIONS

39.1 Following re-classifications / rearrangements have been made in the financial statements to incorporate changes in Fourth Schedule of Companies Ordinance 1984, except for the change as per para 38.3 which is made for the better presentation.

Previous classification	Current classification	Rupees
Advances, deposits, prepayments and other receivables	Loans and advances	124,777,074
	Trade deposits	1,246,920
	Other receivables	43,556,248
Trade and other payables	Trade and other payable	142,417,526
	Interest/mark up on loans	1,411,284
Dividends	Trade and other payable	492,833

39.2 Nomenclature of the following accounts have been changed:

Previous Nomenclature	New nomenclature
Short term finances	Short term borrowings
Trade debtors	Trade debts
Other income	Other operating income
Miscellaneous charges	Other operating expenses
Financial charges	Finance cost

39.3 Following corresponding figures have been re-arranged and regrouped:

Nature	Reclassification		Rupees	Reason
	from	To		
Investment property	Property, plant and equipment	Investment property	14,058	For better presentation

40. FIGURES

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

sd/-
(MUHAMMAD AMIN PAL)
CHIEF FINANCIAL OFFICER

sd/-
(KH. MUHAMMAD YOUNUS)
DIRECTOR

sd/-
(KH. MUHAMMAD IQBAL)
CHIEF EXECUTIVE

sd/-
(KH. MUHAMMAD MASOOD)
CHAIRMAN

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

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	FROM	TO	
36	1	100 Shares	1,983
71	101	500 Shares	19,425
42	501	1,000 Shares	33,540
42	1,001	5,000 Shares	84,843
11	5,001	10,000 Shares	80,635
1	10,001	15,000 Shares	10,095
2	15,001	20,000 Shares	36,000
1	30,001	35,000 Shares	30,269
1	60,001	65,000 Shares	63,528
4	70,001	75,000 Shares	287,029
2	105,001	110,000 Shares	215,050
6	110,001	115,000 Shares	683,100
1	125,001	130,000 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	275,573
1	285,001	290,000 Shares	285,129
1	340,001	345,000 Shares	343,281
1	355,000	360,000 Shares	356,889
1	445,001	450,000 Shares	449,889
1	460,001	465,000 Shares	464,460
1	490,001	495,000 Shares	493,781
1	525,001	530,000 Shares	527,331
1	535,001	540,000 Shares	536,075
1	550,001	555,000 Shares	551,756
1	575,001	580,000 Shares	576,907
1	665,001	670,000 Shares	669,955
1	765,001	770,000 Shares	768,076
<hr/>			<hr/>
244			9,973,989

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARE HELD	PERCENTAGE
Directors, Chief Executive Officer, & their spouse & Minor Children:	12	4,477,851	44.90
Associated Companies, Undertakings & related parties:	-	-	-
NIT & ICP:	2	30,469	0.30:
Banks, Development Financial Institutions, Non-Banking Financial Institutions:	1	285,129	2.86
Joint Stock Companies:	2	1,437	0.01
Insurance Companies:	-	-	-
Modarabas & Mutual Funds:	1	3,199	0.03
Shareholders Holding 10%:	-	-	-
General Public:			
a. Local:	226	5,175,904	51.90
b. Foreign:	-	-	-
Others:	-	-	-
<hr/>			<hr/>
	244	9,973,989	100

N.B:- The above two statements include 55 shareholders Holding 343,81 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)	669,955 536,075	1,206,030
2	Khawaja Muhammad Iqbal Mst. Khadija Qureshi (Spouse)	449,889 63,528	513,417
3	Khawaja Muhammad Ilyas Mst. Bilquees Akhtar (Spouse)	356,889 493,781	850,670
4	Khawaja Muhammad Younus Mst. RubinaYounus (Spouse)	551,756 71,979	623,735
5	Khawaja Muhammad Jalaluddin Roomi Mrs. Humera Jalaluddin (Spouse)	126,500	768,076 894,576
6	Mr. Muhammad Muzaffar Iqbal Mrs. Attiya Fatima (Spouse)	275,573 113,850	389,423
7	Mst. Mehr Fatima (Spouse) Khawaja Muhammad Masood	Already given above. Already given above.	
Grand Total:			4,477,851

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 _____ 2005.

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.

MAHMOOD TEXTILE MILLS LTD. CONSOLIDATED ACCOUNTS COMPANY INFORMATION

BOARD OF DIRECTORS:

Chairman	KHAWAJA MUHAMMAD MASOOD
Chief Executive	KHAWAJA MUHAMMAD IQBAL
Directors	KHAWAJA MUHAMMAD ILYAS KHAWAJA MUHAMMAD YOUNUS JALAL-UD-DIN ROOMI MRS. 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:	MUSLIM COMMERCIAL BANK LTD. UNITED BANK LIMITED HABIB BANK LIMITED
Registered Office:	MEHR MANZIL, LOHARI GATE, MULTAN. Tel.: 061-111-181-181 Fax: 4511262 E-mail: info@mahmoodgroup.com URL : www.mahmoodgroup.com
Mills:	MAHMOODABAD, MULTAN ROAD, MUZAFFARGARH. MASOODABAD, D.G. KHAN ROAD, MUZAFFARGARH.

Mahmood Textile Mills Limited Consolidated Accounts

Auditor's Report to the Member

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of MAHMOOD TEXTILE MILLS LIMITED and its Subsidiary Company (Mahmood Power Generation Limited) as at June 30, 2005 and the related Consolidated profit and loss account, Consolidated Cash Flow statement and Consolidated Statement of Changes in Equity together with the notes forming part thereof, for the period from October 01, 2004 to June 30, 2005 (in respect of holding) and for the year then ended (in respect of subsidiary). We have also expressed separate opinion on the financial statements of MAHMOOD TEXTILE MILLS LIMITED and its subsidiary company Mahmood Power Generation Limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of MAHMOOD TEXTILE MILLS LIMITED and its Subsidiary Company (Mahmood Power Generation Limited) as at June 30, 2005 and the results of their operations for the period from October 01, 2004 to June 30, 2005 (in respect of holding) and for the year then ended (in respect of subsidiary).

Place: Multan

Dated: October 3, 2005

M. YOUSUF ADIL SALEEM & CO

Chartered Accountants

CONSOLIDATED BALANCE SHEET

	Note	June 30, 2005 Rupees	September 30, 2004 Rupees
SHARE CAPITAL AND RESERVES			
Authorized capital	3	150,000,000	150,000,000
Issued, subscribed and paid up capital	3	99,739,890	99,739,890
Capital reserve		6,680,794	6,680,794
Unappropriated profit		1,379,243,424	1,235,823,017
		1,485,664,108	1,342,243,701
LONG TERM LOANS AND FINANCES	4	366,446,223	39,804,847
MINORITY INTEREST		1,480,250	1,520,706
DEFERRED LIABILITY-GRATUDTY	5	19,825,512	18,850,203
CURRENT LIABILITIES			
Trade and other payables	6	240,702,461	121,402,693
Interest/mark up on loans	7	15,995,363	1,411,284
Short term borrowings	8	584,313,022	134,520,221
Current portion of long term liabilities	4	53,108,029	26,536,600
Provision for taxation	9	3,266,410	2,291,263
		897,385,285	286,162,061
CONTINGENCIES AND COMMITMENTS	10	-	-
		2,770,801,378	1,688,581,518

The annexed notes from 1 to 39 form an integral part of these financial statements.

sd/-
(MUHAMMAD AMIN PAL)
CHIEF FINANCIAL OFFICER

sd/-
(KH. MUHAMMAD YOUNUS)
DIRECTOR

AS AT JUNE 30, 2005

	Note	June 30, 2005 Rupees	September 30, 2004 Rupees
FIXED ASSETS			
Property, plant and equipment	11	867,943,680	844,221,315
Capital work in progress	12	444,708,159	11,370,049
		1,312,651,839	855,591,364
LONG TERM INVESTMENTS	13	115,553,343	92,692,126
LONG TERM SECURITY DEPOSITS		1,180,685	1,833,030
CURRENT ASSETS			
Stores, spares and loose tools	14	86,035,748	77,912,511
Stock in trade	15	896,093,840	398,158,540
Trade debts	16	44,812,703	67,760,129
Short term investments	17	169,036,865	
Loans and advances	18	39,578,750	132,158,303
Trade deposits and short term prepayments	19	1,621,639	1,297,069
Other receivables	20	94,445,819	44,998,462
Cash and bank balances	21	9,790,147	16,179,984
		1,341,415,511	738,464,998
		2,770,801,378	1,688,581,518

sd/-
(KH. MUHAMMAD IQBAL)
CHIEF EXECUTIVE

sd/-
(KH. MUHAMMAD MASOOD)
CHAIRMAN

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR NINE MONTHS ENDED JUNE 30, 2005

	Note	For nine months ended June 30, 2005 Rupees	For year ended September 30, 2004 Rupees
Sales - net	22	2,878,130,066	3,909,712,718
Cost of sales	23	2,491,216,167	3,640,083,307
Gross profit		386,913,899	269,629,411
Operating expenses			
Selling	24	88,692,539	95,215,804
Administration	25	30,541,491	33,543,968
Other operating expenses	26	36,433,230	6,428,898
		155,667,260	135,188,670
		231,246,639	134,440,741
Other operating income	27	8,261,375	8,301,372
Profit from operations		239,508,014	142,742,113
Finance cost	28	57,844,630	34,562,733
		181,663,384	108,179,380
Profit from associated companies		25,812,699	7,833,648
Profit before taxation		207,476,083	116,013,028
Provision for taxation			
Holding company			
Current	9	35,848,330	44,000,000
Prior		361,345	(2,279,008)
Associated companies		2,951,482	2,863,768
		39,161,157	44,584,760
Profit after taxation		168,314,926	71,428,268
Minority interest		40,456	(76,847)
Net profit for the period / year		168,355,382	71,351,421
Earning per share-Basic	30	16.88	7.15

The annexed notes from 1 to 39 form an integral part of these financial statements.

sd/-
(MUHAMMAD AMIN PAL)
CHIEF FINANCIAL OFFICER

sd/-
(KH. MUHAMMAD YOUNUS)
DIRECTOR

sd/-
(KH. MUHAMMAD IQBAL)
CHIEF EXECUTIVE

sd/-
(KH. MUHAMMAD MASOOD)
CHAIRMAN

CONSOLIDATED CASH FLOW STATEMENT

FOR NINE MONTHS ENDED JUNE 30, 2005

	Note	For nine months ended June 30, 2005 Rupees	For year ended September 30, 2004 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	31	21,720,758	(7,058,619)
Gratuity paid		(5,124,606)	(7,275,027)
Income tax paid		(35,234,528)	(41,175,728)
Net cash (used in) operating activities		<u>(18,638,376)</u>	<u>(55,509,374)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed assets		(532,834,043)	(77,521,777)
Sale proceeds of property, plant and equipment		335,000	12,053,914
Long term security deposits		652,345	(189,000)
Foreign currency fixed deposits encashed		-	2,686,095
Short term investments		(206,618,419)	-
Income on bank deposits received		74,952	1,643,055
Net cash (used in) investing activities		<u>(738,390,165)</u>	<u>(61,327,713)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans and finances		353,212,805	(73,928,661)
Suppliers' credits repaid		-	(2,828,033)
Short term borrowings		449,792,801	134,222,336
Dividend paid		(24,988,774)	(39,833,913)
Finance cost paid		(43,260,551)	(35,553,057)
Net cash generated from / (used in) financing activities		<u>734,756,281</u>	<u>(17,921,328)</u>
Net (decrease) in cash and cash equivalents		(22,272,260)	(134,758,415)
Cash and cash equivalents at the beginning of the period / year		16,179,984	150,938,399
Cash and cash equivalents at the end of the period / year		<u>(6,092,276)</u>	<u>16,179,984</u>
CASH AND CASH EQUIVALENTS			
Cash and bank balances		9,790,147	16,179,984
Temporary bank overdraft		(15,882,423)	-
		<u>(6,092,276)</u>	<u>16,179,984</u>

sd/-
(MUHAMMAD AMIN PAL)
CHIEF FINANCIAL OFFICER

sd/-
(KH. MUHAMMAD YUNUS)
DIRECTOR

sd/-
(KH. MUHAMMAD IQBAL)
CHIEF EXECUTIVE

sd/-
(KH. MUHAMMAD MASOOD)
CHAIRMAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR NINE MONTHS ENDED JUNE 30, 2005

	Share Capital	Capital reserve	Unappropriated Profit	Total
	-----Rupees-----			
Balance as at September 30, 2003	99,739,890	6,680,794	1,164,471,596	1,270,892,280
Profit for the year ended				
September 30, 2004	-	-	71,351,421	71,351,421
Balance as at September 30, 2004	99,739,890	6,680,794	1,235,823,017	1,342,243,701
Profit for the period ended				
June 30, 2005	-	-	168,355,382	168,355,382
Final cash dividend for the year ended September 30, 2004 @ Rs. 2.5 per share	-	-	(24,934,975)	(24,934,975)
Balance as at June 30, 2005	99,739,890	6,680,794	1,379,243,424	1,485,664,108

The annexed notes from 1 to 39 form an integral part of these financial statements.

sd/-
(MUHAMMAD AMIN PAL)
CHIEF FINANCIAL OFFICER

sd/-
(KH. MUHAMMAD YOUNUS)
DIRECTOR

sd/-
(KH. MUHAMMAD IQBAL)
CHIEF EXECUTIVE

sd/-
(KH. MUHAMMAD MASOOD)
CHAIRMAN

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR NINE MONTHS ENDED JUNE 30, 2005

1. THE HOLDING COMPANY AND ITS SUBSIDIARY

Mahmood Textile Mills Limited, the holding company (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 sale of yarn and grey cloth. 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.

Mahmood Power Generation Limited, the subsidiary company, was incorporated in Pakistan on June 27, 1996 as a Public Company. The object of the subsidiary company is generation, distribution and supply of electricity. The registered office of the company is situated at Multan. The Mills is located at District Muzaffargarh, Dera Ghazi Khan Division, in the province of Punjab.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

As per SRO 684 (1) 2004 dated August 10, 2004 issued by the Central Board of Revenue, the holding company's tax year / financial year is required to end on June 30, instead of September 30 and it is further clarified by the Securities and Exchange Commission of Pakistan vide circular No.29 of 2004 dated November 05, 2004. In order to make the holding company's accounting period consistent with the aforementioned requirement the holding company has prepared its financial statements covering period of nine months ended on June 30, 2005 while the subsidiary company has prepared its financial statements covering period of one year ended June 30, 2005 and the same have been consolidated. Since the audited comparative figures are available for the year ended September 30, 2004 for the holding company, the same has been disclosed as comparatives.

2.2 Accounting convention

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

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

2.3 Principles of consolidation

The consolidated financial statements include the financial statements of Mahmood Textile Mills Limited for the period of nine months ended June 30, 2005 and its subsidiary company Mahmood Power Generation Limited for the year ended June 30, 2005. The holding company's interest in subsidiary company was 99.26% (2004: 99.26%) as at June 30, 2005.

All inter-company balances and transactions have been eliminated.

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

Minority interest is calculated on the basis of their proportionate share in the net assets of the subsidiary company.

2.4 Staff retirement benefits

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 recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses and as reduced by the fair value of plan assets.

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 amortised over the average expected remaining working lives of the employees.

2.5 Foreign currency translations

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

2.6 Taxation

Current

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

Deferred

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

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

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

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

2.7 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment loss, if any, except freehold land and capital work-in-progress which are stated at cost. Cost of some plant and machinery consists of historical cost. Borrowing costs relating to construction/erection period are also capitalized as part of the historical cost of the respective assets.

Depreciation is charged to income applying reducing balance method to write-off the historical cost and capitalized exchange fluctuations over estimated remaining useful life of the assets. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Rates of depreciation are stated in note 11. No depreciation on assets is provided in the year of disposal/retirement whereas full year's depreciation is charged in the year of purchase/commercial operation.

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.

Change in accounting policy

Up to September 30, 2004, the exchange differences on the foreign currency loans obtained for the acquisition of fixed assets were capitalized in the carrying amount of the relevant assets. During the period, this policy has been changed to bring it in line with the International Accounting Standard "The effect of changes in the foreign exchange rates - (IAS-21)" and henceforth, such exchange differences will be charged to profit and loss account. Since the impact of the amount capitalized in the previous years can not be quantified reliably, this policy is being applied prospectively. There is no impact of the change on the current period's financial statements.

2.8 Investment property

Investment property is stated at cost

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

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

2.9 Long term investments

- a) Investments in the associated companies and subsidiary company are stated at cost. Impairment losses are recognized whenever the carrying amount of investments exceed its recoverable amount. An impairment loss is recognized in income. 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.

2.10 Short term investments

Short term investments are classified as held for trading. Investments held for trading are those which are acquired for generating profit from short term fluctuation in prices. A 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. Held for trading investments are initially recognized at cost, being the fair value of the consideration given including the transaction costs. Subsequent to initial recognition, these investments are remeasured at fair value (quoted market price). Any gain or loss from change in the fair value of investments held for trading is recognized in income.

2.11 Stores, spares and loose tools

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

2.12 Stock in trade

a) Holding company:

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.

b) Subsidiary company:

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

2.13 Trade debts and other receivables

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

2.14 Revenue Recognition

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

2.15 Borrowing costs

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

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

2.16 Cash and cash equivalents

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

2.17 Trade and other payables

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

2.18 Provisions

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

2.19 Financial assets and liabilities

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised 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 transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.20 Related party transactions

Transactions with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses relating to combined offices shared with the associated companies, which are on actual basis.

2.21 Dividend

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

	Note	June 30, 2005 Rupees	September 30, 2004 Rupees										
3. SHARE CAPITAL													
Authorized capital 15,000,000 (2004: 15,000,000) Ordinary shares of Rs. 10 each		150,000,000	150,000,000										
Issued, subscribed and paid up capital													
		<table border="1"> <thead> <tr> <th>June 30, 2005</th> <th>September 30, 2004</th> </tr> </thead> <tbody> <tr> <td colspan="2" style="text-align: center;">No. of shares</td> </tr> <tr> <td style="text-align: right;">6,288,800</td> <td style="text-align: right;">6,288,800</td> </tr> <tr> <td style="text-align: right;">3,685,189</td> <td style="text-align: right;">3,685,189</td> </tr> <tr> <td style="text-align: right;">9,973,989</td> <td style="text-align: right;">9,973,989</td> </tr> </tbody> </table>	June 30, 2005	September 30, 2004	No. of shares		6,288,800	6,288,800	3,685,189	3,685,189	9,973,989	9,973,989	
June 30, 2005	September 30, 2004												
No. of shares													
6,288,800	6,288,800												
3,685,189	3,685,189												
9,973,989	9,973,989												
		62,888,000	62,888,000										
		36,851,890	36,851,890										
		99,739,890	99,739,890										
3.1	There were no movement in the share capital of the company during reporting period.												
3.2	The company has one class of ordinary shares which carry no right to fixed income.												
3.3	635 (2004: Nil) ordinary shares of Rs. 10 each are held by the Roomi Enterprises (Private) Limited an associated company in the capital of the company.												
3.4	The company has no reserved shares for issuance under options and sales contracts.												
4. LONG TERM LOANS AND FINANCES- Secured (Banking companies)													
Muslim Commercial Bank Limited	4.1	13,073,147	16,341,447										
United Bank Limited	4.2	35,000,000	50,000,000										
Habib Bank Limited	4.3	371,481,105	-										
		419,554,252	66,341,447										
Less: Current portion grouped under current liabilities													
- Muslim Commercial Bank Limited		6,536,600	6,536,600										
- United Bank Limited		20,000,000	20,000,000										
- Habib Bank Limited		26,571,429	-										
		53,108,029	26,536,600										
		366,446,223	39,804,847										

	Note	June 30, 2005 Rupees	September 30, 2004 Rupees
4.1 Muslim Commercial Bank Limited			
Demand finance		<u>13,073,147</u>	<u>16,341,447</u>

This finance equivalent to Swiss Francs 0.915 million and Deutsche Marks 0.339 million was translated into Pak Rupees at the exchange rates prevailing on the dates of opening of letters of credit for machinery acquired out of the proceeds of these finances. Originally these finances carried markup at the rate of 15% p.a, however, Muslim Commercial Bank Limited, during the year, charged markup at the rates ranging from 4.03% to 6.69% p.a (2004: 2.66% to 3.23% p.a). The year end balance is repayable in 4 half-yearly equal installments ending January 2007.

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

4.2 United Bank Limited

Demand finance -II		<u>35,000,000</u>	<u>50,000,000</u>
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This finance was obtained against the sanctioned limit of Rs. 100 million. Originally, it carried markup at the rate of 15% p.a, however, United Bank Limited, during the year, charged markup at the rates ranging from 3.38% to 7.28% p.a. (2004 3.51% to 3.81% p.a.) payable on quarterly basis. It is repayable in 20 quarterly installments commenced from April 18, 2002 and is secured against specific charge on fixed assets of the company for Rs. 133.340 million and equitable mortgage of specific assets.

4.3 Habib Bank Limited

Demand Finance		<u>371,481,105</u>	<u>-</u>
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The company, during the year, obtained long term finance facility of the sanctioned limit of Rs. 372 million against import of machinery. Mark up rate of 6 month KIBOR + 0.45%, payable on quarterly basis, will be applicable for first three years and for the remaining tenure the mark up rate will be re-negotiated. The loan is repayable in 14 equal half early installments with a grace period of one year and is secured against first pari passu charge on entire fixed assets of the company and the personal guarantees of all the directors.

5. DEFERRED LIABILITY- GRATUITY

The holding company	5.1	18,638,048	17,741,861
The subsidiary company	5.2	1,187,464	1,108,342
		<u>19,825,512</u>	<u>18,850,203</u>

5.1 The holding company:

Actuarial valuation was conducted on June 30, 2005 based on the following significant assumptions:

- Discount rate	9%	8%
- Expected rate of increase in salary in future year	8%	7%
- Average expected remaining working life time of the employees	6 Years	6 Years

	June 30, 2005 Rupees	September 30, 2004 Rupees
The amount recognized in the balance sheet is as follows:		
Present value of obligation	21,280,112	18,734,340
Unrecognized actuarial losses	(2,642,064)	(992,479)
Liability recognized in the balance sheet	18,638,048	17,741,861
Movement in the net liability recognized in the balance sheet is as follows:		
Net liability at the beginning of the period / year	17,741,861	18,451,111
Expense recognized	5,752,252	6,244,067
Contribution paid	(4,856,065)	(6,953,317)
Net liability at the end of the period / year	18,638,048	17,741,861
The amount recognized in the profit and loss account is as follows:		
Current service cost	4,628,192	4,739,237
Interest cost	1,124,060	1,504,830
Expense recognized in the profit and loss account	5,752,252	6,244,067

5.2 The subsidiary company:

Actuarial valuation was conducted on June 30, 2005 based on the following significant assumptions:

- Discount rate	9%	8%
- Expected rate of increase in salary in future years	8%	7%
- Average expected remaining working life time of the employees	12 Years	12 Years

	Note	June 30, 2005 Rupees	September 30, 2004 Rupees
The amount recognized in the balance sheet is as follows:			
Present value of obligation		1,186,474	1,092,960
Unrecognized actuarial gain		990	15,382
Liability recognized in the balance sheet		<u>1,187,464</u>	<u>1,108,342</u>
Movement in the net liability recognized in the balance sheet is as follows:			
Net liability at the beginning of the year		1,108,342	1,059,566
Expense recognized		347,663	370,486
Contribution paid		(268,541)	(321,710)
Net liability at the end of the year		<u>1,187,464</u>	<u>1,108,342</u>
The amount recognized in the profit and loss account is as follows:			
Current service cost		260,226	280,987
Interest cost		87,437	89,499
Expense recognized in the profit and loss account		<u>347,663</u>	<u>370,486</u>

6. TRADE AND OTHER PAYABLES

Creditors		54,177,269	48,051,102
Foreign bills payable		822,202	-
Due to associated undertakings	6.1	115,171,911	25,028,560
Accrued liabilities		40,650,259	31,274,713
Advances from customers		2,336,172	7,795,079
Retention money		58,455	58,455
Tax deducted at source		33,088	6,957
Workers' Profit Participation Fund:			
Holding Company	6.2	9,868,347	5,194,726
Subsidiary company	6.3	-	549,289
Sales tax		-	2,328,869
Electricity duty		222,420	207,713
Unclaimed dividend		439,034	492,833
Others	6.4	16,923,304	414,397
		<u>240,702,461</u>	<u>121,402,693</u>

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

Masood Spinning Mills Limited		-	1,526,129
M/s Khawaja Muzaffar Mahmood Muhammad Masood		108,515,267	23,502,431
Roomi Enterprises (Pvt.) Limited		6,656,644	-
		<u>115,171,911</u>	<u>25,028,560</u>

	Note	June 30, 2005 Rupees	September 30, 2004 Rupees
6.2 WORKERS' PROFIT PARTICIPATION FUND (Holding Company)			
Opening balance		5,194,726	11,667,000
Add: Interest on funds utilized in the company's business		368,256	930,163
Allocation for the period / year	26	9,868,347	5,194,726
		10,236,603	6,124,889
		15,431,329	17,791,889
Less: Amount paid to the fund		5,561,300	12,361,500
Amount deposited in the Government Treasury		1,682	235,663
		5,562,982	12,597,163
		9,868,347	5,194,726

6.3 WORKERS' PROFIT PARTICIPATION FUND (Subsidiary Company)

Opening balance		549,289	795,387
Add: Interest on funds utilized in the company's business		25,271	51,754
Allocation for the year	26	-	549,289
		25,271	601,043
		574,560	1,396,430
Less: Amount paid during the year		574,560	847,141
		-	549,289

6.4 This includes Rs. 15,882,423 in respect of temporary overdraft that arised due to issuance of cheques by the subsidiary company for amounts in excess of balance in the bank accounts.

7. INTEREST/MARKUP ON LOANS

Interest / mark up accrued on secured:			
- Long term loans and finances		8,258,419	337,913
- Short term borrowings		7,736,944	1,073,371
		15,995,363	1,411,284

8. SHORT TERM BORROWINGS - secured

From banking companies			
Short term borrowings		347,438,688	78,852,128
Short term running finance		236,874,334	55,668,093
		584,313,022	134,520,221

Short term borrowing facilities available from commercial banks under mark up arrangements aggregate Rs. 2.1 billion (2004: Rs. 2.7 billion) of which facilities aggregating Rs. 1.52 billion (2004: Rs. 2.63 billion) remained unutilized at the year end. These facilities, during the year, carried mark up at the rates ranging from 3.00% to 7.61% p.a (2004: 1.95% to 4% 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 letters of credit, export documents and personal guarantees of all the directors.

Facilities available for opening letters of credit and guarantee aggregate Rs. 585 million (2004: Rs. 545 million) of which amounts aggregating Rs. 350.372 million (2004: Rs. 104 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 September 30, 2005.

	Note	June 30, 2005 Rupees	September 30, 2004 Rupees
9. PROVISION FOR TAXATION - Net			
Opening balance		82,949,356	72,878,372
Provision made during the period / year			
- Current	9.2	35,848,330	44,000,000
- Prior		361,345	(2,374,875)
		36,209,675	41,625,125
		119,159,031	114,503,497
Less: Payments / adjustments against finalized assessments		39,257,337	31,554,141
		79,901,694	82,949,356
Less: Payments of advance tax / tax deducted at source		76,635,284	80,658,093
		3,266,410	2,291,263

9.1 Income tax assessments of the company have been finalized up to the income year ended September 30, 2003 (Tax year 2004).

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

9.3 As the company was liable to pay tax under presumptive tax regime, tax effects of temporary differences due to accelerated tax depreciation allowance and provision for gratuity as at June 30, 2005 worked out to Rs. Nil (September 30, 2004: Rs. 20.631 million - credit).

9.4 Profit and gains of subsidiary company derived from power generation are exempt from levy of Income tax under Clause 132 of Part I of the Second Schedule of the Income Tax Ordinance 2001. Moreover, provisions of Section 113 of the Income Tax Ordinance 2001 are not applicable under Clause 15 of Part IV of the Second Schedule to the Income Tax Ordinance 2001.

10. CONTINGENCIES AND COMMITMENTS

10.1 The subsidiary company had filed a writ petition against CBR in Lahore High Court challenging the levy of custom duty, regulatory duty, sales tax and service charges which was decided against the subsidiary company. The subsidiary company (as an interim payment) deposited 2.5% of the custom duty Rs. 4,424,133/- and filed an appeal in Supreme Court of Pakistan. The Supreme Court of Pakistan sustained the decision of High Court and upheld the charges of above levies. The subsidiary company has paid remaining amount of custom duty and regulatory duty of Rs. 14,186,004/-. The Honorable Supreme Court in its judgement did not give any ruling on sales tax payment amounting to Rs. 21,235,770/-. The amount of sales tax of Rs. 21,235,770/(approximately) is still unpaid and the subsidiary company is seeking to file review petition against chargeability of sales tax. Any liability consequent to the decision of Supreme Court of Pakistan is unascertained.

The management has confirmed opinion that vide S.R.O. 230(1)97 this amount is not payable by the company. This matter, vide letter no. MPG/2002/8379 dated June 28, 2002, was brought to the notice of Collector Custom Karachi. The Custom authorities have kept this demand in abeyance for the time being, vide their letter no. IB/283/97-VII(BGCELL) dated June 19, 2002. The subsidiary company has not made provision of Rs. 21.235 million consequent upon the decision of Supreme Court of Pakistan being levy of sales tax on import of power generators, in the financial statements.

10.2 The company, during the year, has imported textile plant and machinery availing exemption from custom duty and sales tax on importation thereof under SRO Nos. 554(1)/98 and 987(1)/99 amended vide SRO Nos. 839(1)/2000 and 503(1)/2003. In case the conditions of the aforementioned SROs are violated, the amount of custom duty and sales tax exempted aggregating Rs. 12.844 million (2004: Rs. 0.447 million) shall be recoverable by the Custom Authorities along with penalties under section 202 of the Customs Act, 1969. The company, during the year, after installation of some of the imported plant and machinery, has submitted installation-cum-production certificates to the Custom and Sales Tax Departments.

10.3 Guarantees given as at June 30, 2005 on behalf of the company, by the commercial banks, were outstanding for Rs. 15.88 million (2004: Rs. 12.84 million).

10.4 Foreign bills discounted outstanding as at June 30, 2005 aggregated Rs. 632.940 million (2004: Rs. 707.205 million).

10.5 Commitments for irrevocable letters of credit for:	June 30, 2005	September 30, 2004
	(Rupees in million)	
- Capital expenditure	216.568	401.833
- Others	2.180	39.117
	218.748	440.950

11. PROPERTY, PLANT AND EQUIPMENT

Particulars	C O S T			D E P R E C I A T I O N				Net Book value as at June 30, 2005	
	As at September 30, 2004	Additions during the period	Disposals/ during the Period	As at June 30, 2005	Rate	As at September 30, 2004	For the period		Disposals/ Adjustments
	-----Rupees-----			-----Rupees-----					
					%				
Land - Freehold	4,536,225	-	-	4,536,225	-	-	-	-	4,536,225
Buildings on freehold land	212,112,782	3,103,725	-	215,216,507	10	137,730,480	6,455,847	-	144,186,327
Plant and machinery	1,749,133,347	85,618,774	-	1,834,752,121	10	1,017,237,631	64,130,980	-	1,081,368,611
Furniture and fittings	4,881,080	129,928	-	5,011,008	10	2,297,654	212,597	-	2,500,757
Vehicles	24,895,567	7,312,280	1,189,372	31,018,475	20	14,978,195	2,702,195	1,107,639	16,572,751
Office equipments	3,146,622	55,500	-	3,202,122	10	1,715,162	114,293	-	1,829,455
Protective dam	3,631,049	-	-	3,631,049	5	1,668,976	73,578	-	1,742,554
Electric Installations	33,845,197	876,654	-	34,721,851	10	21,849,393	1,039,586	-	22,888,979
Gas Installations	625,869	-	-	625,869	10	446,849	13,427	-	460,276
Tools and equipment	5,122,262	1,638,321	-	6,760,583	10	2,921,184	288,926	-	3,210,110
Computer and accessories	4,641,163	717,750	-	5,358,913	30	2,905,002	552,130	-	3,457,132
Weighing bridge	2,561,871	43,001	-	2,604,872	10	1,161,193	108,276	-	1,269,469
2005	2,049,133,034	99,495,933	1,189,372	2,147,439,595		1,204,911,719	75,691,835	1,107,639	1,279,495,915
2004	1,992,507,808	85,778,326	29,153,100	2,049,133,034		1,127,348,061	92,623,585	15,059,927	1,204,911,719

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

Cost of sale Administrative expenses	For nine months ended June 30, 2005		For year ended September 30, 2004	
	Rupees	Note	Rupees	Rupees
	23		72,121,704	89,217,824
	25		3,570,131	3,405,761
			75,691,835	92,623,585

11.2 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of buyers
Vehicles							
Mitsubishi Pajero BC-2611	1,189,372	1,107,639	81,733	335,000	253,267	Negotiation	Syed Mazher Hussain Bukhari, Ward # 1, Muhallah Sadat, Tehsil Jaroi, Dist. Muzaffar Garh.
2005	1,189,372	1,107,639	81,733	335,000	253,267		
2004	24,040,441	12,148,100	11,892,341	12,053,914	161,573		

	Note	June 30, 2005 Rupees	September 30, 2004 Rupees
12. CAPITAL WORK IN PROGRESS			
Plant and machinery		394,789,491	2,136,257
Building - advance payments		49,558,211	8,154,792
Unallocated capital expenditure	12.1	360,457	-
Vehicles - advance payments		-	1,079,000
		<u>444,708,159</u>	<u>11,370,049</u>
12.1 Unallocated capital expenditure			
Sales - Net			
Local		6,483,849	-
Export		53,932,884	-
Waste		631,411	-
		61,048,144	-
Less: Commission		(911,535)	-
		<u>60,136,609</u>	-
Cost of sales			
Raw materials consumed		46,067,052	-
Salaries, wages and benefits		2,950,000	-
Stores consumed		2,605,325	-
Packing material consumed		1,672,560	-
Power and fuel		8,976,348	-
Repair and maintenance		235,325	-
Insurance		265,630	-
Others		154,330	-
		62,926,570	-
Adjustment of closing work-in-process		(2,425,349)	-
Cost of goods manufactured		60,501,221	-
Adjustment of closing finished goods		(2,700,799)	-
		<u>57,800,422</u>	-
Trial run gross profit		2,336,187	-
Selling expenses		(2,696,644)	-
Net trial run loss		<u>(360,457)</u>	-

	Note	June, 30 2005 Rupees	September, 30 2004 Rupees
13. LONG TERM INVESTMENTS - Un-quoted			
Associated Companies			
Masood Spinning Mills Limited			
4,000,000 fully paid ordinary shares of Rs. 10 each			
Percentage of equity held: 20% (2004: 20%)			
Cost		40,000,000	40,000,000
Post acquisition profit brought forward		9,773,243	7,525,048
		49,773,243	47,525,048
Profit for the year before taxation		12,908,773	3,616,975
Less: Provision for taxation		(1,428,742)	(1,368,780)
		11,480,031	2,248,195
		61,253,274	49,773,243
Roomi Fabrics Limited			
4,000,000 fully paid ordinary shares of Rs. 10 each			
Percentage of equity held: 20% (2004: 20%)			
Cost		40,000,000	40,000,000
Post acquisition profit brought forward		2,918,883	197,198
		42,918,883	40,197,198
Profit for the year before taxation		12,903,926	4,216,673
Less: Provision for taxation		(1,522,740)	(1,494,988)
		11,381,186	2,721,685
		54,300,069	42,918,883
		115,553,343	92,692,126
14. STORES, SPARES AND LOOSE TOOLS			
Stores			
- At mills		20,897,824	16,524,885
- In transit		8,245,908	5,680,777
		29,143,732	22,205,662
Spares		56,797,290	55,581,558
Loose tools		94,726	125,291
		86,035,748	77,912,511

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

	Note	June 30, 2005 Rupees	September 30, 2004 Rupees
15. STOCK IN TRADE			
Raw material	15.1	720,233,748	248,780,044
Work in process		29,227,518	31,738,172
Finished goods			
- Own manufactured	15.2	140,674,752	116,576,394
- Trading		5,957,822	1,063,930
		146,632,574	117,640,324
		<u>896,093,840</u>	<u>398,158,540</u>

15.1 Raw material includes in-transit inventory amounting Rs. 6,545,196 (2004: 453,772).

15.2 Finished goods (own manufactured) include in-transit inventory amounting Rs. 37.097 million (2004: Rs. 28.276 million).

16. TRADE DEBTS

Secured - Export bills		37,144,173	52,467,480
Unsecured			
- considered good		7,668,530	15,292,649
- considered doubtful		2,097,018	2,097,018
		9,765,548	17,389,667
		46,909,721	69,857,147
Less: Provision for doubtful debts		2,097,018	2,097,018
		<u>44,812,703</u>	<u>67,760,129</u>

17. SHORT TERM INVESTMENTS

Held for trading Quoted (At fair value)

Hub Power Company Ltd. 3,419,500 (2004: Nil) fully paid ordinary shares of Rs. 10 each		90,274,800	-
Pakistan International Airlines Corporation 2,900,300 (2004: Nil) fully paid ordinary shares of Rs. 10 each		24,797,565	-
Askari Leasing Ltd. 1,458,500 (2004: Nil) fully paid ordinary shares of Rs. 10 each		53,964,500	-
		<u>169,036,865</u>	<u>-</u>

	Note	June 30, 2005 Rupees	September 30, 2004 Rupees
18. LOANS AND ADVANCES			
Considered good			
Due from associated companies	18.1	6,743,127	110,644,587
Advances to employees		1,778,249	1,624,164
Advances for distribution license fee		3,281,637	3,281,637
Advance to suppliers and contractors		27,238,484	15,817,545
Letters of credit		453,652	715,543
Income tax deducted at source		83,601	74,827
		<u>39,578,750</u>	<u>132,158,303</u>
18.1 Due from Associated Companies (on account of normal trading transactions)			
Masood Fabrics Limited		1,692,067	264,432
Roomi Enterprises (Private) Limited		-	109,975,560
Roomi Fabrics Limited		3,738,310	404,595
Masood Spinning Mills Limited		1,312,750	-
		<u>6,743,127</u>	<u>110,644,587</u>
19. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Margin deposits		1,550,875	1,246,920
Security deposits		34,750	34,750
Prepayments		36,014	15,399
		<u>1,621,639</u>	<u>1,297,069</u>
20. OTHER RECEIVABLES			
Sales tax refundable		75,749,688	28,004,358
Export rebate receivable		13,033,008	11,661,398
Iqra surcharge receivable		3,399,085	3,399,085
Cotton claim receivable		1,676,186	-
Accrued interest / profit on bank deposits		7,001	6,407
Others		580,851	1,927,214
		<u>94,445,819</u>	<u>44,998,462</u>
21. CASH AND BANK BALANCES			
Cash in hand		580,435	487,516
Cash at banks on:			
Current accounts		5,503,972	10,472,239
Dividend account		358,751	21,838
Saving accounts	21.1	3,346,989	5,198,391
		<u>9,209,712</u>	<u>15,692,468</u>
		<u>9,790,147</u>	<u>16,179,984</u>

21.1 These include foreign currency balance of U.S.\$ 36,903.97 (2004: U.S \$ 36,907.02) which has been translated into Pak Rupees at the exchange rate prevailing at the balance sheet date.

	Note	For nine months ended June 30, 2005 Rupees	For year ended September 30, 2004 Rupees
22. SALES - Net			
Local:	22.1		
- Own manufactured goods			
Yarn		224,757,051	745,768,985
Cloth		55,606,834	58,152,497
Waste		48,259,494	81,892,742
Doubling / sizing		1,080,600	1,084,200
		329,703,979	886,898,424
- Trading goods			
Yarn		-	40,578,464
Cloth		-	5,049,134
Cotton		69,210,640	-
		69,210,640	45,627,598
		398,914,619	932,526,022
Less: Commission		890,625	2,636,302
		398,023,994	929,889,720
Export:	22.2		
- Own manufactured goods			
Yarn		1,543,579,152	1,850,317,796
Cloth		560,454,294	838,359,551
Waste		43,897,721	69,637,431
Export rebate		10,175,669	15,911,586
		2,158,106,836	2,774,226,364
Less: Export development surcharge		4,424,238	7,301,848
Commission		39,787,198	48,944,254
		44,211,436	56,246,102
		2,113,895,400	2,717,980,262
- Trading goods			
Yarn		352,065,126	236,385,887
Cloth		5,836,569	18,739,297
Waste		12,509,738	10,874,740
		370,411,433	265,999,924
Less: Export development surcharge		910,234	558,329
Commission		3,290,527	3,598,859
		4,200,761	4,157,188
		366,210,672	261,842,736
		2,878,130,006	3,909,712,718

22.1 Local sales have been shown after deduction of sales tax aggregating Rs. 43,150 million (2004: Rs. 136,636 million).

22.2 Export sales include indirect export sales to associated companies amounting Rs. 350,326,944 (Masood Fabrics Ltd. Rs. 203,684,825 Masood Spinning Mills Ltd. Rs. 37,526,806 and Roomi Fabrics Ltd. Rs. 109,115,313 (2004: Nil). under Standard Purchase Order.

	Note	For nine months ended June 30, 2005 Rupees	For year ended September 30, 2004 Rupees
23. COST OF SALES			
Raw material consumed	23.1	1,827,376,680	2,945,923,817
Stores consumed		90,285,411	100,357,907
Packing material consumed		38,516,186	45,772,329
Salaries, wages and benefits	23.2	128,592,463	139,957,029
Power and fuel		16,486,854	22,936,255
Repair and maintenance		6,863,923	7,986,946
Electricity duty		2,505,381	2,396,922
Depreciation	11.1	72,121,704	89,217,824
Adjustment	23.3	-	(2,911,827)
		72,121,704	86,305,997
Insurance		10,811,237	15,128,287
Others		59,025	214,105
		2,193,618,864	3,366,979,594
Adjustment of work -in- process			
Opening		31,738,172	24,855,609
Closing		(26,802,169)	(31,738,172)
		4,936,003	(6,882,563)
Cost of goods manufactured		2,198,554,867	3,360,097,031
Adjustment of finished goods			
Opening stock		116,576,394	118,311,855
Closing stock	23.4	(137,973,953)	(116,576,394)
		(21,397,559)	1,735,461
Cost of goods sold - Own manufactured		2,177,157,308	3,361,832,492
Cost of goods sold - Trading goods			
Opening stock		1,063,930	8,129,057
Purchases		318,952,751	271,185,688
Closing stock		(5,957,822)	(1,063,930)
		314,058,859	278,250,815
		2,491,216,167	3,640,083,307
23.1 Raw material consumed			
Opening stock		248,326,272	92,124,496
Purchases		2,291,709,833	3,100,878,798
		2,540,036,105	3,193,003,294
Less: Closing stock		713,688,552	248,326,272
		1,826,347,553	2,944,677,022
Cotton cess		1,029,127	1,246,795
		1,827,376,680	2,945,923,817

23.2 Expenses for the year include staff retirement benefit gratuity amounting Rs. 5.475 million (2004: Rs. 6.440 million).

23.3 This represents depreciation on iqra surcharge which was reversed due to withdrawal of iqra surcharge.

23.4 This includes in-transit inventory amounting Rs. 37.097 million (2004: Rs. 28.276 million).

	Note	For nine months ended June 30, 2005 Rupees	For year ended September 30, 2004 Rupees
24. SELLING EXPENSES			
Advertisement		59,050	146,875
Export expenses		85,018,009	89,834,639
Purchase of export Quota		52,790	699,185
Freight and other expenses		3,562,690	4,535,105
		<u>88,692,539</u>	<u>95,215,804</u>
25. ADMINISTRATION EXPENSES			
Salaries and benefits	25.1	8,306,511	8,022,667
Travelling and conveyance	25.2	5,318,426	4,902,611
Rent, rates and taxes		75,910	566,443
Entertainment		1,700,102	2,009,720
Electricity		473,577	822,546
Communication		4,439,817	6,022,500
Printing and stationery		928,894	1,133,009
Insurance		389,300	583,733
Repair and maintenance		1,528,604	704,419
Vehicles running and maintenance		2,654,975	3,180,610
Subscription		378,558	625,097
Auditor's remuneration			
Mahmood Textile Mills Limited			
- Statutory audit		125,000	125,000
- Half yearly review		40,000	40,000
- Certification charges		50,000	50,000
		215,000	215,000
Mahmood Power Generation Limited			
- Statutory audit		100,000	100,000
		315,000	315,000
Legal and professional charges		192,079	198,227
Depreciation	11.1	3,570,131	3,405,761
General		269,607	1,051,625
		<u>30,541,491</u>	<u>33,543,968</u>

25.1 Expenses for the year include staff retirement benefit - gratuity amounting Rs. 0.625 million (2004: Rs. 0.174 million).

25.2 This include directors' travelling amounting Rs. 4.364 million (2004: Rs. 3.131 million).

	Note	For nine months ended June 30, 2005 Rupees	For year ended September 30, 2004 Rupees
26. OTHER OPERATING EXPENSES			
Donations (without directors' interest)		1,040,000	223,500
Zakat		2,259	181
Loss on remeasurement of short term investments at fair value		37,581,554	-
Gain on sale of shares		(12,058,930)	-
		25,522,624	-
Loss on sale of shares		-	461,202
Workers' (Profit) Participation Fund			
Holding company	6.2	9,868,347	5,194,726
Subsidiary company	6.3	-	549,289
		<u>36,433,230</u>	<u>6,428,898</u>
27. OTHER OPERATING INCOME			
Rent		2,700	3,600
Gain on sale of property, plant and equipment	11.2	253,267	161,573
Export rebate on packing materials		697,730	1,657,745
Excise duty on bank borrowings written off		-	5,979,804
Exchange fluctuation gain	27.1	153,432	59,957
Income on bank deposits		75,546	438,693
Dividend income		7,078,700	-
		<u>8,261,375</u>	<u>8,301,372</u>
27.1 Exchange fluctuation gain			
Exchange gain on translation of foreign currency accounts		17,448	59,957
Exchange gain on export proceeds		135,984	-
		<u>153,432</u>	<u>59,957</u>
28. FINANCE COST			
Interest / markup on:			
- Long term loans and finances		14,792,797	3,736,227
- Short term borrowings		27,188,253	13,695,003
- Workers' (Profit) Participation Fund		393,527	981,917
Bank charges and commission		15,470,053	16,149,586
		<u>57,844,630</u>	<u>34,562,733</u>

29. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The board directors in its meeting held on October 3, 2005 has proposed to pay final cash dividends for the period ended June 30, 2005 of Rs. 39,895,960 (2004: Rs. 24,934,975) @ Rs. 4 (2004: Rs. 2.50) per ordinary share of Rs. 10/- each. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements. This will be accounted for subsequently in the year of payment.

30. EARNING PER SHARE - BASIC

	NO. OF SHARES	
Number of ordinary shares	9,973,989	9,973,989
	Rupees	
Profit attributable to ordinary shareholders	168,355,382	71,351,421
	Rupees	
Earnings per share	16.88	7.15
	For nine months ended June 30, 2005	For year ended September 30, 2004
	Rupees	Rupees

31. CASH GENERATED FROM/(USED IN) OPERATIONS

Profit before taxation	207,476,083	116,013,028
Adjustments for:		
Depreciation	75,691,835	89,711,758
Provision for gratuity	6,099,915	6,614,553
Gain on sale of property, plant and equipment	(253,267)	(161,573)
Loss on remeasurement of short term investments at fair value	37,581,554	-
Income on deposits with banks	(75,546)	(438,693)
Finance cost	57,844,630	34,562,733
Profit from associated companies	(25,812,699)	(7,833,648)
Operating profit before working capital changes	358,552,505	238,468,158
(Increase)/decrease in current assets		
Stores, spares and loose tools	(8,123,237)	(9,342,809)
Stock in trade	(497,935,300)	(154,737,523)
Trade debts	22,947,426	(19,171,128)
Loans and advances	92,579,553	(26,978,698)
Trade deposits and short term prepayments	(324,570)	(395,619)
Other receivables	(49,446,763)	(25,347,191)
Increase/(decrease) in current liabilities		
Trade and other payables	103,471,144	(9,553,809)
	(336,831,747)	(245,526,777)
	21,720,758	(7,058,619)

32. NUMBER OF EMPLOYEES

	Numbers	
Number of employees at the period/year end	1,929	2,044

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 on year	Sub-Total	Maturity upto one year	Maturity after one year		Sub-total
	% per annum	Rupees						
Financial assets:								
Long term investments		-	-	-	-	115,553,343	115,553,343	115,553,343
Long term security deposits		-	-	-	-	1,180,685	1,180,685	1,180,685
Trade debts		-	-	-	44,812,703	-	44,812,703	44,812,703
Short term investments		-	-	-	169,036,865	-	169,036,865	169,036,865
Loans and advances		-	-	-	8,521,376	-	8,521,376	8,521,376
Trade deposits		-	-	-	1,585,625	-	1,585,625	1,585,625
Other receivables		-	-	-	2,264,038	-	2,264,038	2,264,038
Cash and bank balances	0.75% to 1.5%	3,346,989	-	3,346,989	6,443,158	-	6,443,158	9,790,147
2005:		3,346,989	-	3,346,989	232,663,765	116,734,028	349,397,793	352,744,782
2004:		5,198,391	-	5,198,391	83,581,177	94,525,156	178,106,333	183,304,724
Financial liabilities								
Long term loans and finances	3.38% to 9.29%	53,108,029	366,446,223	419,554,252	-	-	-	419,554,252
Short term borrowings	3.00% to 7.61%	584,313,022	-	584,313,022	-	-	-	584,313,022
Trade and other payables	18.75%	9,868,347	-	9,868,347	228,275,522	-	228,275,522	238,143,869
Interest/mark up on loans		-	-	-	15,995,363	-	15,995,363	15,995,363
2005:		647,289,398	366,446,223	1,013,735,621	244,270,885	-	244,270,885	1,258,006,506
2004:		166,800,836	39,804,847	206,605,683	81,709,741	-	81,709,741	288,315,424
Off balance sheet item:								
Letters of credit		-	-	-	218,748,438	-	218,748,438	218,748,438
Guarantees		-	-	-	11,955,345	6,042,700	17,998,045	17,998,045
Foreign bills discounted -		-	-	632,940,000	-	632,940,000	632,940,000	
2005:		-	-	-	863,643,783	6,042,700	869,686,483	869,686,483
2004:		-	-	-	1,154,952,575	6,042,700	1,160,995,275	1,160,995,275

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 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. 0.488 million (2003: Rs. 0.430million), 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. The company is not exposed to market risk.

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.

34. REMUNERATION TO EXECUTIVES

No remuneration or meeting fee were paid to chief executive, directors and executives during the period (2004: Nil). Some of the directors and the executives, however, have been provided with the company maintained cars and residential telephones.

35. TRANSACTIONS WITH RELATED PARTIES

35.1 Related parties comprise associated companies, directors and executives. The company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables. Remuneration of chief executive, directors and executives are disclosed in note 34. Transactions with related parties are entered into and recorded at fair value. There were no transactions with related parties except disclosed in note 35.4.

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

35.3 Maximum aggregate debit balance of the associated companies accrued due to trading activities, at any month-end during the year was Rs. 442,965,206 (2004: Rs. 169,293,804)

35.4 Aggregate transactions made during the year with the associated companies were as follows:

	Fore nine months ended June 30, 2005 Rupees	For year ended September 30, 2004 Rupees
- Sale of goods	523,358,951	443,261,610
- Sale of shares	-	115,994,588
- Purchase of goods	1,232,947,935	52,199,398
- Purchase of shares	132,147,808	90,925,750
- Sizing revenues	-	632,926
- Doubling charges	923,910	4,340,836
- Doubling revenue	1,242,690	1,246,830

		For nine months ended June 30, 2005 Rupees	For year ended September 30, 2004 Rupees
36. PLANT CAPACITY AND ACTUAL PRODUCTION			
Yarn			
Number of spindles installed		65,280	65,280
Number of spindles-shifts worked		54,426,296	70,764,800
Production capacity at 20's count			
819 Shift (2004: 1,089 shifts)	Kgs.	16,627,500	22,170,000
Actual production converted into			
20's count	Kgs.	18,554,804	24,626,977
Cloth			
Number of looms installed		103	103
Number of looms-Shifts worked		84,151	112,888
Installed capacity at 60 Picks			
810 Shifts (2004: 1,080 Shifts)	Sq. mtrs.	14,981,250	19,975,000
Actual production converted into			
60 picks	Sq. mtrs.	15,987,310	21,182,850
The Subsidiary Company			
Plant capacity	Kwh.	80,592,000	80,592,000
Actual power generation	Kwh.	64,400,740	61,356,960

36.1 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.

36.2 Power generation was limited to the actual demand.

37. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 3rd 2005 by Board of Directors of the Company.

38. RECLASSIFICATIONS

38.1 Following reclassifications / rearrangements have been made in the financial statements to incorporate changes in Fourth Schedule of the Companies Ordinance 1984.

Previous classification	Current classification	Rupees
Advances, deposits, prepayments and other receivables	Loans and advances	132,158,303
Trade deposits and	short term prepayments	1,297,069
	Other receivables	44,998,462
Trade and other payable	Trade and other payable	121,402,693
	interest/mark up on loans	1,411,284
Dividends	Trade and other payable	492,833

38.2 Nomenclature of the following accounts have been changed:

Previous Nomenclature	New Nomenclature
Short term finances	Short term borrowings
Trade debtors	Trade debts
Other income	Other operating income
Miscellaneous charges	Other operating expenses
Financial charges	Finance cost

39. FIGURES

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

sd/-
(MUHAMMAD AMIN PAL)
CHIEF FINANCIAL OFFICER

sd/-
(KH. MUHAMMAD YOUNUS)
DIRECTOR

sd/-
(KH. MUHAMMAD IQBAL)
CHIEF EXECUTIVE

sd/-
(KH. MUHAMMAD MASOOD)
CHAIRMAN