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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

Company Secretary

: Mr. Muhammad Masud Mufti

Chief Financial Officer

: Mr. Muhammad Irfan

Auditors

: Manzoor Hussain Mir & Company
Chartered Accountants

Audit Committee

: Mian Waheed 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: 3583 1804-5 (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 NBFI, 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 16 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.

For and on Behalf of the Board

Lahore.
October 01, 2014


MIAN MUHAMMAD JEHangIR
Chairman & Chief Executive

MANZOOR HUSSAIN MIR & CO.
CHARTERED ACCOUNTANTS

TELEPHONES: 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.

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, 2014.

Lahore.
October 01, 2014

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 28th Annual General Meeting of the Shareholders of **Mian Textile Industries Limited** will be held on **Friday October 31, 2014** 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, 2013.
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, 2014.
3. To appoint Auditors and fix their remuneration for the year ending on June 30th, 2015.

Special Business:

4. To consider and approve to enter into lease agreement for renting out the spinning unit comprising of building together with plant & machinery, the following resolution as special resolution;

"Resolved that:

- a) the directors of the Company be and are hereby authorized to enter into lease agreement for renting out the spinning unit comprising of building together with plant & machinery with any other party (if needed) in the best interest of the Company as mentioned in annexed Statement under Section 160(1)(b) of the Companies Ordinance 1984.
- b) Mian Muhammad Jehangir – Chief Executive of the Company be and is hereby authorized and empowered to enter into lease agreement through negotiations with the interested parties on behalf of the Company and complete all the legal formalities to give effect to the aforesaid Resolution."

5. To transact any other business with the permission of the Chairman.

Lahore:

Dated: October 03, 2014

Notes:

- a) The share transfer books of the Company will remain closed from October 22, 2014 to October 31, 2014 (both days inclusive). Transfers received in order at the Registered Office of the Company up to the close of business on October 21, 2014 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.

By order of the Board



Muhammad Masud Mufti
Company Secretary

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 28th 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, 2014.

During the period, due to non-availability of working capital limits from the banks, the company has been engaged in conversion of third party's raw material into finished goods.

Due to some irrepressible factors, such as shortage of energy i.e. gas & electricity, high input cost and tough regional competition, a number of mills have already shutdown while remaining are forced to close down one shift to mitigate losses. Similarly, our conversion parties also could not be able to sustain the prevailing deteriorated market condition and they could not supply raw material to our mills. Consequently, we have also been forced to temporarily close down our mill since February-2014 till the close of the year.

Loss for the year includes provision raised for doubtful claims/obsolete stores & spares of Rs. 15.963 million in current year.

The Financial results of the Company are summarized below:

	2014 (Rs. in '000')	2013 (Rs. in '000')
		Restated
Continuing operations:		
Sales	139,868	153,553
Gross Profit	8,721	10,963
Operating Loss	(4,955)	(956)
Finance cost	3,151	10,760
Loss before taxation		
from continuing operations	(33,367)	(24,479)
Provision for taxation	1,399	793
Loss after taxation:		
From continuing operations	(34,766)	(25,273)
From discontinued operations	(16,897)	(22,344)
Total loss after taxation	(51,663)	(47,617)
Comprehensive Loss for the year	(22,752)	(36,997)
E.P.S	(2.34)	(2.15)

Future outlook

Despite adverse market condition, the management of the company is still striving hard to keep the operations of the mills running.

During the year the management has succeeded to make settlement agreements amicably with its major banks i.e. NIB Bank Limited, Industrial Development Bank Limited and Habib Bank Limited in June 2013, August 2013 and November 2013 respectively. The management is very hopeful that it would also be able to get its remaining loans rescheduled/settled with the remaining banks. In this way company's litigations with the banks shall be closed, bank liabilities/financial/legal charges shall be substantially reduced, the Company shall be in a position to obtain working capital facilities from banks to run the Spinning unit more efficiently and the company shall also 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, 2014.

Notes

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

- o The reclassification of certain short-term loans and mark-up on short-term and long-term loans has made on the basis of litigations and positive ongoing 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 by Faysal Bank Ltd., Allied Bank Ltd, and Grays Leasing Ltd. in the last years and with NIB Bank Ltd, IDBP and HBL in this year. The management is hopeful that this will be done soon.
- o 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. However, as a result of settlement with major banks, no mark-up is payable on that loans. 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.

- o As a result of settlement with HBL, there are no foreign currency loans outstanding against the company. Now the company has to pay the settlement amount in Pak Rupees only.
- o Director's loan amounting to Rs. 38.564 million represents interest-free and unsecured long term loans obtained from the directors of the Company. The repayment terms of the loan have not yet been finalized.
- o Due to economic upheavals and adverse market conditions, our conversion party could not manage to supply raw material for conversion during the year from February-2014 to June-2014, consequently, we have been forced to lay off a major number of workers. Since there were a few number of workers remaining at the close of the year i.e. on 30th June 2014, so the management decided not to conduct actuarial valuation this year, which will surely be conducted next year. However, accrual has been made in accounts on fair estimate basis.
- o The directors of the company are optimistic that if re-scheduling/settlement of remaining loans is done 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.

In this regard, the management has given a mitigating plan in Note 3.1.

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 Directors. However, no trading was carried out by the CEO, other Directors, CFO, Company Secretary, their spouses & minor children:

Name of Transferee	No. of Shares
Mrs. Nargis Jehangir	1,484,798

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	6
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 Arshad (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:

- Mian Waheed Ahmed
Chairman
- Mrs. Nargis Jehangir
Member
- Mian Khurram Jehangir
Member

HUMAN RESOURCES & REMUNERATION COMMITTEE

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

- Mian Waqar Ahmed
Chairman
- Mrs. Nargis Jehangir
Member
- 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 ending on 30th June 2015 and their remuneration shall be fixed.

PATTERN OF SHAREHOLDINGS

A statement showing pattern of shareholding as on June 30, 2014 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.

Lahore:

October 01, 2014

ON BEHALF OF THE BOARD



Mian Muhammad Jehangir
Chairman

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

	2014	2013	2012	2011	2010	2009
FINANCIAL DATA						
PROFIT & LOSS ACCOUNT						
Sales	151,926	233,662	92,965	151,053	268,913	261,679
Cost of sales	155,423	240,669	113,636	152,911	258,533	286,394
Gross profit/(loss)	(3,497)	(7,007)	(20,670)	(1,859)	10,381	(24,715)
Operating profit/(loss)	(21,732)	(22,899)	(35,677)	(16,472)	(4,315)	(39,451)
Profit/(loss) before taxation	(50,143)	(46,423)	(52,438)	(36,002)	(36,071)	(76,127)
Net profit/(loss) after taxation	(51,663)	(47,617)	(26,325)	(37,601)	(37,446)	(76,127)
Comprehensive loss for the year	(22,752)	(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	427,961	575,115	603,276	653,651	688,533	723,526
Current assets	22,696	68,366	81,573	65,368	104,052	159,358
Current liabilities	112,809	108,383	128,335	89,312	238,244	309,311
KEY RATIOS						
Gross profit/(loss) ratio	-2.30%	-3.00%	-22.23%	-1.23%	3.86%	-9.44%
Operating profit/(loss) ratio	-14.30%	-9.80%	-38.38%	-10.90%	-1.60%	-15.08%
Net profit/(loss) ratio	-34.01%	-20.38%	-28.32%	-24.89%	-13.92%	-29.09%
Current ratio	1 : 0.20	1 : 0.63	1 : 0.64	1 : 0.73	1 : 0.44	1 : 0.52
Earning/(loss) per share (Rs.)	(2.34)	(2.15)	(1.19)	(1.70)	(1.69)	(3.44)

PATTERN OF SHAREHOLDING (AS AT JUNE 30, 2014)

Number of Shareholders	Shareholdings From	To	Total Number of Share Held	Percentage of Total Capital
286	1 -	100	23,512	0.11
791	101 -	500	340,223	1.54
255	501 -	1000	238,897	1.08
341	1001 -	5000	958,712	4.34
79	5001 -	10000	624,950	2.83
22	10001 -	15000	278,024	1.26
15	15001 -	20000	266,700	1.21
9	20001 -	25000	206,700	0.94
7	25001 -	30000	205,600	0.93
5	30001 -	35000	161,300	0.73
1	35001 -	40000	36,500	0.17
5	40001 -	45000	217,100	0.98
2	45001 -	50000	99,000	0.45
6	50001 -	55000	320,200	1.45
1	65001 -	70000	67,295	0.30
1	75001 -	80000	79,500	0.36
1	85001 -	90000	88,000	0.40
1	95001 -	100000	95,500	0.43
1	100001 -	105000	102,000	0.46
1	135001 -	140000	139,000	0.63
2	145001 -	150000	300,000	1.36
1	150001 -	155000	154,000	0.70
1	165001 -	170000	168,000	0.76
2	175001 -	180000	354,000	1.60
1	200001 -	205000	202,868	0.92
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	735001 -	740000	736,078	3.33
1	1425001 -	1430000	1,425,809	6.45
1	1950001 -	1955000	1,952,800	8.83
1	2180001 -	2185000	2,185,000	9.88
1	3565001 -	3570000	3,566,198	16.13
1	5355001 -	5360000	5,356,300	24.23
1,847			22,105,200	100.00

FORM 34

Patten of Holding of Shares Held by the Share Holders as at 30/06/2014

Categories of Share Holders	Numbers	Shares Held	%
Individuals	1814	5,743,271	25.98
Investment Companies	3	33,800	0.15
Insurance Companies	1	420,900	1.90
Financial Institution	4	54,715	0.25
Joint Stock Companies	9	15,049	0.07
Mudaraba Companies	4	27,500	0.12
Mutual Funds	1	69,656	0.32
CEO, Directors, Spouses & Relatives	7	15,736,709	71.19
Others	4	3,600	0.02
TOTAL:	1,847	22,105,200	100.00

CATEGORIES OF SHAREHOLDERS AS ON JUNE 30, 2014

	No. of Shares	%																								
1	NIL																									
2	NIL																									
	54,715																									
	12,900																									
	67,615	0.31																								
3	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">a) Mian Muhammad Jehangir</td> <td style="width: 10%; text-align: right;">5,356,300</td> <td style="width: 10%; text-align: right;">24.23</td> </tr> <tr> <td>b) Mian Khurshid Ahmad</td> <td style="text-align: right;">2,15,734</td> <td style="text-align: right;">0.98</td> </tr> <tr> <td>c) Mian Muhammad Nawaz</td> <td style="text-align: right;">202,868</td> <td style="text-align: right;">0.92</td> </tr> <tr> <td>d) Mian Waheed Ahmad</td> <td style="text-align: right;">2,185,000</td> <td style="text-align: right;">9.88</td> </tr> <tr> <td>e) Mian Waqar Ahmad</td> <td style="text-align: right;">154,000</td> <td style="text-align: right;">0.70</td> </tr> <tr> <td>f) Mian Khurram Jehangir</td> <td style="text-align: right;">1,952,800</td> <td style="text-align: right;">8.83</td> </tr> <tr> <td>g) Mrs. Nargis Jehangir</td> <td style="text-align: right;">3,566,198</td> <td style="text-align: right;">16.13</td> </tr> <tr> <td></td> <td style="text-align: right;">13,632,900</td> <td style="text-align: right;">61.67</td> </tr> </table>		a) Mian Muhammad Jehangir	5,356,300	24.23	b) Mian Khurshid Ahmad	2,15,734	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	3,566,198	16.13		13,632,900	61.67
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7	4,522,278	20.46																								
	22,105,200	100.00																								
8	<table style="width: 100%;"> <tr> <td style="width: 80%;">Mian Muhammad Jehangir</td> <td style="width: 10%; text-align: right;">5,356,300</td> <td style="width: 10%; text-align: right;">24.23</td> </tr> <tr> <td>Mrs. Nargis Jehangir</td> <td style="text-align: right;">3,566,198</td> <td style="text-align: right;">16.13</td> </tr> <tr> <td>Mian Waheed Ahmad</td> <td style="text-align: right;">2,185,000</td> <td style="text-align: right;">9.88</td> </tr> <tr> <td>Mian Khurram Jehangir</td> <td style="text-align: right;">1,952,800</td> <td style="text-align: right;">8.83</td> </tr> <tr> <td>Ms. Ayesha Jehangir</td> <td style="text-align: right;">1,425,809</td> <td style="text-align: right;">6.45</td> </tr> </table>		Mian Muhammad Jehangir	5,356,300	24.23	Mrs. Nargis Jehangir	3,566,198	16.13	Mian Waheed Ahmad	2,185,000	9.88	Mian Khurram Jehangir	1,952,800	8.83	Ms. Ayesha Jehangir	1,425,809	6.45									
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Ms. Ayesha Jehangir	1,425,809	6.45																								
9	<p>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 FOLLOW:</p> <p>Shares acquired by the Director:</p> <p>Mrs. Nargis Jehangir</p> <p style="text-align: right;">1,484,798</p>																									

MANZOOR HUSSAIN MIR & CO.
CHARTERED ACCOUNTANTS

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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, 2014, 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, overdue and current portion of long term liabilities to the tune of Rs. 356.008 million and markup on bank loans and leases amounting Rs. 142.312 million are incorrectly classified as long term loans and deferred liabilities instead of current liabilities as per Note. 8.8.1. The long term liabilities are overstated by Rs. 498.320 million and current liabilities are understated by that extent.
- (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. 25.234 million and prior periods Rs. 172.132 million aggregating to Rs. 197.366 million at Note. 8.8.1 are not considered. Accumulated losses are here understated by Rs. 197.366 million. Current period loss is also understated by Rs. 25.234 million.

- (C) 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 2014 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. 73.215 million. Accumulated Losses are reduced by that extent.
- (D) 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.
- (E) Due to non-valuation of gratuity by approved actuarial the provision of IAS-19 has not been complied with.
- (F) A perusal of balance sheet as at June 30, 2014 reveals that shareholder's equity shows adverse balance of Rs. 437.421 million while current liabilities have exceeded current assets by Rs. 90.113 million. If unprovided expenses amounting Rs. 270.581 million are taken in to consideration the equity adverse balance will increase to Rs. 708.002 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. 859.014 million.
- Weaving Unit stands closed down and major junk of machinery has been sold for settlement of loans of banks. The Company is continuously incurring heavy losses from a decade and is still facing difficulties in liquidating bank loans.
- These conditions indicate a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of its business. No adjustment is made in financial statement which may result from this uncertainty. The financial statements have been prepared on going concern basis by the management and reasons are recorded at Note. 3.
- Except for the effects on the financial statements of the matters stated above, we report that:
- (G) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (H) 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;

- (I) in our opinion, except for the effect of matters referred in paragraph (A) to (F) 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, 2014 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

- (J) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

- (K) Attention is invited to the followings:
 - (i) Company's claims against banks indicated at Note 16.5, 16.6, 16.7 and 16.13 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) Letters dropped to National Bank of Pakistan, NIB Bank Limited, Industrial Development Bank Limited and First National Bank Modaraba followed by reminders requiring confirmation of loans balances were not responded by them.

October 01, 2014
LAHORE.

Manzoor Hussain Mir

(MANZOOR HUSSAIN MIR & CO.)

CHARTERED ACCOUNTANTS

Audit Engagement Partner: Manzoor Hussain Mir




BALANCE SHEET

Equity and Liabilities	Note	2014	
		Rupees	Rupees
Share capital and reserves	5	221,052,000	221,052,000
Share capital			(635,721,750)
Accumulated loss		(437,421,269)	(414,669,750)
Surplus on revaluation of Property, plant & equipment	6	235,019,982	302,725,937
Non-current liabilities			
Director's bridge finance & loan	7	38,563,713	38,563,713
Long term financing	8	345,110,611	426,981,491
Liabilities against assets subject to finance lease	9	20,949,639	20,949,639
Deferred liabilities	10	163,020,463	164,195,505
Current liabilities			
Trade and other payables	11	47,877,112	69,259,198
Accrued mark-up	12	-	-
Short term borrowings	13	64,931,836	39,123,445
Current and overdue portion of non-current liabilities	14	-	-
Provision for taxation	15	-	-
Contingencies and commitments	16	112,808,948	108,382,643
Liabilities directly associated with Non-Current assets held for sale	17	8,000,000	-
		486,052,087	647,129,178

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

Lahore:
October 01, 2014


MIAN MUHAMMAD JEHANGIR
Chairman & Chief Executive

AS AT JUNE 30, 2014

Properties and assets	Note	2014 Rupees	2013 Rupees
Non-current assets			
Property, plant and equipment	18	427,961,288	575,114,572
Long term deposits	19	3,648,244	3,648,244
Current assets			
Stores and spares	20	2,222,883	9,857,277
Stock in trade	21	-	6,566,868
Trade debts	22	12,685,240	19,841,530
Loans and advances	23	381,205	1,933,834
Trade deposits and short term prepayments	24	4,901,487	20,045,771
Tax refunds due from Government	25	820,987	500,135
Cash and bank balances	26	1,684,471	9,620,947
		22,696,273	68,366,362
Assets held for sale	27	31,746,282	-
		<u>486,052,087</u>	<u>647,129,178</u>

Mian Waheed Ahmed

MIAN WAHEED AHMED
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	Rupees	Rupees Restated
Continuing operations		
Sales	139,867,786	153,553,442
Cost of sales	131,146,815	142,590,123
Gross profit	8,720,971	10,963,319
Operating expenses		
Distribution cost	1,518,248	2,074,132
Administrative expenses	12,158,056	9,845,132
	13,676,304	11,919,264
Operating loss	(4,955,333)	(955,945)
Other operating charges	27,363,337	16,448,054
Other operating income	2,102,818	3,685,045
Finance cost	3,151,379	10,760,388
Loss before taxation from continuing operations	(33,367,231)	(24,479,342)
Taxation	1,398,678	793,446
Loss for the year after taxation from continuing operations	(34,765,909)	(25,272,788)
Discontinued operations		
Loss for the year from discontinued operations	(16,896,851)	(22,344,087)
Total loss for the year after taxation	(51,662,760)	(47,616,875)
Loss per share - basic & diluted		
From continuing operations	(1.57)	(1.14)
From discontinued operations	(0.76)	(1.01)
Total loss per share - basic & diluted	(2.34)	(2.15)

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

Lahore:
October 01, 2014


MIAN MUHAMMAD JEHANGIR
Chairman & Chief Executive



MIAN WAHEED AHMED
Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013	
	Rupees	Rupees	
Loss for the year after taxation	(51,662,760)	(47,616,875)	-Restated-
Other comprehensive Income			
Transferred from surplus on Revaluation of Fixed assets on account of:			
Incremental depreciation charged during the year	8,465,409	10,619,453	
Disposal of Plant and Machinery	20,445,832	-	
Total comprehensive loss for the year	(22,751,519)	(36,997,422)	

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

Lahore:
October 01, 2014


MIAN MUHAMMAD JEHANGIR
Chairman & Chief Executive


MIAN WAHEED AHMED
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

Note	2014 Rupees	2013 Rupees Restated (24,479,342)
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation from continuing operations		
Adjustments for non-cash and other items:		
Depreciation	25,975,583	29,905,659
Gratuity net of provision related to school	1,969,312	449,130
Loss/(Gain) on disposal of property, plant and equipment	11,400,335	(645,455)
Loss from discontinued operations	(16,776,267)	(21,943,544)
Un-claimed balances written back	(1,754,896)	(2,782,808)
Profit on deposits	-	(256,782)
Provision raised for Claims receivable being bad of recovery	15,446,848	14,925,550
Provision for sales tax doubtful of recovery	-	487,762
Provision raised for obsolete stores and spares	516,154	1,034,742
Excess provision written off	(193,605)	-
Finance cost	3,151,379	10,760,388
	<u>39,734,843</u>	<u>31,934,642</u>
	6,367,612	7,455,300
Operating profit before working capital changes		
Adjustments for Working Capital Changes		
(Increase) / decrease in current assets:		
Stores and spares	5,011,958	1,431,334
Stock in trade	6,566,868	4,792,508
Trade debts	7,349,895	(1,372,871)
Loans and advances	1,552,629	14,749
Trade deposits, prepayments and other receivables	(302,564)	207,984
Tax refunds due from Government	(361,921)	(602,155)
(Decrease) / increase in current liabilities:		
Trade and other payables	(19,627,190)	9,041,004
Short term borrowings	25,808,391	1,913,980
Net working capital changes	<u>25,998,066</u>	<u>15,426,533</u>
Finance cost paid	(1,005,820)	(1,312,482)
Gratuity paid	(5,289,913)	(727,670)
Income tax paid	(1,478,193)	(1,150,539)
	<u>(7,773,926)</u>	<u>(3,190,691)</u>
	24,591,752	19,691,142
Net cash generated from/ (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(2,908,982)	(2,061,005)
Proceeds from disposal of property, plant and equipment	44,251,634	962,000
Net cash (used in) / generated from investing activities	<u>41,342,652</u>	<u>(1,099,005)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of:		
Long term financing	(81,870,880)	(11,092,400)
Liabilities associated with Non-Current assets held for sale	8,000,000	-
Net cash (used in)/ generated from financing activities	<u>(73,870,880)</u>	<u>(11,092,400)</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(7,936,476)</u>	<u>7,499,737</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>9,620,947</u>	<u>2,121,210</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>1,684,471</u>	<u>9,620,947</u>

26

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

Lahore:
October 01, 2014

MIAN MUHAMMAD JEHangir
Chairman & Chief Executive

MiAnheed Ahmed
MIAN WAHEED AHMED
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2014

Particulars	Share Capital	Accumulated Loss	Shareholders' Equity
	Rupees		
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)
Total comprehensive loss for the year	-	(22,751,519)	(22,751,519)
Balance as at June 30, 2014	221,052,000	(658,473,269)	(437,421,269)

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

Lahore:
October 01, 2014

Muhammad Jehangir
MIAN MUHAMMAD JEHANGIR
Chairman & Chief Executive

Miyan Waheed Ahmed
MIAN WAHEED AHMED
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2014

1 LEGAL STATUS AND NATURE OF BUSINESS

Mian Textile Industries Limited, "the Company", was incorporated in Pakistan on December 30, 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 Chuniyan, 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 resumed its own production of cloth in last quarter of the year 2012 but has closed Weaving Unit with effect from November 2013. Most of the Weaving machinery has been sold out to sub-sidise the loans settlement agreements arrived at with banks. The management has no intention of resuming Weaving section in future.

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
- IFRS 2	Periods Beginning on or After
- IFRS 8	July 1, 2014
- IFRS 14	July 1, 2014
- IFRS 15	January 1, 2016
- IAS 16	January 1, 2017
- IAS 19	July 1, 2014 & January 1, 2016
- IAS 24	July 1, 2014
- IAS 32	July 1, 2014
- IAS 36	January 1, 2014
- IAS 38	January 1, 2014
- IAS 39	July 1, 2014 & January 1, 2016
- IAS 40	January 1, 2014
- IAS 41	July 1, 2014
- IFRIC 21	January 1, 2016
	January 1, 2014
	July 1, 2014
	January 1, 2016
	January 1, 2014

The management anticipates that adoption of above standards, amendments and interpretations in future periods will have no material impact on the Company's financial statements other than in presentation / disclosures.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been notified upto June 30, 2014 by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

- IFRS 1	First-time adoption of International Financial Reporting standards
- IFRS 9	Financial Instruments
- IFRS 10	Consolidated financial statements
- IFRS 11	Joint arrangements
- IFRS 12	Disclosure of interests in other entities
- IFRS 13	Fair value measurement

The following interpretations issued by the IASB have been waived off by SECP:

- 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 18, 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. 50.143 million during the year ended June 30, 2014 (2013: Rs. 46.423 million) and accumulated losses are of Rs. 658.473 million (2013: Rs. 635.722 million). The current liabilities of the company have exceeded over current assets by Rs. 90.113 million (2013: Rs. 40.016 million) as at the balance sheet date. Although the Weaving machinery is sold for liquidation of banks loans but still financial difficulties exist. These financial statements do not include adjustments results from this uncertainty and financial statements are prepared on going concern basis for reasons stated below.

3.1. Mitigating Plans

The management has decided to take following steps for improvement in the business activities:

3.1.1 During the year the management has succeeded to make settlement agreements amicably with its major bankers i.e. NIB Bank Limited, Industrial Development Bank Limited and Habib Bank Limited in June 2013, August 2013 and November 2013 respectively, resultantly, the banks have granted waiver of loan/mark-up after payment of full settlement amounts. 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 company's finance cost has substantially reduced and the company shall also be able to reduce loss being sustained due to non-availability of working capital.

3.1.2 Loan from NIB Bank was Rs. 190.888 million as per books, which has been settled at Rs. 110.924 million vide an agreement dated 28-06-2013.

3.1.3 Loan with IDBP (frozen markup) was Rs. 23.458 million, which has also been settled at Rs. 12.807 million vide an agreement dated 01-08-2013.

3.1.4 Similarly, Loan from HBL was Rs. 138.513 million as per books, which has been settled at Rs. 114.700 million vide an agreement dated 22-11-2013.

3.1.5 Our conversion agreement with third party shall expire on 31st December 2014 and the management is hopeful that it will be renewed for at least further one year.

3.1.6 Due to adverse market conditions and recovery suits filed by certain banks, the Company has made amicable settlement with its major banks to settle their liabilities through sale of Weaving machinery and or through funding by the Directors/their family members (if needed).

By payment of settlement amounts to the banks through disposal of the Weaving machinery, the Company will have the following benefits:

- (i) Litigations with the banks shall be closed.
- (ii) Banks Liabilities/financial/legal charges shall be substantially reduced.
- (iii) The Company shall be in a position to obtain working capital facilities from banks to run the Spinning Unit more efficiently.
- (iv) The Company will be able to reduce loss being sustained due to non-availability of working capital and wear & tear of the old machinery.

3.1.7 The Directors are also willing to provide loans in their personal capacity. They have already provided loans of Rs. 38.563 million in the bridge finance and Rs. 44.932 million short term borrowings.

As a result of above steps, we will be able to run the business successfully.

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 1% 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 18. 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 18 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.

4.8.4 Non-Current assets held for sale

Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less cost to sell, if their carrying value is to be recovered principally through a sale transaction with in one year of the date of balance sheet rather than through continuing use and depreciation on such assets cease. Also refer to Note No. 27.

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:

In 2014 there was no stocks. However, in earlier years these were valued in following manners.

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.
Store & spares	At moving average cost.
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.

	2014 Rupees	2013 Rupees
5 SHARE CAPITAL		
Authorized capital		
22,500,000 (2013: 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 (2013: 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	302,725,937	313,345,390
Adjustment as a result of fresh revaluation	<u>(38,794,714)</u>	-
Surplus transferred to accumulated loss:	<u>263,931,223</u>	<u>313,345,390</u>
- Incremental depreciation charged during the year	(8,465,409)	(10,619,453)
- Disposal during the year	<u>(20,445,832)</u>	-
	<u>235,019,982</u>	<u>302,725,937</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.

In 2014 the Land, Building and Plant & Machinery are revalued by approved Independent Valuer- Hamid Mukhtar & Co. (Pvt) Ltd., Lahore. Refer to Note No. 18.1 & 18.3.

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

Financing from banking companies:

	2014 Rupees	2013 Rupees
The Bank of Punjab	38,827,229	38,827,229
National Bank of Pakistan - DF-I	45,000,000	45,000,000
National Bank of Pakistan - DF-II	8,000,000	8,000,000
National Bank of Pakistan - DF-III	1,545,342	1,545,342
Habib Bank Limited	25,000,000	45,000,000
Habib Bank Limited	58,959,598	59,422,468
Habib Bank Limited	34,553,035	49,390,045
NTB Bank Limited	133,225,407	179,796,407
	<u>345,110,611</u>	<u>426,981,491</u>
Less: current portion shown under current liabilities	-	-
	<u>345,110,611</u>	<u>426,981,491</u>

- 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, 2014 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 to 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, 2014. This suit is also presently pending adjudication before Lahore High Court Lahore and being vigorously and diligently contested by 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. 38.827 million (2013:Rs. 36.543 million), unprovided mark up is Rs. 19.702 million (2013:Rs. 15.143 million) and unconfirmed deferred mark up is Rs. 20.852 million (2013:Rs. 5.321 million) refer to Note 10.1.2.
- 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.
- This year National Bank of Pakistan has filed a suit against the company for recovery of Rs. 77.252 million as confirmed by the legal advisor named "Lawyers & Lawyers" vide their letter dated September 09, 2014. This suit is also presently pending adjudication before Lahore High Court Lahore and being vigorously and diligently contested by the Company.
- Legal advisor named "Lawyers & Lawyers" vide their letter dated September 09, 2014 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 has been 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.
- Current and overdue portion of National Bank of Pakistan is amounting to Rs. 49.745 million (2013:Rs. 40.920 million).
Refer to note 16.15 and 10.1.4.
Letters dropped to National Bank of Pakistan for confirmation of balances were not responded.
- 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). 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. 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. All the facilities were expired on 31-12-2009.

Bank as per its confirmation letter No # MP/THS/86 dated September 22, 2014 has confirmed limit of Rs. 204.235 million of short term loans while balances extended to company are Rs. 191.728 million as on 30th June 2014 whereas the balances reflected by books on the said date are Rs. 118.513 million. The foreign currency loans as at 30th June 2014 are converted by bank at exchange rates prevailing on balance sheet date and exchange variation loss of Rs. 73.215 is not incorporated in books. Also refer to note 10.1.3 & 16.13.

The Company as per Settlement agreement dated 22 November 2013 agreed to pay entire liability of Habib Bank Limited by a total payment of Rs. 114.700 Million (Settlement Amount) through sale of assets/machinery to prospective buyer. A sum of Rs. 40 million was paid against a sum of 68.820 Million within eight months from the date of agreement and the balance payment of Rs. 45.880 Million within twelve months from the date of the agreement. In case of delay/refusal from prospective buyer in making payment as per schedule then the Company will pay the Settled Amount from their own pocket through sale of assets/machinery. Any waiver of the amounts mentioned in the suit i.e. Rs. 210.650 Million shall only be granted once the Company pay the entire Settlement Amount as mentioned above.

The Company could not make payment of Rs. 68.820 by due date 22-07-2014 and accordingly vide a Supplement agreement dated 10 September 2014 agreed that balance amount of first settlement of Rs. 68.820 million would be paid in the manner of an amount of Rs. 8.820 Million by 22-10-2014 and balance amount of first installment of Rs. 20.0 Million by 22-11-2014.

The second installment of Rs. 45.880 Million shall be paid as per terms of the compromise agreement by or before 22-11-2014 i.e. 12 months from the date of main compromise agreement dated 23-11-2013 and decree dated 2-12-2013. That subject to this agreement all the terms and conditions of the Settlement agreement dated 23-11-2013 as well as decree dated 02-12-2013 shall be valid and are in field and shall be enforceable at the option of Bank in accordance with Law.

The Company has also filed a suit against the Habib Bank Limited for recovery of Rs. 872.182 million. This suit is presently pending adjudication before the Lahore High Court Lahore which has to be disposed off in terms of a Settlement agreement with HBL. The legal advisors vide letter dated September 09, 2014 have stated that there is no scope of any loss to the Company. Refer to note. 16.13.

The management was 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. 118.513 million (2013:Rs. 153.813 million), unprovided mark up is Rs. 50.535 million (2013:Rs. 50.535 million) and also have deferred the mark up payable to the bank Rs. 44.245 million (2013:Rs. 44.245 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, 2014 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, 2014 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, 2014 has stated that there is no scope of any loss to the company in the instant matter.

The Company as per Settlement agreement dated 28 June 2013 has agreed to pay entire liability of NIB Bank Limited by a total payment of 110.924 million in three installments by down payment of Rs. 11.092 million at the time of execution of this agreement and agreed to pay 66.554 million within Eight months from the date of execution of this agreement i.e. 28 February 2014 and balance payment of Rs. 33.277 million within Four months after the payment of second payment i.e. 28 June 2014. The NIB Bank Limited has agreed to waive off Rs 152.844 million against entire liability of Rs. 263.768 million as any waiver of the amounts mentioned in the suit shall only be granted once the Company pays the entire Settlement amount. However, if more than 60% settled amount would be paid in 12 months then in case of delays of balance amount, the NIB is entitled to claim cost funds on balance amount from date of default of this Agreement till payment of remaining settlement amount. However in case the balance settled amount is not received within the period of next twelve months, the bank shall have the right to cancel/withdraw this arrangement and will continue pursue its recovery suit. As the entitlement is subject to compliance of said payments, the adjustments are not made in these financial statements.

The management was 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. 133.225 million (2013:Rs. 179.796 million) further more, the Company has not accrued the mark-up relating to the loan amounting to Rs. 101.880 million (2013:Rs. 101.880 million). Letters dropped to NIB Bank Limited for confirmation of balances were not responded.

8.8 Followings are short term loans, overdues, current portion of long term liabilities classified as long term liabilities, markup accrued & unprovided markup for which approval was not received yet from banks.

8.8.1 Financing from banking companies:	Note No.	2014		
		Overdues loans	Unprovided markup	Overdues markup
The Bank of Punjab	8.1	38.827	19.702	20.852
National Bank of Pakistan	8.2 & 8.3	49.745	3.020	24.813
Habib Bank Limited	8.4 to 8.6	118.513	50.535	44.245
NIB Bank Limited	8.7	133.225	101.880	24.926
Industrial Development Bank Limited		-	16.521	19.231
		340.310	191.658	134.067
Leasing: First National Bank Modaraba	9.2	15.698	5.708	8.245
		356.008	197.366	142.312

8.8.2 Financing from banking companies:	Note	2013		
		Overdues loans	Unprovided markup	Overdues markup
The Bank of Punjab		36.543	15.143	5.321
National Bank of Pakistan		40.920	0.031	42.486
Habib Bank Limited		153.813	50.535	44.245
NIB Bank Limited		179.796	101.880	24.926
Industrial Development Bank Limited		-	-	5.486
Leasing: First National Bank Modaraba		411.072	167.589	122.464
		12.121	4.543	1.012
		423.193	172.132	123.476

9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

9.1 Movement in finance lease liability is as follows:

	2014	2013
	Rupees	Rupees
Opening balance	20,949,639	20,949,639
Payments made during the year	-	-
Current portion shown under current liabilities	14	14
	20,949,639	20,949,639

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

	Rupees			
	Due not later than one year	Due over one year and up to five years	Due over five years	2013
Minimum lease payments	22,470,727	6,417,550	-	28,888,277
Security deposits adjustable on expiry of lease term	-	2,866,667	-	2,866,667
Gross minimum lease payments	22,470,727	9,284,217	-	31,754,944
Financial charges allocated to future periods	(6,772,677)	(4,032,628)	-	(10,805,305)
Present value of minimum lease payments	15,698,050	5,251,589	-	20,949,639
Current portion shown under current liabilities	-	-	-	-
	15,698,050	5,251,589	-	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% (2013: 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, 2014 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, 2014 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. Letters dropped to First National Bank Modaraba for confirmation of balances were not responded.

10 DEFERRED LIABILITIES

	2014 Rupees	2013 Rupees
Deferred mark-up	160,408,330	158,262,771
Staff retirement benefits - unfunded gratuity scheme	2,612,133	5,932,734
	<u>163,020,463</u>	<u>164,195,505</u>
10.1 Deferred mark up:		
Industrial Development Bank of Pakistan (Frozen)-Secured	19,231,000	22,177,000
The Bank of Punjab	35,047,454	19,516,565
Habib Bank Limited	44,245,366	44,245,366
National Bank of Pakistan	24,813,220	42,485,739
First National Bank Modaraba	12,145,580	4,912,391
NIB Bank Limited (PICIC)	24,925,710	24,925,710
	<u>160,408,330</u>	<u>158,262,771</u>

- 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. 19.231 million which was not recognized in books. Refer to note. 16.8.
- This year the Company as per Settlement agreement dated 01 August 2013 has agreed to pay entire liability of Industrial Development Bank of Pakistan by a total payment of 12.807 million (Settlement Amount) in three instalments by down payment of Rs. 1.281 million at the time of execution of this agreement and agreed to pay 7.686 million within Eight months from the date of execution of this agreement i.e. 01 April 2014 and balance payment of Rs. 3.840 million within a period of twelve months from the date of execution of this agreement i.e. 01 August 2014. The Industrial Development Bank of Pakistan has agreed that after payment of entire settlement amount as per package, the Bank will waive off balance frozen liability of Rs. 12.229 million along with frozen markup of Rs. 16.521 million. As the entitlement is subject to compliance of said payments, the adjustments are not made in these financial statements.
- However, if more than 60% settled amount would be paid in 12 months then in case of delay in payment of balance amount, the Industrial Development Bank of Pakistan is entitled to claim cost funds on balance amount from date of default of this Agreement till payment of remaining settlement amount. However in case the balance settled amount is not received within the period of next twelve months, the bank shall have the right to cancel/withdraw this agreement and shall proceed according to Law for balance frozen liability together with frozen markup.
- Letters dropped to Industrial Development Bank of Pakistan for confirmation of balances were not responded.
- 10.1.2 This represents overdue mark up aggregating Rs 14,196 million relating to the period from October 2006 to June 2009 as a result of rescheduling vide letter dated 04-07-2009 from the Bank of Punjab. The overdue deferred mark up shall be paid after the last instalment of Demand Finance liability as on 01-07-2014. The unprovided mark up amount Rs 19,702 million (2013:Rs. 15,143 million) refer to note 8.1.
- 10.1.3 This year the Company has deferred the markup of Rs nil (2013:Rs. 4,231 million). The unprovided mark up amount Rs 50,535 million (2013:Rs. 50,535 million). Refer to Note 8.6.
- 10.1.4 The company has requested the bank for rescheduling of loan liability, however, this proposal is under process by the bank as at the balance sheet date therefore this year the Company has also deferred the mark up of Rs nil (2013:Rs. 6,498 million). The unprovided mark up amount Rs 3,020 million (2013:Rs. 0,031 million). Refer to note 8.2 & 8.3.
- 10.1.5 This include Rs 3,900 million unpaid mark up for the period from September 2006 till March 2009 kept frozen by the bank and shall be paid in 12 equal monthly instalment of 0.325 million from March 2016 to February 2017.
- The management is of the view that this loan will be restructured. The unprovided mark up amount Rs 16,521 million (2013:Rs. 4,543 million). Refer to note 9.2.4.
- 10.1.6 The unprovided mark up amount to Rs 101,880 million (2013:Rs. 101,880 million). Refer to note 8.7.

10.2

Staff retirement benefits - unfunded gratuity scheme**Reconciliation of payable to defined benefit plan:**

The amounts recognized in balance sheet are as follows:
Present value of defined benefit obligation
Unrecognized net actuarial gains/(losses)

	2014 Rupees	2013 Rupees
	2,612,133	5,932,734
	2,612,133	5,932,734
Movement in net liability recognized is as follows:		
Opening balance at July 01,	5,932,734	6,211,274
Service cost recognized during the year	1,969,312	868,480
Benefits paid during the year	(5,289,913)	(727,670)
Provision related to school	-	(419,350)
Closing balance as at June 30,	2,612,133	5,932,734

Last actuarial valuation was carried out as at June 30, 2009 under the 'Projected Unit Credit Method'. The significant assumptions used for actuarial valuation were as follows:

In current year provision is based on estimate basis.

Discount rate	13%	13%
Expected rate of salary increase	11%	11%

Expense recognized in the income statement

Current service cost	1,969,312	868,480
Interest cost	-	-
	<u>1,969,312</u>	<u>868,480</u>

Restated

11 TRADE AND OTHER PAYABLES

Creditors for:

Goods	9,253,539	16,769,282
Expenses	4,009,608	3,940,490
Accrued expenses	15,038,863	35,176,105
Advances from customers	14,194,488	7,306,922
Income tax deducted at source	607,674	2,120,636
Unclaimed dividend	415,333	415,333
Others (School)	4,357,607	3,530,430
	<u>47,877,112</u>	<u>69,259,198</u>

11.1 It relates mostly to year 2010 to 2014.

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 include Rs. nil (2013:Rs. nil) in respect of staff retirement benefits.

12 ACCRUED MARK UP

Mark up accrued on:

Long term financing	12.1	-	2014	2013
Liabilities against assets subject to finance lease	12.2	-	Rupees	Rupees

12.1 Un provided mark-up for the year is Rs. 191.658 million (2013:Rs. 167.588 million). Refer to note 8.8.1 and 8.

12.2 Un provided mark-up for the year is Rs. 5.708 million (2013:Rs. 4.543 million). Refer to note 8.8.1 and 9.

13 SHORT TERM BORROWINGS

From related parties - unsecured

Loan from family associates	13.1	44,931,836	39,123,445
Others	13.2	20,000,000	-
		<u>64,931,836</u>	<u>39,123,445</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.

13.2 From third party carrying no markup. It is treated as short term with mutual consent. However there is no agreement reduced in writing containing terms and conditions of its repayment.

14 CURRENT AND OVERDUE PORTION OF NON-CURRENT LIABILITIES

Long term financing	14.1	-
Liabilities against assets subject to finance lease	14.2	-

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. 340.310 million (2013:Rs. 411.072 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. 15.698 million (2013:Rs. 12.121 million). Also refer to note 8.8.1.

14.3 Last 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. 49.745 million. Refer to note 8.3.

15 PROVISION FOR TAXATION

Provision made for the current year
Provision adjusted during the year

	2014	2013
	Rupees	Rupees
	1,398,678	Restated 793,446
	(1,398,678)	(793,446)

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. This year no confirmation from legal advisor is available. However, this was considered bad of recovery and half of amount was written off in 2013 and half is written off this year. Also refer to note. 24.1.

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. This year no confirmation from legal advisor is available.

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, 2014 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, 2014 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 to 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, 2014 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, 2014 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, 2014. This suit is also presently pending adjudication before Lahore High Court Lahore and being vigorously and diligently contested by the Company.

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, 2014 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, 2014 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. 16.521 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 (2013: nil) in favour of Sul Northern Gas Pipelines Limited.

16.10 Appeals of Company relating to years 2005 & 2007 on the issue of minimum tax levied u/s 113 of Income Tax Act 2001 involving tax liability aggregating to Rs. 4.507 million are subjudice before Appellate Tribunal Inland Revenue. Demand raised being contrary to judgment of Honorable Lahore High Court is prima facie illegal and not provided.

- 16.11 Appeal filed by Company to ATIR for tax year 2010 against various curtailment & add backs confirmed by CIR(A) made by DCIR vide Order u/s 122(5A) is pending. Demand of Rs. 0.173 million is illegal and not provided.
- 16.12 DCIR while making revised assessment vide Order u/s 124/161/205(3) dated 23-06-2014 levied tax of Rs. 1.957 million for tax year u/s 161 and Rs. 4.533 million for additional tax u/s 205(3) on said disputed demand Appeal before CIR(A) is yet not decided.

Appeal filed earlier against remand Order dated 26-02-2013 of CIR(A) on levy of additional tax before ATIR is also not concluded. Tax illegally levied is not sustainable in eyes of Law and no liability is expected to arise hence no provision is raised.

- 16.13 Legal advisor named "Lawyers & Lawyers" vide their letter dated September 09, 2013 had 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. Refer to note. 8.6 and 10.1.3.

The Company as per Settlement agreement dated 22 November 2013 agreed to pay entire liability of Habib Bank Limited by a total payment of Rs. 114.700 Million (Settlement Amount) through sale of assets/machinery to prospective buyer. A sum of Rs. 40 million was paid against a sum of 68.820 Million within eight months from the date of agreement and the balance payment of Rs. 45.880 Million within twelve months from the date of the agreement. In case of delay/refusal from prospective buyer in making payment as per schedule then the Company will pay the Settled Amount from their own pocket through sale of assets/machinery. Any waiver of the amounts mentioned in the suit i.e. Rs. 210.650 Million shall only be granted once the Company pay the entire Settlement Amount as mentioned above.

The Company could not make payment of Rs. 68.820 by due date 22-07-2014 and accordingly vide a Supplement agreement dated 10 September 2014, It was agreed that balance amount of first settlement of Rs. 68.820 million would be paid in the manner of an amount of Rs. 8.820 Million by 22-10-2014 and balance amount of first installment of Rs. 20.0 Million by 22-11-2014.

The second installment of Rs. 45.880 Million shall be paid as per terms of the compromise agreement by or before 22-11-2014 i.e. 12 months from the date of main compromise agreement dated 23-11-2013 and decree dated 2-12-2013. That subject to this agreement all the terms and conditions of the Settlement agreement dated 23-11-2013 as well as decree dated 02-12-2013 shall be valid and are in field and shall be enforceable at the option of Bank in accordance with Law.

The Company has also filed a suit against the Habib Bank Limited for recovery of Rs. 872.182 million. This suit is presently pending adjudication before the Lahore High Court Lahore which has to be disposed off in terms of a Settlement agreement with HBL. The legal advisors vide letter dated September 09, 2014 have stated that there is no scope of any loss to the Company.
Refer to note. 8.6 and 10.1.3.

- 16.14 This year National Bank of Pakistan has filed a suit against the company for recovery of Rs.77.252 million as confirmed by the legal advisor named "Lawyers & Lawyers" vide their letter dated September 09, 2014. This suit is also presently pending adjudication before Lahore High Court Lahore and being vigorously and diligently contested by the Company.
Refer to note 8.2, 8.3 and 10.1.4.

- 16.15 Legal advisor named "Lawyers & Lawyers" vide their letter dated September 09, 2014 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 has been 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.

17 LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE

Advances against machinery held for sale

	2014	2013
	Rupees	Rupees
	8,000,000	

- 17.1 Sale agreements with these contractors could not be concluded and advances received from them were returned back to them in next year in month of July 2014.

18 PROPERTY, PLANT AND EQUIPMENT-note annexed

	18.1	427,964,288	575,114,572
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Note. 18.1
PROPERTY, PLANT AND EQUIPMENT

Particulars	COST / FAIR VALUE					Rate	%	DEPRECIATION				
	As at 01-07-2013	Additions during the year	Disposals	Revaluation Adjustment	Transfer to Held for sale 30-06-2014			Accumulated as at 01-07-2013	Charge for the year	Adjustments on disposals	Transfers	Accumulated as at 30-06-2014

Freehold land	100,000,000	-	-	-	-	100,000,000	-	-	-	-	-	-	-
Factory building on freehold land	215,915,367	542,077	-	(54,449,444)	162,008,000	31,433,407	3	5,542,027	-	(36,975,434)	-	162,008,000	(17,474,010)
Plant and Machinery	381,183,092	-	(83,438,711)	(140,104,381)	128,000,000	131,711,112	7.5	16,729,719	(29,657,154)	(118,783,677)	-	128,000,000	(21,320,704)
Generator	30,988,603	-	-	-	30,988,603	13,014,556	7.5	1,348,054	-	-	14,362,610	16,625,993	-
Office equipment	3,934,249	89,650	(191,700)	-	3,832,199	2,577,861	10	200,498	(24,829)	-	2,753,530	1,078,669	-
Furniture and fixtures	6,460,162	-	-	-	6,460,162	4,495,327	10	134,208	-	-	4,629,535	1,830,627	-
Vehicles	10,513,485	805,500	(2,574,810)	-	8,744,175	6,374,862	20	841,572	(2,343,024)	-	4,873,410	3,870,765	-
Assets held under finance lease:	748,994,958	1,437,227	(86,205,221)	(194,553,825)	(29,640,000)	440,033,139	-	24,796,078	(32,025,007)	(155,759,111)	26,619,085	413,414,054	(38,794,714)
Gas generators	28,666,667	-	-	-	28,666,667	12,939,928	7.5	1,179,505	-	-	-	14,547,234	-
2014	777,661,625	1,437,227	(86,205,221)	(194,553,825)	(29,640,000)	468,699,806	-	202,547,053	(32,025,007)	(155,759,111)	40,738,518	427,961,288	(38,794,714)

Particulars	COST / FAIR VALUE					Rate	%	DEPRECIATION				
	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

Freehold land	100,000,000	-	-	-	-	100,000,000	-	-	-	-	-	-	-
Factory building on freehold land	215,915,367	-	-	-	215,915,367	25,727,779	3	5,705,628	-	-	-	31,433,407	(84,481,900)
Plant and Machinery	381,117,968	65,104	-	-	381,183,092	111,488,053	7.5	20,223,059	-	-	131,711,112	249,471,980	-
Generator	30,567,887	420,716	-	-	30,988,603	11,582,785	7.5	1,431,771	-	-	13,014,556	17,974,047	-
Office equipment	3,392,549	541,700	-	-	3,934,249	2,475,224	10	102,637	-	-	2,577,861	1,356,388	-
Furniture and fixtures	6,450,162	10,000	-	-	6,460,162	4,277,198	10	218,129	-	-	4,495,327	1,964,835	-
Vehicles	10,152,270	2,788,865	(2,427,650)	-	10,513,485	7,536,673	20	949,294	(2,111,105)	-	6,374,862	4,138,623	-
Assets held under finance lease:	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	-
Gas generators	28,666,667	-	-	-	28,666,667	11,664,787	7.5	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	-

18.2 Depreciation for the year has been allocated as under:-

	2014 Rupees	2013 Rupees
Cost of goods sold - continuing operations	16,599,699	Restated 17,770,213
Cost of goods sold - Discontinued operations	8,199,606	10,865,386
Administrative expenses	1,176,278	1,270,060
	25,975,583	29,905,659

18.3 Revaluations of land, buildings, plant and machinery was carried out in May 2008, April 2004 and September 1995 by an independent valuers. In 2014 the Land, Building and Plant & Machinery are revalued by approved Independent Valuer-Hamid Mukhtar & Co. (Pvt) Ltd., Lahore. Had there been no revaluations, the cost, accumulated depreciation and book values of the revalued assets as on June 30, 2014 would have been as follows:

	Cost of assets as at June 30, 2014	Accumulated depreciation as at June 30, 2014	Book value as at June 30, 2014
Land - freehold	10,165,625	-	10,165,625
Buildings on freehold land	101,821,568	57,357,515	44,464,053
Plant and machinery	386,639,871	304,430,881	82,208,990

18.4 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
Switzer Rud Looms 153"	21,469,875	(7,570,492)	13,899,383	17,000,000	3,100,617	Warsha Industries - FSD	Negotiation
Switzer Rud Looms 153"	12,629,338	(4,453,231)	8,176,107	9,000,000	823,893	Elahi Fabrics - Multan	Negotiation
Switzer Rud Looms 168"	10,413,497	(3,672,641)	6,740,856	8,000,000	1,259,144	Warsha Industries - FSD	Negotiation
Balling Press	43,024	(15,352)	27,672	200,000	172,328	Mehmood Brothers - FSD	Negotiation
Boiler	1,815,143	(584,461)	1,230,682	950,000	(280,682)	Sajid Raising - LHR	Negotiation
Overhead Cleaner	6,836,528	(2,437,219)	4,399,309	150,000	(4,249,309)	Haldry Traders - FSD	Negotiation
Beam Stacker	1,651,356	(588,660)	1,062,696	800,000	(262,696)	Haldry Traders - FSD	Negotiation
Warp Knotting	646,485	(230,466)	416,019	260,000	(156,019)	Mustafa Trading - FSD	Negotiation
A-C Plant	7,460,125	(2,660,187)	4,799,938	780,000	(4,019,938)	Haldry Traders - FSD	Negotiation
Folding	43,829	(15,698)	28,171	127,119	98,948	Shahen Industries - FSD	Negotiation
Pelleting	1,950,765	(695,209)	1,255,556	402,542	(853,014)	Shahen Industries - FSD	Negotiation
Shearing & Cleaning	2,377,470	(857,758)	1,519,712	127,119	(1,392,593)	Sajid Trading - LHR	Negotiation
Rolling	407,944	(145,574)	262,370	127,119	(135,251)	Shahen Industries - FSD	Negotiation
Inspection Frames	343,575	(123,969)	219,606	360,169	140,563	Shahen Industries - FSD	Negotiation
Sizing & Warping with Air Comp	14,703,272	(5,365,005)	9,338,267	4,800,000	(4,538,267)	Valltex (Pvt) Ltd - Karachi	Negotiation
Warp Knotting	646,485	(241,272)	405,213	176,271	(228,942)	Abdul Salam - FSD	Negotiation
Consumable Stores	83,438,711	(29,657,154)	53,781,557	43,260,339	(10,521,218)		
	1,471,755	-	1,471,755	-	(1,471,755)		
Vehicles							
Honda Civic LXR-596	1,012,210	(968,063)	44,147	200,000	155,853	M. Ahmed Alamgir - LHR	Negotiation
Honda Civic LXR-9696	988,520	(960,778)	27,742	200,000	172,258	Maalik M. Irfan - LHR	Negotiation
Suzuki Cultus LEA-759	574,080	(414,183)	159,897	477,000	317,103	M. Fiaz - LHR	Negotiation
Loom Monitoring System	191,700	(24,829)	166,871	114,295	(52,576)	Textile Monitoring Solutions - LHR	Negotiation
	87,676,976	(32,025,007)	55,651,969	44,251,634	(11,400,335)		
2014							
2013							

19 LONG TERM DEPOSITS

Deposits against leased assets
Deposits with Utility Companies
Others

	2014 Rupees	2013 Rupees
	2,866,667	2,866,667
	658,317	658,317
	123,260	123,260
	3,648,244	3,648,244

	2014 Rupees	2013 Rupees	Note
20 STORES AND SPARES			
Stores	1,506,657	8,989,561	
Less: Provision for obsolete stores	(475,817)	(854,008)	
Spares	1,030,840	8,135,553	
Less: Provision for obsolete spares	1,406,427	1,902,458	
	(214,384)	(180,734)	
	1,192,043	1,721,724	
	2,222,883	9,857,277	
21 STOCK IN TRADE			
Finished goods	-	6,566,868	
	-	6,566,868	
22 TRADE DEBTS			
Local			
Considered good - unsecured	12,685,240	19,841,530	
Considered doubtful	2,440,307	2,633,912	
Less: Provision for doubtful debts	15,125,547	22,475,442	
	(2,440,307)	(2,633,912)	
	12,685,240	19,841,530	
23 LOANS AND ADVANCES			
Advances to suppliers and contractors:			
- Considered good	112,901	397,133	
- Considered doubtful	504,871	504,871	
	617,772	902,004	
Less: Provision for doubtful advances	(504,871)	(504,871)	
Advances to employees	112,901	397,133	
	268,304	1,536,701	
	381,205	1,933,834	
23.1 Amount due from chief executive officer, directors, executives of the Company and other related parties is Rs. nil (2013:Rs. nil). Maximum aggregate balance due from Directors of the Company at the end of any month during the year was Rs. nil (2013: Rs. nil).			
24 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposit (SINGPL)	4,767,951	4,767,951	
Guarantee margin	48,756	48,756	
Prepayments	84,780	58,215	
Claims receivables	-	15,170,849	24.1
	4,901,487	20,045,771	
24.1 Claims receivables			
Considered good	-	15,170,849	
Considered doubtful	33,976,306	18,805,457	
Less: provision for doubtful claims	33,976,306	33,976,306	
	(33,976,306)	(18,805,457)	
	-	15,170,849	
25 TAX REFUNDS DUE FROM GOVERNMENT			
Income tax refundable	336,540	377,609	25.1
Sales tax refundable	972,209	610,288	
Less: Provision for doubtful of recovery	(487,762)	(487,762)	
	484,447	122,526	
	820,987	500,135	
25.1 INCOME TAX REFUNDABLE comprises of:			
Balance as at 1st July,	377,609	421,059	
Add/(Less) : (Deducted)/Collected during the Year	1,478,193	1,150,539	
	1,855,802	1,571,598	
Less : Adjusted against Provision for Taxation	(1,519,262)	(1,193,989)	15
	336,540	377,609	

26 CASH AND BANK BALANCES

	2014 Rupees	2013 Rupees
Cash in hand	2,176	114,535
Cash with banks:		
In current accounts	92,808	8,197,225
In saving accounts	1,589,487	1,309,187
	1,682,295	9,506,412
	1,684,471	9,620,947

26.1

26.1 These accounts are subject to return @ 6.0% (2013: 6.5%) per annum.

27 ASSETS HELD FOR SALE AND DISCONTINUED OPERATION

27.1 Non current asset held for sale	29,640,000	-
Weaving store & spares held for sale	2,106,282	-
	31,746,282	-

The Company has closed down its Weaving unit and most of machinery has been sold this year. Machinery held for sale is expected to be sold entirely with in next 12 months. Also refer to Note. 1 & 18.1.

In view of the un-healthy and un-economical conditions of the country the management anticipate that they will be hardly able to realize the fair market value of Rs. 29,640 disclosed by financial statement resulting in no profit or loss.

27.2 Analysis of the result of discontinued operations

Income		
Local sales of Cloth	-	43,199,053
Conversion Charges from third parties	12,211,777	37,432,981
Commission on sales	12,211,777	80,632,034
Yarn outside doubling	(7,355)	(523,337)
	(146,004)	-
	12,058,418	80,108,697

Expenses

Raw materials consumed for own conversion for sale	-	26,051,879
Salaries, wages and benefits	7,720,549	25,703,023
Chemicals and sizing	-	6,861,510
Stores and spares consumed	710,138	3,515,904
Fuel and power	3,632,701	17,342,890
Packing materials	-	356,024
Other manufacturing expenses	720,341	2,086,922
Depreciation	8,199,606	10,865,386
	20,983,335	66,731,659

27.2.1

Weaving opening stock - work in process
Cost of goods manufactured
Weaving opening stock - finished goods
Weaving closing stock - finished goods

Cost of sales**Distribution expenses****Administrative expenses****(Loss) / Profit before tax from discontinued operations**

Taxation

(Loss) / Profit after tax from discontinued operations**27.2.1 Raw materials consumed**

Opening stock	-	2,771,178
Add: Purchases	-	23,280,701
Available for sale	-	26,051,879
	-	26,051,879
	(16,896,851)	(22,344,087)

28 SALES

Conversion Charges from third parties
Yarn outside doubling

	2014 Rupees	2013 Rupees Restated
	139,867,786	154,737,752 (1,184,310)
	139,867,786	153,553,442

29 COST OF SALES

Salaries, wages and benefits
Stores and spares consumed
Fuel and power
Packing materials
Other manufacturing expenses
Depreciation

	2014 Rupees	2013 Rupees Restated
	37,434,794	48,464,821
	1,430,726	107,117
	70,042,790	75,530,949
	7,465	-
	2,357,056	4,125,299
	16,599,699	17,636,222
	127,872,530	145,864,408
	127,872,530	145,864,408

Cost of goods manufactured

Finished goods:

Opening - Spinning
Closing - Spinning

	3,274,285	-
	-	(3,274,285)
	131,146,815	142,590,123

29.1 These include Rupees 1.608 million (2013: Rupees 0.505 million) in respect of staff retirement benefits.
29.2 Opening stock of finished goods represents conversion cost recoverable at year end 30-06-2013.

30 DISTRIBUTION COST

Staff salaries and benefits
Travelling and conveyance
Printing and stationery
Insurance
Vehicles running and maintenance
Telecommunication
Entertainment
Postage and telegram
Miscellaneous

	2014 Rupees	2013 Rupees Restated
	1,379,086	1,850,609
	-	40,200
	9,848	44,484
	38,772	40,116
	334,183	475,643
	165,169	204,435
	73,837	66,703
	5,572	10,161
	17,863	33,158
	2,024,330	2,765,509
	506,082	691,377
	1,518,248	2,074,132

Discontinued operations

30.1 These include Rupees 0.004 million (2013: Rupees 0.073 million) in respect of staff retirement benefits.

31 ADMINISTRATIVE EXPENSES

Staff salaries and benefits
Travelling and conveyance
Rent, rate and taxes
Repair and maintenance
Insurance
Utilities
Printing and stationery
Fee and subscription
Vehicles running and maintenance
Entertainment
Newspapers and journals
Postage and telegram
Telecommunication
Press advertisements
Legal and professional charges
Auditor's remuneration
Depreciation
staff welfare
Miscellaneous

	2014 Rupees	2013 Rupees Restated
	7,272,994	6,785,929
	56,040	78,957
	681,883	696,565
	223,733	173,068
	199,261	209,125
	473,103	391,271
	140,646	162,557
	169,655	168,226
	1,169,463	1,156,935
	197,041	160,974
	17,489	16,016
	36,854	29,154
	112,574	95,256
	35,080	34,480
	3,674,200	1,045,315
	529,000	610,000
	1,176,278	1,270,060
	-	4,450
	45,447	38,505
	16,210,741	13,126,843
	4,052,685	3,281,711
	12,158,056	9,845,132

Discontinued operations

	2014 Rupees	2013 Rupees
31.1 These include Rupees 0.357 million (2013: Rupees 0.290 million) in respect of staff retirement benefits.		
31.2 Auditors' remuneration:		
- Statutory audit fee	150,000	150,000
- Review, corporate advisory and certification fee	50,000	50,000
- Tax consultancy fee	329,000	410,000
	<u>529,000</u>	<u>610,000</u>

32 OTHER OPERATING CHARGES

Provision raised for Claims receivable being bad of recovery	15,446,848	14,925,550
Loss on disposal of fixed assets	11,400,335	-
Provision of sales tax doubtful of recovery	-	487,762
Provision raised for obsolete stores and spares	516,154	1,034,742
	<u>27,363,337</u>	<u>16,448,054</u>

33 OTHER OPERATING INCOME

Excess provision written off	193,605	-
Profit on deposits	-	256,782
Profit on disposal of vehicles	-	645,455
Un-claimed balances written back	1,754,896	2,782,808
Miscellaneous income	154,317	-
	<u>2,102,818</u>	<u>3,685,045</u>

34 FINANCE COST

Mark up on:		
Long term financing	3,132,561	6,497,956
Mark up on short term borrowings	-	4,230,950
Bank charges	18,818	31,482
	<u>3,151,379</u>	<u>10,760,388</u>

35 TAXATION

35.1 Current year	1,398,678	Restated 793,446
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In view of loss for the year made by the Company and available tax losses of Rs. 368.306 million, Current Taxation represents tax levied One percent as required under section 113 of the Income Tax Ordinance, 2001.

Income tax return for tax year 2013 was filed within prescribed time limit. Income tax assessments have been completed up to income year ended June 30, 2013 (tax year 2013) as deemed assessment. Losses available for carry forward to tax year 2014 are amounting to Rs. 368.306 million (2013: Rs. 358.644 million).

35.2 Deferred tax asset amounting Rs. 103.387 million (2013: Rs. 91.284 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.

36 LOSS PER SHARE - basic & diluted**Continuing operations**

	2014 Rupees	2013 Rupees
Loss for the year	(34,765,909)	(25,272,788)
Weighted average number of ordinary shares	22,105,200	22,105,200
Loss per share	<u>(1.57)</u>	<u>(1.14)</u>

Discontinued operations

Loss for the year	(16,896,851)	(22,344,087)
Weighted average number of ordinary shares	22,105,200	22,105,200
Loss per share	<u>(0.76)</u>	<u>(1.01)</u>

36.1 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.

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE OFFICERS

Particulars	2014			2013		
	Chief Executive Rupees	Directors Rupees	Executive Rupees	Chief Executive Rupees	Directors Rupees	Executive Rupees
Managerial remuneration	680,000	1,232,000	-	600,000	1,152,000	-
House rent allowance	272,000	492,800	-	240,000	460,800	-
Medical	68,000	123,200	-	60,000	115,200	-
	1,020,000	1,848,000	-	900,000	1,728,000	-

Number of persons 1 2 1 2

37.1 In addition to above, meeting fee of Rs. 8 thousand (2013:Rs. 8 thousand) was paid to one (2013: one) nominee director during the year.

37.2 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.

38 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:

	2014 Rupees	2013 Rupees
Transactions with related parties undertaken during the year are as follows:	(646,800)	(646,800)
- Lease rent	5,808,391	1,913,980
- Loan from family associates		
- Loan from others		

39 FINANCIAL INSTRUMENTS**39.1 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:

Long term financing	2013 USD	2014 USD
	1,948,604.88	1,948,604.88

The following significant exchange rates were applied during the year:

Rupee per US Dollar

Average rate

Reporting date rate

Average rate	98.78	98.60
Reporting date rate	98.75	98.80

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. 9.624 million (2013: 9.606 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:

	2014 Rupees	2013 Rupees
Fixed Rate Instruments		
Financial Liabilities		
Floating Rate Instruments		
Financial Liabilities	337,110,611	418,981,491
Long term financing	20,949,639	20,949,639
Liabilities against assets subject to finance lease		
Financial Assets	1,589,487	1,309,187

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	12,685,240	19,841,530
Loans and advances	268,304	1,536,701
Trade deposits	4,816,707	19,987,556
Bank Balances	1,682,295	9,506,412
	23,100,790	54,520,443

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 22.

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, 2014, the Company had Rs. nil million (2013: Rs. nil) available borrowing limits from financial institutions and Rs. 1.845 million (2013: 9.621 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, 2014

	Carrying Amount	Contractual Values	Less than One Year: Rupees	One to Five Years	More than Five Years
Trade and other payables	47,877,112	47,877,112	47,877,112	-	-
Short term borrowings	64,931,836	64,931,836	64,931,836	-	-
Directors' bridge finance & loan	38,563,713	38,563,713	-	38,563,713	-
Long term financing	345,110,611	345,110,611	340,310,611	4,800,000	-
Assets subject to finance lease	20,949,639	20,949,639	15,698,050	5,251,589	-
Deferred Liabilities	163,020,463	163,020,463	144,924,094	18,096,369	-
	680,453,374	680,453,374	613,741,703	66,711,671	-

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

	Carrying Amount	Contractual Values	Less than One Year: Rupees	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	-
	759,072,991	759,072,991	649,891,784	109,181,207	-

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.

39.2 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.

39.3 FINANCIAL INSTRUMENTS BY CATEGORIES

Loans and Advances

	2014 Rupees	2013 Rupees
Long term deposits	3,648,244	3,648,244
Trade debts	12,685,240	19,841,530
Loans and advances	268,304	1,536,701
Trade deposits	4,901,487	20,045,771
Bank Balances	1,684,471	9,620,947
	23,187,746	54,693,193

Financial Liabilities as at Amortized Cost

Long term financing	345,110,611	426,981,491
Liabilities against assets subject to finance lease	20,949,639	20,949,639
Deferred liabilities	163,020,463	164,195,505
Trade and other payables	47,877,112	69,259,198
Short term borrowings	64,931,836	39,123,445
	641,889,661	720,509,278

39.4 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:

Total borrowings	410,042,447	466,104,936
Cash and bank balances	(1,684,471)	(9,620,947)
Net Debt	408,357,976	456,483,989
Equity	(437,421,269)	(414,669,750)
Total Capital	(29,063,293)	41,814,239
Gearing Ratio	-1405.06%	1091.70%

40 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.

41 PLANT CAPACITY AND PRODUCTION

Spinning

Number of spindles installed and worked

Rated capacity in thousands of kilograms converted into 20/1 count

Actual production in thousands of kilograms converted into 20/1 count:

- Own Conversion
- Conversion-third parties

	2014	2013
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	3,201	2,989
- Conversion-third parties	3,201	2,989

Weaving

Number of looms installed and worked

Rated capacity in thousands of sq. meters converted into 50 picks

Actual production in thousands of sq. meters converted into 50 picks:

- Own Conversion
- Conversion-third parties

	2014	2013
Number of looms installed and worked	36	71
Rated capacity in thousands of sq. meters converted into 50 picks	4,712	9,293
Actual production in thousands of sq. meters converted into 50 picks:		
- Own Conversion	735	342
- Conversion-third parties	735	3,493

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

41.2 Weaving Unit has been closed with effect from November 2013 with no intention of resuming it.

42 NUMBER OF EMPLOYEES

Average No. of workers per month
As at 30th June

	2014	2013
Average No. of workers per month	448	746
As at 30th June	57	704


43 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 01, 2014.

44 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
Creditors	20,709,772	Creditors for goods	16,769,282	Proper presentation and comparison
		Creditors for expenses	3,940,490	
			20,709,772	


MIAN MUHAMMAD JEHANGIR
Chairman & Chief Executive


MIAN WAHEED AHMED
Director

**PROXY FORM
(28th ANNUAL GENERAL MEETING)**

I/We _____ son/daughter/wife
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 28th Annual General Meeting of the Company to
be held on October 31, 2014 and/or any adjournment thereof.

As witness my/our hand this _____ day of October, 2014.

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.

SECTION 160 (1) (b) OF THE COMPANIES ORDINANCE, 1984.

NOTING OUT THE SPINNING UNIT:

In recovery suits filed by certain banks, the Company is unable of banks till entire payment of settlement amounts to the banks. So management has decided that the Company may be entered into a spinning unit comprising of building together with plant and equipment the mill operational.

It through negotiations with the interested parties at best available

the Company shall have the following benefits:

the Company shall be substantially reduced.

be in a running/operative condition.

Company shall be improved.

save the fixed overheads.

able to reduce loss being sustained due to non-availability of gear of the machinery.

interested in the business to the extent of their shareholding in the