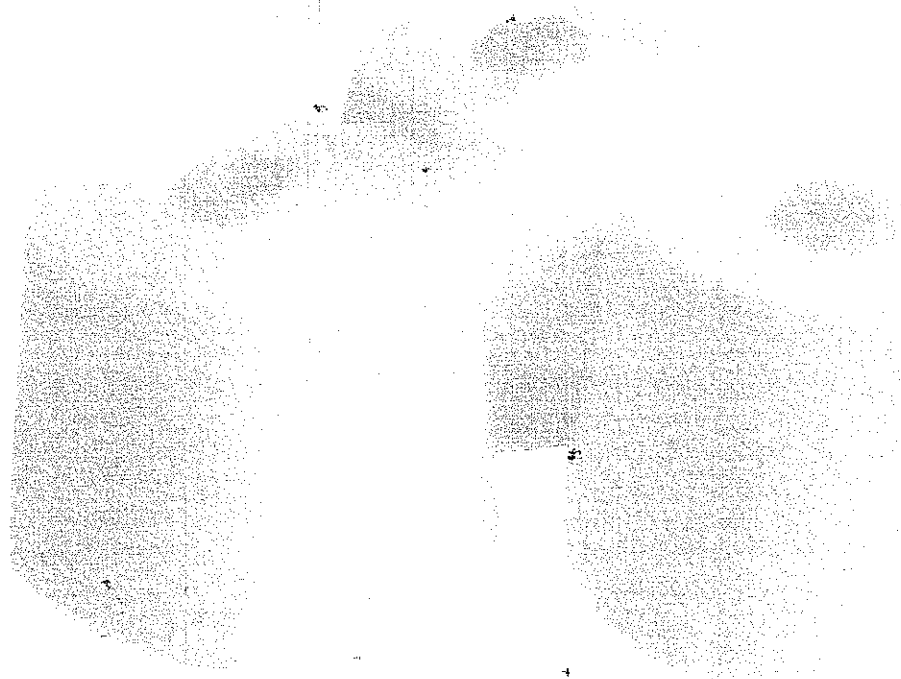


ANNUAL REPORT

2013



**MIAN TEXTILE
INDUSTRIES LIMITED**





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COMPANY INFORMATION

BOARD OF DIRECTORS:

Chairman & Chief Executive	: Mian muhammad jehangir	
Directors	: Mian Khurshid Ahmad : Mian Waheed Ahmad : Mian Muhammad Nawaz : Mian Waqar Ahmad : Mian Khurram Jehangir : Mrs Nargis Jehangir : Mr. Muhammad Arshad	
Nominee Director – NIT	: Mr. Muhammad Masud Mufti	
Company Secretary	: Mr. Muhammad Irfan	
Chief Financial Officer	: Manzoor Hussain Mir & Company Chartered Accountants	
Auditors	: Mian Waheed Ahmad Chairman : Mrs. Nargis Jehangir Member : Mian Khurram Jehangir Member	
Audit Committee	: Mian Waqar Ahmad Chairman : Mrs. Nargis Jehangir Member : Mian Khurram Jehangir Member	
HR & Remuneration Committee	: Mian Waqar Ahmad Chairman : Mrs. Nargis Jehangir Member : Mian Khurram Jehangir Member	
Bankers	: Habib Bank Limited : NIB Bank Ltd. (formerly PICIC) : Industrial Development Bank of Pakistan : National Bank of Pakistan : The Bank of Punjab	
Head Office & Registered Office	: 29-B/7, Model Town, Lahore. Phone: 35831804-5 (2 lines) Fax: 35830844 Email: info@miantextile.com	
Mills	: 48.5 K.m. Multan Road, Bhai Pheru, Tehsil Chunian, District Kasur. Phone: (04943) 540384, 042-35834029	
Shares Registrar	: Hameed Majeed Associates (Pvt) Ltd H M House 7-Bank Square, Lahore. Tel: 37235081-82 Fax: 37358817	

MISSION STATEMENT

To provide quality products to customers and explore new markets to promote / expand sale of the company through good governance and foster a sound and dynamic team, so as to achieve optimum price of products of the Company for sustainable and equitable growth and prosperity of the company.

VISION STATEMENT

To transform the Company into a modern and dynamic yarn & cloth manufacturing Company with highly professional and fully equipped to play meaningful role on sustainable basis in the economy of Pakistan.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the "CCG") contained in Regulation No. 35 of listing regulations of both Karachi Stock Exchange and Lahore 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 CCG in the following manner:

1. The Company encourages the representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes four (4) non-executive and (3) executive directors including CEO. The Company will have an independent director on the next election of board of directors.
2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding company where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF, or being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. No casual vacancy occurs during the year under review.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
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 decisions 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/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Having minimum 14 years of education by all of directors and 15 years of experience by 5 out of 7 directors on the board make them exempt from any director's training program. However, the company intends to arrange for orientation course for minimum one director during next year.
10. The board has approved appointment of CFO and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The director's report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an audit committee. The staff is considered to be suitably qualified and experienced for the purpose and is fully conversant with the policies and procedures of the Company.
16. 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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises (3) members of whom (2) are non-executive directors and the chairman of the committee is a non-executive director.
18. The board has set up an effective internal audit function, which has been effectively implemented.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim/final results and business decisions which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by Audit Committee and Board of Directors.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

Lahore
October 05, 2013

For and on Behalf of the Board


MIAN MUHAMMAD JEHANGIR
Chairman & Chief Executive

MANZOOR HUSSAIN MIR & CO.
CHARTERED ACCOUNTANTS

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RES 35 86 82 87
35 86 80 83

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AL-NOOR BUILDING,
43-BANK SQUARE,
LAHORE.

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 **MIAN TEXTILE INDUSTRIES LIMITED** to comply with the Listing Regulation No 37 of the Karachi Stock Exchange (Guarantee) Limited and Listing Regulation's of Chapter No XIII of the Lahore 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, sub- Regulation (Xiii) of listing Regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N -269 dated January 19, 2009 requires the company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, subject to audit observations expressed in our audit report effecting the compliance with the Code of Corporate Governance, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013

Lahore.
October 05, 2013


(MANZOOR HUSSAIN MIR & CO.) Chartered Accountants
CHARTERED ACCOUNTANTS
Audit Engagement Partner: Manzoor Hussain Mir


NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 27th Annual General Meeting of the Shareholders of **Mian Textile Industries Limited** will be held on **Thursday October 31, 2013 at 10:00 A.M** at the Registered Office of the Company at 29-B/7, Model Town, Lahore to transact the following business:-

Ordinary business:

- 1 To confirm the minutes of the last Annual General Meeting of the Shareholders of the Company held on October 31, 2012
- 2 To receive, consider and adopt the audited financial statements of the company together with the Director's and Auditor's reports thereon for the year ended June 30, 2013.
- 3 To appoint Auditors and fix their remuneration for the year ending on June 30th, 2014.
- 4 To recommend and approve the online transmission of quarterly/interim accounts of the Company through website

Special business:

- 5 To consider and approve the sale of Weaving machinery so as to repay the settled amount to the banks and if thought fit, to pass with or without modification, the following resolution as special resolution;

"Resolved that:

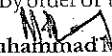
- a) the directors of the Company be and are hereby authorized to sell Weaving machinery to pay the settled amounts to the banks as mentioned in annexed Statement under Section 160(1)(b) of the Companies Ordinance 1984 in the best interest of the Company.
- b) Mian Muhammad Jehangir – Chief Executive of the Company be and is hereby authorized and empowered to sell the Weaving machinery through negotiations with the interested parties and to pay the settled liabilities of the lender banks from the sale proceeds of the Weaving machinery and or through funding by the Directors/their family members (if needed) on behalf of the Company and complete all the legal formalities to give effect to the aforesaid Resolution "

Other business:

- 6 To transact any other business with the permission of the Chairman

Lahore:

Dated: October 08, 2013

By order of the Board

 Muhammad Masud Mufti
 Company Secretary

Notes:

- a) The share transfer books of the Company will remain closed from October 22, 2013 to October 31, 2013 (both days inclusive). Transfers received in order at the Registered Office of the Company up to the close of business on October 21, 2013 will be in time to affect the voting rights at the meeting.
- b) A member of the company entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote. Votes may be given personally or by proxy or by attorney or in case of Corporation by a representative duly authorized. The instrument of proxy duly executed should be lodged at the registered office of the Company not later than 48 hours before the time of meeting.
- c) Any individual Beneficial Owner of the Central Depository Company, entitled to vote at this meeting must bring his/her CNIC with him/her to prove his/her identity, and in case of proxy must enclose an attested copy of his/her CNIC. Representatives of corporate members should bring the usual documents required for such purpose.
- d) The Shareholders are requested to notify the Company, the change in their address, if any, immediately to the Company's Registrar Hameed Majeed Associates (Pvt) Ltd. – H M House 7, Bank Square, Lahore.
- e) Members are requested to provide by mail or fax, photocopy of their CNIC and email address to enable the Company to comply with the relevant laws.
- f) A Statement under Section 160(1)(b) of the Companies Ordinance, 1984 is being sent to the shareholders along with this Notice.

DIRECTOR'S REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors of Mian Textile Mills Limited, I am pleased to welcome you to the 27th Annual General Meeting of the Company and submit their report together with audited financial statements of the Company and Auditor's Report thereon for the year ended June 30, 2013.

During the year, due to non-availability of working capital limits from the banks, the company mainly kept on doing conversion of third party's raw material into finished goods.

Although the production and sales of the company increased during the year as compared to previous year, consequently operating loss for the year has also reduced. Loss for the year includes provision raised for doubtful claims/obsolete stores & spares of Rs 16 448 million in current year. However, due to irrepressible factors, mainly due to severity of the energy crisis, the industry faced excessive scheduled and unscheduled load shedding of gas and electricity throughout the year especially during the months of Dec-12 & Jan-13 in which gas supply to the industry was totally stopped which resulted in closure of the mills during that period.

The Financial results of the Company are summarized below:

	2013 (Rs in '000')	2012 (Rs. in '000')
Sales	233,662	92,965
Gross Profit/(Loss)	(7,007)	(20,670)
Operating Loss	(22,899)	(35,677)
Finance Cost	10,760	12,916
Loss before Taxation	(46,423)	(52,438)
Provision for Taxation	934	934
Loss after Taxation	(47,617)	(26,325)
Comprehensive Loss for the year	(36,997)	(15,041)
E.P.S	(2.15)	(1.19)

Future outlook

The economic growth of the country is continuously being hampered by the consistent war against militancy & weak law and order situation in the country. The management of the company is still striving hard to keep the operations of the mills running.

Last year, the Company got its loans settled and paid its entire outstanding liabilities with Faysal Bank Limited, Allied Bank Limited & Grays Leasing Limited. However in current year settlement agreements with NIB Bank Limited and Industrial Development Bank Limited were made in June 2013 and August 2013 respectively. The management is very hopeful that it would also be able to get its remaining loans rescheduled/settled with the other banks. In this way the company shall be able to reduce loss being sustained due to non-availability of working capital. The sponsoring directors also intend to provide funds for working capital.

Dividend

In view of the losses sustained, the directors have not recommended any dividend for the period ended as at June 30, 2013.

Notes

Furthermore, we give hereunder our comments on the observations recorded by the company's auditors in their report.

- The reclassification of certain short-term loans and mark-up on short-term and long-term loans has made on the basis of positive on going meetings with the banks. The management is of the view that it would be able to get its remaining loans rescheduled/settled as was done with Faysal Bank Ltd., Allied Bank Ltd., and Grays Leasing Ltd. during the last year and with NIB Bank Ltd and IDBP in this year. The management is hopeful that this will be done soon
- The Company applied to its various banks for rescheduling but they filed suit against Company, which are pending before the various Courts. The liability is not at all ascertainable at this stage. The liability, if any, arising on the judgment by the Courts would be provided at the material time. The management is hopeful that its outstanding loans with remaining banks shall also be rescheduled/settled as was done with above mentioned banks, which have waived off the entire outstanding/deferred mark-up of the Company.

The Company has also filed suits against its various banks for recovery of damages.

- As the management is under process of negotiations with the bank for settlement of its entire loans, in the light of on going meetings and discussions with the top officials of the bank, the management is hopeful that no such exchange loss will arise at the time of settlement because the Company has already made various requests to the bank to convert its foreign currency loans into Pak Rupee loans, which the bank must already have paid onwards to the State bank of Pakistan at the time of maturity of the loan.
- The directors of the company are optimistic that if re-scheduling/settlement of remaining loans is done as requested by the company to its bankers (as done by various above mentioned banks/leasing company) and due to continued support for the company's operations by the lenders and sponsoring directors by providing further temporary funding will ensure the company's ability to continue as going concern and will help to revive its own production and to recoup its losses
- Cotton claims of Rs 29 851 million outstanding since 1999 against foreign suppliers have become doubtful of recovery. Accordingly the management has decided to raise half of the provision of this amount in the current year and the half in 2014.

CORPORATE AND FINANCIAL REPORTING FRAME WORK

The directors also confirm compliance with Corporate and Financial Reporting Framework of the SECP's Code of Corporate Governance for the following:

- a) The financial statements prepared by the management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- b) Proper books of accounts have been maintained by the Company;
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of

- financial statements and any departure there from (if any) has been adequately disclosed;
- e) The system of internal control is sound in design and has been effectively implemented and monitored;
 - f) There are no doubts upon the company's ability to continue as a going concern
 - g) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
 - h) Operating and financial data and key ratios of six years are annexed.
 - I) A statement showing pattern of shareholding is annexed.
 - j) During the year, following shares of the Company were acquired by the CEO and Directors. However, no trading was carried out by the other Directors, CFO, Company Secretary, their spouses & minor children:

Name of Transferee	No. of Shares
Mian Muhammad Jehangir	3,157,900
Mrs. Nargis Jehangir	1,874,100
Mian Khurram Jehangir	1,618,300

BOARD MEETING

During the financial year under consideration, six meetings were held and the attendance by the respective directors was as follows:

S.No.	Name of Directors	No. of meetings attended
1	Mian Muhammad Jehangir	5
2	Mian Khurshid Ahmed	-
3	Mian Waheed Ahmed	6
4	Mian Muhammad Nawaz	-
5	Mian Waqar Ahmed	2
6	Mian Khurram Jehangir	6
7	Mrs. Nargis Jehangir	1
8	Mr. Muhammad Atshad (NIT)	4

Leave of absence was granted to Directors who could not attend some of the Board meetings.

AUDIT COMMITTEE

The Board constituted an Audit Committee comprising the following Directors:

1.	Mian Waheed Ahmed	Chairman
2.	Mrs Nargis Jehangir	Member
3.	Mian Khurram Jehangir	Member

HUMAN RESOURCES & REMUNERATION COMMITTEE

The Board constituted an HR&R Committee comprising the following Directors:

1.	Mian Waqar Ahmed	Chairman
2.	Mrs Nargis Jehangir	Member
3.	Mian Khurram Jehangir	Member

AUDITORS

The present auditors M/s Manzoor Hussain Mir & Co. Chartered Accountants will retire at the conclusion of

the Annual General Meeting. The auditors of the Company shall be appointed in the forthcoming AGM for the next year 2013-2014 and their remuneration shall be fixed.

PATTERN OF SHAREHOLDINGS

A statement showing pattern of shareholding as on June 30, 2013 is annexed.

ACKNOWLEDGEMENT

We like to place on record our gratitude to the valued clients, regulatory authorities, banks and financial institutions and also the shareholders for their continued support. We also appreciate the efforts and dedication shown by the staff for managing the company's affairs successfully during this tough time.

ON BEHALF OF THE BOARD

Lahore:
October 05, 2013


Mian Muhammad Jehangir
Chairman & Chief Executive

PERFORMANCE OF LAST SIX YEARS AT GLANCE (RUPEES IN '000')

	2013	2012	2011	2010	2009	2008 (Restated)
FINANCIAL DATA						
PROFIT & LOSS ACCOUNT						
Sales	233,662	92,965	151,053	268,913	261,679	534,086
Cost of sales	240,669	113,636	152,911	258,533	286,394	626,677
Gross profit/(loss)	(7,007)	(20,670)	(1,859)	10,381	(24,715)	(92,592)
Operating profit/(loss)	(22,899)	(35,677)	(16,472)	(4,315)	(39,451)	(113,972)
Profit/(loss) before taxation	(46,423)	(52,438)	(36,002)	(36,071)	(76,127)	(172,313)
Net profit/(loss) after taxation	(47,617)	(26,325)	(37,601)	(37,446)	(76,127)	(174,983)
Comprehensive loss for the year	(36,997)	(15,041)	(25,604)	(24,684)	(61,158)	
BALANCE SHEET						
Paid up capital	221,052	221,052	221,052	221,052	221,052	221,052
Fixed assets	575,115	603,276	653,651	688,533	723,526	765,745
Current assets	68,366	81,573	65,368	104,052	159,358	168,193
Current liabilities	108,383	128,335	89,312	238,244	309,311	300,807
KEY RATIOS						
Gross profit/(loss) ratio	-3.00%	-22.23%	-1.23%	3.86%	-9.44%	-17.34%
Operating profit/(loss) ratio	-9.80%	-38.38%	-10.90%	-1.60%	-15.08%	-21.34%
Net profit/(loss) ratio	-20.38%	-28.32%	-24.89%	-13.92%	-29.09%	-32.76%
Current ratio	1 : 0.63	1 : 0.64	1 : 0.73	1 : 0.44	1 : 0.52	1 : 0.56
Earning/(loss) per share (Rs.)	(2.15)	(1.19)	(1.70)	(1.69)	(3.44)	(7.92)

PATTERN OF SHAREHOLDING (AS AT JUNE 30, 2013)

Number of ShareHolders	shareholding From	To	Total Number of Share Held	Percentage of Total Capital
284	1 -	100	24 262	0 11
792	101 -	500	338 689	1 53
236	501 -	1000	219 097	0 99
304	1001 -	5000	833 246	3 77
71	5001 -	10000	572 400	2 59
13	10001 -	15000	154 000	0 70
17	15001 -	20000	304 424	1 38
7	20001 -	25000	163 200	0 74
5	25001 -	30000	145 600	0 66
3	30001 -	35000	96 400	0 44
7	35001 -	40000	262 500	1 19
4	40001 -	45000	175 100	0 79
7	45001 -	50000	344 000	1 56
2	50001 -	55000	103 900	0 47
1	55001 -	60000	56 800	0 26
2	65001 -	70000	133 295	0 60
1	85001 -	90000	90 000	0 41
1	95001 -	100000	100 000	0 45
1	100001 -	105000	102 800	0 47
1	105001 -	110000	109 798	0 50
1	110001 -	115000	111 000	0 50
4	135001 -	140000	556 000	2 52
2	145001 -	150000	300 000	1 36
1	150001 -	155000	154 000	0 70
1	160001 -	165000	162 000	0 73
1	165001 -	170000	188 000	0 76
1	175001 -	180000	178 000	0 81
2	195001 -	200000	400 000	1 81
2	200001 -	205000	406 368	1 84
1	205001 -	210000	210 000	0 95
1	215001 -	220000	215 734	0 98
1	305001 -	310000	308 800	1 40
1	420001 -	425000	420 900	1 90
1	445001 -	450000	447 500	2 02
1	735001 -	740000	736 078	3 33
1	1425001 -	1430000	1 425 809	6 45
1	1950001 -	1955000	1 952 800	8 83
1	2080001 -	2085000	2 081 400	9 42
1	2180001 -	2185000	2 185 000	9 88
1	5355001 -	5360000	5 356 300	24 23
1,785			22 105 200	100 00

FORM 34**Patten of Holding of Shares****Held by the Share Holders as at 30/06/2013**

Category	No of Shareholders	Shares Held	%
1 Individuals	1 749	8 474 790	38 3384
2 Investment Company	3	38 800	0 1755
3 Insurance Company	1	420 900	1 9041
4 Joint Stock Company	12	121 459	0 5495
5 Financial Institution	3	57 715	0 2611
6 Modarabas	4	33 000	0 1493
7 Funds	2	69 656	0 3151
8 Mutual Funds	1	736 078	3 3299
9 Directors Chief Executive Officer and their spouse and minor children	7	12 148 102	54 9559
10 Others	3	4 700	0 0213
	1,785	22 105 200	100 0000

CATEGORIES OF SHAREHOLDERS AS ON JUNE 30, 2013

	No. of shares	%
1 ASSOCIATED COMPANY	NIL	
2 NIT AND ICP		
a) National Bank Of Pakistan, Trustee Department	793,793	
b) Investment Corporation of Pakistan	15,900	
	809,693	3.66
3 DIRECTORS		
a) Mian Muhammad Jehangir	5,356,300	24.23
b) Mian Khurshid Ahmad	215,734	0.98
c) Mian Muhammad Nawaz	202,868	0.92
d) Mian Waheed Ahmad	2,185,000	9.88
e) Mian Waqar Ahmad	154,000	0.70
f) Mian Khurram Jehangir	1,952,800	8.83
g) Mrs. Nargis Jehangir	2,081,400	9.42
	12,148,102	54.96
4 DIRECTORS' SPOUSES & MINOR CHILDRENS	1,691,800	7.65
5 DIRECTORS RELATIVES	817,710	3.70
6 PUBLIC SECTOR COMPANIES AND CORPORATIONS	420,900	1.90
7 BANKS DEVELOPMENT FINANCIAL INSTITUTIONS NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS	2,237,093	10.12
8 GENERAL PUBLIC	3,979,902	18.00
	22,105,200	100.00
9 Shareholders holding five percent or more		
Mian Muhammad Jehangir	5,356,300	24.23
Mian Waheed Ahmad	2,185,000	9.88
Mian Khurram Jehangir	1,952,800	8.83
Mrs. Nargis Jehangir	2,081,400	9.42
10 During the financial year the trading in shares of the company by the CEO, Directors, CFO, Company Secretary and their spouses and minor children is as follows:		
Mian Muhammad Jehangir	3,157,900	
Mrs. Nargis Jehangir	1,874,100	
Mian Khurram Jehangir	1,618,300	

MANZOOR HUSSAIN MIR & CO.
CHARTERED ACCOUNTANTSTELEPHONES: OFF 37 32 48 39
37 32 36 17
FAX 37 35 38 65
RES 35 86 82 87
35 86 80 83

E-mail: mhmmandco@gmail.com

AL-NOOR BUILDING,
43-BANK SQUARE,
LAHORE.**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **MIAN TEXTILE INDUSTRIES LIMITED** as at June 30, 2013, and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (A) Short term loans, overdues and current portion of long term liabilities of Rs. 423.193 million as listed on Note 8.8.1 are classified as long term liabilities instead of current liabilities, with the result that long term liabilities are overstated while the current liabilities are understated to extent stated above. In our opinion this action of management is not valid and short term loans can be presented as long term in Financial Statements only when the approval for the same is conveyed by banks to Company, which was awaited to the date of our report.
- (B) Due to litigation with banks and leasing companies, the mark up on long term loans, short term loans and leases for current period Rs. 51.499 million and prior periods Rs. 120.633 million aggregating to Rs. 172.132 million at Note 8.8.1 are not considered. Accumulated losses are here understated by Rs. 172.132 million. Current period loss is also understated by Rs. 51.499 million.
- (C) Markup on bank loans and leases amounting to Rs. 10.729 million and prior period deferred markup Rs. 112.747 million on loans (not rescheduled) aggregating Rs. 123.476 million are presented in financial statements under the head deferred markup instead of showing it as current liabilities. Here again deferred liabilities are overstated and current liabilities are understated.
- (D) Foreign currency loans disclosed at Note 8.4 and 8.5 are not translated in to Pak rupees at the exchange rate prevailing as on 30th June 2013 as required by IAS-21, as a result of which the non-current liabilities and

loss for the year are both under stated by Rs 74 826 million. Accumulated Losses are reduced by that extent.

- (E) Claims of Rs 29 851 million stated at Note 23 2 being doubtful of recovery should have been fully provided instead of raising provision only for half of the claims. The losses for the year are understated by Rs 14 926 million.

Except for the effects on the financial statements of the matters stated above, we report that:

- (F) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (G) in our opinion:
- (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (H) in our opinion, except for the effect of matters referred in paragraph (A) to (E) and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, 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, 2013 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (I) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980
- (J) Attention is invited to the followings:

Shareholder's equity shows adverse balance of Rs 414 669 million while current liabilities have exceeded current assets by Rs. 40 016 million. If un-provided expenses amounting Rs. 278 505 million are taken in to consideration the equity adverse balance will increase to Rs. 693 174 million whereas short term loans classified as long term loans, are reclassified, the excess of current liabilities over the current assets would be aggregating to Rs. 865 190 million.

Short term loans are incorrectly classified as the long term loans without the approval of the banks. The company has failed to make payments of their over dues and other liabilities amounting to Rs 423 193 million. This situation creates doubts about the ability of company to continue as going concern. As per production data at note 40, this year although the capacity utilization of spinning section has gone up to 51% against 11% in last year while weaving utilization has increased to 41% as compared to 33%, yet

heavy losses are sustained

The conception of going concern will be valid only if the loans are rescheduled / converted by the banks into long term loans or further funds are provided by the sponsoring directors to meet its working capital requirements and management of the company is also able to elevate its production activities to optimum level. Reasons of management for preparing accounts on-going concern basis are stated at note 3

- (i) Company's claims against banks indicated at Note 16.5, 16.6, and 16.7 are not recognized in these financial statements in light of IAS-37 as the cases are pending in court of law and in view of the uncertain conditions the benefit cannot be ascertained accurately.
- (ii) No terms and conditions regarding repayment of director's loan amounting Rs. 38.564 million at note 7 are laid down in the form of agreement and in the absence of such agreement, the requirement of IAS-39 for amortization of loan cannot be fulfilled
- (iii) Letters dropped to Bank of Punjab followed by reminders requiring confirmation of loans balances were not responded by it

October 05, 2013
LAHORE

(MANZOOR HUSSAIN MIR & CO

Manzoor Hussain Mir

CHARTERED ACCOUNTANTS

Audit Engagement Partner: Manzoor Hussain Mir



BALANCE SHEET

Equity and Liabilities	Note	2013 Rupees	2012 Rupees
Share capital and reserves			
Share capital	5	221,052,000	221,052,000
Accumulated loss		<u>(635,721,750)</u>	<u>(598,724,328)</u>
		(414,669,750)	(377,672,328)
Surplus on revaluation of			
Property, plant & equipment	6	302,725,937	313,345,390
Non-current liabilities			
Director's bridge finance & loan	7	38,563,713	38,563,713
Long term financing	8	426,981,491	409,948,891
Liabilities against assets subject to finance lease	9	20,949,639	20,949,639
Deferred liabilities	10	164,195,505	155,026,139
Current liabilities			
Trade and other payables	11	69,259,198	63,001,002
Accrued mark-up	12	-	-
Short term borrowings	13	39,123,445	37,209,465
Current and overdue portion of non-current liabilities	14	-	28,125,000
Provision for taxation	15	-	-
		108,382,643	128,335,467
Contingencies and commitments	16	-	-
		<u>647,129,178</u>	<u>688,496,911</u>

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

Lahore:
October 05, 2013


MIAN MUHAMMAD JEHANGIR
Chairman & Chief Executive

AS AT JUNE 30, 2013

Properties and assets	Note	2013 Rupees	2012 Rupees
Non-current assets			
Property, plant and equipment	17	575,114,572	603,275,771
Long term deposits	18	3,648,244	3,648,244
Current assets			
Stores and spares	19	9,857,277	12,323,353
Stock in trade	20	6,566,868	11,359,376
Trade debts	21	19,841,530	18,468,659
Loans and advances	22	1,933,834	1,948,583
Trade deposits and short term prepayments	23	20,045,771	34,922,523
Tax refunds due from Government	24	500,135	429,192
Cash and bank balances	25	9,620,947	2,121,210
		68,366,362	81,572,896
		647,129,178	688,496,911

Waheed Ahmed
MIAN WAHEED AHMED
 Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
Sales	26	233,662,139	92,965,381
Cost of sales	27	240,669,276	113,635,541
Gross profit / (loss)		(7,007,137)	(20,670,160)
Operating expenses			
Distribution cost	28	2,765,509	2,532,847
Administrative expenses	29	13,126,843	12,474,217
		15,892,352	15,007,064
Operating loss		(22,899,489)	(35,677,224)
Other operating charges	30	16,448,054	3,845,188
Other operating income	31	3,685,045	-
Finance cost	32	10,760,388	12,915,705
Loss before taxation		(46,422,886)	(52,438,117)
Extra ordinary income	33	-	27,046,813
Taxation	34	1,193,989	934,189
Loss for the year after taxation		(47,616,875)	(26,325,493)
Loss per share - basic & diluted	35	(2.15)	(1.19)

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

Lahore:
October 05, 2013


MIAN MUHAMMAD JEHANGIR
Chairman & Chief Executive


MIAN WAHEED AHMED
Director

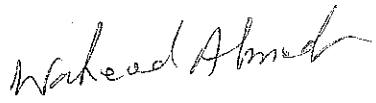
**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013**

	2013 Rupees	2012 Rupees
Loss for the year after taxation	(47,616,875)	(26,325,493)
Other comprehensive income	-	-
Incremental depreciation charged during the year	10,619,453	11,284,498
Total comprehensive loss for the year	(36,997,422)	(15,040,995)

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

Lahore:
October 05, 2013


MIAN MUHAMMAD JEHANGIR
Chairman & Chief Executive


MIAN WAHEED AHMED
Director

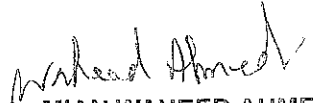
CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(46,422,886)	(52,438,117)
Adjustments for non-cash and other items:			
Depreciation		29,905,659	31,651,903
Gratuity net of provision related to school		449,130	1,814,223
Loss/(Gain) on disposal of property, plant and equipment		(645,455)	3,106,857
Un-claimed balances written back		(2,782,808)	-
Profit on deposits		(256,782)	-
Provision raised for Claims receivable being bad of recovery		14,925,550	-
Provision for sales tax doubtful of recovery		487,762	-
Provision raised for obsolete stores and spares		1,034,742	-
Provision for doubtful debtors		-	738,331
Finance cost		10,760,388	12,915,705
		<u>53,878,186</u>	<u>50,227,019</u>
Operating profit before working capital changes		7,455,300	(2,211,098)
Adjustments for Working Capital Changes			
(Increase) / decrease in current assets:			
Stores and spares		1,431,334	(321,360)
Stock in trade		4,792,508	(8,440,732)
Trade debts		(1,372,871)	(5,647,696)
Loans and advances		14,749	(920,500)
Trade deposits, prepayments and other receivables		207,984	(101,797)
Tax refunds due from Government		(602,155)	837,926
(Decrease) / increase in current liabilities:			
Trade and other payables		9,041,004	7,270,533
Short term borrowings		1,913,980	27,774,192
		<u>15,426,533</u>	<u>20,450,566</u>
Net working capital changes		(1,312,482)	(14,451,176)
Finance cost paid		(727,670)	(752,143)
Gratuity paid		(1,150,539)	(975,884)
Income tax paid		(3,190,691)	(16,179,203)
		<u>19,691,142</u>	<u>2,060,265</u>
Net cash generated from/ (used in) operating activities		19,691,142	2,060,265
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(2,061,005)	(3,698,915)
Proceeds from disposal of property, plant and equipment		962,000	19,315,550
Long term deposits		-	4,622,683
		<u>(1,099,005)</u>	<u>20,239,318</u>
Net cash (used in) / generated from investing activities		(1,099,005)	20,239,318
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of:			
Long term financing		(11,092,400)	(24,033,053)
Liabilities against assets subject to finance lease		-	2,041,289
		<u>(11,092,400)</u>	<u>(21,991,764)</u>
Net cash (used in)/ generated from financing activities		7,499,737	307,819
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		2,121,210	1,813,391
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		2,121,210	2,121,210
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25	9,800,947	2,121,210

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

Lahore:
October 05, 2013


MIAN MUHAMMAD JEHANGIR
Chairman & Chief Executive


MIAN WAHEED AHMED
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2013

Particulars	Share Capital	Accumulated Loss	Shareholders' Equity
	-----Rupees-----		
Balance as at June 30, 2011	221,052,000	(583,683,333)	(362,631,333)
Total comprehensive loss for the year	-	(15,040,995)	(15,040,995)
Balance as at June 30, 2012	221,052,000	(598,724,328)	(377,672,328)
Total comprehensive loss for the year	-	(36,997,422)	(36,997,422)
Balance as at June 30, 2013	221,052,000	(635,721,750)	(414,669,750)

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

Lahore:
October 05, 2013


MIAN MUHAMMAD JEHANGIR
Chairman & Chief Executive


MIAN WAHEED AHMED
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2013

1 LEGAL STATUS AND NATURE OF BUSINESS

Mian Textile Industries Limited, "the Company", was incorporated in Pakistan on December 01, 1986 as a Public Limited Company under the Companies Ordinance, 1984. Its shares are quoted on Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at 29-B/7, Model Town, Lahore and its manufacturing facilities are located at 48.5 K.M. Multan Road, Bhai Pheru, Tehsil Chunian, District Kasur. The Company is principally engaged in the business of manufacturing, sale and export of textile products. Due to the un-economical condition the production of own yarn and cloth was closed down since 2010 and conversion services were extended to other parties. The company has resumed its own production of cloth in last quarter of the year 2012.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared with in accordance and the requirements of the Companies Ordinance, 1984 (the Ordinance) and directives issued by the Securities and Exchange Commission of Pakistan, and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Accounting Standards (IASs) / International Financial Reporting Standards (IFRSs) as notified under the provisions of the Ordinance. In case the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan differs with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives shall prevail.

2.1 Adoption of new and revised standards and interpretations

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

Standard or Interpretation	Effective Date Periods Beginning on or After	
- IFRS 7	Financial instruments: Disclosures (Amendments)	January 1, 2013
- IAS 1	Presentation of financial statements (Amendments)	January 1, 2013
- IAS 16	Property Plant and Equipment (Amendments)	January 1, 2013
- IAS 19	Employee benefits (Amendments)	January 1, 2013
- IAS 27	Separate Financial Statements (Revised)	January 1, 2013
- IAS 28	Investments in Associates and Joint Venture (Revised)	January 1, 2013
- IAS 32	Financial instruments: Presentation (Amendments)	January 1, 2013 & 2014
- IAS 34	Interim Financial Reporting (Amendments)	January 1, 2013
- IAS 36	Impairment of assets (Amendments)	January 1, 2014
- IAS 39	Financial instruments: Recognition and measurement (Amendments)	January 1, 2014
- IFRIC 20	Stripping costs in the production phase of a surface mine	January 1, 2013

The management anticipates that, except for the effects on the financial statements of amendments to IAS 19 "Employee Benefits", the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation / disclosures.

The amendments to IAS 19 require immediate recognition of actuarial gains / losses in other comprehensive income in the period of initial recognition, this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. Further, the changes require immediate recognition of previously unrecognised past service cost. Following these changes unrecognised actuarial gains/losses and unrecognised past service cost will be recorded immediately in other comprehensive income and profit and loss account respectively.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan, for the purpose of their applicability in Pakistan:

Standard or Interpretation	Effective Date Periods Beginning on or After	
- IFRS 1	First-time adoption of International Financial Reporting standards	July 1, 2009
- IFRS 9	Financial instruments	January 1, 2015
- IFRS 10	Consolidated financial statements	January 1, 2013
- IFRS 11	Joint arrangements	January 1, 2013
- IFRS 12	Disclosure of interests in other entities	January 1, 2013
- IFRS 13	Fair value measurement	January 1, 2013
- IFRIC 21	Levies	January 1, 2014

The following interpretations issued by the IASB have been waived of by SECP effective January 16, 2012:

- IFRIC 4 Determining whether an arrangement contains lease
- IFRIC 12 Service concession arrangements

3 BASIS OF PREPARATION OF FINANCIAL STATEMENTS ON GOING CONCERN ASSUMPTION

These financial statements have been prepared under the historical cost convention, except certain property, plant and equipment shown at revalued amounts as stated in Note 17, using, except for cash flow statements, accrual basis of accounting

These financial statements are prepared on the assumption that the company will continue as a going concern for a foreseeable future. The company has suffered a loss of Rs. 46.423 million during the year ended June 30, 2013 (2012: Rs. 52.438 million) and accumulated losses are of Rs. 635.722 million (2012: Rs. 598.724 million). The current liabilities of the company have exceeded over current assets by Rs. 40.016 million (2012: Rs. 46.762 million) as at the balance sheet date.

In preceding year own production of 'yarn and cloth' was closed down and conversion services were extended to third parties and in 2013 mainly conversion work was done. The agreements for 'conversion services' executed with the clients expired in June, 2013. Agreement for yarn conversion process stands extended to 31-12-2014 while that of weaving is renewed up to 15-11-2013. The management is of the view that it would be able to get its remaining loans rescheduled / settled as was done with Faysal Bank Limited, Allied Bank Limited, Grays Leasing Limited during the last year. However in current year settlement agreement with NIB Bank Limited and Industrial Development Bank Limited were made in June 2013 and August 2013 respectively. The company started cloth production in its own weaving section in the last quarter of the year 2012 and continued up to March 2013. It is expected that production would be achieved to such a level where the company would also be able to recoup its previous losses and make a handsome profits.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Functional and presentation currency

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

4.2 Significant estimates and judgments

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

The accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Useful life of depreciable assets
- Provisions for doubtful receivables
- Slow moving inventory
- Taxation

However, the management believes that the change in outcome of the estimates would not have a significant effect on the amount disclosed in the financial statements.

4.3 Provisions

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle these obligations and a reliable estimate of the amounts can be made.

4.4 Staff retirement benefits

- The Company operates an un-funded gratuity scheme for all its employees according to the terms of their employment. Under this scheme, gratuity is paid to the retiring employees on the basis of their last drawn basic salary for each completed year of service.

4.5 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid or given in the future for goods and services received or to be delivered or for any other amount, whether or not billed to the Company.

4.6 Contingencies

The Company has disclosed significant contingent liabilities for the pending litigation and claims against the Company based on its judgment and the advice of the legal advisors for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the balance sheet date. However, based on the best judgment of the Company and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the balance sheet date.

4.7 Taxation**Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or minimum tax at the rate of 0.5% of the turnover under section 113 of the Income Tax Ordinance, 2001, whichever is higher.

Deferred

- Deferred tax liability is accounted for in respect of all taxable temporary differences at the balance sheet date arising from difference between the carrying amount of the assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable income. Deferred tax assets are generally recognized for all deductible temporary differences, unused tax losses and tax credits to the extent it is probable that taxable profit will be available in future against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the asset is to be realized or liability is to be settled.

4.8 Property, plant and equipment**4.8.1 Operating fixed assets**

Property, plant and equipment are stated at cost/revalued amounts less accumulated depreciation and identified impairment losses, if any, except freehold land which is stated at revalued amount. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to the construction and erection period and directly attributable cost of bringing the assets to working condition.

Depreciation is charged to income by applying reducing balance method without taking into account any residual value at the rates specified in Note 17. The remaining useful life of the depreciable assets and depreciation method are reviewed periodically to ensure that the depreciation method and periods of depreciation are consistent with the expected pattern of economic benefits from property, plant and equipment. Full month's depreciation is charged on additions to fixed assets during the month, where as no depreciation is charged on the assets disposed off during the month. The Company reviews the value of the assets for possible impairment on annual basis. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.

Gains or losses on disposal of property, plant and equipment are included in current year's income.

Normal repairs and maintenance are charged to income 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.

4.8.2 Capital work in progress

Capital work in progress is stated at cost less any identified impairment losses. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when these assets are available for use.

4.8.3 Leases

Finance lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

Depreciation is charged on the basis similar to operating fixed assets applying reducing balance method at the rates specified in Note 17 to write off the cost of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of the lease periods

Insurance and other maintenance costs are borne by the Company.

Finance cost and depreciation on leased assets are charged to current year's income.

Operating leases

Lease rentals payable under the operating leases are charged to profit and loss account on a straight line basis over the term of the relevant leases.

4.9 Impairment

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

4.10 Stores and spares

These are valued at lower of moving average cost and net realizable value except for items in transit that are valued at cost comprising the invoice value plus incidental charges paid thereon till the balance sheet date. Provision is made against obsolete and slow moving items.

4.11 Stock in trade

Basis of valuation are as follows:

Particulars	Mode of valuation
Raw materials	At lower of moving average cost and net realizable value.
Stocks in transit	At cost comprising the invoice value plus incidental charges paid thereon
Work-in-process	At estimated average manufacturing cost
Finished goods	At lower of average manufacturing cost and net realizable value.
Wastes	At net realizable value.

Cost in relation to work in process consists of prime cost and attributable production overheads.

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

4.12 Trade debts and other receivables

Receivables are carried at original invoice amount less an estimate made for doubtful receivable balances based on review of outstanding amounts at year end. Bad debts are written off when identified.

4.13 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and at banks

4.14 Borrowings

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on the accrual basis. 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. All other borrowing costs are charged to income in the period in which these are incurred.

4.15 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak rupees at the rates of exchange prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated at rates of exchange prevailing at the balance sheet date and in case of forward exchange contracts at the committed rates. Gains or losses on exchange are charged to income.

4.16 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instruments and are remeasured at fair value. Any gain/loss on de-recognition and on remeasurement of such financial instruments other than investments available for sale, is charged to income for the period in which it arises.

4.17 Related party transactions

All transactions with related parties are measured at arm's length prices determined in accordance with the Comparable Un-controlled Price Method except in circumstances where it is not in the interest of the Company to do so.

4.18 Revenue recognition

- (i) Local sales are recorded when goods are delivered to customers and invoices raised.
- (ii) Export sales are booked on shipment basis on receipt of bill of lading.
- (iii) Processing charges are recorded when goods are delivered to customers and invoices raised.
- (iv) Gain on 'sale and lease-back' transactions that result in finance lease, is deferred and amortized over the lease term.
- (v) Dividend income is recognized when the right to receive payment is established.
- (vi) Profits on short term deposits is accounted for on time apportioned basis on the principal outstanding and at the rate applicable.

4.19 Off setting of financial assets and liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognized amounts and the company intends to either settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

	Note	2013 Rupees	2012 Rupees
5 SHARE CAPITAL			
Authorized capital			
22,500,000 (2012: 22,500,000) ordinary shares of Rupees 10 each		<u>225,000,000</u>	<u>225,000,000</u>
Issued, subscribed and paid up share capital			
22,105,200 (2012: 22,105,200) ordinary shares of Rupees 10 each fully paid up in cash		<u>221,052,000</u>	<u>221,052,000</u>
6 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Opening balance		313,345,390	324,629,888
Surplus transferred to accumulated loss:			
- Incremental depreciation charged during the year		<u>(10,619,453)</u>	<u>(11,284,498)</u>
		<u>302,725,937</u>	<u>313,345,390</u>

- 6.1 As a result of revaluations of property, plant and equipment carried out in May 2008, April 2004 and September 1995, surplus of Rs 762.469 million was raised that was credited to 'surplus on revaluation of property, plant and equipment' in terms of Section 235 of the Companies Ordinance, 1984.

7 DIRECTORS' BRIDGE FINANCE & LOAN

This represents interest-free and unsecured long term loans obtained from the directors of the Company. The repayment terms of the loan have yet not been finalized.

8 LONG TERM FINANCING

	Note	2013 Rupees	2012 Rupees
Financing from banking companies:			
The Bank of Punjab	8.1	38,827,229	38,827,229
National Bank of Pakistan - DF-I	8.2	45,000,000	45,000,000
National Bank of Pakistan - DF-II	8.3	8,000,000	8,000,000
National Bank of Pakistan - DF-III		1,545,342	1,545,342
Habib Bank Limited	8.4	45,000,000	45,000,000
Habib Bank Limited	8.5	59,422,468	59,422,468
Habib Bank Limited	8.6	49,390,045	49,390,045
NIB Bank Limited	8.7	179,796,407	190,888,807
		426,981,491	438,073,891
Less: current portion shown under current liabilities	14	-	28,125,000
		426,981,491	409,948,891

- 8.1 This represents Demand Finance obtained from The Bank of Punjab. It is repayable in 17 equal quarterly instalments commencing from July 2010 and carries mark-up at 3 Months KIBOR + 100 bps with no floor to be paid quarterly. It is secured against collaterals and equitable mortgage on industrial land in the name of directors of the Company, personal guarantees of the owners of the property and directors of the Company and ranking charge of Rs. 53.773 million over all the present and future current and fixed assets of the Company. Sanctioned limit originally is Rs. 38,827 million valid upto 31-07-2014.

The Company has filed a suit for damages against Bank of Punjab for recovery of claims and damages of Rs. 140.253 million. The legal advisors vide letter dated September 09, 2013 have stated that there is no scope of any loss to the company. This suit is presently pending adjudication before Lahore High Court Lahore, wherein evidence proceedings are being carried. The Company is vigilantly pursuing this case. Refer note 16.6.

Bank of Punjab has also filed a suit against the company for recovery of Rs. 56.298 million as confirmed by the legal advisor named "Lawyers & Lawyers" vide their letter dated September 09, 2013. This suit is also presently pending adjudication before Lahore High Court Lahore. As per legal advisor's, there is no scope of any loss to the company.

The management is of the view that this loan will be restructured and therefore has not classified it under current liabilities as current and overdue portion amounting to Rs. 36.543 million (2012:Rs. 27.407 million), unprovided mark up is Rs. 15.142 million (2012:Rs. 10.769 million) and unconfirmed deferred mark up is Rs. 5.321 million (2012:Rs. 5.321 million) refer to Note 10.1.2.

However letter issued by auditors followed by reminders for confirmation of loan balance and mark up outstanding were not responded.

- 8.2 This represents Demand Finance sanctioned by the National Bank of Pakistan. It is repayable in 16 equal quarterly instalments commencing from February 2011 and carries mark-up at 3 Months KIBOR + 3.5% p.a. with no floor / cap to be paid quarterly. It is secured against ranking charge of Rs. 45 million on fixed assets of the Company including 40% margin and personal guarantees of all sponsoring directors.

- 8.3 This represents Demand Finance sanctioned by the National Bank of Pakistan. It is repayable in 4 equal quarterly instalments of Rs. 2 million each commencing from February 2015 and carries no mark-up. It is secured against ranking charge of Rs. 13.333 million on fixed assets of the Company and personal guarantees of all sponsoring directors.

Cash Finance facility of Rs. 75 million (reduced from Rs. 150 million) sanctioned by the bank for meeting the working capital requirements of the Company. This facility carries mark-up at 3 Months KIBOR plus 2% per annum without floor/cap payable quarterly. It is secured against pledge of raw materials and personal guarantees of all the sponsoring directors of the Company. This facility has expired on September 30, 2009. Refer to note 10.1.4.

Current and overdue portion of National Bank of Pakistan is amounting to Rs. 40.920 million (2012:Rs. 1.545 million)

- 8.4 This represents certain utilized portion of finance against packing credit FAPC (Pledge) of Rs. 62.874 million (utilized) from Habib Bank Limited as of 15-10-2009 to meet the working capital requirements of the company that carries mark up at 3 Months KIBOR plus 2% subject to a floor rate of 12% per annum & (LIBOR plus 2.5% per annum with floor of 5.50% per annum in case of foreign finance). The company has proposed for the restructuring of the loan, however, this proposal is under process by the bank as at the balance sheet date. All the facilities expired on 31-12-2009.
- 8.5 This represents short term facility (FAPC-Hypo) of Rs. 56.442 million (utilized) & Running finance of Rs. 2.98 million (utilized), obtained from the bank that carries mark up at 3 Months KIBOR plus 2% with floor of 12% per annum (LIBOR plus 2.5% per annum with floor 5.5% per annum in case of foreign finance). The loan is secured against ranking hypothecation and 1st pari passu/ranking charges on current and fixed assets of the company. The company has proposed for the restructuring of the loan and to convert short term finance facility into long term financing and that proposal is still under process by the bank as at balance sheet date. All the facilities expired on 31-12-2009.
- 8.6 This represents certain utilized portion of finance against packing credit FAPC (Pledge) of Rs. 62.874 million (utilized), cash finance of Rs. 15.445 million (utilized), running finance of Rs. 5.000 million (utilized), and FAPC of Rs. 8.920 million (utilized) to meet the working capital requirements of the company obtained from the bank that carries mark up at 3 Months KIBOR plus 2% with floor of 12% per annum (LIBOR plus 2.5% per annum with floor 5.5% per annum in case of foreign finance). The loan is secured against ranking hypothecation and 1st pari passu/ranking charges on current and fixed assets of the company. The company has proposed for the restructuring of the loan and to convert short term finance facility into long term financing and that proposal is still under process by the bank as at balance sheet date. All the facilities were expired on 31-12-2009.

Bank as per its confirmation letter No # MP/THS/62 dated September 10, 2013 has confirmed limit of Rs. 204.235 million of short term loans while balances extended to company are Rs. 228.638 million as on 30th June 2013 whereas the balances reflected by books on the said date are Rs. 153.812 million. The foreign currency loans as at 30th June 2013 are converted by bank at exchange rates prevailing on balance sheet date and exchange variation loss of Rs. 74.826 is not incorporated in books. Also refer to note 10.13 & 16.13.

The management is of the view that this loan will be restructured and therefore has not classified it under current liabilities as current and overdue portion amounting to Rs. 153.812 million (2012:Rs. 153.812 million), unprovided mark up is Rs. 50.535 million (2012:Rs. 35.665 million) and also have deferred the mark up payable to the bank Rs. 44.245 million (2012:Rs. 40.014 million).

- 8.7 The Company swapped its entire loan liability towards UBL (except Rs. 5.1 million) in pursuance of new loan agreement arrived at between the Company and NIB Bank Limited (formerly PICIC) in August 2004 for Rs. 210 million against which PICIC disbursed Rs. 195.976 million to the Company. This loan was repayable in 24 equal quarterly instalments of Rs. 13.331 million each commencing from December 2006, after a grace period of one and a half year, and carries mark up at 3 Months KIBOR plus 4.75% per annum subject to floor of 10.5% per annum. Currently the Company is in litigation with the bank due to non-repayment of loan instalments. Refer note 16.5.

NIB bank has filed a suit against recovery of its dues amounting to Rs. 263.768 million. Letters dropped to bank for confirmation of loan balances and interest outstanding remain unconfirmed. The legal advisor vide its letter dated September 09, 2013 has stated that settlement agreement has been affected amongst the parties in terms whereof, this suit has to be decreed. This suit is presently pending adjudication before the Lahore High Court Lahore.

The Company has also filed a suit for damages against NIB Bank Limited for recovery of Rs. 567.627 million. The legal advisor vide its letter dated September 09, 2013 has stated that settlement agreement has been affected amongst the parties in terms whereof, this suit has to be withdrawn and there is no scope of any loss to the company in the instant matter.

The Company has also filed a Writ Petition against Federation and NIB Bank Limited, thereby seeking protection under Article 10-A of the Constitution. This Writ Petition is pending adjudication before the Honorable Lahore High Court Lahore. The legal advisor vide its letter dated September 09, 2013 has stated that there is no scope of any loss to the company in the instant matter.

The management was of the view that this loan will be restructured and therefore, had not classified it under current liabilities as current and overdue portion amounting to Rs. 179.796 million (2012:Rs. 190.889 million) further more, the Company has not accrued the mark-up relating to the loan amounting to Rs. 101.880 million (2012:Rs. 71.318 million).

9.2 The future minimum lease payments and their present value, to which the company is committed under lease agreements are as follows:

	Due not later than one year	Due over one year and up to five years	Due over five years	2013	2012
	-----Rupees-----				
Minimum lease payments	18,255,795	10,632,482	-	28,888,277	28 888 277
Security deposits adjustable on expiry of lease term	-	2,866,667	-	2,866,667	2,866,667
Gross minimum lease payments	18,255,795	13,499,149	-	31,754,944	31 754 944
Financial charges allocated to future periods	(6,135,089)	(4,670,216)	-	(10,805,305)	(10,805,305)
Present value of minimum lease payments	12,120,706	8,828,933	-	20,949,639	20 949 639
Current portion shown under current liabilities	-	-	-	-	-
	12,120,706	8,828,933	-	20,949,639	20,949,639

9.2.1 The company has executed finance lease agreements with financial institution (leasing company) to acquire plant and machinery. The liabilities under these lease agreements are payable in monthly instalments by February 2017 and were originally subject to finance cost at the rate 14.75% (2012: 14.75%) (approximately) per annum which are used as discounting factors. Taxes, repairs, replacements and insurance costs are borne by the Company. The security deposits shall be adjusted against the residual value along with the last instalment as the management of the Company intends to exercise its option to purchase the assets upon completion of their respective lease terms.

9.2.2 These are secured against security deposits, titles of ownership of leased assets and personal guarantees of directors of the Company.

9.2.3 First National Bank Modaraba has filed a suit against the company for recovery of Rs. 29 995 million. This suit is presently pending adjudication before the Banking Court No II Lahore. The legal advisors vide letter dated September 09, 2013 have stated that this case is being vigorously and diligently contested by the Company.

The Company has also filed a suit against the First National Bank Modaraba for recovery of Rs. 47 550 million. This suit is presently pending adjudication before the Banking Court No II Lahore. The legal advisors vide letter dated September 09, 2013 have stated that there is no scope of any loss to the Company. Refer to note 16.7

9.2.4 In relation to Note 9.2.1 to 9.2.3 no adjustments are made in books for claims and counter claims

	Note	2013 Rupees	2012 Rupees
10 DEFERRED LIABILITIES			
Deferred mark-up	10.1	158,262,771	148,814,865
Staff retirement benefits - unfunded gratuity scheme	10.2	5,932,734	6,211,274
		164,195,505	155,026,139
10.1 Deferred mark up:			
Industrial Development Bank of Pakistan (Frozen)-Secured	10.1.1	22,177,000	23,458,000
The Bank of Punjab	10.1.2	19,516,565	19,516,565
Habib Bank Limited	10.1.3	44,245,366	40,014,416
National Bank of Pakistan	10.1.4	42,485,739	35,987,783
First National Bank Modaraba	10.1.5	4,912,391	4,912,391
NIB Bank Limited (PICIC)	10.1.6	24,925,710	24,925,710
		158,262,771	148,814,865

10.1.1 This represents the mark up frozen by financial institution. Its repayment is deferred in 60 equal monthly instalments of Rs. 0.417 million each commencing from November 2010. The loan is secured against mortgage / hypothecation of fixed assets of the Company.

As per the bank confirmation dated 20-08-2011 the bank has withdrawn restructuring package which was given to the company vide letter dated 14-06-2011 due to the default of the company in repayment of deferred mark-up. Bank has also passed the entries in its books to cancel the restructuring. As per bank the overdue and current portion of deferred mark up is Rs. 5.486 million which was not recognized in books. Refer to note. 16.8.

	Note	2013 Rupees	2012 Rupees
11 TRADE AND OTHER PAYABLES			
Creditors		20,709,772	26,000,675
Accrued expenses		35,176,105	25,997,002
Advances from customers		7,306,922	6,120,428
Income tax deducted at source	11.1	2,120,636	2,141,846
Unclaimed dividend		415,333	415,333
Others (School)	11.2	3,530,430	2,325,718
		<u>69,259,198</u>	<u>63,001,002</u>

11.1 It relates mostly to year 2010 to 2013.

11.2 A school named Deen Public High School is being run by the Company and all its income and expenses are being charged to the school. It includes Rs. nil (2012: Rs. 0.135) in respect of staff retirement benefits.

12 ACCRUED MARK UP

Mark up accrued on:

Long term financing	12.1	-	-
Liabilities against assets subject to finance lease	12.2	-	-
		<u>-</u>	<u>-</u>

12.1 Un provided mark-up for the year is Rs. 167.588 million (2012:Rs. 117.783 million) Refer to note 8.8.1 and 8.

12.2 Un provided mark-up for the year is Rs. 4.543 million (2012:Rs. 2.850 million) Refer to note 8.8.1 and 9.

13 SHORT TERM BORROWINGS

From related parties - unsecured

Loan from family associates	13.1	39,123,445	37,209,465
		<u>39,123,445</u>	<u>37,209,465</u>

13.1 This represents interest-free and unsecured loan obtained from family associates of the Company. The repayment terms of the loan have yet not been finalized.

14 CURRENT AND OVERDUE PORTION OF NON-CURRENT LIABILITIES

Long term financing	14.1	-	28,125,000
Liabilities against assets subject to finance lease	14.2	-	-
		<u>-</u>	<u>28,125,000</u>

14.1 Because of the litigations with various banks as stated in notes from 8.1 to 8.7 the company has not recognized fully the overdue and current portion of non current liabilities which otherwise if incorporated the current portion of non current liabilities would have increased by Rs. 411.072 million (2012:Rs. 373.654 million). Also refer to note 8.8.1.

14.2 Because of the litigations with various banks as stated in notes from 9.2.1 to 9.2.4 the company has not recognized fully the overdue and current portion of liabilities against assets subject to finance lease which otherwise if incorporated the current portion of liabilities against assets subject to finance lease would have increased by Rs. 12.121 million (2012:Rs. 8.543 million). Also refer to note 8.8.1.

14.3 This year the company has classified current liability under long term loan liability. Current and overdue portion of National Bank of Pakistan is amounting to Rs. 40.920 million. Refer to note 8.3.

	Note	2013 Rupees	2012 Rupees
15 PROVISION FOR TAXATION			
Provision made for the current year	34	1,193,989	934,189
Provision adjusted during the year		(1,193,989)	(934,189)
		<u>-</u>	<u>-</u>

16 CONTINGENCIES AND COMMITMENTS

- 16.1 Cotton claims of Rs 29 851 million (US \$ 500,186) are lodged against foreign cotton suppliers and their agents in the Pakistan (Ralli Brothers) for weight shortage, bad quality-supplied and late shipments. The suit is filed in the court of Civil Judge, Lahore and is still subjudice as confirmed by legal advisor vide letter dated 30-09-2013. However, he has not expressed his opinion and claim is considered doubtful of recovery by management. Also refer to note 23 2
- 16.2 Claims filed by M/s Cargill and others for Rs. 7.873 million have been awarded in exparte arbitration proceedings. These claims have not been admitted by the Company. The management is hopeful that no loss is expected to arise. The application filed in the court of Civil Judge, Lahore is still pending adjudication as confirmed by legal advisor vide letter dated 30-09-2013. However, he has not expressed his opinion.
- 16.3 Writ petition filed against WAPDA on refusal of request for reduction of load was disposed off by the court with the direction to approach WAPDA authorities.
- 16.4 Electricity duty case is pending with Honourable High Court. No confirmation from legal advisor of the company is available.
- 16.5 NIB bank has filed a suit against recovery of its dues amounting to Rs. 263 768 million. Letters dropped to bank for confirmation of loan balances and interest outstanding remain unconfirmed. The legal advisor vide its letter dated September 09, 2013 has stated that settlement agreement has been affected amongst the parties in terms whereof, this suit has to be decreed. This suit is presently pending adjudication before the Lahore High Court Lahore.

The Company has also filed a suit for damages against NIB Bank Limited for recovery of Rs 567.627 million. The legal advisor vide its letter dated September 09, 2013 has stated that settlement agreement has been affected amongst the parties in terms whereof, this suit has to be withdrawn and there is no scope of any loss to the company in the instant matter. Refer note 8.7 and 10.1.6

The Company has also filed a Writ Petition against Federation and NIB Bank Limited, thereby seeking protection under Article 10-A of the Constitution. This Writ Petition is pending adjudication before the Honorable Lahore High Court Lahore. The legal advisor vide its letter dated September 09, 2013 has stated that there is no scope of any loss to the company in the instant matter.

- 16.6 The Company has filed a suit for damages against Bank of Punjab for recovery of claims and damages of Rs 140.253 million. The legal advisors vide letter dated September 09, 2013 have stated that there is no scope of any loss to the company. This suit is presently pending adjudication before Lahore High Court Lahore, wherein evidence proceedings are being carried. The Company is vigilantly pursuing this case.

Bank of Punjab has also filed a suit against the company for recovery of Rs. 56.298 million as confirmed by the legal advisor named "Lawyers & Lawyers" vide their letter dated September 09, 2013. This suit is also presently pending adjudication before Lahore High Court Lahore. As per legal advisor's there is no scope of any loss to the company. Refer to note 8.1 and 10.1.2

- 16.7 First National Bank Modaraba has filed a suit against the company for recovery of Rs. 29 995 million. This suit is presently pending adjudication before the Banking Court No. II Lahore. The legal advisors vide letter dated September 09, 2013 have stated that this case is being vigorously and diligently contested by the Company.

The Company has also filed a suit against the First National Bank Modaraba for recovery of Rs 47.550 million. This suit is presently pending adjudication before the Banking Court No. II Lahore. The legal advisors vide letter dated September 09, 2013 have stated that there is no scope of any loss to the Company. Refer to note. 9.2.3 and 10.1.5

- 16.8 IDBP agreed to write off mark up of Rs. 16.621 million on liquidation of its entire restructured loan (refer to Note. 10.1.1) and the said mark up relating to prior years was not recognized as liability in the financial statements

- 16.9 Bank guarantee amounting to Rs. nil (2012: nil) in favour of Sui Northern Gas Pipelines Limited
- 16.10 Appeals of company on the issue of minimum tax u/s 113 relating to earlier years stand decided by Income Tax Appellate Tribunal vide its appellate order dated 16-02-2010. Assessments of tax year 2005 and 2007 were revised by Additional Commissioner raising tax liability of Rs 2 300 million and Rs 2 207 million respectively Appeals against order of CIR(A) is pending before appellate tribunal. Demand prima facie, illegal and against the judgment of superior courts is not provided
- 16.11 As per order u/s 122(1)/122(5)/177 deemed order for tax year 2010 was modified on 31st May 2013 by deputy commissioner of Income Tax creating demand at Rs. 37 826 million, consequent upon rectification vide order u/s 221 dated 26-06-2013 demand reduced to Rs. 0.173 million. Appeals filed before CIT (A) are subjudice and demand raised being illegal is not provided.
- 16.12 Appeal relating to tax year 2006 against order u/s 161/205 was decided partially by CIR(A) in favour of company Appeal effect is yet not given by department. However demand has come down from Rs. 13.970 million to Rs. 1.332 million. Appeal on issue of immunity under SRO 647(1) 2011 dated 25-4-2011 is pending before IRAT No demand is expected to rise and no provision is made in accounts
- 16.13 Appeals filed by Department and Company before ITAT for tax year 2004 are decided by said Appellate forum Departmental appeals are rejected and company's appeal is partially accepted. No tax is payable for this year.
- 16.14 Legal advisor named "Lawyers & Lawyers" vide their letter dated September 09, 2013 has confirmed that a suit has been filed by Habib Bank Limited against the company and others, wherein the Bank has claimed recovery of Rs 66.350 million along USD\$ 2,228,527 90. This suit is presently pending adjudication before the Lahore high Court Lahore, wherein reply in the shape of PLA has been filed and the case has to proceed further. This case is being vigorously and diligently contested by the company. Refer to note. 8.6 and 10.13
- 16.15 Legal advisor named "Lawyers & Lawyers" vide their letter dated September 09, 2013 has confirmed that a Petition under section 284 & 285 of the Companies Ordinance 1984 for enforcing compromise amongst the Company and all of its creditor Banks filed by the Company before the Lahore High Court Lahore. The Company is vigilantly pursuing this case. There is no scope of any loss to the Company.

	Note	2013 Rupees	2012 Rupees
17 PROPERTY, PLANT AND EQUIPMENT-note annexed	17.1	<u>575,114,572</u>	<u>603,275,771</u>

17.1 PROPERTY, PLANT AND EQUIPMENT

Particulars	COST / FAIR VALUE					Rate %	DEPRECIATION				
	Rupees						Rupees				
	As at 01-07-2012	Additions during the year	Disposals	Transfers	As at 30-06-2013		Accumulated as at 01-07-2012	Charge for the year	Adjustments on disposals	Transfers	Accumulated as at 30-06-2013
<i>Owned assets:</i>											
Freehold land	100,000,000	-	-	-	100,000,000	-	-	-	-	-	100,000,000
Factory building on freehold land	215,915,367	-	-	-	215,915,367	3	25,727,779	5,705,628	-	31,433,407	184,481,960
Plant and Machinery	381,117,988	65,104	-	-	381,183,092	7.5	11,488,053	20,233,059	-	131,711,112	249,471,980
Generator	30,567,887	420,716	-	-	30,988,603	7.5	11,582,785	1,431,771	-	13,014,556	17,974,047
Office equipment	3,392,549	541,700	-	-	3,934,249	10	2,475,224	102,637	-	2,577,861	1,356,388
Furniture and fixtures	6,450,162	10,000	-	-	6,460,162	10	4,277,198	218,129	-	4,495,327	1,964,835
Vehicles	10,152,270	2,788,865	(2,427,650)	-	10,513,485	20	7,536,673	949,294	(2,111,105)	6,374,862	4,138,623
Advance for vehicle	1,765,380	(1,765,380)	-	-	-	-	-	-	-	-	-
	749,361,603	3,826,385	(4,193,030)	-	748,994,958	-	163,087,712	28,630,518	(2,111,105)	189,607,125	559,387,833
<i>Assets held under finance lease:</i>											
Gas generators	28,666,667	-	-	-	28,666,667	7.5	11,664,787	1,275,141	-	12,939,928	15,726,739
	28,666,667	-	-	-	28,666,667	-	11,664,787	1,275,141	-	12,939,928	15,726,739
2013	778,028,270	3,826,385	(4,193,030)	-	777,661,625	-	174,752,499	29,905,659	(2,111,105)	202,547,053	575,114,572
<i>*% Particulars</i>											
COST / FAIR VALUE											
Rupees											
%											
DEPRECIATION											
Rupees											
%											
<i>Owned assets:</i>											
Freehold land	100,000,000	-	-	-	100,000,000	-	-	-	-	-	100,000,000
Factory building on freehold land	215,915,367	-	-	-	215,915,367	3	19,845,689	5,882,090	-	25,727,779	190,187,588
Plant and Machinery	330,687,195	-	(43,277,881)	93,708,674	381,117,988	7.5	70,317,375	21,778,783	(21,291,410)	40,683,305	269,829,935
Generator	25,067,887	-	-	5,500,000	30,567,887	7.5	8,244,702	1,539,333	1,798,750	11,582,785	18,985,102
Office equipment	3,606,046	111,503	(325,000)	-	3,392,549	10	2,361,710	332,606	(219,092)	2,475,224	917,325
Furniture and fixtures	6,254,062	196,100	-	-	6,450,162	10	4,044,743	232,455	-	4,277,198	2,172,964
Vehicles	9,866,688	1,625,992	(1,340,350)	-	10,152,270	20	8,038,890	508,105	(1,010,322)	7,536,673	2,615,597
Advance for vehicle	1,765,380	(1,765,380)	-	-	1,765,380	-	-	-	-	-	1,765,380
	691,397,245	3,698,915	(44,943,231)	99,208,674	749,361,603	-	112,853,109	30,273,372	(22,520,824)	163,087,712	566,273,891
<i>Assets held under finance lease:</i>											
Plant and Machinery	99,208,674	-	-	(99,208,674)	-	7.5	42,482,055	-	(42,482,055)	-	-
Gas generators	127,875,341	-	-	(99,208,674)	28,666,667	-	52,768,311	1,378,531	-	11,664,787	17,001,880
2012	819,272,586	3,698,915	(44,943,231)	778,028,270	778,028,270	-	165,621,420	31,651,903	(22,520,824)	174,752,499	603,275,771

	Note	2013	2012
		Rupees	Rupees
17.2 Depreciation for the year has been allocated as under:-			
Cost of goods sold	27	28,635,599	30,578,737
Administrative expenses	29	1,270,060	1,073,166
		<u>29,905,659</u>	<u>31,651,903</u>

17.3 Revaluations of land, buildings, plant and machinery was carried out in May 2008, April 2004 and September 1995 by an independent valuers. Had there been no revaluations, the cost, accumulated depreciation and book values of the revalued assets as on June 30, 2013 would have been as follows:

Cost of assets as at June 30, 2013	Accumulated depreciation as at June 30, 2013	Book value as at June 30, 2013
-----Rupees-----		

Land - freehold	10,165,625	-	10,165,625
Buildings on freehold land	101,821,568	53,752,321	48,069,247
Plant and machinery	533,980,316	411,281,509	122,698,807

17.4 **Detail of property, plant and equipment disposed off during the year:**

Particulars	Cost/ Revalued Amount	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / (loss)	Sold to	Mode of Disposal
Vehicles							
KIA Sportage LZ - 116	1 561,250	1,338,606	222,644	662,000	439,356	Arif & Sons Autos - Lahore	Negotiation
Honda City LRK - 4192	866,400	772,499	93,901	300,000	206,099	Muhammad Aslam - Lahore	Negotiation
2013	<u>2,427,650</u>	<u>2,111,105</u>	<u>316,545</u>	<u>962,000</u>	<u>645,455</u>		

18 LONG TERM DEPOSITS

	2013	2012
	Rupees	Rupees
Deposits against leased assets	2,866,667	2,866,667
Deposits with Utility Companies	658,317	658,317
Others	123,260	123,260
	<u>3,648,244</u>	<u>3,648,244</u>

19 STORES AND SPARES

Stores	8,989,561	2,117,343
Less: Provision for obsolete stores	(854,008)	-
	8,135,553	2,117,343
Spares	1,902,458	10,206,010
Less: Provision for obsolete spares	(180,734)	-
	1,721,724	10,206,010
	<u>9,857,277</u>	<u>12,323,353</u>

20 STOCK IN TRADE

Raw materials	-	2,771,178
Work in process	-	2,172,641
Finished goods	6,566,868	6,415,557
	<u>6,566,868</u>	<u>11,359,376</u>

21 TRADE DEBTS

Local

Considered good - unsecured	19,841,530	18,468,659
Considered doubtful	2,633,912	2,633,912
	22,475,442	21,102,571
Less: Provision for doubtful debts	(2,633,912)	(2,633,912)
	<u>19,841,530</u>	<u>18,468,659</u>

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22 LOANS AND ADVANCES

Advances to suppliers and contractors:
 - Considered good
 - Considered doubtful

Note

2013
Rupees

2012
Rupees

397,133	1,398,438
504,871	504,871
902,004	1,903,309
(504,871)	(504,871)
397,133	1,398,438
1,536,701	535,119
1,933,834	1,933,557
-	15,026
1,933,834	1,948,583

Less: Provision for doubtful advances

Advances to employees

Excise duty

22.1 Amount due from chief executive officer, directors, executives of the Company and other related parties is Rs nil (2012:Rs. nil). Maximum aggregate balance due from Directors of the Company at the end of any month during the year was Rs. nil (2012: Rs nil)

23 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposit
 Guarantee margin
 Prepayments
 Claims receivables

23.1

4,767,951	4,767,951
48,756	48,756
58,215	9,417
15,170,849	30,096,399
20,045,771	34,922,523

23.1 Claims receivables

Considered good
 Considered doubtful

Less: provision for doubtful claims

15,170,849	30,096,399
18,805,457	3,879,907
33,976,306	33,976,306
(18,805,457)	(3,879,907)
15,170,849	30,096,399

23.2 Cotton claims of Rs. 29.851 million outstanding since 1999 against foreign suppliers have become doubtful of recovery. Accordingly the management has decided to provide half of this amount in the current year and the half in 2014

24 TAX REFUNDS DUE FROM GOVERNMENT

Income tax refundable
 Sales tax refundable
 Less: Provision for doubtful of recovery

24.1

377,609	421,059
610,288	8,133
(487,762)	-
122,526	8,133
500,135	429,192

24.1 INCOME TAX REFUNDABLE comprises of:

Balance as at 1st July,
 Add/(Less) : (Deducted)/Collected during the Year

Less : Adjusted against Provision for Taxation

15

421,059	379,364
1,150,539	975,884
1,571,598	1,355,248
(1,193,989)	(934,189)
377,609	421,059

25 CASH AND BANK BALANCES

Cash in hand
 Cash with banks:
 In current accounts
 In saving accounts

25.1

114,535	18,996
8,197,225	957,603
1,309,187	1,144,611
9,506,412	2,102,214
9,620,947	2,121,210

25.1 These accounts are subject to return @ 6.5% (2012: 8%) per annum.

	Note	2013 Rupees	2012 Rupees
26 SALES			
Local sales of Yarn and Cloth	26.1	43,199,053	12,480,311
Conversion Charges from third parties		192,170,733	80,590,381
		235,369,786	93,070,692
Commission on sales		(523,337)	(105,311)
Yarn outside doubling		(1,184,310)	-
		<u>233,662,139</u>	<u>92,965,381</u>
26.1 In 2013 only cloth was processed on own account.			
27 COST OF SALES			
Raw materials consumed for own conversion for sale	27.1	26,051,879	17,921,918
Salaries, wages and benefits	27.2	74,167,844	32,135,380
Chemicals and sizing		6,861,510	1,037,503
Stores and spares consumed		3,623,021	1,150,214
Fuel and power		92,873,839	35,145,798
Packing materials		356,024	120,644
Other manufacturing expenses		6,212,221	3,035,746
Depreciation	17.2	28,501,608	30,578,737
		212,596,067	103,204,022
		238,647,946	121,125,940
Work in process:			
Opening - Spinning		-	-
Weaving		2,172,641	215,708
		2,172,641	215,708
Closing - Spinning		-	-
Weaving		-	(2,172,641)
		-	(2,172,641)
		2,172,641	(1,956,933)
Cost of goods manufactured		<u>240,820,587</u>	<u>119,169,007</u>
Finished goods:			
Opening - Spinning		-	406,666
Weaving		6,415,557	475,425
		6,415,557	882,091
Closing - Spinning		(3,274,285)	-
Weaving		(3,292,583)	(6,415,557)
		(6,566,868)	(6,415,557)
		(151,311)	(5,533,466)
		<u>240,669,276</u>	<u>113,635,541</u>
27.1 Raw materials consumed			
Opening stock		2,771,178	1,820,845
Less: Material rejected and returned		-	-
Add: Purchases		23,280,701	19,325,809
Available for sale		26,051,879	21,146,654
Less: Material sold		-	(453,558)
		26,051,879	20,693,096
Closing stock		-	(2,771,178)
		<u>26,051,879</u>	<u>17,921,918</u>
27.2 These include Rupees 0 505 million (2012: Rupees 1 311 million) in respect of staff retirement benefits.			

	Note	2013 Rupees	2012 Rupees
28 DISTRIBUTION COST			
Staff salaries and benefits	28.1	1,850,609	1,792,979
Travelling and conveyance		40,200	-
Printing and stationery		44,484	38,615
Insurance		40,116	31,113
Vehicles running and maintenance		475,643	384,009
Telecommunication		204,435	190,507
Entertainment		66,703	61,058
Postage and telegram		10,161	7,891
Miscellaneous		33,158	26,675
		<u>2,765,509</u>	<u>2,532,847</u>

28.1 These include Rupees 0.073 million (2012: Rupees 0.063 million) in respect of staff retirement benefits.

29 ADMINISTRATIVE EXPENSES

			Restated
Staff salaries and benefits	29.1	6,785,929	5,971,812
Travelling and conveyance		78,957	58,654
Rent, rate and taxes		696,565	565,251
Repair and maintenance		173,068	112,308
Insurance		209,125	217,300
Utilities		391,271	532,066
Printing and stationery		162,557	106,588
Fee and subscription		168,226	261,671
Vehicles running and maintenance		1,156,935	1,398,690
Entertainment		160,974	163,047
Newspapers and journals		16,016	14,825
Postage and telegram		29,154	19,776
Telecommunication		95,256	78,821
Press advertisements		34,480	71,348
Legal and professional charges		1,045,315	1,478,973
Auditor's remuneration	29.2	610,000	335,000
Depreciation	17.2	1,270,060	1,073,166
staff welfare		4,450	9,190
Miscellaneous		38,505	5,731
		<u>13,126,843</u>	<u>12,474,217</u>

29.1 These include Rupees 0.290 million (2012: Rupees 0.305 million) in respect of staff retirement benefits.

29.2 Auditors' remuneration:

- Statutory audit fee	150,000	150,000
- Review, corporate advisory and certification fee	50,000	50,000
- Tax consultancy fee	410,000	135,000
	<u>610,000</u>	<u>335,000</u>

	2013 Rupees	2012 Rupees
30 OTHER OPERATING CHARGES		
Provision raised for Claims receivable being bad of recovery	14,925,550	-
Loss on disposal of machinery and office equipment	-	3,106,857
Provision for doubtful debtors	-	738,331
Provision of sales tax doubtful of recovery	487,762	-
Provision raised for obsolete stores and spares	1,034,742	-
	<u>16,448,054</u>	<u>3,845,188</u>
31 OTHER OPERATING INCOME		
Profit on deposits	256,782	-
Profit on disposal of vehicles	645,455	-
Un-claimed balances written back	2,782,808	-
	<u>3,685,045</u>	<u>-</u>
32 FINANCE COST		
Mark up on:		
Long term financing	6,497,956	7,457,157
Finance leases	-	-
	6,497,956	7,457,157
Mark up on short term borrowings	4,230,950	5,443,337
Bank charges	31,482	15,211
	<u>10,760,388</u>	<u>12,915,705</u>
33 EXTRA ORDINARY INCOME		
Mark up waived off by leasing companies and banks on settlement of their dues	-	25,046,813
Compensation on termination of conversion agreement	-	2,000,000
	<u>-</u>	<u>27,046,813</u>
34 TAXATION		
34.1 Current year	<u>1,193,989</u>	<u>934,189</u>

In view of loss for the year made by the Company and available tax losses of Rs 358.644 million, Current Taxation represents tax levied @ half percent as required under section 113 of the Income Tax Ordinance, 2001.

Income tax return for tax year 2012 was filed within prescribed time limit. Income tax assessments have been completed up to income year ended June 30, 2012 (tax year 2012) as deemed assessment. Losses available for carry forward to tax year 2013 are amounting to Rs. 358.644 million (2012: Rs. 303.905 million).

- 34.2 Deferred tax asset amounting Rs. 91.284 million (2012: Rs. 83.672 million) is not recognized in these financial statements as the Company is sustaining heavy losses and is assessed under the deeming section 113 of the Income Tax Ordinance. Major timing differences are not expected to reverse for a foreseeable future and there is no assurance that future taxable profits would be sufficient to realize the benefit of brought forward losses.

		2013 Rupees	2012 Rupees
35 LOSS PER SHARE - basic & diluted			
Loss for the year	Rupees	(47,616,875)	(26,325,493)
Weighted average number of ordinary shares	Number	22,105,200	22,105,200
Loss per share	Rupees	<u>(2.15)</u>	<u>(1.19)</u>

35.1 There is no dilutive effect on the basic earnings per share of the Company as the Company has no such commitments that would result in dilution of earnings of the Company.

36 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE OFFICERS

Particulars	2013			2012		
	Chief Executive	Directors	Executive	Chief Executive	Directors	Executive
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	600,000	1,152,000	-	600,000	1,152,000	-
House rent allowance	240,000	460,800	-	240,000	460,800	-
Medical	60,000	115,200	-	60,000	115,200	-
	900,000	1,728,000	-	900,000	1,728,000	-
Number of persons	1	2	-	1	2	-

36.1 In addition to above, meeting fee of Rs 8 thousand (2012:Rs 10 thousand) was paid to one (2012: one) nominee director during the year.

36.2 The Chief Executive Officer and directors are provided with free use of the Company maintained vehicles. Executive is defined as employee with basic salary exceeding Rs. 1 million. No employee meets the criteria of executive.

37 RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprise of related group companies, associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

Transactions with related parties undertaken during the year are as follows:

- Lease rent

(646,800) (517,500)

38 FINANCIAL INSTRUMENTS

38.1 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

The Company has devised policies for risk areas where it could be subjected to a financial loss or where it expects to make market gains. The Company takes exposure to expand its business, obtain sufficient funds to fulfill the demands, meet working capital requirements and to gain benefit of mark-up rate spread available in the money market. Due to the nature of business of the Company, it is inherent that the Company liabilities will remain sensitive to external factors beyond the control of management. Therefore, the management secures the financial liabilities of the Company through collateralization of its property, plant and equipment, stores and stock-in-trade. Such collateralization are disclosed in relevant notes to these financial statements.

The management provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk interest rate risk, credit risk and liquidity risk.

(a) Market Risk

Market risk is the risk where parties to the financial instruments are subjected to risk of changes in fair values of their financial assets and liabilities due to circumstances reasonably beyond their control. The carrying value of all the financial instruments reflected in these financial statements approximates to their fair values

(i) Currency Risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is subjected to currency risk on export sales and purchases that are entered in a currency other than Pak Rupees that is a functional and presentation currency. The Company is exposed to currency risk arising from United States Dollars- USD only. Currently the Company's foreign exchange exposure is restricted to long term and short term borrowings. The Company's exposure to currency risk is as follows:

	2013 USD	2012 USD
Long term financing	1,948,604.88	1,948,604.88

The following significant exchange rates were applied during the year:

Rupee per US Dollar

Average rate	93.60	94.20
Reporting date rate	93.80	94.50

Sensitivity Analysis

If the functional currency, at reporting date, has weakened/ strengthened by 5% against the USD with all other variables held constant, the impact on loss after taxation for the year would have been Rs. 9.606 million (2012: 9.178 million) higher/lower, mainly as a result of exchange gains/ losses on translation of foreign exchange denominated financial instruments

(ii) Other Price Risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to commodity price risk since it has no portfolio of commodity suppliers. No equity instrument held by the Company which are traded on a regular basis on the stock exchange and historically, it does not have a direct correlation with the equity index of the Karachi Stock Exchange (KSE). Therefore, it has not any possible impact of increase / decrease in the KSE Index on the Company's profit after taxation for the year and on equity (fair value reserve)

(iii) Interest Rate Risk

Interest rate risk represents the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant Long Term interest bearing assets except for Saving and Deposit accounts, on which rate of return is minimal. The Company's interest rate risk arises from long term financing and short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2013 Rupees	2012 Rupees
Fixed Rate Instruments		
Financial Liabilities		

	2013 Rupees	2012 Rupees
Floating Rate Instruments		
Financial Liabilities		
Long term financing	418,981,491	430,073,891
Liabilities against assets subject to finance lease	20,949,639	20,949,639
Financial Assets	1,309,187	1,144,611

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect the profit and loss of the Company.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss that would be recognized at the reporting date. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

Long term deposits	3,648,244	3,648,244
Trade debts	19,841,530	18,468,659
Loans and advances	1,536,701	535,119
Trade deposits	19,987,556	34,913,106
Bank Balances	9,506,412	2,102,214
	<u>54,520,443</u>	<u>59,667,342</u>

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 21.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) Liquidity Risk

Liquidity Risk is a risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Since many years, The Company is facing liquidity problems. For this, purpose, the Company is continuously negotiating with its financial institutions in order to re-schedule its loans and also to defer payment of its outstanding loans and mark-up accrued thereon. Currently, the Company manages its liquidity risk by maintaining cash and the availability of funding through an adequate amount of committed credit facilities. At 30th June, 2013, the Company had Rs nil million (2012: Rs nil) available borrowing limits from financial institutions and Rs. 9.621 million (2012: 2.121 million) cash and bank balances. In spite the fact that the Company is in a negative working capital position at the year end, management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the table are undisclosed cash flows:

Current maturities of financial liabilities as at 30th June, 2013

	Carrying Amount	Contractual Values	Rupees	
			Less than One Year	One to Five Years / More than Five Years
Trade and other payables	69,259,198	69,259,198	69,259,198	-
Short term borrowings	39,123,445	39,123,445	39,123,445	-
Directors' bridge finance & loan	38,563,713	38,563,713	-	38,563,713
Long term financing	426,981,491	426,981,491	399,980,142	27,001,349
Assets subject to finance lease	20,949,639	20,949,639	12,120,706	8,828,933
Deferred Liabilities	164,195,505	164,195,505	129,408,293	34,787,212
	<u>759,072,991</u>	<u>759,072,991</u>	<u>649,891,784</u>	<u>109,181,207</u>

Current maturities of financial liabilities as at 30th June, 2012

	Carrying Amount	Contractual Values	Less than One Year	One to Five Years	More than Five Years
Rupees					
Trade and other payables	63,001,002	63,001,002	63,001,002	-	-
Short term borrowings	37,209,465	37,209,465	37,209,465	-	-
Directors' bridge finance & loan	38,563,713	38,563,713	-	38,563,713	-
Long term financing	409,948,891	409,948,891	373,654,122	36,294,769	-
Assets subject to finance lease	20,949,639	20,949,639	8,543,362	12,406,277	-
Deferred Liabilities	155,026,139	155,026,139	120,238,927	34,787,212	-
	<u>724,698,849</u>	<u>724,698,849</u>	<u>602,646,878</u>	<u>122,051,971</u>	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates/mark up rates effective as at 30th June. The rates of interest/mark up have been disclosed in the relevant notes to the financial statements.

38.2 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying value of all the Financial Assets & Liabilities reported in Financial Statements approximate their Fair Value. Fair value is determined on the basis of objective evidence at each reporting date.

38.3 FINANCIAL INSTRUMENTS BY CATEGORIES

	2013 Rupees	2012 Rupees
Loans and Advances		
Long term deposits	3,648,244	3,648,244
Trade debts	19,841,530	18,468,659
Loans and advances	1,536,701	535,119
Trade deposits	20,045,771	34,922,523
Bank Balances	9,620,947	2,121,210
	<u>54,693,193</u>	<u>59,695,755</u>
Financial Liabilities as at Amortized Cost		
Long term financing	426,981,491	438,073,891
Liabilities against assets subject to finance lease	20,949,639	20,949,639
Deferred liabilities	164,195,505	155,026,139
Trade and other payables	69,259,198	63,001,002
Short term borrowings	39,123,445	37,209,465
	<u>720,509,278</u>	<u>714,260,136</u>

38.4 CAPITAL RISK MANAGEMENT

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhances shareholders' wealth and meets shareholders' expectations. The Company ensures its sustainable growth viz maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchase shares, if possible, selling surplus property, plant and equipment without affecting the optimal production and operating level and regulating its dividend payout, thus maintaining smooth capital management.

In line with others in the textile industry, the Company monitors its capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings from the banks and financial institutions (including current and non-current) less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt. As on the reporting date, the gearing ratio of the Company was as under:

	2013 Rupees	2012 Rupees
Total borrowings	466,104,936	475,283,356
Cash and bank balances	(9,620,947)	(2,121,210)
Net Debt	456,483,989	473,162,146
Equity	(414,669,750)	(377,672,328)
Total Capital	41,814,239	95,489,818
Gearing Ratio	1091.70%	495.51%

39 SEGMENT INFORMATION

The entire revenue and expenses of the Company are relating to conversion services extended to customer and there are no reportable segments of the Company.

40 PLANT CAPACITY AND PRODUCTION

	2013	2012
Spinning		
Number of spindles installed and worked	18,456	18,456
Rated capacity in thousands of kilograms converted into 20/1 count	5,845	5,845
Actual production in thousands of kilograms converted into 20/1 count:		
- Own Conversion	-	-
- Conversion-third parties	2,989	629
	2,989	629
Weaving		
Number of looms installed and worked	71	71
Rated capacity in thousands of sq. meters converted into 50 picks	9,293	9,293
Actual production in thousands of sq. meters converted into 50 picks:		
- Own Conversion	342	348
- Conversion-third parties	3,493	2,700
	3,835	3,048

40.1 Under-utilization of rated capacity was due to normal maintenance, doffing, change of spin plans and cloth quality, labour problems and power shutdowns.

41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved and authorized for issue by the Board of Directors of the company in its meeting held on October 05, 2013

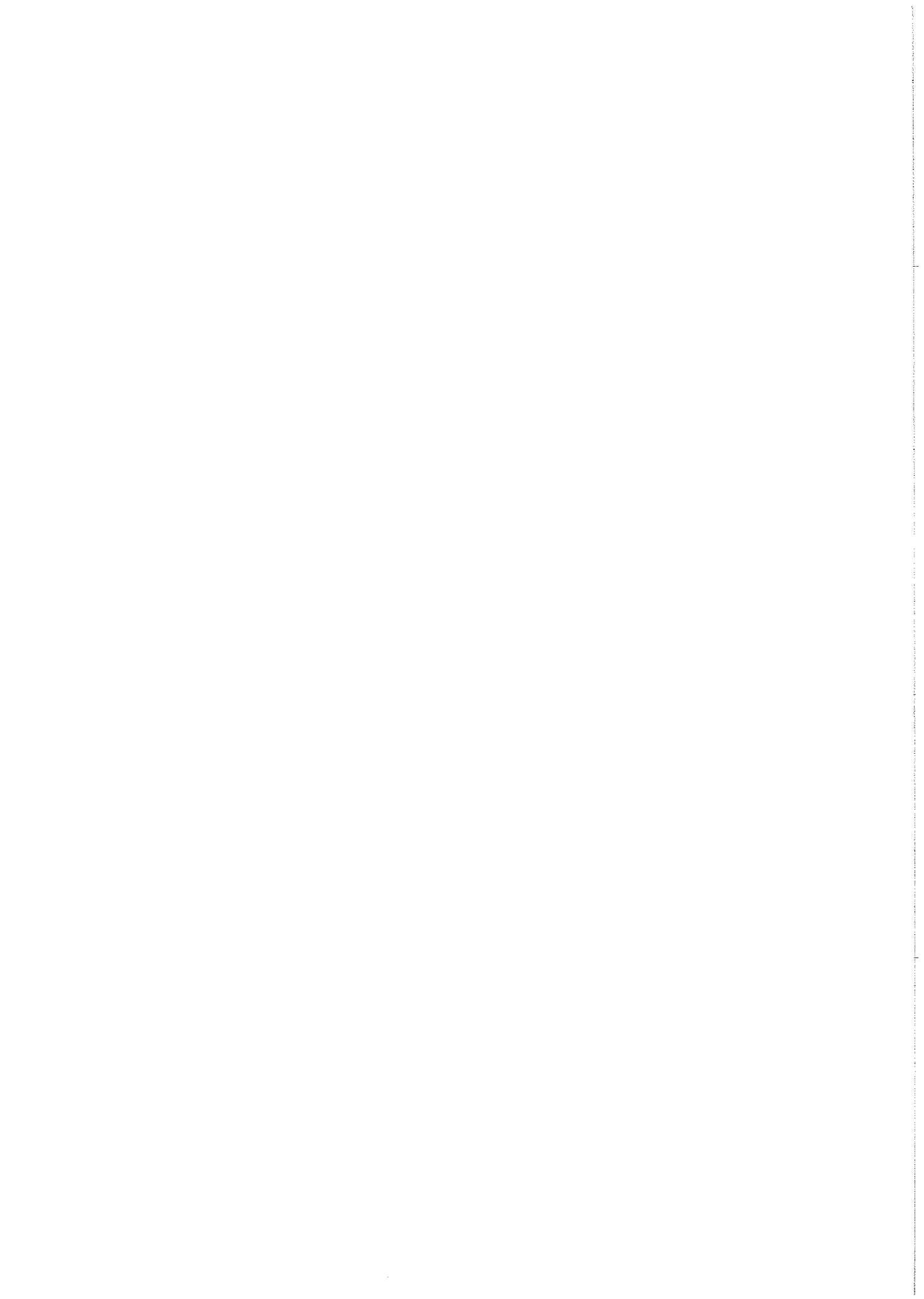
42 CORRESPONDING FIGURES

- Figures have been rounded off to the nearest Rupee,
- Corresponding figures have been re-arranged / reclassified, wherever necessary, to facilitate comparison. The following rearrangements have been made:

FROM	Rupees	TO	Rupees	Reason
Legal and professional charges	135,000	Auditor's remuneration (Tax consultancy fee)	135,000	Proper presentation and comparison


MIAN MUHAMMAD JEHANGIR
 Chairman & Chief Executive


MIAN WAHEED AHMED
 Director





**PROXY FORM
(27th ANNUAL GENERAL MEETING)**

I/We _____ son/daughter/wife
of _____ of _____ being member (s) of
MIAN TEXTILE INDUSTRIES LTD, holder of _____ ordinary shares of
the Company, under Folio No./Participant's ID/CDC sub account No. _____ hereby appoint
_____ of _____ failing him/her _____ of
_____ who is/are member(s) of MIAN TEXTILE INDUSTRIES LTD. under
Folio No./Participant's ID/CDC sub account No. _____ respectively, as my/our proxy in my/our absence
to attend and vote for me/us and on my/our behalf at the 27th Annual General Meeting of the Company to
be held on October 31, 2013 and/or any adjournment thereof.

As witness my/our hand this _____ day of October, 2013.

Signed in the presence of;

Witness _____

Name _____

Occupation _____

Address _____

Signature of
Shareholder (s) on
revenue stamp
worth Rupees 5/-

The signature should agree with the
specimen registered with the Company

IMPORTANT:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, 29-B/7 Model Town, Lahore. Not less than 48 hours before the time of holding the meeting.
2. No person shall act as Proxy unless he/she is a member of the Company, except that a Corporation/Company may appoint a person who is not a member.
3. If a member appoints more than one Proxy and more than one instruments of Proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
4. In case of Proxy for an individual beneficial Owner of CDC, attested copies of beneficial Owner's NIC or passport, Account and Participant's I.D. Nos. must be deposited along with the Form of Proxy. In case proxy for corporate member, he/she should bring the usual documents required of such purpose.
5. Shareholders are requested to notify change in their address, if any.

