

## Annual Report | 2015



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## COMPANY INFORMATION

### CHAIRMAN

Mr. Muhammad Umar Virk

### CHIEF EXECUTIVE

Mr. Nadeem Aslam Butt

### BOARD OF DIRECTORS

Mr. Muhammad Umar Virk

Mr. Nadeem Aslam Butt

Mr. Umair Umar

Mrs. Shahnaz Umar

Mrs. Fatima Nadeem

Mrs. Sadiya Umair

Mr. Shaukat Nazir Malik  
*Independent Director*

### AUDIT COMMITTEE

Mr. Shaukat Nazir Malik  
*Chairman*

Mr. Umair Umar  
*Member*

Mrs. Shahnaz Umar  
*Member*

### HUMAN RESOURCE & REMUNERATION COMMITTEE

Mrs. Sadiya Umair  
*Chairperson*

Mr. Nadeem Aslam Butt  
*Member*

Mrs. Fatima Nadeem  
*Member*

### COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Mr. Saeed Ahmad Khan

### AUDITORS

Messrs Rahman Sarfaraz Rahim Iqbal Rafiq  
Chartered Accountant

Member of Russell Bedford International.  
72-A Faisal Town, Lahore.

### LEGAL ADVISER

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

### REGISTRAR OF THE COMPANY

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

### REGISTERED OFFICE

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

### MILLS

8 KM Manga Raiwind Road Raiwind District Kasur.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 24th annual general meeting of the members of Hira Textile Mills Limited will be held on Saturday, October 31, 2015 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, 2015 together with the Directors and auditor's reports thereon.
3. To approve 10% bonus share (1 bonus share against existing 10 Shares) as recommended by the Board of Directors.
4. 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.
5. SPECIAL BUSINESS:
- (1) Increase in authorized capital

To consider and pass, with or without modification(s), the following resolution as Special Resolution:

" Resolved that the authorized capital of the company be and is hereby increased by Rupees 70 million divided into 7 million Ordinary Shares of Rupees 10 each. The new shares shall rank pari passu with the existing shares in all respect.

Further resolved, the relevant clause No. V of Memorandum of Association and Clause IV of Articles of Association of the Company is amended and accordingly to read as under:

Clause "V" of the Memorandum of Association & Clause IV of Articles of Associations.

The authorized share capital of the Company is Rupees 870,000,000 (Rupees eight hundred seventy million) divided into 87,000,000 (eighty seven million) Ordinary Shares of Rupees 10 each with the power to increase or reduce, consolidate, subdivide, or otherwise reorganize the share capital of the Company in accordance with the provisions of the Companies Ordinance, 1984 and subject to any permission required under the law.

Further resolved, Mr. Saeed Ahmed Khan C. F.O./ Secretary of the Company be and is hereby authorized to comply with the formalities relating to increase of the authorized capital of the Company"

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

(By the order of the Board)



Saeed Ahmad Khan  
Company Secretary

Lahore: October 07, 2015

### Notes

- 1- The Share Transfer Books of the Company will remain closed from October 24, 2015 to October 31, 2015 (both days inclusive).
- 2- 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.
- 3- An instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notarially certified copy of such power or authority, in order to be valid, must be deposited at the registered office of the company at least 48 hours before the time of the meeting and must be duly stamped, signed and witnessed.
- 4- 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.

- 5- The account holders of CDC are requested to bring their original NI/Passport for the purpose of identification at the meeting.
- 6- As directed by the SECP vide Circular No. 18 of 2012 dated June 5, 2012, we once again give the opportunity to those shareholders who have not yet provided mandate information, to authorize the company to directly credit the cash dividend, if any, declared by the company in future, in their respective bank account instead of issuing a dividend warrant by providing their dividend mandate, in case of book entry securities in CDS, to respective CDS participants and in case of physical share to Company's Independent Share Registrar. Copy of dividend mandate from may be downloaded from Company's website www.hiratex.com.pk
- 7- In compliance with directives issued by the Securities and Exchange Commission of Pakistan and / or Federal Board of Revenue from time to time. Shareholders who have not yet provided their dividend mandate information and / or CNIC and / or NTN (as the case may be) are requested to provide the same at the earliest as follows:
  - The shareholders who hold Company Shares in Physical form are requested to submit the above information to the Share Registrar.
  - Shareholders maintaining their shareholdings under Central Depository system (CDS) are advised to submit the above information directly to relevant participant / CDC Investor Account Service
  - Members are also requested to update their tax paying status (Filler/Non-Filer) to the Company Share Registrar.

The above information may please be provided as follows.

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

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

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

### STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

This Statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting.

#### Increase in authorized capital

Item 5 (1) of the agenda - increase in authorized capital, the authorized capital of the company is being amended/ increased in order to cater the future capital requirement of the Company.

### 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, 2015.

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)

	2015	2014
Net Sale	4,061.80	4,775.20
Gross Profit	474.28	446.62
Share of Profit of Hira Terry	78.30	73.64
Profit before taxation	150.39	107.32
Provision for taxation	58.06	(27.05)
Profit for the year	90.63	133.07
EPS - basic & diluted	1.15	1.69

By the grace of Almighty Allah despite unfavorable market conditions and global recessionary climate affecting all facets of business your company has been able to make a profit of Rs 90.63 Million. Gross profit has increased due to decrease in raw material cost in second quarter of the year. Share of profit of M/S Hira Terry associated company is Rs.78.30 Million as compared to last year Rs.73.64 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 extremely week demand of spun yarn and ever increasing production cost, uncertainty in prices of cotton and yarn, high energy cost coupled with load shedding in Gas & Power sector and higher financial cost, blocked of GST / Income Tax refund. However the management is putting its best efforts to maximize company's profit for the next year.

### Expansion and BMR

The Company has spent Rs.11.438 millions on Construction of Dying Winding Hall, and Generator foundations. The company has spent Rs. 1.046 millions on various constructions work in staff / Labour colony. The Company has spent 67.14 Millions on BMR and Rs. 7.04 on Electrification. The Company has added two Yarn Dying machine and One

Yarn Winder under lease arrangement with the cost of Rs. 64.302 millions. The Company installed 2 (Two) Diesel Generators of 3.20 MW with the cost of Rs. 40.810 Million and installation work is Caring on for 2 (Two) Furnace Oil Generators and the company has spent up to June 30, 2015 an amount of Rs. 50.813 millions.

### Dividend

The Board of Director is pleased to recommend 10% Bonus Shares as Dividend.

(One (1) Share against existing Ten (10) Shares).

### 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 Two (2) meetings of HR committee of the Board were held - attendance by each Director is as follows:

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

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

### Corporate & Financial Reporting Frame Work

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

- The financial statements prepared by the management of the Company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International accounting standards, as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control is sound and has been effectively implemented and monitored.
- There are no doubts upon the Company's ability to continue as a going concern.

- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
- The value of investment of contributory provident fund as at June 30, 2015 amount to Rs. 12.164 Million.
- The pattern of shareholding as at June 30, 2015 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.

During the year no trade in shares of the company were carried out by the Directors, CEO, CFO, Company secretary, their spouses and minor children.

### Board Meeting

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

Name of Director	Attendance
Muhammad Umar Virk	5 (Five)
Nadeem Aslam Butt	5 (Five)
Mrs. Shahnaz Umar	4 (Four)
Mr. Umair Umar	5 (Five)
Mrs. Fatima Nadeem	3 (Three)
Mrs. Sadiya Umair	5 (Five)
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, 2016.

### 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 07, 2015



## FINANCIAL SUMMARY

Amount Rs. (000)

	2015	2014	2013	2012	2011	2010
Net Sales	4,061,800	4,775,199	3,985,373	4,087,241	4,947,939	3,116,909
Cost of Sales	3,587,519	4,328,582	3,450,137	3,534,210	4,218,795	2,508,119
Gross profit	474,281	446,617	535,236	553,031	729,144	608,790
Administration Expenses	76,844	73,314	64,921	63,211	56,970	48,298
Selling Expenses	50,039	54,092	72,921	63,685	71,203	42,834
Operating Profit	347,398	319,210	397,394	426,134	600,971	517,657
Other Operating Income	801	2,562	1,958	4,531	3,297	6
Profit before Interest & Taxation	348,199	321,772	399,352	430,666	604,268	517,664
Other Operating Expenses	5,956	2,217	6,963	14,635	19,794	23,769
Financial & Other Charges	270,151	285,867	298,442	295,903	326,067	263,526
Share of profit Hira Terry Mills Ltd.	78,303	73,636	56,322	51,619	18,287	47,211
Profit before Taxation	150,395	107,324	150,269	171,747	276,694	277,579
Provision for Taxation	58,057	(27,047)	(21,731)	31,954	56,960	28,751
Profit after Taxation (Net Profit)	92,338	134,372	172,000	139,793	219,734	248,828

### Financial Position

Current Assets	2,340,097	2,046,423	2,033,590	1,921,574	1,841,681	1,567,817
Current Liabilities	2,428,841	2,300,419	2,221,571	2,050,797	1,943,063	1,710,386
Operating Fixed Assets	2,083,750	1,948,545	1,956,540	1,645,180	1,631,012	1,480,325
Total Assets	5,021,274	4,515,040	4,443,263	3,962,309	3,811,610	3,356,841
Net Capital Employed	2,592,433	2,214,621	2,221,693	1,911,512	1,868,548	1,564,431
Long Term Debts	589,701	330,560	433,096	207,184	247,838	186,297
Share Holder,s Equity	1,852,817	1,762,184	1,629,113	1,528,665	1,460,424	1,312,242
Surplus on Revaluation on Fixed Assets	65,893	65,893	65,893	65,893	65,893	65,893
Break -up Value Per Share (Rupees)	23.54	22.39	22.77	21.36	20.41	18.34
Number of shares	78,707,200	78,707,200	71,552,000	71,552,000	71,552,000	71,552,000

### Financial Ratios Analysis (Annualized)

Current Ratio	0.96	0.89	0.92	0.94	0.95	0.92
Total Debt to Total Assets	11.74	7.32	9.75	5.23	6.50	5.55
Acid -Test Ratio	17.59	15.36	18.87	18.08	16.76	11.46
Debt Equity	24:76	16:84	21:79	11:89	13:87	12:88
Debt Coverage Ratio	1.08	1.09	1.22	1.21	1.48	1.54
Leverage Ratio	1.71	1.56	1.73	1.59	1.61	1.56
Interest Coverage Ratio	1.56	1.38	1.50	1.58	1.85	2.05
Fixed Assets Turnover	1.95	2.45	2.04	2.48	3.03	2.11
Total Assets Turnover	0.81	1.06	0.90	1.03	1.30	0.93

### Per Share Results & returns

Earning per Share	1.15	1.69	2.40	1.95	3.07	3.48
Return on Capital employed- net	3.56	6.07	7.74	7.31	11.76	15.91
Gross Profit to Sales	11.68	9.35	13.43	13.53	14.80	19.53
Operating Profit To Sales	8.55	6.68	9.97	10.43	12.15	16.61
Net Income to Sale (Profit margin)	2.27	2.81	4.32	3.42	4.44	7.98
Return on Assets (ROA)	1.84	2.98	3.87	3.53	5.76	7.41

## INFORMATION UNDER CLAUSE XVI(J) OF THE CODE CORPORATE GOVERNANCE As at June 30, 2015

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 Institutions.	161,000	0.20
Joint Stock Companies	13,137,367	16.69
Modarabas nad Mutual Funds	Nil	
General Public	25,272,624	32.11
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
MASOOD SPINNING MILLS LIMITED	7,782,000	9.89
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	4,409,000	5.60

## Pattern of Shareholding As at June 30, 2015

INCORPORATION No. 0023196

FORM 34

Share Holders	Shareholding			Total Shares Held
	From		To	
90	1	-	100	1,428
144	101	-	500	65,675
303	501	-	1000	259,914
489	1001	-	5000	1,463,655
176	5001	-	10000	1,482,588
69	10001	-	15000	907,944
40	15001	-	20000	759,500
36	20001	-	25000	856,000
18	25001	-	30000	513,400
12	30001	-	35000	406,500
10	35001	-	40000	396,500
2	40001	-	45000	90,000
21	45001	-	50000	1,041,000
9	50001	-	55000	487,142
3	55001	-	60000	174,550
3	60001	-	65000	189,500
3	65001	-	70000	209,000
4	70001	-	75000	296,000
1	75001	-	80000	80,000
1	80001	-	85000	81,000
3	85001	-	90000	262,000
2	90001	-	95000	187,000
10	95001	-	100000	1,000,000
1	100001	-	105000	104,000
1	105001	-	110000	110,000
1	110001	-	115000	113,300
1	115001	-	120000	120,000
1	120001	-	125000	125,000
1	125001	-	130000	129,500
1	130001	-	140000	131,500
1	140001	-	155000	142,000
1	155001	-	160000	159,875
1	160001	-	175000	161,000
1	175001	-	180000	180,000
1	180001	-	195000	181,500
3	195001	-	215000	600,000
1	215001	-	245000	220,000
1	245001	-	280000	250,000
2	280001	-	295000	565,000
1	295001	-	340000	300,000
1	340001	-	345000	342,500
1	345001	-	375000	350,000
1	375001	-	380000	379,000
1	380001	-	435000	384,000
1	435001	-	545000	440,000
1	545001	-	740000	550,000
1	740001	-	1010000	742,500
1	1010001	-	1065000	1,010,979
1	1065001	-	1705000	1,066,000
1	1705001	-	4405000	1,705,170
1	4405001	-	5125000	4,409,000
1	5125001	-	5205000	5,125,395
1	5205001	-	5330000	5,205,323
1	5330001	-	7780000	5,333,275
1	7780001	-	7820000	7,782,000
1	7820001	-	21255000	7,821,748
1	21255001	-	21260000	21,257,339
1486				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 VIII) 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
Executive Directors	Mr. Muhammad Umar Virk Mr. Nadeem Aslam Butt
Non-Executive Directors	Mr. Umair Umar Mrs. Shahnaz Umar Mrs. Sadiya Umair
Independent Director	Mrs. Fatima Nadeem Mr. Shaukat Nazir Malik

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

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to any banking company, a DFI or an NBF1 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. Umair Umar Director has completed the Director's Training Program and become the certified Director from ICMAP (The institute of Cost & Management 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 a non-executive director.

- 18 The Board has set-up an effective internal Audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
- 19 The Board of Directors has put in place a mechanism for undertaking annually an evaluation of the Board's own performance and of its committees to enhance performance of the Board and its committees.
- 20 The 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.
- 21 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.
- 22 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.
- 23 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.
- 24 Material/ price sensitive information has been disseminated among all market participants at once through stock exchange.
- 25 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 07, 2015

# 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, 2015 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, 2015.

A handwritten signature in black ink, appearing to read "Rahman Sarfaraz Rahim Iqbal Rafiq".

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ  
*Chartered Accountants*

Engagement Partner: ZUBAIR IRFAN MALIK

Date: OCTOBER 07, 2015

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, 2015 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.

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;
  - 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, 2015 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

Engagement Partner: ZUBAIR IRFAN MALIK

Date: OCTOBER 07, 2015

Place: LAHORE





## BALANCE SHEET

as at June30, 2015

	Note	2015 Rupees	2014 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<i>Authorized capital</i>			
80,000,000 (2014: 80,000,000) ordinary shares of Rs. 10 each		800,000,000	800,000,000
Issued, subscribed and paid-up capital	6	787,072,000	787,072,000
Capital reserve	7	82,500,000	82,500,000
Accumulated profit		983,250,076	892,612,468
<b>TOTAL EQUITY</b>		<b>1,852,822,076</b>	<b>1,762,184,468</b>
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>	<b>8</b>	<b>65,892,542</b>	<b>65,892,542</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term finances	9	542,166,123	328,914,284
Liabilities against assets subject to finance lease	10	47,535,287	1,645,771
Deferred liabilities	11	84,022,100	55,984,217
		673,723,510	386,544,272
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	612,596,835	404,640,979
Short term borrowings	13	1,606,582,666	1,706,400,436
Accrued interest/mark-up	14	56,141,653	84,895,356
Current portion of non-current liabilities	15	153,520,173	104,482,343
		2,428,841,327	2,300,419,114
<b>TOTAL LIABILITIES</b>		<b>3,102,564,837</b>	<b>2,686,963,386</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	<b>16</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,021,279,455</b>	<b>4,515,040,396</b>

The annexed notes from 1 to 51 form an integral part of these financial statements.



CHIEF EXECUTIVE



CHAIRMAN/DIRECTOR

## BALANCE SHEET

as at June 30, 2015

	Note	2015 Rupees	2014 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	17	2,083,750,163	1,948,545,364
Long term investments	18	570,897,959	493,376,313
Long term deposits - <i>Unsecured, Considered good</i>	19	26,534,648	26,695,548
		2,681,182,770	2,468,617,225
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	20	177,042,638	167,360,507
Stock in trade	21	1,714,457,816	1,509,707,315
Trade debts	22	125,829,226	142,892,979
Advances, deposits, prepayments and other receivables	23	119,265,469	51,554,709
Advance income tax/income tax refundable	24	130,090,886	131,890,597
Sales tax refundable		52,042,321	27,083,525
Cash and bank balances	25	21,368,329	15,933,539
		2,340,096,685	2,046,423,171
<b>TOTAL ASSETS</b>		<u>5,021,279,455</u>	<u>4,515,040,396</u>

The annexed notes from 1 to 51 form an integral part of these financial statements.



CHIEF EXECUTIVE



CHAIRMAN/DIRECTOR

## PROFIT AND LOSS ACCOUNT/STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
PROFIT FOR THE YEAR			
Sales - net	26	4,061,800,366	4,775,198,997
Cost of sales	27	(3,587,519,397)	(4,328,582,090)
Gross profit		474,280,969	446,616,907
Distribution cost	28	(50,038,995)	(54,092,404)
Administrative expenses	29	(76,843,832)	(73,314,280)
Other income	30	801,263	2,561,771
Operating profit		348,199,405	321,771,994
Finance cost	31	(270,151,442)	(285,866,635)
Other charges	32	(5,956,097)	(2,216,962)
Share of profit of jointly controlled entity - <i>unrealized</i>	18	78,308,201	73,635,889
Profit before taxation		150,400,067	107,324,286
Taxation	33	(58,056,951)	27,047,459
Profit after taxation		92,343,116	134,371,745
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified subsequently to profit or loss</i>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of defined benefit obligation	11.1.3	(983,249)	53,195
Taxation relating to remeasurements of defined benefit obligation	11.2	64,296	(2,915)
Share of other comprehensive loss of jointly controlled entity- <i>unrealized</i>	18	(786,555)	(1,350,906)
Other comprehensive loss		(1,705,508)	(1,300,626)
Total comprehensive income		90,637,608	133,071,119
Earnings per share - <i>basic and diluted</i>	34	1.15	1.69

The annexed notes from 1 to 51 form an integral part of these financial statements.



CHIEF EXECUTIVE



CHAIRMAN/DIRECTOR

## CASH FLOW STATEMENT

for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	35	370,887,236	409,787,563
Payments for:			
Employees retirement benefits		(11,772,365)	(13,351,421)
Interest/markup on borrowings		(286,156,684)	(278,772,803)
Income tax		(31,510,624)	(46,148,158)
Net cash generated from operating activities		41,447,563	71,515,181
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(180,020,944)	(109,000,869)
Proceeds from disposal of property, plant and equipment		1,295,000	4,700,000
Net cash used in investing activities		(178,725,944)	(104,300,869)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Long term finances obtained		330,554,291	-
Repayment of long term finances		(84,042,442)	(120,871,845)
Repayment of liabilities against assets subject to finance lease		(3,569,874)	(9,875,346)
Net (decrease)/increase in short term borrowings		(99,817,770)	152,728,585
Net decrease/(increase) in long term deposits with financial institutions		(399,100)	5,346,370
Dividend paid		(11,934)	(19,549)
Net cash generated from financing activities		142,713,171	27,308,215
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,434,790	(5,477,473)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		15,933,539	21,411,012
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	36	21,368,329	15,933,539

The annexed notes from 1 to 51 form an integral part of these financial statements.



CHIEF EXECUTIVE



CHAIRMAN/DIRECTOR

## STATEMENT OF CHANGES IN EQUITY

for the year ended June 30, 2015

	Share capital	Reserves		Total equity
	Issued subscribed and paid-up capital	Capital reserve	Accumulated profit	
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
As at July 01, 2013	715,520,000	82,500,000	831,093,349	1,629,113,349
Comprehensive income				
Profit after taxation	-	-	134,371,745	134,371,745
Other comprehensive income	-	-	(1,300,626)	(1,300,626)
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)	-
As at June 30, 2014	<u>787,072,000</u>	<u>82,500,000</u>	<u>892,612,468</u>	<u>1,762,184,468</u>
As at July 01, 2014	787,072,000	82,500,000	892,612,468	1,762,184,468
Comprehensive income				
Profit after taxation	-	-	92,343,116	92,343,116
Other comprehensive loss	-	-	(1,705,508)	(1,705,508)
Total comprehensive income	-	-	90,637,608	90,637,608
Transaction with owners	-	-	-	-
As at June 30, 2015	<u>787,072,000</u>	<u>82,500,000</u>	<u>983,250,076</u>	<u>1,852,822,076</u>

The annexed notes from 1 to 51 form an integral part of these financial statements.



CHIEF EXECUTIVE



CHAIRMAN/DIRECTOR

# NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

## *for the year ended June 30, 2015*

### 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.

##### 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.

# NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

## *for the year ended June 30, 2015*

### 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/revised standards/interpretations and amendments are effective in the current year but are either not relevant to the Company or their application does not have any material impact on the financial statements of the Company.

### *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, based on fair value less costs to sell, is determined using a present value technique.

### *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 amendment focuses on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- the application of simultaneous realisation and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements

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

The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

### *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.

### *Annual Improvements 2010-2012*

Annual Improvements 2010-2012 cycle makes changes to the following standards:

IFRS 2 - Share Based Payment: Amends the definition of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

IFRS 3 - Business Combinations: Requires 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: Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarifies that reconciliations of segment assets only required if segment assets reported regularly.

IFRS 13 - Fair Value Measurement: Clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is still available.

IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets: Clarifies that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

IAS 24 - Related Party Disclosures: Clarifies how payment to entities providing management services are to be disclosed.

# NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

## *for the year ended June 30, 2015*

### *Annual Improvements 2011-2013*

Annual Improvements 2011-2013 cycle makes changes to the following standards:

IFRS 1 - First-time Adoption of International Financial Reporting Standards: Clarifies which versions of IFRSs can be used on initial adoption.

IFRS 3 - Business Combinations: Clarifies that IFRS 3 excludes 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: Clarifies the scope of portfolio exception.

IAS 40 - Investment Property: Clarifies the interrelationship with IFRS 3 - Business Combinations when classifying property as investment property or owner-occupied property.

### *IFRIC 21 - Levies (2013)*

The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of levy is certain.

The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

- The liability is recognized progressively if the obligating event occurs over a period of time.
- If an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached.

- 3.2 The following new/revised standards/interpretations and amendments are effective in the current year but have been notified for adoption 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 establishes a single framework for measuring fair value where that is required by other standards.

### *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.

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

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.

## 4 NEW AND REVISED STANDARDS/INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.



# NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

## *for the year ended June 30, 2015*

	Effective date (annual periods beginning on or after)
Equity method in Separate Financial Statements (Amendments to IAS 27 - Separate Financial Statements)	January 01, 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 – Joint Arrangements)	January 01, 2016
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	January 01, 2016
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets)	January 01, 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 28 - Accounting for Investments in Associates and Joint Ventures)	January 01, 2016
Bearer Plants (Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture)	January 01, 2016
Disclosure initiative (Amendments to IAS 1 - Presentation of Financial Statements)	January 01, 2016
Annual Improvements 2012-2014	July 01, 2016
IFRS 14 – Regulatory Deferral Accounts (2014)	January 01, 2017
IFRS 15 – Revenue from Contracts with Customers (2014)	January 01, 2017
IFRS 9 – Financial Instruments: Classification and Measurement (2014)	January 01, 2018

### 5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### 5.1 Property, plant and equipment

##### 5.1.1 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 17.1 to the financial statements. Depreciation on additions to operating fixed assets is charged from the day on which the item becomes available for use. Depreciation is discontinued from the day on 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.

##### 5.1.2 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.

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

### for the year ended June 30, 2015

#### 5.2 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.

#### 5.3 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.

#### 5.4 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:

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.

#### 5.5 Employee benefits

##### 5.5.1 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.

##### 5.5.2 Post-employment benefits

###### 5.5.2.1 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 11.1 to the financial statements.

###### 5.5.2.2 Defined contribution plan

The Company operates a 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.

#### 5.6 Financial instruments

##### 5.6.1 Recognition

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

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

*for the year ended June 30, 2015*

### 5.6.2 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.

#### 5.6.2.1 *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.

#### 5.6.2.2 *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.

### 5.6.3 Measurement

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

### 5.6.4 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.

### 5.6.5 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.

### 5.7 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.

### 5.8 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.

### 5.9 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, 2015*

### 5.10 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.

### 5.11 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.

### 5.12 Trade and other payables

#### 5.12.1 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.

#### 5.12.2 Non-financial liabilities

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

### 5.13 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.

### 5.14 Trade and other receivables

#### 5.14.1 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.

#### 5.14.2 Non-financial assets

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

### 5.15 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.

### 5.16 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, 2015*

### 5.17 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'.

### 5.18 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.

### 5.19 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.

#### 5.19.1 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.

#### 5.19.2 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.

### 5.20 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.

### 5.21 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.

### 5.22 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.

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

for the year ended June 30, 2015

### 5.23 Impairment

#### 5.23.1 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.

#### 5.23.2 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.

### 5.24 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.

	2015	2014
	<i>Rupees</i>	<i>Rupees</i>
<b>6 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
Ordinary shares of Rs. 10 each		
48,000,000 (2014: 48,000,000) shares issued for cash	480,000,000	480,000,000
30,707,200 (2014: 30,707,200) shares issued as fully paid bonus shares	307,072,000	307,072,000
	<u>787,072,000</u>	<u>787,072,000</u>

### 7 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.

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

### for the year ended June 30, 2015

#### 8 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

This represent surplus on revaluation of freehold land.

	Note	2015 Rupees	2014 Rupees
<b>9 LONG TERM FINANCES</b>			
These represent finances obtained from:			
Banking companies - <i>secured</i>	9.1	377,166,123	163,914,284
Directors and sponsors - <i>unsecured</i>	9.2	165,000,000	165,000,000
		<u>542,166,123</u>	<u>328,914,284</u>
<b>9.1 Banking companies - <i>secured</i></b>			
The Bank of Punjab - I	9.1.1	-	7,500,000
The Bank of Punjab - II	9.1.2	-	4,999,584
MCB Bank Limited - I	9.1.3	8,200,000	24,600,000
Habib Bank Limited	9.1.4	6,000,000	18,000,000
Bank Alfalah Limited	9.1.5	140,000,000	170,000,000
MCB Bank Limited - II	9.1.6	26,285,713	39,428,571
The Bank of Punjab - III	9.1.7	30,554,291	-
NIB Bank Limited	9.1.8	300,000,000	-
		511,040,004	264,528,155
Current portion presented under current liabilities	15	(133,873,881)	(100,613,871)
		<u>377,166,123</u>	<u>163,914,284</u>

9.1.1 The finance was obtained from The Bank of Punjab to facilitate early repayment of term finance certificates and was secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carried mark-up at six months KIBOR plus 3% per annum (2014 six months KIBOR plus 3% per annum) subject to a floor of 12%, payable semi-annually. The finance has been fully repaid during the year.

9.1.2 The finance was obtained from The Bank of Punjab to finance capital expenditure and was secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carried mark-up at six months KIBOR plus 3% per annum (2014 six months KIBOR plus 3% per annum), payable semi-annually. The finance has been fully repaid during the year.

9.1.3 The finance has been obtained from MCB Bank Limited for financial restructuring 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 (2014: 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.

9.1.4 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 (2014: 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.

9.1.5 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 (2014: 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.

9.1.6 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 (2014: 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.

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

for the year ended June 30, 2015

9.1.7 The finance has been obtained from The Bank of Punjab for 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, payable quarterly. The finance is repayable in eight equal quarterly installments with the first installment due in April 2015.

9.1.8 The finance has been obtained from NIB Bank Limited on restructuring of short term borrowing amounting to Rs. 300,000,000 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 2.50% per annum, payable quarterly. The finance is repayable in twenty equal quarterly installments with the first installment due in June 2015.

9.1.9 For mortgages and charges on assets as security for liabilities, refer to note 41 to the financial statements.

### 9.2 Directors and sponsors - *unsecured*

These represent finances obtained from directors and sponsors of the Company and is unsecured. The finance carries markup at six months KIBOR plus 1.75% per annum (2014: 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	2015 Rupees	2014 Rupees
<b>10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
Present value of minimum lease payments	10.1 & 10.2	67,181,579	5,514,243
Current portion presented under current liabilities	10.1 & 10.2	(19,646,292)	(3,868,472)
		<u>47,535,287</u>	<u>1,645,771</u>

10.1 These represent vehicles and machinery acquired under finance lease arrangements. The leases are priced at three months KIBOR plus 2% per annum (2014: three months KIBOR plus 2% per annum). Lease rentals are payable monthly/quarterly over a tenor ranging from four to five years. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The Company also has the option to acquire these assets at the end of their respective lease terms by adjusting the deposit amount against the residual value of the asset and intends to exercise the option.

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

	Note	2015 Rupees	2014 Rupees
Not later than one year		25,285,609	4,243,426
Later than one year but not later than five years		55,199,648	1,678,264
Total future minimum lease payments		<u>80,485,257</u>	<u>5,921,690</u>
Finance charge allocated to future periods		(13,303,678)	(407,447)
Present value of future minimum lease payments		<u>67,181,579</u>	<u>5,514,243</u>
Not later than one year	15	(19,646,292)	(3,868,472)
Later than one year but not later than five years		<u>47,535,287</u>	<u>1,645,771</u>

10.3 Liabilities against assets subject to finance lease include Rs. 826,720 (2014: Rs. 1,034,000) 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.



## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

*for the year ended June 30, 2015*

	Note	2015 <i>Rupees</i>	2014 <i>Rupees</i>
<b>11 DEFERRED LIABILITIES</b>			
These include the following:			
Employees retirement benefits	11.1	18,322,236	14,966,673
Deferred taxation	11.2	65,699,864	41,017,544
		84,022,100	55,984,217

### 11.1 Employees retirement benefits

The Company operates an unfunded gratuity scheme, a defined benefit plan, for all its employees at mill who have completed one year of service. Under the scheme, the Company pays an amount equal to thirty days gross salary for each years of service. For the purpose of calculating the number of year of service, six or more months in excess of completed years of service are included as a complete year, whereas period of less than six months in excess of completed years of service are ignored.

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

	Note	2015 <i>Rupees</i>	2014 <i>Rupees</i>
<b>11.1.1 Movement in present value of defined benefit obligation</b>			
As at beginning of the year		14,966,673	21,037,234
Charged to profit or loss for the year	11.1.2	14,144,679	7,334,055
Benefits paid during the year		(11,772,365)	(13,351,421)
Actuarial loss/(gain) arising during the year		983,249	(53,195)
As at end of the year		18,322,236	14,966,673
<b>11.1.2 Charge to profit or loss</b>			
Current service cost		12,941,514	5,125,145
Interest cost		1,203,165	2,208,910
		14,144,679	7,334,055
<b>11.1.3 Remeasurements recognized in other comprehensive income</b>			
Actuarial loss/(gain) arising from changes in:			
Demographic assumptions		-	(1,535)
Financial assumptions		-	-
Experience adjustments		983,249	(51,660)
		983,249	(53,195)
<b>11.1.4 Principal actuarial assumptions</b>			

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:

	2015	2014
Discount rate	9.75%	13.3%
Expected rates of increase in salary	8.75%	12.3%
Expected average remaining working lives	10 Years	7 years

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

for the year ended June 30, 2015

### 11.1.5 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:

	Change in actuarial assumption	Defined benefit obligation  <i>Rupees</i>
Discount rate	+ 1%	15,950,613
	- 1%	21,158,922
Expected rates of increase in salary	+ 1%	21,158,922
	- 1%	15,910,430

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.

### 11.1.6 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 calculated 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 calculated by reference to future salaries of employees. *An increase in salary of employees will increase the defined benefit obligation.*

	Note	2015 <i>Rupees</i>	2014 <i>Rupees</i>
11.2 Deferred taxation			
Deferred tax liability on taxable temporary differences	11.2.1	76,562,024	72,179,916
Deferred tax asset on deductible temporary differences	11.2.1	(10,862,160)	(31,162,372)
		<u>65,699,864</u>	<u>41,017,544</u>

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

for the year ended June 30, 2015

### 11.2.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2015			
	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	68,161,697	4,692,200	-	72,853,897
Operating fixed assets - leased	4,018,219	(310,092)	-	3,708,127
	72,179,916	4,382,108	-	76,562,024
Deferred tax assets				
Employees retirement benefits	(820,192)	(313,621)	(64,296)	(1,198,109)
Unused tax credits	(30,342,180)	20,678,129	-	(9,664,051)
	(31,162,372)	20,364,508	(64,296)	(10,862,160)
	41,017,544	24,746,616	(64,296)	65,699,864
	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

11.2.2 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 32% (2014: 33%) of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.

	Note	2015	2014
		Rupees	Rupees
Trade creditors - <i>Unsecured</i>		283,583,749	214,008,746
Accrued liabilities		265,870,479	60,075,404
Advances from customers - <i>Unsecured</i>		12,506,443	371,246
Due to jointly controlled entity	12.1	41,978,394	109,910,679
Workers' Profit Participation Fund	12.2	4,018,372	2,498,188
Workers' Welfare Fund	12.3	1,756,058	14,881,442
Unclaimed dividend		2,883,340	2,895,274
		612,596,835	404,640,979

## 12 TRADE AND OTHER PAYABLES

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

for the year ended June 30, 2015

12.1 This carries mark-up at 10.50% to 12.50% (2014: 12.5%) per annum. The maximum aggregate amount due at the end of any month during the year was Rs. 99.552 million (2014: Rs. 138.327 million).

	Note	2015 Rupees	2014 Rupees
12.2 Workers' Profit Participation Fund			
As at beginning of the year		2,498,188	5,251,459
Interest on funds utilized by the Company	12.2.1	132,352	564,856
Charged to profit or loss for the year	32	3,871,744	1,814,411
Paid during the year		(2,483,912)	(5,132,538)
As at end of the year		<u>4,018,372</u>	<u>2,498,188</u>

12.2.1 Interest is charged at 11% (2014: 13%) per annum.

12.3 Workers' Welfare Fund			
As at beginning of the year		14,881,442	14,646,891
Charged to profit or loss for the year	32	1,471,263	234,551
Paid during the year		(14,596,647)	-
As at end of the year		<u>1,756,058</u>	<u>14,881,442</u>

### 13 SHORT TERM BORROWINGS

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

Running finances	13.1	1,063,729,255	1,214,946,509
Term loans	13.1	542,853,411	491,453,927
		<u>1,606,582,666</u>	<u>1,706,400,436</u>

13.1 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 month to six months KIBOR plus 2% to 3% per annum (2014: one to six months KIBOR plus 2% to 3% per annum).

The aggregate available short term funded facilities amounts to Rs. 2,639 million (2014: Rs. 2,289 million) out of which Rs. 1,032 million (2014: Rs. 583 million) remained unavailed as at the reporting date.

13.2 For mortgages and charges on assets as security for liabilities, refer to note 41 to the financial statements.

	Note	2015 Rupees	2014 Rupees
14 ACCRUED INTEREST/MARK-UP			
Long term finances		16,901,868	16,585,908
Liabilities against assets subject to finance lease		2,401,013	765,392
Short term borrowings		34,911,341	63,798,107
Loan from directors		1,927,431	3,745,949
		<u>56,141,653</u>	<u>84,895,356</u>

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

*for the year ended June 30, 2015*

	<i>Note</i>	2015 <i>Rupees</i>	2014 <i>Rupees</i>
<b>15 CURRENT PORTION OF NON-CURRENT LIABILITIES</b>			
Long term finances	9	133,873,881	100,613,871
Liabilities against assets subject to finance lease	10	19,646,292	3,868,472
		153,520,173	104,482,343

### 16 CONTINGENCIES AND COMMITMENTS

#### 16.1 Contingencies

16.1.1 Guarantees issued by banks on behalf of the Company		27,979,420		27,979,420
16.1.2 The Company has issued post-dated cheques amounting to Rs. 169,153,047 (2014: Rs. 22,097,500) in favour of Collector of Customs in lieu of levies under various statutory notifications and these will be released after the fulfillment of the terms of related notifications.				
16.1.3 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.				
16.1.4 Contingencies related to tax matters are referred to in note 33 to the financial statements.				

	<i>Note</i>	2015 <i>Rupees</i>	2014 <i>Rupees</i>
<b>16.2 Commitments</b>			
16.2.1 Commitments under irrevocable letters of credit for:			
- purchase of stores, spare and loose tools		2,351,071	-
- purchase of raw material		16,316,433	10,310,647
- purchase of machinery		-	3,242,396
		18,667,504	13,553,043

16.2.2 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:

	2015 <i>Rupees</i>	2014 <i>Rupees</i>
- payments not later than one year	4,200,000	4,200,000
- payments later than one year but not later than five years	2,100,000	6,300,000
	6,300,000	10,500,000

#### 16.2.3 Commitments under ijarah financing

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

	2015 <i>Rupees</i>	2014 <i>Rupees</i>
- payments not later than one year	14,398,057	27,512,888
- payments later than one year but not later than five years	3,821,002	17,919,753
	18,219,059	45,432,641

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

*for the year ended June 30, 2015*

	<i>Note</i>	2015 <i>Rupees</i>	2014 <i>Rupees</i>
17 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	17.1	2,032,876,176	1,948,545,364
Capital work in progress	17.2	50,873,987	-
		<u>2,083,750,163</u>	<u>1,948,545,364</u>



## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

for the year ended June 30, 2015

### 17.1.2 Disposal of operating fixed assets

Particulars	2015						Mode of disposal	Particulars of buyer
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees	Disposal proceeds Rupees	Gain/(loss) on disposal Rupees			
<i>Machinery</i>								
Cross Winding Machine	6,100,000	3,830,955	2,269,045	2,130,000	(139,045)	Market value	Hira Terry Mills Limited	
<i>Vehicles</i>								
Suzuki Cultus	110,844	54,348	56,496	610,000	553,504	Negotiation	Salman, Lahore	
Suzuki Cultus	905,000	606,804	298,196	685,000	386,804	Negotiation	M. Manzoor Ahmed, Lahore	
	1,015,844	661,152	354,692	1,295,000	940,308			
	<u>7,115,844</u>	<u>4,492,107</u>	<u>2,623,737</u>	<u>3,425,000</u>	<u>801,263</u>			
Particulars	2014						Mode of disposal	Particulars of buyer
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees	Disposal proceeds Rupees	Gain/(loss) on disposal Rupees			
<i>Machinery</i>								
Draw frames	9,614,340	8,563,070	1,051,270	1,800,000	748,730	Negotiation	International Textile Machinery	
Ring frames	2,984,044	2,241,607	742,437	1,200,000	457,563	Negotiation	International Textile Machinery	
	12,598,384	10,804,677	1,793,707	3,000,000	1,206,293			
<i>Vehicles</i>								
Honda Civic	1,500,500	1,193,524	306,976	1,250,000	943,024	Negotiation	Tariq Sobain, Lahore	
Hyundai Santro	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			
	<u>14,657,884</u>	<u>12,492,671</u>	<u>2,165,213</u>	<u>4,700,000</u>	<u>2,534,787</u>			

	Note	2015	2014
		Rupees	Rupees
17.1.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	27	105,829,826	102,831,380
Administrative and general expenses	29	2,159,792	2,098,600
		<u>107,989,618</u>	<u>104,929,980</u>

17.1.4 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 derecognized and impairment was charged in profit or loss. As a result, the entire surplus on revaluation recognized in balance 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:

	2015		
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees
Freehold land	20,113,708	-	20,113,708
Building on freehold land	262,183,427	111,528,053	150,655,374
Plant and machinery	2,411,496,845	809,932,859	1,601,563,986



## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

for the year ended June 30, 2015

	2014		
	Cost Rupees	Accumulated depreciation Rupees	Net book value 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

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.

## 17.2 Capital work in progress

	2015				
	As at July 01, 2014 Rupees	Additions Rupees	Transfers Rupees	Adjusted Rupees	As at June 30, 2015 Rupees
Building	-	1,334,395	-	-	1,334,395
Generator	-	49,539,592	-	-	49,539,592
	-	<u>50,873,987</u>	-	-	<u>50,873,987</u>
	2014				
	As at July 01, 2013 Rupees	Additions Rupees	Transfers Rupees	Adjusted Rupees	As at June 30, 2014 Rupees
Building	10,185,372	2,602,304	(2,887,676)	(9,900,000)	-
Plant and machinery	-	17,157,168	(17,157,168)	-	-
	<u>10,185,372</u>	<u>19,759,472</u>	<u>(20,044,844)</u>	<u>(9,900,000)</u>	<u>-</u>

## 18 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:

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

for the year ended June 30, 2015

	2015	2014
	<i>Rupees</i>	<i>Rupees</i>
18.1 Hira Terry Mills Limited		
Percentage of ownership interest	<u>46.90%</u>	<u>46.90%</u>
Cost of investment		
18,450,000 (2014: 18,450,000) fully paid ordinary shares of Rs. 10 each	184,500,000	184,500,000
Share of post acquisition profits - <i>unrealized</i>	386,397,959	308,876,313
	<u>570,897,959</u>	<u>493,376,313</u>

### 18.1.1 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:

	<i>Note</i>	2015	2014
		<i>Rupees</i>	<i>Rupees</i>
Assets		3,547,570,825	3,383,092,412
Liabilities		2,329,704,307	2,331,636,910
Revenue		3,789,645,023	3,638,907,781
Profit for the year		166,972,608	157,010,073
Other comprehensive loss		(1,677,131)	(2,880,468)
Break-up value per share		30.96	26.73
Share of profit - <i>unrealized</i>		78,308,201	73,635,889
Share of other comprehensive loss - <i>unrealized</i>		(786,555)	(1,350,906)

### 19 LONG TERM DEPOSITS

Utility companies and regulatory authorities	<i>19.1</i>	19,475,638	19,297,238
Financial institutions	<i>19.1</i>	7,059,010	7,398,310
		<u>26,534,648</u>	<u>26,695,548</u>

19.1 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.

	2015	2014
	<i>Rupees</i>	<i>Rupees</i>
20 STORES, SPARES AND LOOSE TOOLS		
Stores	156,267,619	143,257,162
Spares and loose tools	20,775,019	24,103,345
	<u>177,042,638</u>	<u>167,360,507</u>

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

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
<b>21 STOCK IN TRADE</b>			
Raw material	21.2	1,210,595,501	1,127,725,907
Packing material		7,799,247	6,035,558
Work in process	21.2	51,749,875	38,533,960
Finished goods	21.1 & 21.2	444,313,193	337,411,890
		<u>1,714,457,816</u>	<u>1,509,707,315</u>

21.1 Stock of finished goods include stock of waste valued at Rs. 369,940 (2014: Rs. 1,050,454). The entire stock of waste is valued at net realizable value.

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

	Note	2015 Rupees	2014 Rupees
<b>22 TRADE DEBTS</b>			
Local - <i>unsecured, considered good</i>		96,290,495	82,929,182
Foreign - <i>secured</i>	22.1	29,538,731	59,963,797
		<u>125,829,226</u>	<u>142,892,979</u>

22.1 These are secured against letters of credit

### 23 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to suppliers - <i>unsecured, considered good</i>		24,191,895	10,764,624
Advances to employees - <i>unsecured, considered good</i>	23.1	6,088,478	6,477,129
Letters of credit		76,909,163	18,164,832
Margin deposits		8,733,834	8,395,563
Prepayments		-	3,113,422
Excise duty refundable		1,953,431	1,953,431
Others		1,388,668	2,685,708
		<u>119,265,469</u>	<u>51,554,709</u>

23.1 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	2015 Rupees	2014 Rupees
<b>24 ADVANCE INCOME TAX/INCOME TAX REFUNDABLE</b>			
Advance income tax/income tax refundable		163,994,836	136,382,482
Provision for taxation	33	(33,903,950)	(4,491,885)
		<u>130,090,886</u>	<u>131,890,597</u>

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
<b>25 CASH AND BANK BALANCES</b>			
Cash in hand		2,258,143	1,036,853
Cash at banks			
current accounts in local currency		18,317,996	14,781,831
deposit/saving accounts in local currency	25.1	785,488	30,158
		19,103,484	14,811,989
deposit/saving accounts in foreign currency		6,702	84,697
		<u>21,368,329</u>	<u>15,933,539</u>

25.1 Effective mark-up rate in respect of deposit/saving accounts for the year is 6.5% (2014: 7%) per annum.

### 26 SALES - NET

	Note	2015		
		Finished goods Rupees	Waste Rupees	Total Rupees
Local		1,266,648,189	104,608,847	1,371,257,036
Export	26.1	2,763,501,847	-	2,763,501,847
Gross sales		4,030,150,036	104,608,847	4,134,758,883
Sales return		(47,032,539)	-	(47,032,539)
Sales tax		(23,543,489)	(2,382,489)	(25,925,978)
		<u>3,959,574,008</u>	<u>102,226,358</u>	<u>4,061,800,366</u>
		2014		
		Finished goods Rupees	Waste Rupees	Total Rupees
Local		758,216,193	138,045,709	896,261,902
Export	26.1	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)
		<u>4,639,860,067</u>	<u>135,338,930</u>	<u>4,775,198,997</u>

26.1 Yarn export sales include indirect exports amounting to Rs. 1,481,545,961 (2014: Rs. 2,276,169,051).

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
<b>27 COST OF SALES</b>			
Raw material consumed	27.1	2,622,736,529	3,269,107,828
Packing material consumed		65,484,137	62,261,456
Stores, spares and loose tools consumed		51,697,044	41,247,404
Salaries, wages and benefits	27.2	279,081,315	254,308,280
Insurance		26,087,803	11,531,347
Power and fuel		404,939,947	443,933,925
Dyes and chemicals		26,252,971	25,437,659
Depreciation	17.1.3	105,829,826	102,831,380
Others		19,136,669	19,682,124
Manufacturing cost		<u>3,601,246,241</u>	<u>4,230,341,403</u>
Work in process			
As at beginning of the year		38,533,960	29,624,791
As at end of the year		(51,749,875)	(38,533,960)
		(13,215,915)	(8,909,169)
Cost of goods manufactured		<u>3,588,030,326</u>	<u>4,221,432,234</u>
Finished goods			
As at beginning of the year		337,411,890	261,361,067
Purchased during the year		106,390,374	183,200,679
As at end of the year		(444,313,193)	(337,411,890)
		(510,929)	107,149,856
		<u>3,587,519,397</u>	<u>4,328,582,090</u>
<b>27.1 Raw material consumed</b>			
As at beginning of the year		1,127,725,907	1,249,084,078
Purchased during the year		2,756,985,152	3,147,749,657
Sold during the year		(51,379,029)	-
As at end of the year		(1,210,595,501)	(1,127,725,907)
		<u>2,622,736,529</u>	<u>3,269,107,828</u>

27.2 These include charge in respect of employees retirement benefits amounting to Rs. 14,144,679 (2014: Rs. 7,280,860).

	Note	2015 Rupees	2014 Rupees
<b>28 DISTRIBUTION COST</b>			
Export			
Ocean freight and forwarding		26,677,964	29,070,284
Commission		17,242,240	14,908,308
Others		2,550,247	7,181,728
		46,470,451	51,160,320
Local			
Commission		3,568,544	2,932,084
		<u>50,038,995</u>	<u>54,092,404</u>

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
<b>29 ADMINISTRATIVE EXPENSES</b>			
Salaries and benefits	29.1	23,153,808	23,690,189
Rent, rates and taxes	29.2	4,616,302	4,032,868
Ujrah payments		27,320,594	27,154,816
Printing and stationery		993,889	358,341
Communication		1,013,702	1,727,086
Electricity, water and gas		2,383,595	1,271,195
Repair and maintenance		251,890	121,955
Vehicles running and maintenance		832,538	2,354,772
Traveling and conveyance		6,496,126	3,566,706
Legal and professional charges		1,900,365	2,185,230
Auditors' remuneration	29.3	1,100,000	1,100,000
Fee and subscription		2,019,385	1,943,659
Entertainment		45,949	12,394
Insurance		698,704	235,334
Depreciation	17.1.3	2,159,792	2,098,600
Others		1,857,193	1,461,135
		<u>76,843,832</u>	<u>73,314,280</u>

29.1 These include charge in respect of provident fund amounting to Rs. 2,068,947 (2014: Rs. 2,079,362).

29.2 These include charge in respect of office rent paid to directors amounting to Rs. 4,200,000 (2014: Rs. 3,600,000).

	Note	2015 Rupees	2014 Rupees
<b>29.3 Auditor's remuneration</b>			
Annual statutory audit		550,000	550,000
Half yearly review		150,000	150,000
Review report under Code of Corporate Governance		150,000	150,000
Out of pocket expenses		250,000	250,000
		<u>1,100,000</u>	<u>1,100,000</u>
<b>30 OTHER INCOME</b>			
Gain on financial instruments			
Foreign exchange gain		-	26,984
Other gains			
Gain on disposal of property, plant and equipment	17.1.2	801,263	2,534,787
		<u>801,263</u>	<u>2,561,771</u>
<b>31 FINANCE COST</b>			
Interest / mark-up on borrowings:			
long term finances		34,238,187	40,397,881
liabilities against assets subject to finance lease		5,993,384	1,130,652
short term borrowings		216,149,880	227,978,066
balances with related parties		1,021,530	4,207,492
		257,402,981	273,714,091
Interest on Workers' Profit Participation Fund	12.2	132,352	564,856
Bank charges and commission		12,616,109	11,587,688
		<u>270,151,442</u>	<u>285,866,635</u>

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

for the year ended June 30, 2015

31.1 During the year, markup of Rs. 19,218,115 (2014: 20,070,720) on long term finances from directors and sponsors has been waived by the lenders on their discretion.

	<i>Note</i>	2015	2014
		<i>Rupees</i>	<i>Rupees</i>
<b>32 OTHER CHARGES</b>			
Gain on financial instruments			
Foreign exchange loss		343,240	
Others			
Workers' Profit Participation Fund	12.2	3,871,744	1,814,411
Workers' Welfare Fund	12.3	1,471,263	234,551
Donations	32.1	269,850	168,000
		<u>5,956,097</u>	<u>2,216,962</u>

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

	<i>Note</i>	2015	2014
		<i>Rupees</i>	<i>Rupees</i>
<b>33 TAXATION</b>			
Current taxation			
for current year	24 & 33.2	33,903,950	4,491,885
for prior year		(593,615)	-
		33,310,335	4,491,885
Deferred taxation:	11.2		
Attributable to origination and reversal of temporary differences		26,909,032	(26,619,421)
Attributable to changes in tax rates		(2,162,416)	(4,919,923)
		24,746,616	(31,539,344)
		<u>58,056,951</u>	<u>(27,047,459)</u>

33.1 Assessments for the tax years up to 2014 have either been finalized or are deemed assessments in terms of Section 120 (1) of the Ordinance, as per returns filed by the Company.

33.2 Provision for taxation has been made under section 113, 154 and 169 (2014: section 113, 154 and 169) of the Income Tax Ordinance, 2001 ("the Ordinance"). There is no relationship between tax expense and accounting profit. Accordingly, no numerical reconciliation has been presented.

33.3 The Government of Pakistan vide Finance Act 2014 notified a reduced tax rate of 33% for tax year 2015 as compared 34% applicable to previous year for Companies.

	<i>Unit</i>	2015	2014
<b>34 EARNINGS PER SHARE - BASIC AND DILUTED</b>			
Profit attributable to ordinary shareholders	<i>Rupees</i>	<u>90,637,608</u>	<u>133,071,119</u>
Weighted average number of ordinary shares outstanding during the year	<i>No. of shares</i>	<u>78,707,200</u>	<u>78,707,200</u>
Earnings per share	<i>Rupees</i>	<u>1.15</u>	<u>1.69</u>

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

34.2 Weighted average number of ordinary shares outstanding during the year ended June 30, 2014 has been adjusted for issue of bonus element.

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

for the year ended June 30, 2015

- 34.3 As referred to in note 46.1, the Board of Directors of the Company has resolved to issue 10% fully paid bonus shares to ordinary shareholders. The weighted average number of shares for the subsequent period will be adjusted for the impact of bonus issue retrospectively after the shares are issued. The earning per share for the current period, reported in subsequent period, after the issue of bonus shares will be Rs. 1.05 per share.

	2015	2014
	<i>Rupees</i>	<i>Rupees</i>
<b>35 CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	150,400,067	107,324,286
Adjustments for non-cash and other items		
Interest/mark-up on borrowings	257,402,981	273,714,091
Exchange loss	343,240	-
Gain on disposal of property, plant and equipment	(801,263)	(2,534,787)
Provision for employees retirement benefits	14,144,679	7,334,055
Depreciation	107,989,618	104,929,980
Share of profit of jointly controlled entity	(78,308,201)	(73,635,889)
	<u>300,771,054</u>	<u>309,807,450</u>
	451,171,121	417,131,736
Changes in working capital		
Stores, spares and loose tools	(9,682,131)	(21,983,155)
Stock in trade	(204,750,501)	36,003,392
Trade debts	16,720,513	(11,473,637)
Advances, prepayments and other receivables	(67,710,760)	23,766,073
Sales tax refundable	(24,958,796)	(1,962,887)
Trade and other payables	210,097,790	(31,693,959)
	<u>(80,283,885)</u>	<u>(7,344,173)</u>
Cash generated from operations	<u><u>370,887,236</u></u>	<u><u>409,787,563</u></u>
<b>36 CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	21,368,329	15,933,539
	<u><u>21,368,329</u></u>	<u><u>15,933,539</u></u>

### 37 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:

		2015	2014
		<i>Rupees</i>	<i>Rupees</i>
<b>37.1 Transactions with related parties</b>			
Nature of relationship	Nature of transactions		
Jointly controlled entity	Sales of yarn, cotton, dyes and chemicals	1,509,062,252	1,674,376,199
	Purchases of towels, cotton, waste, stores and spares	76,427,373	13,610,612
	Expenses charged	22,007,579	21,538,702
	Interest charged on balance due	1,021,530	4,207,492



## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

*for the year ended June 30, 2015*

		<i>Note</i>	2015	2014
			<i>Rupees</i>	<i>Rupees</i>
	Sponsors	Borrowings adjusted against civil works	-	9,900,000
		Interest on borrowings paid	1,818,518	-
		Interest on borrowings charged	19,218,115	20,070,720
		Interest on borrowings waived	19,218,115	20,070,720
		Office rent	4,200,000	3,600,000
		Civil works adjusted	-	9,900,000
	Associated undertaking	Insurance premium paid	19,077,784	11,994,240
	Provident Fund Trust	Contribution for the year	2,068,947	2,079,362
37.2	Balances with related parties			
	Jointly controlled entity	Current account	41,978,394	109,910,679
	Sponsors	Borrowings	165,000,000	165,000,000
		Accrued markup on borrowings	1,927,431	3,745,949
	Key management personnel	Short term employee benefits payable	475,000	465,000
	Provident Fund Trust	Payable to provident fund	507,890	413,151
38	FINANCIAL INSTRUMENTS			
38.1	Financial instruments by class and category			
38.1.1	Financial assets			
<i>Loans and receivables</i>				
	Long term deposits	<i>19</i>	26,534,648	26,695,548
	Trade debts	<i>22</i>	125,829,226	142,892,979
	Margin deposits	<i>23</i>	8,733,834	8,395,563
	Cash and bank balances	<i>25</i>	21,368,329	15,933,539
			<u>182,466,037</u>	<u>193,917,629</u>
38.1.2	Financial liabilities			
<i>Financial liabilities at amortized cost</i>				
	Long term finances	<i>9</i>	676,040,004	429,528,155
	Liabilities against assets subject to finance lease	<i>10</i>	67,181,579	5,514,243
	Short term borrowings	<i>13</i>	1,606,582,666	1,706,400,436
	Accrued interest/mark-up	<i>14</i>	56,141,653	84,895,356
	Trade creditors	<i>12</i>	283,583,749	214,008,746
	Due to jointly controlled entity	<i>12</i>	41,978,394	109,910,679
	Accrued liabilities	<i>12</i>	265,870,479	60,075,404
			<u>2,997,378,524</u>	<u>2,610,333,019</u>
38.2	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.

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

### for the year ended June 30, 2015

#### 38.2.1 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.

#### 38.2.2 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.

### 39 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.

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:

#### 39.1 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.

	<i>Note</i>	2015	2014
		<i>Rupees</i>	<i>Rupees</i>
39.1.1 Maximum exposure to credit risk			
The maximum exposure to credit risk as at the reporting date is as follows:			
<i>Loans and receivables</i>			
Long term deposits	19	26,534,648	26,695,548
Trade debts	22	125,829,226	142,892,979
Margin deposits	23	8,733,834	8,395,563
Bank balances	25	19,110,186	14,896,686
		<u>180,207,894</u>	<u>192,880,776</u>

#### 39.1.2 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:

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

for the year ended June 30, 2015

	2015	2014
	<i>Rupees</i>	<i>Rupees</i>
Customers	125,829,226	142,892,979
Banking companies and financial institutions	34,903,030	30,690,559
Utility companies and regulatory authorities	19,475,638	19,297,238
	<u>180,207,894</u>	<u>192,880,776</u>

### 39.1.3 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.

#### 39.1.3.1 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.

#### 39.1.3.2 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:

	2015		2014	
	Gross carrying amount <i>Rupees</i>	Accumulated Impairment <i>Rupees</i>	Gross carrying amount <i>Rupees</i>	Accumulated Impairment <i>Rupees</i>
Past due 1-30 days	88,508,066	-	111,647,356	-
Past due 30-60 days	6,878,824	-	17,963,833	-
Past due 60-90 days	25,310,869	-	410,939	-
Over 90 days	5,131,467	-	12,870,851	-
	<u>125,829,226</u>	<u>-</u>	<u>142,892,979</u>	<u>-</u>

The Company's one (2014: three) significant customers account for Rs. 14.83 million (2014: Rs. 66.56 million) of trade debts as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (2014: 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. 29.54 million (2014: Rs. 59.96 million) are secured through confirmed letters of credit and thus do not carry any significant credit risk.

### 39.1.4 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.

### 39.1.5 Credit risk management

As mentioned in note 39.1.3 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 receivables are regularly monitored and any shipments to major customers are generally covered by the letters of credit or other form of credit insurance.

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

for the year ended June 30, 2015

### 39.2 Liquidity risk

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

#### 39.2.1 Exposure to liquidity risk

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

	2015				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Long term finances	676,040,004	791,611,615	170,125,402	621,486,213	-
Liabilities against assets subject to finance lease	67,181,579	80,485,257	25,285,609	55,199,648	-
Short term borrowings	1,606,582,666	1,619,000,737	1,619,000,737	-	-
Accrued interest/mark-up	56,141,653	56,141,653	56,141,653	-	-
Trade creditors	283,583,749	283,583,749	283,583,749	-	-
Accrued liabilities	265,870,479	265,870,479	265,870,479	-	-
Due to jointly controlled entity	41,978,394	41,978,394	41,978,394	-	-
	<u>2,997,378,524</u>	<u>3,138,671,884</u>	<u>2,461,986,023</u>	<u>676,685,861</u>	<u>-</u>
	2014				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years 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	-	-
	<u>2,610,333,019</u>	<u>2,662,243,809</u>	<u>2,300,996,317</u>	<u>361,247,492</u>	<u>-</u>

#### 39.2.2 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 maintaining 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.

### 39.3 Market risk

#### 39.3.1 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.

##### 39.3.1.1 Exposure to currency risk

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

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

for the year ended June 30, 2015

	2015	2014
	Rupees	Rupees
<i>Financial assets</i>		
Trade debts	29,538,731	59,963,797
Bank balances	6,702	84,697
	29,545,433	60,048,494
<i>Financial liabilities</i>		
Net exposure	29,545,433	60,048,494

### 39.3.1.2 Exchange rates applied during the year

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

	2015	2014
	Rupees	Rupees
Financial assets	101.50	98.55
Financial liabilities	101.70	98.75

### 39.3.1.3 Sensitivity analysis

A ten percent appreciation in Pak Rupee against the US \$ would have decrease profit for the year by Rs. 2.954 million (2014: Rs. 6.00 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.

### 39.3.1.4 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.

### 39.3.2 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.

#### 39.3.2.1 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:

	2015	2014
	Rupees	Rupees
<i>Fixed rate instruments</i>		
Financial assets	-	-
Financial liabilities	-	-
<i>Variable rate instruments</i>		
Financial assets	792,190	114,855
Financial liabilities	2,391,782,643	2,251,353,513

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

### for the year ended June 30, 2015

#### 39.3.2.2 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.

#### 39.3.2.3 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. 23.91 million (2014: Rs. 22.51 million). A decrease of 100 basis points would 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.

#### 39.3.2.4 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.

#### 39.3.3 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.

### 40 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 maintain 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	2015	2014
Total debt	Rupees	743,221,583	435,042,398
Total equity	Rupees	1,852,822,076	1,762,184,468
Total capital employed		<u>2,596,043,659</u>	<u>2,197,226,866</u>
Gearing	% age	<u>28.63</u>	<u>19.80</u>

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.

	2015	2014
	Rupees	Rupees

### 41 RESTRICTION ON TITLE, AND ASSETS PLEDGED AS SECURITY

#### Mortgages and charges

Charge over current assets	2,112,000,000	2,686,334,000
Charge over fixed assets	2,011,000,000	1,208,999,000

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

for the year ended June 30, 2015

### 42 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:

	2015		
	Chief Executive Rupees	Directors Rupees	Executives Rupees
Managerial remuneration	2,200,000	1,599,996	4,532,503
House rent	1,100,000	639,996	2,278,560
Motor vehicle expenses	84,114	72,448	506,002
Utilities	210,000	159,996	-
Post employment benefits	-	-	377,557
Others	38,230	26,490	47,604
	<u>3,632,344</u>	<u>2,498,926</u>	<u>7,742,226</u>
Number of persons	<u>1</u>	<u>1</u>	<u>3</u>
	2014		
	Chief Executive Rupees	Directors Rupees	Executives 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
	<u>3,742,052</u>	<u>2,692,812</u>	<u>7,498,020</u>
Number of persons	<u>1</u>	<u>1</u>	<u>3</u>

### 43 SEGMENT INFORMATION

- 43.1 The Company is a single reportable segment.
- 43.2 All non-current assets of the Company are situated in Pakistan.
- 43.3 All sales of the Company have originated from Pakistan.
- 43.4 There is one (2014: two) significant external customer to whom sales in excess of 10% of the Company's total sales amounting to Rs. 1,509,062,252 (2014: 2,386,150,590) were made during the year.

### 44 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, 2015.

	Unit	2015	2014
Size of the fund - total assets	Rupees	28,180,832	24,328,905
Cost/fair value of investments	Rupees	15,150,000	15,080,000
Percentage of investments made	% age	53.76%	61.98%

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

for the year ended June 30, 2015

The break-up of investments is as follows:

	2015		2014	
	Rupees	% age	Rupees	% age
Deposit accounts with commercial banks	-	-	930,000	6.17
Government securities	12,150,000	80.20	11,150,000	73.94
Mutual funds	3,000,000	19.80	3,000,000	19.89
	<u>15,150,000</u>	<u>100.00</u>	<u>15,080,000</u>	<u>100.00</u>

#### 45 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 07, 2015 by the Board of Directors of the Company.

#### 46 EVENTS AFTER THE REPORTING PERIOD

46.1 The Board of Directors of the Company in their meeting held on October 07, 2015 have resolved to issue 10% fully paid bonus shares out of accumulated profits. The issue is subject to approval of shareholders in the forthcoming annual general meeting of the Company. Accordingly, the impact of the issue will be recognized for in the financial statements of the Company in the subsequent period.

46.2 There are no other significant events after the reporting period which may require adjustment and/or disclosure in these financial statements.

#### 47 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	2015	2014
<i>Spinning</i>			
Number of spindles installed	No.	41,424	41,424
Number of shifts per day	No.	3	3
Number of spindles worked	Hrs.	45,359,280	45,359,280
Plant capacity on the basis of bags produced converted into 20s count	Bags	348,918	348,918
Plant capacity on the basis of utilization converted into 20s count	Kgs	15,826,920	15,826,920
Actual production converted into 20s count	Kgs	12,758,341	12,760,278

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.

	Unit	2015	2014
<i>Doubling</i>			
Number of spindles installed	No.	1,094	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	51,560	51,650
Actual production converted into 20s count	Bags	46,802	43,267

Under utilization of available resources was due to actual demand.

	Unit	2015	2014
<i>Dyeing</i>			
Installed machines	No.	4	4
Dyeing capacity	Kgs	1,800,000	1,095,000
Actual dyeing production	Kgs	1,601,495	1,082,367



## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

*for the year ended June 30, 2015*

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

### 48 RE-CLASSIFICATION

During the previous year, the Company's share of other comprehensive loss of jointly controlled entity amounting to Rs. 1,350,906 was inadvertently recognized in profit or loss. The same has been reclassified to other comprehensive income by restating the amounts reported for the previous year. The amount of adjustment is considered to be immaterial. Therefore, the disclosure required under IAS 8-Accounting Policies, Changes in Accounting Estimates and Errors have not been presented.

### 49 NUMBER OF EMPLOYEES

Total number of employees of the Company as at the reporting date are 923 (2014: 925). Average number of persons employed by the Company during the year are 928 (2014: 964).

### 50 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.

### 51 GENERAL

51.1 Figures have been rounded off to the nearest rupee.

51.2 Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year.



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, 2015 (Saturday) 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 \_\_\_\_\_ 2015 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.