HIRA TEXTILE MILLS
L I M I T E D

HIRA TEXTILE MILLS LIMITED

Annual Report | 2018

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HIRA TEXTILE MILLS LIMITED

COMPANY INFORMATION

CHAIRPERSON

Mrs. Shahnaz Umar

CHIEF EXECUTIVE

Mr. Muhammad Umar Virk

BOARD OF DIRECTORS

Mrs. Shahnaz Umar
Mr. Muhammad Umar Virk
Mrs. Sadiya Umair
Mr. Usman Khalid
Mr. Lutfullah Virk
Mr. Saeed Ahmed Khan
Mr. Shaukat Nazir Malik *(Independent Director)*

AUDIT COMMITTEE

Mr. Shaukat Nazir Malik	*Chairman*
Mr. Lutfullah Virk	*Member*
Mrs. Usman Khalid	*Member*

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mrs. Sadiya Umair	*Chairperson*
Mr. Muhammad Umar Virk	*Member*
Mr. Saeed Ahmed Khan	*Member*

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Mr.Saeed Ahmad Khan

AUDITORS

M/S Rahman Sarfaraz Rahim Iqbal Rafiq. (Chartered Accountants)Member of Russell Bedford International.
House No 72-A, Faisal Town, Lahore

TAX ADVISER

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

LEGAL ADVISER

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

REGISTRAR OF THE COMPANY

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

REGISTERED OFFICE

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

MILLS

8 KM Manga Raiwind Road Raiwind District Kasur.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 27th annual general meeting of the members of Hira Textile Mills Limited will be held on Saturday, October 27, 2018 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, 2018 together with the Directors and auditor's reports thereon.
3. To consider appointment of external audits for the financial year ending June 30, 2019.
4. To transact any other business with the permission of the Chair.

(By the order of the Board)

Saeed Ahmad Khan
Company Secretary

Lahore: October 06, 2018

Notes

1- The Share Transfer Books of the Company will remain closed from October 20, 2018 to October 27, 2018 (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. The instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notarially certified copy of such power or authority, in order to be valid, must be deposited at the registered office of the company at least 48 hours before the time of the meeting and must be duly stamped, singed and witnessed.

3- Any individual beneficial owner of CDC entitle to attend and vote at this meeting, must bring his/her original CNIC or passport, account and participants. ID numbers to prove his/her identity and incase of proxy it must enclose an attested copy of his/her CNIC of passport. Representatives of corporate members should bring the usual documents requires for such purpose.

4- In terms of sub section 1(b) of Section 134 of the Companies Act, 2017, Members can also attend and participate in the AGM through video conference facility, if members residing the vicinity, collectively holding 10% or more shareholding, provide their consent in writing, to participate in the AGM through video conference at least ten (10) days prior to date of AGM. After receiving the consent of the members in aggregate 10% or more shareholding, the Company will intimate members regarding venue of video conference facility at least five (5) days before the date of the AGM along with complete information necessary to enable them to access such facility.

5- The audited financial statements of the company for the year ended June 30, 2018 have been placed at the website: www.hiratex.com.pk

6- Shareholders are requested to immediately notify change in address. If any to the company share register M/s. Vision Consulting Ltd. 3-C, 1st floor, LDA Flats, Lawrence Road Lahore. And also furnish attested photocopy of their CNIC as per listing regulation, if not provided earlier.

حرا ٹیکسٹائل ملز لیمیٹڈ

اطلاع سالانہ اجلاس عام

بذریعہ نوٹس ہذا مطلع کیا جاتا ہے کہ حرا ٹیکسٹائل ملز لیمیٹڈ کے حصص داران کا ستائیسواں (27th) سالانہ اجلاس عام 27 اکتوبر 2018ء (بروز ہفتہ) بوقت صبح 11.00 بجے کمپنی کے رجسٹرڈ آفس 1-E-44 گلبرگ-3- میں درج ذیل امور کی انجام دہی کے لئے منعقد ہوگا۔

1- پچھلے سالانہ اجلاس عام کی کاروائی کی توثیق۔

2- 30 جون 2018ء کو مختتمہ سال کے لئے ڈائریکٹرز اور آڈیٹرز کی رپورٹ مع آڈٹ شدہ حسابات کی وصولی اور منظوری

3- 30 جون 2019ء کو مختتمہ سال کے لئے کمپنی کے بیرونی آڈیٹرز کا تقرر اور انکے مشاہرے کا تعین۔

4- چیرمین کی اجازت سے دیگر امور کی انجام دہی۔

بحکم بورڈ

سعید احمد خان

کمپنی سیکرٹری

لاہور

6 اکتوبر 2018

نوٹس:

1- کمپنی کی منتقلی حصص کی کتابیں سالانہ اجلاس عام میں شرکت اور ووٹنگ کے استحقاق کے لئے 20-10-2018 سے 27-10-2018 (بشمول ہر دو آیام) بند رہیں گی۔

2- اجلاس ہذا میں شرکت اور ووٹ دینے کا اہل ممبر اپنی بجائے شرکت اور ووٹ دینے کے لئے کسی دوسرے ممبر کو اپنا پراکسی مقرر کر سکتا ہے۔ پراکسیاں تا آنکہ مئوثر ہو سکیں اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ دفتر میں لازماً پہنچ جائیں

3- سی ڈی سی (CDC) کے حصہ داروں سے التماس ہے کہ اجلاس میں شرکت کے وقت پیش کرنے کے لئے اپنا اصل شناختی کارڈ اکاؤنٹ نمبر یا پاسپورٹ ساتھ لائیں۔

4- حصص یافتگان اجلاس میں بذریعہ وڈیولنک سہولت شریک ہو سکتے ہیں کمپنی کو اجلاس کے انعقاد سے کم از کم دس روز قبل کسی دوسرے شہر میں مقیم دس فیصد یا ذائد شئیر ہولڈرز کی جانب سے بذریعہ ویڈیولنک اجلاس میں شرکت کی خواہش موصول ہونے کی صورت میں کمپنی متعلقہ مقام پر وڈیولنک سہولت کا اہتمام کرے گی اور کمپنی اجلاس کے انعقاد سے کم از کم پانچ دن پہلے وڈیولنک سہولت کے مقام سے ممبران کو مطلع کرے گی۔

5- کمپنی کے آڈٹ شدہ مالیاتی حسابات برائے سال مختتمہ 30 جون 2018ء کمپنی کی ویب سائٹ www.hiratex.com.pk پر چسپاں کر دیئے گئے ہیں

6- حصص یافتگان سے درخواست ہے کہ وہ اپنے پتہ میں تبدیلی سے متعلق اطلاع فوری طور پر کمپنی کے رجسٹرار میسرز وژن کنسلٹنگ لیمیٹڈ-C-3-فرسٹ فلور۔ ایل ڈی اے فلیٹس لارنس روڈ لاہور کو دیں۔ اسکے علاوہ جنھوں نے اپنے شناختی کارڑ کی کاپیاں مہیا نہیں کیں ہیں وہ بھی اپنے شناختی کارڑ کی مصدقہ کاپی بھجیں۔

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.

HIRA TEXTILE MILLS LIMITED

CHAIRPERSON'S REVIEW

It gives me pleasure to present you the annual review of the audited financial statement for the year ended June 30, 2018 and the overall performance of Board. I would take this opportunity to invite you for 27th Annual General Meeting of the Company.

Review of the Company's Performance

Due to decrease in sales during this financial year, performance of the company in term of profitability is in alarming position. The global slowdown and energy crisis locally is still hurting the business of the company. Day by day competition from neighboring countries is increasing. Margins have been squeezed and it appears that they will be further compressed in time to come. I would like to appreciate the efforts of the management towards cost reduction, better utilization of capacities and product development. Debt restructuring have been carried out. After implementation of restructuring, significant milestone for the company would be achieved.

The Company has to work harder to compete with increasing competition. Plans of the Company should yield better efficiencies and reduce production cost.

Review of the Company's Performance

The Board is aware of the importance of its role in achieving objectives of the Company. The Board acknowledges its responsibility for corporate & Financial reporting Framework and is committed to good Corporate Governance.

Attendance of Board members in Board and committee meeting has been satisfactory. Board is devoted and focused towards Company's value and mission. Board members do have the suitable knowledge, variety of expertise and experience that is required to successfully govern the business. Individual Board members are committed to perform for the betterment of the company. Areas of planning, risk management, policy development, budgeting, reporting, monitoring and approval have been appropriately given time and discussed with better outcomes.

On behalf of the Board, I appreciate the support of all financial institution. I express gratitude to our valued customers. It is hard work and dedication of all our employees that have made such results possible.

Lahore: October 05, 2018

Mrs. Shahnaz Umar
(Chairperson)

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, 2018.

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)

	2018	2017
Net Sale	**(2,171.757)**	3,361.275
Gross (Loss)/Profit	**(153.669)**	255.012
Share of (Loss)/Profit of Hira Terry	**(124.970)**	102.676
(Loss)/Profit before taxation	**(540.544)**	43.958
Provision for taxation	**(6.425)**	36.503
(Loss)/Profit for the year	**(546.969)**	7.456
(Loss)/Earning per Share	**(6.32)**	0.09

Due to unfavorable market condition, depressed yarn prices and low margins your company beard after tax Loss of Rs. 546.969 million as compared to profit of Rs. 7.456 Million during the corresponding period. Loss per share for the year is Rs. 6.32 as compared to earnings of Rs. 0.09 during the corresponding previous year. Sales revenue decreased by 35.39 % over the previous year. Gross Loss for the year under review is 7.07 % as compared to profit of 17.58 %. Distribution cost decreased from 1.22 % of sales to 0.56 % of sales. Administrative expenses increased from 1.60 % of sales to 2.20% of sales. Finance cost increased by 2.91% over the last year. Share of Loss of M/S Hira Terry associated company is Rs.124.970 Million as compared to last year profit of Rs.102.676 Million. The loss of Hira Terry is due to substantial decrease in margins for value added products.

The 3rd and 4th quarter of the current year showed a drastic decline in all segment of the company's activities. There are various factors contributing to the decline of the activities/profit. The company faced labor issues and has lay off almost 900 workers, due to the reason the operations of the company were stopped for almost two and half months. Hence the company has changed the entire technical team at mill site. Restructuring of loan in MCB Bank Limited, Faysal Bank Limited, National Bank Limited and Bank Al-Falah Limited has been carried out in April-2018 and May-2018.

The management is concerned about the profitability of the company for the coming year due to extremely weak demand of spun yarn and ever increasing production cost, high cotton price and uncertainty about the size of cotton crop and yarn and increasing mark-up rate, blocked GST / Income Tax refunds. The Govt. of Pakistan has given textile industry relief by reduction in Gas rates. However the management is putting its best efforts to maximize company's profit for the next year.

Expansion and BMR

The Company has spent 93.511 Million on BMR.

Dividend

Due to Loss of the company and circumstances discussed above, the Board of Directors has not recommended divided for the year ended June 30, 2018.

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 Pakistan Stock exchanges.

Financial Statements Audit

Financial statements of the Company have been audited without any qualification by Messrs Rehman Sarfaraz Rahim Iqbal Rafiq (Chartered Accountants) who have been appointed as the statutory external auditors of the Company.

ISO 9001 – 2008 Certification

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

Environments, Health and Safety

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

Future Plans

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

Corporate & Financial Reporting Frame Work

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

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

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

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

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

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

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

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

viii. The value of investment of contributory provident fund as at June 30, 2018 amount to Rs. 9.980 Million.

ix. The pattern of shareholding as at June 30, 2018 is annexed.

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

Board Meeting

During the year under review Nine (9) meetings were held. Attendance by each Director is as follows:

Name of Director	Attendance
Mrs. Shahnaz Umar	9 (Nine)
Mr. Muhammad Umar Virk	9 (Nine)
Mr. Nadeem Aslam Butt *(Resigned on 15-02-2018)*	3 (Three)
Mr. Lutfullah Virk *(appointed on 15-02-2018)*	1 (One)
Mrs. Fatima Nadeem *(Resigned on 15-02-2018)*	2 (Two)
Mrs. Sadiya Umair	9 (Nine)
Mr. Shaukat Nazir Malik	4 (Four)
Mr. Usman Khalid	9 (Nine)
Mr. Saeed Ahmed Khan *(appointed on 15-02-2018)*	5 (Five)

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

Audit Committee

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

Name of Director	Attendance
Mr. Shaukat Nazir Malik (Chairman)	4 (Four)
Mr. Lutfullah Virk Appointed in place of Mr. Muhammad Umar Virk	1 (One)
Mr. Umar Virk Resigned on 15-02-2018	2 (Two)
Mr. Usman Khalid	4 (Four)

Human Resource Committee

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

Name of Director	Attendance
Mrs. Sadiya Umair (Chairman)	1 (One)
Mr. Muhammad Umar Virk	1 (One)
Mr. Saeed Ahmed Khan	1 (One)

Auditors

The present auditors Rehman Sarfaraz Rahim Iqbal Rafiq (Chartered accountants), retire at the conclusion of the annual general meeting and being eligible and has offered themselves for reappointment for the financial year ending June 30, 2019.

Acknowledgements

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

On Behalf of the Board

MUHAMMAD UMAR VIRK
Chief Executive Officer

Lahore: October 05, 2018

حرا ٹیکسٹائل ملز لمیٹڈ

ممبران کے لیئے ڈائریکٹرز کی رپورٹ

بورڑ آف ڈائریکٹرز کمپنی کے سالانہ 30 جون 1918ء کو ختم ہونے والے سال کے لئے نظر ثانی شدہ مالیاتی حسابات اور اس پر آڈیٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ کوڈ آف کارپوریٹ گورننس کے تحت کمپنی کے حسابات تصدیق شدہ منجانب چیف ایگزیکٹو آفیسر اور چیف فنانشل آفیسر اور جسکی بورڈ آڈٹ کمیٹی نے سفارش کی اور بورڈ آف ڈائریکٹرز نے پیش کرنے کی اجازت دی۔

کمپنی کی کارکردگی

کمپنی کے اپریٹنگ مالیاتی نتائج درج ذیل ہیں

	سال 2018	سال 2017
	ملین روپے	ملین روپے
فروخت	2,171.757	3361.275
مجموعی (نقصان)/منافع	(153.669)	255.012
حرا ٹیری کے (نقصان)/منافع کا حصہ	(124.970)	102.676
قبل از ٹیکس (نقصان)/منافع	(540.544)	43.958
ٹیکس	6.425	36.503
بعد از ٹیکس (نقصان)/منافع	(546.969)	7.456
فی شیئر (نقصان)/آمدنی (EPS)	(6.32)	0.09

منڈی کے غیر موافق حالات اور دھاگے کی قیمتوں میں مندی اور کم مارجنز کی بدولت آپکی کمپنی کو بعد از ٹیکس 546.969 ملین کا نقصان ہوا ہے۔ جبکہ پچھلے سال اسی مدت کے دوران 7.456 ملین روپے کا منافع ہوا تھا۔ اس سال کا فی شیئر نقصان 6.32 روپے ہے جبکہ پچھلے سال فی شیئر آمدن 0.09 روپے تھی۔ سال کے لئے فروخت کی آمدن گزشتہ سال سے 35.39 فیصد کم رہی۔ زیر جائزہ سال کے دوران مجموعی نقصان گزشتہ سال کے 7.50 فیصد منافع کے مقابلے میں 7.58 فیصد رہا ہے۔ تقسیم کے اخراجات فروخت کے 1.22 فیصد کے مقابلے میں فروخت کے 0.56 فیصد تک ہو گئے۔ انتظامی اخراجات فروخت کے 1.60 فیصد سے فروخت کے 2.20 فیصد تک ہو گئے۔ مالی لاگت گزشتہ سال سے 2.91 فیصد زیادہ ہو گئی ہے۔

موجودہ نقصان میں میسرز حرا ٹیری ملز لیمیٹڈ کا 124.970 ملین روپے کا نقصان بھی شامل ہے جبکہ پچھلے سال اسی مدت میں 102.676 ملین روپے منافع تھا۔ منافع میں یہ کمی حرا ٹیری کے مارجن میں کمی کی بدولت ہے۔

موجودہ سال کی تیسری اور چوتھی سہ ماہی کے دوران کمپنی کے تمام شعبہ جات میں زبردست تنزلی دیکھنے میں آئی ہے اس تنزلی میں بہت سے عوامل شامل ہیں۔ کمپنی نے 900 مزدوروں کو بہت سے لیبر مسائل کی بناء پر ملازمت سے فارغ کر دیا ہے اس وجہ سے مل کے تمام اپریشن اڑھائی ماہ تک بندر ہے۔ مزید برآں کمپنی نے مل پر اپنی پوری تکنیکی ٹیم کو بدل دیا ہے۔ کمپنی نے اپریل 2018 سے مئی 2018 کے دوران ایم سی بی بینک۔ فیصل بینک۔ نیشنل بینک اور بینک الفلاح کے ساتھ قرضوں کی دوبارہ ترتیب کے عمل کو مکمل کیا ہے۔

کمپنی انتظامیہ کو آنے والا سال میں دھاگے کی مانگ میں کمی اور مسلسل بڑھتی ہوئی پیداواری لاگت۔ دھاگے اور کپاس کی قیمتوں کی غیر یقینی صورتحال۔ اور سیلز ٹیکس۔ انکم ٹیکس کے ریفنڈ نہ ہونے کی وجہ سے۔ سخت سال دکھائی دے رہا ہے۔ موجوہ حکومت نے گیس کی قیمتوں میں کمی کر کے ٹیکسٹائل کے شعبہ کو ریلف دیا ہے۔ تاہم انتظامیہ اپنی تمام صلاحیت بروے کار لاتے ہوئے کمپنی کے منافع میں بہتری کیلئے کوشاں ہے۔

وسعت اور بی۔ ایم۔ آر

کمپنی نے اس سال بی ایم آر (BMR) کی مد میں 93.511 ملین روپے خرچ کئے ہیں۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے مختتمہ سال 30 جون 2018ء کیلئے کمپنی کے نقصان میں ہونے کی بناپر کوئی منافع تجویز نہیں کیا۔

متعلقہ پارٹیز

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

مالی حسابات کا آڈٹ

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

آئی ایس او 2008:9001 کی سرٹیفکیشن

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

ماحول۔ صحت اور تحفظ

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

مستقبل کے منصوبے

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

کارپوریٹ گورنس کے ضابطہ کی تعمیل

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

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

- i- کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکوئٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتا ہے۔
- ii- کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- iii- مالی حسابات کی تیاری میں مناسب "اکاؤنٹنگ پالیسیوں" کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- vi- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ (IFRS) کے معیارات کی پیروی کی گئی ہے، اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔
- v- "اندرونی کنٹرول" کے نظام کا ڈیزائن مستحکم ہے اور اسکی موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- iv- کمپنی کے رواں دواں ہونے کی صلاحیت پر کوئی قابل ذکر شکوک وشبہات نہیں ہیں۔
- iiv- گزشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی شماریات منسلک ہے۔
- iiiv- کنٹری بیوٹری پرڈیوڈنٹ فنڈ کی مالیت 30 جون 2018 کے خاتمہ پر 9.980 ملین روپے رہی۔
- xi- 30 جون 2018 کو شیئر ہولڈنگ کا پیٹرن منسلک ہے
- x- مالی سال کے اختتام پر کمپنی مالی حالت کو متاثر کرنے والی کوئی منفی مادی تبدیلیاں اور وعدے جن کا تعلق اس بیلنس شیٹ سے ہو وقوع پذیر نہیں ہوے ہیں۔
- ix- 2017-2018 کمپنی کے حصص میں اس کے ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکریٹری اور ان کے زوج اور نابالغ بچوں کی طرف سے کوئی تجارت نہیں کی گئی ہے۔

بورڈ آف ڈائریکٹرز کے اجلاس

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

نام	تعداد حاضری
مسز شہناز عمر	9 (نو)
محمد عمر ورک	9 (نو)
ندیم اسلم بٹ (15 فروری 2018 کو مستعفی ہو گئے)	3 (تین)
محمد لطف اللہ ورک (15 فروری 2018 کو تعینات ہوئے)	1 (ایک)

مسز فاطمہ ندیم (15 فروری 2018 کو مستعفی ہوگئیں)	2 (دو)
مسز سعدیہ عمیر	9 (نو)
شوکت نذیر ملک (آزاد ڈائریکٹر)	4 (چار)
عثمان خالد	9 (نو)
سعید احمد خان (15 فروری 2018 کو تعینات ہوئے)	5 (پانچ)

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

آڈٹ کمیٹی

کارپوریٹ گورننس کے ضابطہ کی تعمیل میں بورڈ آف ڈائریکٹر نے آڈٹ کمیٹی تشکیل دی ہے جو کہ مکمل طور پر کام کررہی ہے۔ کمیٹی تین ممبران پر مشتمل ہے۔
کمیٹی کے چیئرمین ایک آزاد ڈائریکٹر ہیں دوران سال آدٹ کمیٹی کے چار اجلاس منعقد ہوئے ہر ڈائریکٹر کی حاضری درج ذیل ہے۔

ڈائریکٹر کا نام	حاضری
جناب شوکت نذیر ملک	4 (چار)
جناب لطف اللہ ورک	ا (ایک) جناب عمر ورک کی جگہ تعینات ہوئے
جناب عمر ورک	1 (ایک) مستعفی ہوگئے
جناب عثمان خالد	4 (چار)

ہیومن ریسورس کمیٹی

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

ڈائریکٹر کا نام	حاضری
محترمہ سعدیہ عمیر	1 (ایک)
محترم محمد عمر ورک	1 (ایک)
محترم سعید احمد خان	1 (ایک)

آڈیٹرز

موجودہ آڈیٹرز میسرز رحمان سرفراز رحیم اقبال رفیق۔ چارٹرڈ اکاونٹس ریٹائر ہوگئے ہیں اور اہل ہونے کی بناء پر مالی سال جون 2019 کے تقرر کیلئے خود کو پیش کرتے ہیں۔

اعتراف

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

منجانب بورڈ

محمد عمر ورک
(چیف ایگزیکٹو آفیسر)

لاہور۔ 5 اکتوبر 2018

FINANCIAL SUMMARY

Amount Rs. (000)

	2018	2017	2016	2015	2014	2013
Net Sales	2,171,757	3,361,275	3,523,396	4,061,800	4,775,199	3,985,373
Cost of Sales	2,325,426	3,106,262	3,188,731	3,587,519	4,328,582	3,450,137
Gross profit	**(153,669)**	**255,013**	**334,666**	**474,281**	**446,617**	**535,236**
Administration Expenses	47,838	53,669	63,862	76,844	73,314	64,921
Selling Expences	12,364	41,175	36,677	50,039	54,092	72,921
Operating Profit	**(213,872)**	**160,169**	**234,127**	**347,398**	**319,210**	**397,394**
Other Operating Income	3,327	876	5,715	801	2,562	1,958
Profit before Interest & Taxation	**(210,545)**	**161,045**	**239,842**	**348,199**	**321,772**	**399,352**
Other Operating Expenses	14	207	1,596	5,956	2,217	6,963
Financial & Other Charges	205,016	219,556	228,410	270,151	285,867	298,442
Share of profit Hira Terry Mills Ltd.	(124,970)	102,676	91,565	78,303	73,636	56,322
Profit before Taxation	**(540,544)**	**43,958**	**101,400**	**150,395**	**107,324**	**150,269**
Provision for Taxation	6,425	36,503	7,862	58,057	(27,047)	(21,731)
Profit after Taxation (Net Profit)	**(546,969)**	**7,456**	**93,537**	**92,338**	**134,372**	**172,000**
Financial Position						
Current Assets	2,257,623	2,627,405	2,255,468	2,340,097	2,046,423	2,033,590
Current Liabilities	2,280,329	2,951,446	2,464,531	2,428,841	2,300,419	2,221,571
Operating Fixed Assets	2,506,220	2,545,357	2,574,458	2,083,750	1,948,545	1,956,540
Total Assets	5,434,614	5,967,446	5,514,606	5,021,274	4,515,040	4,443,263
Net Capital Employed	3,154,285	3,016,019	3,050,075	2,592,433	2,214,621	2,221,693
Long Term Debts	1,127,709	426,044	466,125	589,701	330,560	433,096
Share Holder,s Equity	1,439,909	1,968,629	1,945,237	1,852,817	1,762,184	1,629,113
Surplus on Revaluation on Fixed Assets	507,951	529,235	451,377	65,893	65,893	65,893
Break -up Value Per Share (Rupees)	16.63	22.74	22.47	23.54	22.39	22.77
Number of shares	86,577,920	86,577,920	86,577,920	78,707,200	78,707,200	71,552,000
Financial Ratios Analysis (Annualized)						
Current Ratio	0.99	0.89	0.92	0.96	0.89	0.92
Total Debt to Total Assets	20.75	7.14	8.45	11.74	7.32	9.75
Acid -Test Ratio	15.98	16.55	17.26	17.59	15.36	18.87
Debt Equity	44:56	18:82	19:81	24:76	16:84	21:79
Debt Coverage Ratio	(0.93)	3.55	0.94	1.08	1.09	1.22
Leverage Ratio	2.77	2.03	1.83	1.71	1.56	1.73
Interest Coverage Ratio	(1.64)	1.20	1.44	1.56	1.38	1.50
Fixed Assets Turnover	0.87	1.32	1.37	1.95	2.45	2.04
Total Assets Turnover	0.40	0.56	0.64	0.81	1.06	0.90
Per Share Results & returns						
Earning per Share	(6.32)	0.09	1.08	1.15	1.69	2.40
Return on Capital employed- net	(17.34)	0.25	3.07	3.56	6.07	7.74
Gross Profit to Sales	(7.08)	7.59	9.50	11.68	9.35	13.43
Operating Profit To Sales	(9.85)	4.77	6.64	8.55	6.68	9.97
Net Income to Sale (Profit margin)	(25.19)	0.22	2.65	2.27	2.81	4.32
Return on Assets (ROA)	(10.06)	0.12	1.70	1.84	2.98	3.87

INFORMATION UNDER CLAUSE XVI(J) OF THE CODE CORPORATE GOVERNANCE
As at June 30, 2018

Description	Shares Held	%
Director, Chief Executive Officer, and their Spouse,and minor children.		
MR. MUHAMMAD UMAR VIRK	23,619,758	27.28
MRS. SHAHNAZ UMAR	5,725,854	6.61
MRS. SADIYA UMAIR	5,637,933	6.51
MR. SAEED AHMED KHAN	2,420	0.00
MR. LUTFULLAH VIRK	500	0.00
MR. USMAN KHALID	604	0.00
MR. SHAUKAT NAZIR MALIK	967	0.00
	34,988,036	**40.41**
Associated Companies, undertakings and related parties. Adamjee Insurance Co.	**-**	-
Banks, Development Finance Institutions, Non Banking Financial Instuitions.	**738**	0.00
Joint Stock Cpmpanies	**4,482,818**	5.18
Modarabas / P.FUND	**592,500**	0.68
Govt. Institution	**72,567**	0.08
General Public	**46,441,261**	53.64
Local		-
Foreign	Nil	-
	86,577,920	**100.00**
Shareholders holding 5% or more		
MR. MUHAMMAD UMAR VIRK	23,619,758	27.28
MRS. UMAIRA OMAR	8,603,922	9.94
MRS. SHAHNAZ UMAR	5,725,854	6.61
MRS. SADIYA UMAIR	5,637,933	6.51

Pattern of Shareholding
As at June 30, 2018

INCORPORATION No. 0023196

FORM 34

Share Holders	Shareholding From		Shareholding To	Total Shares Held
142	1	-	100	4,121
223	101	-	500	94,570
342	501	-	1000	292,916
727	1001	-	5000	2,131,387
278	5001	-	10000	2,255,508
122	10001	-	15000	1,564,825
81	15001	-	20000	1,514,432
51	20001	-	25000	1,221,681
33	25001	-	30000	954,783
24	30001	-	35000	806,600
19	35001	-	40000	730,653
14	40001	-	45000	607,625
21	45001	-	50000	1,034,775
9	50001	-	55000	482,750
11	55001	-	60000	653,000
7	60001	-	65000	434,934
6	65001	-	70000	410,260
5	70001	-	75000	368,067
3	75001	-	80000	231,500
3	80001	-	85000	254,500
7	85001	-	90000	615,950
2	90001	-	95000	186,500
17	95001	-	100000	1,696,500
5	100001	-	105000	510,990
6	105001	-	110000	649,500
2	110001	-	115000	230,000
2	115001	-	120000	240,000
3	120001	-	125000	373,212
2	130001	-	135000	266,500
3	145001	-	150000	449,000
1	155001	-	160000	156,500
4	165001	-	170000	675,810
2	175001	-	180000	359,000
7	195001	-	200000	1,400,000
1	205001	-	210000	210,000
2	225001	-	230000	454,250
1	230001	-	235000	235,000
1	235001	-	240000	240,000
1	245001	-	250000	250,000
1	250001	-	255000	254,500
2	295001	-	300000	600,000
1	305001	-	310000	310,000
1	350001	-	355000	355,000
1	375001	-	380000	377,000
1	400001	-	405000	400,500
1	420001	-	425000	420,480
1	450001	-	455000	454,500
1	455001	-	460000	457,500
1	485001	-	490000	486,000
1	495001	-	500000	500,000
1	555001	-	560000	560,000
1	560001	-	565000	564,000
2	595001	-	600000	1,200,000
1	600001	-	605000	602,250
1	860001	-	865000	863,000
1	965001	-	970000	966,000
2	995001	-	1000000	2,000,000
1	1095001	-	1100000	1,100,000
1	1105001	-	1110000	1,107,022
1	1120001	-	1125000	1,120,500
1	1130001	-	1135000	1,134,500
1	1965001	-	1970000	1,966,602
1	5635001	-	5640000	5,637,933
1	5725001	-	5730000	5,725,854
1	8600001	-	8605000	8,603,922
1	11180001	-	11185000	11,180,186
1	12380001	-	12385000	12,383,072
2221				**86,577,920**

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Company has compiled with the requirements of the regulation in the following manner:

1. The total number of directors are 07 as per the following:

    a. Male: 05
    b. Female: 02

2. The composition of Board is as follows:

    a) Independent Director: 01 as named hereunder:

    i. Mr. Shaukat Nazir Malik

b) Other Non-executive Directors: 04 as named hereunder:

    i. Mrs. Shahnaz Umar
    ii. Mrs. Sadiya Umair
    iii. Mr. Usman Khalid
    iv. Mr. Lutfullah Virk

c) Executive Director: 02 as named hereunder:

    i. Mr. Muhammad Umar Virk
    ii. Mr. Saeed Ahmad Khan

Regulation 6 of the Regulations requires that the independent directors of each listed company shall not be less than two members or one third of the total members of the Board, whichever is higher. However, there is only independent director on the Board of Directors of the Company. The Company is taking steps to ensure compliance with this requirement.

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4. 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.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.

8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The company has not arranged training programs for its directors during the year. However, the company has planned training program for its directors in accordance with the requirements of PSX regulations. Three Directors who had completed their training had resigned and inducted new directors who have 14 years education and vast business experience in finance, accounts and corporate.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

    a) Audit Committee (Name of members and Chairman)

        i. Mr. Shaukat Nazir Malik (Independent Director and Chairman of Board's Audit Committee)
        ii. Mr. Lufullah Virk (Non-Executive Director and Member of Board's Audit Committee)
        iii. Mr. Usman Khalid (Non-Executive Director and Member of Board's Audit Committee)

    b) HR and Remuneration Committee (Name of members and Chairman)

        i. Mrs. Sadiya Umair (Non-Executive Director and Chairman of Board's HR&R Committee)
        ii. Mr. Muhammad Umar Virk (Executive Director and Member of Board's HR&R Committee)
        iii. Mr. Saeed Ahmad Khan (Executive Director and Member of Board's HR&R Committee)

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
    a) Audit Committee: 04 meetings held during the year ended 30 June 2018
    b) HR and Remuneration Committee: 01 meetings held during the year ended 30 June 2018
15. The Board has set-up an effective internal Audit function. The staff is considered to be suitably qualified and experienced for the purpose and is fully conversant with the policies and procedures of the Company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. Except for as stated above, we confirm that all other requirements of the Regulations have been complied with.

For and on behalf of the Board

MUHAMMAD UMAR VIRK
Chief Executive Officer

Lahore: October 05, 2018

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of HIRA TEXTILE MILLS LIMITED

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ['the Regulations'] prepared by the Board of Directors of **HIRA TEXTILE MILLS LIMITED** for the year ended **June 30, 2018** in accordance with the requirements of regulation 40 of the Regulation.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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 Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended **June 30, 2018**.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Lahore: ***October 05, 2018***

INDEPENDENT AUDITOR'S REPORT

To the members of HIRA TEXTILE MILLS LIMITED
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of HIRA TEXTILE MILLS LIMITED ['the Company'], which comprise the statement of financial position as at June 30, 2018, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the loss, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ['ISAs'] as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan ['the Code'] and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
1. Preparation of financial statements under Companies Act, 2017	
As disclosed in note 3 to the annexed financial statements, the Companies Act, 2017 ['the Act'] became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018. The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. In the case of the Company, a summary of key additional disclosures and changes to the existing disclosures have been stated in note 3 to the annexed financial statements.	We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of these disclosures and the internal consistency of such disclosures with other elements of the financial statements. In respect of the change in accounting policy for the accounting and presentation of surplus on revaluation of property, plant and equipment, as referred to in note 5 to the financial statements, we assessed the accounting implications in accordance with the accounting and reporting standards as applicable in Pakistan and evaluated its application in the context of the Company.

Key audit matter	How our audit addressed the key audit matter
Further, the Company has also changed its accounting policy relating to presentation and measurement of surplus on revaluation of property, plant and equipment as a consequence of the application of the Act with retrospective effect. The impact of the said change in accounting policy has been disclosed in note 5 to the accompanying financial statements. The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from transition to the new reporting requirements under the Act.	

Key audit matter	How our audit addressed the key audit matter
2. Inventory valuation	
Stock in trade amounts to Rs 1,755 million as at the reporting date. The valuation of stock in trade at cost has different components, which includes judgment in relation to the allocation of labour and overheads which are incurred in bringing the stock to its present location and condition. Judgment has also been applied by management in determining the Net Realizable Value ['NRV'] of stock in trade. The estimates and judgments applied by management are influenced by the amount of direct costs incurred historically, expectations of repeat orders to utilize the stock in trade, sales contracts in hand and historically realized sales prices. The significance of the balance coupled with the judgment involved has resulted in the valuation of stock in trade being identified as a key audit matter The disclosures in relation to stock in trade are included in note 24.	To address the valuation of stock in trade, we assessed historical costs recorded in the valuation of stock in trade; testing on a sample basis with purchase invoices. We tested the reasonability of assumptions applied by the management in allocating direct labour and direct overhead costs to stock in trade. We also assessed management's determination of the net realizable value of stock in trade by performing tests on the sales prices secured by the Company for similar or comparable items of stock in trade.

Information other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of user taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

Other matter

The financial statements of the Company for the year ended June 30, 2017, were audited by another auditor who expressed an unmodified opinion, on those statements on October 09, 2017.

The engagement partner on the audit resulting in this independent auditor's report is **ZUBAIR IRFAN MALIK.**

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Lahore: ***October 05, 2018***

HIRA TEXTILE MILLS LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018	2017
		Rupees	*Rupees*
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
87,000,000 (2017: 87,000,000) ordinary shares of Rs. 10 each		**870,000,000**	870,000,000
Issued, subscribed and paid-up capital	*7*	**865,779,200**	865,779,200
Share premium	*8*	**82,500,000**	82,500,000
Surplus on revaluation of property, plant and equipment	*9*	**507,951,005**	529,234,822
Un-appropriated profit		**491,629,425**	1,020,350,275
TOTAL EQUITY		**1,947,859,630**	2,497,864,297
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term finances - *Secured*	*10*	**904,109,303**	186,891,490
Loan from directors and family members - *Unsecured*	*11*	**213,493,000**	213,493,000
Liabilities against assets subject to finance lease	*12*	**10,106,974**	25,659,431
Employees retirement benefits	*13*	**12,154,649**	14,249,582
Deferred taxation	*14*	**66,561,468**	77,860,876
		1,206,425,394	518,154,379
CURRENT LIABILTIES			
Trade and other payables	*15*	**742,032,688**	698,977,900
Unclaimed dividend		**2,757,216**	2,879,176
Short term borrowings	*16*	**1,448,562,373**	2,056,268,085
Accrued interest/markup	*17*	**65,965,591**	59,686,751
Current portion of non-current liabilities	*18*	**21,010,952**	133,634,330
		2,280,328,820	2,951,446,242
TOTAL LIABILITIES		**3,486,754,214**	3,469,600,621
CONTINGENCIES AND COMMITMENTS	*19*		
TOTAL EQUITY AND LIABILITIES		**5,434,613,844**	5,967,464,918

The annexed notes from 1 to 53 form an integral part of these financial statemements.

CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER	DIRECTOR/CHAIRPERSON

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2018

	Note	2018	2017
		Rupees	Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	20	**2,506,220,177**	2,545,357,331
Long term investments	21	**637,901,323**	762,452,734
Long term deposits	22	**32,869,577**	32,249,742
		3,176,991,077	3,340,059,807
CURRENT ASSETS			
Stores, spares and loose tools	23	**99,238,521**	115,297,420
Stock in trade	24	**1,725,675,247**	2,017,328,533
Trade debts	25	**83,029,429**	78,287,805
Advances, deposits, prepayments and other receivables	26	**192,000,547**	309,381,838
Advance income tax	27	**89,407,213**	100,897,812
Cash and bank balances	28	**68,271,810**	6,211,703
		2,257,622,767	2,627,405,111
TOTAL ASSETS		**5,434,613,844**	5,967,464,918

The annexed notes from 1 to 53 form an integral part of these financial statemements.

CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER | DIRECTOR/CHAIRPERSON

HIRA TEXTILE MILLS LIMITED

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2018

	Note	**2018** *Rupees*	2017 *Rupees*
Sales - ***net***	*29*	**2,171,756,666**	3,361,274,854
Cost of sales	*30*	**(2,325,425,936)**	(3,106,262,019)
Gross (loss)/profit		**(153,669,270)**	255,012,835
Distribution cost	*31*	**(12,364,474)**	(41,174,966)
Administrative expenses	*32*	**(47,837,780)**	(53,668,513)
		(60,202,254)	(94,843,479)
Other income	*33*	**3,326,836**	875,872
Operating (loss)/profit		**(210,544,688)**	161,045,228
Finance cost	*34*	**(205,015,531)**	(219,555,927)
Other charges	*35*	**(14,250)**	(207,000)
		(415,574,469)	(58,717,699)
Share of (loss)/profit of associate	*21*	**(124,969,647)**	102,676,061
(Loss)/profit before taxation		**(540,544,116)**	43,958,362
Taxation	*36*	**(6,425,137)**	(36,502,613)
(Loss)/profit after taxation		**(546,969,253)**	7,455,749
(Loss)/earnings per share - *basic and diluted*	*37*	**(6.32)**	0.09

The annexed notes from 1 to 53 form an integral part of these financial statemements.

CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER	DIRECTOR/CHAIRPERSON

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		Rupees	*Rupees*
Items that may be reclassified subsequently to profit or loss		**-**	-
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation	*13.3*	**(335,244)**	(652,176)
Deferred tax on remeasurements of defined benefit obligation		**28,585**	50,447
Deferred tax adjustment on surplus on revaluation of property, plant and equipment attributable to changes in tax rates	*9*	**1,022,147**	-
Deferred tax adjustment on surplus on revaluation of property, plant and equipment attributable attributable to change in proportion of income taxation under final tax regime	*9*	**(4,169,138)**	(2,626,742)
Share of other comprehensive income/(loss) of associate - *unrealized*		**418,236**	(1,642,104)
Other comprehensive loss		**(3,035,414)**	(4,870,575)
(Loss)/profit for the year		**(546,969,253)**	7,455,749
Total comprehensive (loss)/income		**(550,004,667)**	2,585,174

The annexed notes from 1 to 53 form an integral part of these financial statemements.

CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER | DIRECTOR/CHAIRPERSON

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	38	**412,864,508**	23,172,614
Payments for:			
Employees retirement benefits		**(20,796,724)**	(17,783,171)
Interest/markup on borrowings		**(206,370,096)**	(206,444,911)
Income tax		**(9,352,352)**	(25,706,523)
Net cash generated from/(used in) operating activities		**176,345,336**	(226,761,991)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(98,635,122)**	(99,943,531)
Proceeds from disposal of property, plant and equipment		**8,950,000**	1,347,356
Long term deposits made		**(619,835)**	(8,989,394)
Net cash used in investing activities		**(90,304,957)**	(107,585,569)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finances obtained		**-**	27,930,050
Repayment of long term finances		**(63,507,412)**	(55,057,291)
Repayment of liabilities against assets subject to finance lease		**(20,179,491)**	(31,382,132)
Net increase in short term borrowings		**59,828,591**	372,334,358
Dividend paid		**(121,960)**	(662)
Net cash generated from financing activities		**(23,980,272)**	313,824,323
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**62,060,107**	(20,523,237)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**6,211,703**	26,734,940
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	39	**68,271,810**	6,211,703

The annexed notes from 1 to 53 form an integral part of these financial statemements.

CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER | DIRECTOR/CHAIRPERSON

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2018

	Share capital	Capital reserves		Revenue reserves	
	Issued subscribed and paid-up capital	Share premium	Surplus on revaluation of property, plant and equipment	Un-appropriated profit	Total equity
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Balance as at July 01, 2016	865,779,200	82,500,000	550,041,726	996,958,197	2,495,279,123
Comprehensive income					
Profit after taxation	-	-	-	7,455,749	7,455,749
Other comprehensive loss	-	-	(2,626,742)	(2,243,833)	(4,870,575)
Total comprehensive (loss)/income	-	-	(2,626,742)	5,211,916	2,585,174
Incremental depreciation	-	-	(18,180,162)	18,180,162	-
Transaction with owners	-	-	-	-	-
Balance as at June 30, 2017	865,779,200	82,500,000	529,234,822	1,020,350,275	2,497,864,297
Balance as at July 01, 2017	**865,779,200**	**82,500,000**	**529,234,822**	**1,020,350,275**	**2,497,864,297**
Comprehensive income					
Loss after taxation	**-**	**-**	**-**	**(546,969,253)**	**(546,969,253)**
Other comprehensive (loss)/income	**-**	**-**	**(3,146,991)**	**111,577**	**(3,035,414)**
Total comprehensive loss	**-**	**-**	**(3,146,991)**	**(546,857,676)**	**(550,004,667)**
Incremental depreciation	**-**	**-**	**(18,136,826)**	**18,136,826**	**-**
Transaction with owners	-	-	-	-	-
Balance as at June 30, 2018	**865,779,200**	**82,500,000**	**507,951,005**	**491,629,425**	**1,947,859,630**

The annexed notes from 1 to 53 form an integral part of these financial statemements.

CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER	DIRECTOR/CHAIRPERSON

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1 LEGAL STATUS AND OPERATIONS

Hira Textile Mills Limited ("the Company") is incorporated in Pakistan as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017), and is listed on Pakistan 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 manufacturing facility 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 the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards ['IFRS'] issued by the International Accounting Standards Board ['IASB'] as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards ['IFAS'] issued by Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS and IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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 and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the statement of cash flows, 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. There are no estimation uncertainties as at the reporting date. Judgments made by management in the application of approved accounting and reporting standards as applicable in Pakistan 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 ***Recoverable amount and impairment (see notes 6.22)***

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.

2.3.2 ***Obligation under defined benefit plan (see note 6.6)***

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.

2.3.3 ***Taxation (see note 6.18)***

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.

2.3.4 ***Provisions (see note 6.13)***

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, 2018

2.3.5 ***Revaluation of property, plant and equipment (see note 6.1)***

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.

2.3.6 ***Net realizable values of stock in trade (see note 6.5)***

The Company estimates net realizable values of its stock in trade as the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

2.4 Functional currency

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

2.5 Date of authorization for issue

These financial statements were authorized for issue on October 05, 2018 by the Board of Directors of the Company.

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

The following new and 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 other than presentation and disclosures.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)

IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets have been amended to clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows)

IAS 7 - Statement of Cash Flows have been amended to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 12 - Disclosure of Interests in Other Entities)

IFRS 12 - Disclosure of Interests in Other Entities have been amended to clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations

Companies Act, 2017

The Companies Act 2017 ['the Act'] was enacted on May 30, 2017. The Act has brought certain changes with regard to the preparation and presentation of these financial statements. These changes, amongst others, included change in respect of presentation and measurement of surplus on revaluation of property, plant and equipment as fully explained in note 5 of these financial statements, change in nomenclature of primary statements. Further, the disclosure requirements contained in the fourth schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional/amended disclosures including, but not limited to, particulars of immovable assets of the Company (see note 20.1.1 and 20.1.6), management assessment of sufficiency of tax provision in the financial statements (see note 36.1), change in threshold for identification of executives (see note 46), additional disclosure requirements for related parties (see note 40), disclosure of significant events and transactions affecting the financial position and performance of the Company (see note 7), disclosure relating to number of employess (see note 50) etc.

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.

	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments (2014)	July 01, 2018
IFRS 15 – Revenue from Contracts with Customers (2014)	July 01, 2018
IFRS 16 – Leases (2016)	January 01, 2019
IFRS 17 – Insurance contracts (2017)	January 01, 2021
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).	Deferred Indefinitely
Clarifications to IFRS 15 - Revenue from Contracts with Customers	January 01, 2018
IFRIC 22 - Foreign Currency Transactions and Advances Consideration	January 01, 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 - Share-based Payment)	January 01, 2018
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4 - Insurance Contracts)	July 01, 2018
Transfers of Investment Property (Amendments to IAS 40 - Investment Property)	January 01, 2018
Annual Improvements to IFRS 2014–2016 Cycle	January 01, 2018
Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)	January 01, 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)	January 01, 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	January 01, 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 - Employee Benefits)	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020

Other than afore mentioned standards, interpretations and amendments, IABS has also issued the following standards which have not been notified by the Securities and Exchange Commission of Pakistan ['SECP']:

IFRS 1 - First Time Adoption of International Financial Reporting Standards
IFRS 14 - Regulatory Defferal Accounts

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 225 of the Companies Act, 2017 regarding their adoption. The management anticipates that, except as stated below, the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation/disclosures.

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

IFRS 9 replaces IAS 39 - Financial Instruments: *Recognition and Measurement.* The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their cash flow characteristics. The standard introduces a 'fair value through comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to measurement of entity's own credit risk.

- **Impairment:** IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit loss to have occurred before a credit loss is recognized.
- **Hedge accounting:** IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposure.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Adoption of this IFRS 9 may result in material adjustment to carrying amounts of financial assets and liabilities. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

IFRS 16 – Leases (2016)

IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the leases term is twelve months or less or the underlying asset has low value.

Adoption of this IFRS 16 will result in recognition of assets and liabilities for all operating leases for which the lease terms is more than twelve months. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

5 CHANGE IN ACCOUNTING POLICY

During the year, the Companies Act, 2017 has been enacted and has resulted in change in accounting policy for surplus on revaluation of property, plant and equipment.

- The surplus on revaluation of property, plant and equipment, which was previously disclosed in the statement of financial position of the Company after share capital and reserves, has now been included as part of equity with corresponding inclusion in statement of changes in equity;
- If an asset's carrying amount is increased as a result of revaluation, the increase will be recognised in statement of comprehensive income. However, the increase shall be recognised in statement of profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in statement of profit or loss;
- If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in statement of profit or loss. However, the decrease shall be recognised in statement of comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. Previously, section 235 of repealed Companies Ordinance, 1984 allowed that the surplus on revaluation of property, plant and equipment may be applied by the Company in setting off or in diminution of any deficit arising from the revaluation of any other property, plant and equipment of the Company.

The change in accounting policy does not have any impact on the amounts reported in these financial statements. Hence a third statement of financial position as at the beginning of the previous year has not been presented.

6 SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Property, plant and equipment

6.1.1 Operating fixed assets

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

Major renewals and improvements to operating fixed assets are recognized in the carrying amount 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 20.1 to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

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

6.1.2 Capital work in progress

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

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

Increases in the carrying amounts arising on revaluation of property, plant and equipment are recognised, net of tax, in other comprehensive income and accumulated in surplus on revaluation of property, plant and equipment in share capital and reserves. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the surplus on revaluation of property, plant and equipment to accumulated profit.

6.3 Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associates have been incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post acquisition changes in the Company's share of net assets of the associates, less any impairment in the investment. Losses of an associates in excess of the Company's interest in that associate (which include any long term interest that, in substance, form part of the Company's net investment in the associate) are recoganise only to the extent that the Company has incurred legal or constructive obligation or made payment on behalf of the associate.

6.4 Stores, spares and loose tools

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

6.5 Stock in trade

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

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

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

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

6.6 Employee benefits

6.6.1 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 statement of profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the accounting and reporting standards as applicable in Pakistan. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

6.6.2 Post-employment benefits

(a) Defined benefit plan

The Company operates an unfunded gratuity scheme for all its employees at mill who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to statement of profit or loss with the exception of remeasurements which are recognized in statement of comprehensive income. The amount recognized on statement of financial position represents the present value of defined benefit obligation. The details of the scheme are referred to in note 13 to the financial statements.

(b) Defined contribution plan

The Company operates an approved funded contributory provident fund for its employees at head office who have completed the minimum qualifying period of service as defined under the respective scheme. Equal monthly contributions are made both by the Company and the employees at the rate of 8.33% percent of basic salary and cost of living allowance, where applicable, to cover the obligation. Contributions are charged to statement of profit or loss.

6.7 Financial instruments

6.7.1 Recognition

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

6.7.2 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 on initial recognition.

(a) Loans and receivables

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

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through statement of profit or loss are financial assets that are either designated as such on initial recognition or are classified as held for trading. Financial assets are designated as financial assets at fair value through statement of profit or loss if the Company manages such assets and evaluates their performance based on their fair value in accordance with the Company's risk management and investment strategy. Financial assets are classified as held for trading when these are acquired principally for the purpose of selling and repurchasing in the near term, or when these are part of a portfolio of identified financial instruments that are managed together and for which there is a recent actual pattern of profit taking, or where these are derivatives, excluding derivatives that are financial guarantee contracts or that are designated and effective hedging instruments. Financial assets in this category are presented as current assets.

(c) Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as such on initial recognition or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Assets in this category are presented as non-current assets unless the management intends to dispose of the asset within twelve months from the reporting date.

(d) Financial liabilities at amortized cost

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

6.7.3 Measurement

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

6.7.4 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 statement of profit or loss.

6.7.5 Off-setting

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

6.7.6 'Regular way' purchases and sales of financial assets

'Regular way' purchases and sales of financial assets are those contracts which require delivery of assets within the time frame generally established by the regulation or convention in the market. 'Regular way' purchases and sales of financial assets are recognized and derecognized on trade dates.

6.8 Ordinary share capital

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

6.9 Loans and borrowings

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

6.10 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.

6.11 Ijarah transactions

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

6.12 Trade and other payables

6.12.1 Financial liabilities

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

6.12.2 Non-financial liabilities

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

6.13 Provisions and contingencies

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

6.14 Trade and other receivables

6.14.1 Financial assets

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

6.14.2 Non-financial assets

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

6.15 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 different sources is recognized as follows:

- Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer.
- Return on bank deposits is recognized using effective interest method.
- Dividend income is recognized when the right to receive payment is established.

6.16 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 ['OCI']. OCI comprises items of income and expense, including reclassification adjustments, that are not recognized in statement of profit or loss as required or permitted by accounting and reporting standards as applicable in Pakistan, and is presented in 'statement of comprehensive income'.

6.17 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 statement of profit or loss as incurred.

6.18 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 statement of comprehensive income.

6.18.1 Current taxation

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

6.18.2 Deferred taxation

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

6.19 Earnings per share ['EPS']

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

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

6.20 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks.

6.21 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 statement of profit or loss.

6.22 Impairment

6.22.1 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 statement of profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset’s carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

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

6.23 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.

7 SIGNIFICANT EVENTS AND TRANSACTIONS

During the year, there are no significant events and transactions that have affected the Company's financial position and performance.

	2018	2017
	Rupees	*Rupees*
7 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
Ordinary shares of Rs. 10 each		
48,000,000 (2017: 48,000,000) shares issued for cash	**480,000,000**	480,000,000
38,577,920 (2017: 38,577,920) shares issued as fully paid bonus shares	**385,779,200**	385,779,200
	865,779,200	865,779,200

8 SHARE PREMIUM

This represent premium on issue of ordinary shares recognized under Section 83(1) of the repealed Companies Ordinance, 1984.

	2018	2017
	Rupees	*Rupees*
9 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
As at beginning of the year	**529,234,822**	550,041,726
Incremental depreciation transferred to accumulated profits		
Incremental depreciation for the year	**(19,827,466)**	(20,870,351)
Deferred taxation	**1,690,640**	1,698,847
	(18,136,826)	(19,171,504)
Other adjustments		
Deferred tax adjustment attributable to change in proportion of income taxation under final tax regime	**(4,169,138)**	(2,626,742)
Deferred tax adjustment attributable to changes in tax rates	**1,022,147**	991,342
	(3,146,991)	(1,635,400)
As at end of the year	**507,951,005**	529,234,822

		Note	2018	2017
			Rupees	*Rupees*
10	**LONG TERM FINANCES - SECURED**			
	These represent secured long term finances utilized under interest/markup arrangements from banking companies			
	Term Finances ('TF')			
	TF - I	*10.1*	**-**	60,000,000
	TF - II	*10.2*	**-**	218,507,412
	TF - III	*10.3*	**25,915,000**	25,915,000
	TF - IV	*10.4*	**316,088,000**	-
	TF - V	*10.5*	**466,788,303**	-
	TF - VI	*10.6*	**99,658,000**	-
			908,449,303	304,422,412
	Current portion presented under current liabilities	*18*	**(4,340,000)**	(117,530,922)
			904,109,303	186,891,490

10.1 The finance was obtained from Bank Alfalah Limited to finance capital expenditure and was secured by charge over operating fixed assets of the Company and personal guarantees of Company's directors. The finance carried interest/markup at six months KIBOR plus 3% per annum (2017: six months KIBOR plus 3% per annum) payable quarterly. The finance was fully repaid during the year.

10.2 The finance was obtained from MCB Bank Limited for restructuring of short term borrowing and was secured by charge over operating fixed assets of the Company, subordination of loan from directors and personal guarantees of the Company's Directors. The finance carried interest/markup at three months KIBOR plus 1.75% per annum (2017: three months KIBOR plus 1.75%) payable quarterly. During the year, the finance was restructured and transferred to TF - IV.

10.3 The finance has been obtained from Askari Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company, subordination of loan from directors and personal guarantees of the Company's Directors. The finance carries interest/markup at SBP rate plus 5% per annum (2017: SBP rate plus 5% per annum) payable quarterly. The finance is repayable in eleven equal quarterly installments with the first installment due in February 2019.

10.4 The finance is obtained from MCB Bank Limited on conversion short term borrowings and restructuring of TF- II, and is secured by charge over operating fixed assets of the Company, subordination of loan from directors and personal guarantees of the Company's Directors. The finance carries interest/markup at three months KIBOR plus 1% per annum, payable quarterly. The finance is repayable in twenty equal quarterly installments with the first installment due in July 2020.

10.5 The finance is obtained from National Bank of Limited on conversion short term borrowings and is secured by charge over operating fixed assets of the Company, personal guarantees of the Company's Directors. The finance carries interest/markup at three months KIBOR plus 1% per annum, payable quarterly. The finance is repayable in twenty equal quarterly installments with the first installment due in May 2020.

10.6 The finance is obtained from Faysal Bank Limited on conversion short term borrowings and is secured by charge over operating fixed assets of the Company, personal guarantees of the Company's Directors. The finance carries interest/markup at three months KIBOR plus 1% per annum, payable quarterly. The finance is repayable in twenty equal quarterly installments with the first installment due in July 2020.

10.7 For mortgages and charges on assets as security for liabilities, refer to note 45 to the financial statements.

11 LOAN FROM DIRECTORS AND FAMILY MEMBERS - *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 (2017: six months KIBOR plus 1.75% per annum). The lenders on their sole discretion may waive full or partial payment of markup on these finances.

		Note	2018	2017
			Rupees	Rupees
12	**LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**			
	Present value of minimum lease payments	12.1 & 12.2	**26,777,926**	41,762,839
	Current portion presented under current liabilities	12.1 & 12.2	**(16,670,952)**	(16,103,408)
			10,106,974	25,659,431

12.1 These represent vehicles and machinery acquired under finance lease arrangements. The leases are priced at rates ranging from three months to six months KIBOR plus 1.5% to 2% per annum (2017: three months to six months KIBOR plus 1.5% to 2% per annum). Lease rentals are payable monthly over a tenor ranging from 4 to 5 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.

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

	Note	2018	2017
		Rupees	Rupees
Not later than one year		**18,234,189**	18,600,948
Later than one year but not later than five years		**10,958,052**	27,740,644
Total future minimum lease payments		**29,192,241**	46,341,592
Finance charge allocated to future periods		**(2,414,315)**	(4,578,753)
Present value of future minimum lease payments		**26,777,926**	41,762,839
Not later than one year	18	**(16,670,952)**	(16,103,408)
Later than one year but not later than five years		**10,106,974**	25,659,431

13 EMPLOYEES RETIREMENT BENEFITS

The Company operates an unfunded gratuity scheme, a defined benefit plan, for all its employees who have completed the minimum qualifying service period. Under the scheme, the Company pays a lump-sum benefit equal to last drawn monthly gross salary for each year of service to scheme members whereas the members of the scheme are not required to make any contributions to the scheme. The scheme is administered by the management of the Company under the supervision and directions of the Board of Directors of the Company. The amount recognized on statement of financial position represents present value of defined benefit obligation.

		Note	2018	2017
			Rupees	Rupees
13.1	**Movement in present value of defined benefit obligation**			
	As at beginning of the year		**14,249,582**	14,564,105
	Charged to profit or loss for the year	13.2	**18,366,547**	16,816,473
	Benefits paid during the year		**(20,796,724)**	(17,783,172)
	Actuarial loss arising during the year		**335,244**	652,176
	As at end of the year		**12,154,649**	14,249,582
13.2	**Charge to profit or loss**			
	Current service cost		**18,068,077**	16,405,215
	Interest cost		**298,470**	411,258
			18,366,547	16,816,473

	Note	2018	2017
		Rupees	*Rupees*
13.3 Remeasurements recognized in statement of comprehensive income			
Actuarial loss arising from changes in:			
Demographic assumptions		**-**	-
Financial assumptions		**-**	-
Experience adjustments		**335,244**	652,176
		335,244	652,176

13.4 Principal actuarial assumptions

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

	2018	2017
Discount rate	**8.00%**	7.75%
Expected rates of increase in salary	**7.00%**	6.75%
average Expected remaining working life time of employees	**11 Years**	12 years

13.5 Average duration of the defined benefit obligation

The average duration of the defined benefit obligation is eleven years.

13.6 Expected charge to statement of profit or loss for the next financial year

The expected charge to statement of profit or loss for the year ending June 30, 2019 amounts to Rs. 32.61 million.

13.7 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:

	2018		2017	
	Change in actuarial assumption	**Defined benefit obligation**	Change in actuarial assumption	Defined benefit obligation
		Rupees		*Rupees*
Discount rate	+ 1%	10,749,562	+ 1%	12,288,502
	- 1%	13,899,343	- 1%	16,619,985
Expected rates of increase in salary	+ 1%	13,899,343	+ 1%	16,619,985
	- 1%	10,725,782	- 1%	12,254,834

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.

13.8 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	**2018**	2017
		Rupees	*Rupees*
14 Deferred taxation			
Deferred tax liability on taxable temporary differences	*14.1*	**131,990,247**	128,805,611
Deferred tax asset on deductible temporary differences	*14.1*	**(65,428,779)**	(50,944,735)
		66,561,468	77,860,876

14.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2018			
	As at July 01	**Recognized in profit or loss**	**Recognized in OCI**	**As at June 30**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Deferred tax liabilities				
Operating fixed assets - owned	**128,805,611**	**5,530,850**	**3,146,991**	**137,483,452**
Long term investment	**-**	**(5,493,205)**	**-**	**(5,493,205)**
	128,805,611	**37,645**	**3,146,991**	**131,990,247**
Deferred tax assets				
Employees retirement benefits	**(1,081,723)**	**73,911**	**(28,585)**	**(1,036,397)**
Operating fixed assets - leased	**(3,230,406)**	**6,987,549**	**-**	**3,757,143**
Unused tax credits	**(46,632,606)**	**(21,516,919)**	**-**	**(68,149,525)**
	(50,944,735)	**(14,455,459)**	**(28,585)**	**(65,428,779)**
	77,860,876	**(14,417,814)**	**3,118,406**	**66,561,468**

	2017			
	As at July 01	Recognized in profit or loss	Recognized in OCI	As at June 30
	Rupees	*Rupees*	*Rupees*	*Rupees*
Deferred tax liabilities				
Operating fixed assets - owned	123,748,330	2,430,539	2,626,742	128,805,611
Long term investment	-	-	-	-
	123,748,330	2,430,539	2,626,742	128,805,611
Deferred tax assets				
Employees retirement benefits	(1,198,674)	167,398	(50,447)	(1,081,723)
Operating fixed assets - leased	(3,634,078)	403,672	-	(3,230,406)
Unused tax credits	(44,808,466)	(1,824,140)		(46,632,606)
	(49,641,218)	(1,253,070)	(50,447)	(50,944,735)
	74,107,112	1,177,469	2,576,295	77,860,876

14.2 Deferred tax arising from timing differences pertaining to income from business is provided for only that portion of timing differences that represent income taxable under normal provisions of the Income Tax Ordinance, 2001 ['the Ordinance'] as 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. 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 29% (2017: 30%) of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.

		Note	**2018**	2017
			Rupees	*Rupees*
15	**TRADE AND OTHER PAYABLES**			
	Trade creditors - *Unsecured*		**234,099,094**	353,339,012
	Accrued liabilities		**82,718,151**	44,107,362
	Advances from customers - *Unsecured*	*15.1*	**175,825,660**	17,355,637
	Due to related party	*15.2*	**246,650,448**	281,436,554
	Workers' Profit Participation Fund		**781,124**	781,124
	Workers' Welfare Fund		**1,958,211**	1,958,211
			742,032,688	698,977,900

15.1 This includes advance from related party, against sale of yarn, amounting to Rs. 157.118 million.

15.2 This carries markup ranging from 9.51% to 9.72% (2017: 9.51% to 9.72%) per annum. The maximum aggregate amount due at the end of any month during the year was Rs. 384.89 million (2017: Rs. 281.40 million).

		Note	**2018**	2017
			Rupees	*Rupees*
16	**SHORT TERM BORROWINGS**			
	Banking companies - *secured*	*16.1*	**1,146,900,000**	1,793,603,635
	Directors and family members - *unsecured*	*16.2*	**301,662,373**	262,664,450
			1,448,562,373	2,056,268,085
16.1	**Banking companies - *secured***			
	These represent short term finances utilized under interest/markup arrangements from banking companies.			
	Running finances	*16.1.1*	**503,356,903**	788,686,074
	Term loans	*16.1.2*	**643,543,097**	1,004,917,561
			1,146,900,000	1,793,603,635

16.1.1 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 export documents and personal guarantees of sponsors. These carry interest/markup at rates ranging from one to three months KIBOR plus 1% to 3% per annum (2017: one to three months KIBOR plus 1% to 3% per annum) payable quarterly/monthly. During the year short term borrowings amounting to Rs. 667.534 million were converted into long term finance (see note 10.4, 10.5 and 10.6).

16.1.2 These facilities have been obtained from various banking companies for working capital requirements and are secured by charge over all present and future current, fixed assets of the Company and pledge of imported cotton. These carry interest/markup at rates ranging from 5% to 9.43% (2017: 7.54% to 8.78%) per annum.

16.1.3 The aggregate available short term funded facilities amounts to Rs. 2,349 million (2017: Rs. 2,540 million) out of which Rs. 1,202 million (2017: Rs. 746 million) remained unavailed as at the reporting date.

16.2 Loan from directors and family members - *Unsecured*

This represents loan obtained from director for working capital requirements and is repayable on demand. The facility carries markup ranging from 8.26% to 8.28% (2017: 8.20% to 8.28%).

		Note	2018	2017
			Rupees	*Rupees*
17	**ACCRUED INTEREST/MARKUP**			
	Long term finances		**10,521,834**	19,825,550
	Liabilities against assets subject to finance lease		**460,592**	723,209
	Short term borrowings		**54,983,165**	39,137,992
			65,965,591	59,686,751
18	**CURRENT PORTION OF NON-CURRENT LIABILITIES**			
	Long term finances	*10*	**4,340,000**	117,530,922
	Liabilities against assets subject to finance lease	*12*	**16,670,952**	16,103,408
			21,010,952	133,634,330

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

19.1.1 The Company received a demand order in respect of detection bill amounting to Rs. 6.7 million. The Company has filed an appeal before the Oil and Gas Regulatory Authority against the said detection bill. The appeal has not been fixed for hearing so far.

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

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

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

19.1.4 Gas Infrastructure Development Cess ['GIDC'] has been levied with effect from December 15, 2011 on industrial gas customers firstly through OGRA notification and subsequently via GID Cess Ordinance 2014 and GID Cess Act 2015. The Company, along with other industrial concerns, has filed a writ petition in the Honorable High Court of Sindh challenging the imposition of GIDC. On October 26, 2016, the Honorable High Court of Sindh held that enactment of GIDC Act 2015 is ultra-vires to the constitution of Pakistan. The Company has not recognised any provision relating to GIDC aggregating to Rs. 73.9 million.

		2018	2017
		Rupees	*Rupees*
19.1.5	Guarantees issued by banks on behalf of the Company	**29,542,428**	29,542,428
	Revenue and Collector of Customs	**7,920,000**	56,278,000
		37,462,428	85,820,428

19.2 Commitments

19.2.1 Commitments under irrevocable letters of credit for:

Purchase of stores, spares and loose tools	**67,700,426**	107,531,846
Purchase of raw material	**7,684,133**	51,429,131
	75,384,559	158,960,977

19.2.2 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:

	2018	2017
	Rupees	*Rupees*
- payments not later than one year	**4,200,000**	2,700,000
- payments later than one year but not later than five years	**2,100,000**	-
	6,300,000	2,700,000

19.2.3 Commitments under ijarah financing

The total of future minimum ujarah payments under non cancelable Ijarah are as follows:

	Note	**2018**	2017
		Rupees	*Rupees*
- payments not later than one year		**14,398,057**	1,375,535
- payments later than one year but not later than five years		**38,210,002**	256,700
		52,608,059	1,632,235

20 FIXED ASSETS

Operating fixed assets	*20.1*	**2,506,220,177**	2,541,475,405
Capital work in progress	*20.2*	**-**	3,881,926
		2,506,220,177	2,545,357,331

20.1 Operating fixed assets

	2018											
	COST/REVALUED AMOUNT						DEPRECIATION					Net book value as at June 30, 2018
	As at July 01, 2017	Additions	Disposals	Transfers	As at June 30, 2018	Rate	As at July 01, 2017	For the year	Adjustment	Transfers	As at June 30, 2018	
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*	%	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Assets owned by the Company												
Freehold land	183,480,000	-	-	-	183,480,000	-	-	-	-	-	-	183,480,000
Buildings on freehold land	345,611,000	141,100	-	4,773,841	350,525,941	5	17,280,550	16,422,925	-	-	33,703,475	316,822,466
Plant and machinery	1,784,659,736	88,959,258	-	-	1,873,618,994	5	87,602,013	87,533,006	-	-	175,135,019	1,698,483,975
Electric installation	149,769,027	4,552,910	-	-	154,321,937	10	81,856,752	7,078,716	-	-	88,935,468	65,386,469
Generator	123,215,005	-	-	-	123,215,005	10	29,637,239	9,357,777	-	-	38,995,016	84,219,989
Power house	165,956,622	682,039	-	-	166,638,661	10	81,186,778	8,527,152	-	-	89,713,930	76,924,731
Factory equipment	2,100,357	-	-	-	2,100,357	10	1,603,252	49,711	-	-	1,652,963	447,394
Office equipment	1,398,090	-	-	-	1,398,090	10	1,049,122	34,897	-	-	1,084,019	314,071
Telephone installation	1,576,022	-	-	-	1,576,022	10	992,274	58,375	-	-	1,050,649	525,373
Tarpaulin	382,057	-	-	-	382,057	10	319,095	6,296	-	-	325,391	56,666
Computers	5,665,175	28,050	-	-	5,693,225	10	2,856,717	283,371	-	-	3,140,088	2,553,137
Furniture and fixtures	5,660,043	13,200	-	-	5,673,243	10	3,362,350	230,362	-	-	3,592,712	2,080,531
Vehicles	19,862,547	3,366,650	(13,268,650)	-	9,960,547	20	13,805,668	2,128,859	(7,644,136)	-	8,290,391	1,670,156
	2,789,335,681	97,743,207	(13,268,650)	4,773,841	2,878,584,079		321,551,810	131,711,447	(7,644,136)	-	445,619,121	2,432,964,958
Assets subject to finance lease												
Plant and machinery	79,402,549	-	-	-	79,402,549	5	12,238,351	3,358,210	-	-	15,596,561	63,805,988
Vehicles	7,378,327	5,194,578	-	-	12,572,905	20	850,991	2,272,683	-	-	3,123,674	9,449,231
	86,780,876	5,194,578	-	-	91,975,454		13,089,342	5,630,893	-	-	18,720,235	73,255,219
	2,876,116,557	102,937,785	(13,268,650)	4,773,841	2,970,559,533		334,641,152	137,342,340	(7,644,136)	-	464,339,356	2,506,220,177

20.1.1 Free hold lands of the Company are located at Kasur with an area of 438,665 (2017: 438,665) square yards.

20.1.2 Transfers represent transfers from capital work in progress on related assets becoming available for use.

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

20.1.3 Disposal of operating fixed assets

Particulars	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
	2018						
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*		
Vehicles							
Mercedes Benz	**9,230,000**	**6,736,479**	**2,493,521**	**5,550,000**	**3,056,479**	**Negotiation**	**Mr. Sajjad Qasim 38-E, Gulberg-II, Lahore.**
Suzuki Cultus	**672,000**	**627,103**	**44,897**	**300,000**	**255,103**	**Negotiation**	**Mr. Sarfraz Khan 8-C Johar Town, Lahore.**
Honda Vezel	**3,366,650**	**280,554**	**3,086,096**	**3,100,000**	**13,904**	**Negotiation**	**Mr. Nadeem Aslam Butt, Related party 6-C, Ghalib Road, Gulberg, Lahore.**
	13,268,650	**7,644,136**	**5,624,514**	**8,950,000**	**3,325,486**		
	13,268,650	**7,644,136**	**5,624,514**	**8,950,000**	**3,325,486**		

Particulars	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
	2017						
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*		
Vehicles							
Toyota Corolla	1,817,500	1,346,016	471,484	1,347,356	875,872	Insurance Cover	Adamjee Insurance Company Limited
	1,817,500	1,346,016	471,484	1,347,356	875,872		

	Note	2018	2017
		Rupees	*Rupees*

20.1.4 The depreciation charge for the year has been allocated as follows:

	Note	2018 Rupees	2017 Rupees
Cost of sales	*30*	**134,595,493**	131,403,654
Administrative and general expenses	*32*	**2,746,847**	2,681,705
		137,342,340	134,085,359

20.1.5 Most recent valuation of land, building, plant and machinery was carried out by an independent valuer Messrs Materials & Design Services (Private) Limited as at June 30, 2016. For basis of valuation and other fair value measurement disclosures, refer to note 44.

Had there been no revaluation, the cost, accumulated depreciation and net book value of revalued items would have been as follows:

	2018		
	Cost	**Accumulated depreciation**	**Net book value**
	Rupees	***Rupees***	***Rupees***
Freehold land	**20,113,708**	**-**	**20,113,708**
Building on freehold land	**278,421,894**	**134,232,271**	**144,189,623**
Plant and machinery	**2,529,446,556**	**1,035,035,205**	**1,494,411,351**

	2017		
	Cost	Accumulated depreciation	Net book value
	Rupees	*Rupees*	*Rupees*
Freehold land	20,113,708	-	20,113,708
Building on freehold land	273,506,953	126,895,974	146,610,979
Plant and machinery	2,440,487,298	958,243,037	1,482,244,261

20.1.6 As per most recent valuation, forced sale values of freehold land, buildings on freehold land and pland and machinery are as follows:

	Rupees
Free hold land	**155,958,000**
Building on freehold land	**293,769,350**
Plant and machinery	**1,386,400,000**
	1,836,127,350

20.2 Capital work in progress

	2018			
	As at July 01, 2017	**Additions**	**Transfers**	**As at June 30, 2018**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Buildings on freehold land	**3,881,926**	**891,915**	**(4,773,841)**	**-**
Generator	**-**	**-**	**-**	**-**
	3,881,926	**891,915**	**(4,773,841)**	**-**

	2017			
	As at July 01, 2016	Additions	Transfers	As at June 30, 2017
	Rupees	*Rupees*	*Rupees*	*Rupees*
Buildings on freehold land	-	3,881,926	-	3,881,926
Generator	1,813,864	7,216,709	(9,030,573)	-
	1,813,864	11,098,635	(9,030,573)	3,881,926

21 LONG TERM INVESTMENTS

This represents investment in ordinary shares of Hira Terry Mills Limited ['the associated company']. The investment has been accounted for by using equity method. The details of ownership and investment are as under:

		2018	2017
		Rupees	*Rupees*
21.1	**Hira Terry Mills Limited**		
	Percentage of ownership interest	**46.90%**	46.90%
	Cost of investment		
	18,450,000 (2017: 18,450,000) fully paid ordinary shares of Rs. 10 each	**184,500,000**	184,500,000
	Bonus Issue @ 20%	**36,900,920**	36,900,920
	Share of post acquisition profits - *unrealized*	**416,500,403**	541,051,814
		637,901,323	762,452,734

21.1.1 Extracts of financial statements of associated company

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

	Note	2018	2017
		Rupees	*Rupees*
Assets		**5,364,434,014**	5,368,331,445
Liabilities		**4,003,703,179**	3,742,032,571
Revenue		**2,799,298,821**	3,390,790,153
(Loss)/profit for the year		**(266,459,801)**	218,925,503
Other comprehensive income/(loss)		**891,762**	(3,501,288)
Total comprehensive (loss)/income		**(265,568,039)**	215,424,215
Break-up value per share		**28.82**	34.45
Share of (loss)/profit - *unrealized*		**(124,969,647)**	102,676,061
Share of other comprehensive income/(loss) - *unrealized*		**418,236**	(1,642,104)

22 LONG TERM DEPOSITS

Utility companies and regulatory authorities	**20,409,773**	19,789,938
Financial institutions	**12,459,804**	12,459,804
	32,869,577	32,249,742

23 STORES, SPARES AND LOOSE TOOLS

Stores	**40,180,315**	83,524,679
Spares and loose tools	**59,058,206**	31,772,741
	99,238,521	115,297,420

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

		Note	2018	2017
			Rupees	*Rupees*
24	**STOCK IN TRADE**			
	Raw material		**1,324,207,931**	1,722,800,157
	Packing material		**12,327,808**	8,131,424
	Work in process		**27,947,507**	28,968,189
	Finished goods	*24.1*	**361,192,001**	257,428,763
			1,725,675,247	2,017,328,533

24.1 Stock of finished goods include stock of waste valued at Rs. 6.55 million (2017: Rs. 5.91 million). The entire stock of waste is valued at net realizable value.

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

		Note	2018	2017
			Rupees	*Rupees*
25	**TRADE DEBTS**			
	Local - *unsecured, considered good*		**83,029,429**	56,774,721
	Foreign - *secured*	*25.1*	**-**	21,513,084
			83,029,429	78,287,805

25.1 These are secured against letters of credit.

25.2 Amount of export sales made in each foreign jurisdiction in respect of trade debts outstanding as at the reporting date is as follows:

	2017	
	Trade debts	Export sales
	Rupees	*Rupees*
Asia	**10,334,872**	867,777,507
USA	**-**	18,818,831
Europe	**11,178,212**	222,862,450
	21,513,084	1,109,458,788

		Note	2018	2017
			Rupees	*Rupees*
26	**ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**			
	Advances to suppliers - *unsecured, considered good*		**58,798,985**	138,772,997
	Advances to employees - *unsecured, considered good*	*26.1*	**2,991,502**	4,281,823
	Letters of credit		**26,282,313**	58,691,725
	Margin deposits		**4,198,946**	4,543,677
	Prepayments		**10,764,629**	817,861
	Sales tax refundable		**44,672,111**	85,671,176
	Excise duty refundable		**1,953,431**	1,953,431
	Export rebate receivable		**13,294,664**	13,248,480
	Interest/markup rebate receivable	*26.2*	**28,996,716**	1,388,668
	Other receivables - *unsecured, considered good*		**47,250**	12,000
			192,000,547	309,381,838

26.1 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 of the Company.

26.2 These represents interest/markup rebate receivable against reimbursment on account of 5% markup subsidy through notification by Ministry of Commerce and Textile.

	Note	2018 Rupees	2017 Rupees
27 ADVANCE INCOME TAX			
Advance income tax/income tax refundable		**105,084,189**	136,222,956
Provision for taxation	*36*	**(15,676,976)**	(35,325,144)
		89,407,213	100,897,812

	2018 Rupees	2017 Rupees
28 CASH AND BANK BALANCES		
Cash in hand	**1,567,530**	1,593,061
Cash at banks		
current accounts in local currency	**66,704,280**	4,538,782
deposit/saving accounts in local currency	**-**	79,860
	66,704,280	4,618,642
	68,271,810	6,211,703

29 SALES - NET

	Note	2018 Finished goods Rupees	2018 Cotton Rupees	2018 Waste Rupees	2018 Total Rupees
Local		**979,354,140**	**54,892,856**	**128,615,714**	**1,162,862,710**
Export	*29.1*	**1,018,320,885**	**-**	**-**	**1,018,320,885**
Gross sales		**1,997,675,025**	**54,892,856**	**128,615,714**	**2,181,183,595**
Sales return		**(20,728,558)**	**-**	**-**	**(20,728,558)**
Export rebate		**11,301,629**	**-**	**-**	**11,301,629**
Sales tax		**-**	**-**	**-**	**-**
		1,988,248,096	**54,892,856**	**128,615,714**	**2,171,756,666**

	Note	2017 Finished goods Rupees	2017 Cotton Rupees	2017 Waste Rupees	2017 Total Rupees
Local		588,953,908	-	152,811,770	741,765,678
Export	*29.1*	2,617,009,130	-	-	2,617,009,130
Gross sales		3,205,963,038	-	152,811,770	3,358,774,808
Sales return		(9,889,061)	-	-	(9,889,061)
Export rebate		13,260,480	-		13,260,480
Sales tax		-	-	(871,373)	(871,373)
		3,209,334,457	-	151,940,397	3,361,274,854

29.1 Yarn export sales include indirect exports amounting to Rs. 709.48 million (2017: Rs. 1,507.50 million).

		Note	2018	2017
			Rupees	*Rupees*
30	**COST OF SALES**			
	Raw material consumed	*30.1*	**1,553,445,406**	1,754,683,338
	Packing material consumed		**45,174,451**	76,074,609
	Stores, spares and loose tools consumed		**28,432,915**	39,595,551
	Salaries, wages and benefits	*30.2*	**275,675,419**	335,869,489
	Insurance		**16,360,258**	20,803,404
	Power and fuel		**254,230,144**	447,798,166
	Dyes and chemicals		**29,131,185**	27,096,403
	Depreciation	*20.1.4*	**134,595,493**	131,403,654
	Others		**24,901,311**	36,431,644
	Manufacturing cost		**2,361,946,582**	2,869,756,258
	Work in process			
	As at beginning of the year		**28,968,189**	55,584,531
	As at end of the year		**(27,947,507)**	(28,968,189)
			1,020,682	26,616,342
	Cost of goods manufactured		**2,362,967,264**	2,896,372,600
	Finished goods			
	As at beginning of the year		**257,428,763**	448,481,587
	As at end of the year		**(361,192,001)**	(257,428,763)
			(103,763,238)	191,052,824
	Cost of cotton sold		**66,221,910**	18,836,595
			2,325,425,936	3,106,262,019
30.1	**Raw material consumed**			
	As at beginning of the year		**1,722,800,157**	1,045,266,445
	Purchased during the year		**1,221,075,090**	2,451,053,645
	Sold during the year		**(66,221,910)**	(18,836,595)
	As at end of the year		**(1,324,207,931)**	(1,722,800,157)
			1,553,445,406	1,754,683,338

30.2 These include charge in respect of employees retirement benefits amounting to Rs. 18.37 million (2017: Rs. 16.80 million).

		2018	2017
		Rupees	*Rupees*
31	**DISTRIBUTION COST**		
	Export		
	Ocean freight and forwarding	**7,010,168**	25,994,044
	Commission	**3,203,960**	11,598,855
	Others	**110,640**	93,180
		10,324,768	37,686,079
	Local		
	Commission	**2,039,706**	3,488,887
		12,364,474	41,174,966

		Note	2018	2017
			Rupees	*Rupees*
32	**ADMINISTRATIVE EXPENSES**			
	Salaries and benefits	*32.1*	**21,747,305**	24,551,569
	Rent, rates and taxes	*32.2*	**5,791,749**	5,041,212
	Ujrah payments		**2,560,456**	2,602,258
	Printing and stationery		**348,121**	1,095,653
	Communication		**1,538,447**	1,317,570
	Electricity, water and gas		**2,444,096**	1,350,435
	Repair and maintenance		**124,614**	229,021
	Vehicles running and maintenance		**1,536,896**	1,441,808
	Traveling and conveyance		**1,187,833**	2,404,842
	Legal and professional		**2,187,782**	4,546,223
	Auditor's remuneration	*32.3*	**1,297,875**	1,371,250
	Fee and subscription		**1,844,744**	1,745,478
	Entertainment		**153,135**	139,907
	Insurance		**428,209**	897,490
	Depreciation	*20.1.4*	**2,746,847**	2,681,705
	Others		**1,899,671**	2,252,092
			47,837,780	53,668,513

32.1 These include charge in respect of provident fund amounting to Rs. 1.19 million (2017: Rs. 2.40 million).

32.2 These include charge in respect of office rent paid to directors amounting to Rs. 5.40 million (2017: Rs. 4.80 million).

		Note	2018	2017
			Rupees	*Rupees*
32.3	**Auditor's remuneration**			
	Annual statutory audit		**600,000**	660,000
	Limited scope review		**272,875**	243,750
	Review report under Code of Corporate Governance		**175,000**	192,500
	Out of pocket expenses		**250,000**	275,000
			1,297,875	1,371,250
33	**OTHER INCOME**			
	Gain on financial instruments			
	Foreign exchange gain		**1,350**	-
	Other gains			
	Gain on disposal of property, plant and equipment	*20.1.3*	**3,325,486**	875,872
			3,326,836	875,872

	Note	2018	2017
		Rupees	*Rupees*
34 FINANCE COST			
Interest/markup on borrowings:			
long term finances	*34.1*	**32,454,423**	29,568,160
liabilities against assets subject to finance lease		**2,799,861**	3,556,594
short term borrowings		**150,845,680**	166,795,647
balances with related parties		**26,548,972**	8,862,744
Interest/markup rebate		**(27,608,048)**	-
		185,040,888	208,783,145
Bank charges and commission		**19,974,643**	10,772,782
		205,015,531	219,555,927

34.1 During the year, markup of Rs. 16.93 million (2017: 11.50 million) on long term loans from directors and sponsors has been waived by the lenders on their discretion.

	Note	2018	2017
		Rupees	*Rupees*
35 OTHER CHARGES			
Others			
Donations	*35.1*	**14,250**	207,000
		14,250	207,000

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

	Note	2018	2017
		Rupees	*Rupees*
36 TAXATION			
Current taxation			
for current year	*36.1*	**15,676,976**	35,325,144
for prior year		**5,165,975**	-
		20,842,951	35,325,144
Deferred taxation:	*14*		
Attributable to origination and reversal of temporary differences		**(11,822,451)**	5,203,421
Attributable to changes in tax rates		**(2,595,363)**	(4,025,952)
		(14,417,814)	1,177,469
		6,425,137	36,502,613

36.1 Provision for current tax has been made in accordance with section 113 and 154 (2017: section 113) of the Income Tax Ordinance 2001 ('the Ordinance'). There is no relationship between the aggregate tax expense and accounting profit and accordingly, no numerical reconciliation has been presented. According to management, the provision for current taxation made in the financial statements is sufficient. A comparison of last three years of provision for current taxation with tax assessed is presented below:

	2017	2016	2015
	Rupees	*Rupees*	*Rupees*
Provision for current taxation as per financial statements	35,325,144	29,645,689	33,903,950
Assessment under the Ordinance	30,159,169	29,610,374	34,417,740

36.2 The Government of Pakistan vide Finance Act 2017 notified a reduced tax rate of 30% for tax year 2018 as compared to 31% applicable to previous year for Companies.

36.3 The income tax assessments of the Company up to and including tax year 2017 have been completed by the concerned income tax authorities or are deemed to have been so completed under the provisions of section 120 of the Ordinance except for the tax years highlighted in note 19.1.

		Unit	2018	2017
37	**(LOSS)/EARNINGS PER SHARE - BASIC AND DILUTED**			
	(Loss)/profit attributable to ordinary shareholders	*Rupees*	**(546,969,253)**	7,455,749
	Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**86,577,920**	86,577,920
	(Loss)/earnings per share	*Rupees*	**(6.32)**	0.09

37.1 There is no (anti-diluting)/diluting effect on the basic (loss)/earnings per share of the Company.

		2018 *Rupees*	2017 *Rupees*
38	**CASH GENERATED FROM OPERATIONS**		
	(Loss)/profit before taxation	**(540,544,116)**	43,958,362
	Adjustments for non-cash and other items		
	Interest/markup on borrowings	**212,648,936**	208,783,145
	Interest/markup rebate	**(27,608,048)**	-
	Foreign exchange gain	**(1,350)**	-
	Gain on disposal of property, plant and equipment	**(3,325,486)**	(875,872)
	Provision for employees retirement benefits	**18,366,547**	16,816,473
	Depreciation	**137,342,340**	134,085,359
	Share of loss/(profit) from associate	**124,969,647**	(102,676,061)
		462,392,586	256,133,044
		(78,151,530)	300,091,406
	Changes in working capital		
	Stores, spares and loose tools	**16,058,899**	131,072,086
	Stock in trade	**291,653,286**	(460,411,266)
	Trade debts	**(4,740,274)**	(2,455,091)
	Advances, deposits, prepayments and other receivables	**144,989,339**	(70,284,283)
	Trade and other payables	**43,054,788**	125,159,762
		491,016,038	(276,918,792)
	Cash generated from operations	**412,864,508**	23,172,614
39	**CASH AND CASH EQUIVALENTS**		
	Cash and bank balances	**68,271,810**	6,211,703
		68,271,810	6,211,703

40 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise associated companies and key management personnel. 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. The details of Company's related parties, with whom the Company had transactions during the year or has balances outstanding as at the reporting date are as follows:

Name of related party	**Nature of relationship**	**Basis of relationship**	**Aggregate %age of shareholding in the Company**
Hira Terry Mills Limited	Associated company	Common directorship	N/A
Adamjee Insurance Company Limited	Associated company	Common directorship	N/A
Muhammad Umer Virk	Key management personnel	Director	27.28%
Nadeem Aslam Butt	Key management personnel	Chief executive	0.06%

Transactions with key management personnel are limited to payment of short term employee benefits and office rent. The Company in the normal course of business carries out various transactions with associated companies 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 orderly transaction between market participants at the date of transaction. Detail of transactions and balances with related parties is as follows:

		2018	2017
		Rupees	*Rupees*
40.1 Transactions with related parties			
Nature of relationship	**Nature of transactions**		
Associated company	Sales of yarn, cotton, dyes and chemicals	**711,364,659**	1,069,123,450
	Purchases of towels, cotton, waste, stores and spares	**10,301,621**	15,715,336
	Expenses charged	**19,982,526**	21,868,486
	Interest/markup expense	**26,548,972**	8,862,744
	Insurance premium paid	**6,070,260**	21,497,591
Sponsors	Interest on borrowings charged	**16,929,469**	13,772,852
	Interest on borrowings waived	**16,929,469**	13,772,852
	Office rent	**5,400,000**	4,800,000
Provident fund trust	Contribution for the year	**2,243,533**	2,711,694
40.2 Balances with related parties			
Associated company	Advance obtained	**246,650,448**	281,436,554
	Advance obtained against sale of yarn	**157,117,892**	-
	Insurance payable	**11,281,981**	-
Sponsors	Borrowings	**515,155,373**	476,157,450
Key management personnel	Short term employee benefits payable	**555,332**	483,500
Provident fund trust	Payable to provident fund	**760,770**	470,504

41 FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments by class and category are as follows:

		Note	2018	2017
			Rupees	*Rupees*
41.1	**Financial assets**			
	Cash in hand	*28*	**1,567,530**	1,593,061
	Loans and receivables			
	Long term deposits	*22*	**32,869,577**	32,249,742
	Trade debts	*25*	**83,029,429**	78,287,805
	Advances to employess	*26*	**2,991,502**	4,281,823
	Margin deposits	*26*	**4,198,946**	4,543,677
	Bank balances	*28*	**66,704,280**	4,618,642
			191,361,264	125,574,750
41.2	**Financial liabilities**			
	Financial liabilities at amortized cost			
	Long term finances	*10*	**908,449,303**	304,422,412
	Loan from directors and family members - *Unsecured*	*11*	**213,493,000**	213,493,000
	Liabilities against assets subject to finance lease	*12*	**26,777,926**	41,762,839
	Short term borrowings	*16*	**1,448,562,373**	2,056,268,085
	Accrued interest/markup	*17*	**65,965,591**	59,686,751
	Trade creditors	*15*	**234,099,094**	353,339,012
	Due to jointly controlled entity	*15*	**246,650,448**	281,436,554
	Accrued liabilities	*15*	**82,718,151**	44,107,362
	Unclaimed dividend		**2,757,216**	2,879,176
			3,229,473,102	3,357,395,191

42 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 the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the Company in accordance with the risk management framework.

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:

42.1 Credit risk

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

		Note	2018	2017
			Rupees	*Rupees*
42.1.1	**Maximum exposure to credit risk**			
	The maximum exposure to credit risk as at the reporting date is as follows:			
	Loans and receivables			
	Long term deposits	*22*	**32,869,577**	32,249,742
	Trade debts	*25*	**83,029,429**	78,287,805
	Margin deposits	*26*	**4,198,946**	4,543,677
	Bank balances	*28*	**66,704,280**	4,618,642
			186,802,232	119,699,866

42.1.2 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:

	2018	2017
	Rupees	*Rupees*
Customers	**83,029,429**	78,287,805
Banking companies and financial institutions	**83,363,030**	21,622,123
Utility companies and regulatory authorities	**20,409,773**	19,789,938
	186,802,232	119,699,866

42.1.3 Credit quality and impairment

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

(a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to 'long term deposits', 'margin 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.

(b) Counterparties without external credit ratings

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

	2018		2017	
	Gross carrying amount	**Accumulated Impairment**	Gross carrying amount	Accumulated Impairment
	Rupees	***Rupees***	*Rupees*	*Rupees*
Past due 1-30 days	**25,794,539**	**-**	72,713,502	-
Past due 30-60 days	**10,737,285**	**-**	1,427,307	-
Past due 60-90 days	**3,917,549**	**-**	186,928	-
Over 90 days	**42,580,056**	**-**	3,960,068	-
	83,029,429	**-**	78,287,805	-

The Company's two (2017: two) significant customers account for Rs. 27.08 million (2017: Rs. 25.57 million) of trade debts as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (2017: 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. The Company believes that no impairment allowance is necessary for receivables past due by upto 12 months based on historical default rates.

42.1.4 Collateral held

The Company does not hold any collateral to secure its financial assets.

42.1.5 Credit risk management

The Company manages credit risk by limiting significant exposure to any single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis or confirmed letters of credit.

42.2 Liquidity risk

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

42.2.1 Exposure to liquidity risk

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

	2018				
	Carrying amount	**Contractual cash flows**	**One year or less**	**One to five years**	**More than five years**
	Rupees	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Long term finances	**908,449,303**	**1,205,483,205**	**81,473,908**	**1,124,009,297**	**-**
Loan from directors and family members	**213,493,000**	**215,122,469**	**-**	**215,122,469**	**-**
Liabilities against assets subject to finance lease	**26,777,926**	**27,629,004**	**16,670,952**	**10,958,052**	**-**
Short term borrowings	**1,448,562,373**	**1,448,562,373**	**1,448,562,373**	**-**	**-**
Accrued interest/markup	**65,965,591**	**65,965,591**	**65,965,591**	**-**	**-**
Trade creditors	**234,099,094**	**234,099,094**	**234,099,094**	**-**	**-**
Accrued liabilities	**82,718,151**	**82,718,151**	**82,718,151**	**-**	**-**
Unclaimed dividend	**2,757,216**	**2,757,216**	**2,757,216**	**-**	**-**
Due to jointly controlled entity	**246,650,448**	**246,650,448**	**246,650,448**	**-**	**-**
	3,229,473,102	**3,528,987,551**	**2,178,897,733**	**1,350,089,818**	**-**

	2017				
	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Long term finances	186,891,490	304,422,412	117,530,922	186,891,490	-
Loan from directors and family members	213,493,000	224,993,000	-	224,993,000	-
Liabilities against assets subject to finance lease	41,762,839	41,762,839	16,103,408	25,659,431	-
Short term borrowings	2,056,268,085	2,056,268,085	2,056,268,085	-	-
Accrued interest/markup	59,686,751	59,686,751	59,686,751	-	-
Trade creditors	353,339,012	353,339,012	353,339,012	-	-
Accrued liabilities	44,107,362	44,107,362	44,107,362	-	-
Unclaimed dividend	2,879,176	2,879,176	2,879,176	-	-
Due to jointly controlled entity	281,436,554	281,436,554	281,436,554	-	-
	3,239,864,269	3,368,895,191	2,931,351,270	437,543,921	-

42.2.2 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. The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Company also maintains various lines of credit with banking companies. Further, the Company has continued support of its sponsors and in respect of any temporary liquidity shortfalls.

42.3 Market risk

42.3.1 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. The Company is not exposed to currency risk as at the reporting date.

42.3.2 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.

(a) Interest/markup bearing financial instruments

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

	2018	2017
	Rupees	*Rupees*
Fixed rate instruments	**-**	-
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	2,576,271,650	2,482,312,006

(b) **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. 25.76 million (2017: Rs. 24.82 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.

(c) **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.

42.3.3 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 in respect of its long term investments.

43 CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Any temporary shortfall is met through interest free loans from sponsors. The Board of Directors monitors the return on capital and seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises long term finances, liabilities against assets subject to finance lease and loan from directors and family members including current maturity. Total capital employed includes total equity, as shown in the statement of financial position, 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	2018	2017
Total debt	*Rupees*	**1,148,720,229**	559,678,251
Total equity	*Rupees*	**1,947,859,630**	2,497,864,297
Total capital employed		**3,096,579,859**	3,057,542,548
Gearing	*% age*	**37.10**	18.30

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any other externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance and subordination of long term loan from directors and their family members (see note 8).

44 FAIR VALUE MEASUREMENTS

The Company measures some of its financial assets at fair value at the end of each reporting period. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and has the following levels.

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

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

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

The fair value hierarchy of assets measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

44.1 Financial Instruments

There are no recurring or non-recurring fair value measurements as at the reporting date. The management considers the carrying amount of all the financial instruments to approximate their fair values.

44.2 Assets and liabilities other than financial instruments.

44.2.1 Recurring fair value measurements

For recurring fair value measurements, the fair value hierarchy and information about how the fair values are determined is as follows:

	Level 1	Level 2	Level 3	**2018**	2017
				Rupees	*Rupees*
Freehold land	-	183,480,000	-	**183,480,000**	183,480,000
Buildings	-	-	316,822,466	**316,822,466**	328,330,450
Plant and machinery	-	-	1,698,483,975	**1,698,483,975**	1,697,057,723

For fair value measurements categorized into Level 2 and Level 3 the following information is relevant:

	Valuation technique	**Significant inputs**	**Sensitivity**
Freehold land	Market comparable approach that reflects recent transaction prices for similar properties	Estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition.	A 5% increase in estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition would result in a significant increase in fair value of buildings by Rs. 9.17 million (2017: Rs. 9.17 million).
Buildings	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would result in an increase in fair value of buildings by Rs. 15.60 million (2017: Rs. 16.42 million).

	Valuation technique	Significant inputs	Sensitivity
Plant and machinery	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would results in an increase in fair value of plant and machinery by Rs. 85.86 million (2017: Rs. 84.85 million).

Reconciliation of fair value measurements categorized in Level 3 is presented in note .

There were no transfers between fair value hierarchies during the year.

44.2.2 Non-recurring fair value measurements

There are no non-recurring fair value measurements as at the reporting date.

		2018	2017
		Rupees	*Rupees*
45	**RESTRICTION ON TITLE, AND ASSETS PLEDGED AS SECURITY**		
	Mortgages and charges		
	Charge over current assets	**3,007,000,000**	2,987,000,000
	Charge over fixed assets	**2,744,381,404**	2,054,997,000

46 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:

	2018		
	Chief Executive	Directors	Executives
	Rupees	*Rupees*	*Rupees*
Managerial remuneration	**2,328,000**	**1,424,093**	**3,027,732**
House rent	**1,552,000**	**949,395**	**2,018,488**
Motor vehicle expenses	**291,229**	**277,758**	**139,239**
Utilities	**156,771**	**19,729**	**52,020**
Post employment benefits	**-**	**-**	**165,027**
Others	**-**	**-**	**-**
	4,328,000	**2,670,975**	**5,402,506**
Number of persons	**1**	**1**	**3**

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

47 SEGMENT INFORMATION

47.1 The Company is a single reportable segment.

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

47.3 All sales of the Company have originated from Pakistan.

48 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, 2018.

	Unit	**2018**	2017
Size of the fund - *total assets*	*Rupees*	**19,960,268**	32,920,636
Cost/fair value of investments	*Rupees*	**17,397,500**	30,301,683
Percentage of investments made	*% age*	**87.16%**	92.04%

The break-up of investments is as follows:

	2018		2017	
	Rupees	***% age***	*Rupees*	*% age*
Government securities	**9,300,000**	**46.59**	6,500,000	19.74
Mutual funds	**8,097,500**	**40.57**	23,801,683	72.30
	17,397,500	**87.16**	30,301,683	92.04

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

49 PLANT CAPACITY AND ACTUAL PRODUCTION

		Unit	2018	2017
49.1	***Spinning***			
	Production capacity			
	Number of spindles installed	*No.*	**41,424**	41,424
	Installed capacity after conversion into 20's count	*Kgs*	**15,826,920**	15,826,920
	Actual production			
	Actual production after conversion into 20's count	*Kgs*	**7,715,350**	12,103,703
49.2	***Doubling***			
	Production capacity			
	Number of spindles installed	*No.*	**1,094**	1,094
	Installed capacity after conversion into 20's count	*Bags*	**51,560**	51,560
	Actual production			
	Actual production after conversion into 20's count	*Bags*	**28,822**	34,774
49.3	**Dyeing**			
	Production capacity			
	Installed machines	*No.*	**4**	4
	Dyeing capacity	*Kgs*	**1,800,000**	1,800,000
	Actual production			
	Actual dyeing production	*Kgs*	**1,685,574**	1,579,448

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

50 NUMBER OF EMPLOYEES

	Factory		Head office	
	2018	2017	**2018**	2017
Total number of employees	**1,269**	1,385	**41**	45
Average number of employees	**1,322**	1,287	**38**	43

51 RECLASSIFICATIONS

The following have been reclassified for compliance with Fourth Schedule to the Companies Act, 2017.

Particulars	From	To	2018	2017
Unclaimed dividend	Trade and other payables	Statement of Financial Position	**2,757,216**	2,879,176

52 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.

53 GENERAL

53.1 Figures have been rounded off to the nearest rupee.

53.2 Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year other than those referred to in note 51.

CHIEF EXECUTIVE | **CHIEF FINANCIAL OFFICER** | **DIRECTOR/CHAIRPERSON**

PROXY FORM

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

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

As witness my hand this ______________ day of ____________________ 2017 signed by the said ____ in presence of ________________________________

Witness

Signature

Signature

Affix
Revenue
Stamp

Notes:

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

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

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

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

HIRA TEXTILE MILLS
LIMITED

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