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HIRA TEXTILE MILLS
LIMITED

HIRA TEXTILE MILLS LIMITED









Annual Report | 2017

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HIRA TEXTILE MILLS LIMITED

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COMPANY INFORMATION

CHAIRPERSON

Mrs. Shahnaz Umar

CHIEF EXECUTIVE

Mr. Nadeem Aslam Butt

BOARD OF DIRECTORS

Mrs. Shahnaz Umar
Mr. Muhammad Umar Virk
Mr. Nadeem Aslam Butt
Mrs. Fatima Nadeem
Mrs. Sadiya Umair
Mr. Shaukat Nazir Malik *(Independent Director)*
Mr. Usman Khalid

AUDIT COMMITTEE

Mr. Shaukat Nazir Malik	*Chairperson*
Mr. Muhammad Umar Virk	*Member*
Mrs. Usman Khalid	*Member*

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mrs. Sadiya Umair	*Chairperson*
Mr. Nadeem Aslam Butt	*Member*
Mrs. Fatima Nadeem	*Member*

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Mr.Saeed Ahmad Khan

AUDITORS

Deloitte Yousaf Adil (Chartered Accountants)
134-A, Abu Bakar Block, New Garden Town, Lahore

TAX ADVISER

KPMG Taseer Hadi & Co. (Chartered Accountants)
Servis House, 2nd Floor, 2 Main Gulberg,
Jail Road, Lahore.

LEGAL ADVISER

Salman Akram Raja.
Raja Mohammad Akram & Co.,
Advocates & Legal Consultants
33-C Main Gulberg Lahore.

REGISTRAR OF THE COMPANY

Vision Consulting Ltd.
3 – C , 1st floor, LDA Flats, Lawrance Road Lahore.
Ph: + 92 42 36283096-97

REGISTERED OFFICE

44-E-1,Gulberg III, Lahore.
Ph: + 92 42 3571 4191-94,
Fax: + 92 42 3571 0048
W: www.hiratex.com.pk

MILLS

8 KM Manga Raiwind Road Raiwind District Kasur.

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 26th annual general meeting of the members of Hira Textile Mills Limited will be held on Tuesday, October 31, 2017 at 11.00 AM at the registered office of the company i.e.44 E/1 Gulberg III, Lahore, to transact the following:

1. To confirm the minutes of the last General Meeting.
2. To receive and adopt the audited accounts of the company for the year ended on June 30, 2017 together with the Directors and auditor's reports thereon.
3. To consider appointment of external audits for the financial year ending June 30, 2018.
4. **SPECIAL BUSINESS:**

   To consider and, if thought fit, Pass the following Special Resolution with or without modification(s).

   I. To consider and approve the special resolution in terms of Section 199 of the Companies Act 2017, with or without amendments:

   RESOLVED that the Company be and is hereby authorized to make temporary loans/ running advances from time to time to the extent of Rs. 250,000,000/- (Rupees Two Hundred Fifty Million only) to Hira Terry Mills Ltd an associated Company for a period of one year.

   FURTHER RESOLVED that the Chief Executive of the Company be and is hereby authorized to undertake and make the above temporary loans/advances as short term financing on the terms and conditions given in the statement under Section 134(3) of the companies act-2017 annexed herewith.

   II. To Consider and approve the amendment to be made in the Article of Association of the Company and if thought fit, pass the following resolution with or without amendments as a special resolution:

   RESOLVED that in accordance with the provisions of Section 38 and other applicable provisions of the Companies Act, 2017, and subject to requisite permission and clearance, the following new Article 40 A be and is hereby inserted after the existing Article 40 of the Articles of Association of the Company:

   "40 A. E-voting Subject to any rules or regulations that may be made from time to time by the Securities and Exchange Commission of Pakistan (the SECP), is this regard, Members may exercise voting rights at general meeting through electronic means if the Company receives the requisite demand for poll in accordance with the applicable laws. The Company shall facilitate the voting by electronic means in the manner and in accordance with the requirements prescribed by the SECP".

   III. To seek the consent of shareholders for transmission of Annual Audited Accounts through CD/DVD/USB instead of transmitting the said accounts in hard copies and if deemed fit pass the following resolution as Special Resolution with or without modification:

   RESOLVED that transmission of annual audited accounts to the shareholders in soft form i.e. CD/DVD/USB as notified by Securities &Exchange Commission of Pakistan vide its SRO No. 470(I) 2016 dated May 31, 2016 or in hard copy be and is hereby approved.

   FURTHER RESOLVED that the Company Secretary be and is hereby authorized to take or cause to be taken any and all actions necessary and incidental for the purposes of altering the Articles of Association of the Company, and make necessary filings and complete legal formalities as may be required to implement the a foresaid resolution.

To transact any other business with the permission of the Chair.

(By the order of the Board)

Saeed Ahmad Khan
Company Secretary

Lahore: October 09, 2017

Notes

1- The statement under section 134(3) (b) of the Companies Act, 2017, is annexed with this notice to the members.

2- The Share Transfer Books of the Company will remain closed from October 24, 2017 to October 31, 2017 (both days inclusive).

3- A member entitled to attend and vote at the General Meeting may appoint any person as proxy to attend and vote instead of him/her. No person other than a member shall act as proxy.

4- An instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notarially certified copy of such power or authority, in order to be valid, must be deposited at the registered office of the company at least 48 hours before the time of the meeting and must be duly stamped, singed and witnessed.

5- Members who have not submitted copy of valid CNIC are once again advised to submit the same without further delay to ensure compliance with the Securities and Exchange Commission of Pakistan (SECP) Notification S.R.O.19(1)2014 dated January 10, 2014 read with Notification S.R.O. 831(1)2012 dated July 5, 2012.

6- The account holders of CDC are requested to bring their original NI/Passport for the purpose of identification at the meeting.

7- As directed by the SECP vide Circular No. 18 of 2012 dated June 5, 2012, we once again give the opportunity to those shareholders who have not yet provided mandate information, to authorize the company to directly credit the cash dividend, if any, declared by the company in future, in their respective bank account instead of issuing a dividend warrant by providing their dividend mandate, in case of book entry securities in CDS, to respective CDS participants and in case of physical share to Company's Independent Share Registrar. Copy of dividend mandate from may be downloaded from Company's website www.hiratex.com.pk

8- In compliance with directives issued by the Securities and Exchange Commission of Pakistan and / or Federal Board of Revenue from time to time. Shareholders who have not yet provided their dividend mandate information and / or CNIC and / or NTN (as the case may be) are requested to provide the same at the earliest as follows:

· The shareholders who hold Company Shares in Physical form are requested to submit the above information to the Share Registrar.

Shareholders maintaining their shareholdings under Central Depository system (CDS) are advised to submit the above information directly to relevant participant / CDC Investor Account Service

Members are also requested to update their tax paying status (Filler/Non-Filer) to the Company Share Registrar.

9- In terms of sub section 1(b) of Section 134 of the Companies Act, 2017, Members can also attend and participate in the AGM through video conference facility, if members residing the vicinity, collectively holding 10% or more shareholding, provide their consent in writing, to participate in the AGM through video conference at least ten (10) days prior to date of AGM.

After receiving the consent of the members in aggregate 10% or more shareholding, the Company will intimate members regarding venue of video conference facility at least five (5) days before the date of the AGM along with complete information necessary to enable them to access such facility.

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HIRA TEXTILE MILLS LIMITED

STATEMENT OF MATERIAL FACTS UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017

Hira Terry Mills Limited is public limited (unlisted) Company having assets of Rs. 5368.331 millions with paid up capital of Rs. 472.080 millions. The company manufactures and deals in all types of Towels.

INVESTMENT IN ASSOCIATED COMPANY

(A) Maximum limit of running advance / temporary loan Rs.250 million to Hira Terry Mills Limited in terms of section 208 of companies ordinance 1984 was approved by the members for a period of one year on Oct 31, 2016 with a provision for extension. This limit is to be enhanced for one year further. The company has not given any temporary loan / running advance to Hira Terry during 2016-2017.It is now purposed that members may approve limit of Rs. 250 million for one year as running advance/ temporary loan to Hira Terry Mills Limited.

(B) The investment would be made at such times as the Chief Executive may think appropriate in the following manner:

(i)	Name of Investee Company	Hira Terry Mills Limited
(ii)	Nature of Loan/Advance	Short Term running advances from time to time
(iii)	Purpose of short term loans and advances	The purpose of short term loans and advances is to provide financial facilities as and when required for meeting the Immediate requirements of Working Capital of the borrowing Company.
(iv)	Amount of Loan /Running advance (Maximum Limit)	Rs. 250,000,000/- (Rupees Two hundred fifty million only)
(v)	Rate of mark up	1% above the prevailing short term lending rates of the Commercial banks which, in any case, will not be less than the borrowing cost of the investing Company.
(vi)	Tenor	For a period of 1 year commencing from Nov 1, 2017 to Oct 31, 2018 extendable depending upon financial conditions of Hira Terry Mills Ltd.
(vii)	Securities	No security is considered necessary as both the Companies are under common management control.
(viii)	Source of Funds	Company's own internal cash reserves.
(ix)	Repayable Schedule	The loans and advances are adjustable maximum within a period of twelve months.
(x)	Other Terms & Conditions	i) Hira Textile shall have the right to add, amend or alter any terms and conditions including the rate of Markup or call back the advance amount after notice to Hira Terry. ii) In the event of default the Board of Directors shall have the right to call back the amount and/or charge additional markup as penalty.
(ix)	Benefits likely to accrue to the Company and its shareholders from loans and advances	The Investing Company and its shareholders will be benefited in a manner that their investment will fetch a return of 1% above the Lending rates of commercial banks. Hira Textile owns 22,140,000 shares in the issued capital of Hira Terry and shall also benefit if Hira Terry declares dividends on account of better business of Hira Terry on the basis of Financial Facility being provided to it.

© Brief about Hira Terry Mills Limited the investee Company on the basis of last audited financial statements for the year ended 30-06-2017:

Net Sales	Rs. 3,390.79 Million
Equity- Net	Rs. 1,626.299 Million
Long term Loans and Lease	Rs. 464.692 Million
Current Ratio	1.119: 1
GP Ratio	20.62 %
Net Profit Ratio	6.45 %
Shareholding of Hira Textile Mills Ltd.	22.140 Million Shares or 46.90 %
Share of Profit to Hira Textile Mills Ltd.	Rs. 102.676 Million
Outstanding Balance of Running advances / Loan as on June 30, 2017	Nil
Maximum outstanding Balance of Running advance / Loan during the year 2016-2017.	Nil

(D) The Directors of Hira Textile Mills Limited have no other interest in the investment except that 3 Directors of Hira Textile Mills Limited are share holders in Hira Terry Mills Ltd, the associated company. Their consolidated holding is 618,600 shares (1.31%).

(E) The audited Financial Statement of Hira Terry Mills Limited and Hira Textile Mills Limited for the year ended June 30, 2017, can be inspected from 10.00 a.m. to 11.30 a.m. in all working days up-to October 22, 2017 by the shareholders of Hira Textile.

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VISION STATEMENT

A dynamic profitable and professionally managed successful business organization.

MISSION STATEMENT

Hira Textile Mills Ltd is committed to the highest standards of integrity, honesty, openness and professionalism in all of its activities whenever they are undertaken.

We, the Management Team of HTML are striving to improve the quality of yarn by continuously improving its manufacturing facilities. We are committed to positioning the Company at the apex of the industry by satisfying our valued customers, archiving superior returns for shareholders, by providing congenial work environment where the employees feel part of the organization and be a good corporate citizen by fulfilling our social responsibilities.

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DIRECTORS REPORT TO THE MEMBERS

The Board of Directors feels pleasure in presenting the Company's Audited financial statements together with the auditor's report thereon for the year ended on June 30, 2017.

Financial Statements have been endorsed by the Chief Executive Officer and the Chief Financial Officer in accordance with the Code of corporate Governance, having been recommended for approval by the Audit Committee of the Board and approved by the Board of Directors for presentation.

Company Performance

Following are the operating & Financial results:-

(Rupees in Million)

	2017	2016
Net Sale	**3,361.275**	3,523.40
Gross Profit	**255.012**	334.66
Share of Profit of Hira Terry	**102.676**	91.56
Profit before taxation	**43.958**	101.47
Provision for taxation	**36.503**	7.86
Profit for the year	**7.456**	93.61
EPS - basic & diluted	**0.09**	1.08

Due to unfavorable market condition, depressed yarn prices and low margins your company earned after tax profit of Rs. 7.456 million as compared to profit of Rs. 93.608 Million during the corresponding period. Earning per share (EPS) for the year is Rs. 0.01 as compare to earnings of Rs. 1.08 during the corresponding previous year. Sales revenue decreased by 4.60 % over the previous year. G.P for the year under review is 7.58 % as compared to 9.50 %. Distribution cost increased from 1.04 % of sales to 1.22 % of sales. Administrative expenses decreased from 1.81 % of sales to 1.60% of sales. Due to efficient utilization of financial resources, repayment of long term loans, the finance cost decreased by 3.88% over the last year. Share of profit of M/S Hira Terry associated company is Rs.102.676 Million as compared to last year Rs. 91.56 Million. The profit of Hira Terry has increased due to increase in margins for value added products and superior marketing by Terry US office. The management is concerned about the profitability of the company for the coming year due to extremely weak demand of spun yarn and ever increasing production cost, uncertainty in prices of cotton and yarn, high energy cost coupled with load shedding in Gas & Power sector and higher financial cost, blocked of GST / Income Tax refund. However the management is putting its best efforts to maximize company's profit for the next year.

Expansion and BMR

The Company has spent 96.729 Millions on BMR.

Dividend

Due to circumstances discussed above, the Board of Directors does not recommend divided for the year ended June 30, 2017.

Related Parties

The transactions between the related parties were made at arm's length prices determined in accordance with the comparable uncontrolled prices method. The company has fully complied with the best practices of the transfer pricing as contained in the listing regulation of stock exchanges in Pakistan.

Financial Statements Audit

Financial statements of the Company have been audited without any qualification by Messrs Deloitte Yousaf Adil (Chartered Accountants) who have been appointed as the statutory external auditors of the Company.

ISO 9001 – 2008 Certification

The company continues to operate the high standard of quality and had obtained latest version of certification, which is renewed every year. The quality control certification will help to build up trust of new and old customers.

Environments, Health and Safety

The Company maintains safe working conditions without risk to the health of all employees and public at large. The management has maintained safe environment in all its operations through out the year and is constantly upgrading their living facilities.

Future Plans

Although the performance of the company is satisfactory during the year but the future market situation is changing to adversely due to decrease in the yarn prices. The management is formulating multi dimensional strategy to tackle all these issues. We are focusing on diversification of our product range along with value addition and consolidating our efforts on quality improvements.

Corporate & Financial Reporting Frame Work

As required by the Code of Corporate Governance, Directors are pleased to report that:

I. The financial statements prepared by the management of the Company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.

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ii. Proper books of account of the Company have been maintained.

iii. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

iv. International Finance Reporting Standards (IFRS) as applicable in Pakistan have been followed in preparation of financial statements. Any departures therefrom has been adequately disclosed and explained.

v. The system of internal control is sound and has been effectively implemented and monitored.

vi. There are no doubts upon the Company's ability to continue as a going concern.

vii. Operating and financial data and key ratio of six years are annexed.

viii. The value of investment of contributory provident fund as at June 30, 2017 amount to Rs. 16.460 Million.

ix. The pattern of shareholding as at June 30, 2017 is annexed.

x. Except as stated hereunder, no trade in the shares of the company were carried out by the Directors, CEO, CFO, Company secretary, their spouses and minor children.

Mr. Muhammad Umar Virk Director purchased 240,000 shares and sold 2,284,104 shares.

Board Meeting

During the year under review Seven (7) meetings were held. Attendance by each Director is as follows:

Name of Director	Attendance
Mrs. Shahnaz Umar	6 (Six)
Mr. Muhammad Umar Virk	7 (Seven)
Mr. Nadeem Aslam Butt	7 (Seven)
Mr. Umair Umar - Resigned on 21-2-2017	4 (Four)
Mrs. Fatima Nadeem	5 (Five)
Mrs. Sadiya Umair	5 (Five)
Mr. Shaukat Nazir Malik	4 (Four)
Mr. Usman Khalid-Appointed on 23-2-2017	2 (Two)

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

Audit Committee

The Board of Directors in compliance with the code of corporate governance has established an audit committee which is fully functional. The committee comprises three members. Chairman of the committee is an Independent non-executive director. During the year four (4) meetings of Audit Committee were held. Attendance by each Director is as follows:

Name of Director	Attendance
Mr. Shaukat Nazir Malik (Chairman)	4 (Four)
Mr. Umair Umar - Resigned	2 (Two)
Mrs. Shahnaz Umar - Resigned	3 (Three)
Mr. Umar Virk appointed in place of Mrs. Shahnaz Umar	1 (One)
Mr. Usman Khalid appointed in place of Mr. Umari Umar	1 (One)

Human Resource Committee

In compliance with the code of Corporate Governance, the Board of Directors has constituted a Human Resource Committee (HR Committee) whose members consist of three Directors of whom two are non-executive directors appointed by the Board of Directors. During the year one (1) meetings of HR committee of the Board were held – attendance by each Director is as follows:

Name of Director	Attendance
Mrs. Sadiya Umair (Chairman)	1 (One)
Mr. Nadeem Aslam Butt	1 (One)
Mrs. Faitma Nadeem	1 (One)

Auditors

The present auditors Deloitte Yousaf Adil (Chartered Accountants), retire at the conclusion of the annual general meeting and being eligible, offer themselves for reappointment for the financial year ending June 30, 2018.

Acknowledgements

Continued diligence and devotion of the staff and workers of the company and good human relations at all levels deserve acknowledgement. The Directors also wish to place on record their thanks to the bankers and other stakeholders for their continued support to the company.

On Behalf of the Board

NADEEM ASLAM BUTT
Chief Executive Officer

Lahore: October 09, 2017

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HIRA TEXTILE MILLS LIMITED

حرا ٹیکسٹائل ملز لمیٹڈ

ممبران کے لیئے ڈائریکٹرز کی رپورٹ

بورڈ آف ڈائریکٹرز کمپنی کے سالانہ 30 جون 1917 کو ختم ہونے والے سال کے لئے نظر ثانی شدہ مالیاتی حسابات اور اس پر آڈیٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ کوڈ آف کارپوریٹ گورننس کے تحت کمپنی کے حسابات تصدیق شدہ منجانب چیف ایگزیکٹو آفیسر اور چیف فنانشل آفیسر اور جسکی بورڈ آڈٹ کمیٹی نے سفارش کی اور بورڈ آف ڈائریکٹرز نے پیش کرنے کی اجازت دی۔

کمپنی کی کارکردگی

کمپنی کے اپریٹنگ مالیاتی نتائج درج ذیل ہیں

ملین روپے

	2017	2016
فروخت	**3,361.275**	3,523.40
مجموعی منافع	**255.012**	334.66
حرا ٹیکسٹائل ملز کے منافع کا حصہ	**102.676**	91.56
قبل از ٹیکس منافع	**43.958**	101.47
ٹیکس	**36.503**	7.86
بعد از ٹیکس منافع	**7.456**	93.61
فی شیئر آمدنی (EPS)	**0.09**	1.08

منڈی کے غیر موافق حالات اور دھاگے کی قیمتوں میں مندی اور کم مارجنز کی بدولت آپکی کمپنی کو بعد از ٹیکس 7.456 ملین کا منافع ہوا ہے۔ جبکہ پچھلے سال اسی مدت کے دوران 93.61 ملین روپے کا منافع ہوا تھا۔ اس سال کی فی شیئر آمدن 0.09 روپے ہے جبکہ پچھلے سال فی شیئر آمدن 1.08 روپے تھی۔ سال کے لئے فروخت کی آمدن گزشتہ سال سے 4.60 فیصد کم رہی۔ زیر جائزہ سال کے دوران مجموعی منافع گزشتہ سال کے 9.50 فیصد کے مقابلے میں 7.58 فیصد رہا ہے۔ تقسیم کے اخراجات فروخت کے 1.04 فیصد سے فروخت کے 1.22 فیصد تک زیادہ ہو گئے۔ انتظامی اخراجات فروخت کے 1.81 فیصد سے فروخت کے 1.60 فیصد تک کم ہو گئے۔ مالی وسائل کے بہترین استعمال اور طویل مدتی قرضوں کی ادائیگی کے باعث مالی لاگت گزشتہ سال سے 3.88 فیصد کم ہوئی۔

موجودہ منافع میں میسرز حرا ٹیری ملز لیمٹیڈ کا 102.676 ملین روپے منافع بھی شامل ہے جو کہ پچھلے سال اسی مدت میں 91.56 ملین روپے تھا۔ منافع میں یہ اضافہ بہتر مارجن کی بدولت ممکن ہوا۔

وسعت اور بی۔ایم۔آر

کمپنی نے اس سال بی ایم آر (BMR) کی مد میں 96.729 ملین روپے خرچ کئے ہیں۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے مختتمہ سال 30 جون 2017 کیلئے مندرجہ بالا وجوہات کی بنا پر کوئی منافع تجویز نہیں کیا۔

متعلقہ پارٹیز

متعلقہ پارٹیوں کے درمیان لین دین قابل رسائی قیمتیں مقرر کر کے کیا گیا۔ کمپنی پاکستان اسٹاک ایکسچینج کی لسٹنگ ضابطے میں موجود قیمتوں کے تعین کے بہترین طریقوں پر عمل پیرا ہے۔

مالی حسابات کا آڈٹ

کمپنی کے مالی حسابات کا آڈٹ بغیر کسی بے ضابطگی کی نشان دہی کے میسرز ڈیلوئٹ یوسف عادل چارٹرڈ اکاونٹنٹس نے کیا ہے جو کہ کمپنی کے بیرونی آڈیٹرز ہیں۔

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آئی ایس او 9001:2008 کی سرٹیفکیشن

کمپنی کوالٹی کے اعلی معیار پر کام جاری رکھتی ہے اور سرٹیفکیشن کا ورژن حاصل کر چکی ہے۔ کوالٹی کنٹرول سرٹیفکیٹس سے نئے اور پرانے گاہکوں کا اعتماد تعمیر کرنے میں مدد ملتی ہے۔

ماحول۔صحت اور تحفظ

کمپنی اپنے ملازمین اور عوام کی صحت کے لیئے خطرات سے بچنے کے لئے محفوظ کام کے حالات کو برقرار رکھتی ہے۔ انتظامیہ نے سال بھر اپنی تمام کاروائیوں میں محفوظ ماحول کو برقرار رکھا ہے اور مسلسل ان کی حفاظت اور زندگی کی سہولیات کو بہتر بنایا ہے۔

مستقبل کے منصوبے

اگرچہ کمپنی کی کارکردگی سال کے دوران اطمینان بخش رہی لیکن منڈی کی صورتحال دھاگے کی قیمتوں میں کمی کی وجہ سے حوصلہ افزا نہیں ہے انتظامیہ نے اس صورتحال سے نمٹنے کے لئے ہمہ جہتی تدابیر اختیار کرنے کا منصوبہ بنایا ہے۔ ہم اپنی پوری توجہ اپنی پیداوار کو ویلیو ایڈیشن پیداوار میں تبدیل کرنے اور کوالٹی میں بہتری لانے پر مامور کئے ہوئے ہیں۔

کارپوریٹ گورنس کے ضابطہ کی تعمیل

بورڈ آف کارپوریٹ گورننس کے تحت کمپنی کے ڈائریکٹرز رپورٹ پیش کرنے میں خوشی محسوس کرتے ہیں۔

کارپوریٹ گورننس کے ضابطہ کے مطابق، ڈائریکٹرز بخوشی بیان کرتے ہیں:

i- کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکوئٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتا ہے۔

ii- کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔

iii- مالی حسابات کی تیاری میں مناسب "اکاؤنٹنگ پالیسیوں" کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔

vi- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ (IFRS) کے معیارات کی پیروی کی گئی ہے، اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔

v- "اندرونی کنٹرول" کے نظام کا ڈیزاین مستحکم ہے اور اسکی موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔

iv- کمپنی کے رواں دواں ہونے کی صلاحیت پر کوئی قابل ذکر شکوک وشبہات نہیں ہیں۔

iiv- گزشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی شماریات منسلک ہے۔

iiiv- کنٹری بیٹری پر ڈیوڈنٹ فنڈ کی مالیت 30 جون 2017 کے خاتمہ پر 16.460 ملین روپے رہی۔

xi- 30 جون 2017 کو شیئر ہولڈنگ کا پیٹرن منسلک ہے

x- 2016-2017 کے دوران کمپنی کے حصص میں اس کے ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کے زوج اور نابالغ بچوں کی طرف سے درج ذیل کے علاوہ کوئی تجارت نہیں کی گئی ہے

محمد عمر ورک نے 2,40,000 حصص خریدے اور 2,284,104 حصص فروخت کئے۔

بورڈ آف ڈائریکٹرز کے اجلاس

زیر جائزہ سال کے دوران بورڈ آف ڈائریکٹرز کے سات اجلاس منعقد ہوئے ہر ڈائریکٹر کی حاضری درج ذیل ہے۔

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HIRA TEXTILE MILLS LIMITED

ڈائریکٹر کا نام	تعداد حاضری
مسز شہناز عمر	7 (سات)
محمد عمر ورک	6 (چھ)
ندیم اسلم بٹ	7 (سات)
عمیر عمر (21 فروری 2017 کو مستعفی ہو گئے)	4 (چار)
مسز فاطمہ ندیم	5 (پانچ)
مسز سعدیہ عمیر	5 (پانچ)
شوکت نذیر ملک (آزاد ڈائریکٹر)	4 (چار)
عثمان خالد (23 فروری 2017 کو تعینات ہوئے)	2 (دو)

جو ڈائریکٹرز بورڈ کے چند اجلاسوں پر حاضر نہ ہو سکے ان کی غیر حاضری کو چھٹی قرار دیا گیا۔

آڈٹ کمیٹی

کارپوریٹ گورننس کے ضابطہ کی تعمیل میں بورڈ آف ڈائریکٹر نے آڈٹ کمیٹی تشکیل دی ہے جو کہ مکمل طور پر کام کر رہی ہے۔ کمیٹی تین ممبران پر مشتمل ہے۔

کمیٹی کے چیئرمین ایک آزاد ڈائریکٹر ہیں دوران سال آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے ہر ڈائریکٹر کی حاضری درج ذیل ہے۔

ڈائریکٹر کا نام	تعداد حاضری
جناب شوکت نذیر ملک	4 (چار)
جناب عمیر عمر (مستعفی ہو گئے)	2 (دو)
محترمہ شہناز عمر (مستعفی ہو گئی)	3 (تین)
جناب عمر ورک۔ مسز شہناز عمر کی جگہ تعینات ہوئے	1 (ایک)
جناب عثمان خالد۔ عمیر عمر کی جگہ تعینات ہوئے	1 (ایک)

ہیومن ریسورس کمیٹی

کوڈ آف کارپوریٹ گورننس کی تعمیل کرتے ہوئے بورڈ آف ڈائریکٹر نے ایک ہیومن ریسورس کمیٹی تشکیل دی ہے جو کہ تین ممبران پر مشتمل ہے جس میں دو ڈائریکٹر نان ایگزیکٹو ہیں۔ دوران سال ہیومن ریسورس کمیٹی کا ایک اجلاس منعقد ہوا۔ ہر ڈائریکٹر کا حاضری درج ذیل ہے۔

ڈائریکٹر کا نام	تعداد حاضری
محترمہ سعدیہ عمیر	1 (ایک)
محترم ندیم اسلم بٹ	1 (ایک)
محترمہ فاطمہ ندیم	1 (ایک)

آڈیٹرز

موجودہ آڈیٹرز میسرز ڈیلائٹ یوسف عادل۔ چارٹرڈ اکاؤنٹس ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر مالی سال جون 2018 کے تقرر کیلئے خود کو پیش کرتے ہیں۔

اعتراف

کمپنی کے عملے اور کاکنان کی مسلسل محنت اور جذبہ اور تمام سطحوں پر اچھے تعلقات کا اعتراف کرتے ہیں۔ ڈائریکٹرز بیکرز اور دیگر حصہ داروں کا بھی کمپنی کی مسلسل حمایت پر شکریہ ادا کرتے ہیں

منجانب بورڈ

ندیم اسلم بٹ

(چیف ایگزیکٹو آفیسر)

لاہور۔ 9 اکتوبر 2017

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FINANCIAL SUMMARY

Amount Rs. (000)

	2017	2016	2015	2014	2013	2012
Net Sales	3,361,275	3,523,396	4,061,800	4,775,199	3,985,373	4,087,241
Cost of Sales	3,106,262	3,188,731	3,587,519	4,328,582	3,450,137	3,534,210
Gross profit	**255,013**	**334,666**	**474,281**	**446,617**	**535,236**	**553,031**
Administration Expenses	53,669	63,862	76,844	73,314	64,921	63,211
Selling Expences	41,175	36,677	50,039	54,092	72,921	63,685
Operating Profit	**160,169**	**234,127**	**347,398**	**319,210**	**397,394**	**426,134**
Other Operating Income	876	5,715	801	2,562	1,958	4,531
Profit before Interest & Taxation	**161,045**	**239,842**	**348,199**	**321,772**	**399,352**	**430,666**
Other Operating Expenses	207	1,596	5,956	2,217	6,963	14,635
Financial & Other Charges	219,556	228,410	270,151	285,867	298,442	295,903
Share of profit Hira Terry Mills Ltd.	102,676	91,565	78,303	73,636	56,322	51,619
Profit before Taxation	**43,958**	**101,400**	**150,395**	**107,324**	**150,269**	**171,747**
Provision for Taxation	36,503	7,862	58,057	(27,047)	(21,731)	31,954
Profit after Taxation (Net Profit)	**7,456**	**93,537**	**92,338**	**134,372**	**172,000**	**139,793**
Financial Position						
Current Assets	2,627,405	2,255,468	2,340,097	2,046,423	2,033,590	1,921,574
Current Liabilities	2,951,446	2,464,531	2,428,841	2,300,419	2,221,571	2,050,797
Operating Fixed Assets	2,545,357	2,574,458	2,083,750	1,948,545	1,956,540	1,645,180
Total Assets	5,967,446	5,514,606	5,021,274	4,515,040	4,443,263	3,962,309
Net Capital Employed	3,016,019	3,050,075	2,592,433	2,214,621	2,221,693	1,911,512
Long Term Debts	426,044	466,125	589,701	330,560	433,096	207,184
Share Holder,s Equity	1,968,629	1,945,237	1,852,817	1,762,184	1,629,113	1,528,665
Surplus on Revaluation on Fixed Assets	529,235	451,377	65,893	65,893	65,893	65,893
Break -up Value Per Share (Rupees)	22.74	22.47	23.54	22.39	22.77	21.36
Number of shares	86,577,920	86,577,920	78,707,200	78,707,200	71,552,000	71,552,000
Financial Ratios Analysis (Annualized)						
Current Ratio	0.89	0.92	0.96	0.89	0.92	0.94
Total Debt to Total Assets	7.14	8.45	11.74	7.32	9.75	5.23
Acid -Test Ratio	16.55	17.26	17.59	15.36	18.87	18.08
Debt Equity	19:81	19:81	24:76	16:84	21:79	11:89
Debt Coverage Ratio	3.55	0.94	1.08	1.09	1.22	1.21
Leverage Ratio	2.03	1.83	1.71	1.56	1.73	1.59
Interest Coverage Ratio	1.20	1.44	1.56	1.38	1.50	1.58
Fixed Assets Turnover	1.32	1.37	1.95	2.45	2.04	2.48
Total Assets Turnover	0.56	0.64	0.81	1.06	0.90	1.03
Per Share Results & returns						
Earning per Share	0.09	1.08	1.15	1.69	2.40	1.95
Return on Capital employed- net	0.25	3.07	3.56	6.07	7.74	7.31
Gross Profit to Sales	7.59	9.50	11.68	9.35	13.43	13.53
Operating Profit To Sales	4.77	6.64	8.55	6.68	9.97	10.43
Net Income to Sale (Profit margin)	0.22	2.65	2.27	2.81	4.32	3.42
Return on Assets (ROA)	0.12	1.70	1.84	2.98	3.87	3.53

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HIRA TEXTILE MILLS LIMITED

INFORMATION UNDER CLAUSE XVI(J) OF THE CODE CORPORATE GOVERNANCE
As at June 30, 2017

Description	Shares Held	%
Director, Chief Executive Officer, and their Spouse,and minor children.		
MR. MUHAMMAD UMAR VIRK	23,619,758	27.28
MRS. SHAHNAZ UMAR	5,725,854	6.61
MRS. SADIYA UMAIR	5,637,933	6.51
FATIMA NADEEM	1,063	0.00
NADEEM ASLAM BUTT	55,705	0.06
MR. SHAUKAT NAZIR MALIK	967	0.00
	35,041,280	**40.47**
Associated Companies, undertakings and related parties. Adamjee Insurance Co.	-	-
Banks, Development Finance Institutions, Non Banking Financial Instuitions.	**324,296**	0.37
Joint Stock Cpmpanies	**3,121,818**	3.61
Modarabas and Mutual Funds	**2,000**	0.00
General Public	**47,582,959**	54.96
Local		-
Foreign	Nil	-
Others	**505,567**	0.58
	86,577,920	**100.00**
Shareholders holding 5% or more		
MR. MUHAMMAD UMAR VIRK	23,619,758	27.28
MRS. UMAIRA OMAR	8,603,922	9.94
MRS. SHAHNAZ UMAR	5,725,854	6.61
MRS. SADIYA UMAIR	5,637,933	6.51

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Pattern of Shareholding
As at June 30, 2017
INCORPORATION No. 0023196

FORM 34

Share Holders	Shareholding From		To	Total Shares Held
152	1	-	100	4,520
253	101	-	500	108,268
390	501	-	1000	339,655
785	1001	-	5000	2,304,965
302	5001	-	10000	2,467,039
134	10001	-	15000	1,734,761
85	15001	-	20000	1,602,381
65	20001	-	25000	1,550,433
48	25001	-	30000	1,374,083
25	30001	-	35000	857,330
16	35001	-	40000	613,142
20	40001	-	45000	862,925
25	45001	-	50000	1,237,275
9	50001	-	55000	477,750
9	55001	-	60000	525,705
8	60001	-	65000	494,159
12	65001	-	70000	822,697
1	70001	-	75000	72,567
2	75001	-	80000	156,500
2	80001	-	85000	166,500
6	85001	-	90000	523,950
3	90001	-	95000	280,000
24	95001	-	100000	2,395,500
3	100001	-	105000	302,490
4	105001	-	110000	436,500
4	110001	-	115000	456,035
2	115001	-	120000	239,000
5	120001	-	125000	623,212
2	125001	-	130000	255,000
6	145001	-	150000	899,500
1	150001	-	155000	151,000
1	160001	-	165000	164,500
2	165001	-	170000	337,775
2	170001	-	175000	350,000
2	180001	-	185000	365,186
7	195001	-	200000	1,399,750
1	205001	-	210000	210,000
1	225001	-	230000	225,500
1	235001	-	240000	238,500
1	245001	-	250000	250,000
1	255001	-	260000	260,000
1	295001	-	300000	300,000
4	305001	-	310000	1,239,337
1	310001	-	315000	311,500
1	320001	-	325000	324,295
2	345001	-	350000	698,500
1	355001	-	360000	358,000
1	395001	-	400000	400,000
1	420001	-	425000	420,480
2	450001	-	455000	906,100
1	465001	-	470000	465,500
1	475001	-	480000	477,500
1	485001	-	490000	486,000
2	495001	-	500000	1,000,000
2	595001	-	600000	1,200,000
1	600001	-	605000	602,250
1	825001	-	830000	829,500
1	995001	-	1000000	1,000,000
1	1095001	-	1100000	1,098,500
1	1105001	-	1110000	1,107,022
1	1865001	-	1870000	1,866,602
1	5635001	-	5640000	5,637,933
1	5725001	-	5730000	5,725,854
1	8600001	-	8605000	8,603,922
1	23380001	-	23385000	23,383,072
2453				**86,577,920**

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STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Regulation No.5.19 of the Listing Regulations of the Pakistan Stock Exchange Limited 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 representation of independent non-executive directors and directors representing minority interests on its Board of directors. At present the Board includes :

Category	Names
Executive Directors	Mr. Muhammad Umar Virk Mr. Nadeem Aslam Butt
Non-Executive Directors	Mrs. Shahnaz Umar Mrs. Fatima Nadeem Mrs. Sadiya Umair Mr. Usman Khalid
Independent Director	Mr. Shaukat Nazir Malik

   The independent director meets the criteria of independence under clause 1 (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to any banking company, a DFI or an NBFI.

4. A casual vacancy occurred on Feb 21, 2017 were filled up by the Board within stipulated time.

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 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 is being 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 in line with Article of association of the Company.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once every quarter. Written notices of the Board meetings, along with agenda, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.

9. During this year two Directors Mr. Nadeem Aslam Butt & Mrs. Fatima Nadeem have acquired the Director's Training Program from ICMAP (Institute of Cost & Management Accountants) and became the certified Director and now four directors have obtained certification under Director Training Program (DTP). One Director have 14 Years education and 22 year experience as Director of Public limited company inclusive 10 years listed company and one Independent Director has 14 years education.

10. The Board approved the appointment of the Internal Auditors of the Company including their remuneration and terms and conditions of employment. The company's CFO and Company Secretary were appointed prior to the listing of the Company and for a new appointment to these positions in future, compliance with CCG will be ensured.

11. The Directors Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The CEO and CFO duly endorsed the financial statements of the Company before approval by the Board.

13. The Directors, CEO, and Executives do not hold any interest in the shares of the company other than that disclosed in the categories of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed / Reconstituted its audit committee which is fully functional. The committee comprises three members, of whom two are non-executive directors and chairman of the committee is an independent non executive director.

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16. The meeting of the audit committee was held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and remuneration committee. It comprises three members of whom two are non-executive directors and the chairman of the committee is an non-executive director.
18. The Board has set-up an effective internal Audit function. 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.
19. The related party transactions and pricing methods have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares in the Company.
21. The statutory auditors and persons associated with them have not been appointed to provide any other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. 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.
23. Material/ price sensitive information has been disseminated among all market participants at once through stock exchange.
24. We confirm that all other material principles contained in the CCG have been complied.

On Behalf of the Board

NADEEM ASLAM BUTT
Chief Executive Officer

Lahore: October 09, 2017

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FINANCIAL STATEMENTS

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Review Report on Statement of Compliance with Best practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Hira Textile Mills Limited** (the Company), for the year ended June 30, 2017 to comply with the requirements of the Code contained in Chapter 5.19 of Rule Book of Pakistan Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirement of the Code. A review is limited primarily to inquiries of the Company's 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 of Directors' statement on internal controls 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of 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, 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 as applicable to the Company for the year ended June 30, 2017.

Chartered Accountants

Engagement Partner:
Rana M. Usman Khan

Dated: October 9, 2017
Lahore

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Auditors' Report to the Members

We have audited the annexed balance sheet of **Hira Textile Mills Limited** (the Company) as at June 30, 2017 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

(b) In our opinion–

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

  (ii) the expenditure incurred during the year was for the purpose of 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.

© In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming parts thereof conform with the 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, 2017 and of the profits, its comprehensive income, cash flows and changes in equity for the year then ended; and

(d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Chartered Accountants

Engagement Partner:
Rana M. Usman Khan

Dated: October 9, 2017
Lahore

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HIRA TEXTILE MILLS LIMITED

BALANCE SHEET

as ate June 30, 2017

	Note	2017 Rupees	2016 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	4	**2,545,357,331**	2,574,458,017
Long term investments	5	**762,452,734**	661,418,777
Long term deposits	6	**32,249,742**	23,260,348
		3,340,059,807	3,259,137,142
Current assets			
Stores, spares and loose tools	7	**115,297,420**	246,369,506
Stock-in-trade	8	**2,017,328,533**	1,556,917,267
Trade debts	9	**78,287,805**	75,832,714
Advances, deposits, prepayments and other receivables	10	**223,710,662**	193,393,488
Advance income tax	11	**100,897,812**	110,516,433
Sales tax refundable		**85,671,176**	45,704,067
Cash and bank balances	12	**6,211,703**	26,734,940
		2,627,405,111	2,255,468,415
TOTAL ASSETS		**5,967,464,918**	5,514,605,557

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

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BALANCE SHEET

as ate June 30, 2017

	Note	2017	2016
		Rupees	Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
87,000,000 (2016: 87,000,000) ordinary shares of Rs. 10 each		**870,000,000**	870,000,000
Issued, subscribed and paid up capital	13	**865,779,200**	865,779,200
Share premium	14	**82,500,000**	82,500,000
Un-appropriated profit		**1,020,350,274**	996,958,197
		1,968,629,474	1,945,237,397
Surplus on revaluation of property, plant and equipment	15	**529,234,822**	550,041,726
Non-current liabilities			
Long term financing	16	**400,384,490**	430,000,000
Liabilities against assets subject to finance lease	17	**25,659,431**	36,124,645
Deferred liabilities	18	**92,110,458**	88,671,217
		518,154,379	554,795,862
Current liabilities			
Trade and other payables	19	**701,857,076**	576,697,976
Accrued mark-up	20	**59,686,751**	57,348,517
Short term borrowings	21	**2,056,268,085**	1,683,933,727
Current portion of long term financing	22	**133,634,330**	146,550,352
		2,951,446,242	2,464,530,572
Contingencies and commitments	23		
TOTAL EQUITY AND LIABILITIES		**5,967,464,918**	5,514,605,557

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

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HIRA TEXTILE MILLS LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended June 30, 2017

	Note	2017 Rupees	2016 Rupees
Sales	24	**3,361,274,854**	3,523,396,385
Cost of sales	25	**(3,106,262,019)**	(3,188,730,767)
Gross profit		**255,012,835**	334,665,618
Distribution cost	26	**(41,174,966)**	(36,676,812)
Administrative expenses	27	**(53,668,513)**	(63,862,291)
Other income	28	**875,872**	5,714,916
		(93,967,607)	(94,824,187)
Operating profit		**161,045,228**	239,841,431
Finance cost	29	**(219,555,927)**	(228,410,314)
Other charges	30	**(207,000)**	(1,525,606)
		(58,717,699)	9,905,511
Share of profit of associate		**102,676,061**	91,564,822
Profit before taxation		**43,958,362**	101,470,333
Provision for taxation	31	**(36,502,613)**	(7,862,310)
Profit for the year		**7,455,749**	93,608,023
Earnings per share - basic and diluted	32	**0.09**	1.08

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

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STATEMENT OF COMPREHENSIVE INCOME

for the year ended June 30, 2017

	2017	2016
	Rupees	Rupees
Profit for the year	**7,455,749**	93,608,023
Items that will not be subsequently reclassified to profit or loss account:		
Remeasurement of defined benefit obligation	**(652,176)**	(175,874)
Related deferred tax	**50,447**	27,176
Share of associate's remeasurement of defined benefit obligation	**(1,642,104)**	(1,044,004)
	(2,243,833)	(1,192,702)
Total comprehensive income for the year	**5,211,915**	92,415,321

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

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HIRA TEXTILE MILLS LIMITED

CASH FLOW STATEMENT

for the year ended June 30, 2017

	Note	2017 Rupees	2016 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**43,958,362**	101,470,333
Adjustments for:			
Finance cost	29	**219,555,927**	228,410,314
Exchange loss	30	**-**	672,721
Gain on disposal of property, plant and equipment	28	**(875,872)**	(5,714,916)
Provision for employees retirement benefits	18.1.2	**16,816,473**	14,024,955
Depreciation	4.1	**134,085,359**	112,964,371
Share of profit of associate		**(102,676,061)**	(91,564,822)
		266,905,826	258,792,623
		310,864,188	360,262,956
Working capital changes			
(Increase)/decrease in current assets			
Stores, spares and loose tools		**131,072,086**	(69,326,868)
Stock in trade		**(460,411,266)**	157,540,549
Trade debts		**(2,455,091)**	49,323,791
Advances, deposits, prepayments and other receivables		**(30,317,174)**	(74,128,019)
Sales tax refundable		**(39,967,109)**	6,338,254
Increase /(decrease) in current liabilities			
Trade and other payables		**125,159,762**	(35,895,357)
		(276,918,792)	33,852,350
Cash generated from operations		**33,945,396**	394,115,306
Employees retirement benefits paid		**(17,783,171)**	(17,958,960)
Finance cost paid		**(217,217,693)**	(227,203,450)
Income tax paid		**(25,706,523)**	(10,585,026)
		(260,707,387)	(255,747,436)
Net cash (used in) / generated from operating activities		**(226,761,991)**	138,367,870
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(99,943,531)**	(90,776,532)
Proceeds from disposal of property, plant and equipment		**1,347,356**	7,700,000
Net cash used in investing activities		**(98,596,175)**	(83,076,532)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing obtained		**27,930,050**	-
Long term financing repaid		**(55,057,291)**	(119,135,944)
Lease liabilities repaid		**(31,382,132)**	(11,410,642)
Short term borrowings - net		**372,334,358**	77,351,061
Long term deposits - net		**(8,989,394)**	3,274,300
Dividend paid		**(662)**	(3,502)
Net cash generated from / (used in) financing activities		**304,834,929**	(49,924,727)
Net (decrease) / increase in cash and cash equivalents		**(20,523,237)**	5,366,611
Cash and cash equivalents at the beginning of the year		**26,734,940**	21,368,329
Cash and cash equivalents at the end of the year	12	**6,211,703**	26,734,940

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

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STATEMENT OF CHANGES IN EQUITY

for the year ended June 30, 2017

	Issued, subscribed and paid-up capital	Share premium	Un-appropriated profit	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2015	787,072,000	82,500,000	983,250,076	1,852,822,076
Profit for the year	-	-	93,608,023	93,608,023
Other comprehensive loss for the year	-	-	(1,192,702)	(1,192,702)
Total comprehensive income for the year	-	-	92,415,321	92,415,321
Transaction with owners:				
Issuance of bonus shares	78,707,200	-	(78,707,200)	
Balance as at June 30, 2016	**865,779,200**	**82,500,000**	**996,958,197**	**1,945,237,397**
Profit for the year	-	-	7,455,749	7,455,749
Other comprehensive loss for the year	-	-	(2,243,833)	(2,243,833)
Total comprehensive income for the year	-	-	5,211,915	5,211,915
Transfer to unappropriated profit on account of:				
Incremental depreciation - net of deferred tax	-	-	18,180,162	18,180,162
Balance as at June 30, 2017	**865,779,200**	**82,500,000**	**1,020,350,274**	**1,968,629,474**

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

1 LEGAL STATUS AND OPERATIONS

1.1 Hira Textile Mills Limited (the Company) was incorporated in Pakistan on January 31, 1991 as a public limited company under the Companies Ordinance, 1984. The Company is listed on Pakistan Stock Exchange Limited. The principal activity of the Company is manufacturing and sale of yarn. The registered office of the Company is situated at 44-E/1, Gulberg III, Lahore. The production facility is located at Manga Raiwind Road, Tehsil and District Kasur in the province of Punjab.

1.2 These financial statements are presented in Pak Rupees, which is Company's functional as well as presentation currency.

2 BASIS OF PREPARATION

2.1 Statement of compliance

Revised Adoption of new and revised laws, standards and interpretations

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

During the year, the Companies Act, 2017 (the new Companies Act) was enacted and promulgated by the SECP on May 30, 2017. However, SECP has notified through Circular No. 23 of Oct 4, 2017 that companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, the Company shall prepare the financial statements for year ending June 30, 2018 in accordance with the provisions of the new Companies Act. The Company is currently in process of determining impact, if any, on future financial statements due to implementation of the Act.

2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year.

The following standards, amendments and interpretations are effective for the year ended June 30, 2017. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception	January 01, 2016
Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	January 01, 2016
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative.	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization.	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	January 01, 2016
Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements	January 01, 2016

Certain annual improvements have also been made to a number of IFRSs

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

2.3 New accounting standards/amendments and IFRS interpretations that are not yet effective.

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses	January 01, 2017
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018. Earlier application is permitted.
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018. Earlier application is permitted.
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases
- IFRS 17 – Insurance Contracts

2.4 Accounting conventions and basis of preparation

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments and certain property and equipment at fair value and recognition of certain employee retirement benefits at present value.

2.5 Critical judgements in applying accounting policies

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an on-going basis. Revisions 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 the revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

a) Useful life and residual values of property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding effect on the depreciation charge and impairment.

b) Employee retirement benefits

The Company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations.

c) Provision for taxation

In making the estimates for income taxes payable by the Company, the management considers the applicable laws and the decisions of the appellate tax authorities on certain issues in the past.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

Operating fixed assets

Property, plant and equipment except freehold land, building on freehold land and plant and machinery are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land, building on freehold land and plant and machinery are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Surplus arising on revaluation of property, plant and equipment is credited to surplus on revaluation of property and equipment account. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to its unappropriated profit.

Depreciation on revalued assets is recognized in profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable surplus on revaluation of the asset remaining in the surplus on revaluation of property and equipment is transferred directly to retained earnings.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives, using the reducing balance method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of operating fixed assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of operating fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Capital work in progress

Capital work in progress and stores held for capital expenditure are stated at cost less any recognized impairment loss. All expenditures 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.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

3.2 Investment in associates

Associates are entities over which the Company has significant influence, but not control. Investment in associate is accounted for using equity method of accounting. Under the equity method, the investment in associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of profit or loss of the associate after the date of acquisition. The Company's share of the profit or loss of the associate is recognized in the Company's profit or loss account. The carrying amount of the investment in associate is reduced by the amount of distributions received from the associate. The carrying amount is also adjusted by the amount of changes in the Company's proportionate interest in the associate arising from changes in associate's equity that is recognized directly in equity of the Company account. The carrying amount of investment is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount and loss, if any, is recognized in profit or loss. When impairment losses subsequently reverse, the carrying amounts of the investment is increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

3.3 Investments

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

The investments made by the Company are classified for the purpose of measurement into the following categories:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term.

Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost and at subsequent reporting dates measured at amortized cost using the effective yield method.

Loans and receivable

Investments are classified as loans and receivables which have fixed or determinable payments and are not quoted in an active market. These investments are measured at amortized cost using the effective interest method, less any impairment losses.

Available for sale

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value, unless fair value can not be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealized gains and losses arising from the changes in the fair value are included in fair value reserves in the period in which they arise.

All purchases and sales of investments are recognized on the trade date which is the date that the Company commits to purchase or sell the investment. Cost of purchase includes transaction cost.

At each balance sheet date, the Company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account. In respect of 'available for sale' financial assets, cumulative impairment loss less any impairment loss on that financial asset previously recognized in profit and loss account, is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

3.4 Stores, spares and loose tools

These are valued at lower of cost or net realizable value. Cost is arrived at by using weighted average basis except for goods in transit, which are stated at actual cost. Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to be incurred in order to make the sale.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

3.5 Stock in trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw materials	Weighted average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related cost incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and an appropriate proportion of manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

3.6 Trade and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end.

3.7 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and bank balances which are subject to an insignificant risk of change in value.

3.8 Employee benefits

Defined benefit plan – gratuity

The Company operates an unfunded gratuity scheme for all employees according to the terms of employment, subject to a minimum qualifying period of service. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for employees at the production facility eligible to gratuity benefits.

The latest actuarial valuation for gratuity scheme was carried out as at June 30, 2016. Projected unit credit method, using the assumptions as mentioned in respective note, is used for valuation of the scheme.

Defined contribution plan -provident fund

The company operates approved provident fund, defined contributions plan for its employees at the head office. Equal monthly contribution are made, both by the employer and employees @8.33% of gross salary.

3.9 Financial instruments

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account currently.

The financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.10 Offsetting of financial assets and liabilities

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

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

3.11 Loans and borrowings

Borrowings are initially recorded at the proceeds received. They are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method. Finance costs are accounted for, on accrual basis and are included in accrued finance cost to the extent of the amount remaining unpaid.

Borrowing cost 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.

3.12 Finance leases

Leases for which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of the leased assets at the commencement of lease, less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance costs are classified as current and long term depending upon the timing of the payment. Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to income over the lease term.

3.13 Operating leases

Leases that do not transfer substantially all risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in profit and loss on a straight line basis over the lease term.

3.14 Ijarah transactions

Ijarah payments are recognized as an expense in the profit and loss on a straight-line basis over the Ijarah terms unless another systematic basis are representative of the time pattern of the user's benefit, even if the payments are not on that basis.

3.15 Trade and other payables

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

3.16 Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Future operating losses are not provided for.

3.17 Revenue

Domestic sales are recognized as revenue upon transfer of significant risks and rewards of ownership, which coincides with dispatch of goods.

Export sales are recognized as revenue upon transfer of significant risks and rewards of ownership, which coincides with date of shipping bill.

Interest income is recognized on a time-apportioned basis using the effective rate of return.

3.18 Related party transactions

Transaction with related parties are carried out on agreed terms.

3.19 Taxation

Current taxation

Provision of current tax is based on the taxable income for the period determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the period for such years.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

Deferred taxation

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available 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 differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

3.20 Earnings per share

The Company presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.21 Foreign currency transactions and translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date.

Foreign exchange gain and losses on retranslation are recognized in the profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

3.22 Impairment

Financial assets

At each balance sheet date, the Company reviews the carrying amounts of the financial assets to assess whether there is any indication that such financial assets have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account. In respect of 'available for sale' financial assets, cumulative impairment loss less any impairment loss on that financial asset previously recognized in profit and loss account, is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

Non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation/amortization and are tested annually for impairment. Assets that are subject to depreciation/amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.23 Dividend distribution

Dividend is recognized as a liability in the period in which it is approved by the shareholders in case of final dividend and by the directors in case of interim dividend.

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4 Property, plant and equipment

	Note	2017 Rupees	2016 Rupees
Operating fixed assets	4.1	**2,541,475,405**	2,572,644,153
Capital work in progress	4.6	**3,881,926**	1,813,864
		2,545,357,331	2,574,458,017

4.1 At June 30, 2017

Particulars	Cost / Revalued amount					Depreciation					Annual depreciation rate %
	As at July 01, 2016	Additions	* Transfer	Disposals	As at June 30, 2017	As at July 01, 2016	Charge for the year	Disposals	As at June 30, 2017	Book value As at June 30, 2017	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Owned											
Freehold land	183,480,000	-	-	-	183,480,000	-	-	-	-	183,480,000	-
Buildings on freehold land	345,611,000	-	-	-	345,611,000	-	17,280,550	-	17,280,550	328,330,450	5
Plant and machinery	1,733,000,000	51,659,736	-	-	1,784,659,736	-	87,602,013	-	87,602,013	1,697,057,723	5
Electric installation	139,658,699	10,110,328	-	-	149,769,027	74,893,162	6,963,590	-	81,856,752	67,912,275	10
Generators	112,192,386	1,992,046	9,030,573	-	123,215,005	20,059,475	9,577,764		29,637,239	93,577,766	10
Power house	142,662,146	23,294,476	-	-	165,956,622	73,253,350	7,933,428	-	81,186,778	84,769,844	10
Factory equipment	2,047,357	53,000	-	-	2,100,357	1,548,809	54,443	-	1,603,252	497,105	10
Office equipment	1,398,090	-	-	-	1,398,090	1,010,348	38,774	-	1,049,122	348,968	10
Telephone installation	1,534,022	42,000	-	-	1,576,022	931,978	60,296	-	992,274	583,748	10
Tarpaulin	382,057	-	-	-	382,057	312,099	6,996	-	319,095	62,962	10
Computers	5,198,040	467,135	-	-	5,665,175	2,627,928	228,789	-	2,856,717	2,808,458	10
Furniture and fixtures	5,579,994	80,049	-	-	5,660,043	3,097,520	264,830	-	3,362,350	2,297,693	10
Vehicles	20,533,922	1,146,125	-	(1,817,500)	19,862,547	13,877,205	1,274,479	(1,346,016)	13,805,668	6,056,879	20
	2,693,277,713	**88,844,895**	**9,030,573**	**(1,817,500)**	**2,789,335,681**	**191,611,874**	**131,285,952**	**(1,346,016)**	**321,551,810**	**2,467,783,871**	
Assets subject to finance lease											
Plant and machinery	79,402,549	-	-	-	79,402,549	9,621,564	2,616,787	-	12,238,351	67,164,198	5
Vehicles	1,865,700	5,512,627	-	-	7,378,327	668,371	182,620	-	850,991	6,527,336	20
	81,268,249	**5,512,627**	**-**	**-**	**86,780,876**	**10,289,935**	**2,799,407**	**-**	**13,089,342**	**73,691,534**	
	2,774,545,962	**94,357,522**	**9,030,573**	**(1,817,500)**	**2,876,116,557**	**201,901,809**	**134,085,359**	**(1,346,016)**	**334,641,152**	**2,541,475,405**	

* *Transfer from capital work in progress*

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4.2 At June 30, 2016

Particulars	Cost / Revalued amount						Depreciation						
	As at July 01, 2015	Additions	* Transfers	Disposals	Revaluation surplus adjustment	As at June 30, 2016	As at July 01, 2015	Charge for the year	Disposals	Revaluation surplus adjustment	As at June 30, 2016	Book value As at June 30, 2016	Annual depreciation rate %
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Owned													
Freehold land	86,006,250	-	-	-	97,473,750	183,480,000	-	-	-	-	-	183,480,000	-
Buildings on freehold land	262,183,427	-	11,323,526	-	191,287,593	345,611,000	111,528,053	7,655,493	-	-	-	345,611,000	5
					(119,183,546)					(119,183,546)			
Plant and machinery	2,332,094,295	56,733,267	-	-	226,119,434	1,733,000,000	803,983,979	77,963,017	-	-	-	1,733,000,000	5
					(881,946,996)					(881,946,996)			
Electric installation	133,267,041	6,391,658	-	-	-	139,658,699	68,029,938	6,863,224	-	-	74,893,162	64,765,537	10
Generator	59,668,756	4,272,009	63,251,621	(15,000,000)	-	112,192,386	13,432,686	6,922,679	(295,890)	-	20,059,475	92,132,911	10
Power house	135,655,412	7,006,734	-	-	-	142,662,146	66,111,767	7,141,583	-	-	73,253,350	69,408,796	10
Factory equipment	2,047,357	-	-	-	-	2,047,357	1,492,651	56,158	-	-	1,548,809	498,548	10
Office equipment	1,376,090	22,000	-	-	-	1,398,090	968,947	41,401	-	-	1,010,348	387,742	10
Telephone installation	1,534,022	-	-	-	-	1,534,022	865,084	66,894	-	-	931,978	602,044	10
Tarpaulin	382,057	-	-	-	-	382,057	304,326	7,773	-	-	312,099	69,958	10
Computers	4,286,660	911,380	-	-	-	5,198,040	2,399,139	228,789	-	-	2,627,928	2,570,112	10
Furniture and fixtures	5,364,024	215,970	-	-	-	5,579,994	2,832,690	264,830	-	-	3,097,520	2,482,474	10
Vehicles	20,311,922	3,482,000	-	(3,260,000)	-	20,533,922	13,558,237	1,593,884	(1,274,916)	-	13,877,205	6,656,717	20
						-							
	3,044,177,313	79,035,018	74,575,147	(18,260,000)	(486,249,765)	2,693,277,713	1,085,507,497	108,805,725	(1,570,806)	(1,001,130,542)	191,611,874	2,501,665,839	
Assets subject to finance lease													
Plant and machinery	79,402,549	-	-	-	-	79,402,549	5,948,880	3,672,684	-	-	9,621,564	69,780,985	5
Vehicles	935,100	930,600	-	-	-	1,865,700	182,409	485,962	-	-	668,371	1,197,329	20
	80,337,649	930,600	-	-	-	81,268,249	6,131,289	4,158,646	-	-	10,289,935	70,978,314	
	3,124,514,962	79,965,618	74,575,147	(18,260,000)	(486,249,765)	2,774,545,962	1,091,638,786	112,964,371	(1,570,806)	(1,001,130,542)	201,901,809	2,572,644,153	

* *Transfer from capital work in progress*

4.3 Disposal of operating fixed assets

Particulars	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain on disposal	Mode of disposal	Particulars of buyer
	Rupees	Rupees	Rupees	Rupees	Rupees		
Vehicles							
Toyota Corolla	1,817,500	1,346,016	471,484	1,347,356	874,532	Insurance cover	Adamjee insurance Co. Limited
2017	**1,817,500**	**1,346,016**	**471,484**	**1,347,356**	**874,532**		
2016	3,260,000	1,274,916	1,985,084	7,700,000	5,714,916		

HIRA TEXTILE MILLS LIMITED

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for the year ended June 30, 2017

4.4 The Company follows the revaluation model for freehold land, building on freehold land and plant and machinery. The fair value measurement was performed by Materials & Design Services (Pvt) Limited as at June 30, 2016, independent valuer not related to the Company. Materials & Design Services (Pvt) Limited is on panel of Pakistan Bankers Association as approved asset valuator. It possesses appropriate qualification and recent experience in the fair value measurements.

The fair value of freehold land was determined by taking into account the local market value. Fair values of building on freehold land and plant and machinery were determined by considering prevailing construction rates at that date and prices of similar plant and machinery respectively.

The revaluation resulted in a surplus of Rs. 97.4 million on freehold land, Rs. 132 million on building on freehold land and Rs. 156 million on plant and machinery. Revaluation surplus amounting to Rs. 436.9 million (2016: Rs. 451.4 million) remains undepreciated as at June 30, 2017.

Details of the Company's assets' fair value hierarchy as at June 30, 2017 are as follows:

	Level 1	*Level 2*	*Level 3*	Total
	Rupees	*Rupees*	*Rupees*	*Rupees*
Freehold land	-	**183,480,000**	-	**183,480,000**
Building on freehold land	-	**328,330,450**	-	**328,330,450**
Plant and machinery	-	**1,697,057,723**	-	**1,697,057,723**

There were no transfers between levels of fair value hierarchy for the year ended June 30, 2017.

4.5 Had there been no revaluation, the book value of the freehold land, building on freehold land and plant and machinery as at June 30, 2017 would have been as follows:

	Cost	Accumulated depreciation	Book value
	Rupees	*Rupees*	*Rupees*
Freehold land	**20,113,708**	-	**20,113,708**
Building on freehold land	**273,506,953**	**126,895,974**	**146,610,979**
Plant and machinery	**2,440,487,298**	**958,243,037**	**1,482,244,261**

Had there been no revaluation, the book value of the freehold land, building on freehold land and plant and machinery as at June 30, 2016 would have been as follows:

	Cost	Accumulated depreciation	Book value
	Rupees	*Rupees*	*Rupees*
Freehold land	20,113,708	-	20,113,708
Building on freehold land	273,506,953	119,183,546	154,323,407
Plant and machinery	2,388,827,562	881,946,996	1,506,880,566

	Note	**2017**	2016
		Rupees	Rupees
4.6 ***Capital work in progress***			
Building - civil work	4.6.1	**3,881,926**	-
Generator	4.6.2	**-**	1,813,864
		3,881,926	1,813,864

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

		2017	2016
		Rupees	Rupees
4.6.1	***Movement in Building - Civil Work***		
	Opening balance	**-**	1,334,395
	Additions	**3,881,926**	9,989,131
	Transfers to operating assets	**-**	(11,323,526)
	Closing balance	**3,881,926**	-
4.6.2	***Movement in Generator***		
	Opening balance	**1,813,864**	49,539,592
	Additions	**7,216,709**	15,525,893
	Transfers to operating assets	**(9,030,573)**	(63,251,621)
	Closing balance	**-**	1,813,864

5 LONG TERM INVESTMENTS

This represents investment in ordinary shares of Hira Terry Mills Limited (the associated company). The investment has been accounted for by using equity method. The associated company was incorporated in Pakistan as public limited company under Companies Ordinance, 1984. The registered office of the associated company is situated at 44-E/1, Gulberg III, Lahore. The production facility is located at Manga Raiwind Road, Tehsil and District Kasur in the province of Punjab. The details of ownership and investment are as under:

		2017	2016
5.1	**Hira Terry Mills Limited**		
	Percentage of ownership interest	**46.90%**	46.90%
		Rupees	**Rupees**
	Cost of investment		
	18,450,000 (2016: 18,450,000) fully paid ordinary shares of Rs. 10 each	**184,500,000**	184,500,000
	Bonus Issue @ 20%	**36,900,920**	-
	Share of post acquisition profits - unrealized	**541,051,814**	476,918,777
		762,452,734	661,418,777

5.1.1 Summarized financial information of the associated company is as follows:

Current assets	**3,618,163,475**	2,742,165,346
Non-current assets	**1,750,167,970**	1,307,830,593
Current liabilities	**3,233,433,235**	2,456,275,116
Non-current liabilities	**508,599,336**	182,846,164
Revenue	**3,390,790,153**	3,181,981,323
Profit for the year	**218,925,503**	195,234,162
Other comprehensive loss	**(3,501,288)**	(2,226,021)
Total comprehensive income	**215,424,215**	193,008,141

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

		2017	2016
		Rupees	Rupees
5.1.2	Other financial information of the associated company is as follows:		
	Cash and cash equivalents	**88,350,308**	13,326,301
	Current financial liabilities	**3,233,433,235**	2,456,275,116
	Non-current financial liabilities	**508,599,336**	182,846,164
	Depreciation and amortization	**72,238,680**	67,037,595
	Interest income	**8,862,744**	4,816,312
	Interest expense	**165,528,361**	134,028,935
	Income tax expense	**13,506,830**	31,613,923

5.1.3 Reconciliation of above summarized financial information to the carrying amount of interest in associated company recognized in these financial statements are as follows:

	Note	2017	2016
		%	**%**
Ownership Interest		**46.90**	46.90
		Rupees	**Rupees**
Net Assets of the associated company		**1,626,298,874**	1,410,874,659
Carrying amount based on net assets		**762,734,172**	661,700,215
Other		**(281,438)**	(281,438)
Carrying amount of Company's interest in associated Company		**762,452,734**	661,418,777

		Note	2017	2016
			Rupees	Rupees
6	**LONG TERM DEPOSITS**			
	Utility companies and regulatory authorities		**19,789,938**	19,651,338
	Financial institutions		**12,459,804**	3,609,010
			32,249,742	23,260,348
7	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		**83,524,679**	221,730,127
	Spares and loose tools		**31,772,741**	24,639,379
			115,297,420	246,369,506
8	**STOCK-IN-TRADE**			
	Raw material		**1,722,800,157**	1,045,266,445
	Packing material		**8,131,424**	7,584,704
	Work-in-process		**28,968,189**	55,584,531
	Finished goods	8.1	**257,428,763**	448,481,587
			2,017,328,533	1,556,917,267

8.1 Stock of finished goods include stock of waste valued at Rs. 5.91 million (2016: Rs. 0.87 million). The entire stock of waste is valued at net realizable value.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

		Note	2017 Rupees	2016 Rupees
9	**TRADE DEBTS**			
	Foreign			
	Secured	9.1	**21,513,084**	33,070,199
	Local			
	Unsecured - considered good		**56,774,721**	42,762,515
			78,287,805	75,832,714
9.1	These are secured against letters of credit.			
10	**ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**			
	Advances to suppliers - unsecured, considered good		**138,772,997**	111,965,437
	Advances to employees - unsecured, considered good		**4,281,823**	4,094,981
	Letters of credit		**58,691,725**	62,731,819
	Margin deposits		**4,543,677**	10,372,833
	Prepayments		**817,861**	886,319
	Excise duty refundable		**1,953,431**	1,953,431
	Rebate receivable		**13,248,480**	-
	Others		**1,400,668**	1,388,668
			223,710,662	193,393,488
11	**ADVANCE INCOME TAX**			
	Advance income tax		**136,222,956**	140,162,122
	Provision for taxation		**(35,325,144)**	(29,645,689)
			100,897,812	110,516,433
12	**CASH AND BANK BALANCES**			
	Cash in hand		**1,593,061**	1,409,332
	Cash at banks:			
	In Current accounts - Local currency		**4,538,782**	25,214,148
	In Saving accounts - Local currency		**79,860**	104,619
	- Foreign currency		**-**	6,841
			4,618,642	25,325,608
			6,211,703	26,734,940
13	**ISSUED, SUBSCRIBED AND PAID UP CAPITAL**			
	Ordinary shares of Rs. 10 each			
	48,000,000 (2016: 48,000,000) shares issued for cash		**480,000,000**	480,000,000
	38,577,920 (2016: 38,577,920) shares issued as fully paid bonus shares		**385,779,200**	385,779,200
			865,779,200	865,779,200

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

		No of shares	Amount (Rs)
13.1	**Fully paid ordinary shares**		
	Balance as at July 1, 2015	**78,707,200**	787,072,000
	Bonus shares issued during the year	**7,870,720**	78,707,200
	Balance as at June 30, 2016	**86,577,920**	865,779,200
	Shares issued during the year	**-**	-
	Balance as at June 30, 2017	**86,577,920**	865,779,200

14 SHARE PREMIUM

These represent share premium of Rs. 2.5 per share on 25,000,000 ordinary shares issued to general public during the previous years and share premium at Rs. 10 per share on 2,000,000 ordinary shares issued through right offer in previous years.

	Note	2017 Rupees	2016 Rupees
15	**SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT**		
	Opening balance	**580,773,319**	65,892,542
	Addition during the year	**-**	514,880,777
	Transferred to un-appropriated profit	**(20,870,351)**	-
		559,902,968	580,773,319
	Related deferred tax liability		
	Opening liability	**30,731,593**	-
	Addition during the year - *restated*	**-**	30,731,593
	Adjustment due to change:		
	-normal tax	**(991,342)**	-
	-Income subject to final tax regime	**2,626,742**	-
	incremental depriciation transferred to profit and loss account	**(1,698,847)**	-
		30,668,146	30,731,593
		529,234,822	550,041,726
16	**LONG TERM FINANCING**		
	Banking companies - secured	16.1 **186,891,490**	265,000,000
	Directors and sponsors - unsecured	16.2 **213,493,000**	165,000,000
		400,384,490	430,000,000

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NOTES TO THE FINANCIAL STATEMENTS

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		Note	2017 Rupees	2016 Rupees
16.1	**Banking companies - secured**			
	Bank Alfalah Limited	16.1.1	**60,000,000**	96,523,510
	MCB Bank Limited - II	16.1.2	**-**	13,142,855
	The Bank of Punjab - III	16.1.3	**-**	12,994,696
	Askari Bank Limited	16.1.4	**25,915,000**	-
	NIB Bank Limited	16.1.5	**218,507,412**	273,485,000
			304,422,412	396,146,061
	Less: Current portion presented under current liabilities		**(117,530,922)**	(131,146,061)
			186,891,490	265,000,000

16.1.1 The finance has been obtained to finance purchase of machinery and is secured by first pari passu charge upto Rs. 300 million over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at three months KIBOR plus 3% per annum (2016: three months KIBOR plus 3% per annum), payable quarterly. The finance is repayable in twenty two equal quarterly installments with the first installment due in May 2013.

16.1.2 The finance has been obtained to finance machinery for BMR purposes and is secured by first pari passu charge or Rs. 176 million over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at the rate of six months KIBOR plus 2.5% per annum (2016: six months KIBOR plus 2.5% per annum), payable quarterly. The finance is repayable in seven equal semi-annual installments with the first installment due in November, 2013.

16.1.3 The finance has been obtained to import and install generators for capital expenditure and is secured by first parri passu charge over present and future operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at the rate of 3 months KIBOR plus 3% (2016: three months KIBOR plus 3% per annum), payable quarterly. The finance is repayable in eight equal quarterly installments with the first installment due in April 2015.

16.1.4 The finance has been obtained to finance/retire import documents pertaining to textile machinery for upgradation and is secured by first pari passu charge upto Rs. 34.667 million over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at SBP Rate plus 2.5% per annum, payable quarterly. The finance is repayable in twelve equal quarterly installments with the first installment due in February 2019.

16.1.5 The finance has been obtained for restructuring of short term borrowing and is secured by first pari passu charge over operating fixed assets of the Company amounting to Rs. 400 million and personal guarantees of the Company's Directors and subordination of Directors' loan amounting to Rs. 170 million. The finance carries mark-up at three months KIBOR plus 2.50% per annum (2016: three months KIBOR plus 2.5% per annum), payable quarterly. The finance is repayable in twenty equal quarterly installments with the first installment due in June 2015.

16.2 Directors and sponsors - unsecured

These represent finances obtained from directors and sponsors of the Company and is unsecured. The finance carries markup at six months KIBOR plus 1.75% per annum (2016: six months KIBOR plus 1.75% per annum). The lenders on their sole discretion may waive full or partial payment of markup on these finances.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

		2017	2016
		Rupees	Rupees
17	**LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**		
	Present value of minimum lease payments	**41,762,839**	51,528,936
	Current portion presented under current liabilities	**(16,103,408)**	(15,404,291)
		25,659,431	36,124,645

17.1 These represent vehicles and machinery acquired under finance lease arrangements. The leases are priced at three months KIBOR plus 2% per annum for machinery and six months KIBOR plus 1.5% and 2.5% per annum for vehicles (2016: three months KIBOR plus 2% per annum). Lease rentals are payable monthly/quarterly over a tenor ranging from four to five years. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The Company also has the option to acquire these assets at the end of their respective lease terms by adjusting the deposit amount against the residual value of the asset and intends to exercise the option.

17.2 The amount of future payments under the finance lease arrangements and the period in which these payments will become due are as follows:

	Note	2017	2016
		Rupees	Rupees
Not later than one year		**18,600,948**	19,029,272
Later than one year but not later than five years		**27,740,644**	40,284,783
Total future minimum lease payments		**46,341,592**	59,314,055
Finance charge allocated to future periods		**(4,578,753)**	(7,785,119)
Present value of future minimum lease payments		**41,762,839**	51,528,936
Not later than one year		**(16,103,408)**	(15,404,291)
Later than one year but not later than five years		**25,659,431**	36,124,645

18 DEFERRED LIABILITIES

These include the following:

Employees retirement benefits	18.1	**14,249,582**	14,564,105
Deferred taxation - *restated*	18.2	**77,860,876**	74,107,112
		92,110,458	88,671,217

18.1 Employees retirement benefits

The defined benefits obligation based on actuarial valuation carried out by independent actuary as at June 30, 2017 under Projected Unit Credit Method is as follows:

	2017	2016
	Rupees	Rupees
18.1.1 Liability recognized in the balance sheet		
Present value of defined benefit obligation	**14,249,582**	14,564,105
18.1.2 Amounts recognized in profit and loss account		
Current service cost	**16,405,215**	13,114,036
Interest cost	**411,258**	910,919
	16,816,473	14,024,955

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

		2017	2016
		Rupees	Rupees
18.1.3 Changes in present value of defined benefit obligation			
As at beginning of the year		**14,564,105**	18,322,236
Charged to profit or loss		**16,816,473**	14,024,955
Benefits paid during the year		**(17,783,172)**	(17,958,960)
Actuarial loss arising during the year		**652,176**	175,874
		14,249,582	14,564,105

		2017	2016
			Restated
18.1.4 Principal actuarial assumptions			
Discount rate (per annum)	**%age**	**7.75%**	7.25%
Expected return on plan assets (per annum)	**%age**	**6.75%**	6.25%
Average expected remaining working life time of employees		**12 Years**	9 Years

18.1.5 Sensitivity Analysis

	Change in actuarial assumption	**Defined benefit obligation (increase) / decrease**
		Rupees
Discount rate (per annum)	1%	12,288,502
	-1%	(16,619,985)
Salary growth rate	1%	(16,619,985)
	-1%	12,254,834

Average duration of defined benefit obligation is 11 Years

The defined benefit plan exposes the Company to the following actuarial risks:

Salary risk

The risk that the final salary at the time of cessation of service is higher than what was assumed.

Mortality / withdrawal risk

The risk that the actual mortality / withdrawal experience is different.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

		Note	2017 Rupees	2016 Rupees
18.2	**Deferred taxation**			
	This comprises the following:			
	Deferred tax liability on taxable temporary differences arising in respect of:			
	Tax depreciation allowance		**98,137,465**	93,016,737
	Surplus on revaluation of property, plant and equipment		**30,668,146**	30,731,593
			128,805,611	123,748,330
	Deferred tax asset on deductible temporary difference arising in respect of:			
	Provision for employee benefits		**1,081,723**	1,198,674
	Liabilities against assets subject to finance lease		**3,230,406**	3,634,078
	Un-used tax losses		**46,632,606**	44,808,466
			(50,944,735)	(49,641,218)
			77,860,876	74,107,112
19	**TRADE AND OTHER PAYABLES**			
	Trade creditors - unsecured		**353,339,012**	217,815,660
	Accrued liabilities		**44,107,362**	48,203,107
	Advances from customers - unsecured		**17,355,637**	55,716,482
	Due to associated company	19.1	**281,436,554**	249,343,554
	Workers' Profit Participation Fund	19.2	**781,124**	781,124
	Workers' Welfare Fund	19.3	**1,958,211**	1,958,211
	Unclaimed dividend		**2,879,176**	2,879,838
			701,857,076	576,697,976

19.1 This carries mark-up ranging from 9.51% to 9.72% (2016: 10.41% to 11.01%) per annum. The maximum aggregate amount due at the end of any month during the year was Rs. 281.4 million (2016: Rs. 249.3 million).

		Note	2017 Rupees	2016 Rupees
19.2	**Workers' Profit Participation Fund**			
	As at beginning of the year		**781,124**	4,018,372
	Interest on funds utilized by the Company	19.3.1	**-**	147,732
	Charged to profit and loss for the year		**-**	531,982
	Paid during the year		**-**	(3,916,962)
	As at end of the year		**781,124**	781,124

19.2.1 Interest is charged at Nil (2016: 11%) per annum.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

		Note	2017 Rupees	2016 Rupees
19.3	**Workers' Welfare Fund**			
	As at beginning of the year		**1,958,211**	1,756,058
	Charged to profit and loss for the year		**-**	202,153
	Paid during the year		**-**	-
	As at end of the year		**1,958,211**	1,958,211
20	**ACCRUED MARK-UP**			
	Mark-up accrued on:			
	Long term financing		**19,825,550**	15,253,245
	Liabilities against assets subject to finance lease		**723,209**	3,248,051
	Short term borrowings		**39,137,992**	38,847,221
			59,686,751	57,348,517
21	**SHORT TERM BORROWINGS**			
	From banking companies-secured			
	Running finance	21.1	**63,582,433**	59,983,875
	Cash finance	21.2	**725,103,641**	490,288,595
	Finance against packing credit	21.3	**773,656,170**	784,614,237
	Finance against imported merchandise	21.4	**231,261,391**	100,732,000
	From Directors-unsecured	21.6	**262,664,450**	248,315,020
			2,056,268,085	1,683,933,727

21.1 These facilities have been obtained from various banks for working capital requirements, and are secured by Pari Passu charge on present and future current assets of the Company.

The facilities carry mark-up ranging from 8.24% to 8.53% (2016: 8.24% to 9.29%) per annum.

21.2 These facilities have been obtained from various banks for working capital requirements, and are secured by pledge of raw material.

The facilities carry mark-up ranging from 7.54% to 9.28% (2016: 7.85% to 10.01%) per annum.

21.3 These facilities have been obtained from various banks for working capital requirements, and are secured by The facilities carry mark-up ranging from 7.54% to 8.56% (2016: 8.25% to 9.55%) per annum.

21.4 These facilities have been obtained from various banks for working capital requirements, and are secured by pledge of imported raw material.

The facilities carry mark-up ranging from 8.06% to 8.78% (2016: 8.51% to 9.04%) per annum.

21.5 The aggregate unavailed short term borrowing facilities amount to Rs. 746.337 million (2016: Rs. 1,118.672 million).

21.6 This represents loan obtained from director for working capital requirements. The facility carries mark-up ranging from 8.20% to 8.28% (2016: 8.25% to 8.50%) and will mature in April 2018.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

		2017	2016
		Rupees	Rupees
22	**CURRENT PORTION OF LONG TERM FINANCING**		
	Long term finances	**117,530,922**	131,146,061
	Liabilities against assets subject to finance lease	**16,103,408**	15,404,291
		133,634,330	146,550,352

23 CONTINGENCIES AND COMMITMENTS

Contingencies

23.1 The Company received a demand order in respect of detection bill amounting to Rs. 6.7 million. The Company has filed an appeal before Honorable Lahore High Court against the said detection bill. Interim relief has been granted by the Court in this regard.

23.2 For the tax year 2010, Assistant Commissioner Inland Revenue (ACIR) created a tax demand amounting to Rs. 186.6 million. The Company filed an appeal before Commissioner Inland Revenue-Appeals (CIR-A) who partially remanded back the case but upheld the reduction in refund amounting to Rs. 0.6 million. The Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication.

23.3 For the tax year 2011, Deputy Commissioner Inland Revenue (DCIR) created a tax demand amounting to Rs. 28.7 million. The Company filed an appeal before CIR-A which is pending adjudication.

No provision on account of above contingencies has been made in these financial statements as the management and the tax / legal advisors of the Company are of the view, that these matters will eventually be settled in favour of the Company.

23.4 Gas Infrastructure Development Cess ("GIDC") has been levied with effect from December 15, 2011 on industrial gas customers firstly through OGRA notification and subsequently via GID Cess Ordinance 2014 and GID Cess Act 2015. The Company, along with other industrial concerns, has filed a writ petition in the Honorable High Court of Sindh challenging the imposition of GIDC. On October 26, 2016, the Honorable High Court of Sindh held that enactment of GIDC Act 2015 is ultra-vires to the constitution of Pakistan. The Company has not accrued expense relating to GIDC aggregating to Rs. 50.74 million.

	2017	2016
	Rupees	Rupees
Guarantees issued by banks on behalf of the Company	**29,542,428**	27,979,420
Post dated cheques in favor of Commissioner Inland Revenue and Collector of Customs	**56,278,000**	65,838,562
	85,820,428	93,817,982

Commitments

23.5 Commitments under irrevocable letter of credit for:

Purchase of stores, spares and loose tools	**107,531,846**	4,726,131
Purchase of raw material	**51,429,131**	162,502,443
Purchase of machinery	**-**	25,273,680
	158,960,977	192,502,254

23.6 The Company has rented office premises under operating lease arrangement with directors. Commitment for payments in future periods under the lease are as follows:

		2017	2016
		Rupees	Rupees
23.7	Not later than one year	**2,700,000**	2,100,000
	Later than one year but not later than five years	**-**	-
		2,700,000	2,100,000

23.8 The total of future minimum Ijarah payments under non cancelable Ijarah (Lease) is as follows:

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

	2017	2016
	Rupees	Rupees
Not later than one year	**1,375,535**	3,678,120
Later than one year but not later than five years	**256,700**	1,158,279
	1,632,235	4,836,399

24 SALES

	Note	2017		
		Finished Goods	**Waste**	**Total**
		Rupees	**Rupees**	**Rupees**
Local		**588,953,908**	**152,811,770**	**741,765,678**
Export	24.1	**2,617,009,130**	**-**	**2,617,009,130**
Gross sales		**3,205,963,038**	**152,811,770**	**3,358,774,808**
Sales return		**(9,889,061)**	**-**	**(9,889,061)**
Sales tax		**-**	**(871,373)**	**(871,373)**
Rebate Income		**13,260,480**	**-**	**13,260,480**
		3,209,334,457	**151,940,397**	**3,361,274,854**

	Note	2016		
		Finished Goods	Waste	Total
		Rupees	Rupees	Rupees
Local		785,465,749	103,464,366	888,930,115
Export	24.1	2,733,709,693	-	2,733,709,693
Gross sales		3,519,175,442	103,464,366	3,622,639,808
Sales return		(50,384,549)	-	(50,384,549)
Sales tax		(45,641,298)	(3,217,576)	(48,858,874)
		3,423,149,595	100,246,790	3,523,396,385

24.1 Yarn export sales include indirect exports amounting to Rs. 1,507.5 million (2016: Rs. 1,889.5 million)

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

		Note	2017 Rupees	2016 Rupees
25	**COST OF SALES**			
	Raw material consumed	25.1	**1,773,519,933**	2,239,771,632
	Packing material consumed		**76,074,609**	64,674,303
	Stores, spares and loose tools consumed		**39,595,551**	42,705,703
	Salaries, wages and benefits	25.2	**335,869,489**	285,440,835
	Insurance		**20,803,404**	13,621,853
	Power and fuel		**447,798,166**	353,673,827
	Dyes and chemicals		**27,096,403**	28,912,073
	Depreciation		**131,403,654**	110,705,084
	Others		**36,431,644**	15,023,068
			2,888,592,853	3,154,528,378
	Work-in-process			
	At beginning of year		**55,584,531**	51,749,875
	At end of year		**(28,968,189)**	(55,584,531)
			26,616,342	(3,834,656)
	Cost of goods manufactured		**2,915,209,195**	3,150,693,722
	Finished goods			
	At beginning of year		**448,481,587**	444,313,193
	Yarn purchased		**-**	42,205,439
	At end of year		**(257,428,763)**	(448,481,587)
			191,052,824	38,037,045
	Cost of goods sold		**3,106,262,019**	3,188,730,767
25.1	**Raw material consumed**			
	At beginning of the year		**1,045,266,445**	1,210,595,501
	Add: Purchases - net		**2,469,890,241**	2,082,947,793
	Sold during the year		**(18,836,595)**	(8,505,217)
	Less: At end of the year		**(1,722,800,157)**	(1,045,266,445)
			1,773,519,933	2,239,771,632

25.2 Salaries, wages and other benefits include Rs. 16.8 million (2016: Rs. 14.1 million) in respect of employee retirement benefits.

		2017 Rupees	2016 Rupees
26	**DISTRIBUTION COST**		
	Export		
	Ocean freight and forwarding	**25,994,044**	16,521,004
	Commission	**11,598,855**	14,564,093
	Others	**93,180**	1,265,440
		37,686,079	32,350,537
	Local		
	Commission	**3,488,887**	4,326,275
		41,174,966	36,676,812

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

		Note	2017 Rupees	2016 Rupees
27	**ADMINISTRATIVE EXPENSES**			
	Salaries and benefits	27.1	**24,551,569**	28,166,091
	Rent, rates and taxes	27.2	**5,041,212**	4,804,753
	Ijarah payments		**2,602,258**	13,404,095
	Printing and stationery		**1,095,653**	995,749
	Communication		**1,317,570**	876,287
	Electricity, water and gas		**1,350,435**	1,776,043
	Repair and maintenance		**229,021**	268,312
	Vehicles running and maintenance		**1,441,808**	1,727,062
	Traveling and conveyance		**2,404,842**	2,147,886
	Legal and professional charges		**4,546,223**	2,666,417
	Auditors' remuneration	27.3	**1,371,250**	1,225,000
	Fee and subscription		**1,745,478**	2,086,101
	Entertainment		**139,907**	259,499
	Insurance		**897,490**	277,997
	Depreciation		**2,681,705**	2,259,287
	Others		**2,252,092**	921,712
			53,668,513	63,862,291

27.1 These include charge in respect of provident fund amounting to Rs. 2.4 million (2016: 2.6 million).

27.2 These include charge in respect of office rent paid to directors amounting to Rs.4.8 million (2016: Rs.4.2 million).

		2017 Rupees	2016 Rupees
27.3	**Auditor's remuneration**		
	Annual statutory audit	**660,000**	600,000
	Half yearly review	**243,750**	200,000
	Review report under Code of Corporate Governance	**192,500**	175,000
	Out of pocket expenses	**275,000**	250,000
		1,371,250	1,225,000
28	**OTHER INCOME**		
	Income from non-financial assets		
	Gain on disposal of property, plant and equipment	**875,872**	5,714,916
		875,872	5,714,916

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

		Note	2017 Rupees	2016 Rupees
29	**FINANCE COST**			
	Mark-up on borrowings:			
	Long term financing	29.1	**29,568,160**	41,263,094
	Liabilities against assets subject to finance lease		**3,556,594**	4,910,743
	Short term borrowings		**166,795,647**	166,402,851
	Balances with related parties		**8,862,744**	4,816,312
			208,783,145	217,393,000
	Interest on Workers' Profit Participation Fund		**-**	147,732
	Bank charges and commission		**10,772,782**	10,869,582
			219,555,927	228,410,314

29.1 During the year, mark-up of Rs. 11.5 million (2016: Rs. 14.0 million) on long term financing from directors and sponsors has been waived by the lenders on their discretion.

		Note	2017 Rupees	2016 Rupees
30	**OTHER CHARGES**			
	Loss on financial instruments			
	Foreign exchange loss		**-**	672,721
	Others			
	Workers' Profit Participation Fund		**-**	531,982
	Workers' Welfare Fund		**-**	202,153
	Donations	30.1	**207,000**	118,750
			207,000	1,525,606

30.1 None of the directors or their spouses had any interest in donations made by the Company.

		2017 Rupees	2016 Rupees
31	**PROVISION FOR TAXATION**		
	Current		
	-for the year	**35,325,144**	29,645,689
	-for prior year	**-**	513,790
		35,325,144	30,159,479
	Deferred	**1,177,469**	(22,297,169)
		36,502,613	7,862,310

During the year Company incur tax losses, consequently, according to section 113 of Income Tax Ordinance, 2001 has paid only minimum tax on its local sales other then items falling under FTR.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

		2017	2016
		Rupees	Rupees
32	**EARNINGS PER SHARE - BASIC AND DILUTED**		
	There is no dilutive effect on the basic earning per share which is based on:		
	Profit / (loss) attributable to ordinary shareholders **(Rupees)**	**7,455,749**	93,608,023
	Weighted average number of ordinary shares outstanding during the year (**Numbers)**	**86,577,920**	86,577,920
	Earnings per share - (Rupees)	**0.09**	1.08

33 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly where payables exist due to transactions with foreign suppliers.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to bank balances and receivables from foreign entities. The Company's exposure to currency risk was as follows:

	2017	2016
	USD	USD
Cash at banks	**-**	65
Trade debts	**202,381**	314,206
Net exposure	**202,381**	314,271

The following significant exchange rates were applied during the year:

Rupees per USD		
Average rate	**105.78**	104.18
Reporting date rate	**106.30**	105.25

If the functional currency, at reporting date, had fluctuated by 5% against the USD with all other variables held constant, the impact on profit for the year would have been Rs 1.075 million (2016: Rs 1.689 million), respectively higher / lower, mainly as a result of exchange gain / loss on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Interest rate risk

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

At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

	2017	2016
	Rupees	Rupees
Fixed rate instruments		
Financial assets		
Cash at bank - in saving account		
Local currency	**79,860**	104,619
Foreign currency	**-**	6,841
Floating rate instruments		
Financial liabilities		
Long term financing	**534,018,820**	576,550,352
Short term borrowing	**2,056,268,085**	1,683,933,727
Due to associated company	**281,436,554**	249,343,554

Fair value sensitivity analysis for fixed rate instruments

If the markup rate on financial liabilities at reporting date, had fluctuated by 100 basis points with all other variables held constant, the impact on profit for the year would have been Rs. 0.25 million (2016: Rs. Nil), respectively higher / lower.

Cash flow sensitivity analysis for variable rate instruments

If the markup rate on financial liabilities at reporting date, had fluctuated by 100 basis points with all other variables held constant, the impact on profit for the year would have been Rs. 23.20 million (2016: Rs. 22.45 million), respectively higher / lower.

(iii) 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 equity price risk since there are no investments in equity securities. The Company is also not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from deposits with banks and other receivables. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2017	2016
	Rupees	Rupees
Long term deposits	**32,249,742**	23,260,348
Trade debts	**78,287,805**	75,832,714
Advances, deposits and other receivables	**209,644,321**	192,507,169
Bank balances	**4,618,642**	25,325,608
	324,800,510	316,925,839

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

	Rating		Rating agency	2017	2016
	Short term	Long term		Rupees	Rupees
Soneri Bank Limited	A1+	AA-	PACRA	**91,677**	91,677
Bank Alfalah Limited	A1+	AA+	PACRA	**157,652**	581,534
Bank Al Habib Limited	A1+	AA+	PACRA	**132,266**	183,585
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**120,993**	243,260
The Bank of Punjab	A1+	AA	PACRA	**652,949**	741,181
MCB Bank Limited	A1+	AAA	PACRA	**1,923,636**	22,547,184
United Bank Limited	A-1+	AAA	JCR-VIS	**210,877**	77,146
National Bank of Pakistan	A1+	AAA	PACRA	**33,185**	379,324
Habib Bank Limited	A-1+	AAA	JCR-VIS	**134,649**	206,257
NIB Bank Limited	A1+	AA-	PACRA	**6,556**	145,433
Samba Bank Limited	A-1	AA	JCR-VIS	**1,000,000**	-
Askari Bank Limited	A1+	AA+	PACRA	**71,386**	39,501
Meezan Bank Limited	A-1+	AA	JCR-VIS	**62,025**	-
JS Bank Limited	A1+	AA-	PACRA	**20,791**	89,526
				4,618,642	25,325,608

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

(c) Liquidity risk

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

The following are the contractual maturities of financial liabilities as at June 30, 2017:

	Carrying amount	*Less than one year*	*One to five years*	*More than five years*
	Rupees	*Rupees*	*Rupees*	*Rupees*
Long term finances	**517,915,412**	**117,530,922**	**400,384,490**	**-**
Liabilities against assets subject to finance lease	**41,762,839**	**16,103,408**	**25,659,431**	**-**
Short term borrowings	**2,056,268,085**	**2,056,268,085**	**-**	**-**
Accrued mark-up	**59,686,751**	**59,686,751**	**-**	**-**
Trade and other payables	**701,857,076**	**701,857,076**	**-**	**-**
	3,377,490,163	**2,951,446,242**	**426,043,921**	**-**

The following are the contractual maturities of financial liabilities as at June 30, 2016:

	Carrying amount	*Less than one year*	*One to five years*	*More than five years*
	Rupees	*Rupees*	*Rupees*	*Rupees*
Long term finances	561,146,061	131,146,061	430,000,000	-
Liabilities against assets subject to finance lease	51,528,936	15,404,291	36,124,645	-
Short term borrowings	1,683,933,727	1,683,933,727	-	-
Accrued mark-up	57,348,517	57,348,517	-	-
Trade and other payables	576,697,976	576,697,976	-	-
	2,930,655,217	2,464,530,572	466,124,645	-

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

33.1 *Fair values of financial assets and liabilities*

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements are categorized into Level 1, 2 and 3 based on the degree to which the inputs to the fair value measurements are observable and significance of the inputs to the fair value measurement in its entirety, which is as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The company don't have any financial instrument which require classification in the above levels except disclosed in the relevent notes.

	2017	2016
	Rupees	Rupees
33.2 *Financial instruments by categories*		
Financial assets as per balance sheet - Loans and receivables		
Long term deposits	**32,249,742**	23,260,348
Advances, deposits and other receivables	**209,644,321**	192,507,169
Cash and bank balances	**6,211,703**	26,734,940
	248,105,766	242,502,457
Financial liabilities as per balance sheet - At amortized cost		
Long term financing	**559,678,251**	612,674,997
Short term borrowings	**2,056,268,085**	1,683,933,727
Trade and other payables	**701,857,076**	576,697,976
Accrued finance cost	**59,686,751**	57,348,517
	3,377,490,163	2,930,655,217

33.3 *Capital risk management*

The Company's objectives when managing capital are to safeguard Company's ability to continue as a going concern in order to provide maximum return to shareholders and benefits for other stakeholders. Consistent with others in the industry, the Company monitors the capital structure on the basis of debt to equity ratio.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, issue new ordinary shares, or obtain / repay loans.

34 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise, associated undertakings, sponsors, directors and their family members, key management personnel and post employment benefit plan (provident fund trust). Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company.

Transactions with key management personnel are limited to payment of short term and post employment benefits. Transactions with sponsors are limited to provision for loans to the Company. The Company in the normal course of business carries out various transactions with other related parties and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an arm's length transaction.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

Details of transactions and balances with related parties are as follows:

			2017	2016
			Rupees	Rupees
34.1	**Transactions with related parties**			
	Nature of relationship	**Nature of transactions**		
	Associated company			
		Sales of yarn, cotton, dyes and chemicals	**1,069,123,450**	1,093,039,783
		Purchases of towels, cotton, waste, stores and spares	**15,715,336**	15,210,286
		Expenses charged	**21,868,486**	21,669,110
		Interest charged on balance due	**8,862,744**	4,816,312
	Sponsors			
		Interest on borrowings paid	**-**	1,927,431
		Interest on borrowings charged	**13,772,852**	14,038,381
		Interest on borrowings waived	**13,772,852**	14,038,381
		Office rent	**4,800,000**	4,200,000
	Adamjee Insurance Company Limited	Insurance premium paid	**21,497,591**	13,750,934
	Provident fund trust	Contribution for the year	**2,711,694**	2,578,708
34.2	**Balances with related parties**	**Nature of account balance**		
	Associated company	Advance obtained	**281,137,416**	249,343,554
	Sponsors	Borrowings	**213,493,000**	165,000,000
	Key management personnel	Short term employee benefits payable	**483,500**	433,107
	Provident fund trust	Payable to provident fund	**470,504**	689,003

35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2017		
	Chief Executive	**Directors**	**Executives**
	Rupees	**Rupees**	**Rupees**
Managerial remuneration	**2,580,000**	**1,599,996**	**3,741,575**
House rent	**1,290,000**	**639,996**	**1,870,788**
Motor vehicle expenses	**55,931**	**-**	**749,160**
Utilities	**210,000**	**159,996**	**-**
Post employment benefits	**-**	**-**	**311,797**
Others	**-**	**-**	**83,705**
	4,135,931	**2,399,988**	**6,757,025**
Number of persons	**1**	**1**	**3**

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

	2016		
	Chief Executive	Directors	Executives
	Rupees	Rupees	Rupees
Managerial remuneration	2,580,000	1,599,996	5,385,904
House rent	1,290,000	639,996	2,692,956
Motor vehicle expenses	244,487	51,109	429,825
Utilities	210,000	159,996	-
Post employment benefits	-	-	448,820
Others	2,500	13,490	55,131
	4,326,987	2,464,587	9,012,636
Number of persons	1	1	4

36. RECLASSIFICATION

Following corresponding figures have been reclassified where necessary to reflect more appropriate presentation of events and transactions:

From	To	Reason	Rupees
Deferred taxation	Surplus on revaluation of property, plant and equipment	For better presentation	98,664,586

37 EMPLOYEES PROVIDENT FUND TRUST

The information related to Company's audited Employees Provident Fund Trust (the fund) as on June 30, 2017 is as follows:

		2017	2016 Restated
Size of the fund -fund assets	Rupees	**32,920,636**	32,347,670
Cost/fair value of investments	Rupees	**30,301,683**	30,606,183
Percentage of investments made	%age	**92.04%**	94.62%

Break up of investments made by the fund are as follows :

	2017		2016	2016
	Rupees	%age	Rupees Restated	%age
Government securities	**6,500,000**	**19.74**	8,050,000	24.89
Mutual funds	**23,801,683**	**72.30**	22,556,183	69.73
	30,301,683	**92.04**	30,606,183	94.62

The Company has complied with all the requirements set out by the provisions of section 218 of the Companies Act, 2017 for investments out of provident fund.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2017

38 PLANT CAPACITY AND ACTUAL PRODUCTION

38.1 Spinning

		2017	2016
Production capacity			
Number of spindles installed	No.	**41,424**	41,424
Installed capacity after conversion into 20's count	Kgs	**15,826,920**	15,826,920
Actual production			
Actual production after conversion into 20's count	Kgs	**12,103,703**	12,827,833

38.2 Doubling

Production capacity			
Number of spindles installed	No.	**1,094**	1,094
Installed capacity after conversion into 20's count	Bags	**51,560**	51,650
Actual production			
Actual production after conversion into 20's count	Bags	**34,774**	38,566

38.3 Dyeing

Production capacity			
Installed machines	No.	**4**	4
Dyeing capacity	Kgs	**1,800,000**	1,800,000
Actual production			
Actual dyeing production	Kgs	**1,579,448**	1,575,195

It is difficult to describe precisely the production capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, twist per inch and raw materials used, etc. It also varies according to the pattern of production adopted. Difference of actual production with installed capacity is in normal course of business.

39 NUMBER OF EMPLOYEES

The total and average number of employees during year ended June 30, 2017 and 2016 are as follows:

	2017	2016
	Number of Employees	
Average number of employees	**1,385**	937
Total number of employees	**1,287**	1,482

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of the Company and authorized for issue on October 09, 2017.

41 GENERAL

Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE

DIRECTOR

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NOTES

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Jama Punji

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PROXY FORM

The Company Secretary
Hira Textile Mills Limited
44 E/1 Gulberg III
Lahore.

I / We _____ of _____being a member(s) of Hira Textile Mills Limited, and a holder of _____ Ordinary Shares as per Share Register Folio No. _____ (in case of Central Depository System Account Holder A/C No._____ Participant I.D No._____) hereby appoint _____ of _____ another member of the Company as per Share Register Folio No. _____ or (Failing him / her_____ of _____ another member of the Company) as my / our proxy to attend and vote for me / us and on my / our behalf at Annual General Meeting of the Company, to be held on October 31, 2017 (Tuesday) at 11.00 AM at the Registered Office of the Company (44 E/1 Gulberg III, Lahore) and at any adjournment thereof.

As witness my hand this _____ day of _____ 2017 signed by the said _____ in presence of _____

Witness

Signature

Signature

Affix
Revenue
Stamp

Notes:

a. Proxies, in order to be effective, must be received at the Company's Registered Office / head Office not less than 48 hours before the meeting duly stamped, signed and witnessed.

b. Signature must agree with the specimen signature registered with the Company.

c. In case of Central Depository System Account Holder, an attested copy of identity Card should be attached to this proxy form.

d. No person shall act as proxy unless he is member of the company.

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