

HIRA TEXTILE MILLS

L I M I T E D



HIRA TEXTILE MILLS LIMITED

Annual Report | 2016

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COMPANY INFORMATION

CHAIRMAN

Mr. Muhammad Umar Virk

CHIEF EXECUTIVE

Mr. Nadeem Aslam Butt

BOARD OF DIRECTORS

Mr. Muhammad Umar Virk

Mr. Nadeem Aslam Butt

Mr. Umair Umar

Mrs. Shahnaz Umar

Mrs. Fatima Nadeem

Mrs. Sadiya Umair

Mr. Shaukat Nazir Malik (*Independent Director*)

AUDIT COMMITTEE

Mr. Shaukat Nazir Malik

Chairperson

Mr. Umair Umar

Member

Mrs. Shahnaz Umar

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.

INTERNAL AUDITORS

Rahman Sarfaraz Rahim Iqbal Rafiq (Chartered Accountants)

Member of Russel BadfornInternational.

72-A , Faisal Town, 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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 25th annual general meeting of the members of Hira Textile Mills Limited will be held on Monday, October 31, 2016 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, 2016 together with the Directors and auditor's reports thereon.
3. To appoint auditors and fix their remuneration. The retiring auditors M/S Deloitte Yousaf Adil Chartered Accountants, being eligible offer themselves for reappointment.
4. SPECIAL BUSINESS:

To consider and, if thought fit, Pass the following Special Resolution in terms of Section 208 of The Companies Ordinance 1984, with or without amendments.

"RESOLVED THAT the Company be and is hereby authorized to make temporary loans/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.

"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 160(1) (b) annexed herewith

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

(By the order of the Board)



Saeed Ahmad Khan
Company Secretary

Lahore: October 08, 2016

Notes

- 1- The statement under section 160(1) (b) of the Companies Ordinance, 1984, read with S.R.O 865 (1)/ 2000 dated December 6, 2000 issued by SECP pertaining to the Special Business is annexed with this notice to the members.
- 2- The Share Transfer Books of the Company will remain closed from October 24, 2016 to October 31, 2016 (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, signed 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.

The above information may please be provided as follows.

Folio / CDC ID/Account No.	Name	National Tax No.	CNIC No. (in case of individual)	Income tax return for year 2014 filed (Yes or No)
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This would enable us to process future dividend payments "if any" in accordance with the tax payment status of the members pursuant to the provisions of Finance Act, 2015 effective July 1, 2015 whereby the rates of deduction of income tax under section 150 of the Income Tax Ordinance, 2001 from dividend payment have been revised as follows:

1.	Rate of tax deduction for filer of income tax returns	12.5%
2.	Rate of tax deduction for non-filers of income tax returns	17.5%

- 9- The directive of SECP contained in SRO 787(1) 2014 dated September 8, 2014, whereby Securities and Exchange Commission of Pakistan (SECP) has allowed companies to circulate annual balance sheet, profit and loss account, auditor's report and director's report etc. (Audited Financial Statements) along with notice of annual general meeting (Notice) to its members by email are requested to provide their email addresses on registered address of the Company.

CDC account holders are requested to provide their email addresses to the relevant member stock exchange and CDC. If maintaining CDC investor account.

- 10- Members are requested to immediately inform of any change in their address.

STATEMENT OF MATERIAL FACTS UNDER SECTION 160 (1) (B) OF THE COMPANIES ORDINANCE, 1984

Hira Terry Mills Limited is public limited (unlisted) Company having assets of Rs. 4,049.995 millions with paid up capital of Rs. 393.400 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 was approved by the members for a period of two years on Oct 31, 2014 with a provision for extension of two years. This limit is to be enhanced for one year further. The temporary loan / advance is completely adjusted as on June 30, 2016 and now no amount is outstanding. No loan was written off. It is now purposed that members may approve limit of Rs. 250 million for one year in the 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, 2016 to Oct 31, 2017 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	<p>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.</p> <p>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.</p>
(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 18,450,000 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.

(C) Brief about Hira Terry Mills Limited the investee Company on the basis of last audited financial statements for the year ended 30-06-2016:

Net Sales	Rs. 3,181.981 Million
Equity- Net	Rs. 1,412.052 Million
Long term Loans and Lease	Rs. 151.023 Million
Current Ratio	1.117: 1
GP Ratio	21.17 %
Net Profit Ratio	6.17 %
Shareholding of Hira Textile Mills Ltd.	18.450 Million Shares or 46.90 %
Share of Profit to Hira Textile Mills Ltd.	Rs. 91.564 Million
Outstanding Balance of Running advances / Loan as on June 30, 2016	Nil
Maximum outstanding Balance of Running advance / Loan during the year 2015-2016.	Rs. 7.983 Million

(D) The Directors of Hira Textile Mills Limited have no other interest in the investment except that 3 Directors of Hira Textile Mills Limited and two spouse are share holders in Hira Terry Mills Ltd, the associated company. Their consolidated holding is 1,018,000 shares (2.59%).

(E) The audited Financial Statement of Hira Terry Mills Limited and Hira Textile Mills Limited for the year ended June 30, 2016, can be inspected from 10.00 a.m. to 11.30 a.m. in all working days up-to October 22, 2016 by the shareholders of Hira Textile.

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.

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, 2016.

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)

	2016	2015
Net Sale	3,523.40	4,061.80
Gross Profit	334.66	474.28
Share of Profit of Hira Terry	91.56	78.30
Profit before taxation	101.47	150.39
Provision for taxation	7.86	58.06
Profit for the year	93.61	90.63
EPS - basic & diluted	1.08	1.07

By the grace of Almighty Allah despite unfavorable market conditions and global recessionary climate affecting all facets of business your company has been able to make a profit of Rs 93.61 Million. Gross profit has decrease due to low sale rate in national and international market. Share of profit of M/S Hira Terry associated company is Rs.91.56 Million as compared to last year Rs.78.30 Million. The profit of Hira Terry has increased due to increase in margins for value added products and superior marketing by Terry US office. Though the financial results for the year are satisfactory, however at the same time 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 Rs.11.323 Million on Construction of H.F.O/Dying/ Winding Hall. The Company has spent 63.739 Millions on BMR and Rs. 6.342 on Electrification. The Company has added two second hand HFO Generators with

the cost of Rs. 67.524 million out of which one generator burst during operation and Rs. 15.00 Million received from Adamjee insurance as claim of total loss.

Dividend

The Directors regret that due to low profit and challenges ahead management is unable to declare dividend this year.

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 – 2000 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, which coupled with appreciation of Pak Rupees versus the US Dollar and increase in wages, energy cost coupled with load shading in gas and power sector and other input costs. 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.

Business Strategy

Aggressive marketing strategy has been the major factor in HTML consistent profitability over the last years. In the light

of the Company's overall objectives the Board of Directors regularly review the Company's strategy business plans and set performance targets accordingly.

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. The HR Committee will assist and guide the Board of Directors in the effective management of the Company's Human Resources. Further the HR Committee will also review and make recommendations to ensure that the Company's Human Resources policies are aligned with its overall business Objectives; Departmental team performances are in line with business results; and the remuneration philosophy strategy and framework are in place. During the year one (1) meetings of HR committee of the Board were held – attendance by each Director is as follows:

1. Mrs. Sadiya Umair (Chairperson)	1(One)
2. Mr. Nadeem Aslam Butt	1(One)
3. Mrs. Fatima Nadeem	1(One)

Corporate & Financial Reporting Frame Work

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

- 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.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International accounting standards, as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control is sound and has been effectively implemented and monitored.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.

- The value of investment of contributory provident fund as at June 30, 2016 amount to Rs. 16.173 Million.
- The pattern of shareholding as at June 30, 2016 is annexed.

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 of whom two are non-executive director and 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	4 (Four)
Mrs. Shahnaz Umar	4 (Four)

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

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 / Chairman purchased 404,500 shares.

Board Meeting

During the year under review Five (5) meetings were held. Attendance by each Director is as follows:

Name of Director	Attendance
Muhammad Umar Virk	5 (Five)
Nadeem Aslam Butt	5 (Five)
Mrs. Shahnaz Umar	4 (Four)
Mr. Umair Umar	5 (Five)
Mrs. Fatima Nadeem	3 (Three)
Mrs. Sadiya Umair	4 (Four)
Mr. Shaukat Nazir Malik	4 (Four)

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

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, 2017.

Acknowledgements

The Directors would like to take this opportunity to thank the Company's Bankers, particularly, Habib Bank Limited, MCB Bank, National Bank, Bank of Punjab, United Bank of Pakistan, NIB Bank and other financial institutions for their confidence in the Company. The Directors feel pleasure in expressing appreciation for the continued interest and support of all the shareholders. The Directors are also glad to mention the dedication and devotion displayed by the staff and workers of the Company. It is hoped that the staff and workers will continue to work with the same sense of devotion to achieve high standards and reach Company's goals.

On Behalf of the Board

A handwritten signature in black ink, appearing to read 'NADEEM', with a horizontal line underneath it.

NADEEM ASLAM BUTT
Chief Executive Officer

Lahore: October 08, 2016

FINANCIAL SUMMARY

	<i>Amount Rs. (000)</i>					
	2016	2015	2014	2013	2012	2011
Net Sales	3,523,396	4,061,800	4,775,199	3,985,373	4,087,241	4,947,939
Cost of Sales	3,188,731	3,587,519	4,328,582	3,450,137	3,534,210	4,218,795
Gross profit	334,666	474,281	446,617	535,236	553,031	729,144
Administration Expenses	63,862	76,844	73,314	64,921	63,211	56,970
Selling Expences	36,677	50,039	54,092	72,921	63,685	71,203
Operating Profit	234,127	347,398	319,210	397,394	426,134	600,971
Other Operating Income	5,715	801	2,562	1,958	4,531	3,297
Profit before Interest & Taxation	239,842	348,199	321,772	399,352	430,666	604,268
Other Operating Expenses	1,596	5,956	2,217	6,963	14,635	19,794
Financial & Other Charges	228,410	270,151	285,867	298,442	295,903	326,067
Share of profit Hira Terry Mills Ltd.	91,565	78,303	73,636	56,322	51,619	18,287
Profit before Taxation	101,400	150,395	107,324	150,269	171,747	276,694
Provision for Taxation	7,862	58,057	(27,047)	(21,731)	31,954	56,960
Profit after Taxation (Net Profit)	93,537	92,338	134,372	172,000	139,793	219,734

Financial Position

Current Assets	2,255,468	2,340,097	2,046,423	2,033,590	1,921,574	1,841,681
Current Liabilities	2,464,531	2,428,841	2,300,419	2,221,571	2,050,797	1,943,063
Operating Fixed Assets	2,574,458	2,083,750	1,948,545	1,956,540	1,645,180	1,631,012
Total Assets	5,514,606	5,021,274	4,515,040	4,443,263	3,962,309	3,811,610
Net Capital Employed	3,050,075	2,592,433	2,214,621	2,221,693	1,911,512	1,868,548
Long Term Debts	466,125	589,701	330,560	433,096	207,184	247,838
Share Holder,s Equity	1,945,237	1,852,817	1,762,184	1,629,113	1,528,665	1,460,424
Surplus on Revaluation on Fixed Assets	451,377	65,893	65,893	65,893	65,893	65,893
Break -up Value Per Share (Rupees)	22.47	23.54	22.39	22.77	21.36	20.41
Number of shares	86,577,920	78,707,200	78,707,200	71,552,000	71,552,000	71,552,000

Financial Ratios Analysis (Annualized)

Current Ratio	0.92	0.96	0.89	0.92	0.94	0.95
Total Debt to Total Assets	8.45	11.74	7.32	9.75	5.23	6.50
Acid -Test Ratio	17.26	17.59	15.36	18.87	18.08	16.76
Debt Equity	19:81	24:76	16:84	21:79	11:89	13:87
Debt Coverage Ratio	0.94	1.08	1.09	1.22	1.21	1.48
Leverage Ratio	1.83	1.71	1.56	1.73	1.59	1.61
Interest Coverage Ratio	1.44	1.56	1.38	1.50	1.58	1.85
Fixed Assets Turnover	1.37	1.95	2.45	2.04	2.48	3.03
Total Assets Turnover	0.64	0.81	1.06	0.90	1.03	1.30

Per Share Results & returns

Earning per Share	1.08	1.15	1.69	2.40	1.95	3.07
Return on Capital employed- net	3.07	3.56	6.07	7.74	7.31	11.76
Gross Profit to Sales	9.50	11.68	9.35	13.43	13.53	14.80
Operating Profit To Sales	6.64	8.55	6.68	9.97	10.43	12.15
Net Income to Sale (Profit margin)	2.65	2.27	2.81	4.32	3.42	4.44
Return on Assets (ROA)	1.70	1.84	2.98	3.87	3.53	5.76

**INFORMATION UNDER CLAUSE XVI(J) OF THE CODE
CORPORATE GOVERNANCE
As at June 30, 2016**

Description	Shares Held	%
Director, Chief Executive Officer, and their Spouse, and minor children.		
MR. MUHAMMAD UMAR VIRK	25,663,862	29.64
MR. UMAIR UMAR	5,873,463	6.78
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
	42,958,847	49.62
Associated Companies, undertakings and related parties. Adamjee Insurance Co.		
	484,000	0.56
Banks, Development Finance Institutions, Non Banking Financial Institutions.		
	176,295	0.20
Joint Stock Companies		
	14,845,342	17.15
Modarabas and Mutual Funds		
General Public		
Local	27,006,414	31.19
Foreign	Nil	-
Others		
	1,107,022	1.28
	86,577,920	100.00
Shareholders holding 5% or more		
MR. MUHAMMAD UMAR VIRK	25,663,862	29.64
MRS. UMAIRA OMAR	8,603,922	9.94
MASOOD SPINNING MILLS LIMITED	8,560,200	9.89
MR. UMAIR UMAR	5,873,463	6.78
MRS. SHAHNAZ UMAR	5,725,854	6.61
MRS. SADIYA UMAIR	5,637,933	6.51
ROOMI FABRIC LTD.	5,434,449	6.28

Pattern of Shareholding As at June 30, 2016

INCORPORATION No. 0023196

FORM 34

Share Holders	Shareholding		Total
	From	To	Shares Held
137	1	-	3,654
91	101	-	31,089
220	501	-	147,607
471	1001	-	1,120,137
159	5001	-	1,106,230
95	10001	-	1,133,051
34	15001	-	592,763
24	20001	-	554,876
25	25001	-	699,793
11	30001	-	357,973
9	35001	-	342,140
7	40001	-	298,770
5	45001	-	247,600
15	50001	-	806,830
5	55001	-	284,340
6	60001	-	362,109
4	65001	-	269,412
3	70001	-	219,067
7	75001	-	545,624
2	80001	-	162,607
2	85001	-	177,500
1	90001	-	90,392
5	95001	-	493,449
2	100001	-	204,765
11	105001	-	1,204,430
1	110001	-	119,275
2	120001	-	245,063
1	125001	-	125,557
2	130001	-	275,192
2	140001	-	313,675
1	160001	-	164,250
1	165001	-	175,000
2	175001	-	352,795
2	180001	-	399,750
1	200001	-	210,000
2	210001	-	544,650
1	275001	-	330,000
1	330001	-	344,649
1	345001	-	375,649
1	380001	-	418,837
1	420001	-	420,480
1	425001	-	480,000
1	480001	-	484,000
1	485001	-	602,250
1	605001	-	674,947
1	675001	-	749,100
1	750001	-	816,749
1	820001	-	1,107,022
1	1110001	-	2,180,186
1	2185001	-	5,434,449
1	5435001	-	5,637,933
1	5640001	-	5,725,854
1	5730001	-	5,866,602
1	5870001	-	8,560,200
1	8565001	-	8,603,922
1	23380001	-	23,383,676
1388			86,577,920

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 Listing Regulations of 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 Code 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
Chairman	Mr. Muhammad Umar Virk
Executive Director	Mr. Nadeem Aslam Butt
Non-Executive Directors	Mr. Umair Umar Mrs. Shahnaz Umar Mrs. Sadiya Umair Mrs. Fatima Nadeem
Independent Director	Mr. Shaukat Nazir Malik

The independent director meets the criteria of independence under clause 5.19.1 (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 or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
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. 3 Directors of the company have acquired the Director's Training Program and became the certified Director and 3 Directors have 14 Years education and 20 year experience as Director of Public limited 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 Chief Financial Officer (CFO) and Company Secretary continued their services and no changes were made during this financial year.
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 disclosed in the pattern 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.
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 and has outsourced the internal audit function and entered into contract with M/S Rehman Sarfaraz Rahim Iqbal Rafiq (Chartered Accountants). Who are considered to be suitably qualified and experienced for the purpose and is fully conversant with the policies and procedures of the Company.
19. The Board of Directors has put in place a mechanism for undertaking annually an evaluation of the Board's own performance and of its committees to enhance performance of the Board and its committees.
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

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FINANCIAL STATEMENTS

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, 2016 to comply with regulations of the Pakistan Stock Exchange 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 requirements 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 a part of our audit of the 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 control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the 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 the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, 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 best practices contained in the Code as applicable to the Company for the year ended **June 30, 2016**.

Deloitte Yousaf Adil
Chartered Accountants

Engagement Partner:
Talat Javed

Lahore.
Dated : October 08, 2016

Auditors' Report to the Members

We have audited the annexed balance sheet of **HIRA TEXTILE MILLS LIMITED** (the Company) as at June 30, 2016 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 the Company's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part 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, 2016 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).

The financial statements of the Company for the year ended June 30, 2015 were audited by another firm of Chartered Accountants who vide their report dated October 7, 2015 expressed an unqualified opinion thereon.

Deloitte Yousaf Adil
Chartered Accountants

Engagement Partner:
Talat Javed

Lahore.
Dated : October 08, 2016

BALANCE SHEET

as at June 30, 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,574,458,017	2,083,750,163
Long term investments	5	661,418,777	570,897,959
Long term deposits	6	23,260,348	26,534,648
		3,259,137,142	2,681,182,770
Current assets			
Stores, spares and loose tools	7	246,369,506	177,042,638
Stock-in-trade	8	1,556,917,267	1,714,457,816
Trade debts	9	75,832,714	125,829,226
Advances, deposits, prepayments and other receivables	10	193,393,488	119,265,469
Advance income tax	11	110,516,433	130,090,886
Sales tax refundable		45,704,067	52,042,321
Cash and bank balances	12	26,734,940	21,368,329
		2,255,468,415	2,340,096,685
Total assets		5,514,605,557	5,021,279,455

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



CHIEF EXECUTIVE



CHAIRMAN/DIRECTOR

BALANCE SHEET

as at June 30, 2016

	Note	2016 Rupees	2015 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
87,000,000 (2015: 80,000,000) ordinary shares of Rs. 10 each		<u>870,000,000</u>	<u>800,000,000</u>
Issued, subscribed and paid up capital	13	865,779,200	787,072,000
Share premium	14	82,500,000	82,500,000
Un-appropriated profit		<u>996,958,197</u>	<u>983,250,076</u>
		1,945,237,397	1,852,822,076
Surplus on revaluation of property, plant and equipment			
	15	451,377,140	65,892,542
Non-current liabilities			
Long term financing	16	430,000,000	542,166,123
Liabilities against assets subject to finance lease	17	36,124,645	47,535,287
Deferred liabilities	18	187,335,803	84,022,100
		653,460,448	673,723,510
Current liabilities			
Trade and other payables	19	576,697,976	612,596,835
Accrued mark-up	20	57,348,517	56,141,653
Short term borrowings	21	1,683,933,727	1,606,582,666
Current portion of long term financing	22	146,550,352	153,520,173
		2,464,530,572	2,428,841,327
Contingencies and commitments	23		
Total equity and liabilities		<u>5,514,605,557</u>	<u>5,021,279,455</u>

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


CHIEF EXECUTIVE


CHAIRMAN/DIRECTOR



PROFIT AND LOSS ACCOUNT

for the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
Sales	24	3,523,396,385	4,061,800,366
Cost of sales	25	(3,188,730,767)	(3,587,519,397)
Gross profit		334,665,618	474,280,969
Distribution cost	26	(36,676,812)	(50,038,995)
Administrative expenses	27	(63,862,291)	(76,843,832)
Other income	28	5,714,916	801,263
		(94,824,187)	(126,081,564)
Operating profit		239,841,431	348,199,405
Finance cost	29	(228,410,314)	(270,151,442)
Other charges	30	(1,525,606)	(5,956,097)
		9,905,511	72,091,866
Share of profit of associate - unrealized		91,564,822	78,308,201
Profit before taxation		101,470,333	150,400,067
Provision for taxation	31	(7,862,310)	(58,056,951)
Profit for the year		93,608,023	92,343,116
Earnings per share - basic and diluted	32	1.08	1.07

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


CHIEF EXECUTIVE


CHAIRMAN/DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

for the year ended June 30, 2016

	<u>2016</u> <i>Rupees</i>	<u>2015</u> <i>Rupees</i>
Profit for the year	93,608,023	92,343,116
Items that will subsequently not be reclassified to profit or loss account:		
Remeasurements of defined benefit obligation	(175,874)	(983,249)
Related deferred tax	27,176	64,296
Share of associate's remeasurement of defined benefit obligation	(1,044,004)	(786,555)
	(1,192,702)	(1,705,508)
Total comprehensive income for the year	<u>92,415,321</u>	<u>90,637,608</u>

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


CHIEF EXECUTIVE


CHAIRMAN/DIRECTOR

CASH FLOW STATEMENT

for the year ended June 30, 2016

	Note	2016 <i>Rupees</i>	2015 <i>Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		101,470,333	150,400,067
Adjustments for:			
Finance cost	29	228,410,314	257,402,981
Exchange loss	30	672,721	343,240
Gain on disposal of property, plant and equipment	28	(5,714,916)	(801,263)
Provision for employees retirement benefits	18.1.2	14,024,955	14,144,679
Depreciation	4.1	112,964,371	107,989,618
Share of profit of associate		(91,564,822)	(78,308,201)
		258,792,623	300,771,054
		360,262,956	451,171,121
Working capital changes			
(Increase)/decrease in current assets			
Stores, spares and loose tools		(69,326,868)	(9,682,131)
Stock in trade		157,540,549	(204,750,501)
Trade debts		49,323,791	16,720,513
Advances, deposits, prepayments and other receivables		(74,128,019)	(67,710,760)
Sales tax refundable		6,338,254	(24,958,796)
Increase /(decrease) in current liabilities			
Trade and other payables		(35,895,357)	210,097,790
		33,852,350	(80,283,885)
Cash generated from operations		394,115,306	370,887,236
Employees retirement benefits paid		(17,958,960)	(11,772,365)
Finance cost paid		(227,203,450)	(286,156,684)
Income tax paid		(10,585,026)	(31,510,624)
		(255,747,436)	(329,439,673)
Net cash generated from operating activities		138,367,870	41,447,563
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(90,776,532)	(182,150,944)
Proceeds from disposal of property, plant and equipment		7,700,000	3,425,000
Net cash used in investing activities		(83,076,532)	(178,725,944)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances obtained		-	330,554,291
Long term finances repaid		(119,135,944)	(84,042,442)
Lease liabilities repaid		(11,410,642)	(3,569,874)
Short term borrowing - net		77,351,061	(99,817,770)
Long term deposits - net		3,274,300	(399,100)
Dividend paid		(3,502)	(11,934)
Net cash (used in)/ generated from financing activities		(49,924,727)	142,713,171
Net increase in cash and cash equivalents		5,366,611	5,434,790
Cash and cash equivalents at the beginning of the year		21,368,329	15,933,539
Cash and cash equivalents at the end of the year	12	26,734,940	21,368,329

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


CHIEF EXECUTIVE


CHAIRMAN/DIRECTOR

STATEMENT OF CHANGES IN EQUITY

for the year ended June 30, 2016

	Issued, subscribed and paid-up capital	Share premium	Un-appropriated profit	Total
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Balance as at July 01, 2014	787,072,000	82,500,000	892,612,468	1,762,184,468
Profit for the year	-	-	92,343,116	92,343,116
Other comprehensive loss for the year	-	-	(1,705,508)	(1,705,508)
Total comprehensive income for the year	-	-	90,637,608	90,637,608
Balance as at June 30, 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

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


CHIEF EXECUTIVE


CHAIRMAN/DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

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

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 (IFRSs) issued by the International Accounting Standards Board as notified under the provisions of the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives under the Companies Ordinance, 1984 shall prevail.

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, 2016. 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.

IFRS 10 – Consolidated Financial Statements	Effective from accounting period beginning on or after January 01, 2015
IFRS 11 – Joint Arrangements	Effective from accounting period beginning on or after January 01, 2015
IAS 27 (Revised 2011) – Separate Financial Statements	Effective from accounting period beginning on or after January 01, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	Effective from accounting period beginning on or after January 01, 2015

In addition to the above accounting standards, the following standards have become effective during the year and relevant disclosure in note number mentioned adjacent to each of them have been made:

IFRS 12 – Disclosure of Interests in Other Entities	Note # 5
IFRS 13 – Fair Value Measurement	Note # 4.4

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.

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	Effective from accounting period beginning on or after 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 date is deferred indefinitely. Earlier adoption is permitted.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

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	Effective from accounting period beginning on or after January 01, 2016
Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	Effective from accounting period beginning on or after January 01, 2016
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	Effective from accounting period beginning on or after January 01, 2016
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	Effective from accounting period beginning on or after January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses	Effective from accounting period beginning on or after January 01, 2017
Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization	Effective from accounting period beginning on or after January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	Effective from accounting period beginning on or after January 01, 2016
Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements	Effective from accounting period beginning on or after January 01, 2016

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

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 judgments in applying accounting policies**

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

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

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.

	Note	2016 <u>Rupees</u>	2015 <u>Rupees</u>
4 Property, plant and equipment			
Operating fixed assets	4.1	2,572,644,153	2,032,876,176
Capital work in progress	4.6	1,813,864	50,873,987
		<u>2,574,458,017</u>	<u>2,083,750,163</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

4.1 At June 30, 2016

Particulars	Cost / Revalued amount				Depreciation				Annual depreciation rate %
	As at July 01, 2015 Rupees	Additions Rupees	Transfers Rupees	As at June 30, 2016 Rupees	Charge for the year Rupees	Disposals Rupees	Revaluation surplus adjustment Rupees	As at June 30, 2016 Rupees	
Owned									
Freehold land	86,006,250	-	-	183,480,000	-	-	-	-	183,480,000
Buildings on freehold land	262,183,427	-	* 11,323,526	345,611,000	111,528,053	-	-	7,655,493	345,611,000
Plant and machinery	2,332,094,295	56,733,267	-	1,733,000,000	803,963,979	-	(119,183,546)	77,963,017	1,733,000,000
Electric installation	133,267,041	6,391,658	-	139,658,699	68,029,938	-	-	6,832,224	139,658,699
Generator	59,688,756	4,272,009	-	112,193,286	15,432,686	(15,000,000)	-	6,922,679	112,193,286
Power house	135,655,412	7,006,734	-	142,662,146	66,117,767	-	-	7,141,583	142,662,146
Factory equipment	2,047,357	-	-	2,047,357	56,158	-	-	-	2,047,357
Office equipment	1,376,090	21,000	-	1,398,090	968,947	-	-	41,401	1,398,090
Telephone installation	1,534,022	-	-	1,534,022	865,094	-	-	66,894	1,534,022
Tarapain	382,057	-	-	382,057	304,326	-	-	7,773	382,057
Computers	4,286,660	911,380	-	5,198,040	228,789	-	-	228,789	5,198,040
Furniture and fixtures	5,864,024	215,970	-	5,579,994	2,832,690	-	-	264,830	5,579,994
Vehicles	20,311,922	3,482,000	-	20,333,922	13,558,327	(13,260,000)	-	1,593,884	20,333,922
	3,044,177,313	79,035,018	74,575,147	2,893,277,713	1,085,507,497	(1,570,806)	(1,001,130,542)	108,895,725	2,501,665,819
Assets subject to finance lease									
Plant and machinery	79,402,549	-	-	79,402,549	5,946,880	-	-	3,672,684	79,402,549
Vehicles	935,100	930,600	-	1,865,700	182,409	-	-	485,962	1,865,700
	80,337,649	930,600	-	81,268,249	6,129,289	-	-	4,158,646	81,268,249
	3,124,514,962	79,965,618	74,575,147	2,774,545,962	1,091,638,786	(1,570,806)	(1,001,130,542)	112,864,371	2,501,665,819

* Transfer from capital work in progress

4.2 At June 30, 2015

Particulars	Cost / Revalued amount				Depreciation				Annual depreciation rate %
	As at July 01, 2014 Rupees	Additions Rupees	Transfers Rupees	As at June 30, 2015 Rupees	Charge for the year Rupees	Disposals Rupees	Revaluation surplus adjustment Rupees	As at June 30, 2015 Rupees	
Owned									
Freehold land	86,006,250	-	-	86,006,250	-	-	-	-	86,006,250
Buildings on freehold land	249,698,920	12,484,507	-	262,183,427	7,933,680	-	-	111,528,053	150,655,374
Plant and machinery	2,271,063,766	67,140,529	-	2,338,204,295	78,528,795	(3,830,955)	-	803,983,979	1,538,120,316
Electric installation	126,222,907	7,044,134	-	133,267,041	61,276,717	-	-	68,029,938	65,237,103
Generator	18,831,635	40,837,121	-	59,668,756	2,129,756	-	-	13,432,686	46,236,070
Power house	134,585,165	1,070,247	-	135,655,412	7,622,544	-	-	66,117,767	69,543,645
Factory equipment	2,047,357	-	-	2,047,357	61,634	-	-	1,492,651	554,706
Office equipment	1,376,090	-	-	1,376,090	923,709	-	-	968,947	407,143
Telephone installation	1,354,720	179,302	-	1,534,022	804,389	-	-	865,084	668,938
Tarapain	382,057	-	-	382,057	256,689	-	-	8,637	304,326
Computers	4,236,160	50,500	-	4,286,660	215,212	-	-	205,977	1,887,521
Furniture and fixtures	20,686,676	5,104,977	-	25,791,653	2,573,718	-	-	258,972	2,312,681
Vehicles	20,311,922	641,090	-	20,953,012	13,558,327	(13,260,000)	-	1,590,657	6,753,685
	2,921,586,200	129,706,957	-	3,051,293,157	104,659,366	(4,492,107)	-	1,085,507,497	1,965,785,660
Assets subject to finance lease									
Plant and machinery	15,100,439	64,302,110	-	79,402,549	3,147,843	-	-	5,946,880	73,453,669
Vehicles	15,100,439	935,100	-	16,035,539	182,409	-	-	182,409	15,853,130
	30,200,878	65,237,210	-	95,438,088	3,330,252	-	-	6,129,289	89,567,809
	2,956,686,639	194,944,167	-	3,151,630,806	107,989,618	(4,492,107)	-	1,091,638,786	2,059,992,020

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

4.3 Disposal of operating fixed assets

Particulars	Cost <i>Rupees</i>	Accumulated depreciation <i>Rupees</i>	Net book value <i>Rupees</i>	Disposal proceeds <i>Rupees</i>	Gain/(loss) on disposal <i>Rupees</i>	Mode of disposal	Particulars of buyer
Vehicles							
Suzuki Van	1,260,000	1,088,616	171,384	500,000	328,616	Negotiation	Hira Terry Mills Limited
Mercedes	2,000,000	186,300	1,813,700	7,200,000	5,386,300	Negotiation	Mr Laqa Sarwar
	3,260,000	1,274,916	1,985,084	7,700,000	5,714,916		
2016	3,260,000	1,274,916	1,985,084	7,700,000	5,714,916		
2015	7,115,844	4,492,107	2,623,737	3,425,000	801,263		

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 Banks 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. 451.4 million (2015: Rs. 65.9 million) remains undepreciated as at June 30, 2016.

Details of the Company's assets' fair value hierarchy as at June 30, 2016 are as follows:

	<i>Level 1</i> <i>Rupees</i>	<i>Level 2</i> <i>Rupees</i>	<i>Level 3</i> <i>Rupees</i>	<i>Total</i> <i>Rupees</i>
Freehold land	-	183,480,000	-	183,480,000
Building on freehold land	-	345,611,000	-	345,611,000
Plant and machinery	-	1,733,000,000	-	1,733,000,000

There were no transfers between levels of fair value hierarchy for the year ended June 30, 2016.

Details of the Company's assets' fair value hierarchy as at June 30, 2015 are as follows:

	<i>Level 1</i> <i>Rupees</i>	<i>Level 2</i> <i>Rupees</i>	<i>Level 3</i> <i>Rupees</i>	<i>Total</i> <i>Rupees</i>
Freehold land	-	86,006,250	-	86,006,250
Building on freehold land	-	150,655,374	-	150,655,374
Plant and machinery	-	1,528,110,316	-	1,528,110,316

There were no transfer between level of fair value hierarchy for the year ended June 30, 2015.

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, 2016 would have been as follows:

	Cost <i>Rupees</i>	Accumulated depreciation <i>Rupees</i>	Book value <i>Rupees</i>
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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

Had there been no revaluation, the book value of the freehold land, building on freehold land and plant and machinery as at June 30, 2015 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	262,183,427	111,528,053	150,655,374
Plant and machinery	2,332,094,295	803,983,979	1,528,110,316
		2016	2015
	Note	Rupees	Rupees
4.6 Capital work in progress			
Building - civil work	4.6.1	-	1,334,395
Generator	4.6.2	-	49,539,592
Gas generator overhauling	4.6.3	1,813,864	-
		<u>1,813,864</u>	<u>50,873,987</u>
4.6.1 Movement in Building - Civil Work			
Opening balance		1,334,395	-
Additions		9,989,131	1,334,395
Transfers to operating assets		(11,323,526)	-
Closing balance		<u>-</u>	<u>1,334,395</u>
4.6.2 Movement in Generator			
Opening balance		49,539,592	-
Additions		13,712,029	49,539,592
Transfers to operating assets		(63,251,621)	-
Closing balance		<u>-</u>	<u>49,539,592</u>
4.6.3 Movement in Gas generator overhauling			
Opening balance		-	-
Additions		1,813,864	-
Transfers to operating assets		-	-
Closing balance		<u>1,813,864</u>	<u>-</u>
5 LONG TERM INVESTMENTS			
<p>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:</p>			
5.1 Hira Terry Mills Limited		2016	2015
Percentage of ownership interest	%age	46.90%	46.90%
		2016	2015
		Rupees	Rupees
Cost of investment		184,500,000	184,500,000
18,450,000 (2015: 18,450,000) fully paid ordinary shares of Rs. 10 each		476,918,777	386,397,959
Share of post acquisition profits - unrealized		<u>661,418,777</u>	<u>570,897,959</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

		<u>2016</u>	<u>2015</u>
		<i>Rupees</i>	<i>Rupees</i>
5.1.1	Summarized financial information of the associated company is as follows:		
	Current assets	2,742,165,346	2,216,767,524
	Non-current assets	1,307,830,593	1,330,803,301
	Current liabilities	2,456,275,116	2,184,132,611
	Non-current liabilities	182,846,164	145,571,696
	Revenue	3,181,981,323	3,789,645,023
	Profit for the year	195,234,162	166,972,608
	Other comprehensive loss	(2,226,021)	(1,677,131)
	Total comprehensive income	193,008,141	165,295,477
5.1.2	Other financial information of the associated company is as follows:		
	Cash and cash equivalents	13,326,301	4,875,599
	Current financial liabilities	2,456,275,116	2,184,132,611
	Non-current financial liabilities	182,846,164	145,571,696
	Depreciation and amortization	67,037,595	68,524,460
	Interest income	4,816,312	1,021,530
	Interest expense	134,028,935	175,438,831
	Income tax expense	31,613,923	37,663,734
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:		
		<u>2016</u>	<u>2015</u>
	Net Assets of the associated company	1,410,874,659	1,217,866,518
	Ownership Interest	46.90%	46.90%
	Carrying amount based on net assets	661,700,215	571,179,397
	Other	(281,438)	(281,438)
	Carrying amount of Company's interest in associated Company	<u>661,418,777</u>	<u>570,897,959</u>
		<u>2016</u>	<u>2015</u>
		<i>Rupees</i>	<i>Rupees</i>
6	LONG TERM DEPOSITS		
	Utility companies and regulatory authorities	19,651,338	19,475,638
	Financial institutions	3,609,010	7,059,010
		<u>23,260,348</u>	<u>26,534,648</u>
7	STORES, SPARES AND LOOSE TOOLS		
	Stores	221,730,127	156,267,619
	Spares and loose tools	24,639,379	20,775,019
		<u>246,369,506</u>	<u>177,042,638</u>
8	STOCK-IN-TRADE		
	Raw material	1,045,266,445	1,210,595,501
	Packing material	7,584,704	7,799,247
	Work-in-process	55,584,531	51,749,875
	Finished goods	448,481,587	444,313,193
		8.1	
		<u>1,556,917,267</u>	<u>1,714,457,816</u>
8.1	Stock of finished goods include stock of waste valued at Rs. 873,169 (2015: Rs. 369,940). The entire stock of waste is valued at net realizable value.		

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
9 TRADE DEBTS			
Foreign			
Secured	9.1	33,070,199	29,538,731
Local			
Unsecured - considered good		42,762,515	96,290,495
		<u>75,832,714</u>	<u>125,829,226</u>
9.1 These are secured against letters of credit.			
10 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to suppliers - unsecured, considered good		111,965,437	24,191,895
Advances to employees - unsecured, considered good		4,094,981	6,088,478
Letters of credit		62,731,819	76,909,163
Margin deposits		10,372,833	8,733,834
Prepayments		886,319	-
Excise duty refundable		1,953,431	1,953,431
Others		1,388,668	1,388,668
		<u>193,393,488</u>	<u>119,265,469</u>
11 ADVANCE INCOME TAX			
Advance income tax		140,162,122	163,994,836
Provision for taxation		(29,645,689)	(33,903,950)
		<u>110,516,433</u>	<u>130,090,886</u>
12 CASH AND BANK BALANCES			
Cash in hand		1,409,332	2,258,143
Cash at banks:			
In Current accounts - Local currency		25,214,148	18,317,996
In Saving accounts - Local currency		104,619	785,488
- Foreign currency		6,841	6,702
		<u>26,734,940</u>	<u>21,368,329</u>
13 ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
Ordinary shares of Rs. 10 each			
48,000,000 (2015: 48,000,000) shares issued for cash		480,000,000	480,000,000
38,577,920 (2015: 30,707,200) shares issued as fully paid bonus shares		385,779,200	307,072,000
		<u>865,779,200</u>	<u>787,072,000</u>
13.1 Fully paid ordinary shares		No of shares	Amount (Rs)
Balance as at July 1, 2014		78,707,200	787,072,000
Shares issued during the year		-	-
Balance as at June 30, 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		<u>86,577,920</u>	<u>865,779,200</u>
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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
15 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Opening balance		65,892,542	65,892,542
Addition during the year		514,880,777	-
Transferred to un-appropriated profit		-	-
		580,773,319	65,892,542
Related deferred tax liability			
Opening liability		-	-
Addition during the year		129,396,179	-
Transferred to un-appropriated profit		-	-
		129,396,179	-
		451,377,140	65,892,542
16 LONG TERM FINANCES			
Banking companies - secured	16.1	265,000,000	377,166,123
Directors and sponsors - unsecured	16.2	165,000,000	165,000,000
		430,000,000	542,166,123
16.1 Banking companies - secured			
MCB Bank Limited - I	16.1.1	-	8,200,000
Habib Bank Limited	16.1.2	-	6,000,000
Bank Alfalah Limited	16.1.3	96,523,510	140,000,000
MCB Bank Limited - III	16.1.4	13,142,855	26,285,713
The Bank of Punjab - III	16.1.5	12,994,696	30,554,291
NIB Bank Limited	16.1.6	273,485,000	300,000,000
		396,146,061	511,040,004
Less: Current portion presented under current liabilities		(131,146,061)	(133,873,881)
		265,000,000	377,166,123
16.1.1	The finance has been obtained for financial restructuring and is secured by first parri passu charge over operating fixed assets of the Company amounting to Rs. 176 million and personal guarantees of the Company's Directors. The finance carries mark-up at three months KIBOR plus 3% per annum (2015: three months KIBOR plus 3% per annum), payable quarterly. The finance is repayable in twenty equal quarterly installments with the first installment due in January 2011.		
16.1.2	The finance has been obtained to finance machinery and is secured by first pari passu charge over operating fixed assets of the Company amounting to Rs. 564 million and personal guarantees of the Company's Directors. The finance carries mark-up at six months KIBOR plus 3% per annum (2015: six months KIBOR plus 3% per annum), payable semi-annually. The finance is repayable in ten equal semi-annual installments with the first installment due in February 2011.		
16.1.3	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 (2015: 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.		
16.1.4	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 (2015: 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.		
16.1.5	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% (2015: 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.		

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

16.1.6 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 (2015: 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 mark-up at six months KIBOR plus 1.75% per annum (2015: six months KIBOR plus 1.75% per annum). The lenders on their sole discretion may waive full or partial payment of mark-up on these finances.

	2016 <i>Rupees</i>	2015 <i>Rupees</i>
17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	51,528,936	67,181,579
Current portion presented under current liabilities	(15,404,291)	(19,646,292)
	<u>36,124,645</u>	<u>47,535,287</u>

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 2.5% per annum for vehicles (2015: 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.

	Note	2016 <i>Rupees</i>	2015 <i>Rupees</i>
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:			
Not later than one year		19,029,272	25,285,609
Later than one year but not later than five years		40,284,783	55,199,648
Total future minimum lease payments		59,314,055	80,485,257
Finance charge allocated to future periods		(7,785,119)	(13,303,678)
Present value of future minimum lease payments		51,528,936	67,181,579
Not later than one year		(15,404,291)	(19,646,292)
Later than one year but not later than five years		<u>36,124,645</u>	<u>47,535,287</u>

18 DEFERRED LIABILITIES

These include the following:

Employees retirement benefits	18.1	14,564,105	18,322,236
Deferred taxation		172,771,698	65,699,864
		<u>187,335,803</u>	<u>84,022,100</u>

18.1 Employees retirement benefits

The defined benefits obligation based on actuarial valuation carried out by independent actuary as at June 30, 2016 under Projected Unit Credit Method is as follows:

	2016 <i>Rupees</i>	2015 <i>Rupees</i>
18.1.1 Liability recognized in the balance sheet		
Present value of defined benefit obligation	<u>14,564,105</u>	<u>18,322,236</u>
18.1.2 Amounts recognized in profit and loss account		
Current service cost	13,114,036	12,941,514
Interest cost	910,919	1,203,165
	<u>14,024,955</u>	<u>14,144,679</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

		2016 <i>Rupees</i>	2015 <i>Rupees</i>
18.1.3	Changes in present value of defined benefit obligation		
	As at beginning of the year	18,322,236	14,966,673
	Charged to profit or loss	14,024,955	14,144,679
	Benefits paid during the year	(17,958,960)	(11,772,365)
	Actuarial loss arising during the year	175,874	983,249
		<u>14,564,105</u>	<u>18,322,236</u>
		2016	2015
18.1.4	Principal actuarial assumptions		
	Discount rate (per annum)	%age 10%	10%
	Expected return on plan assets (per annum)	%age 9%	9%
	Average expected remaining working life time of employees	10 Years	10 Years
18.1.5	Sensitivity Analysis	Change in actuarial assumption	Defined benefit obligation (increase) / decrease
			Rupees
	Discount rate (per annum)	+ 1%	12,540,445
		- 1%	16,896,270
	Salary growth rate	+ 1%	16,896,270
		- 1%	12,506,368
	Average duration of defined benefit obligation is 9 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		
	Mortality / withdrawal risk		
	The risk that the actual mortality / withdrawal experience is different.		
		2016 <i>Rupees</i>	2015 <i>Rupees</i>
19	TRADE AND OTHER PAYABLES		
	Trade creditors - unsecured	217,815,660	283,583,749
	Accrued liabilities	48,203,107	265,870,479
	Advances from customers - unsecured	55,716,482	12,506,443
	Due to associated company	249,343,554	41,978,394
	Workers' Profit Participation Fund	781,124	4,018,372
	Workers' Welfare Fund	1,958,211	1,756,058
	Unclaimed dividend	2,879,838	2,883,340
		<u>576,697,976</u>	<u>612,596,835</u>

19.1 This carries mark-up ranging from 10.41% to 11.01% (2015: 10.50% to 12.50%) per annum. The maximum aggregate amount due at the end of any month during the year was Rs. 249.3 million (2015: Rs. 99.6 million).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
19.2 Workers' Profit Participation Fund			
As at beginning of the year		4,018,372	2,498,188
Interest on funds utilized by the Company	19.2.1	147,732	132,352
Charged to profit and loss for the year		531,982	3,871,744
Paid during the year		(3,916,962)	(2,483,912)
As at end of the year		<u>781,124</u>	<u>4,018,372</u>
19.2.1 Interest is charged at the rate ranging from 8.75% to 9.48% (2015: 11%) per			
19.3 Workers' Welfare Fund			
As at beginning of the year		1,756,058	14,881,442
Charged to profit and loss for the year		202,153	1,471,263
Paid during the year		-	(14,596,647)
As at end of the year		<u>1,958,211</u>	<u>1,756,058</u>
20 ACCRUED MARK-UP			
Mark-up accrued on:			
Long term finances		15,253,245	16,901,868
Liabilities against assets subject to finance lease		3,248,051	2,401,013
Short term borrowings		38,847,221	34,911,341
Loan from directors		-	1,927,431
		<u>57,348,517</u>	<u>56,141,653</u>
21 SHORT TERM BORROWINGS			
From banking companies-secured			
Running finance	21.1	59,983,875	186,090,204
Cash finance	21.2	490,288,595	877,639,051
Finance against packing credit	21.3	784,614,237	459,933,993
Finance against imported merchandise	21.4	100,732,000	82,919,418
From Directors-unsecured	21.6	248,315,020	-
		<u>1,683,933,727</u>	<u>1,606,582,666</u>
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 9.29% (2015: 8.81% to 12.43%) 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 7.85% to 10.01% (2015: 8.83% to 12.71%) 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 8.25% to 9.55% (2015: 8.73% to 14.21%) 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 8.51% to 9.04% (2015: 11.43% to 12.23%) per annum			
21.5 The aggregate unavailed short term borrowing facilities amount to Rs. 1,683.933 million (2015: Rs. 1,304.38 million)			
21.6 This represents loan obtained from director for working capital requirements. The facility carries mark-up ranging from 8.25% to 8.50% (2015: Nil) and will mature in April 2017.			

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

	<u>2016</u> <i>Rupees</i>	<u>2015</u> <i>Rupees</i>
22 CURRENT PORTION OF LONG TERM FINANCING		
Long term finances	131,146,061	133,873,881
Liabilities against assets subject to finance lease	15,404,291	19,646,292
	<u>146,550,352</u>	<u>153,520,173</u>
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.		
	<u>2016</u> <i>Rupees</i>	<u>2015</u> <i>Rupees</i>
23.4 Guarantees issued by banks on behalf of the Company	27,979,420	27,979,420
Post dated cheques in favor of Commissioner Inland Revenue and Collector of Customs	65,838,562	169,153,047
	<u>93,817,982</u>	<u>197,132,467</u>
Commitments		
23.5 Commitments under irrevocable letter of credit for:		
Purchase of stores, spares and loose tools	4,726,131	2,351,071
Purchase of raw material	162,502,443	16,316,433
Purchase of machinery	25,273,680	-
	<u>192,502,254</u>	<u>18,667,504</u>
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:		
	<u>2016</u> <i>Rupees</i>	<u>2015</u> <i>Rupees</i>
Not later than one year	2,100,000	4,200,000
Later than one year but not later than five years	-	2,100,000
	<u>2,100,000</u>	<u>6,300,000</u>
23.7 The total of future minimum Ijarah payments under non cancelable Ijarah (Lease) is as follows:		
Not later than one year	3,678,120	14,398,057
Later than one year but not later than five years	1,158,279	3,821,002
	<u>4,836,399</u>	<u>18,219,059</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

24 SALES

	Note	2016		
		Finished Goods Rupees	Waste Rupees	Total Rupees
Local	24.1	785,465,749	103,464,366	888,930,115
Export		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)
			<u>3,423,149,595</u>	<u>100,246,790</u>
		2015		
		Finished Goods Rupees	Waste Rupees	Total Rupees
Local	24.1	1,266,648,189	104,608,847	1,371,257,036
Export		2,763,501,847	-	2,763,501,847
Gross sales		4,030,150,036	104,608,847	4,134,758,883
Sales return		(47,032,539)	-	(47,032,539)
Sales tax		(23,543,489)	(2,382,489)	(25,925,978)
			<u>3,959,574,008</u>	<u>102,226,358</u>

24.1 Yarn export sales include indirect exports amounting to Rs. 1,889.5 million (2015: Rs. 1,481.5 million)

25 COST OF SALES

	Note	2016 Rupees	2015 Rupees
Raw material consumed	25.1	2,239,771,632	2,622,736,529
Packing material consumed		64,674,303	65,484,137
Stores, spares and loose tools consumed		42,705,703	51,697,044
Salaries, wages and benefits	25.2	285,440,835	279,081,315
Insurance		13,621,853	26,087,803
Power and fuel		353,673,827	404,939,947
Dyes and chemicals		28,912,073	26,252,971
Depreciation		110,705,084	105,829,826
Others		15,023,068	19,136,669
		<u>3,154,528,378</u>	3,601,246,241
Work-in-process			
At beginning of year		51,749,875	38,533,960
At end of year		(55,584,531)	(51,749,875)
		<u>(3,834,656)</u>	<u>(13,215,915)</u>
Cost of goods manufactured		<u>3,150,693,722</u>	3,588,030,326
Finished goods			
At beginning of year		444,313,193	337,411,890
Yarn purchased		42,205,439	106,390,374
At end of year		(448,481,587)	(444,313,193)
		<u>38,037,045</u>	<u>(510,929)</u>
Cost of goods sold		<u>3,188,730,767</u>	3,587,519,397
25.1 Raw material consumed			
At beginning of the year		1,210,595,501	1,127,725,907
Add: Purchases - net		2,082,947,793	2,756,985,152
Sold during the year		(8,505,217)	(51,379,029)
Less: At end of the year		(1,045,266,445)	(1,210,595,501)
		<u>2,239,771,632</u>	<u>2,622,736,529</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

25.2 Salaries, wages and other benefits include Rs. 14 million (2015: Rs. 14.1 million) in respect of employee retirement

	Note	2016 Rupees	2015 Rupees
26 DISTRIBUTION COST			
Export			
Ocean freight and forwarding		16,521,004	26,677,964
Commission		14,564,093	17,242,240
Others		1,265,440	2,550,247
		<u>32,350,537</u>	<u>46,470,451</u>
Local			
Commission		4,326,275	3,568,544
		<u>36,676,812</u>	<u>50,038,995</u>
27 ADMINISTRATIVE EXPENSES			
Salaries and benefits	27.1	28,166,091	23,153,808
Rent, rates and taxes	27.2	4,804,753	4,616,302
Ijarah payments		13,404,095	27,320,594
Printing and stationery		995,749	993,889
Communication		876,287	1,013,702
Electricity, water and gas		1,776,043	2,383,595
Repair and maintenance		268,312	251,890
Vehicles running and maintenance		1,727,062	832,538
Traveling and conveyance		2,147,886	6,496,126
Legal and professional charges		2,666,417	1,900,365
Auditors' remuneration		1,025,000	1,100,000
Fee and subscription		2,286,101	2,019,385
Entertainment		259,499	45,949
Insurance		277,997	698,704
Depreciation		2,259,287	2,159,792
Others		921,712	1,857,193
		<u>63,862,291</u>	<u>76,843,832</u>
27.1 These include charge in respect of provident fund amounting to Rs. 2.6 million (2015: Rs. 2 million).			
27.2 These include charge in respect of office rent paid to directors amounting to Rs. 4.2 million (2015: Rs. 4.2 million).			
27.3 Auditor's remuneration			
Annual statutory audit		600,000	550,000
Half yearly review		-	150,000
Review report under Code of Corporate Governance		175,000	150,000
Out of pocket expenses		250,000	250,000
		<u>1,025,000</u>	<u>1,100,000</u>
28 OTHER INCOME			
Income from non-financial assets			
Gain on disposal of property, plant and equipment		5,714,916	801,263
		<u>5,714,916</u>	<u>801,263</u>
29 FINANCE COST			
Mark-up on borrowings:			
long term finances		41,263,094	34,238,187
liabilities against assets subject to finance lease		4,910,743	5,993,384
short term borrowings		166,402,851	216,149,880
balances with related parties		4,816,312	1,021,530
		<u>217,393,000</u>	<u>257,402,981</u>
Interest on Workers' Profit Participation Fund		147,732	132,352
Bank charges and commission		10,869,582	12,616,109
		<u>228,410,314</u>	<u>270,151,442</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

29.1 During the year, mark-up of Rs. 14 million (2015: 19.2 million) on long term finances from directors and sponsors has been waived by the lenders on their discretion.

	Note	2016 Rupees	2015 Rupees
30 OTHER CHARGES			
Loss on financial instruments			
Foreign exchange loss		672,721	343,240
Others			
Workers' Profit Participation Fund		531,982	3,871,744
Workers' Welfare Fund		202,153	1,471,263
Donations	30.1	118,750	269,850
		<u>1,525,606</u>	<u>5,956,097</u>
30.1	None of the directors or their spouses had any interest in donations made by the Company.		
31 PROVISION FOR TAXATION			
Current			
-for the year		29,645,689	33,903,950
-for prior year		513,790	(593,615)
		30,159,479	33,310,335
Deferred		(22,297,169)	24,746,616
		<u>7,862,310</u>	<u>58,056,951</u>
		2016	2015
Applicable tax rate		32%	33%
Tax effect of amounts that are:			
Deductible for tax purposes		-13%	-8%
Effect of tax on share of profits of associate		-28%	-17%
Income taxed at different rates		8%	3%
Effect of tax under reduced rates		36%	16%
Effect of tax credits		-5%	-4%
Prior years adjustments		0%	0%
Temporary differences		-22%	16%
Average effective tax rate charged to profit and loss account		<u>8%</u>	<u>39%</u>
32 EARNINGS PER SHARE - BASIC AND DILUTED		2016	2015
There is no dilutive effect on the basic earning per share which is based on:			
Profit attributable to ordinary shareholders (Rupees)		93,608,023	92,343,116
Weighted average number of ordinary shares outstanding during the year (Numbers)		86,577,920	86,577,920
Earnings per share - (Rupees)		<u>1.08</u>	<u>1.07</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

33. FINANCIAL RISK MANAGEMENT

33.1 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:

	2016 USD	2015 USD
Cash at banks	6,843	6,702
Trade debts	314,206	933,952
Net exposure	<u>321,049</u>	<u>940,654</u>

The following significant exchange rates were applied during the year:

Rupees per USD

Average rate	104.18	101.38
Reporting date rate	105.25	103.10

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 1.689 million (2015: Rs 4.849 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:

	2016 Rupees	2015 Rupees
Fixed rate instruments		
Financial assets		
Cash at bank:		
Local currency		
Foreign currency	104,619	785,488
	6,841	6,702
Floating rate instruments		
Financial liabilities		
Long term financing	561,146,061	676,040,004
Short term borrowing	1,683,933,727	1,606,582,666

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

Fair value sensitivity analysis for fixed rate instruments

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

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. 22.450 million (2015: Rs. 22.826 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:

	2016 <i>Rupees</i>	2015 <i>Rupees</i>
Long term deposits	23,260,348	26,534,648
Trade debts	75,832,714	125,829,226
Advances, deposits and other receivables	192,507,169	119,265,469
Bank balances	25,325,608	19,110,186
	316,925,839	290,739,529

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 counter party default rate:

	Rating		Rating agency	2016	2015
	Short term	Long term		<i>Rupees</i>	<i>Rupees</i>
Soneri Bank Limited	A1+	AA-	PACRA	91,677	92,003
Bank Alfalah Limited	A1+	AA	PACRA	581,534	41,097
Bank Al Habib Limited	A1+	AA+	PACRA	183,585	104,903
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	243,260	251,330
Faysal Bank Limited	A1+	AA	PACRA	-	42,481
The Bank of Punjab	A1+	AA	PACRA	741,181	462,966
MCB Bank Limited	A1+	AAA	PACRA	22,547,184	16,795,167
United Bank Limited	A-1+	AAA	JCR-VIS	77,146	42,309
National Bank of Pakistan	A1+	AAA	PACRA	379,324	386,574
Habib Bank Limited	A-1+	AAA	JCR-VIS	206,257	51,805
NIB Bank Limited	A1+	AA-	PACRA	145,433	185,029
Samba Bank Limited	A-1	AA	JCR-VIS	-	
Askari Bank Limited	A1+	AA+	PACRA	39,501	12,851
JS Bank Limited	A1+	A+	PACRA	89,526	641,671
				25,325,608	19,110,186

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

(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, 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	-	-
	<u>2,930,655,217</u>	<u>2,464,530,572</u>	<u>466,124,645</u>	<u>-</u>

The following are the contractual maturities of financial liabilities as at June 30, 2015:

	Carrying amount	Less than one year	One to five years	More than five years
	Rupees	Rupees	Rupees	Rupees
Long term finances	676,040,004	133,873,881	542,166,123	-
Liabilities against assets subject to finance lease	67,181,579	19,646,292	47,535,287	-
Short term borrowings	1,606,582,666	1,606,582,666	-	-
Accrued mark-up	56,141,653	56,141,653	-	-
Trade and other payables	612,596,835	612,596,835	-	-
	<u>3,018,542,737</u>	<u>2,428,841,327</u>	<u>589,701,410</u>	<u>-</u>

33.2 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).

33.3 Financial instruments by categories

Financial assets as per balance sheet - Loans and receivables

	2016 Rupees	2015 Rupees
Long term deposits	23,260,348	26,534,648
Advances, deposits and other receivables	192,507,169	119,265,469
Cash and bank balances	26,734,940	21,368,329
	<u>242,502,457</u>	<u>167,168,446</u>

Financial liabilities as per balance sheet - At Amortized cost

	2016 Rupees	2015 Rupees
Long term financing	612,674,997	743,221,583
Short term borrowings	1,683,933,727	1,606,582,666
Trade and other payables	576,697,976	612,596,835
Accrued finance cost	57,348,517	56,141,653
	<u>2,930,655,217</u>	<u>3,018,542,737</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

33.4 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.

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

		<u>2016</u>	<u>2015</u>
		<i>Rupees</i>	<i>Rupees</i>
34.1	Transactions with related parties		
	Nature of relationship		
	Nature of transactions		
	Associated company		
	Sales of yarn, cotton, dyes and chemicals	1,093,039,783	1,509,062,252
	Purchases of towels, cotton, waste, stores and spares	15,210,286	76,427,373
	Expenses charged	21,669,110	22,007,579
	Interest charged on balance due	4,816,312	1,021,530
	Sponsors		
	Interest on borrowings paid	1,927,431	1,818,518
	Interest on borrowings charged	14,038,381	19,218,115
	Interest on borrowings waived	14,038,381	19,218,115
	Office rent	4,200,000	4,200,000
	Adamjee Insurance Company Limited	13,750,934	19,077,784
	Provident fund trust	2,578,708	2,068,947
34.2	Balances with related parties		
	Associated company	249,343,554	41,987,394
	Sponsors	165,000,000	165,000,000
	Key management personnel	433,107	475,000
	Provident fund trust	689,003	507,890

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	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
	2015		
	Chief Executive	Directors	Executives
	Rupees	Rupees	Rupees
Managerial remuneration	2,200,000	1,599,996	4,532,503
House rent	1,100,000	639,996	2,278,560
Motor vehicle expenses	84,114	72,448	506,002
Utilities	210,000	159,996	-
Post employment benefits	-	-	377,557
Others	38,230	26,490	47,604
	3,632,344	2,498,926	7,742,226
Number of persons	1	1	3

36 EMPLOYEES PROVIDENT FUND TRUST

The information related to Company's unaudited Employees Provident Fund Trust (the fund) as on June 30, 2016 is as follows:

		2016	2015
Size of the fund -fund assets	Rupees	32,347,670	28,180,832
Cost/fair value of investments	Rupees	18,023,862	15,150,000
Percentage of investments made	%age	55.72%	53.76%

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

	2016		2015	
	Rupees	%age	Rupees	%age
Government securities	8,050,000	44.66	12,150,000	80.20
Mutual funds	9,973,862	55.34	3,000,000	19.80
	18,023,862	100.00	15,150,000	100.00

The Company has complied with all requirements set out by the provisions of section 227 of the Companies Ordinance, 1984 and the Employees' Provident Fund (Investment in Listed Securities) Rules, 1996, for investments out of provident fund.

The Company operates approved provident fund, defined contribution plan for its management employees. Equal monthly contribution are made, both by the employer and employees at the rate of 8.33% of gross salary.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

37 PLANT CAPACITY AND ACTUAL PRODUCTION

		2016	2015
37.1 Spinning			
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	12,827,833	12,758,341
37.2 Doubling			
Production capacity			
Number of spindles installed	No.	1,094	1,904
Installed capacity after conversion into 20's count	Bags	2,084,880	2,084,880
Actual production			
Actual production after conversion into 20's count	Bags	38,566	46,802
37.3 Dyeing			
Production capacity			
Installed machines	No.	4	4
Dyeing capacity	Kgs	1,800,000	1,095,000
Actual production			
Actual dyeing production	Kgs	1,575,195	1,082,367

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.

38 NUMBER OF EMPLOYEES

The total and average number of employees during year ended June 30, 2016 and 2015 are as follows:

	2016	2015
	<i>Number of Employees</i>	
Average number of employees	<u>937</u>	<u>928</u>
Total number of employees	<u>950</u>	<u>923</u>

39 RECLASSIFICATION

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

From	To	Reason	Rupees
Plant and machinery- Assets subject to finance	Plant and machinery- Assets owned by the	For better presentation	108,406,892
Accumulated Depreciation Plant and machinery-Assets subject	Accumulated Depreciation Plant and machinery-Assets	For better presentation	41,461,060

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of the Company and authorized for issue on October 08, 2016.

41 GENERAL

Figures have been rounded off to the nearest Rupee.


CHIEF EXECUTIVE


CHAIRMAN/DIRECTOR

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, 2016 (Monday) 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 _____ 2016 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.

HIRA TEXTILE MILLS



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