CONTENTS

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
Mr. Umair Umar
Mrs. Shahnaz Umar

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

Messrs Rahman Sarfaraz Rahim Iqbal Rafiq. (Chartered Accountant).
Member of Russell Bedford International.

3-Shariff Colony, Iftikar Ahmed Malik Road, Canal Park Gulberg II, 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 3637 5531, 3637 5339

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 23rd annual general meeting of the members of **Hira Textile Mills Limited** will be held on Friday, October 31, 2014 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, 2014 together with the Directors and auditor's reports thereon.
3. To appoint auditors and fix their remuneration. The retiring auditors M/S Rahman Sarfarz Rahim Iqbal Rafiq 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 09, 2014

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, 2014 to October 31, 2014 (both days inclusive).

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

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

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

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

7- 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. **3,383.092** 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.150 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, 2012 with a provision for extension of two years. This limit is to be enhanced for two years further. The temporary loan / advance is completely adjusted as on June 30, 2014 and now no amount is outstanding. No loan was written off. It is now purposed that members may approve an enhanced limit of Rs. 250 million for two years in the advance/ temporary loan to Hira Terry.

(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 2 years commencing from Nov 1, 2014 to Oct 31, 2016 extendable after 2 years depending upon financial conditions of Hira Terry Mills Ltd.
(vii) Securities	No security is considered necessary as both the Companies are under common management control.
(viii) Source of Funds	Company's own internal cash reserves.
(ix) Repayable Schedule	The loans and advances are adjustable maximum within a period of twelve months.
(x) Other Terms & Conditions	i) Hira Textile shall have the right to add, amend or alter any terms and conditions including the rate of Markup or call back the advance amount after notice to Hira Terry. ii) In the event of default the Board of Directors shall have the right to call back the amount and/or charge additional markup as penalty.

(xi) 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 30-06-2014:

Net Sales	Rs. 3,638.908 Million
Equity- Net	Rs. 1,051.455 Million
Long term Loans and Lease	Rs. 223.962 Million
Current Ratio	0.984: 1
GP Ratio	18.73 %
Net Profit Ratio	4.21 %
Shareholding of Hira Textile Mills Ltd.	18.450 Million Shares or 46.90 %
Share of Profit to Hira Textile Mills Ltd.	Rs. 72.285 Million
Outstanding Balance of Running advances / Loan as on June 30, 2014	Nil
Maximum outstanding Balance of Running advance / Loan during the year 2013-2014.	Rs. 28.683Million

(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, 2014, can be inspected from 10.00 a.m. to 11.30 a.m. in all working days up-to October 22, 2014 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, 2014.

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)

	2014	2013
Net Sale	**4,775.20**	3,985.37
Gross Profit	**446.62**	535.24
Share of Profit of Hira Terry	**72.285**	56.32
Profit before taxation	**105.97**	150.27
Provision for taxation	**(27.05)**	(21.73)
Profit for the year	**133.07**	172.00
EPS - basic & diluted	**1.69**	2.19

By the grace of Almighty Allah your company has been able to make a profit of Rs 132.97 Million despite competition and global recessionary climate affecting all facets of business. Gross profit has decreased due to increased utility cost and inflationary pressure. Rupee appreciation against foreign currencies substantially reduced our export realization and competitveness. Share of profit of M/S Hira Terry associated company is Rs.72.28 Million as compared to last year Rs.56.32 Million. The profit of Hira Terry has increased due to increase in margins for value added products and superior marketing by our 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 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 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.2.773 millions on Construction of Waste collector and new Filter in comber room, and construction work in Mixing Hall department. The company has spent Rs. 0.674 millions on various constructions work in Store, canteen & laboratory. Rs. 13.061 millions for complete overhauling of one gas generator. The Company has added One Reiter metal detector, One Ring frame replaced with existing 2 old Ring frames with the cost of Rs. 23.212 millions and spent Rs. 59.88 millions on major over haling and maintenance. This will enhance production capacity and improve quality of our produced Yarn. With energy challenge being the most important, the management of the Company is planning to install 2 furnaces oil engines of 5.80 MW and 2 diesel generators of 3.2 megawatt capacity. The management is also adding 3 winding machines, 2 dyeing machines and replacing one Hydro extractor in the yarn dyeing section. This will increase our dyeing capacity from 90 ton per month to 150 ton per month, which is the value added part of the business.

Dividend

The Directors regret that due to low profit and challenges ahead because of which the Company is making large investments in BMR, 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 Rahman Sarfaraz Rahim Iqbal Rafiq (Chartered Accountants), a Member of Russell Bedford International, 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 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:

a. 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.

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

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

d. International accounting standards, as applicable in Pakistan have been followed in preparation of financial statements.

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

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

g. There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.

h. The value of investment of contributory provident fund as at June 30, 2014 amount to Rs. 12.164 Million.

i. The pattern of shareholding as at June 30, 2014 is annexed.

Audit Committee

The Board of Directors in compliance with the code of corporate governance has established an audit committee. 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.

a. Mr. Umar Virk - Director purchased 2,241,000 shares and sold 541,000 Shares.

b. Mr. Nadeem Aslam Butt- Director purchase 38,000 shares and Sold 512,500 Shares.

c. Mrs. Fatima Nadeem- Director Sold 1,168,000 Shares.

Board Meeting

During the year under review Six (6) meetings were held. Attendance by each Director is as follows:

Name of Director	Attendance
Muhammad Umar Virk	6 (Six)
Nadeem Aslam Butt	6 (Six)
Mrs. Shahnaz Umar	5 (Five)
Mr. Umair Umar	6 (Six)
Mrs. Fatima Nadeem	4 (Four)
Mrs. Sadiya Umair	6 (Six)
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 Rahman Sarfaraz Rahim Iqbal Rafiq (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, 2015.

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

NADEEM ASLAM BUTT
Chief Executive Officer

Lahore October 09, 2014

FINANCIAL SUMMARY

Amount Rs.(000)

	2014	2013	2012	2011	2010	2009
Net Sales	4,775,199	3,985,373	4,087,241	4,947,939	3,116,909	2,524,728
Cost of Sales	4,328,529	3,450,137	3,534,210	4,218,795	2,508,119	2,132,457
Gross profit	**446,670**	**535,236**	**553,031**	**729,144**	**608,790**	**392,272**
Administration Expenses	73,379	64,921	63,211	56,970	48,298	39,429
Selling Expences	54,092	72,921	63,685	71,203	42,834	41,594
Operating Profit	**319,199**	**397,394**	**426,134**	**600,971**	**517,657**	**311,248**
Other Operating Income	2,562	1,958	4,531	3,297	6	2,117
Profit before Interest & Taxation	**321,761**	**399,352**	**430,666**	**604,268**	**517,664**	**313,365**
Other Operating Expenses	2,197	6,963	14,635	19,794	23,769	208
Financial & Other Charges	285,867	298,442	295,903	326,067	263,526	341,029
Share of profit Hira Terry Mills Ltd.	72,285	56,322	51,619	18,287	47,211	40,105
Profit before Taxation	**105,982**	**150,269**	**171,747**	**276,694**	**277,579**	**12,233**
Provision for Taxation	(27,047)	(21,731)	31,954	56,960	28,751	10,355
Profit after Taxation (Net Profit)	**133,030**	**172,000**	**139,793**	**219,734**	**248,828**	**1,878**
Financial Position						
Current Assets	2,074,302	2,033,590	1,921,574	1,841,681	1,567,817	1,465,223
Current Liabilities	2,328,343	2,221,571	2,050,797	1,943,063	1,710,386	1,729,143
Operating Fixed Assets	1,948,545	1,956,540	1,645,180	1,631,012	1,480,325	1,500,810
Total Assets	4,542,919	4,443,263	3,962,309	3,811,610	3,356,841	3,223,464
Net Capital Employed	2,214,577	2,221,693	1,911,512	1,868,548	1,564,431	1,425,058
Long Term Debts	330,560	433,096	207,184	247,838	186,297	295,752
Share Holder,s Equity	1,762,143	1,629,113	1,528,665	1,460,424	1,312,242	1,063,414
Surplus on Revaluation on Fixed Assets	65,893	65,893	65,893	65,893	65,893	65,893
Break -up Value Per Share (Rupees)	22.39	22.77	21.36	20.41	18.34	14.86
Number of shares	78,707,200	71,552,000	71,552,000	71,552,000	71,552,000	71,552,000
Financial Ratios Analysis (Annualized)						
Current Ratio	0.89	0.92	0.94	0.95	0.92	0.85
Total Debt to Total Assets	7.28	9.75	5.23	6.50	5.55	9.17
Acid -Test Ratio	15.37	18.87	18.08	16.76	11.46	14.26
Debt Equity	16:84	21:79	11:89	13:87	12:88	21:79
Debt Coverage Ratio	1.09	1.22	1.21	1.48	1.54	0.82
Leverage Ratio	1.58	1.73	1.59	1.61	1.56	1.85
Interest Coverage Ratio	1.37	1.50	1.58	1.85	2.05	1.00
Fixed Assets Turnover	2.45	2.04	2.48	3.03	2.11	1.68
Total Assets Turnover	1.05	0.90	1.03	1.30	0.93	0.78
Per Share Results & returns						
Earning per Share	1.69	2.40	1.95	3.07	3.48	0.03
Return on Capital employed- net	6.01	7.74	7.31	11.76	15.91	0.13
Gross Profit to Sales	9.35%	13.43	13.53	14.80	19.53	15.54
Operating Profit To Sales	6.68	9.97	10.43	12.15	16.61	12.33
Net Income to Sale (Profit margin)	2.79	4.32	3.42	4.44	7.98	0.07
Return on Assets (ROA)	2.93	3.87	3.53	5.76	7.41	0.06

INFORMATION UNDER CLAUSE XVI(J) OF THE CODE CORPORATE GOVERNANCE
As at June 30, 2014

Description	Shares Held	%
Director, Chief Executive Officer, and their Spouse,and minor children.		
MR. MUHAMMAD UMAR VIRK	22,962,509	29.17
MR. UMAIR UMAR	5,339,513	6.78
MRS. SHAHNAZ UMAR	5,205,323	6.61
MRS. SADIYA UMAIR	5,125,395	6.51
FATIMA NADEEM	968	0.00
NADEEM ASLAM BUTT	50,642	0.06
MR. SHAUKAT NAZIR MALIK	880	0.00
	38,685,230	**49.15**
Associated Companies, undertakings and related parties. Adamjee Insurance Co.	**440,000**	0.56
Banks, Development Finance Institutions, Non Banking Financial Instuitions.	**676,500**	0.86
Joint Stock Cpmpanies	**10,621,866**	13.50
Modarabas nad Mutual Funds	Nil	
General Public	**27,272,625**	34.65
Local		-
Foreign	Nil	-
Others	**1,010,979**	1.28
	78,707,200	**100.00**

Shareholders holding 5% or more

MR. MUHAMMAD UMAR VIRK	22,962,509	29.17
MRS. UMAIRA OMAR	7,821,748	9.94
MR. UMAIR UMAR	5,339,513	6.78
MRS. SHAHNAZ UMAR	5,205,323	6.61
MRS. SADIYA UMAIR	5,125,395	6.51
MASOOD FABRICS LTD	5,093,300	6.47
MASOOD SPINNING MILLS LIMITED	4,190,200	5.32

FORM 34

Pattern of Shareholding
As at June 30, 2014

INCORPORATION No. 0023196

Share Holders	Shareholding From		Shareholding To	Total Shares Held
81	1	-	100	1,262
169	101	-	500	78,265
390	501	-	1000	342,485
760	1001	-	5000	2,262,298
257	5001	-	10000	2,186,571
117	10001	-	15000	1,577,343
65	15001	-	20000	1,218,150
50	20001	-	25000	1,200,000
25	25001	-	30000	726,900
15	30001	-	35000	494,500
12	35001	-	40000	474,000
8	40001	-	45000	345,000
28	45001	-	50000	1,385,000
9	50001	-	55000	479,142
9	55001	-	60000	525,550
1	60001	-	65000	61,000
6	65001	-	70000	415,000
7	70001	-	75000	511,875
5	75001	-	80000	391,500
3	80001	-	90000	267,000
11	90001	-	100000	1,100,000
1	100001	-	105000	102,000
3	105001	-	115000	340,800
3	115001	-	120000	353,500
2	120001	-	125000	250,000
2	125001	-	130000	259,500
1	130001	-	135000	130,500
1	135001	-	140000	137,500
1	140001	-	145000	142,000
2	145001	-	150000	300,000
1	150001	-	155000	153,000
1	155001	-	160000	158,500
1	160001	-	165000	160,500
1	165001	-	175000	175,000
1	175001	-	200000	200,000
1	200001	-	250000	250,000
1	250001	-	285000	282,500
1	285001	-	330000	327,000
1	330001	-	345000	342,500
1	345001	-	375000	372,000
1	375001	-	440000	440,000
1	440001	-	500000	500,000
1	500001	-	550000	550,000
1	550001	-	1015000	1,010,979
1	1015001	-	1700000	1,700,000
1	1700001	-	4195000	4,190,200
1	4195001	-	5095000	5,093,300
1	5095001	-	5130000	5,125,395
1	5130001	-	5210000	5,205,323
1	5210001	-	5335000	5,333,275
1	5335001	-	7825000	7,821,748
1	7825001	-	21260000	21,257,339
		-		
2066				**78,707,200**

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Regulation No.37 of the Listing Regulations of the Karachi Stock Exchange and Clause 49 (Chapter Vlll) of the Listing Regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the 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
Independent Director	Mr. Shaukat Nazir Malik
Executive Directors	Mr. Nadeem Aslam Butt, Mr. Usman Virk
Non-Executive Directors	Mr. Umair Umar Mrs. Shahnaz Umar Mrs. Sadiya Umair Mrs. Fatima Nadeem

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

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to any banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. There was no casual vacancy occurred in the Board.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended is being maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board in line with Article of association of the Company.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once every quarter. Written notices of the Board meetings, along with agenda, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. During this year, Mr. Umar Virk, Chairman / Director has completed the Director's Training Program and become the certified Director from ICAP(The institute of Chartered Accountants of Pakistan.
10. The board approved the appointment of the Internal Auditors of the Company including their remuneration and terms and conditions of employment. The company's CFO and Company Secretary were appointed prior to the listing of the Company and for a new appointment to these positions in future, compliance with CCG will be ensured.
11. The Directors Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The CEO and CFO duly endorsed the financial statements of the Company before approval by the Board.

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

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

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

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 which is considered suitably qualified and experience for the purpose and is conversant with the policies and procedures of the Company.

19 The related party transactions and pricing methods have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions.

20 The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares in the Company.

21 The statutory auditors and persons associated with them have not been appointed to provide any other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

22 The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.

23 Material/ price sensitive information has been disseminated among all market participants at once through stock exchange.

24 We confirm that all other material principles contained in the CCG have been complied.

For and on behalf of the Board

NADEEM ASLAM BUTT
Chief Executive Officer

Lahore October 09, 2014

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** for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No 35 of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the 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, 2014.**

Rahman Sarfaraz Rahim Iqbal Rafiq

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

Engagement Partner: ***ZUBAIR IRFAN MALIK***

Date: ***OCTOBER 09, 2014***
Place: ***LAHORE***

Auditors' Report to the Members

We have audited the annexed balance sheet of **HIRA TEXTILE MILLS LIMITED** ("the Company") as at June 30, 2014 and the related profit and loss account/statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose 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. The financial statements of the Company for the year ended June 30, 2013 were audited by another auditor whose report dated October 08, 2013 expressed an unqualified opinion on those financial statements..

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

a) in our opinion, proper books of accounts 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 accounts and are further in accordance with accounting policies consistently applied, except for the change referred to in note 5 to the financial statements, with which, we concur;

   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 comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit, other comprehensive income, its 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.).

Rahman Sarfaraz Rahim Iqbal Rafiq

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

Engagement Partner: ***ZUBAIR IRFAN MALIK***

Date: ***OCTOBER 09, 2014***
Place: ***LAHORE***

Balance sheet
as at June30, 2014

	Note	2014	2013
		Rupees	*Rupees*
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
80,000,000 (2013: 75,000,000) ordinary shares of Rs. 10 each		**800,000,000**	750,000,000
Issued, subscribed and paid-up capital	7	**787,072,000**	715,520,000
Capital reserve	8	**82,500,000**	82,500,000
Accumulated profit		**892,612,468**	831,093,349
TOTAL EQUITY		**1,762,184,468**	1,629,113,349
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	9	**65,892,542**	65,892,542
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term finances	10	**328,914,284**	428,757,142
Liabilities against assets subject to finance lease	11	**1,645,771**	4,338,458
Deferred liabilities	12	**55,984,217**	93,591,207
		386,544,272	526,686,807
CURRENT LIABILTIES			
Trade and other payables	13	**404,640,979**	436,354,487
Short term borrowings	14	**1,706,400,436**	1,553,671,851
Accrued interest/mark-up	15	**84,895,356**	89,954,068
Current portion of non-current liabilities	16	**104,482,343**	141,590,117
		2,300,419,114	2,221,570,523
TOTAL LIABILITIES		**2,686,963,386**	2,748,257,330
CONTINGENCIES AND COMMITMENTS	17	**-**	-
TOTAL EQUITY AND LIABILITIES		**4,515,040,396**	4,443,263,221

The annexed notes from 1 to 52 form an integral part of these financial statemements.

CHIEF EXECUTIVE **CHAIRMAN/DIRECTOR**

Balance sheet
as at June30, 2014

	Note	2014	2013
		Rupees	*Rupees*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	18	**1,948,545,364**	1,956,539,688
Long term investments	19	**493,376,313**	421,091,330
Long term deposits - *Unsecured, Considered good*	20	**26,695,548**	32,041,918
		2,468,617,225	2,409,672,936
CURRENT ASSETS			
Stores, spares and loose tools	21	**167,360,507**	145,377,352
Stock in trade	22	**1,509,707,315**	1,545,710,707
Trade debts	23	**142,892,979**	131,419,342
Advances, deposits, prepayments and other receivables	24	**51,554,709**	74,316,910
Advance income tax	25	**131,890,597**	90,234,324
Sales tax refundable		**27,083,525**	25,120,638
Cash and bank balances	26	**15,933,539**	21,411,012
		2,046,423,171	2,033,590,285
TOTAL ASSETS		**4,515,040,396**	4,443,263,221

The annexed notes from 1 to 52 form an integral part of these financial statemements.

CHIEF EXECUTIVE **CHAIRMAN/DIRECTOR**

Profit and loss account/Statement of other comprehensive income
for the year ended June 30, 2014

	Note	2014	2013
		Rupees	*Rupees*
			(restated)
PROFIT FOR THE YEAR			
Sales - *net*	*27*	**4,775,198,997**	3,985,372,655
Cost of sales	*28*	**(4,328,582,090)**	(3,441,951,170)
Gross profit		**446,616,907**	543,421,485
Distribution cost	*29*	**(54,092,404)**	(72,921,485)
Administrative expenses	*30*	**(73,314,280)**	(64,920,759)
		(127,406,684)	(137,842,244)
Other income	*31*	**2,561,771**	1,958,421
Operating profit		**321,771,994**	407,537,662
Finance cost	*32*	**(285,866,635)**	(298,442,275)
Other charges	*33*	**(2,216,962)**	(6,962,780)
		33,688,397	102,132,607
Share of profit of jointly controlled entity	*19*	**72,284,983**	56,321,770
Profit before taxation		**105,973,380**	158,454,377
Taxation	*34*	**27,047,459**	21,217,211
Profit after taxation		**133,020,839**	179,671,588
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit obligation	*12.1.3*	**53,195**	(8,185,523)
Taxation relating to remeasurements of defined benefit obligation	*12.2*	**(2,915)**	513,969
		50,280	(7,671,554)
Other comprehensive income/(loss)		**50,280**	(7,671,554)
Total comprehensive income		**133,071,119**	172,000,034
Earnings per share - *basic and diluted*	*35*	**1.69**	2.19

The annexed notes from 1 to 52 form an integral part of these financial statemements.

CHIEF EXECUTIVE

CHAIRMAN/DIRECTOR

Cash flow statement
for the year ended June 30, 2014

	Note	2014	2013
		Rupees	*Rupees*
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	36	**409,787,563**	593,068,326
Payments for:			
Employees retirement benefits		**(13,351,421)**	(12,192,269)
Interest/markup on borrowings		**(278,772,803)**	(278,530,689)
Income tax		**(46,148,158)**	(45,444,785)
Net cash generated from operating activities		**71,515,181**	256,900,583
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(109,000,869)**	(424,829,053)
Proceeds from disposal of property, plant and equipment		**4,700,000**	25,543,500
Net cash used in investing activities		**(104,300,869)**	(399,285,553)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finances obtained		**-**	370,761,182
Repayment of long term finances		**(120,871,845)**	(83,477,236)
Repayment of liabilities against assets subject to finance lease		**(9,875,346)**	(12,749,421)
Net increase/(decrease) in short term borrowings		**152,728,585**	(70,978,387)
Net decrease/(increase) in long term deposits with financial institutions		**5,346,370**	(1,256,852)
Dividend paid		**(19,549)**	(74,798,634)
Net cash generated from financing activities		**27,308,215**	127,500,652
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(5,477,473)**	(14,884,318)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**21,411,012**	36,295,330
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	37	**15,933,539**	21,411,012

The annexed notes from 1 to 52 form an integral part of these financial statemements.

CHIEF EXECUTIVE **CHAIRMAN/DIRECTOR**

Statement of changes in equity
for the year ended June 30, 2014

	Share capital	Reserves		
	Issued subscribed and paid-up capital	Capital reserve	Accumulated profit	Total equity
	Rupees	*Rupees*	*Rupees*	*Rupees*
Balance as at July 01, 2012	715,520,000	82,500,000	730,645,315	1,528,665,315
Comprehensive income - (*restated*)				
Profit after taxation	-	-	179,671,588	179,671,588
Other comprehensive income/(loss) - *(restated)*	-	-	(7,671,554)	(7,671,554)
Total comprehensive income - *(restated)*	-	-	172,000,034	172,000,034
Transaction with owners				
Final dividend Rs. 1.0 per ordinary share	-	-	(71,552,000)	(71,552,000)
Balance as at June 30, 2013 - *(restated)*	715,520,000	82,500,000	831,093,349	1,629,113,349
Comprehensive income				
Profit after taxation	**-**	**-**	**133,020,839**	**133,020,839**
Other comprehensive income	**-**	**-**	**50,280**	**50,280**
Total comprehensive income	**-**	**-**	**133,071,119**	**133,071,119**
Transaction with owners				
Issue of bonus shares at @ 1 bonus share for ten ordinary shares held	**71,552,000**	**-**	**(71,552,000)**	**-**
Balance as at June 30, 2014	**787,072,000**	**82,500,000**	**892,612,468**	**1,762,184,468**

The annexed notes from 1 to 52 form an integral part of these financial statemements.

CHIEF EXECUTIVE **CHAIRMAN/DIRECTOR**

Notes to and forming part of financial statements
for the year ended June 30, 2014

1 REPORTING ENTITY

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

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 and the requirements of Companies Ordinance, 1984. 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 prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for employees retirement benefits liabilities measured at present value, investment in jointly controlled entity measured using equity method and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.3 Judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

2.3.1 *Depreciation method, rates and useful lives of property, plant and equipment*

The Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

2.3.2 *Recoverable amount and impairment*

The management of the Company reviews carrying amounts of its assets for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.3.3 *Obligation under defined benefit plan*

The Company's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation. These assumptions are determined periodically by independent actuaries.

Notes to and forming part of financial statements
for the year ended June 30, 2014

2.3.4 ***Taxation***

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax. Provision for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

2.3.5 ***Provisions***

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.3.6 ***Revaluation of property, plant and equipment***

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

2.4 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR.

3.1 The following new and revised standards, interpretations and amendments are effective during the year and are relevant to the Company.

Amendments to IAS 1 - Presentation of Financial Statements (as part of the Annual Improvements 2009-2011 Cycle)

The annual improvements to IFRS 2009-2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Company are the amenments to IAS 1 - Presentation of Financial Statements regarding when a balance sheet as at the beginning of the preceding period (third balance sheet) is required to be presented. The amendments specify that a third balance sheet is required when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements and that retrospective application, restatement or reclassification has a material effect on the information in the third balance sheet. The amendments specify that the related notes are not required to accompany the third balance sheet.

During the year, the Company has applied IAS 19 – Employee Benefits (Revised 2011), however, **a third balance sheet as at June 30, 2012 has not been presented as the retrospective application has no effect on the balance sheet.**

IAS 19 – Employee Benefits (Revised 2011)

The revised standard:

- Requires the recognition of changes in the net defined benefit liability/asset including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of re-measurements in other comprehensive income, plan amendments, curtailments and settlements, and eliminates the option that allowed entities to defer the recognition of changes in net defined benefit liability under the '10% Corridor Approach'.

- Introduces enhanced disclosures about defined benefit plans.

- Modifies accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination.

- Clarifies various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features.

Notes to and forming part of financial statements
for the year ended June 30, 2014

The Company has adopted and applied the revised standard which has resulted in change in accounting policy as referred to in note 5.

3.2 The following new and revised standards, interpretations and amendments are effective during the year and are either not relevant to the Company or do not have any material impact on these financial statements.

IAS 27 - Separate Financial Statements (Revised 2011)

The revised standard supersedes IAS 27 - Consolidated and Separate Financial Statements (Revised 2008). The revised standard carries forward existing accounting and disclosure requirements for separate financial statements with some minor clarifications. The revised standard is not relevant to the Company.

IAS 28 - Investments in Associates and Joint Ventures (Revised 2011)

The revised standard supersedes IAS 28 - Investments in Associates (Revised 2008) and makes amendments to apply IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations to investment, or a portion thereof, in an associate or joint venture, that meets the criteria to be classified as held for sale. The revised standard does not have any material impact on the Company's financial statements.

Annual Improvements 2009-2011

The 2009-2011 cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

- ***IFRS 1 – First-time Adoption of International Financial Reporting Standards***

  The amendments clarify that an entity may apply IFRS 1 if its most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with International Financial Reporting Standards even if the entity applied IFRS 1 in the past. The amendments are not relevant to the Company.

- ***IAS 16 - Property, Plant and Equipment***

  The amendments clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments do not have any material impact on the Company's financial statements.

- ***IAS 32 - Financial Instruments: Presentation***

  The amendments clarify that IAS 12 - Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendments remove a perceived inconsistency between IAS 32 and IAS 12. The amendments do not have any material impact on the Company's financial statements.

- ***IAS 34 - Interim Financial Reporting***

  The amendments align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 - Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments do not have any material impact on the Company's financial statements.

Notes to and forming part of financial statements
for the year ended June 30, 2014

Government Loans (Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards)

The amendments address how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to International Financial Reporting Standards. The amendments are not relevant to the Company.

Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7 - Financial Instruments: Disclosures)

The amendments contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendments do not have any material impact on the Company's financial statements.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32 - Financial Instruments: Presentation)

The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments do not have any material impact on the Company's financial statements.

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities)

The amendments provide transitional relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period. The amendments are not relevant to the Company.

IFRIC 20 - Stripping Cost in the Production Phase of a Surface Mining (2011)

The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The interpretation is not relevant to the Company.

3.3 The following new standards are effective during the year but have been notified for adoption by the Securities and Exchange Commission of Pakistan under section 234 of the Companies Ordinance, 1984 for annual periods beginning on or after January 01, 2015.

IFRS 10 – Consolidated Financial Statements (2011)

The standard replaces those parts of IAS 27 - Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special Purpose Entities.

IFRS 11 - Joint Arrangements (2011)

The standard supersedes IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Venturers.

IFRS 12 - Disclosure of Interests in Other Entities (2011)

The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13 - Fair Value Measurement (2011)

The standard replaces the guidance on fair value measurement in various existing standards with a single standard.

Notes to and forming part of financial statements
for the year ended June 30, 2014

4 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT EFFECTIVE.

The following new and revised standards, interpretations and amendments are in issue, which are not effective as at the reporting date. These are not expected to have any significant impact on the financial statements of the Company, except for enhanced disclosures in certain cases.

IFRS 9 – Financial Instruments: Classification and Measurement (2014)

The revised standard incorporates new requirements for the classification and measurement of financial instruments and carries over existing derecognition requirements from IAS 39 - Financial Instruments: Recognition and Measurement. The standard is effective for annual periods beginning on or after January 01, 2018.

IFRS 14 – Regulatory Deferral Accounts (2014)

The standard allows first-time adoptors of IFRS to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. The standard is effective for annual periods beginning on or after January 01, 2017.

IFRS 15 – Revenue from Contracts with Customers (2014)

The standard provides a single, principles based five-step model to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The standard is effective for annual periods beginning on or after January 01, 2017.

Investment Entities (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements

The amendments provide exemption from consolidation of particular subsidiaries by certain entities defined as "Investment Entities" and require additional disclosures where such subsidiaries are excluded from consolidation pursuant to exemption. The amendments are effective for annual periods beginning on or after January 01, 2014.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36 – Impairment of Assets)

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and introduce an explicit requirement to disclose the discount rate used in determining impairment or reversals where recoverable amount is determined using a present value technique. The amendments are effective for annual periods beginning on or after January 01, 2014.

Novation of Derivative and Continuation of Hedge Accounting (Amendments to IAS 39 – Financial Instruments: Recognition and Measurement)

The amendments clarify that there is no need to discontinue hedge accounting if a hedge derivative is novated provided certain criteria are met. The amendments are effective for annual periods beginning on or after January 01, 2014.

Contributions from employees or third parties (Amendments to IAS 19 – Employee Benefits)

The amendments narrow scope amendments applicable to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective for annual periods beginning on or after July 01, 2014.

Notes to and forming part of financial statements
for the year ended June 30, 2014

Offsetting financial assets and financial liabilities (Amendments to IAS 32 – Financial Instruments: Presentation)

The amendments update the application guidance in IAS 32 to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendments are effective for annual periods beginning on or after January 01, 2014.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 – Joint Arrangements)

The amendments update the application guidance in IAS 32 to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendments are effective for annual periods beginning on or after January 01, 2016.

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets)

The amendments clarify the use of certain acceptable methods of depreciation and amortization. The amendments are effective for annual periods beginning on or after January 01, 2016.

Bearer Plants (Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture)

The amendments allows bearer plants; living plants that are used in the production or supply of agricultural produce, which are expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, to be accounted for under IAS 16 – Property, Plant and Equipment, and clarify that the produce growing on bearer plants remains within the scope of IAS 41 - Agriculture. The amendments are effective for annual periods beginning on or after January 01, 2016.

Annual Improvements 2010-2012 (applicable to annual periods beginning on or after July 01, 2014)

The 2010-2012 cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

- ***IFRS 2 – Share-based Payment***

  The amendments amend the definition of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

- ***IFRS 3 – Business Combinations***

  The amendments require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

- ***IFRS 8 –Operating Segments***

  The amendments require disclosure of the judgements made by the management in applying the aggregation criteria to operating segments and clarify that reconciliations of segment assets are required only if segment assets are reported regularly.

- ***IFRS 13 – Fair Value Measurement***

  The amendments clarify that issuing IFRS 13 – Fair Value Measurement and amending IFRS 9 – Financial Instruments: Disclosures and IAS 39 – Financial Instruments: Recognition and Measurement did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis.

- ***IAS 16 – Property, Plant and Equipment***

  The amendments clarify that the amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

- ***IAS 24 – Related Parties***

  The amendments clarify how payments to entities providing management services are to be disclosed.

Notes to and forming part of financial statements
for the year ended June 30, 2014

Annual Improvements 2011-2013 (applicable to annual periods beginning on or after July 01, 2014)

The 2011-2013 cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

- ***IFRS 1 – First-time Adoption of International Financial Reporting Standards***

  The amendments clarify which versions of IFRSs can be used on initial adoption.

- ***IFRS 3 – Business Combinations***

  The amendments clarify that the standard exludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

- ***IFRS 13 – Fair Value Measurement***

  The amendments clarify the scope of portfolio exception.

- ***IAS 40 – Investment Property***

  The amendments clarifying the interrelationship of IFRS 13 – Fair Value Measurement and IAS 40 – Investment Property when classifying property as investment property or owner-occupied property.

5 CHANGE IN ACCOUNTING POLICY

During the year, the Company has adopted and applied IAS 19 – Employee Benefits (Revised 2011) which has resulted in change accounting policy of the Company for Defined Benefit Plans. Earlier actuarial gains/losses were recognized using the 10% corridor approach. Following the application of the revised standard all remeasurements of defined benefit obligation are recognized in other comprehensive income in the period in which they occur. The change has been applied retrospectively. The impact of retrospective application is as follows:

	2014	2013
	Rupees	*Rupees*
Impact on profit or loss		
Increase/(decrease) in cost of sales	**53,195**	(8,185,523)
(Increase)/decrease in deferred tax expense	**(2,915)**	513,969
Decrease/(Increase) in profit after taxation	**50,280**	(7,671,554)
Impact on other comprehensive income		
Increase/(decrease) in remeasurement of defined benefit obligation	**53,195**	(8,185,523)
(Increase)/decrease in deferred tax expense on remeasurement of defined benefit obligation	**(2,915)**	513,969
Increase/(decrease) in other comprehensive income	**53,195**	(8,185,523)
Impact on earnings per share		
(Decrease)/increase in earnings per share	**(0.001)**	0.107
Impact on liabilities	**-**	-
Impact on equity	**-**	-
Impact on assets	**-**	-

Notes to and forming part of financial statements
for the year ended June 30, 2014

6 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, with the exception of change referred to in note 5.

6.1 Property, plant and equipment

6.1.1 Operating fixed assets

Operating fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is stated at revalued amount, and buildings on freehold land and plant and machinery which are carried at revalued amounts less accumulated depreciation. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Major renewals and improvements to operating fixed assets are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of operating fixed assets are recognized in profit or loss as incurred.

The Company recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note 18.1 to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets is recognized in profit or loss.

6.1.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the cost of material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of operating fixed assets. These costs are transferred to operating fixed assets as and when related items become available for intended use.

6.2 Surplus / deficit arising on revaluation of property, plant and equipment

Surplus arising on revaluation of items of property, plant and equipment is carried on balance sheet after reversing deficit relating to the same item previously recognized in profit or loss, if any. Deficit arising on revaluation is recognized in profit or loss after reversing the surplus relating to the same item previously carried on balance sheet, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to accumulated profit every year, through statement of other comprehensive income.

6.3 Stores, spares and loose tools

These are generally held for internal use and are valued at cost. Cost is determined on the basis of weighted average except for items in transit, which are valued at invoice price plus related cost incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil. Spare parts held exclusively for capitalization are classified as property, plant and equipment.

6.4 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:

Notes to and forming part of financial statements
for the year ended June 30, 2014

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

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

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

6.5 Employee benefits

6.5.1 Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

6.5.2 Post-employment benefits

6.5.2(a) Defined benefit plan

The Company operates an unfunded gratuity scheme for all its employees at mill who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss with the exception of remeasurements which are recognized in other comprehensive income. The amount recognized on balance sheet represents the present value of defined benefit obligation. The details of the scheme are referred to in note 12.1 to the financial statements.

6.5.2(b) Defined contribution plan

The Company operates an provident fund scheme for all its employees at head office who have completed the minimum qualifying service period. Equal monthly contributions are made both by the Company and the employees at the rate of 8.33% of basic salary. Contributions are recognized in profit or loss.

6.6 Financial instruments

6.6.1 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

6.6.2 Classification

The Company classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Company determines the classification of its financial assets and liabilities at initial recognition.

6.6.2(a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets.

Notes to and forming part of financial statements
for the year ended June 30, 2014

6.6.2(b) Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities.

6.6.3 Measurement

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

6.6.4 De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit or loss.

6.6.5 Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

6.7 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

6.8 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

6.9 Finance leases

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are classified as 'operating fixed assets'. On initial recognition, these are measured at cost, being an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation, subsequent expenditure, de-recognition, and gains and losses on de-recognition are accounted for in accordance with the respective policies for operating fixed assets. Liabilities against assets subject to finance lease and deposits against finance lease are classified as 'financial liabilities at amortized cost' and 'loans and receivables' respectively, however, since they fall outside the scope of measurement requirements of IAS 39 'Financial Instruments - Recognition and Measurement', these are measured in accordance with the requirements of IAS 17 'Leases'. On initial recognition, these are measured at cost, being their fair value at the date of commencement of lease, less attributable transaction costs. Subsequent to initial recognition, minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Deposits against finance leases, subsequent to initial recognition are carried at cost.

Notes to and forming part of financial statements
for the year ended June 30, 2014

6.10 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 or loss on a straight line basis over the lease term.

6.11 Ijarah transactions

Ujrah payments under an Ijarah are recognized as an expense in the profit or 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.

6.12 Trade and other payables

6.12.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

6.12.2 Non-financial liabilities

These, both on initial recognition and subsequently, are measured at cost.

6.13 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

6.14 Trade and other receivables

6.14.1 Financial assets

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

6.14.2 Non-financial assets

These, both on initial recognition and subsequently, are measured at cost.

6.15 Investment in jointly controlled entities

Investments in equity instruments of jointly controlled entities are initially recognized at cost. Subsequent to initial recognition these measured at Company's share of nets assets of jointly controlled entity using equity method.

6.16 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer. Transfer of risks and rewards vary depending on the individual terms of the contract of sale. Transfer usually occurs on dispatch of goods to customers.

Notes to and forming part of financial statements
for the year ended June 30, 2014

6.17 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards, and is presented in 'statement of profit or loss and other comprehensive income'.

6.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

6.19 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

6.19.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

6.19.2 Deferred taxation

Deferred tax is accounted for using the' balance sheet approach' providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by The Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

6.20 Earnings per share ('EPS')

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 year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

6.21 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. These are classified as 'loans and receivables' and are carried at cost.

Notes to and forming part of financial statements
for the year ended June 30, 2014

6.22 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

6.23 Impairment

6.23.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset’s carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

6.23.2 Non-financial assets

The carrying amount of the Company’s non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determining the recoverable amount. An impairment loss is reversed only to that extent that the asset’s carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

6.24 Dividend distribution to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Company’s financial statements in the year in which the dividends are approved by the Company’s shareholders.

Notes to and forming part of financial statements
for the year ended June 30, 2014

	2014	2013
	Rupees	*Rupees*

7 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 10 each		
48,000,000 (2013: 48,000,000) shares issued for cash	**480,000,000**	480,000,000
30,707,200 (2013: 23,552,000) shares issued as fully paid bonus shares	**307,072,000**	235,520,000
	787,072,000	715,520,000

7.1 During the year, the Company issued 7,155,200 ordinary shares as fully paid bonus shares at one bonus share for every ten existing shares held. These shares have been issued pursuant to ordinary dividend approved by the shareholders of the Company for the year ended June 30, 2013.

8 CAPITAL RESERVE

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 rights offer in previous years.

9 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

This represent surplus on revaluation of freehold land.

	Note	2014	2013
		Rupees	*Rupees*

10 LONG TERM FINANCES

These represent finances obtained from:			
Banking companies - *secured*	*10.1*	**163,914,284**	253,857,142
Directors and sponsors - *unsecured*	*10.2*	**165,000,000**	174,900,000
		328,914,284	428,757,142

10.1 Banking companies - *secured*

The Bank of Punjab - I	*10.1.1*	**7,500,000**	37,500,000
The Bank of Punjab - II	*10.1.2*	**4,999,584**	25,000,000
MCB Bank Limited - I	*10.1.3*	**24,600,000**	36,900,000
Habib Bank Limited	*10.1.4*	**18,000,000**	30,000,000
Bank Alfalah Limited	*10.1.5*	**170,000,000**	210,000,000
MCB Bank Limited - II	*10.1.6*	**39,428,571**	46,000,000
		264,528,155	385,400,000
Current portion presented under current liabilities	*16*	**(100,613,871)**	(131,542,858)
		163,914,284	253,857,142

Notes to and forming part of financial statements
for the year ended June 30, 2014

10.1.1 The finance has been obtained from The Bank of Punjab to facilitate early repayment of term finance certificates and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at six months KIBOR plus 3% per annum (2013 six months KIBOR plus 3% per annum) subject to a floor of 12%, payable semi-annually. The finance is repayable in twenty equal quarterly installments with the first installment due in September 2008.

10.1.2 The finance has been obtained from The Bank of Punjab to finance capital expenditure and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at six months KIBOR plus 3% per annum (2013 six months KIBOR plus 3% per annum), payable semi-annually. The finance is repayable in twenty equal quarterly installments with the first installment due in September 2008.

10.1.3 The finance has been obtained from MCB Bank Limited for financial restructing and is secured by charge 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 (2013: three months KIBOR plus 3% per annum), payable semi-annually. The finance is repayable in twenty equal quarterly installments with the first installment due in January 2011.

10.1.4 The finance has been obtained from Habib Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at six months KIBOR plus 3% per annum (2013: 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.

10.1.5 The finance has been obtained from Bank Alfalah Limited to finance capital expenditure and is secured by charge 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 (2013: three months KIBOR plus 3% per annum), payable semi-annually. The finance is repayable in twenty one equal quarterly installments with the first installment due in May 2013.

10.1.6 The finance has been obtained from MCB Bank Limited to finance capital expenditure and is secured by charge 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 (2013: three months KIBOR plus 3% per annum), payable semi-annually. The finance is repayable in seven equal semi-annual installments with the first installment due in November 2013.

10.1.7 For mortgages and charges on assets as security for liabilities, refer to note 42 to the financial statements.

10.2 Directors and sponsors - *unsecured*

These represent finances obtained from directors and sponsors of the Company and is unsecured. The finance carries markup at six months KIBOR plus 2.25% per annum (2013: six months KIBOR plus 2.25% per annum). The lenders on their sole discretion may waive full or partial payment of markup on these finances.

	Note	**2014**	2013
		Rupees	*Rupees*
11 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of minimum lease payments	*11.1 & 11.2*	**5,514,243**	14,385,717
Current portion presented under current liabilities	*11.1 & 11.2*	**(3,868,472)**	(10,047,259)
		1,645,771	4,338,458

Notes to and forming part of financial statements
for the year ended June 30, 2014

11.1 These represent vehicles and machinery acquired under finance lease arrangements. The leases are priced at three months KIBOR plus 2% per annum (2013: three to six months KIBOR plus 2% per annum). Lease rentals are payable quarterly over a tenor ranging from 2 to 3 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.

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

	Note	2014	2013
		Rupees	*Rupees*
Not later than one year		**4,243,426**	11,234,813
Later than one year but not later than five years		**1,678,264**	4,529,985
Total future minimum lease payments		**5,921,690**	15,764,798
Finance charge allocated to future periods		**(407,447)**	(1,379,081)
Present value of future minimum lease payments		**5,514,243**	14,385,717
Not later than one year	*16*	**(3,868,472)**	(10,047,259)
Later than one year but not later than five years		**1,645,771**	4,338,458

11.3 Liabilities against assets subject to finance lease include Rs. 1,034,000 (2013: Rs. nil) payable against acquisition of vehicles provided to employees of the Company. The rental payments are recoverable from respective employees through deduction from monthly salaries in accordance with the Company's policy.

	Note	2014	2013
		Rupees	*Rupees*
12 DEFERRED LIABILITIES			
These include the following:			
Employees retirement benefits	*12.1*	**14,966,673**	21,037,234
Deferred taxation	*12.2*	**41,017,544**	72,553,973
		55,984,217	93,591,207

12.1 Employees retirement benefits

The amount recognized on balance sheet represents present value of defined benefit obligation.

Notes to and forming part of financial statements
for the year ended June 30, 2014

	Note	2014	2013
		Rupees	*Rupees*
12.1.1 Movement in present value of defined benefit obligation			
As at beginning of the year		**21,037,234**	15,484,713
Charged to profit or loss for the year	*12.1.2*	**7,334,055**	9,559,267
Benefits paid during the year		**(13,351,421)**	(12,192,269)
Actuarial (gain)/loss arising during the year		**(53,195)**	8,185,523
As at end of the year		**14,966,673**	21,037,234
12.1.2 Charge to profit or loss			
Current service cost		**5,125,145**	7,391,407
Interest cost		**2,208,910**	2,167,860
		7,334,055	9,559,267
12.1.3 Remeasurements recognized in other comprehensive income			
Actuarial (gain)/loss arising from changes in:			
Demographic assumptions		**(1,535)**	-
Financial assumptions		**-**	-
Experience adjustments		**(51,660)**	8,185,523
		(53,195)	8,185,523

12.1.4 Principal actuarial assumptions

Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at the reporting date is based on actuarial valuation carried out by independent actuaries. The principal assumptions used in determining present value of defined benefit obligation are:

	2014	2013
Discount rate	**13.25%**	10.5%
Expected rates of increase in salary	**12.25%**	9.5%
Expected average remaining working lives	**7 years**	5 years

12.1.5 Sensitivity analysis

An analysis of sensitivity for discount rate and expected rate of increase in salary used to determine the present value of defined benefit obligation as at the reporting date showing how the defined benefit obligation would have been affected by changes in relevant actuarial assumption that were reasonably possible at that date is as follows:

Notes to and forming part of financial statements
for the year ended June 30, 2014

	Change in actuarial assumption	Defined benefit obligation
		Rupees
Discount rate	+ 1%	13,102,271
	- 1%	17,179,584
Expected rates of increase in salary	+ 1%	17,179,584
	- 1%	13,071,553

A change in expected remaining working lives of employees is not expected to have a material impact on the present value of defined benefit obligation. Accordingly, the sensitivity analysis for the same has not been carried out.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of defined benefit obligation as at the reporting date has been calculated using projected unit credit method, which is the same as that applied in calculating the defined benefit obligation to be recognized in these financial statements.

12.1.7 Risk factors

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

Interest risk: The discount rate used in determination of present value of defined benefit obligation has been determined by reference to market yield at the reporting date on Pakistan Investment Bonds since there is no deep market in long term corporate bonds in Pakistan. An increase in market yield resulting in a higher discount rate will decrease in the defined benefit liability.

Longevity risk: The present value of defined benefit obligation is calculation by reference to the best estimate of the expected remaining working lives of the employees. An increase in the expected remaining working lives will increase the defined benefit obligation. However, the increase is not expected to be material.

Salary risk: The present value of defined benefit obligation is calculation by reference to future salaries of employees. An increase in salary of employees will increase the defined benefit obligation.

	Note	**2014**	2013
		Rupees	*Rupees*
12.2 Deferred taxation			
Deferred tax liability on taxable temporary differences	*12.2.1*	**72,179,916**	87,501,358
Deferred tax asset on deductible temporary differences	*12.2.1*	**(31,162,372)**	(14,947,385)
		41,017,544	72,553,973

Notes to and forming part of financial statements
for the year ended June 30, 2014

12.2.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2014			
	As at July 01 *Rupees*	Recognized in profit or loss *Rupees*	Recognized in equity *Rupees*	As at June 30 *Rupees*
Deferred tax liabilities				
Operating fixed assets - owned	79,411,745	(11,250,048)	-	68,161,697
Operating fixed assets - leased	8,089,613	(4,071,394)	-	4,018,219
	87,501,358	(15,321,442)	-	72,179,916
Deferred tax assets				
Employees retirement benefits	(1,402,718)	579,611	2,915	(820,192)
Unused tax credits	(13,544,667)	(16,797,513)	-	(30,342,180)
	(14,947,385)	(16,217,902)	2,915	(31,162,372)
	72,553,973	(31,539,344)	2,915	41,017,544

	2013			
	As at July 01 *Rupees*	Recognized in profit or loss *Rupees*	Recognized in equity *Rupees*	As at June 30 *Rupees*
Deferred tax liabilities				
Operating fixed assets - owned	85,736,882	(6,325,137)	-	79,411,745
Operating fixed assets - leased	9,897,810	(1,808,197)	-	8,089,613
	95,634,692	(8,133,334)	-	87,501,358
Deferred tax assets				
Employees retirement benefits	(1,349,539)	460,790	(513,969)	(1,402,718)
Unused tax credits	-	(13,544,667)	-	(13,544,667)
	(1,349,539)	(13,083,877)	(513,969)	(14,947,385)
	94,285,153	(21,217,211)	(513,969)	72,553,973

12.2.2 Revenue from export sales of the Company is subject to taxation under the final tax regime, while the remaining portion of revenue attracts assessment under normal provisions of the Ordinance. Deferred tax is provided for only that portion of timing differences that represent income taxable under normal provisions of the Ordinance. These differences are calculated at that proportion of total timing differences that the local sales, other than the indirect exports taxable under section 154 (3) of the Ordinance, bear to the total sales revenue based on historical and future trends. Deferred tax has been calculated at 33% (2013: 35%) of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.

Notes to and forming part of financial statements
for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
13 TRADE AND OTHER PAYABLES			
Trade creditors - *Unsecured*		**214,008,746**	129,530,100
Accrued liabilities		**60,075,404**	90,765,428
Advances from customers - *Unsecured*		**371,246**	47,108,044
Due to jointly controlled entity	*13.1*	**109,910,679**	146,137,742
Workers' Profit Participation Fund	*13.2*	**2,498,188**	5,251,459
Workers' Welfare Fund	*13.3*	**14,881,442**	14,646,891
Unclaimed dividend		**2,895,274**	2,914,823
		404,640,979	436,354,487

13.1 This carries mark-up at 12.5% (2013: 12.5% to 14%) per annum. The maximum aggregate amount due at the end of any month during the year was Rs. 138.327 million (2013: Rs. 149.029 million).

	Note	2014 Rupees	2013 Rupees
13.2 Workers' Profit Participation Fund			
As at beginning of the year		**5,251,459**	6,852,845
Interest on funds utilized by the Company	*13.2.1*	**564,856**	-
Charged to profit or loss for the year	*33*	**1,814,411**	5,045,493
Paid during the year		**(5,132,538)**	(6,646,879)
As at end of the year		**2,498,188**	5,251,459

13.2.1 Interest is charged at 13% (2013: nil) per annum.

	Note	2014 Rupees	2013 Rupees
13.3 Workers' Welfare Fund			
As at beginning of the year		**14,646,891**	12,729,604
Charged to profit or loss for the year	*33*	**234,551**	1,917,287
Paid during the year		**-**	-
As at end of the year		**14,881,442**	14,646,891

14 SHORT TERM BORROWINGS

These represent secured short term finances utilized under interest/mark-up arrangements from banking companies

	Note	2014 Rupees	2013 Rupees
Running finances	*14.1*	**1,214,946,509**	1,235,679,851
Term loans	*14.1*	**491,453,927**	317,992,000
		1,706,400,436	1,553,671,851

Notes to and forming part of financial statements
for the year ended June 30, 2014

14.1 These facilities have been obtained from various banking companies for working capital requirements and are secured by charge over all present and future current assets of the Company, lien over documents of title of imported goods, lien over firm import documents, export documents and personal guarantees of the Company's Directors.

Interest/mark-up on running finances is payable quarterly whereas interest/mark-up on terms loans is payable along with principal on maturity. Local currency finances carry mark up at rates ranging from one to six months KIBOR plus 2% to 3% per annum (2013: one to six months KIBOR plus 2% to 2.75% per annum).

The aggregate available short term funded facilities amounts to Rs. 2,289 million (2013: Rs. 2,132 million) out of which Rs. 583 million (2013: Rs. 579 million) remained unavailed as at the reporting date.

14.2 For mortgages and charges on assets as security for liabilities, refer to note 42 to the financial statements.

	Note	**2014**	2013
		Rupees	*Rupees*
15 ACCRUED INTEREST/MARK-UP			
Long term finances		**16,585,908**	21,201,866
Liabilities against assets subject to finance lease		**765,392**	1,305,924
Short term borrowings		**63,798,107**	61,525,336
Loan from directors		**3,745,949**	5,920,942
		84,895,356	89,954,068
16 CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term finances	*10*	**100,613,871**	131,542,858
Liabilities against assets subject to finance lease	*11*	**3,868,472**	10,047,259
		104,482,343	141,590,117

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

	2014	2013
17.1.1 Guarantees issued by banks on behalf of the Company	**27,979,420**	27,979,420

17.1.2 The Company has issued post-dated cheques amounting to Rs. 22,097,500 (2013: Rs. 61,299,000) in favour of Collector of Customs in lieu of levies under verious statutory notifications and these will be released after the fulfillment of the terms of related notifications.

17.1.3 The Company has filed a petition before the Honorable Lahore High Court, Lahore against levy of commercialization fee on the property of the Company. Interim relief has been granted by the Honorable Lahore High Court. The matter is presently pending adjudication. On the basis of merit of the case the management is hopeful that the case will be decided in favor of the company.

17.1.4 Contingencies related to tax matters are referred to in note 31 to the financial statements.

Notes to and forming part of financial statements
for the year ended June 30, 2014

	2014 Rupees	2013 Rupees
17.2 Commitments		
17.2.1 Commitments under irrevocable letters of credit for:		
- purchase of stores, spare and loose tools	**-**	9,793,069
- purchase of raw material	**10,310,647**	17,397,290
- purchase of machinery	**3,242,396**	-
	13,553,043	27,190,359

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

	2014 Rupees	2013 Rupees
- payments not later than one year	**4,200,000**	1,500,000
- payments later than one year but not later than five years	**6,300,000**	-
	10,500,000	1,500,000

17.2.3 Commitments under ijarah financing

The aggregate amount of ujrah payments for ijarah financing and the period in which these payments will become due are as follows:

	Note	2014 Rupees	2013 Rupees
- payments not later than one year		**27,512,888**	25,403,482
- payments later than one year but not later than five years		**17,919,753**	22,321,367
		45,432,641	47,724,849
18 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	*18.1*	**1,948,545,364**	1,946,354,316
Capital work in progress	*18.2*	**-**	10,185,372
		1,948,545,364	1,956,539,688

Notes to and forming part of financial statements
for the year ended June 30, 2014

18.1 Operating fixed assets

2014

	COST/REVALUED AMOUNT						DEPRECIATION					Net book
	As at July 01, 2013 *Rupees*	Additions *Rupees*	Disposals *Rupees*	Transfers *Rupees*	As at June 30, 2014 *Rupees*	Rate %	As at July 01, 2013 *Rupees*	For the year *Rupees*	Adjustment *Rupees*	Transfers *Rupees*	As at June 30, 2014 *Rupees*	value as at June 30, 2014 *Rupees*
Assets owned by the Company												
Freehold land	86,006,250	-	-	-	86,006,250	-	-	-	-	-	-	86,006,250
Buildings on freehold land	246,251,815	3,447,105	-	-	249,698,920	5	96,590,854	7,543,309	-	-	104,134,163	145,564,757
Plant and machinery	2,027,869,459	83,251,714	(12,598,384)	64,124,086	2,162,646,875	5	609,108,077	74,383,112	(10,804,677)	15,138,567	687,825,079	1,474,821,796
Electric installation	116,779,244	9,443,663	-	-	126,222,907	10	54,743,932	6,532,785	-	-	61,276,717	64,946,190
Generator	18,831,635	-	-	-	18,831,635	10	10,466,407	836,523	-	-	11,302,930	7,528,705
Power house	121,524,158	13,061,007	-	-	134,585,165	10	51,022,375	7,466,848	-	-	58,489,223	76,095,942
Factory equipment	2,047,356	-	-	-	2,047,356	10	1,362,535	68,482	-	-	1,431,017	616,339
Office equipment	1,376,090	-	-	-	1,376,090	10	873,444	50,265	-	-	923,709	452,381
Telephone installation	1,354,720	-	-	-	1,354,720	10	743,241	61,148	-	-	804,389	550,331
Tarpaulin	382,057	-	-	-	382,057	10	286,093	9,596	-	-	295,689	86,368
Computers	4,158,908	77,252	-	-	4,236,160	10	1,969,066	224,146	-	-	2,193,212	2,042,948
Furniture and fixture	5,098,997	5,500	-	-	5,104,497	10	2,292,691	281,027	-	-	2,573,718	2,530,779
Vehicles	22,746,176	-	(2,059,500)	-	20,686,676	20	12,282,018	2,035,308	(1,687,994)	-	12,629,332	8,057,344
	2,654,426,865	109,286,241	(14,657,884)	64,124,086	2,813,179,308		841,740,733	99,492,549	(12,492,671)	15,138,567	943,879,178	1,869,300,130
Assets subject to finance lease												
Plant and machinery	187,631,417	-	-	(64,124,086)	123,507,331	5	53,963,233	5,437,431	-	(15,138,567)	44,262,097	79,245,234
	2,842,058,282	109,286,241	(14,657,884)	-	2,936,686,639		895,703,966	104,929,980	(12,492,671)	-	988,141,275	1,948,545,364

2013

	COST/REVALUED AMOUNT						DEPRECIATION					Net book
	As at July 01, 2012 *Rupees*	Additions *Rupees*	Disposals *Rupees*	Transfers *Rupees*	As at June 30, 2013 *Rupees*	Rate %	As at July 01, 2012 *Rupees*	For the year *Rupees*	Adjustment *Rupees*	Transfers *Rupees*	As at June 30, 2013 *Rupees*	value as at June 30, 2013 *Rupees*
Assets owned by the Company												
Freehold land	86,006,250	-	-	-	86,006,250	-	-	-	-	-	-	86,006,250
Buildings on freehold land	238,978,974	7,272,841	-	-	246,251,815	5	88,988,036	7,602,818	-	-	96,590,854	149,660,961
Plant and machinery	1,707,845,381	387,883,700	(67,859,622)	-	2,027,869,459	5	595,820,670	57,787,070	(44,499,663)	-	609,108,077	1,418,761,382
Electric installation	102,835,534	13,943,710	-	-	116,779,244	10	48,825,653	5,918,279	-	-	54,743,932	62,035,312
Generator	16,866,941	1,964,694	-	-	18,831,635	10	9,685,859	780,548	-	-	10,466,407	8,365,228
Power house	114,172,051	7,352,107		-	121,524,158	10	43,768,764	7,253,611	-	-	51,022,375	70,501,783
Factory equipment	2,047,356	-		-	2,047,356	10	1,286,444	76,091	-	-	1,362,535	684,821
Office equipment	1,376,090	-		-	1,376,090	10	817,594	55,850	-	-	873,444	502,646
Telephone installation	1,335,620	19,100		-	1,354,720	10	676,700	66,541	-	-	743,241	611,479
Tarpaulin	382,057	-		-	382,057	10	275,430	10,663	-	-	286,093	95,964
Computers	3,503,808	655,100		-	4,158,908	10	1,753,194	215,872	-	-	1,969,066	2,189,842
Furniture and fixture	5,047,218	51,779		-	5,098,997	10	1,982,391	310,300	-	-	2,292,691	2,806,306
Vehicles	23,493,016	2,524,840	(3,271,680)	-	22,746,176	20	12,556,797	2,388,211	(2,662,990)	-	12,282,018	10,464,158
	2,303,890,296	421,667,871	(71,131,302)	-	2,654,426,865		806,437,532	82,465,854	(47,162,653)	-	841,740,733	1,812,686,132
Assets subject to finance lease												
Plant and machinery	187,631,417	-	-	-	187,631,417	5	46,928,065	7,035,168	-	-	53,963,233	133,668,184
	2,491,521,713	421,667,871	(71,131,302)	-	2,842,058,282		853,365,597	89,501,022	(47,162,653)	-	895,703,966	1,946,354,316

Notes to and forming part of financial statements
for the year ended June 30, 2014

18.1.2 Disposal of operating fixed assets

Particulars	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
	2014						
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*		
Plant and machinery							
Draw frames	9,614,340	8,563,070	1,051,270	1,800,000	748,730	Negotiation	International Textile Machinary
Ring frames	2,984,044	2,241,607	742,437	1,200,000	457,563	Negotiation	International Textile Machinary
	12,598,384	10,804,677	1,793,707	3,000,000	1,206,293		
Vehicles							
Honda Civic LEB-3159	1,500,500	1,193,524	306,976	1,250,000	943,024	Negotiation	Tariq Sobain, Lahore
Hyundai Santro LRV-3720	559,000	494,470	64,530	450,000	385,470	Negotiation	Tanveer Haider, Lahore
	2,059,500	1,687,994	371,506	1,700,000	1,328,494		
	14,657,884	12,492,671	2,165,213	4,700,000	2,534,787		

	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
	2013						
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*		
Machinery							
Slub devices	6,700,400	2,289,270	4,411,130	2,871,000	(1,540,130)	Negotiation	J.K Spinning Mills Limited
Ring frames	26,870,222	16,691,913	10,178,309	10,342,500	164,191	Negotiation	Sarfarz Yaqub Textile Mills
Auto coner	34,289,000	25,518,481	8,770,519	10,130,000	1,359,481	Negotiation	Crescent Cotton Mills
	67,859,622	44,499,664	23,359,958	23,343,500	(16,458)		
Vehicles							
Suzuki Baleno LZY - 3663	772,180	633,571	138,609	500,000	361,391	Negotiation	Sarwat Jehan, Lahore
Honda Accord LZY - 4243	2,499,500	2,029,419	470,081	1,700,000	1,229,919	Negotiation	International Textile Machinary
	3,271,680	2,662,990	608,690	2,200,000	1,591,310		
	71,131,302	47,162,654	23,968,648	25,543,500	1,574,852		

	Note	2014	2013
		Rupees	*Rupees*
18.1.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	*28*	**102,831,380**	87,711,002
Administrative and general expenses	*30*	**2,098,600**	1,790,020
		104,929,980	89,501,022

18.1.4 Most recent revaluation of operating fixed assets was carried out by an independent valuer, Harvester Services (Private) Limited, as at August 08, 2012. However the Company anticipates that the changes in fair value are not reliable mainly due to temporary economic factors and therefore the results are not incorporated in financial statements. The earlier revaluation of freehold land, building on freehold land and plant and machinery was carried by International Design Group as at April 2, 2007 and was incorporated in the financial statements for the year ended June 30, 2007, whereby surplus on revaluation of building on freehold land and plant and machinery was drecognized and impairment was charged in profit or loss. As a result, the entire surplus on revaluation recognized in balane sheet relates to freehold land only. Had there been no revaluation, the cost, accumulated depreciation and net book value of revalued items would have been as follows:

Notes to and forming part of financial statements
for the year ended June 30, 2014

	2014		
	Cost	**Accumulated depreciation**	**Net book value**
	Rupees	***Rupees***	***Rupees***
Freehold land	**20,113,708**	**-**	**20,113,708**
Building on freehold land	**249,698,920**	**104,134,163**	**145,564,757**
Plant and machinery	**2,286,154,206**	**732,087,176**	**1,554,067,030**

	2013		
	Cost	Accumulated depreciation	Net book value
	Rupees	*Rupees*	*Rupees*
Freehold land	20,113,708	-	20,113,708
Building on freehold land	246,251,815	96,590,854	149,660,961
Plant and machinery	2,215,500,876	663,071,310	1,552,429,566

The basis of revaluation used by the valuer are as follows:

Land

Revalued amount of land has been determined by reference to local market values of land taking into account prevailing fair market prices under the position and circumstances present on the date of revaluation and current market scenario for properties of similar nature in the immediate neighborhood and adjoining areas.

Building

Revalued amount of building has been determined by reference to present depreciated replacement values after taking into consideration covered area and type of construction, age of civil and ancillary structures, physical condition and level of preventive maintenance carried out by the Company.

Plant and machinery

Revalued amount of plant and machinery has been determined by reference to present depreciated replacement values after taking in to consideration present physical condition, remaining useful economic lives, technological obsolescence and level of preventive maintenance carried out by the Company.

18.2 Capital work in progress

	2014				
	As at July 01, 2013	**Additions**	**Transfers**	**Adjusted**	**As at June 30, 2014**
	Rupees	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Building	**10,185,372**	**2,602,304**	**(2,887,676)**	**(9,900,000)**	**-**
Plant and machinery	**-**	**17,157,168**	**(17,157,168)**	**-**	**-**
	10,185,372	**19,759,472**	**(20,044,844)**	**(9,900,000)**	**-**

	2013				
	As at July 01, 2012	Additions	Transfers	Adjusted	As at June 30, 2013
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Building	3,399,124	6,786,248	-	-	10,185,372
Plant and machinery	3,625,066	-	(3,625,066)	-	-
	7,024,190	6,786,248	(3,625,066)	-	10,185,372

Notes to and forming part of financial statements
for the year ended June 30, 2014

18.2.1 During the year, civil works amounting to Rs. 9,900,000 on office building, owned by a Director of the Company and provided to the Company on rent has been adjusted against loan payable to that Director.

19 LONG TERM INVESTMENTS

This represents investment in ordinary shares of jointly controlled entity. The investments has been accounted for by using equity method. Particulars of investment are as follows:

	2014	2013
	Rupees	*Rupees*
19.1 Hira Terry Mills Limited		
Percentage of ownership interest	**46.90%**	46.90%
Cost of investment		
18,450,000 (2013: 18,450,000) fully paid ordinary shares of Rs. 10 each	**184,500,000**	184,500,000
Share of post acquisition profits	**308,876,313**	236,591,330
	493,376,313	421,091,330

19.1.1 Extracts of financial statements of jointly controlled entity

The assets and liabilities of Hira Terry Mills Limited as at the reporting date and related revenue and profit for the year then ended based on the audited financial statements are as follows:

	Note	**2014**	2013
		Rupees	*Rupees*
Assets		**3,383,092,412**	3,276,254,977
Liabilities		**2,331,636,910**	2,378,950,572
Revenue		**3,638,907,781**	2,977,961,266
Profit for the year		**154,129,605**	120,092,055
Break-up value per share		**26.73**	22.81
Share of profit		**72,284,983**	56,321,770
20 LONG TERM DEPOSITS			
Utility companies and regulatory authorities	*20.1*	**19,297,238**	19,297,238
Financial institutions	*20.1*	**7,398,310**	12,744,680
		26,695,548	32,041,918

20.1 These have been deposited with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

Notes to and forming part of financial statements
for the year ended June 30, 2014

	2014	2013
	Rupees	*Rupees*
21 STORES, SPARES AND LOOSE TOOLS		
Stores	**143,257,162**	117,743,616
Spares and loose tools	**24,103,345**	27,633,736
	167,360,507	145,377,352

21.1 There are no spare parts held exclusively for capitalization as at the reporting date.

	Note	2014	2013
		Rupees	*Rupees*
22 STOCK IN TRADE			
Raw material	*22.2*	**1,127,725,907**	1,249,084,078
Packing material		**6,035,558**	5,640,771
Work in process	*22.2*	**38,533,960**	29,624,791
Finished goods	*22.1 & 22.2*	**337,411,890**	261,361,067
		1,509,707,315	1,545,710,707

22.1 Stock of finished goods include stock of waste valued at Rs. 1,050,454 (2013: Rs. 572,986). The entire stock of waste is valued at net realizable value.

22.2 Entire stock in trade, with exception of stock of waste, is carried at cost being lower than net realizable value.

	Note	2014	2013
		Rupees	*Rupees*
23 TRADE DEBTS			
` Local - *unsecured, considered good*		**82,929,182**	48,657,246
Foreign - *secured*	*23.1*	**59,963,797**	82,762,096
		142,892,979	131,419,342

23.1 These are secured against letters of credit

	Note	2014	2013
24 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to suppliers - *unsecured, considered good*		**10,764,624**	1,979,331
Advances to employees - *unsecured, considered good*	*24.1*	**6,477,129**	3,017,815
Letters of credit		**18,164,832**	55,527,000
Margin deposits		**8,395,563**	7,770,852
Prepayments		**3,113,422**	382,056
Excise duty refundable		**1,953,431**	1,953,431
Others		**2,685,708**	3,686,425
		51,554,709	74,316,910

Notes to and forming part of financial statements
for the year ended June 30, 2014

24.1 These represent advances to employees for purchases and expenses on behalf of the Company and those against future salaries and post employment benefits in accordance with the Company policy. No advances have been given to any of the directors or executives of the Company.

	Note	2014	2013
		Rupees	*Rupees*
25 ADVANCE INCOME TAX			
Advance income tax/income tax refundable		**136,382,482**	90,234,324
Provision for taxation	*34*	**(4,491,885)**	-
		131,890,597	90,234,324
26 CASH AND BANK BALANCES			
Cash in hand		**1,036,853**	278,596
Cash at banks			
current accounts in local currency		**14,781,831**	21,122,061
deposit/saving accounts in local currency	*26.1*	**30,158**	10,355
		14,811,989	21,132,416
deposit/saving accounts in foreign currency		**84,697**	-
		15,933,539	21,411,012

26.1 Effective mark-up rate in respect of deposit/saving accounts, for the year is 7% (2013: 8.5% to 7%) per annum.

27 SALES - NET

	Note	2014		
		Finished goods	**Waste**	**Total**
		Rupees	*Rupees*	*Rupees*
Local		**758,216,193**	**138,045,709**	**896,261,902**
Export	*27.1*	**3,927,964,827**	**-**	**3,927,964,827**
Gross sales		**4,686,181,020**	**138,045,709**	**4,824,226,729**
Sales return		**(19,161,439)**	**-**	**(19,161,439)**
Sales tax		**(27,159,514)**	**(2,706,779)**	**(29,866,293)**
		4,639,860,067	**135,338,930**	**4,775,198,997**

Notes to and forming part of financial statements
for the year ended June 30, 2014

		2013		
		Finished goods *Rupees*	Waste *Rupees*	Total *Rupees*
Local		346,868,207	132,454,574	479,322,781
Export	*27.1*	3,528,776,708	-	3,528,776,708
Gross sales		3,875,644,915	132,454,574	4,008,099,489
Sales return		(22,726,834)	-	(22,726,834)
Sales tax		-	-	-
		3,852,918,081	132,454,574	3,985,372,655

27.1 Yarn export sales include indirect exports amounting to Rs. 2,276,169,051 (2013: Rs. 1,591,252,930).

	Note	**2014** *Rupees*	2013 *Rupees (restated)*
28 COST OF SALES			
Raw material consumed	*28.1*	**3,269,107,828**	2,639,915,729
Packing material consumed		**62,261,456**	56,248,779
Stores, spares and loose tools consumed		**41,247,404**	39,083,247
Salaries, wages and benefits	*28.2*	**254,308,280**	235,747,675
Insurance		**11,531,347**	10,125,679
Power and fuel		**443,933,925**	354,636,131
Dyes and chemicals		**25,437,659**	21,941,772
Depreciation	*18.1.3*	**102,831,380**	87,711,002
Others		**19,682,124**	13,862,639
Manufacturing cost	*C/F*	**4,230,341,403**	3,459,272,653
Manufacturing cost	*B/F*	**4,230,341,403**	3,459,272,653
Work in process			
As at beginning of the year		**29,624,791**	22,344,450
As at end of the year		**(38,533,960)**	(29,624,791)
		(8,909,169)	(7,280,341)
Cost of goods manufactured		**4,221,432,234**	3,451,992,312
Finished goods			
As at beginning of the year		**261,361,067**	152,605,454
Purchased during the year		**183,200,679**	98,714,471
As at end of the year		**(337,411,890)**	(261,361,067)
		107,149,856	(10,041,142)
		4,328,582,090	3,441,951,170

Notes to and forming part of financial statements
for the year ended June 30, 2014

	2014	2013
	Rupees	*Rupees*
28.1 Raw material consumed		
As at beginning of the year	**1,249,084,078**	1,253,234,701
Purchased during the year	**3,147,749,657**	2,635,765,106
As at end of the year	**(1,127,725,907)**	(1,249,084,078)
	3,269,107,828	2,639,915,729

28.2 These include charge in respect of employees retirement benefits amounting to Rs. 7,280,860 (2013: Rs. 17,744,790).

	Note	2014	2013
		Rupees	*Rupees*
29 DISTRIBUTION COST			
Export			
Ocean freight and forwarding		**29,070,284**	31,769,037
Commission		**14,908,308**	26,151,516
Others		**7,181,728**	13,016,758
		51,160,320	70,937,311
Local			
Commission		**2,932,084**	1,984,174
		54,092,404	72,921,485
30 ADMINISTRATIVE EXPENSES			
Salaries and benefits	*30.1*	**23,690,189**	20,709,829
Rent, rates and taxes	*30.2*	**4,032,868**	3,096,025
Ujrah payments		**27,154,816**	24,472,775
Printing and stationery		**358,341**	368,884
Communication		**1,727,086**	1,533,719
Electricity, water and gas		**1,271,195**	766,699
Repair and maintenance		**121,955**	643,655
Vehicles running and maintenance		**2,354,772**	2,527,231
Traveling and conveyance		**3,566,706**	3,197,915
Legal and professional charges		**2,185,230**	1,696,919
Auditors' remuneration	*30.3*	**1,100,000**	1,114,000
Fee and subscription		**1,943,659**	1,410,030
Entertainment		**12,394**	278,061
Insurance		**235,334**	206,647
Depreciation	*18.1.3*	**2,098,600**	1,790,020
Others		**1,461,135**	1,108,350
		73,314,280	64,920,759

Notes to and forming part of financial statements
for the year ended June 30, 2014

30.1 These include charge in respect of provident fund amounting to Rs. 2,079,362 (2013: Rs. 1,654,323).

30.2 These include charge in respect of office rent paid to directors amounting to Rs. 3,600,000 (2013: Rs. 3,000,000).

	Note	2014	2013
		Rupees	*Rupees*
30.3 Auditor's remuneration			
Annual statutory audit		**700,000**	700,000
Half yearly review		**150,000**	150,000
Review report under Code of Corporate Governance		**150,000**	150,000
Out of pocket expenses		**100,000**	114,000
		1,100,000	1,114,000
31 OTHER INCOME			
Gain on financial instruments			
Foreign exchange gain		**26,984**	383,569
Other gains			
Gain on disposal of property, plant and equipment	*18.1.2*	**2,534,787**	1,574,852
		2,561,771	1,958,421
32 FINANCE COST			
Interest / mark-up on borrowings:			
long term finances		**40,397,881**	46,843,099
liabilities against assets subject to finance lease		**1,130,652**	2,336,166
short term borrowings		**227,978,066**	217,903,375
balances with related parties		**4,207,492**	10,537,415
		273,714,091	277,620,055
Interest on Workers' Profit Participation Fund	*13.2*	**564,856**	-
Bank charges and commission		**11,587,688**	20,822,220
		285,866,635	298,442,275

32.1 During the year, markup amounting to Rs. 20,070,720 (2013: nil) on long term finances from directors and sponsors has been waived by the lenders on their discretion.

	Note	2014	2013
		Rupees	*Rupees*
33 OTHER CHARGES			
Workers' Profit Participation Fund	*13.2*	**1,814,411**	5,045,493
Workers' Welfare Fund	*13.3*	**234,551**	1,917,287
Donations	*33.1*	**168,000**	-
		2,216,962	6,962,780

Notes to and forming part of financial statements
for the year ended June 30, 2014

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

	Note	2014	2013
		Rupees	*Rupees*
34 PROVISION FOR TAXATION			
Current taxation	*25 & 34.1*	**4,491,885**	-
Deferred taxation:	*12.2*		
for current year		**(26,619,421)**	(21,217,211)
adjustment attributable to changes in tax rates		**(4,919,923)**	-
		(31,539,344)	(21,217,211)
		(27,047,459)	(21,217,211)

34.1 Provision for current tax for year has been made in accordance with section 18, 113, 154 and 169 of the Income Tax Ordinance, 2001 ('the Ordinance').

	Unit	2014	2013
34.2 Reconciliation between average effective tax rate and applicable tax rate			
Profit before taxation	***Rupees***	105,973,380	158,454,377
Provision for taxation	***Rupees***	(27,047,459)	(21,217,211)
Average effective tax rate	%	(25.52)	(13.39)
Tax effects of:			
Items not included in determination of taxable income	%	33.99	57.93
Admissible deductions, losses and tax credits	%	20.64	16.80
Income taxable under final tax regime	%	(16.88)	(14.88)
Minimum taxation	%	(7.99)	-
Adjustment for current tax of prior years	%	-	1.93
Provision for deferred taxation	%	29.76	(13.39)
Applicable tax rate	%	34.00	35.00

34.3 Assessments for the tax years up to 2013 have either been finalized or are deemed assessments in terms of Section 120 (1) of the Ordinance, as per returns filed by the Company.

	Unit	2014	2013
35 EARNINGS PER SHARE - BASIC AND DILUTED			
Profit attributable to ordinary shareholders	*Rupees*	**133,071,119**	172,000,034
Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**78,707,200**	78,707,200
Earnings per share	*Rupees*	**1.69**	2.19

35.1 There is no diluting effect on the basic earnings per share of the Company.

Notes to and forming part of financial statements
for the year ended June 30, 2014

35.2 Weighted average number of ordinary shares outstanding during the period has been adjusted for issue of bonus shares issued during the year for all periods presented in these financial statements.

	2014	2013
	Rupees	*Rupees*
36 CASH GENERATED FROM OPERATIONS		
Profit before taxation	**105,973,380**	158,454,377
Adjustments for non-cash and other items		
Interest/mark-up on borrowings	**273,714,091**	277,620,055
Gain on disposal of property, plant and equipment	**(2,534,787)**	(1,574,852)
Provision for employees retirement benefits	**7,334,055**	9,559,267
Depreciation	**104,929,980**	89,501,022
Share of profit of jointly controlled entity	**(72,284,983)**	(56,321,770)
	311,158,356	318,783,722
	417,131,736	477,238,099
Changes in working capital		
Stores, spares and loose tools	**(21,983,155)**	(26,809,995)
Stock in trade	**36,003,392**	(67,224,236)
Trade debts	**(11,473,637)**	15,854,365
Advances, prepayments and other receivables	**23,766,073**	(3,276,167)
Sales tax refundable	**(1,962,887)**	-
Trade and other payables	**(31,693,959)**	197,286,260
	(7,344,173)	115,830,227
Cash generated from operations	**409,787,563**	593,068,326
37 CASH AND CASH EQUIVALENTS		
Cash and bank balances	**15,933,539**	21,411,012
	15,933,539	21,411,012

38 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise jointly controlled entity, 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 balance with related parties is as follows:

Notes to and forming part of financial statements
for the year ended June 30, 2014

		2014	2012
		Rupees	*Rupees*

38.1 Transactions with related parties

Nature of relationship	**Nature of transactions**		
Jointly controlled entity	Sales of yarn, cotton, dyes and chemicals	**1,674,376,199**	856,215,666
	Purchases of towels, waste, stores and spares	**13,610,612**	10,373,978
	Expenses charged	**21,538,702**	19,889,145
	Interest charged on balance due	**4,207,492**	3,322,783
Sponsors	Borrowings obtained	**-**	111,600,000
	Borrowings adjusted against civil works	**9,900,000**	-
	Interest on borrowings charged	**20,070,720**	7,214,632
	Interest on borrowings waived	**20,070,720**	-
	Office rent	**3,600,000**	3,000,000
	Civil works adjusted	**9,900,000**	-
Key management personnel	Short term employee benefits	**6,434,864**	6,182,096
	Post employment benefits	**-**	15,730
Associated undertaking	Insurance premium paid	**11,994,240**	11,686,432
	Insurance claims received	**-**	7,922,686
Provident Fund Trust	Contribution for the year	**2,079,362**	1,654,323

38.2 Balances with related parties

Jointly controlled entity	Current account	**109,910,679**	146,137,742
Sponsors	Borrowings	**165,000,000**	174,900,000
	Accrued markup on borrowings	**3,745,949**	5,920,942
Key management personnel	Short term employee benefits payable	**465,000**	420,000
Provident Fund Trust	Contribution payable	**413,151**	395,219

39 FINANCIAL INSTRUMENTS

39.1 Financial instruments by class and category

Notes to and forming part of financial statements
for the year ended June 30, 2014

	Note	2014	2012
		Rupees	*Rupees*
39.1.1 Financial assets			
Loans and receivables			
Long term deposits	20	**26,695,548**	32,041,918
Trade debts	23	**142,892,979**	131,419,342
Margin deposits	24	**8,395,563**	7,770,852
Cash and bank balances	26	**15,933,539**	21,411,012
		193,917,629	192,643,124
39.1.2 Financial liabilities			
Financial liabilities at amortized cost			
Long term finances	10	**429,528,155**	560,300,000
Liabilities against assets subject to finance lease	11	**5,514,243**	14,385,717
Short term borrowings	14	**1,706,400,436**	1,553,671,851
Accrued interest/mark-up	15	**84,895,356**	89,954,068
Trade creditors	13	**214,008,746**	129,530,100
Due to jointly controlled entity	13	**109,910,679**	146,137,742
Accrued liabilities	13	**60,075,404**	90,765,428
		2,610,333,019	2,584,744,906

39.2 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or liability be settled between knowledgeable willing parties in an arm's length transaction. As at the reporting date, fair values of all financial instruments are considered to approximate their carrying amounts. Further, there are no fair value estimation uncertainties.

39.2.1 Methods of determining fair values

Fair values of financial instruments for which prices are available from the active market are measured by reference to those market prices. Fair values of financial assets and liabilities with no active market are determined in accordance with generally accepted pricing models based on discounted cash flow analysis based on inputs from other than observable market.

39.2.2 Discount/interest rates used for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve as at the reporting date plus an adequate credit spread.

40 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). These risks affect revenues, expenses and assets and liabilities of the Company.

Notes to and forming part of financial statements
for the year ended June 30, 2014

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purpose are carried out by specialist teams that have appropriate skills, experience and supervision. The Board of Directors reviews and agrees policies for managing each of these risks.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Company’s exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

40.1 Credit risk

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its obligations.

	Note	**2014**	2013
		Rupees	*Rupees*
40.1.1 Maximum exposure to credit risk			
The maximum exposure to credit risk as at the reporting date is as follows:			
Loans and receivables			
Long term deposits with financial institutions	*20*	**7,398,310**	12,744,680
Trade debts	*23*	**142,892,979**	131,419,342
Margin deposits	*24*	**8,395,563**	7,770,852
Bank balances	*26*	**14,896,686**	21,132,416
		173,583,538	173,067,290

40.1.2 Concentration of credit risk

The Company identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	2014	2013
	Rupees	*Rupees*
Customers	**142,892,979**	131,419,342
Banking companies and financial institutions	**30,690,559**	41,647,948
	173,583,538	173,067,290

Notes to and forming part of financial statements
for the year ended June 30, 2014

40.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical default rates and present ages of balances due from them.

40.1.3(a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to margin/security deposits and bank balances. These counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company.

40.1.3(b) Counterparties without external credit ratings

These include customers which are counter parties to trade debts and utility companies and regulatory authorities which are counter parties to long term deposits. Credit risk in respect of long term deposits is considered to be insignificant as non-performance by these parties is not expected. The Company is exposed to credit risk in respect of trade debts. The analysis of ages of trade debts as at the reporting date is as follows:

	2014		2013	
	Gross carrying amount	**Accumulated Impairment**	Gross carrying amount	Accumulated Impairment
	Rupees	***Rupees***	*Rupees*	*Rupees*
Past due 1-30 days	**111,647,356**	**-**	124,978,125	-
Past due 30-60 days	**17,963,833**	**-**	2,413,808	-
Past due 60-90 days	**410,939**	**-**	2,894,764	-
Over 90 days	**12,870,851**	**-**	1,132,645	-
	142,892,979	**-**	131,419,342	-

The Company's three (2013: two) significant customers account for Rs. 66.56 million (2013: Rs. 72.84 million) of trade debts as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (2013: 10%) of trade debts as at the reporting date. These significant customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected. Further, trade debts amounting to Rs. 59.96 million (2013: Rs. 87.76 million) are secured through confirmed letters of credit and thus do not carry any significant credit risk.

40.1.4 Collateral held

The Company does not hold any collateral to secure its financial assets with the exception of trade debts, which are partially secured through confirmed letters of credit.

Notes to and forming part of financial statements
for the year ended June 30, 2014

40.1.5 Credit risk management

As mentioned in note 40.1.3 to the financial statements, the Company's financial assets do not carry significant credit risk, with the exception of trade debts, which are exposed to losses arising from any non-performance by customers. Customer credit risk is managed by the Company's established credit policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on historical default rates. Outstanding customer receivalbes are regularly monitored and any shipments to major customers are generally covered by the letters of credit or other form of credit insurance.

40.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

40.2.1 Exposure to liquidity risk

The followings is the analysis of contractual maturities of financial liabilities, including estimated interest payments.

	2014				
	Carrying amount	**Contractual cash flows**	**One year or less**	**One to five years**	**More than five years**
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Long term finances	**429,528,155**	**460,183,099**	**100,613,871**	**359,569,228**	**-**
Liabilities against assets subject to finance lease	**5,514,243**	**5,921,690**	**4,243,426**	**1,678,264**	**-**
Short term borrowings	**1,706,400,436**	**1,727,248,835**	**1,727,248,835**	**-**	**-**
Accrued interest/mark-up	**84,895,356**	**84,895,356**	**84,895,356**	**-**	**-**
Trade creditors	**214,008,746**	**214,008,746**	**214,008,746**	**-**	**-**
Accrued liabilities	**60,075,404**	**60,075,404**	**60,075,404**	**-**	**-**
Due to jointly controlled entity	**109,910,679**	**109,910,679**	**109,910,679**	**-**	**-**
	2,610,333,019	**2,662,243,809**	**2,300,996,317**	**361,247,492**	**-**

	2013				
	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Long term finances	560,300,000	659,160,015	161,745,216	497,414,799	-
Liabilities against assets subject to finance lease	14,385,717	15,732,927	10,947,009	4,785,918	-
Short term borrowings	1,553,671,851	1,553,671,851	1,553,671,851	-	-
Accrued interest/mark-up	89,954,068	89,954,068	89,954,068	-	-
Trade creditors	129,530,100	129,530,100	129,530,100	-	-
Accrued liabilities	90,765,428	90,765,428	90,765,428	-	-
Due to jointly controlled entity	146,137,742	146,137,742	146,137,742	-	-
	2,584,744,906	2,684,952,131	2,182,751,414	502,200,717	-

Notes to and forming part of financial statements
for the year ended June 30, 2014

40.2.2 Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaing adequate reserves, banking facilities and reserve borrowing facility, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company also maintains various lines of credit with banking companies.

40.3 Market risk

40.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency.

40.3.1(a) Exposure to currency risk

The Company's exposure to currency risk as at the reporting date is as follows:

	2014	2013
	Rupees	*Rupees*
Financial assets		
Trade debts	**59,963,797**	82,762,096
Bank balances	**84,697**	-
	60,048,494	82,762,096
Financial liabilities	**-**	-
Net exposure	**60,048,494**	82,762,096

40.3.1(b) Exchange rates applied during the year

All foreign currency balances are denominated in United States Dollars (US $). Spot exchange rates applied are as follows:

	2014	2013
	Rupees	*Rupees*
Financial assets	**98.55**	98.60
Financial liabilities	**98.75**	98.40

40.3.1(c) Sensitivity analysis

A ten percent appreciation in Pak Rupee against the US $ would have decrease profit for the year by Rs. 6.00 million (2013: Rs. 8.28 million). A five percent depreciation in Pak Rupee would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

Notes to and forming part of financial statements
for the year ended June 30, 2014

40.3.1(d) Currency risk management

The Company manages its exposure to currency risk through continuous monitoring of expected/forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly basis, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities/payments to assets/receipts and using source inputs in foreign currency.

40.3.2 Interest rate risk

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

40.3.2(a) Interest/mark-up bearing financial instruments

The effective interest/mark-up rates for interest/mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest/mark-up bearing financial instruments as at the reporting date are as follows:

	2014	2013
	Rupees	*Rupees*
Fixed rate instruments		
Financial assets	**-**	-
Financial liabilities	**-**	-
Variable rate instruments		
Financial assets	**114,855**	10,355
Financial liabilities	**2,141,442,834**	2,128,357,568

40.3.2(b) **Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for fixed rate financial assets and liabilities at fair value through profit or loss.

40.3.2(c) **Cash flow sensitivity analysis for variable rate instruments**

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year by Rs. 19.98 million (2013: Rs. 19.968 million). A decrease of 100 basis points wound have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

40.3.2(d) **Interest rate risk management**

The Company manages interest rate risk by analyzing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

Notes to and forming part of financial statements
for the year ended June 30, 2014

40.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of 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. The Company is not exposed to price risk as at the reporting date.

41 CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits for the other stakeholders and to mainain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustment to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserve or/and issue new shares. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises long term finances and liabilities against assets subject to finances lease, including current maturity. Total capital employed includes total equity as shown in the balance sheet plus debt. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Company as at the reporting date is as follows:

	Unit	**2014**	2013
Total debt	*Rupees*	**435,042,398**	574,685,717
Total equity	*Rupees*	**1,828,077,010**	1,695,005,891
Total capital employed		**2,263,119,408**	2,269,691,608
Gearing	*% age*	**19.22**	25.32

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements, except those related to maintenance of debt covenants, commonly imposed by the providers of debt finance.

	2014	2013
	Rupees	*Rupees*
42 RESTRICTION ON TITLE, AND ASSETS PLEDGED AS SECURITY		
Mortgages and charges		
Charge over current assets	**2,686,334,000**	2,686,334,000
Charge over fixed assets	**1,208,999,000**	1,208,999,000

43 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

Notes to and forming part of financial statements
for the year ended June 30, 2014

	2014		
	Chief Executive	**Directors**	**Executives**
	Rupees	***Rupees***	***Rupees***
Managerial remuneration	**2,200,000**	**1,599,996**	**4,261,572**
House rent	**1,100,000**	**639,996**	**2,130,792**
Motor vehicle expenses	**205,660**	**271,542**	**708,513**
Utilities	**210,000**	**159,996**	**-**
Post employment benefits	**-**	**-**	**347,832**
Others	**26,392**	**21,282**	**49,311**
	3,742,052	**2,692,812**	**7,498,020**
Number of persons	**1**	**1**	**3**

	2013		
	Chief Executive	Directors	Executives
	Rupees	*Rupees*	*Rupees*
Managerial remuneration	1,778,928	2,039,330	3,961,534
House rent	889,464	655,734	1,584,608
Motor vehicle expenses	185,255	359,497	847,988
Utilities	-	159,996	-
Post employment benefits	-	15,730	312,626
Others	61,399	52,493	439,717
	2,915,046	3,282,780	7,146,473
Number of persons	1	3	3

44 SEGMENT INFORMATION

44.1 The Company is a single reportable segment.

44.2 All non-current assets of the Company are situated in Pakistan.

44.3 All sales of the Company have originated from Pakistan.

44.4 There are two (2013: two) significant external customers to whom sales in excess of 10% of the Company's total sales amounting to Rs. 2,386,150,590 (2013: 1,307,761,277) were made during the year.

45 EMPLOYEES PROVIDENT FUND TRUST

The following information is based on the latest audited financial statements of the Hira Textile Mills Limited Employees Provident Fund for the year ended June 30, 2014.

Notes to and forming part of financial statements
for the year ended June 30, 2014

		2014	2013
Size of the fund - *total assets*	*Rupees*	**24,328,905**	22,733,010
Cost/fair value of investments	*Rupees*	**15,080,000**	18,844,000
Percentage of investments made	*% age*	**61.98%**	82.89%

The break-up of investments is as follows:

	2014		2013	
	Rupees	*% age*	*Rupees*	*% age*
Deposit accounts with commercial banks	**930,000**	**4.94**	9,600,000	50.94
Government securities	**11,150,000**	**59.17**	8,244,000	43.75
Mutual funds	**3,000,000**	**15.92**	1,000,000	5.31
	15,080,000	**80.03**	18,844,000	100.00

46 RE-CLASSIFICATIONS

During the year, ujrah payments amounting at Rs. 27,154,816 (2013: Rs. 24,472,775) were re-classified from 'administrative expenses' to 'finance cost' for better presentation.

47 NON-CASH FINANCING ACTIVITIES

During the year, civil works amounting to Rs. 9,900,000 on office building, owned by a Director of the Company and provided to the Company on rent has been adjusted against loan payable to that Director. See note 18.2.1.

48 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	2014	2013
Spinning			
Number of spindles installed	*No.*	**41,424**	41,376
Number shifts per day	*No.*	**3**	3
Number of spindles worked	*Hrs.*	**45,359,280**	45,306,720
Plant capacity on the basis of bags produced converted into 20s count	*Bags*	**348,918**	348,513
Plant capacity on the basis of utilization converted into 20s count	*Kgs*	**15,826,920**	15,808,550
Actual production converted into 20s count	*Kgs*	**12,760,278**	10,681,651

It is difficult to precisely compare production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindle speed and twist etc. It would also vary according to pattern of production adopted in a particular year.

Notes to and forming part of financial statements
for the year ended June 30, 2014

	Unit	2014	2013
Doubling			
Number of spindles installed	*No.*	**1,904**	1,904
Number of spindles worked	*No.*	**2,084,880**	2,084,880
Plant capacity on the basis of utilization converted into 20s count	*Bags*	**51,650**	51,650
Actual production converted into 20s count	*Bags*	**43,267**	39,234

Under utilization of available resources was due to actual demand.

	Unit	2014	2013
Dyeing			
Installed machines	*No.*	**4**	4
Dyeing capacity	*Kgs*	**1,095,000**	1,095,000
Actual dyeing production	*Kgs*	**1,082,367**	644,718

Under utilization of available resources was due to actual demand/requirement.

49 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 09, 2014 by the Board of Directors of the Company.

50 NUMBER OF EMPLOYEES

Total number of employees of the Company as at the reporting date are 825 (2013: 948). Average number of persons employed by the Company during the year are 864 (2013: 940).

51 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

52 GENERAL

Figures have been rounded off to the nearest rupee. Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year, with the exception of those referred to in note No. 46

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, 2014 (Friday) 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 _________________________2014 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.