CONTENTS

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
NOMINEE DIRECTOR – NIT	: MR. MUHAMMAD ARSHAD
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
BANKERS	: HABIB BANK LIMITED : NIB (Formerly PICIC) : INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN : NATIONAL BANK OF PAKISTAN : THE BANK OF PUNJAB
HEAD OFFICE & REGISTERED OFFICE	: 29-B/7, MODEL TOWN, LAHORE. PHONE: 35831804-5 (2 lines) FAX: 35830844 E-Mail: 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 directors. 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. The board has approved appointment of CFO and Head of Internal Audit, including their remuneration and terms and conditions of employment.

10. 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.

11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.

12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

13. The Company has complied with all the corporate and financial reporting requirements of the CCG.

14. 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.

15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

16. 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.

17. 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.

18. 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).

19. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

20. 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.

21. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on Behalf of the Board

MIAN MUHAMMAD JEHANGIR
Chairman & Chief Executive

Lahore.
October 04, 2012

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: mhmandco@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, 2012.

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

LAHORE.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 26th Annual General Meeting of the Shareholders of Mian Textile Industries Limited will be held on Wednesday October 31, 2012 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 Extra Ordinary General Meeting of the Shareholders of the Company held on March 31, 2012.
2. To receive, consider and adopt the audited financial statements of the company together with the Director's and Auditor's reports thereon for the year ended June 30, 2012.
3. To appoint Auditors and fix their remuneration for the year ending on June 30th, 2013.

Special business:

4. To consider the remuneration of Chairman & Executive Directors for the year 2012-13 and to pass with or without modification, the following resolution as special resolution;

”Resolved that:

i. the annual remuneration of Chairman amounting to Rs. 1.20 million and two Executive Directors for Rs. 1.00 million each, which includes allowances and other benefits, for the year ending June 30, 2013 be and is hereby approved.

Other business:

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

By order of the Board

Lahore: Muhammad Masud Mufti
Dated: October 08, 2012 Company Secretary

Notes:

a) A statement under Section 160(1)(b) of the Companies Ordinance, 1984 pertaining to the special business is being sent to the shareholders along with notice of the meeting.
b) The share transfer books of the Company will remain closed from October 22, 2012 to October 31, 2012 (both days inclusive). Transfers received in order at the Registered Office of the Company up to the close of business on October 21, 2012 will be in time to affect the voting rights at the Annual General Meeting.
c) 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.
d) 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
e) 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.
f) 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.

Statement under Section 160(1)(b) of the Companies Ordinance 1984:

As per requirements of the Code of Corporate Governance 2012, remuneration of Chairman and Executive Directors is required to be approved by Shareholders. The remuneration of Chairman and Executive Directors has already been approved by the Board of Directors in their meeting held on October 04, 2012.

There is no specific interest of the Directors in this special resolution, except that mentioned above.

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 26th 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, 2012.

The year under review remained tough for the Industries of Pakistan including the Textile Industry because of sky-rocketing prices of inputs, limited availability of basic inputs of textile industry such as electricity and gas, inconsistent government textile policies and worsening law and order situation.

We have managed to sustain another difficult year due to non-availability of working capital from the banks, so we could not buy cotton, which also resulted in loss of profit. In order to run the operations of the mills, the company mainly kept on doing conversion of third parties' raw material into finished goods.

Due to above mentioned hardships; our conversion parties could not supply raw material regularly/full quantity to us for conversion, consequently, our mill could not run on its full capacity and both Spinning & Weaving units remained closed for nine months & two months respectively during the year, which resulted in decline of production and sales, causing serious production and financial losses.

The Financial results of the Company are summarized below:

	2012 (Rs. in '000')	2011 (Rs. in '000')
Sales	92,965	151,053
Gross Profit/(Loss)	(20,670)	(1,859)
Operating Loss	(35,677)	(16,472)
Finance Cost	12,916	19,495
Loss Before Taxation	(52,438)	(36,002)
Provision for Taxation	934	1,599
Loss after Taxation	(26,325)	(37,601)
Comprehensive Loss for the year	(15,041)	(25,604)
E.P.S	(1.19)	(1.70)

Future outlook

The textile sector is still under recession due to worldwide financial crunch. The economic growth of the country is being hampered by the consistent war against militancy & weak law and order situation in the country. A number of mills face closure or are being diverted to neighbouring countries such as India, Turkey, Bangladesh and Sri Lanka. The management of the company is striving hard to keep the operations of the mills running in this tough time.

During the year, the Company got its loans settled and paid its entire outstanding loans with Faysal Bank Limited, Allied Bank Limited & Grays Leasing Limited.

The management is very hopeful that it would be able to get its remaining loans rescheduled/settled as was done with Faysal Bank Ltd., Allied Bank Ltd., and Grays Leasing Ltd. during the current year. The sponsoring directors and other lenders also intend to provide funds for working capital. The sponsoring directors and their family members in the current year have already advanced funds for working capital. The company has started cloth production in its own weaving section in the last quarter of this year and business activities will improve in the future period. The management also intends to start its own production of the yarn in June, 2013 and it is expected that production would be achieved to such a level which the company would also be able to recoup its previous losses and make a handsome profits.

Dividend

In view of the losses sustained, the directors have not recommended any dividend for the period ended as at June 30, 2012.

Notes

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

- The reclassification of certain short-term loans and mark-up on short-term and long-term loans has made on the basis of positive on going meetings with the Banks. The management is of the view that it would be able to get its remaining loans rescheduled / settled as was done with Faysal Bank Ltd., Allied Bank Ltd., and Grays Leasing Ltd. during the current year. The management is hopeful that this will be done soon according to the classification made by the Company.

- 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, no installment is payable at this stage. 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 damages recovery.

- As the management is under process of negotiations with the bank for settlement of its entire loans, in the light of on going meetings and discussions with the bank, the management is hopeful that no such exchange loss will arise at the time of settlement because the Company has already made various requests to the bank to convert its foreign currency loans into Pak Rupee loans, which the bank must already have paid onwards to the State bank of Pakistan at the time of maturity of the loan.

- The company has started cloth production in its Weaving section this year and also intends to start its own yarn production in its Spinning section upon expiry of its conversion agreement next year. The directors of the company are optimistic that if re-scheduling / settlement of loans is done as requested by the company to its bankers (as done by various above mentioned banks / leasing company) and due to continued support for the company's operations by the lenders and sponsoring directors by providing further temporary funding will ensure the company's ability to continue as going concern and will help to revive its own production and to recoup its losses.

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, no trading in the shares of the Company was carried out by the CEO, Directors, their spouses & minor children, CFO, Company Secretary, their spouses & minor children.

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	-
6	Mian Khurram Jehangir	6
7	Mrs. Nargis Jehangir	1
8	Mr. Muhammad Arshad (NIT)	5

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

AUDIT COMMITTEE

The Board constituted an Audit Committee comprising the following Directors:

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

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 2012-2013 and their remuneration shall be fixed.

PATTERN OF SHAREHOLDINGS

A statement-showing pattern of shareholding as on June 30, 2012 is annexed.

ACKNOWLEDGEMENT

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

ON BEHALF OF THE BOARD

Lahore: Mian Muhammad Jehangir
October 04, 2012 Chairman & Chief Executive

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

	2012	2011	2010	2009	2008	2007
FINANCIAL DATA					(Restated)	
PROFIT & LOSS ACCOUNT						
Sales	92,965	151,053	268,913	261,679	534,086	741,069
Cost of sales	113,636	152,911	258,533	286,394	626,677	739,377
Gross profit / (loss)	(20,670)	(1,859)	10,381	(24,715)	(92,592)	1,692
Operating profit / (loss)	(35,677)	(16,472)	(4,315)	(39,451)	(113,972)	(33,786)
Profit / (loss) before taxation	(52,438)	(36,002)	(36,071)	(76,127)	(172,313)	(145,659)
Net profit / (loss) after taxation	(26,325)	(37,601)	(37,446)	(76,127)	(174,983)	(107,940)
Comprehensive loss for the year	(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	603,276	653,651	688,533	723,526	765,745	626,870
Current assets	81,573	65,368	104,052	159,358	168,193	345,889
Current liabilities	128,335	89,312	238,244	309,311	300,807	509,277
KEY RATIOS						
Gross profit ratio	-22.23%	-1.23%	3.86%	-9.44%	-17.34%	0.23%
Operating profit ratio	-38.38%	-10.90%	-1.60%	-15.08%	-21.34%	-4.56%
Net profit/(loss) ratio	-28.32%	-24.89%	-13.92%	-29.09%	-32.76%	-14.57%
Current ratio	1 : 0.64	1 : 0.73	1 : 0.44	1 : 0.52	1 : 0.56	1 : 0.68
Earning per share (Rupees)	(1.19)	(1.70)	(1.69)	(3.44)	(7.92)	(4.88)

PATTERN OF SHAREHOLDING (AS AT JUNE 30, 2012)

Number Of Shareholders	Categories of Share having Nos.		Total Shares Held
	From	To	
272	1 -	100	23,693
785	101 -	500	335,750
232	501 -	1000	214,892
276	1001 -	5000	753,072
69	5001 -	10000	541,590
30	10001 -	15000	369,926
10	15001 -	20000	174,376
4	20001 -	25000	92,200
6	25001 -	30000	170,900
3	30001 -	35000	97,901
1	35001 -	40000	36,000
5	40001 -	45000	219,100
27	45001 -	50000	1,324,648
4	50001 -	55000	211,200
4	55001 -	60000	230,100
2	60001 -	65000	126,300
1	65001 -	70000	65,600
1	70001 -	75000	70,071
3	75001 -	80000	235,200
7	85001 -	90000	626,000
2	90001 -	95000	185,000
6	95001 -	100000	600,000
13	100001 -	105000	1,339,674
3	105001 -	110000	323,898
2	110001 -	115000	222,200
1	115001 -	120000	118,099
2	120001 -	125000	245,800
15	135001 -	140000	2,076,422
2	140001 -	145000	287,000
3	145001 -	150000	449,700
1	150001 -	155000	154,000
1	160001 -	165000	162,000
1	165001 -	170000	168,000
1	175001 -	180000	178,000
3	195001 -	200000	600,000
1	200001 -	205000	202,868
2	205001 -	210000	417,300
1	215001 -	220000	215,734
1	305001 -	310000	281,449
1	325001 -	330000	308,800
1	330001 -	335000	334,500
1	420001 -	425000	350,050
1	510001 -	515000	420,900
1	735001 -	740000	736,078
1	1355001 -	1360000	1,425,809
1	2180001 -	2185000	2,185,000
1	2195001 -	2200000	2,198,400
1,811			**22,105,200**

FORM 34

Patten of Holding of Shares

Held by the Share Holders as at 30/06/2012

	Categories of Share Holders	Numbers	Shares Held	%
-	Individuals	1772	14,330,505	64.83
-	Investment Companies	3	52,200	0.04
-	Insuracne Companies	1	420,900	1.90
-	Financial Institution	4	146,827	0.66
-	Joint Stock Companies	15	877,688	3.97
-	Modaraba Companies	4	34,000	0.15
-	Mutual Funds	1	736,078	3.33
-	Directors, Chief Executive Officer	7	5,497,802	24.87
-	Others	4	9,200	0.04
	TOTAL:	**1,811**	**22,105,200**	**100.00**

CATEGORIES OF SHAREHOLDERS
AS ON JUNE 30, 2012

1	**ASSOCIATED COMPANY**	NIL	%
2	**NIT AND ICP**		
	a) National Bank Of Pakistan, Trustee Department	882,905	
	b) Investment Corporation of Pakistan	25,300	
		908,205	4.11
3	**DIRECTORS**		
	a) Mian Muhammad Jehangir	2,198,400	9.95
	b) Mian Khurshid Ahmad	215,734	0.98
	c) Mian Muhammad Nawaz	202,868	0.92
	d) Mian Waheed Ahmad	2,185,000	9.88
	e) Mian Waqar Ahamd	154,000	0.70
	f) Mian Khurram Jehangir	334,500	1.51
	g) Mrs. Nargis Jehangir	207,300	0.94
		5,497,802	
4	**DIRECTORS' SPOUSES & MINOR CHILDRENS**	1,691,800	7.65
5	**DIRECTORS RELATIVES**	7,369,498	33.34
6	**PUBLIC SECTOR COMPANIES AND CORPORATIONS**	420,900	1.90
7	**BANKS DEVELOPMENT FINANCIAL INSTITUTIONS NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS**	2,237,093	10.12
8	**GENERAL PUBLIC**	3,979,902	18.00
		22,105,200	100.00
9	**SHAREHOLDERS HOLDING 10% OR MORE**	**NIL**	
10	**TRADE DONE BY CEO AND DIRECTORS ETC.**	**NIL**	

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: mhmandco@gmail.com

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

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **MIAN TEXTILE INDUSTRIES LIMITED** as at June 30, 2012, 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) This year as well the short term loans, overdues and current portion of long term liabilities of Rs. 382.197 million consisting of (i) Rs. 153.812 million from Habib Bank Limited (Note 8.6, 8.7 & 8.8), (ii) Rs. 190.889 million from NIB Bank (Note 8.9) and (iii) Rs. 37.496 million from Other borrowings are classified as long term liabilities instead of current liabilities. The result is that long term liabilities are overstated while the current liabilities are understated to extent stated above. Short term loans are classified as long term by the management of the Company for the reasons that banks have been moved for conversion of short term loans in to long term loans and the matter is yet under negotiation. In our opinion this action of management is not valid and short term loans can be presented as long term in Financial Statement only when the approval for the same is conveyed by banks to Company.

(B) Markup on bank loans and leases amounting to Rs. 12.922 million and prior period deferred markup Rs. 101.105 million on loans (not rescheduled) aggregating Rs.114.027 million are presented in financial statements under the head deferred markup instead of showing it as current liabilities. Here again deferred liabilities are overstated and current liabilities are understated.

(C) Foreign currency loans disclosed at Note 8.6 and 8.7 are not translated in to Pak rupees at the exchange rate prevailing as on 30th June 2012 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. 64.243 million. Accumulated Losses are reduced by that extent.

(D) Due to litigation with banks and leasing companies the mark up on long term and short term loans and leases for current period Rs. 60.662 Million and prior periods Rs. 59.971 million aggregating to Rs. 120.633 million are not considered and accumulated losses are understated. Current period loss is also understated by Rs. 60.662 Million.

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

(E) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(F) 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;

(G) in our opinion, except for the effect of matters referred in paragraph (A) to (D) 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, 2012 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

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

(I) Attention is invited to the followings:

A study of plant's capacity and production has revealed that capacity of 'spinning section' is utilized up to 11% whereas the 'weaving section's' capacity is utilized to the extent of 33%. As a result of under utilization of installed capacity, the company has sustained losses and operational loss has gone up from Rs. 36.002 million in last year to Rs. 52.438 million in the current year.

Shareholder's equity shows adverse balance of Rs. 377.672 million while current liabilities have exceeded current assets by Rs. 46.762 million. If un-provided expenses amounting Rs. 231.249 million are taken in to consideration the equity adverse balance will increase to Rs. 608.921 million. Similarly when this year short term loans classified as long term loans, are reclassified, the excess of current liabilities over the current assets would increase to Rs. 774.235 million.

Short term loans are incorrectly classified as the long term loans without the approval of the banks. The company has been failed to make payments of their over dues and other liabilities amounting to Rs. 382.197 million. This situation creates doubts about the ability of company to continue as going concern. The conception of going concern will be valid only if the loans are rescheduled / converted by the banks into long term loans or further funds are provided by the sponsoring directors to meet its working capital requirements. The management of the company is also able to elevate its production activities to optimum level. Reasons of management for preparing accounts on-going concern basis are stated at note 3.

(i) Claims receivables disclosed at Note 16.1 include an amount of Rs. 29.851 million receivable on account of cotton damages, bad quality and late shipments etc and are outstanding since 1999. The decision regarding recover ability of these claims is pending before Honorable Court of Civil Judge. However, no provision is made in financial statements.

(ii) Company's claims against banks indicated at Note 16.5, 16.6, and 16.7 are not recognized in these financial statements in light of IAS-37 as the cases are pending in court of law and in view of the uncertain conditions the benefit cannot be ascertained accurately.

(iii) No terms and conditions regarding repayment of director's loan amounting Rs. 38.564 Million at note 7 have been 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.

(iv) Letters dropped to (i) Bank of Punjab (ii) Faysal Bank Limited (iii) National Bank of Pakistan followed by reminders requiring confirmation of loans balances were not responded by them.

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

LAHORE.

BALANCE SHEET

Equity and Liabilities	Note	2012 Rupees	2011 Rupees
Share capital and reserves			
Share capital	5	221,052,000	221,052,000
Accumulated loss		(598,724,328)	(583,683,333)
		(377,672,328)	(362,631,333)
Surplus on revaluation of Property, plant & equipment	6	313,345,390	324,629,888
Non-current liabilities			
Director's bridge finance & loan	7	38,563,713	38,563,713
Long term financing	8	409,948,891	449,368,372
Liabilities against assets subject to finance lease	9	20,949,639	33,446,521
Deferred liabilities	10	155,026,139	154,600,818
Current liabilities			
Trade and other payables	11	63,001,002	55,730,469
Accrued mark-up	12	-	898,710
Short term borrowings	13	37,209,465	9,435,273
Current and overdue portion of non-current liabilities	14	28,125,000	23,247,216
Provision for taxation	15	-	-
		128,335,467	89,311,668
Contingencies and commitments	16	-	-
		688,496,911	727,289,647

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

Lahore:
October 04, 2012

MIAN MUHAMMAD JEHANGIR
Chairman & Chief Executive

AS AT JUNE 30, 2012

Properties and assets	Note	2012 Rupees	2011 Rupees
Non-current assets			
Property, plant and equipment	17	603,275,771	653,651,166
Long term deposits	18	3,648,244	8,270,927
Current assets			
Stores and spares	19	12,323,353	12,001,993
Stock in trade	20	11,359,376	2,918,644
Trade debts	21	18,468,659	11,559,294
Loans and advances	22	1,948,583	1,028,083
Trade deposits and short term prepayments	23	34,922,523	34,820,726
Tax refunds due from Government	24	429,192	1,225,423
Cash and bank balances	25	2,121,210	1,813,391
		81,572,896	65,367,554
		688,496,911	727,289,647

MIAN WAHEED AHMED
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
Sales	26	92,965,381	151,052,729
Cost of sales	27	113,635,541	152,911,393
Gross profit / (loss)		(20,670,160)	(1,858,664)
Operating expenses			
Distribution cost	28	2,532,847	2,673,502
Administrative expenses	29	12,474,217	11,939,605
		15,007,064	14,613,107
Operating loss		(35,677,224)	(16,471,771)
Other operating charges	30	3,845,188	35,836
Finance cost	31	12,915,705	19,494,681
Loss before taxation		(52,438,117)	(36,002,288)
Extra ordinary income	32	27,046,813	-
Taxation	33	934,189	1,599,056
Loss for the year after taxation		(26,325,493)	(37,601,344)
Loss per share - basic & diluted	34	(1.19)	(1.70)

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

Lahore:
October 04, 2012

MIAN MUHAMMAD JEHANGIR
Chairman & Chief Executive

MIAN WAHEED AHMED
Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
Loss for the year after taxation	(26,325,493)	(37,601,344)
Other comprehensive income	-	-
Incremental depreciation charged during the year	11,284,498	11,997,405
Total comprehensive loss for the year	(15,040,995)	(25,603,939)

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

Lahore:
October 04, 2012

MIAN MUHAMMAD JEHANGIR
Chairman & Chief Executive

MIAN WAHEED AHMED
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		**(52,438,117)**	(36,002,288)
Adjustments for non-cash and other items:			
Depreciation		**31,651,903**	35,446,235
Gratuity		**1,814,223**	1,176,916
Loss/(Gain) on disposal of property, plant and equipment		**3,106,857**	(347,658)
Provision for doubtful debtors		**738,331**	
Finance cost		**12,915,705**	19,494,678
		50,227,019	55,770,171
Operating profit before working capital changes		**(2,211,098)**	19,767,883
Adjustments for Working Capital Changes			
(Increase) / decrease in current assets:			
Stores and spares		**(321,360)**	1,183,842
Stock in trade		**(8,440,732)**	24,142,027
Trade debts		**(5,647,696)**	8,314,635
Loans and advances		**(920,500)**	1,246,113
Trade deposits, prepayments and other receivables		**(101,797)**	(1,510,589)
Tax refunds due from Government		**837,926**	2,367,020
(Decrease) / increase in current liabilities:			
Trade and other payables		**7,270,533**	(33,758,081)
Short term borrowings		**27,774,192**	(59,352,687)
Net working capital changes		**20,450,566**	(57,367,720)
Finance cost paid		**(14,451,176)**	(1,647,680)
Gratuity paid		**(752,143)**	(2,231,880)
Income tax paid		**(975,884)**	1,743,799
		(16,179,203)	(2,135,761)
Net cash generated from/ (used in) operating activities		**2,060,265**	(39,735,598)
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		**(3,698,915)**	(691,650)
Proceeds from disposal of property, plant and equipment		**19,315,550**	475,000
Long term deposits		**4,622,683**	(505,230)
Net cash (used in) / generated from investing activities		**20,239,318**	(721,880)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of:			
Long term financing		**(24,033,053)**	50,645,371
Liabilities against assets subject to finance lease		**2,041,289**	(9,786,856)
Net cash (used in)/ generated from financing activities		**(21,991,764)**	40,858,515
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		**307,819**	401,037
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**1,813,391**	1,412,354
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**25**	**2,121,210**	1,813,391

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

Lahore:
October 04, 2012

MIAN MUHAMMAD JEHANGIR
Chairman & Chief Executive

MIAN WAHEED AHMED
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

Particulars	Share Capital	Accumulated Loss	Shareholders' Equity
	---------------Rupees---------------		
Balance as at June 30, 2010	**221,052,000**	**(558,079,394)**	**(337,027,394)**
Total comprehensive loss for the year	-	(25,603,939)	**(25,603,939)**
Balance as at June 30, 2011	**221,052,000**	**(583,683,333)**	**(362,631,333)**
Total comprehensive loss for the year	-	(15,040,995)	**(15,040,995)**
Balance as at June 30, 2012	**221,052,000**	**(598,724,328)**	**(377,672,328)**

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

Lahore:
October 04, 2012

MIAN MUHAMMAD JEHANGIR
Chairman & Chief Executive

MIAN WAHEED AHMED
Director

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2012

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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 Standards, interpretations and amendments to published approved accounting standards

The followingamendments to existing standards have been publishedthat are applicableto the financialstatements covering annual periods, beginning on or after the following dates:

2.1.1 Standards, amendments to published standards and interpretations effective in current year

Followings are the amendments that are applicable for accounting periods beginning on or after January

- IAS 1 (amendment), 'Presentation of financialstatements' , is effective for annual periods beginningon or after January1, 2011. The amendments clarifiesthat an entity may choose to presents the requiredanalysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The does not have a material impact on the financial statements.

-IAS 24 (Revised), 'Related Party Disclosure', is effective for the annual periods beginning on or after January 1, 2011. The definitionof a related party has been clarified to simplify the identificationof related party relationships, particularly in relation to significant influence and joint control. This does not have a material impact on the company's financial statements.

-IAS 34 (amendment), 'Interim financialreporting', is effective for the annual periods beginningon or after January 1, 2011. The amendments provides guidance to illustratehow to apply disclosure principlesin IAS 34 and add disclosure requirements around the circumstances likelyto affect fair values of financialinstruments and their classificationof financial assets and changes in contingent liabilitiesand assets. This amendment does not have a material impact on the company's financial statements.

-IFRIC 14 (amendment), 'Prepayments of minimum funding requirement', is effective for the annual periods beginning on or after January 1, 2011. IFRIC 14 provides further guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of minimum funding requirement as an asset. This amendment does not have a material impact on the company's financial statements.

-IFRS 7 (amendment), 'Financialinstruments: Disclosures', is effective for the annual periods beginningon or after January 1, 2011. The amendment emphasis the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. This amendment does not have a material impact on the company's financial statements.

-IFRS 7 (amendment), 'Financialinstruments: Disclosures', is effective for the annual periods beginningon or after January 1, 2011. The amendment requires additionalquantitativeand qualitativedisclosures relatingto transfers of financial assets, where financial assets are derecognised in their entirely, but where the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets) or where financialassets are not derecognised in their entirely. This amendment does not have a material impact on the company's financial statements.

-IFRS 7 (amendment), 'Financial instruments: Disclosures', is effective for the annual periods beginning on or after January 1, 2011. The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, where financial assets are derecognised in their entirely, but where the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets) or where financial assets are not derecognised in their entirely. This amendment does not have a material impact on the company's financial statements.

2.1.2 Standards, interpretations and amendments to published standards that are effective but not relevant to the company

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 are considered not to be relevant or have any significant impact on the company's financial reporting and operations.

2.1.3 Standards, interpretations and amendments to existing standards that are applicable to the company but are not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after their respective effective dates:

- IAS 1 (amendment), 'Financial statement presentation' regarding other comprehensive income is effective for periods starting from or on July 1, 2012. It requires entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- IAS 12, 'Income taxes' (amendment), is effective for periods starting from or on January 1, 2012. The standard currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the assets through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments. SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.
- IAS 19, 'Employee benefits' was amended in June 2011. The impact will be as follow: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability(asset). This is not expected to have a material impact on company's financial statements.
- The following amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after their respective date:

Standard or Interpretation		Effective Date Periods Beginning on or After
- IFRS 7	Financial instruments: Disclosures (amendment)	January 1, 2013
- IFRS 9	Financial instruments	January 1, 2015
- IFRS 12	Disclosures of interest in other entities	January 1, 2013
- IFRS 13	Fair value measurements	January 1, 2013
- IAS 32	Financial instruments: Presentation	January 1, 2013
- IAS 27	Associates and joint ventures	January 1, 2013
- IAS 32	Financial instruments: Presentation, on offsetting financial assets and financial liabilities	January 1, 2014
- Annual improvements 2011; IFRS 1, 'First time adoption'. IAS 1, 'Financial statement presentation'. IAS 16, 'Property plant and equipment'. IAS 32, 'Financial instruments; Presentation'. IAS 34, Interim financial reporting'		January 1, 2013

2.1.4 Standards, interpretations and amendments to existing standards that are not yet effective and not applicable to the company

Standard or Interpretation		Effective Date Periods Beginning on or After
- IFRS 11	Joint arrangements	January 1, 2013
- IFRS 1	First time adoption on government loans	January 1, 2013
- IFRS 10	Consolidated financial information	January 1, 2013
- IAS 27	Separate financial statements	January 1, 2013

3 BASIS OF PREPARATION OF FINANCIAL STATEMENTS ON GOING CONCERN ASSUMPTION

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

These financial statements are prepared on the assumption that the company will continue as a going concern for a foreseeable future. The company has suffered a loss of Rs. 52.438 million during the year ended June 30, 2012 (2011: Rs. 36.002 million) and accumulated losses are of Rs. 598.724 million (2011:Rs. 583.683 million) The current liabilities of the company have exceeded over current assets by Rs. 46.762 million (2011:Rs. 23.944 million) as at the balance sheet date.

In preceding year own production of 'yarn and cloth' was closed down and conversion services were extended to third parties. The agreements for 'conversion services' executed with the clients would be expiring in June, 2013. The management is of the view that it would be able to get its remaining loans rescheduled / settled as was done with Faysal Bank Limited, Allied Bank Limited, Grays Leasing Limited during the current year. The sponsoring directors and other lenders have also made commitments with the company for providing funds for working capital. The sponsoring directors and their family members in the current year have advanced funds amounting to Rs. 37.209 million for working capital. The company has started cloth production in its own weaving section in the last quarter of this year and business activities will improve in the future period. The management also intends to start production of the yarn in June, 2013 and it is expected that production would be achieved to such a level where the company would also be able to recoup its previous losses and make a handsome profits.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Changes in accounting policy

The Company has applied IAS 1 (Revised) from July 01, 2009 and has elected to opt two statement approach to present its comprehensive income for the year ended June 30, 2010 and comparative period.

4.2 Functional and presentation currency

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

4.3 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.

4.4 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.

4.5 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.

4.6 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.

4.7 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.

4.8 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.

4.9 Property, plant and equipment

4.9.1 Operating fixed assets

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

Depreciation is charged to income by applying reducing balance method without taking into account any residual value at the rates specified in Note 17. The remaining useful life of the depreciable assets and depreciation method are reviewed periodically to ensure that the depreciation method and periods of depreciation are consistent with the expected pattern of economic benefits from property, plant and equipment. Full month's depreciation is charged on additions to fixed assets during the month, whereas 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.

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.

4.9.2 Leases

Finance lease

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

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

Insurance and other maintenance costs are borne by the Company.

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

Operating leases

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

4.10 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.

4.11 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.

4.12 Stock in trade

Basis of valuation are as follows:

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

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

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

4.13 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.

4.14 Cash and cash equivalents

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

4.15 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.

4.16 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.

4.17 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.

4.18 Related party transactions

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

4.19 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.

4.20 Off setting of financial assets and liabilities

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

	Note	2012 Rupees	2011 Rupees
5 SHARE CAPITAL			
Authorized capital			
22,500,000 (2011: 22,500,000) ordinary shares of Rupees 10 each		225,000,000	225,000,000
Issued, subscribed and paid up share capital			
22,105,200 (2011: 22,105,200) ordinary shares of Rupees 10 each fully paid up in cash		221,052,000	221,052,000
6 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Opening balance		324,629,888	336,627,293
Surplus transferred to accumulated loss:			
- Incremental depreciation charged during the year		(11,284,498)	(11,997,405)
		313,345,390	324,629,888

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

7 DIRECTORS' BRIDGE FINANCE & LOAN

This represents interest-free and unsecured 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:

	Note	2012 Rupees	2011 Rupees
The Bank of Punjab	8.1	38,827,229	38,827,229
Faysal Bank Limited	8.2	-	20,169,167
National Bank of Pakistan - DF-I	8.3	45,000,000	45,000,000
National Bank of Pakistan - DF-II	8.4	8,000,000	8,000,000
National Bank of Pakistan - DF-III	13.1	1,545,342	-
Allied Bank Limited	8.5	-	15,310,122
Habib Bank Limited	8.6	45,000,000	45,000,000
Habib Bank Limited	8.7	59,422,468	59,422,468
Habib Bank Limited	8.8	49,390,045	49,997,795
NIB Bank Limited	8.9	190,888,807	190,888,807
		438,073,891	472,615,588
Less: current portion shown under current liabilities	14	28,125,000	23,247,216
		409,948,891	449,368,372

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 against Bank for recovery of claims and damages of Rs. 140.253 million. This suit is presently pending adjudication before Lahore High Court Lahore. The legal advisors of company vide its letter dated 12-09-2012 have stated that there is no scope of any loss to the company. Refer to note 16.6.

Bank 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 12-09-2012. This suit is also presently pending adjudication before Lahore High Court Lahore.

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. 27.407 million (2011:Rs. 18.272 million), unprovided mark up is Rs. 10.769 million (2011:Rs. 5.465 million) and unconfirmed deferred mark up is Rs. 5.321 million (2011:Rs. 5.321 million) refer to Note 10.1.2.

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

8.2 This represents Forced Term Facility of Rs. 19 million. It is repayable in 42 equal monthly instalments commencing from December 2008 and carries mark up at 3 Months KIBOR to be paid monthly. The finance facility secured against registered mortgage on the Company's head office and personal guarantees of directors.

Re-scheduled on February 11, 2011 and lease liability has also been converted into a mark up free loan with principle of Rs. 25,792,239. It is repayable in 42 equal monthly instalments commencing from March 2011. The finance facility secured against ownership of leased assets i.e. Beaming/Wrapping machine.

While restructuring loans and leases the Faysal bank limited vide its letter dated 11-02-11 agreed to waive off mark-up and penalties outstanding. A sum of Rs. 6.323 million has been shifted from current liabilities to deferred mark-up.

This year the Company has made full payment of loan vide full and final settlement of outstanding loan liability agreement dated May 28, 2012 and deferred mark-up of 6.323 million shown as extra ordinary income in the accounts for the current year. However letter issued to Bank followed by reminders for confirmation to auditors were not responded to auditors.

8.3 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.

8.4 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.

Current and overdue portion of National Bank of Pakistan-III is amounting to Rs. 1.545 million. Refer to note 13.1. However letters issued to Bank for confirmation of loan balances at note 8.3, 8.4 & 13.1 direct to auditors were not responded by the bank.

8.5 This Demand Finance sanctioned by the bank vide its letter dated March 28, 2009 repayable in 36 monthly instalments commencing from April 2009 carrying mark-up @ 10% payable monthly was settled with Bank and liabilities outstanding vide agreement Ref: SAM-BR/MAA/12/335 dated February 6, 2012 were paid. This position stands also confirmed by bank Deferred mark-up is now shown as extra ordinary income.

8.6 This represents certain utilized portion of finance against packing credit FAPC (Pledge) of Rs. 62.874 million (utilized) from Habib Bank Limited as of 15-10-2009 to meet the working capital requirements of the company that carries mark up at 3 Months KIBOR plus 2% subject to a floor rate of 12% per annum & (LIBOR plus 2.5% per annum with floor of 5.50% per annum in case of foreign finance). The company has proposed for the restructuring of the loan, however, this proposal is under process by the bank as at the balance sheet date. All the facilities expired on 31-12-2009.

8.7 This represents short term facility (FAPC-Hypo) of Rs. 56.442 million (utilized) & Running finance of Rs. 2.98 million (utilized), obtained from the bank that carries mark up at 3 Months KIBOR plus 2% with floor of 12% per annum (LIBOR plus 2.5% per annum with floor 5.5% per annum in case of foreign finance). The loan is secured against ranking hypothecation and 1st pari passu/ranking charges on current and fixed assets of the company. The company has proposed for the restructuring of the loan and to convert short term finance facility into long term financing and that proposal is still under process by the bank as at balance sheet date. All the facilities expired on 31-12-2009.

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

Bank as per its confirmation letter No # MP/THS/55 dated September 18, 2012 has confirmed limit of Rs. 204.235 million of short term loans while balances extended to company are Rs. 218.735 million as on 30th June 2012 whereas the balances reflected by books on the said date are Rs. 153.812 million. The foreign currency loans as at 30th June 2012 are converted by bank at exchange rates prevailing on balances date and exchange variation loss of Rs. 64.923 is not incorporated in books. The bank has also confirmed mark up accrued on Cash finance facility of Rs. 14.433 million. Also refer to note 10.1.3.

The management is of the view that this loan will be restructured and therefore has not classified it under current liabilities as current and overdue portion amounting to Rs. 153.813 million (2011:Rs. 154.421 million), unprovided mark up is Rs. 35.665 million (2011:Rs. 17.883 million) and also have deferred the mark up payable to the bank Rs. 40.014 million (2011:Rs. 34.905 million).

8.9 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.

The 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 remained unconfirmed. The legal advisor vide its letter dated 12-09-2012 has stated that this case is being vigorously and diligently contested by the company and this suit is presently pending adjudication before the Lahore High Court Lahore. Refer note 16.5.

The Company has also filed a suit for damages against NIB Bank Limited for recovery of Rs. 567.627 million. The company has also filed a writ petition against NIB Bank Limited seeking protection under Article 10 of the Constitution, this Writ petition is pending adjudication before the Lahore High Court Lahore. The legal advisor vide its letter dated 12-09-2012 has stated that there is no scope of any loss to the company in the instant matter. Refer to Note 16.5.

The management is of the view that this loan will be restructured and therefore, had not classified it under current liabilities as current and overdue portion amounting to Rs. 190.889 million (2011:Rs. 190.889 million) further more, the Company has not accrued the mark-up relating to the loan amounting to Rs. 71.318 million (2011:Rs. 35.963 million).

	Note	2012 Rupees	2011 Rupees
9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
9.1 Movement in finance lease liability is as follows:			
Opening balance		33,446,521	43,233,377
Payments made during the year		(12,496,882)	(9,786,856)
		20,949,639	33,446,521
Transfer to long term financing		-	-
		20,949,639	33,446,521
Current portion shown under current liabilities	14	-	-
		20,949,639	33,446,521

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

	Due not later than one year	Due over one year and up to five years	Due over five years	2012	2011
	-----------------------------	Rupees	-----------------------------		
Minimum lease payments	13,513,204	15,375,073	-	28,888,277	41,728,272
Security deposits adjustable on expiry of lease term	-	2,866,667	-	2,866,667	5,066,667
Gross minimum lease payments	13,513,204	18,241,740	-	31,754,944	46,794,939
Financial charges allocated to future periods	(4,969,842)	(5,835,463)	-	(10,805,305)	(13,348,418)
Present value of minimum lease payments	8,543,362	12,406,277	-	20,949,639	33,446,521
Current portion shown under current liabilities	-	-	-	-	-
	8,543,362	12,406,277	-	20,949,639	33,446,521

9.2.1 The company has executed finance lease agreements with various leasing companies and financial institutions 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% (2011: 8% to 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 This year the Company has made payments of remaining lease liabilities vide settlement agreement dated January 16, 2012 with Gays Leasing Limited. Also the Gray Leasing Limited has confirmed us Nil balance vide confirmation letter No. GLL/A&F/2012/066 dated August 29,2012.

9.2.4 First National Bank Modarba has filed a suit against the company for recovery of Rs. 29.995 million while the Company sued the bank for Rs. 47.550 million. This case is also pending in Banking Court II at Lahore. The management is confident that matter would be decided in favour of the Company. Refer to note 16.7. In the opinion of legal advisor there is no scope of any loss to the company.

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

	Note	2012 Rupees	2011 Rupees
10 DEFERRED LIABILITIES			
Deferred mark-up	10.1	148,814,865	149,451,624
Staff retirement benefits - unfunded gratuity scheme	10.2	6,211,274	5,149,194
		155,026,139	154,600,818

10.1 Deferred mark up:

	Note	2012 Rupees	2011 Rupees
Industrial Development Bank of Pakistan	10.1.1	23,458,000	23,458,000
The Bank of Punjab	10.1.2	19,516,565	19,516,565
Habib Bank Limited	10.1.3	40,014,416	34,904,712
National Bank of Pakistan	10.1.4	35,987,783	31,056,527
Allied Bank Limited	10.1.5	-	3,454,925
First National Bank Modarba	10.1.6	4,912,391	4,912,391
NIB Bank Limited (PICIC)	10.1.7	24,925,710	24,925,710
Faysal Bank Limited	10.1.8	-	6,323,303
Grays Leasing Limited	10.1.9	-	899,491
		148,814,865	149,451,624

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. 6.767 million which is not recognized in books. This year letters followed by reminders sent to bank were not replied.

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. This year the Company has also deferred any markup against Rs. 5.321 million in 2011. The unprovided mark up amount Rs 10.769 million (2011:Rs. 5.465 million) refer to note 8.1.

10.1.3 The company has requested the bank to convert its short term borrowing into long term financing, however, this proposal is under process by the bank as at the balance sheet date therefore this year the Company has also deferred the markup of Rs 5.110 million (2011:Rs. 6.678 million). The unprovided mark up amount Rs 35.665 million (2011:Rs. 17.883 million). Refer to Note 8.8.

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 7.813 million (2011:Rs. 7.508 million). The unprovided mark up amount Rs 0.031 million (2011:Rs. 0.031 million). Refer to note 8.4.

10.1.5 This represents unpaid mark up of Rs. 3.455 million for the period from September 2006 till March 2009 kept frozen by the bank and shall be paid immediately after expiry of extended period of lease i.e. December 2012. Refer to Note 8.5.

This year the Company has made payment of loan vide settlement of liabilities outstanding agreement Ref: SAM-BR/MAA/12/335 dated February 6, 2012. Also the bank has confirmed us Nil outstanding balance vide his confirmation letter Ref: SAM-BR/ZAB/2292 dated September 3, 2012. Deferred mark-up is now adjusted/credited to extra ordinary income. Refer to note 8.5.

10.1.6 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 and therefore this year the Company has deferred the markup of Rs nil (2011:Rs. 1.012 million). The unprovided mark up amount Rs 2.850 million (2011:Rs. 0.630 million). Refer to note 9.2.4.

10.1.7 The management is of the view that this loan will be restructured and therefore this year the Company has deferred the markup of Rs nil (2011:Rs. 24.926 million). The unprovided mark up amount to Rs 71.318 million (2011:Rs. 35.963 million). Refer to note 8.9.

10.1.8 This year the Company has made full payment of loan vide full and final settlement of outstanding loan liability agreement dated May 28, 2012 and deferred mark-up of 6.323 million in now charged to extra ordinary income (refer to note 8.2).

10.1.9 This year the Company has made payment of remaining lease liability vide settlement agreement dated January 16, 2012 with Gays Leasing Limited. Also the Gray Leasing Limited has confirmed us Nil balance vide confirmation letter No. GLL/A&F/2012/066 dated August 29,2012. Deferred mark-up is also adjusted by the Gray Leasing Limited. Refer to note 9.2.3.

		2012 Rupees	2011 Rupees
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	6,211,274	5,149,194
	Unrecognized net actuarial gains/(losses)	-	-
		6,211,274	5,149,194

	2012 Rupees	2011 Rupees
Movement in net liability recognized is as follows:		
Opening balance at July 01,	5,149,194	6,204,158
Service cost recognized during the year	1,814,223	1,176,916
Benefits paid during the year	(752,143)	(2,231,880)
Closing balance as at June 30,	6,211,274	5,149,194

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	1,814,223	1,176,916
Interest cost	-	-
	1,814,223	1,176,916

	Note		
11 TRADE AND OTHER PAYABLES			
Creditors		26,000,675	22,379,913
Accrued expenses		25,997,002	13,719,556
Advances from customers		6,120,428	13,986,250
Income tax deducted at source	11.1	2,141,846	3,387,077
Unclaimed dividend		415,333	415,333
Others (School)	11.2	2,325,718	1,842,340
		63,001,002	55,730,469

11.1 It relates mostly to year 2010 to 2012.

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. 0.135 million (2011: Rs. nil) in respect of staff retirement benefits.

12 ACCRUED MARK UP

Mark up accrued on:			
Long term financing	12.1	-	-
Liabilities against assets subject to finance lease	12.2	-	898,710
		-	898,710

12.1 Un provided mark-up for the year is Rs. 117.783 million (2011:Rs. 59.405 million). Refer to note 8.

12.2 Un provided mark-up for the year is Rs. 2.850 million (2011:Rs. 0.875 million). Refer to note 9.

	Note	2012 Rupees	2011 Rupees
13 SHORT TERM BORROWINGS			
From banking companies - secured			
National bank of Pakistan	13.1	-	1,565,448
From related parties - unsecured			
Loan from family associates	13.2	37,209,465	7,869,825
		37,209,465	9,435,273

13.1 This represents 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 and is under the process of renewal.

This year the company has classify this current liability under long term loan liability. Current and overdue portion of National Bank of Pakistan-III is amounting to Rs. 1.545 million.

13.2 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.

	Note	2012 Rupees	2011 Rupees
14 CURRENT AND OVERDUE PORTION OF NON-CURRENT LIABILITIES			
Long term financing	14.1	28,125,000	23,247,216
Liabilities against assets subject to finance lease	14.2	-	-
		28,125,000	23,247,216

14.1 Because of the litigations with various banks as stated in notes from 8.1 to 8.9 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. 373.654 million (2011:Rs. 375.902 million). Refer to Note 8.

14.2 Because of the litigations with various banks as stated in notes from 9.2.1 to 9.2.5 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. 8.543 million (2011:Rs. 14.843 million). Refer to Note 9.

	Note	2012 Rupees	2011 Rupees
15 PROVISION FOR TAXATION			
Provision made for the current year	33	934,189	1,599,056
Provision adjusted during the year		(934,189)	(1,599,056)
		-	-

16 CONTINGENCIES AND COMMITMENTS

16.1 Cotton claims of Rs.29.851 million (US $ 500,186) are lodged against foreign cotton suppliers and their agents in the Pakistan (Ralli Brothers) for weight shortage, bad quality supplied and late shipments. The suit is filed in the court of Civil Judge, Lahore and is still subjudice as confirmed by legal advisor of the company.

16.2 Claims filed by M/s Cargill and others for Rs. 7.873 million have been awarded in exparte arbitration proceedings. These claims have not been admitted by the Company. The management is hopeful that no loss is expected to arise. The application filed in the court of Civil Judge, Lahore is still pending adjudication as confirmed by the legal advisor of the company.

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 12-09-2012 has stated that this case is being vigorously and diligently contested by the company and 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 company has also filed a writ petition against NIB Bank Limited seeking protection under Article 10 of the Constitution, this Writ petition is pending adjudication before the Lahore High Court Lahore. The legal advisor vide its letter dated 12-09-2012 has stated that there is no scope of any loss to the company in the instant matter. Refer note 8.9.

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. This suit is presently pending adjudication before Lahore High Court Lahore. The legal advisors vide letter dated 12-09-2012 have stated that there is no scope of any loss to the company.

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 12-09-2012. This suit is also presently pending adjudication before Lahore High Court Lahore. As per legal advisor's there is no scope of any loss to the company. Refer to note 8.1.

16.7 First National Bank Modarba has filed a suit against the company for recovery of Rs. 29.995 million while the Company has sued the bank for Rs. 47.550 million. This case is also pending in Banking Court II at Lahore.

16.8 IDBP agreed to write off mark up of Rs. 16.522 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 (2011: 2.431 million) in favour of Sui Northern Gas Pipelines Limited.

16.10 Appeals of company on the issue of minimum tax u/s 113 relating to earlier years stand decided by Income Tax Appellate Tribunal vide its appellate order dated 16-02-2010. Assessment of tax year 2005 was revised by Additional Commissioner of Income Tax u/s 122(5A) vide order dated 30-06-2011 raising tax liability of Rs. 2.300 million and appeal against order of CIR(A) is pending before appellate tribunal. Demand prima facie, illegal and against the judgment of superior courts is not provided.

16.11 Appeal relating to tax year 2006 against order u/s 161/205 was decided partially by CIR(A) in favour of company. Appeal effect is yet not given by department. However demand has come down from Rs. 13.970 million to Rs. 1.332 million. Appeal on issue of immunity under SRO 647(1) 2011 dated 25-4-2011 is pending before IRAT. No demand is expected to rise and no provision is made in accounts.

16.12 Appeals filed by Department and Company before ITAT for tax year 2004 are yet pending. No loss is expected to arise.

16.13 Legal advisor named "Lawyers & Lawyers" vide their letter dated 12-09-2012 has confirmed that a suit has been filed by Habib Bank Limited against the company and others, wherein the Bank has claimed recovery of Rs. 66.350 million along USD$ 2,228,527.90. This suit is presently pending adjudication before the Lahore high Court Lahore, wherein reply in the shape of PLA has been filed and the case has to proceed further. This case is being vigorously and diligently contested by the company.

	Note	2012 Rupees	2011 Rupees
17 PROPERTY, PLANT AND EQUIPMENT-note annexed		**603,275,771**	653,651,166

17.1 PROPERTY, PLANT AND EQUIPMENT

Particulars	COST / FAIR VALUE					Rate	DEPRECIATION					Written Down Value as at June 30, 2012
	As at 01-07-2011	Additions during the year	Disposals	Transfers	As at 30-06-2012		Accumulated as at 01-07-2011	Charge for the year	Adjustments on disposals	Transfers	Accumulated as at 30-06-2012	
	Rupees					%	Rupees					
Owned assets:												
Freehold land	100,000,000	-	-	-	100,000,000	-	-	-	-	-	-	100,000,000
Factory building on freehold land	215,915,367	-	-	-	215,915,367	3	19,845,689	5,882,090	-	-	25,727,779	190,187,588
Plant and Machinery	330,687,195	-	(43,277,881)	93,708,674	381,117,988	7.5	70,317,375	21,778,783	(21,291,410)	40,683,305	111,488,053	269,629,935
Generator	25,067,887	-	-	5,500,000	30,567,887	7.5	8,244,702	1,539,333	-	1,798,750	11,582,785	18,985,102
Office equipment	3,606,046	111,503	(325,000)	-	3,392,549	10	2,361,710	332,606	(219,092)	-	2,475,224	917,325
Furniture and fixtures	6,254,062	196,100	-	-	6,450,162	10	4,044,743	232,455	-	-	4,277,198	2,172,964
Vehicles	9,866,688	1,625,932	(1,340,350)	-	10,152,270	20	8,038,890	508,105	(1,010,322)	-	7,536,673	2,615,597
Advance for vehicle	-	1,765,380	-	-	1,765,380	-	-	-	-	-	-	1,765,380
	691,397,245	3,698,915	(44,943,231)	99,208,674	749,361,603		112,853,109	30,273,372	(22,520,824)	42,482,055	163,087,712	586,273,891
Assets held under finance lease:												
Plant and Machinery	99,208,674	-	-	(99,208,674)	-	7.5	42,482,055	-	-	(42,482,055)	-	-
Gas generators	28,666,667	-	-	-	28,666,667	7.5	10,286,256	1,378,531	-	-	11,664,787	17,001,880
	127,875,341	-	-	(99,208,674)	28,666,667		52,768,311	1,378,531	-		11,664,787	17,001,880
2012	819,272,586	3,698,915	(44,943,231)	-	778,028,270		165,621,420	31,651,903	(22,520,824)		174,752,499	603,275,771

Particulars	COST / FAIR VALUE					Rate	DEPRECIATION					Written Down Value as at June 30, 2011
	As at 01-07-2010	Additions during the year	Disposals	Transfers	As at 30-06-2011		Accumulated as at 01-07-2010	Charge for the year	Adjustments on disposals	Transfers	Accumulated as at 30-06-2011	
	Rupees					%	Rupees					
Owned assets:												
Freehold land	100,000,000	-	-	-	100,000,000	-	-	-	-	-	-	100,000,000
Factory building on freehold land	215,915,367	-	-	-	215,915,367	3	13,781,678	6,064,011	-	-	19,845,689	196,069,678
Plant and Machinery	330,157,195	530,000	-	-	330,687,195	7.5	49,231,376	21,085,999	-	-	70,317,375	260,369,820
Generator	25,067,887	-	-	-	25,067,887	7.5	6,880,660	1,364,042		-	8,244,702	16,823,185
Office equipment	3,640,046	66,000	(100,000)	-	3,606,046	10	2,285,746	140,128	64,164	-	2,361,710	1,244,336
Furniture and fixtures	6,158,412	95,650	-	-	6,254,062	10	3,807,568	237,175		-	4,044,743	2,209,319
Vehicles	10,416,688	-	(550,000)	-	9,866,688	20	8,032,264	465,120	458,494	-	8,038,890	1,827,798
	691,355,595	691,650	(650,000)	-	691,397,245		84,019,292	29,356,475	522,658	-	112,853,109	578,544,136
Assets held under finance lease:												
Plant and Machinery	99,208,674	-	-	-	99,208,674	7.5	37,882,599	4,599,456	-	-	42,482,055	56,726,619
Gas generators	28,666,667	-	-	-	28,666,667	7.5	8,795,952	1,490,304	-	-	10,286,256	18,380,411
	127,875,341	-	-	-	127,875,341		46,678,551	6,089,760	-	-	52,768,311	75,107,030
2011	819,230,936	691,650	(650,000)	-	819,272,586		130,697,843	35,446,235	522,658	-	165,621,420	653,651,166

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

Cost of goods sold	27	30,578,737	34,603,812
Administrative expanses	29	1,073,166	842,423
		31,651,903	35,446,235

17.3 Revaluations of land, buildings, plant and machinery was carried out in May 2008, April 2004 and September 1995 by an independent valuers. Had there been no revaluations, the cost, accumulated depreciation and book values of the revalued assets as on June 30, 2012 would have been as follows:

	Cost of assets as at June 30, 2012	Accumulated depreciation as at June 30, 2012	Book value as at June 30, 2012
	-------------Rupees---------------		
Land - freehold	10,165,625	-	10,165,625
Buildings on freehold land	101,821,568	49,854,815	51,966,753
Plant and machinery	583,956,069	401,362,940	182,593,129

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

Particulars	Cost/ Revalued Amount	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / (loss)	Mode of Disposal	Sold to
	-------------Rupees-------------						
Plant & machinery							
Mach Coner	14,372,323	6,247,652	8,124,671	6,000,000	(2,124,671)	Negotiation	Farrukh brothers - karachi
Crosrol Cards	8,330,843	3,652,200	4,678,643	4,200,000	(478,643)	Negotiation	Shadab Textile Mills Ltd - Lahore
Draw frames	4,557,885	1,981,313	2,576,572	2,200,000	(376,572)	Negotiation	Farrukh brothers - karachi
Sizing	16,016,830	9,410,245	6,606,585	6,000,000	(606,585)	Negotiation	Soha Textile - Faisalabad
Office equipment							
Copier NP-6241	85,000	43,215	41,785	15,000	(26,785)	Negotiation	FA Traders - Lahore
Copier NP-2120	210,000	160,624	49,376	10,000	(39,376)	Negotiation	FA Traders - Lahore
Computer	30,000	15,253	14,747	2,550	(12,197)	Negotiation	Uni Com - Lahore
Vehicles							
Honda Civic LWF - 116	1,340,350	1,010,322	330,028	888,000	557,972	Negotiation	City Car Centre Lahore
					-		
2012	44,943,231	22,520,824	22,422,407	19,315,550	(3,106,857)		

18 LONG TERM DEPOSITS

Deposits against leased assets	2,866,667	7,489,350
Deposits with Utility Companies	658,317	658,317
Others	123,260	123,260
	3,648,244	8,270,927

		Note	2012 Rupees	2011 Rupees
19	STORES AND SPARES			
	Stores		2,117,343	1,798,701
	Spares		10,206,010	10,203,292
			12,323,353	12,001,993
20	STOCK IN TRADE			
	Raw materials		2,771,178	1,820,845
	Work in process		2,172,641	215,708
	Finished goods		6,415,557	882,091
			11,359,376	2,918,644
21	TRADE DEBTS			
	Local			
	Considered good - unsecured		18,468,659	11,559,294
	Considered doubtful		2,633,912	1,895,581
			21,102,571	13,454,875
	Less: Provision for doubtful debts		(2,633,912)	(1,895,581)
			18,468,659	11,559,294
22	LOANS AND ADVANCES			
	Advances to suppliers and contractors:			
	- Considered good		1,398,438	427,256
	- Considered doubtful		504,871	504,871
			1,903,309	932,127
	Less: Provision for doubtful advances		(504,871)	(504,871)
			1,398,438	427,256
	Advances to employees		535,119	585,801
			1,933,557	1,013,057
	Excise duty		15,026	15,026
			1,948,583	1,028,083

22.1 Amount due from chief executive officer, directors, executives of the Company and other related parties is Rs. nil (2011:Rs. nil). Maximum aggregate balance due from Directors of the Company at the end of any month during the year was Rs. nil (2011: Rs. nil).

		Note	2012 Rupees	2011 Rupees
23	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
	Security deposit (SNGPL)		4,767,951	4,000,000
	Guarantee margin		48,756	656,506
	Prepayments		9,417	67,821
	Claims receivables	23.1	30,096,399	30,096,399
			34,922,523	34,820,726
23.1	Claims receivables			
	Considered good		30,096,399	30,096,399
	Considered doubtful		3,879,907	3,879,907
			33,976,306	33,976,306
	Less: provision for doubtful claims		(3,879,907)	(3,879,907)
			30,096,399	30,096,399

24 TAX REFUNDS DUE FROM GOVERNMENT	Note	2012 Rupees	2011 Rupees
Income tax refundable	24.1	**421,059**	379,364
Sales tax refundable		**8,133**	846,059
		429,192	1,225,423
24.1 **INCOME TAX REFUNDABLE** comprises of:			
Balance as at Ist July,		**379,364**	3,722,219
Add/(Less) : (Deducted)/Collected during the Year		**975,884**	(1,743,799)
		1,355,248	1,978,420
Less : Adjusted against Provision for Taxation	15	**(934,189)**	(1,599,056)
		421,059	379,364

25 CASH AND BANK BALANCES

	Note	2012 Rupees	2011 Rupees
Cash in hand		**18,996**	8,597
Cash with banks:			
In current accounts		**957,603**	1,134,418
In saving accounts	25.1	**1,144,611**	670,376
		2,102,214	1,804,794
		2,121,210	1,813,391

25.1 These accounts are subject to return @ 8% (2011: 8 %) per annum.

26 SALES

	2012 Rupees	2011 Rupees
Local sales of Yarn and Cloth	**12,480,311**	13,813,058
Conversion Charges from third parties	**80,590,381**	137,689,006
	93,070,692	151,502,064
Commission on sales	**(105,311)**	(449,335)
	92,965,381	151,052,729

27 COST OF SALES

	Note	2012 Rupees	2011 Rupees
Raw materials consumed for own conversion for sale	27.1	**17,921,918**	5,892,606
Salaries, wages and benefits	27.2	**32,135,380**	48,527,191
Chemicals and sizing		**1,037,503**	4,450,279
Stores and spares consumed		**1,150,214**	603,380
Fuel and power		**35,145,798**	43,980,312
Packing materials		**120,644**	498,259
Other manufacturing expenses		**3,035,746**	4,675,151
Depreciation	17.1	**30,578,737**	34,603,811
		103,204,022	137,338,383
		121,125,940	143,230,989
Work in process:			
Opening - Spinning		**-**	-
Weaving		**215,708**	480,832
		215,708	480,832
Closing - Spinning		**-**	-
Weaving		**(2,172,641)**	(215,708)
		(2,172,641)	(215,708)
		(1,956,933)	265,124
Cost of goods manufactured		**119,169,007**	143,496,113
Finished goods:			
Opening - Spinning		**406,666**	6,583,895
Weaving		**475,425**	3,713,476
		882,091	10,297,371
Closing - Spinning		**-**	(406,666)
Weaving		**(6,415,557)**	(475,425)
		(6,415,557)	(882,091)
		(5,533,466)	9,415,280
		113,635,541	152,911,393

	Note	2012 Rupees	2011 Rupees
27.1 Raw materials consumed			
Opening stock		**1,820,845**	16,282,468
Less: Material rejected and returned		**-**	(12,170,513)
Add: Purchases		**19,325,809**	5,719,051
Available for sale		**21,146,654**	9,831,006
Less: Material sold		**(453,558)**	(2,117,555)
		20,693,096	7,713,451
Closing stock		**(2,771,178)**	(1,820,845)
		17,921,918	5,892,606

27.2 These include Rupees 1.311 million (2011: Rupees 0.830 million) in respect of staff retirement benefits.

28 DISTRIBUTION COST

	Note	2012 Rupees	2011 Rupees
Staff salaries and benefits	28.1	**1,792,979**	1,779,220
Travelling and conveyance		**-**	54,448
Printing and stationery		**38,615**	61,453
Insurance		**31,113**	141,942
Vehicles running and maintenance		**384,009**	358,209
Telecommunication		**190,507**	186,794
Entertainment		**61,058**	53,660
Postage and telegram		**7,891**	15,481
Miscellaneous		**26,675**	22,295
		2,532,847	2,673,502

28.1 These include Rupees 0.063 million (2011: Rupees 0.064 million) in respect of staff retirement benefits.

29 ADMINISTRATIVE EXPENSES

	Note	2012 Rupees	2011 Rupees
Staff salaries and benefits	29.1	**5,971,812**	5,768,209
Travelling and conveyance		**58,654**	147,060
Rent, rate and taxes		**565,251**	557,970
Repair and maintenance		**112,308**	114,239
Insurance		**217,300**	145,550
Utilities		**532,066**	512,809
Printing and stationery		**106,588**	203,123
Fee and subscription		**261,671**	193,997
Vehicles running and maintenance		**1,398,690**	917,745
Entertainment		**163,047**	163,798
Newspapers and journals		**14,825**	13,535
Postage and telegram		**19,776**	29,272
Telecommunication		**78,821**	123,508
Press advertisements		**71,348**	42,260
Legal and professional charges		**1,613,973**	1,936,500
Auditor's remuneration	29.2	**200,000**	200,000
Depreciation	17.2	**1,073,166**	842,423
staff welfare		**9,190**	1,718
Miscellaneous		**5,731**	25,889
		12,474,217	11,939,605

29.1 These include Rupees 0.305 million (2011: Rupees 0.282 million) in respect of staff retirement benefits.

29.2 Auditors' remuneration:

	2012	2011
- Statutory audit fee	**150,000**	150,000
- Review, corporate advisory and certification fee	**50,000**	50,000
	200,000	200,000

		2012 Rupees	2011 Rupees
30	**OTHER OPERATING CHARGES**		
	Loss on disposal of machinery and office equipment	**3,106,857**	35,836
	Provision for doubtful debtors	**738,331**	-
		3,845,188	35,836

31 FINANCE COST

	2012	2011
Mark up on:		
Long term financing	**7,457,157**	9,581,423
Finance leases	**-**	2,250,315
	7,457,157	11,831,738
Mark up on short term borrowings	**5,443,337**	7,411,793
Bank charges	**15,211**	251,150
	12,915,705	19,494,681

32 EXTRA ORDINARY INCOME

	2012	2011
Mark up waived off by leasing companies and banks on settlement of their dues	**25,046,813**	-
Compensation on termination of conversion agreement	**2,000,000**	-
	27,046,813	-

33 TAXATION

		2012	2011
33.1	Current year	**934,189**	1,599,056

In view of loss for the year made by the Company and available tax losses of Rs 303.905 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 2011 was filed within prescribed time limit. Income tax assessments have been completed up to income year ended June 30, 2011 (tax year 2011) as deemed assessment. Losses available for carry forward to tax year 2012 are amounting to Rs. 303.905 million (2011: Rs. 289.503 million).

33.2 Deferred tax asset amounting Rs. 83.672 million (2011: Rs. 49.263 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.

34 LOSS PER SHARE - basic & diluted

		2012	2011
Loss for the year	Rupees	**(26,325,493)**	(37,601,344)
Weighted average number of ordinary shares	Number	**22,105,200**	22,105,200
Loss per share	Rupees	**(1.19)**	(1.03)

34.1 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.

35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE OFFICERS

Particulars	2012			2011		
	Chief Executive	**Directors**	**Executive**	Chief Executive	Directors	Executive
	Rupees	**Rupees**	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	**600,000**	**1,152,000**	-	600,000	1,088,000	-
House rent allowance	**240,000**	**460,800**	-	240,000	435,200	-
Medical	**60,000**	**115,200**	-	60,000	108,800	-
	900,000	**1,728,000**	-	900,000	1,632,000	-
Number of persons	1	2	-	1	2	-

35.1 In addition to above, meeting fee of Rs. 10 thousand (2011:Rs. 4 thousand) was paid to one (2011: one) nominee director during the year.

35.2 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.

36 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:

	2012	2011
	Rupees	Rupees
Transactions with related parties undertaken during the year are as follows:		
- Lease rent	**(517,500)**	(517,500)
- Loan from director obtained/(repaid)	**29,339,640**	7,869,825

37 FINANCIAL INSTRUMENTS

37.1 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:

	2012	2011
	USD	USD
Long term financing	**1,948,604.88**	1,951,164.43

The following significant exchange rates were applied during the year:

Rupee per US Dollar		
Average rate	**94.20**	86.05
Reporting date rate	**94.50**	85.84

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. 9.178 million (2011: 8.395 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:

	2012	2011
	Rupees	Rupees
Fixed Rate Instruments		
Financial Liabilities		
Long term financing	**-**	15,310,122
Short term borrowings	**-**	-
Liabilities against assets subject to finance lease	**-**	12,496,882
Floating Rate Instruments		
Financial Liabilities		
Long term financing	**430,073,891**	449,305,465
Short term borrowings	**-**	1,565,448
Liabilities against assets subject to finance lease	**20,949,639**	20,949,639
Financial Assets	**1,144,611**	670,376

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:

	2012	2011
	Rupees	Rupees
Long term deposits	**3,648,244**	8,270,927
Trade debts	**18,468,659**	11,559,294
Loans and advances	**535,119**	585,801
Trade deposits	**34,913,106**	34,752,905
Bank Balances	**2,102,214**	1,804,794
	59,667,342	56,973,721

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

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

(C) Liquidity Risk

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

Since many years, The Company is facing liquidity problems. For this, purpose, the Company is continuously negotiating with its financial institutions in order to re-schedule its loans and also to defer payment of its outstanding loans and mark-up accrued thereon. Currently, the Company manages its liquidity risk by maintaining cash and the availability of funding through an adequate amount of committed credit facilities. At 30th June, 2012, the Company had Rs. nil million (2011: Rs. 75 million) available borrowing limits from financial institutions and Rs. 2.121 million (2011: 1.813 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, 2012

	Carrying Amount	**Contractual Values**	**Less than One Year**	**One to Five Years**	**More than Five Years**
	---------------------------Rupees-----------------------------				
Trade and other payables	**63,001,002**	**63,001,002**	**63,001,002**	**-**	**-**
Short term borrowings	**37,209,465**	**37,209,465**	**37,209,465**	**-**	**-**
Directors' bridge finance & loan	**38,563,713**	**38,563,713**	**-**	**38,563,713**	**-**
Long term financing	**409,948,891**	**91,827,229**	**55,532,460**	**36,294,769**	**-**
Assets subject to finance lease	**20,949,639**	**43,000,000**	**30,593,723**	**12,406,277**	**-**
Deferred Liabilities	**155,026,139**	**155,026,139**	**120,238,927**	**34,787,212**	**-**
	724,698,849	**428,627,548**	**306,575,577**	**122,051,971**	**-**

Current maturities of financial liabilities as at 30th June, 2011

	Carrying Amount	Contractual Values	Less than One Year	One to Five Years	More than Five Years
	---------------------------Rupees-----------------------------				
Trade and other payables	55,730,469	55,730,469	55,730,469	-	-
Short term borrowings	9,435,273	75,000,000	75,000,000	-	-
Directors' bridge finance & loan	38,563,713	38,563,713	-	38,563,713	-
Long term financing	449,368,372	653,748,251	576,748,251	76,921,259	-
Assets subject to finance lease	33,446,521	56,059,390	56,059,390	-	-
Deferred Liabilities	154,600,818	50,158,486	16,424,119	33,734,367	-
	741,145,166	929,260,309	779,962,229	149,219,339	-

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.

37.2 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.

37.3 FINANCIAL INSTRUMENTS BY CATEGORIES

	2012	2011
Loans and Advances	**Rupees**	Rupees
Long term deposits	**3,648,244**	8,270,927
Trade debts	**18,468,659**	11,559,294
Loans and advances	**535,119**	585,801
Trade deposits	**34,922,523**	34,820,726
Bank Balances	**2,121,210**	1,813,391
	59,695,755	57,050,139

Financial Liabilities as at Amortized Cost

Long term financing	**438,073,891**	472,615,588
Liabilities against assets subject to finance lease	**20,949,639**	33,446,521
Deferred liabilities	**155,026,139**	154,600,818
Trade and other payables	**63,001,002**	55,730,469
Accrued mark-up	**-**	898,710
Short term borrowings	**37,209,465**	9,435,273
	714,260,136	726,727,379

37.4 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:

	2012	2011
	Rupees	Rupees Restated
Total borrowings	**475,283,356**	482,050,861
Cash and bank balances	**(2,121,210)**	(1,813,391)
Net Debt	**473,162,146**	480,237,470
Equity	**(377,672,328)**	(362,631,333)
Total Capital	**95,489,818**	117,606,137
Gearing Ratio	**495.51%**	408.34%

38 SEGMENT INFORMATION

The entire revenue and expense of the Company are relating to own manufacturing and conversion services extended to customers, and there are no reportable segments of the Company.

39 PLANT CAPACITY AND PRODUCTION

	2012	2011
Spinning		
Number of spindles installed and worked	**18,456**	18,456
Rated capacity in thousands of kilograms converted into 20/1 count	**5,845**	5,845
Actual production in thousands of kilograms converted into 20/1 count:		
- Own Conversion	**-**	-
- Conversion-third parties	**629**	2,021
	629	2,021
Weaving		
Number of looms installed and worked	**71**	71
Rated capacity in thousands of sq. meters converted into 50 picks	**9,293**	9,293
Actual production in thousands of sq. meters converted into 50 picks:		
- Own Conversion	**348**	115
- Conversion-third parties	**2,700**	1,919
	3,048	2,034

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

40 DATE OF AUTHORIZATION FOR ISSUE

These financialstatements have been approved and authorized for issue by the Board of Directors of the company in its meeting held on October 04, 2012.

41 CORRESPONDING FIGURES

- Figures have been rounded off to the nearest Rupee,
- Corresponding figures have been rearranged / reclassified, wherever necessary, to facilitate comparison.
- Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison.

MIAN MUHAMMAD JEHANGIR **Chairman & Chief Executive**	**MIAN WAHEED AHMED** **Director**

PROXY FORM
(26th ANNUAL GENERAL MEETING)

I/We ____ son/daughter/wife of ____________________________________ of _________________ being member (s) of MIAN TEXTILE INDUSTRIES LTD, holder of ___________________________ ordinary shares of the Company, under Folio No./Participant's ID/CDC sub account No. _____ hereby appoint ____________________ of _______________________ failing him/her ____________ of _________________________ who is/are member(s) of MIAN TEXTILE INDUSTRIES LTD. under Folio No./Participant's ID/CDC sub account No. ______ respectively, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 26th Annual General Meeting of the Company to be held on October 31, 2012 and/or any adjournment thereof.

As witness my/our hand this __________________ day of October, 2012.

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, duty 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.