HIRA TEXTILE MILLS LIMITED.

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COMPANY INFORMATION

CHAIRMAN
Mr. Muhammad Umar Virk

CHIEF EXECUTIVE
Mr. Nadeem Aslam Butt

BOARD OF DIRECTORS

Mr. Muhammad Umar Virk

Mr. Nadeem Aslam Butt

Mr. Umair Umar

Mrs. Shahnaz Umar

Mrs. Fatima Nadeem

Mrs. Sadiya Umair

Mr. Saeed Ahmad Khan

AUDIT COMMITTEE

Mr. Umair Umar	Chairman
Mrs. Shahnaz Umar	Member
Mrs. Sadiya Umair	Member

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Mr.Saeed Ahmad Khan

AUDITORS

Messrs M.Yousuf Adil Saleem & CO.

A Member Firm of Deloitte Touche Tohmatsh

Chartered Accountant

66-E –FCC, Syed Maratab Ali Road, Gulberg IV, Lahore

REGISTRAR OF THE COMPANY
Vision Consulting Ltd.
3 – C , 1st floor, LDA Flats
Lawrance Road Lahore
Ph: + 92 42 637 5531, 637 5339

REGISTERED OFFICE

44-E-1,Gulberg III, Lahore
Ph: + 92 42 571 4191
Fa: + 92 42 571 0048
W: www,hiramills.com.pk

MILLS

8 KM Manga Raiwind Road Raiwind District Kasur

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 19th annual general meeting of the members of Hira Textile Mills Limited will be held on Saturday, October 30, 2010 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, 2010 together with the Directors and auditor's reports thereon.
3. To approve a cash dividend as recommended by the Board of Directors.
4. To appoint auditors and fix their remuneration. The retiring auditors M/S M. Yousuf Adil Saleem & Co. chartered accountants, being eligible offer themselves for reappointment.
5. SPECIAL BUSINESS:

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

"RESOLVED THAT the Company be and is hereby authorized to make temporary loans/advances from time to time to the extent of Rs. 150,000,000/- (Rupees One Hundred Fifity Million only) to Hira Terry Mills Ltd an associated Company.

"FURTHER RESOLVED THAT the Chief Executive of the Company be and is hereby authorized to undertake and make the above temporary loans/advances as short term financing on the terms and conditions given in the statement under Section 160(1) (b) annexed herewith

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

(By the order of the Board)

Saeed Ahmad Khan
Company Secretary

Lahore: October 08, 2010

Notes

1- The statement under section 160(1) (b) of the Companies Ordinance, 1984, read with S.R.O 865 (1)/ 2000 dated December 6, 2000 issued by SECP pertaining to the Special Business is annexed with this notice to the members.
2- The Share Transfer Books of the Company will remain closed from October 29, 2010 to November 04, 2010 (both days inclusive).
3- A member entitled to attend and vote at the General Meeting may appoint any person as proxy to attend and vote instead of him/her. No person other than a member shall act as proxy.
4- An instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notarially certified copy of such power or authority, in order to be valid, must be deposited at the registered office of the company at least 48 hours before the time of the meeting and must be duly stamped, singed and witnessed.
5- The account holders of CDC are requested to bring their original NI/Passport for the purpose of identification at the meeting.
6- Members are requested to immediately inform of any change in their address.

VISION STATEMENT

A dynamic profitable and professionally managed successful business organization.

MISSION STATEMENT

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

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

DIRECTORS REPORT TO THE MEMBERS

The Board of Directors feel immense pleasure in presenting the Company's Audited financial statements together with the auditor's report thereon for the year ended on June 30, 2010.

Company Performance

Following are the operating & Financial results:-

	2010	2009
	(Rupees in Million)	
Net Sale	3,116.91	2,524.73
Gross Profit	608.79	392.27
Share of Profit of Hira Terry	47.21	40.10
Profit before taxation	277.58	12.23
Provision for taxation	28.75	10.35
Profit for The Year	248.83	1.88
EPS – basic & diluted	3.48	0.03

By the grace of Almighty Allah the Overall performance of the company is quite satisfactory and Company managed to make a profit of Rs 248.83 Million after meeting all operational, administrative, financial & other expenses. Gross profit has increased due to change in production pattern and batter sale Rates. Share of profit of M/S Hira Terry associated company is Rs.47.21 Million as compared to last year Rs.40.10 Million. The Financial cost decreased by Rs.77.50 Million showing an decrease of 22.72 % due to decrease in borrowings and interest rates. Despite of increasing trend in prices of raw material and other input costs the overall picture clearly shows that the efforts of the management were successful in maintaining the effects of abnormal increase and achieving maximum profitability.

Expansion and BMR

No Major Investment was made during the year however the Company has spent Rs. 2.77 millions on Construction of Mixing Hall and Admin Block etc. The Management of the Company is planning to add 2 Auto cones Machines, 2 Card Machines and replace 11 Ring Frames to Improve productivity, quality, improved market prospects.

Dividend

The Board of directors is pleased to recommend a cash dividend of Rs.1.00 per share or 10%.

Related Parties

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

ISO 9001 – 2000 Certification

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

Environments, Health and Safety

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

Future Plans

Although the performance of the company is quite satisfactory during the year but the future market situation is changing to adversely due to increase in the cotton prices, wages, markup rates and other input costs. The management is taking the view of consolidation for the moment and take advantage of new textile policy 2009 by reasonably enhancing its direct and indirect exports by improving productivity and quality.

Business Strategy

Aggressive marketing strategy has been the major factor in HTML consistent profitability over the last years. In the light of the Company's overall objectives the Board of Directors regularly review the Company's strategy business plans and set performance targets accordingly.

Corporate & Financial Reporting Frame Work

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

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

g. There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
h. The value of investment of contributory provident fund as at June 30, 2010 amount to Rs. 6.598 Million.
i. The pattern of shareholding as at June 30, 2010 is annexed.

Audit Committee

The Board of Directors in compliance with the code of corporate governance has established an audit committee, the name of its members are given in the Company profile.

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

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

a. Mr. Umar Virk – Director purchased 300,000 shares and gifted 1,900,000 Shares to his daughter Umaira Umar.
b. Mr. Umair Umar - Director purchased 2,732,253 Shares.

Board Meeting

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

Name of Director	Attendance
Muhammad Umar Virk	6
Nadeem Aslam Butt	6
Mrs. Shahnaz Umar	4
Mr. Umair Umar	6
Mrs. Fatima Nadeem	4
Mrs. Sadiya Umair	4
Mr. Saeed Ahmad Khan	6

Acknowledgements

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

On Behalf of the Board

Nadeem Aslam Butt

Lahore October 08, 2010 — Chief Executive Officer

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors. At present the Board includes three (3) independent non-executive directors.

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

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to any banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.

4. The Board has developed a mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended is being maintained.

5. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

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

7. No casual vacancy occurred during the year

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

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

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

11. The Board has formed an audit committee comprising three members, of whom two are non-executive directors.

12. The meeting of the audit committee was held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

13. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors

14. 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.

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

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

17. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

NADEEM ASLAM BUTT
(Chief Executive Officer)

Lahore: October 08, 2010.

FINANCIAL SUMMARY

Amount Rs.(000)

	2010	2009	2008	2007	2006	(9 Months) 2005
Net Sales	3,116,909	2,524,728	1,725,607	1,664,978	1,743,871	1,090,508
Cost of Sales	2,508,119	2,132,457	1,449,145	1,412,848	1,428,844	879,878
Gross profit	**608,790**	**392,272**	**276,462**	**252,131**	**315,027**	**210,630**
Administration Expenses	48,298	39,429	23,170	35,840	28,637	14,311
Selling Expences	42,834	41,594	37,721	38,577	39,061	32,457
Operating Profit	**517,657**	**311,248**	**215,571**	**177,714**	**247,329**	**163,863**
Other Operating Income	6	2,117	497	5,546	23,312	116,593
Profit before Interest & Taxation	**517,664**	**313,365**	**216,068**	**183,260**	**270,641**	**280,456**
Other Operating Expenses	23,769	208	3,169	4,216	6,415	4,911
Financial & Other Charges	263,526	341,029	170,076	158,193	157,466	63,822
Share of profit Hira Terry Mills Ltd.	47,211	40,105	21,449	1,598	-	-
Profit before Taxation	**277,579**	**12,233**	**64,272**	**22,449**	**106,761**	**211,723**
Provision for Taxation	28,751	10,355	15,549	71,089	16,223	8,491
Profit after Taxation (Net Profit)	**248,828**	**1,878**	**48,723**	**(48,639)**	**90,538**	**203,232**
Financial Position						
Current Assets	1,567,817	1,465,223	1,486,069	956,667	797,824	931,322
Current Liabilities	1,710,386	1,729,143	1,666,172	1,022,246	727,681	795,379
Operating Fixed Assets	1,480,325	1,500,810	1,542,254	1,309,689	1,413,721	1,315,052
Total Assets	3,356,841	3,223,464	3,240,217	2,447,104	2,305,419	2,286,685
Net Capital Employed	1,564,431	1,425,058	1,505,780	1,368,196	1,575,078	1,488,524
Long Term Debts	186,297	295,752	378,351	289,490	615,409	619,393
Share Holder,s Equity	1,312,242	1,063,414	1,061,536	1,012,813	741,539	640,682
Surplus on Revaluation on Fixed Assets	65,893	65,893	65,893	65,893	218,130	228,450
Break -up Value Per Share (Rupees)	18.34	14.86	14.84	14.15	15.93	27.86
Number of shares	71,552,000	71,552,000	71,552,000	71,552,000	46,552,000	23,000,000
Financial Ratios Analysis (Annualized)						
Current Ratio	0.92	0.85	0.89	0.94	1.10	1.17
Total Debt to Total Assets	5.55	9.17	12.24	11.83	26.69	27.09
Acid -Test Ratio	11.46	14.26	13.76	13.10	26.46	27.20
Debt Equity	12:88	21:79	30:70	21:79	39:61	41:59
Debt Coverage Ratio	0.09	0.04	0.16	(0.19)	0.37	1.86
Leverage Ratio	1.56	1.85	1.87	1.27	1.40	1.63
Interest Coverage Ratio	2.04	1.00	1.27	1.16	1.72	4.39
Fixed Assets Turnover	2.11	1.68	1.12	1.27	1.23	1.11
Total Assets Turnover	0.93	0.78	0.53	0.68	0.76	0.64
Per Share Results & returns						
Earning per Share	3.48	0.03	0.68	(0.87)	1.94	5.82
Return on Capital employed- net	15.91	0.13	3.22	(3.55)	5.75	18.20
Gross Profit to Sales	19.53	15.54	16.02	15.14	18.06	19.31
Operating Profit To Sales	16.61	12.33	12.49	10.67	14.18	15.03
Net Income to Sale (Profit margin)	7.98	0.07	2.82	(2.92)	5.19	18.64
Return on Assets (ROA)	7.41	0.06	1.50	(1.99)	3.93	11.85

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **HIRA TEXTILE MILLS LIMITED** ("the Company") to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges in Pakistan where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's 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.

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

(Chartered Accountants)

Date: October 08, 2010

Lahore

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **HIRA TEXTILE MILLS LIMITED** ("the Company") as at June 30, 2010 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

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

(b) in our opinion-

 (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for change in accounting policy as stated in note 2.2.1 to these financial statements with which we concur;

 (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

 (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2010 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

(Chartered Accountants)

Mohammed Saleem
(Engagement Partner)

Date: October 08, 2010

Lahore

HIRA TEXTILE MILLS LIMITED

BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010	2009
		----------Rupees ----------	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,480,324,982	1,500,809,675
Long term investments	5	294,863,341	247,652,640
Long term advances and deposits	6	13,835,506	9,778,906
		1,789,023,829	1,758,241,221
CURRENT ASSETS			
Stores, spare parts and loose tools	7	64,128,162	52,704,786
Stock-in-trade	8	1,333,959,513	1,214,810,536
Trade debts	9	79,498,463	136,600,136
Advances	10	29,202,575	18,423,527
Trade deposits and short term prepayments	11	8,716,447	5,528,657
Advance income tax	12	17,129,597	12,285,361
Tax refunds due from government	13	29,161,673	7,283,714
Cash and bank balances	14	6,020,659	17,585,924
		1,567,817,089	1,465,222,641
		3,356,840,918	3,223,463,862

The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **CHAIRMAN / DIRECTOR**

HIRA TEXTILE MILLS LIMITED

BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010	2009
		----------Rupees ----------	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
75,000,000 (2009: 75,000,000) ordinary shares of Rs.10 each		**750,000,000**	750,000,000
Issued, subscribed and paid up capital	**15**	**715,520,000**	715,520,000
Reserves	**16**	**82,500,000**	82,500,000
Un-appropriated profit		**514,221,837**	265,393,865
		1,312,241,837	1,063,413,865
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	**17**	**65,892,542**	65,892,542
NON - CURRENT LIABILITIES			
Long-term financing	**18**	**170,308,944**	267,029,477
Liabilities against assets subject to finance lease	**19**	**15,988,167**	28,722,289
Deferred liabilities	**20**	**82,023,911**	69,262,723
CURRENT LIABILITIES			
Trade and other payables	**21**	**256,198,252**	255,247,555
Mark up accrued	**22**	**73,892,845**	90,284,127
Short-term borrowings	**23**	**1,255,437,905**	1,275,460,133
Current portion of non-current liabilities	**24**	**124,856,515**	108,151,151
		1,710,385,517	1,729,142,966
CONTINGENCIES AND COMMITMENTS	**25**		
		3,356,840,918	**3,223,463,862**

The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **CHAIRMAN / DIRECTOR**

HIRA TEXTILE MILLS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		----------Rupees ----------	
Sales - net	26	**3,116,908,591**	2,524,728,296
Cost of sales	27	**2,508,118,978**	2,132,456,730
Gross profit		**608,789,613**	392,271,566
Other operating income	28	**6,396**	2,117,183
		608,796,009	394,388,749
Distribution cost	29	**42,833,813**	41,594,001
Administrative expenses	30	**48,298,432**	39,429,468
Other operating expenses	31	**23,768,975**	208,136
Finance cost	32	**263,526,353**	341,029,311
		378,427,573	422,260,916
		230,368,436	(27,872,167)
Share of profit of jointly controlled entity	5	**47,210,701**	40,104,911
Profit before taxation		**277,579,137**	12,232,744
Provision for taxation	33	**28,751,165**	10,354,766
Profit for the year		**248,827,972**	1,877,978
Other comprehensive income		**-**	-
Total comprehensive income		**248,827,972**	1,877,978
Earnings per share - basic and diluted	34	**3.48**	**0.03**

The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **CHAIRMAN / DIRECTOR**

HIRA TEXTILE MILLS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		----------Rupees ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**277,579,137**	12,232,744
Adjustments for:			
Depreciation on property, plant and equipment		**78,878,409**	79,606,318
Loss/(gain) on disposal of property, plant and equipment		**28,502**	(170,673)
Provision for employee benefits		**12,305,373**	8,464,630
Share of profit of jointly controlled entity		**(47,210,701)**	(40,104,911)
Finance cost		**263,526,353**	341,029,311
		585,107,073	401,057,419
Working capital changes			
Increase in stores, spare parts and loose tools		**(11,423,376)**	(14,911,562)
(Increase) / decrease in stock-in-trade		**(119,148,977)**	4,135,862
Decrease in trade debts		**57,101,673**	50,957,840
(Increase) / decrease in advances		**(10,779,048)**	3,997,260
Increase in trade deposits and short term prepayments		**(3,187,790)**	(4,839,953)
Increase in trade and other payables		**950,697**	169,125,755
		(86,486,821)	208,465,202
Cash generated from operations		**498,620,252**	609,522,621
Finance cost paid		**(279,917,635)**	(299,750,791)
Employee benefits paid		**(8,720,577)**	(7,468,057)
Taxes paid		**(46,296,968)**	(13,342,389)
		(334,935,180)	(320,561,237)
Net cash generated from operating activities		**163,685,072**	288,961,384
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(60,479,718)**	(38,558,951)
Proceeds from disposal of property, plant and equipment		**2,057,500**	567,140
Increase in long term advances and deposits		**(4,056,600)**	(5,431,407)
Net cash used in investing activities		**(62,478,818)**	(43,423,218)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		**42,960,000**	-
Payment of long term financing		**(109,182,164)**	(56,665,648)
Payment of liabilities against assets subject to finance lease		**(26,527,127)**	(54,471,957)
Decrease in short term borrowings - net		**(20,022,228)**	(118,894,746)
Net cash used in financing activities		**(112,771,519)**	(230,032,351)
Net (decrease)/increase in cash and cash equivalents		**(11,565,265)**	15,505,815
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**17,585,924**	2,080,109
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	**6,020,659**	17,585,924

The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **CHAIRMAN / DIRECTOR**

HIRA TEXTILE MILLS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

		Capital Reserve	Revenue Reserve			
	Share capital	Share of other comprehensive income of associate	General reserve	Un-appropriated profit	Sub-total	Total
	------------------------------------ Rupees ------------------------------------					
Balance as at June 30, 2008 - as restated	715,520,000	-	82,500,000	263,515,887	346,015,887	1,061,535,887
Profit for the year	-	-	-	1,877,978	1,877,978	1,877,978
Other comprehensive income for the year	-	-	-	-	-	-
Balance as at June 30, 2009	715,520,000	-	82,500,000	265,393,865	347,893,865	1,063,413,865
Profit for the year	-	-	-	248,827,972	248,827,972	248,827,972
Other comprehensive income for the year	-	-	-	-	-	-
Balance as at June 30, 2010	**715,520,000**	**-**	**82,500,000**	**514,221,837**	**596,721,837**	**1,312,241,837**

The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **CHAIRMAN / DIRECTOR**

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1 LEGAL STATUS AND ACTIVITY

1.1 Hira Textile Mills Limited ("the Company") was incorporated in Pakistan on January 31, 1991 as a public limited Company under the Companies Ordinance, 1984. The Company was listed on Karachi and Lahore Stock Exchanges of Pakistan on February 15, 2007 and February 16, 2007 respectively. The registered office of the Company is situated at 44 – E / 1, Gulberg III, Lahore. The principal activity of the Company is manufacturing and sale of yarn. The project is located at Manga Raiwind Road, Tehsil and District Kasur in the province of Punjab.

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

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 STATEMENT OF COMPLIANCE

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

2.2 ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Company has adopted the following new Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and as notified by the SECP that are relevant to its operations and effective for Company's accounting period beginning on or after January 01, 2009.

2.2.1 International Accounting Standard - 1 "Presentation of Financial Statements'

The Company applies revised IAS - 1 "Presentation of Financial Statements", which became effective from January 01, 2009. Said application requires the Company to present all changes in owners equity in the statement of changes in equity and all non-owner changes in equity in the statement of comprehensive income.

The revaluation on fixed assets does not form a part of equity in Pakistan and hence, not been considered as part of other comprehensive income. The Company has elected to present one statement only. This presentation has been applied as of and for the year ended on June 30, 2010.

The change in accounting policy does not have any impact on the presentation of current and comparative transactions of the Company and on earnings per share.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

2.2.2 International Accounting Standard - 23 " Borrowing Cost"

IAS 23 (Revised) - 'Borrowing Costs' (effective from annual periods beginning on or after January 01, 2009). This standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial Instruments: Recognition and Measurement'. The Company's accounting policy on borrowing costs, as disclosed in note 3.19, complies with the above mentioned requirement to capitalise borrowing costs and hence this change has not impacted the Company's accounting policy. The management has assessed that the change in interest calculation method would not have a material impact on the Company's financial statements.

2.2.3 Amendments to IFRS-7 Improving disclosures about financial instruments

The amendment to IFRS 7 expanded the disclosures requirements more closely in line with US standards. The amendments introduce a three level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurement. Adoption of this amendment to IFRS-7 has not any effect on these financial statements as the carrying values of the financial assets and financial liabilities approximate to their fair values.

2.3 NEW ACCOUNTING STANDARDS AND IFRS INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following IFRSs, interpretations are effective for accounting periods beginning on or after the date mentioned against each of them:

	Effective from
Amendments to IAS 7 Statement of Cash Flows	January 01, 2010
Amendments to IAS 17 Leases	January 01, 2010
Amendments to IAS 24 Related Party Disclosures	January 01, 2011
Amendments to IAS 32 Financial Instruments Presentation	February 01, 2010
Amendments to IFRS - 2 Group Settled Transaction	January 01, 2010
Amendments to IFRS - 5 Non-current Assets Held for Sale and Discontinued Operations	January 01, 2010
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010
Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement	January 01, 2011
IFRS - 9 Financial Instruments	January 01, 2013

The management believes that these accounting standards and interpretations do not have any impact on the present transactions of the Company. The Company would comply with these standards, interpretations and amendments when applicable.

2.4 ACCOUNTING STANDARDS, IFRS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE EFFECTIVE AND NOT APPLICABLE TO THE COMPANY

The following accounting standards and interpretations to existing standards have been published and are mandatory for the Company's accounting year beginning on or after January 01, 2009 but are not relevant for the Company's operations:

IFRS - 2 Share based payment - January 01, 2009

Amendment to IFRS 2 - Share-based Payment - (effective for annual periods beginning on or after January 01, 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. Implication of amendment to this standard does not have effect on these financial statements.

IFRS-3 Business Combinations-July 01, 2009

IFRS 3 (Revised) - 'Business Combinations' (applicable for annual periods beginning on or after July 01, 2009) broadens among other things, the definition of business, resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit and loss account / other comprehensive income and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. Implication of revision to this standard does not have effect on these financial statements.

International Financial Reporting Standard - 8 "Operating Segments"

IFRS - 8 "Operating Segments", which replaces IAS -14 " Segment Reporting" and became effective from January 01, 2009. IFRS - 8 requires "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard has no material impact on the financial statements except change in presentation of segment information. Implication of this standard does not have effect on these financial statements.

Amendment to IAS 27-July 01, 2009

Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 01, 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit and loss account / other comprehensive income. Implication of amendment to this standard does not have effect on these financial statements.

Amendments to IAS-39 Financial instruments- January 01, 2009

Amendments to IAS 39 - Financial Instruments: Recognition and Measurement - Eligible hedged Items (effective for annual periods beginning on or after July 01, 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. Implication of amendment to this standard does not have effect on these financial statements.

IFRS 4 Insurance Contracts- January 01, 2009

IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after January 01, 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. Implication of amendment to this standard does not have effect on these financial statements.

Amendments to IAS-39 and IFRIC-9: Embedded derivatives - January 01, 2009

Amendments to IAS 39 and IFRIC 9 - Embedded Derivatives (effective for annual periods beginning on or after January 01, 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. Implication of amendment to this standard does not have effect on these financial statements.

IFRIC - 15 Agreements for the construction of real estate - January 01, 2009

IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or after January 1, 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. Implication of interpretation does not have effect on these financial statements.

IFRIC - 16 Hedge of net investment in a foreign operation - October 01, 2008

IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after October 01, 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit and loss account / other comprehensive income.

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified as to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. Implication of interpretation does not effect on these financial statements.

IFRIC - 17 Distribution of non-cash assets to owners - July 01, 2009

IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 01, 2009) states that when a Company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the profit and loss account / other comprehensive income. Implication of interpretation does not have effect on these financial statements.

IFRIC - 18 Transfer of assets from customers - July 01, 2009

IFRIC 18 - Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after July 01, 2009). This interpretation clarifies the requirements of IFRS for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). Implication of interpretation does not have effect on these financial statements.

2.5 SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with approved accounting standards require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are belived to be reasonable under circumstances, results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgments made by management in the application of IASs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next years are disclosed in the ensuing paragraphs.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

EMPLOYEE BENEFITS

The Company operates unfunded gratuity scheme (defined benefit plan) for all its permanent mill employees who have completed the minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligations under the schemes on the basis of actuarial valuation and are charged to income . The calculation requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and discount rate used to derive present value of defined benefit obligation. The assumptions are determined by independent actuaries after three years.

PROPERTY, PLANT AND EQUIPMENT

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

TAXATION

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and the Company considers that its view on items of material nature is in accordance with the law, the amounts are shown as contingent liabilities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 ACCOUNTING CONVENTION

These financial statements have been prepared under historical cost convention modified by:

- certain property, plant and equipment at revalued amount
- financial instruments at fair value
- recognition of certain employee benefits at present value
- investment in jointly controlled entity at equity method

PRINCIPAL ACCOUNTING POLICIES ADOPTED ARE STATED BELOW:

3.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment except freehold land, building on freehold land, plant and machinery and capital work-in-progress are stated at cost less accumulated depreciation and impairment in value, if any. Freehold land, building on free hold land and plant and machinery are stated at revalued amounts. Capital work-in-progress and stores held for capital expenditure are stated at cost. Cost also includes borrowing cost wherever applicable.

Assets' residual values, if significant then useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

When significant parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment.

Subsequent costs are included in the assets' carrying value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with item will flow to the Company and the cost of item can be measured reliably. All other repair and maintenance costs are charged to income during the year in which they are incurred.

Depreciation is charged to profit and loss account applying the reducing balance method over its estimated useful life at the rates specified in note 4 to the financial statements. Depreciation on additions to property, plant and equipment is charged from the day at which property, plant and equipment becomes available for use while no depreciation is charged after the day when property, plant and equipment is disposed off.

Surplus arising on revaluation of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related property, plant and equipment during the year is transferred to un-appropriated profit.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

All expenditures connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets become available for use.

3.3 ASSETS SUBJECT TO FINANCE LEASE

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

3.4 INVESTMENTS

Investments in equity instruments of jointly controlled entities are initially recognised at cost and subsequently accounted for at the Company's share of their underlying net assets using the equity method of accounting.

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3.5 STORES, SPARE PARTS AND LOOSE TOOLS

Stores and spares are valued at lower of moving average cost and net realizable value less allowances for obsolete and slow moving items. Items in transit are valued at cost comprising invoice value plus other charges thereon. Provision is made for obsolete and slow moving stores and spares based on management estimates.

3.6 STOCK IN TRADE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

These are valued at the lower of cost and net realizable value applying the following basis:

Raw material	Weighted average cost
Work-in-process	Average manufacturing cost
Finished goods	Average manufacturing cost
Waste	Net realizable value

Raw material in transit is stated at invoice price plus other charges paid thereon up to the balance sheet date.

Average manufacturing cost in relation to work-in-process and finished goods, consists of direct material and labour and a proportion of manufacturing overheads based on normal capacity.

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

3.7 IMPAIRMENT

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in future periods to allocate the assets revised carrying amount over its estimated useful life.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognised for the asset in prior years. Reversal of impairment loss is recognised as an income.

3.8 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of contractual rights that comprise the financial asset and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

The gain or loss relating to financial instruments is recognized immediately in the profit and loss account.

Particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

3.9 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

3.10 TRADE DEBTS AND OTHER RECEIVABLES

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful debts based on review of outstanding amounts at the year end. Bad debts are written off when identified.

3.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost except for foreign currency deposits. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

3.12 TRADE AND OTHER PAYABLES

Liabilities for trade and other payables are carried at their cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.

3.13 LEASES

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit and loss account on a straight-line basis over the terms of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also deferred on a straight-line basis over the lease term.

3.14 IJARAH TRANSACTIONS

Ujrah payments under an Ijarah are recognized as an expense in the income statement on a straight line basis over the Ijarah term unless systematic basis is representative of the time pattern of the user's benefit , even if the payments are not on that basis.

3.15 EMPLOYEE BENEFITS

The main features of the schemes operated by the Company for its employees are as follows:

DEFINED BENEFIT PLAN

The Company operates unfunded gratuity scheme (defined benefit plan) for all its permanent employees at mill who have completed the minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligations under the schemes on the basis of actuarial valuation and are charged to income. The assumptions are determined by independent actuaries after every three years.

The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses.

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceeds 10% of the present value of the Company’s gratuity is amortised over the average expected remaining working lives of the employees.

Details of the scheme are given in relevant note to the financial statements.

DEFINED CONTRIBUTION PLAN

The Company also operates a provident fund scheme for all its employees of 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% of the basic salary. Contributions are charged to profit and loss account.

COMPENSATED ABSENCES

The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

3.16 PROVISIONS

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

3.17 REVENUE RECOGNITION

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Revenue from sale is recognized on dispatch of goods to the customers.

Export rebate is recognized on accrual basis at the time of making the export sales.

Profit on saving accounts is accrued on a time proportion basis, by reference to the principal outstanding and at the effective profit rate applicable.

Dividend income from equity investments is recognized when the right to receive the payment has been established.

3.18 BORROWINGS

Borrowings are initially recorded at the proceeds received. Subsequently, borrowings are stated at amortized cost using the effective yield method. Finance costs are accounted for on an accrual basis and are included in current liabilities to the extent of amount unpaid.

3.19 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 assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.20 TAXATION

CURRENT

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any or minimum taxation at the rate of one half percent of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

DEFERRED

Deferred tax is provided using the balance sheet liability method in respect of all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" and "Technical Release - 30 " of the Institute of Chartered Accountants of Pakistan.

HIRA TEXTILE MILLS LIMITED

of Pakistan.

Deferred tax liability is recognized for all taxable temporary differences while deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to income except in the case of items credited or charged to equity in which case it is included in equity.

3.21 FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the date of transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities in that case, the rates contracted for are used.

Exchange differences are included in profit and loss account.

3.22 RELATED PARTY TRANSACTIONS

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on commercial terms and conditions.

3.23 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

4 PROPERTY, PLANT AND EQUIPMENT

4.1 As at June 30, 2010

Particulars	Cost / Revaluation				Depreciation				Book value as at June 30, 2010	Annual rate of depreciation %
	As at July 01, 2009	Additions / (Disposals)	Transfers *	As at June 30, 2010	As at July 01, 2009	Charge for the year / (Accumulated depreciation on disposals)	Transfers *	As at June 30, 2010		
	---------- Rupees ----------									
Owned										
Freehold land	86,006,250	-	-	86,006,250	-	-		-	86,006,250	-
Building on freehold land	217,275,900	2,772,369	-	220,048,269	66,730,445	7,582,528		74,312,973	145,735,296	5
Plant and machinery	1,429,225,749	48,091,455	31,128,000	1,505,368,985	447,169,176	50,676,675	5,774,051	502,449,004	1,002,919,981	5
		(3,076,219)				(1,170,898)				
Electric installation	81,504,654	7,034,834	-	88,539,488	33,152,877	4,964,977		38,117,854	50,421,634	10
Generator	16,866,941	-	-	16,866,941	7,016,349	985,059		8,001,408	8,865,533	10
Power house	61,446,828	-	14,000,000	75,446,828	26,358,881	4,380,444	5,283,503	36,022,828	39,424,000	10
Factory equipment	1,984,356	-	-	1,984,356	1,001,721	115,879		1,117,600	866,756	10
Office equipment	1,043,393	279,322	-	1,322,715	659,245	38,415		697,660	625,055	10
Telephone installation	1,001,845	15,075	-	1,016,920	503,230	50,543		553,773	463,147	10
Tarpaulin	382,057	-	-	382,057	235,792	14,627		250,419	131,638	10
Computers	2,530,149	384,710	-	2,914,859	1,286,106	140,287		1,426,393	1,488,466	10
Furniture and fixture	2,751,808	150,353	-	2,902,161	1,618,511	117,559		1,736,070	1,166,091	10
Vehicles	17,026,588	1,751,600	18,913,884	37,082,072	10,964,941	3,001,668	10,718,863	24,256,153	12,825,919	20
		(610,000)				(429,319)				
	1,919,046,518	60,479,718	64,041,884	2,039,881,901	596,697,274	72,068,661	21,776,417	688,942,135	1,350,939,766	
		(3,686,219)	-			(1,600,217)				
Leased										
Plant and machinery	192,864,217	-	(31,128,000)	161,736,217	31,315,304	6,809,748	(5,774,051)	32,351,001	129,385,216	5
Power house	14,000,000	-	(14,000,000)	-	5,283,503	-	(5,283,503)	-	-	10
Vehicles	18,913,884	-	(18,913,884)	-	10,718,863	-	(10,718,863)	-	-	20
	225,778,101	-	(64,041,884)	161,736,217	47,317,670	6,809,748	(21,776,417)	32,351,001	129,385,216	
2010	**2,144,824,619**	**60,479,718**	**64,041,884**	**2,201,618,118**	**644,014,944**	**78,878,409**	**21,776,417**	**721,293,136**	**1,480,324,982**	
		(3,686,219)	**(64,041,884)**		**-**	**(1,600,217)**	**(21,776,417)**			

* Transfers include both inter category adjustments and transfer from assets held under finance lease to owned assets on completion / termination of respective arrangements.

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4.2 As at June 30, 2009

Particulars	Cost / Revaluation				Depreciation				Book value as at June 30, 2009	Annual rate of depreciation %
	(Restated) As at July 01, 2008	Additions / (Disposals)	Transfers *	As at June 30, 2009	(Restated) As at July 01, 2008	Charge for the year / (Accumulated depreciation on disposals)	Transfers *	As at June 30, 2009		
	---------- Rupees ----------									
Owned										
Freehold land	86,006,250	-	-	86,006,250	-	-	-	-	86,006,250	-
Building on freehold land	215,787,621	1,488,279	-	217,275,900	58,855,311	7,875,134	-	66,730,445	150,545,455	5
Plant and machinery	1,367,306,453	22,312,296	39,607,000	1,429,225,749	392,190,287	49,195,077	5,783,812	447,169,176	982,056,573	5
Electric installation	74,056,354	7,448,300	-	81,504,654	28,493,881	4,658,996	-	33,152,877	48,351,777	10
Generator	12,438,184	4,428,757	-	16,866,941	6,130,978	885,371	-	7,016,349	9,850,592	10
Power house	59,538,668	1,908,160	-	61,446,828	22,650,706	3,708,175	-	26,358,881	35,087,947	10
Factory equipment	1,234,356	750,000	-	1,984,356	930,896	70,825	-	1,001,721	982,635	10
Office equipment	1,039,193	4,200	-	1,043,393	616,938	42,307	-	659,245	384,148	10
Telephone installation	926,945	74,900	-	1,001,845	454,018	49,212	-	503,230	498,615	10
Tarpaulin	382,057	-	-	382,057	219,540	16,252	-	235,792	146,265	10
Computers	2,435,299	94,850	-	2,530,149	1,149,440	136,666	-	1,286,106	1,244,043	10
Furniture and fixtures	2,702,599	49,209	-	2,751,808	1,494,521	123,990	-	1,618,511	1,133,297	10
Vehicles	15,238,088	(1,741,500)	3,530,000	17,026,588	8,972,880	1,215,225	2,121,869	10,964,941	6,061,647	20
						(1,345,033)				
	1,839,092,067	38,558,951	43,137,000	1,919,046,518	522,159,396	67,977,230	7,905,681	596,697,274	1,322,349,244	
		(1,741,500)				(1,345,033)				
Leased										
Plant and machinery	232,471,217	-	(39,607,000)	192,864,217	28,428,919	8,670,197	(5,783,812)	31,315,304	161,548,913	5
Power house	14,000,000	-		14,000,000	4,559,450	724,053	-	5,283,503	8,716,497	10
Vehicles	22,443,884	-	(3,530,000)	18,913,884	10,605,894	2,234,838	(2,121,869)	10,718,863	8,195,021	20
	268,915,101	-	(43,137,000)	225,778,101	43,594,263	11,629,088	(7,905,681)	47,317,670	178,460,431	
2009	2,108,007,168	38,558,951	43,137,000	2,144,824,619	565,753,659	79,606,318	7,905,681	644,014,944	1,500,809,675	
		(1,741,500)	(43,137,000)			(1,345,033)	(7,905,681)			

* Transfers include both inter category adjustments and transfer from assets held under finance lease to owned assets on completion / termination of the respective arrangements.

	Note	2010	2009
		----------Rupees ----------	
4.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	27	**77,300,841**	78,014,192
Administrative expenses	30	**1,577,568**	1,592,126
		78,878,409	79,606,318

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4.4 The latest revaluation of free hold land, building on free hold land and plant and machinery was carried out by International Design Group (Architects, Engineers, Planners, Evaluators, Assessors and Technical Consultants) as at April 2, 2007 and resulting impairment was incorporated in the financial statements for that year. The earlier revaluation of freehold land, building on freehold land and plant and machinery was carried as at January 31, 2004 by International Design Group (Architects, Engineers, Planners, Evaluators, Assessors and Technical Consultants) which resulted in increase in values and such increase was incorporated in the financial statements for that year. The basis used for revaluation of these property, plant and equipment are as follows:

Free hold land The value of free hold land is ascertained according to the local market value.

Building on free hold land Present day construction rates for different types of building structure depreciated to account for the age and condition of the building.

Plant and machinery The value has been determined with reference to prevailing prices of similar plant and machinery depreciated to account for the age, usage and physical condition.

4.5 Had there been no revaluation, the cost, accumulated depreciation, and book value of revalued property, plant and equipment as at June 30, 2010 would have been as follows:-

Particulars	Cost as at June 30, 2010	Accumulated depreciation as at June 30, 2010	Book Value as at June 30, 2010
	---------- Rupees ----------		
Freehold land	20,113,706	-	20,113,706
Building on freehold lar	220,048,269	74,312,973	145,735,296
Plant and machinery	1,667,105,202	534,800,005	1,132,305,197
2010	**1,907,267,177**	**609,112,978**	**1,298,154,199**
2009	1,899,086,572	542,328,540	1,356,758,032

4.6 **Disposal of property, plant and equipment**

Description	Cost	Accumulated depreciation	Book value	Proceeds from disposal of property, plant and equipment	Gain/(Loss) on disposal of property, plant and equipment	Mode of disposal	Particulars of buyers
	---------- Rupees ----------						
Machinery							
DOUBLER & TWISTER MACHINES	3,076,219	1,170,898	1,905,321	1,600,000	(305,321)	Negotiation	Mr. Iftikhar Ali
Vehicle							
SUZUKI CULTUS	555,000	379,474	175,526	445,000	269,474	Negotiation	Mr. Habib Asad
MOTORCYCLE YAHAMA	55,000	49,845	5,155	12,500	7,345	Negotiation	Mr. Abdul Kareem
2010	**3,686,219**	**1,600,217**	**2,086,002**	**2,057,500**	**(28,502)**		
2009	1,741,500	1,345,033	396,467	567,140	170,673		

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		Note	2010	2009
			----------Rupees ----------	
5	**LONG TERM INVESTMENTS**			
	Investment at equity method - Unquoted			
	Hira Terry Mills Limited - Jointly Controlled Entity			
	Cost of Investment			
	18,450,000 (2009: 18,450,000) fully paid ordinary shares of Rs. 10 each		**184,500,000**	184,500,000
	Share of profits	5.1	**110,363,341**	63,152,640
			294,863,341	247,652,640
5.1	Share of profits at beginning of year		**63,152,640**	23,047,729
	Share of profit for the year	5.2	**47,210,701**	40,104,911
	Share of profits		**110,363,341**	63,152,640

5.2 The financial year of Hira Terry Mills Limited ends on June 30. The latest audited financial results of Hira Terry Mills Limited as of June 30, 2010 have been used for the purpose of application of equity method. Summarised financial information of Hira Terry Mills Limited are set out below:

	2010	2009
Total assets	**2,288,904,667**	1,818,340,993
Total liabilities	**1,660,755,342**	1,290,920,911
Net assets	**628,149,325**	527,420,082
Sales-net	**2,094,991,163**	1,251,801,136
Profit for the year	**100,664,985**	85,513,670
Company's share of jointly controlled entity's profit for the year	**47,210,701**	40,104,911

		Note	2010	2009
5.3	Breakup value per share		**15.97**	13.41
	Percentage of holding		**46.90%**	46.90%
6	**LONG TERM ADVANCES AND DEPOSITS**			
	Balance at beginning of year		**10,678,906**	4,947,499
	Add: deposits made during the year		**4,956,600**	6,331,407
			15,635,506	11,278,906
	Less: adjusted during the year		**900,000**	600,000
			14,735,506	10,678,906
	Less: current portion	11	**900,000**	900,000
	Balance at end of year	6.1	**13,835,506**	9,778,906

6.1 This represent interest free deposits with various government agencies.

		2010	2009
7	**STORES, SPARE PARTS AND LOOSE TOOLS**		
	Stores	**31,545,283**	25,869,400
	Spare parts and loose tools	**32,582,879**	26,835,386
		64,128,162	52,704,786
		2010	**2009**

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		Note	----------Rupees ----------	
8	**STOCK-IN-TRADE**			
	Raw material and components			
	- in stores	27.1	**1,090,132,451**	1,056,531,000
	- in transit		**46,560,227**	-
	Packing material		**16,403,229**	19,946,468
	Work-in-process	27	**16,293,628**	17,430,120
	Finished goods			
	- yarn		**161,952,591**	118,863,663
	- waste		**2,617,387**	2,039,285
		27	**164,569,978**	120,902,948
			1,333,959,513	1,214,810,536
9	**TRADE DEBTS**			
	Local - unsecured, considered good	9.1	**24,119,103**	69,190,739
	Foreign - secured, considered good	9.2	**55,379,360**	67,409,397
			79,498,463	136,600,136

9.1 These include Rs. Nil (2009: Rs. 0.654 million) receivable from jointly controlled entity in the ordinary course of business.

9.2 These are secured against letters of credit.

10	**ADVANCES**			
	Advances to:			
	Suppliers- unsecured, considered good		**4,428,864**	1,889,249
	Employees- secured, considered good	10.1	**2,649,321**	765,959
	Letters of credit	10.2	**22,124,390**	15,768,319
			29,202,575	18,423,527

10.1 These interest free advances are repayable within one year and are secured against employee retirement benefits and are recoverable from salaries of the employees.

10.2 These represent advance expenses incurred in respect of letters of credit for import of raw material and stores, spare parts and loose tools.

11	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	L/C margin deposits	11.1	**6,634,427**	4,539,953
	Current portion of long term deposits	6	**900,000**	900,000
	Prepayments		**1,182,020**	88,704
			8,716,447	5,528,657

11.1 These are margins kept by various banks against negotiation of foreign letter of credit.

12	**ADVANCE INCOME TAX**			
	Balance at beginning of year		**12,285,361**	6,900,809
	Add: paid during the year		**24,419,009**	15,739,318
			36,704,370	22,640,127
	Less: provision for income tax - current	33	**(19,574,773)**	(10,354,766)
	Balance at end of year		**17,129,597**	12,285,361
			2010	**2009**

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		Note	----------Rupees ----------	
13	**TAX REFUNDS DUE FROM GOVERNMENT**			
	Sales tax refundable	**13.1**	**15,161,081**	6,336,279
	Excise duty refundable		**1,346,901**	947,435
	Rebate receivable		**12,653,691**	-
			29,161,673	7,283,714

13.1 These represent accumulated difference of input tax on purchases and output tax payable.

		Note		
14	**CASH AND BANK BALANCES**			
	Cash in hand		**1,225,300**	1,032,410
	Cash with banks on:			
	- current accounts	**14.1**	**4,784,540**	16,542,695
	- deposit accounts		**10,819**	10,819
			6,020,659	17,585,924

14.1 These include Rs.78,014 (2009: Rs. 69,938) in foreign currency accounts.

15 **ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

2010	2009			
Number of shares				
		Ordinary shares of Rs.10 each		
23,000,000	23,000,000	- fully paid in cash	**230,000,000**	230,000,000
25,000,000	25,000,000	- Issued to general public	**250,000,000**	250,000,000
23,552,000	23,552,000	- Issued as bonus shares	**235,520,000**	235,520,000
71,552,000	71,552,000		**715,520,000**	715,520,000

15.1 The Company has only one class of ordinary shares which carries no right to fixed income.

15.2 There is no movement in the share capital during the year.

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

17 This represents surplus on revaluation of free hold land of the Company.

		Note		
18	**LONG-TERM FINANCING**			
	From banking companies - secured			
	Habib Bank Limited - term finance	**18.1**	**34,791,093**	74,878,025
	Bank of Punjab - demand finance I	**18.2**	**84,500,000**	95,000,000
	Bank of Punjab - demand finance II	**18.3**	**127,500,000**	142,500,000
	MCB Bank - demand finance	**18.4**	**-**	3,937,500
	MCB Bank - term loan	**18.5**	**35,540,652**	-
			282,331,745	316,315,525
	Letters of credit / term loan facility	**18.6**	**-**	32,238,384
			282,331,745	348,553,909
	Less : current portion	**24**	**112,022,801**	81,524,432
			170,308,944	267,029,477

18.1 The loan from HBL ("the loan") was initially restructured vide letter no. AE / 9939 dated August 31, 1999. The aggregate limit of the loan was Rs. 478.240 million and at the time of restructuring the amount of outstanding liability was Rs. 464 million. As per the terms of restructuring, the loan was repayable in forty eight quarterly equal installments commencing from July 01, 1999 in accordance with repayment schedule with no mark up in future. However, in case of default in payment of two installments in one calendar year, the restructured package was to automatically stand cancelled with application of mark up at the rate of 14.0% on the entire balance. Bank could claim the entire outstanding liabilities including penal interest etc., in lump sum together with mark up and other charges. Moreover, in case of delay of more than thirty days in any repayment, mark-up at the rate of 20.0% per annum was to be charged for the delayed period on the over due amount.

The loan was secured against first charge on all present and future fixed and current assets of the Company covering the entire Habib Bank Limited exposure having book value of Rs. 623 million as at September 30, 1998, along with insurance coverage in favour of Habib Bank Limited covering all risks as per bank policy and against personal guarantees of all the sponsoring directors of the Company.

Habib Bank Limited again rescheduled the outstanding liability vide their letter No. SA / SANC / 050319 dated March 19, 2005 with a waiver of Rs. 116.466 million. According to new agreement the Company paid Rs. 50 million as down payment and remaining amount of Rs. 202.438 million is repayable in twenty four equal quarterly installments. Mark up is chargeable at the average rate of six months offer rate of KIBOR plus 1.5% per annum with a floor of 12.0 % per annum and no cap (2009: KIBOR plus 1.5 % with a floor of 12.0 % and no cap), payable on a quarterly basis in arrears.

This loan is secured by way of first pari passu equitable mortgage charge over present and future fixed assets, hypothecation charge on plant and machinery of the Company with existing charge of Rs. 564 million (2009: Rs.564 million) and personal guarantees of sponsoring directors.

In case of default in payments of loan or in case of further rescheduling, the restructured package would automatically stand cancelled and the rescheduling term of demand finance loan vide letter No. AE / 9939 dated August 31, 1999 will become enforceable.

18.2 This facility was obtained from Bank of Punjab . The loans carry markup at the rate of six months KIBOR plus 300 bps (2009: six months KIBOR plus 300 bps) per annum payable bi-annually in arrear. The loan is secured against first pari passu charge on present and future fixed assets and personnel guarantees of all sponsoring directors of the Company. The principal is repayable in twenty equal quarterly installments after grace period of one year. The first installment was repayable after fifteen months from the date of first draw down which was made in June 2007.The Company was given a further grace period of one year when it paid first installment in September 2008.

18.3 This facility was obtained from Bank of Punjab to facilitate early repayment of TFCs. The loans carry markup at six months average KIBOR plus 300 bps (2009: six months average KIBOR plus 300 bps per annum with 12.0 % floor and no cap) per annum with 12.0 % floor and no cap, payable biannually in arrear. The loan is secured against first pari passu charge on present and future fixed assets and personnel guarantees of all sponsoring directors of the Company. The principal is repayable in twenty equal quarterly installments with grace period of one year after first disbursement which was made in June 2007.The Company was given a further grace period of one year when it paid first installment in September 2008.

18.4 This facility was obtained from MCB Bank Limited. The loan carries markup at six months KIBOR plus 2.50% (2009: six months KIBOR plus 2.50%) per annum payable quarterly on outstanding balance without any grace period. The principal is repayable in twenty four equal monthly installments starting from February 02, 2008. During this period whole outstanding loan was paid.

18.5 This facility is obtained from MCB Bank Limited during the year against letter of credit due for import of machinery.The loan carries markup at six months KIBOR plus 3% per annum with no floor or cap, payable on

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monthly basis. The loan is secured against first pari passu charge of Rs. 67 million over fixed assets and first pari passu charge of Rs. 34 million over current assets and personnel guarantees of all sponsoring directors of the Company. The principal is repayable in thirty six equal monthly installments starting from November 10, 2009.

18.6 The Company has imported machinery against two letters of credit opened with MCB Bank Limited. These are payable in 720 days from bill of lading. One letter of credit is payable on October 14, 2009 and the other on February 22, 2010. As per arrangement with MCB Bank Limited, on the maturity of respective letters of credit, will be converted into term loan facility expiring after three years starting from the maturity of respective letter of credit (i.e. February 22, 2010). Term facility will carry mark up at the rate of six months KIBOR plus 3.0 % per annum to be reset on semi-annually basis and secured against lien on import machinery / inland documents for imports / local purchase of cotton bales only. These letter of credits are converted into term loan during the period.

18.7 The maturity profile is as follows:

Maturity	**2010**	**2009**
	--------- **Rupees** ---------	
6 months or less	**65,959,484**	36,054,568
6 - 12 months	**46,063,317**	45,469,865
1 - 5 years	**170,308,944**	267,029,476
	282,331,745	348,553,909

18.8 The carrying amount under long term financing is same as its fair value.

19 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	**2010**	**2009**
		----------**Rupees** ----------	
Present value of minimum lease payments	**19.2**	**28,821,881**	55,349,008
Less: current portion	**24**	**12,833,714**	26,626,719
		15,988,167	28,722,289

19.1 The Company has entered into lease agreements with various leasing companies to acquire plant and machinery and vehicles. Lease agreemnts against vehicles have been matured during the period and paid. The rentals under these lease arrangements are payable on monthly and quarterly basis. The present value of minimum lease payments has been discounted at an implicit interest rate ranging from 13.99% to 14.84% (2009: 15.79% to 18.64%) per annum.

The Company has an option to purchase the assets after expiry of the lease term and has the intention to exercise the option. Related taxes, repairs, replacements and insurance costs are borne by the Company. There are no financial restrictions in lease agreements.

19.2 The reconciliation between minimum lease payments and its present value is as under:

	Note	**2010**	**2009**
		------- **Rupees** -------	
Minimum lease payments			
Not later than one year		**14,390,110**	19,408,794
Later than one year but not later than five years		**22,056,675**	49,880,454
		36,446,785	69,289,248

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Less: finance cost allocated to future periods	**7,624,904**	13,940,240
	28,821,881	55,349,008
Less: current portion	**12,833,714**	26,626,719
	15,988,167	28,722,289
Present value of minimum lease payments		
Not later than one year	**12,833,714**	26,626,719
Later than one year but not later than five years	**15,988,167**	28,722,289
	28,821,881	55,349,008

19.3 The maturity profile is as follows:

Maturity		
6 months or less	**8,541,681**	1,441,501
6 - 12 months	**4,292,033**	6,348,695
1 - 5 years	**15,988,167**	47,558,812
	28,821,881	55,349,008

The carrying amounts of assets held under finance lease approximate their fair values as the rate used for discounting is the rate implicit in the lease.

20 DEFERRED LIABILITIES

Employee benefits	**20.1.1**	**10,660,797**	7,076,001
Deferred tax liability	**20.2**	**71,363,114**	62,186,722
		82,023,911	69,262,723

20.1 Provision has been made on the basis of actuarial assumptions. The assumptions are determined by independent actuary after every three years. Actuarial valuation of these benefits is carried out on June 30, 2010 using "Projected Unit Credit Method".

Assumptions used for valuation for the scheme are as under:

	2010	**2009**
Discount rate - per annum	**12%**	12%
Expected rate of increase in salaries - per annum	**11%**	11%
Expected remaining life time of employees	**5 years**	5 years

20.1.1 Movement in liability

		---------Rupees---------	
Balance at beginning of year		**7,076,001**	6,079,428
Charge for the year	**20.1.3**	**12,305,373**	8,464,630
Benefits paid during the year		**(8,720,577)**	(7,468,057)
Balance at end of year		**10,660,797**	7,076,001

20.1.2 Balance sheet reconciliation as at June 30, 2010

	Note	**2010**	**2009**
		---------Rupees---------	
Present value of obligation		**10,660,797**	7,076,001
Un-recognized actuarial gain		**-**	-
		10,660,797	7,076,001

20.1.3 Charge for the year

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	Service cost		**11,194,778**	7,409,713
	Interest cost		**1,010,318**	908,321
	Acturial losses		**100,277**	146,596
	Expenses recognized in the profit and loss account		**12,305,373**	8,464,630
20.2	**Deferred tax liability on taxable temporary differences:**			
	Tax depreciation allowance		**133,390,026**	118,282,948
	Finance lease		**15,719,055**	17,881,934
			149,109,081	136,164,882
	Deferred tax asset on deductible temporary differences:			
	Provision for employee benefits		**(1,666,389)**	(1,027,789)
	Available tax losses		**(76,079,578)**	(72,950,371)
			(77,745,967)	(73,978,160)
			71,363,114	62,186,722
21	**TRADE AND OTHER PAYABLES**			
	Creditors		**78,708,408**	49,772,773
	Accrued liabilities		**45,818,516**	37,454,255
	Letters of credit payable		**24,455,303**	162,094,895
	Advances from customers	**21.1**	**89,185,319**	5,283,886
	Workers' profit participation fund	**21.2**	**12,407,770**	22,370
	Worker's welfare fund		**5,004,404**	50,244
	Others		**618,532**	569,132
			256,198,252	255,247,555

21.1 These include Rs. 48.315 million (2009: Rs. Nil) advances from jointly controlled entity in the ordinary course of business.

21.2	**Workers' profit participation fund**		
	Balance at beginning of year	**22,370**	2,305,602
	Allocation / expense for the year	**12,385,400**	-
		12,407,770	2,305,602
	Payments made during the year	**-**	(2,283,232)
	Balance at end of year	**12,407,770**	22,370
22	**MARK UP ACCRUED**		
	Markup accrued on:		
	Long term financing	**18,974,967**	22,248,282
	Liabilities against assets subject to finance lease	**2,007,487**	2,200,754
	Short term borrowings	**52,910,391**	65,835,091
		73,892,845	90,284,127

				2010	**2009**
				----------Rupees ----------	
23	**SHORT-TERM BORROWINGS**				
	From banking companies- Secured				
		Sanctioned limit Rupees in million			
	Cash finance	**1,277**	**23.2**	**775,250,276**	736,794,175

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FOR THE YEAR ENDED JUNE 30, 2010

Finance against packing credit	**320**	**23.3**	**320,172,947**	315,165,002
Finance against foreign bills	**340**	**23.4**	**-**	28,124,272
Running finance	**160**	**23.5**	**159,999,781**	159,942,963
Temporary overdraft		**23.6**	**14,901**	35,433,721
	2,097		**1,255,437,905**	1,275,460,133

23.1 The aggregate unavailed short term borrowings amount to Rs. 817 million (2009: Rs. 1,077 million).

23.2 These facilities have been obtained from various banks under mark up arrangements and carry mark up ranging from 14.03 % to 15.54 % (2009: 13.13 % to 16.75 %) per annum. These are secured against pledge of stocks of cotton lint and cotton yarn amounting to Rs.930 million (2009: Rs. 812 million), ranking hypothecation charge over current assets of the Company amounting to Rs. 909 million (2009: Rs. 507 million), lien over export documents and personal guarantees of directors of the Company. These facilities will expire on respective dates maximum by April 30, 2011.

23.3 These facilities have been obtained from a commercial bank and carry mark up at the rate ranging from 13.94% to 16.60% (2009: 12.51% to 16.75%) per annum. These are secured against lien over export documents, first pari passu charge over current assets amounting Rs. 428 million (2009 : Rs.428 million) and personal guarantees of directors of the Company. The facility will expire on March 31, 2011.

23.4 These facilities were obtained from a commercial bank and carry mark up rate ranging from 14.29% to 14.59% (2009: 13.12% to 16.60%) per annum. These are secured against lien over export documents and personal guarantees of directors of the Company. The facility will expire on March 31, 2011.

23.5 These facilities have been obtained from various commercial banks and carry mark up ranging from 14.03% to 14.79% (2009: 12.76% to 16.50%) per annum. These are secured against first hypothecation charge of Rs.213 million (2009: Rs. 700 million) over current assets of the Company including work in process, first equitable mortgage charge on all present and future fixed assets and first hypothecation charge on plant and machinery of the Company. These facilities will expire on various dates by March 31, 2011.

23.6 This represents booked overdraft due to cheques issued by the Company in excess of balance with banks which will be presented for payment in subsequent period.

24 **CURRENT PORTION OF NON-CURRENT LIABILITIES**	**Note**	**2010**	**2009**
		---------Rupees---------	
Long term financing	**18**	**112,022,801**	81,524,432
Liabilities against assets subject to finance lease	**19**	**12,833,714**	26,626,719
		124,856,515	108,151,151

24.1 Current portion of long term financing and current portion of liabilities against assets subject to finance lease includes overdue installments of Rs. 12,000,000 (2009: 562,500) and Rs. 101,989 (2009: 2,508,110) respectively.

25 CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

25.1.1 In case of default in payment of rescheduled loan from Habib Bank Limited, the restructured package would automatically stand cancelled and consequently the original terms of loan shall apply. In such case an amount equal to adjustment of finance cost i.e. Rs. 54,361,084 shall be payable by the Company.

Please also refer to the note 18.1 of the financial statements.

HIRA TEXTILE MILLS LIMITED

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		2010	2009
25.2	**Guarantees**	---------Rupees---------	
	Guarantee issued by the Habib Bank Limited to Sui Northern Gas Pipelines Limited on behalf of the Company in the ordinary course of business	**27,979,420**	25,373,120
25.3	**Commitments**		
	Letters of credit for import of:		
	- plant and machinery	**164,104,778**	1,174,958
	- raw material	**123,689,374**	244,234,352
	- stores, spare parts and loose tools	**21,238,095**	4,463,053
		309,032,247	249,872,363

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

Not later than one year	**13,191,181**	13,472,442
Later than one year and not later than five years	**4,719,342**	18,243,121
	17,910,523	31,715,563

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26 SALES - NET

	2010			2009		
	Local	Export	Total	Local	Export	Total
	Rupees					
Gross sales						
Finished goods	1,139,820,997	621,083,584	**1,760,904,581**	1,238,854,405	788,671,302	2,027,525,707
Sales under SPO	-	1,116,138,999	**1,116,138,999**	-	-	-
Waste	177,066,498	-	**177,066,498**	128,538,295	-	128,538,295
Cotton	106,102,111	-	**106,102,111**	308,741,931	75,530,973	384,272,904
	1,422,989,606	1,737,222,583	**3,160,212,189**	1,676,134,631	864,202,275	2,540,336,906
Less: Sales return	43,303,598	-	**43,303,598**	15,608,610	-	15,608,610
	1,379,686,008	**1,737,222,583**	**3,116,908,591**	1,660,526,021	864,202,275	2,524,728,296

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		Note	2010	2009
27	**COST OF SALES**		----------Rupees ----------	
	Raw material consumed	27.1	1,776,493,103	1,320,969,634
	Packing material consumed		38,782,054	34,568,416
	Salaries, wages and benefits	27.2	165,352,130	137,415,374
	Fuel and power		175,764,611	138,414,804
	Stores, spare parts and loose tools consumed		35,232,670	28,968,350
	Insurance		9,216,266	6,721,852
	Dyes and chemicals		17,899,773	24,240,465
	Depreciation	4.3	77,300,841	78,014,192
	Others		9,987,862	10,249,355
			2,306,029,310	1,779,562,442
	Work-in-process - opening		17,430,120	21,007,454
	Less: work-in-process - closing	8	16,293,628	17,430,120
	Cost of goods manufactured		2,307,165,802	1,783,139,776
	Finished stocks - opening		120,902,948	92,354,018
	Add : cost of goods manufactured		2,307,165,802	1,783,139,776
	Yarn purchased		138,961,222	22,450,676
			2,446,127,024	1,805,590,452
			2,567,029,972	1,897,944,470
	Less: finished stocks - closing	8	164,569,978	120,902,948
	Cost of finished goods sold		2,402,459,994	1,777,041,522
	Cost of cotton sold		105,658,984	355,415,208
	Cost of goods sold		**2,508,118,978**	**2,132,456,730**

27.1 Raw material consumed

	2010	2009
Opening stock	1,056,531,000	1,085,638,458
Add: purchases	1,915,753,538	1,647,277,384
Less: cotton sold	105,658,984	355,415,208
	2,866,625,554	2,377,500,634
Less: closing stock	1,090,132,451	1,056,531,000
	1,776,493,103	1,320,969,634

27.2 Salaries, wages and benefits include employee benefits amounting to Rs.12.305 million (2009: Rs. 8.464 million).

		Note	2010	2009
28	**OTHER OPERATING INCOME**		----------Rupees ----------	

Income from financial assets

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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	Markup on advances given to jointly controlled entity		6,396	1,946,510
	Income from assets other than financial assets			
	Gain on disposal of property, plant and equipment		-	170,673
			6,396	2,117,183
29	**DISTRIBUTION COST**			
	Local			
	Commission		**4,467,918**	1,782,553
	Others		**-**	118,420
	Export			
	Commission		**15,518,131**	17,262,772
	Freight / export forwarding charges		**14,635,350**	16,137,681
	Others		**8,212,414**	6,292,575
			42,833,813	41,594,001
30	**ADMINISTRATIVE EXPENSES**			
	Salaries, allowances and other benefits	**30.1**	**15,685,044**	14,832,793
	Ujrah Payments		**17,939,887**	12,545,521
	Repair and maintenance		**367,444**	281,967
	Rents, rate and taxes		**958,320**	954,915
	Electricity, water and gas		**686,553**	585,383
	Printing and stationery		**352,582**	706,586
	Vehicles running and maintenance		**1,445,785**	1,519,092
	Postage, telephone and fax		**1,156,089**	1,798,143
	Fee and subscription		**901,767**	725,920
	Donations		**25,000**	45,000
	Entertainment		**104,647**	89,850
	Legal and professional charges		**944,221**	686,838
	Newspaper and periodicals		**22,363**	20,965
	Traveling and conveyance		**4,285,443**	1,262,177
	Insurance		**188,087**	137,181
	Auditors' remuneration	**30.2**	**825,250**	715,994
	Depreciation	**4.3**	**1,577,568**	1,592,126
	Others		**832,382**	929,017
			48,298,432	39,429,468

30.1 Salaries, allowances and other benefits include provident fund amounting to Rs. 585,990 (2009: Rs. 623,769).

30.2 Auditors' remuneration

Annual audit fee	**500,000**	460,000
Half year review fee	**120,000**	100,000
Review report on Code of Corporate Governance	**150,000**	120,000
Out of pocket expenses	**55,250**	35,994
	825,250	715,994

			2010	**2009**
31	**OTHER OPERATING EXPENSES**	**Note**	**----------Rupees**	**----------**
	Workers' profit participation fund	**21.2**	**12,385,400**	-
	Workers' welfare fund		**4,954,160**	-

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Loss on disposal of property, plant and equipment	4.6	**28,502**	-
Exchange loss		**6,400,913**	208,136
		23,768,975	208,136

32 FINANCE COST

Markup on:		
- long term financing	**34,391,304**	55,022,519
- liabilities against assets subject to finance lease	**2,452,609**	8,328,901
- short term borrowings	**217,040,258**	269,756,460
Bank charges and guarantee commission	**9,642,182**	7,921,431
	263,526,353	341,029,311

33 PROVISION FOR TAXATION

Current	12	**19,574,773**	10,354,766
Deferred		**9,176,392**	-
		28,751,165	10,354,766

33.1 The numerical reconciliation between the average tax rate and applicable tax rate has not been presented in these financial statements as the total income of the Company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001 falls under final tax regime and hence tax has been provided under sections 154 and 169 of the Income Tax Ordinance, 2001.

34 EARNINGS PER SHARE - BASIC AND DILUTED

The calculation of the basic earnings per share is based on the following data :	2010	2009
	----------Rupees ----------	
Earnings		
Profit for the year	**248,827,972**	1,877,978
	Number of shares	
Weighted average number of ordinary shares outstanding	**71,552,000**	71,552,000
Earnings per share (Rupees)	**3.48**	0.03

34.1 Basic earnings per share has been computed by dividing earnings as stated above with weighted average number of ordinary shares.

34.2 No figure for diluted earnings per share has been presented as the Company has not issued any instrument carrying options which would have an impact on earnings per share when exercised.

35 DIVIDEND AND APPROPRIATION

In respect of current year, the directors have proposed to pay final cash dividend of Rs. 71.552 million (2009: nil) at Rs. 1.00 (2009: Rs. nil) per ordinary share of Rs. 10 each for approval of the shareholders at the forthcoming Annual General Meeting. Financial effect of the proposed dividend has not been taken in these financial statements and will be accounted for subsequently in the year when such dividend is approved.

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NOTES TO THE FINANCIAL STATEMENTS
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36 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	--Rupees---------					
Remuneration	**1,505,550**	1,400,004	**3,225,000**	3,060,000	**2,906,960**	2,709,996
House rent	**677,500**	560,004	**1,451,250**	1,064,004	**1,308,132**	1,083,996
Retirement benefits	**125,641**	116,616	**70,392**	64,980	**242,184**	225,780
Motor vehicle expenses	**121,249**	48,477	**311,129**	327,147	**512,490**	410,702
Utilities	**-**	-	**159,996**	159,996	**-**	-
Others	**75,278**	140,004	**161,250**	306,000	**145,348**	270,996
	2,505,218	2,265,105	**5,379,017**	4,982,127	**5,115,114**	4,701,470
No. of persons	**1**	1	**3**	3	**3**	3

36.1 Chief executive officer, directors and executives have been provided with free use of the Company's maintained cars.

37 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise jointly controlled entity, associated companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables and remuneration of directors and key management personnel is disclosed in note 36 to these financial statments. Other sgnificant transactions with related parties are as follows:

Description	**2010**	**2009**
Transactions with jointly controlled entity	----------Rupees ----------	
Sales of yarn and dyes and chemicals	**446,616,446**	390,716,040
Purchases of towels, stores and spares	**882,992**	1,470,182
Expenses charged	**12,330,398**	12,721,365
Mark up charged on balance due	**6,396**	1,946,510
Other transactions in ordinary course of business - net	**(584,021)**	584,021
Transactions with Other related parties		
Remuneration paid to directors and chief executive of the Company	**7,884,235**	7,247,232
Payment to Employees' Provident Fund Trust	**585,990**	623,769
Compensation of key management personnel		
Remuneration of key management personnel during the year are as follows :		
Remuneration and other benefits	**4,872,930**	4,475,690
Post employment benefits	**242,184**	225,780
Payment of advance rent	**-**	1,100,000
	472,837,550	421,110,589

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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38 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

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

38.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The Company is exposed to credit risk from its operating activities primarily for local trade debts and advances .

The Company does not hold collateral as security.

The Company's credit risk exposures are categorized under the following headings:

Counterparties

The Company conducts following major types of transactions with the counterparties:

Trade debts

Trade debts are essentially due from local customers and from foreign customers against supply of yarn and the Company does not expect these counterparties to fail to meet their obligations. The majority of sales to the Company's customers are made on specific terms.

Customer credit risk is managed by the Company's established credit policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on credit rating. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other form of credit insurance.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

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	2010	2009
	----------- Rupees -----------	
Trade debts	**79,498,463**	136,600,136
Advances to staff, unsecured - considered good	**2,649,321**	765,959
Bank balances	**4,795,359**	16,553,514
	86,943,143	153,919,609

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

Yarn - local	**24,119,103**	69,190,739

There is no single significant customer in the trade debts of the Company.

Ageing analysis of trade debts

Not past due	**45,632,871**	78,409,772
Past due 0-30 days	**12,875,423**	22,123,504
Past due 30-60 days	**8,745,632**	15,027,391
Past due 60-90 days	**6,857,081**	11,782,343
Over 90 days	**5,387,456**	9,257,126
	79,498,463	136,600,136

Impairment losses

Based on age analysis, relationship with customers and past experience the management does not expect any party to fail to meet their obligations. The management believes that trade debts are considered good and hence no impairment allowance is required in this regard.

38.2 Liquidity risk management

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 23 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

Fair values of financial assets and liabilities

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company are the current bid prices.

The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS-39. The fair value of cross currency swaps is calculated as the present value of the estimated future cash flows.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

Liquidity and interest risk table

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term financing agreements based on the earliest date on which the Company can be required to pay.

Carrying amount and contractual cash flows of trade and other financial liabilities are approximately same.

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	Carrying amount	
	2010	2009
	------------ Rupees ------------	
Trade and other Payables		
Maturity up to one year	**256,198,252**	255,247,555
Short term borrowings		
Maturity up to one year	**1,255,437,905**	1,275,460,133
Long term financing		
Maturity up to one year	**112,022,801**	81,524,432
Maturity after one year and up to five years	**170,308,944**	316,315,525
Liabilities against assets subject to finance lease		
Maturity up to one year	**12,833,714**	26,626,719
Maturity after one year and up to five years	**15,988,167**	28,722,289
	1,822,789,783	1,983,896,653

38.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

38.3.1 Foreign currency risk management

Pak Rupee (PKR) is the functional currency of the Company and as a result currency exposure arises from transactions and balances in currencies other than PKR. The Company's potential currency exposure comprises;

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure are incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy. The Company does not enter into forward exchange contracts.

Exposure to currency risk

The Company's exposure to foreign currency risk is as follows based on notional amounts:

	2010	2009
	USD	USD
Trade debts	**648,470**	829,144
Cash and bank balances	**914**	859
	649,384	830,003

Commitments outstanding at year end amounted to Rs. 309 million (2009: Rs. 249 million) relating to letter of credits

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for import of plant and machinery, raw material and stores, spare parts and loose tools.

The following significant exchange rates applied during the year:

	Average rate		Reporting date mid spot rate	
	2010	2009	2010	2009
	--------- Rupees ---------		--------------- Rupees --------------	
USD 1	**83.4**	78.82	**85.4**	81.3

Sensitivity analysis

A 10 percent strengthening of the Pak Rupee against the USD at June 30, 2010 would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2009.

	2010	2009
	--------------- Rupees --------------	
Decrease in profit and loss account	**5,537,936**	6,747,924

A 10 percent weakening of the Pak Rupee against the US $ at June 30, 2010 would have had the equal but opposite effect on US $ to the amounts shown above, on the basis that all other variables remain constant.

38.4 Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

Profile

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

Fixed rate instruments

The Company is not having any fixed rate instruments.

Fair value sensitivity analysis for fixed rate instruments

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

	2010	2009	2010	2009
	-------------% -------------		------------- Rupees -------------	
Floating rate instruments				
Financial liabilities				
Short term financing	**13.94-16.60**	12.51-16.75	**(1,255,423,004)**	(1,310,893,854)
Long term financing	**13.91-15.54**	12.87-18.47	**(282,331,745)**	(316,315,525)
			(1,537,754,749)	(1,627,209,379)

Fair value sensitivity analysis for floating rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in floating interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings). There is only an immaterial impact on the Company's equity.

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	Increase / (Decrease) in basis points	Effect on profit before tax
2010	**%**	**Rupees**
Short term borrowings		**12,554,379**
Long term financing	**1.00%**	**2,823,317**
Liabilities against assets subject to finance lease		**288,203**
		15,665,899
2009		
Short term borrowings		13,142,491
Liabilities against assets subject to finance lease	1.00%	555,260
Long term financing		3,376,738
		17,074,489

38.5 Equity price risk management

The Company's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. The Company's Board of Directors reviews and approves all equity investment decisions.

38.6 Determination of fair values

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

38.7 Capital Risk Management

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

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or/and issue new shares.

	2010	2009
	------------- Rupees -------------	
Total borrowings	**1,566,591,531**	1,679,363,050
Less: Cash and bank balance	**6,020,659**	17,585,924
Net debt	**1,560,570,872**	1,661,777,126
Total Equity	**1,312,241,837**	1,063,413,865
Total capital	**2,872,812,709**	2,725,190,991
Gearing ratio	**54%**	61%

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

39 CAPITAL DISCLOSURE

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure , the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to reserve or / and issue new shares.

40 PLANT CAPACITY AND ACTUAL PRODUCTION

Spinning	**2010**	**2009**
	----------Numbers----------	
Spindles installed	**39,792**	39,792
Shifts per day	**3**	3
Spindle worked	**43,094,736**	**42,855,984**
	------------Bags-------------	
Capacity after conversion into 20/1 count	**331,498**	329,661
	----------Kilograms-----------	
Capacity after conversion into 20/1 count	**15,036,749**	14,953,423
Actual production of yarn after conversion into 20/1 count	**13,711,789**	13,754,241

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

Doubling	----------Numbers----------	
Spindles installed	**2,064**	2,064
Spindles worked	**2,260,080**	2,260,080
	------------Bags-------------	
Capacity after conversion into 20/1 count	**56,000**	56,000
Actual production of yarn after conversion into 20/1 count	**51,750**	48,547

Under utilization of available sources was due to actual demand.

Dyeing	----------Numbers----------	
Machines	**4**	4

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	-------Kilograms--------	
Dyeing capacity	**1,095,000**	1,095,000
Actual dyeing production	**873,450**	**939,869**

Under utilization of available sources was due to actual demand.

41 NON-CASH TRANSACTIONS

There is no non-cash transaction during the year ended June 30, 2010 and 2009.

42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on October 08, 2010.

43 RE-CLASSIFICATIONS AND RE-ARRANGEMENTS

Corresponding figures have been re-classified and re-arranged, wherever necessary, to reflect more appropriate presentation of events and transactions for the purpose of comparison. Significant re-classification and re-arrangements are as follows:

From	To	Reason	Rupees
Balance sheet			
Packing material	Stock in trade	Better presentation	19,946,468

44 GENERAL

Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE OFFICER **CHAIRMAN / DIRECTOR**

FORM 34

Pattern of Shareholding
As at June 30, 2010

INCORPORATION No. 0023196

Share Holders	Shareholding From	To	Total Shares Held
40	1	100	1,093
174	101	500	84,643
117	501	1000	115,122
195	1001	5000	580,052
63	5001	10000	552,899
21	10001	15000	260,085
21	15001	20000	393,866
8	20001	25000	197,048
7	25001	30000	198,616
4	30001	35000	137,280
5	35001	40000	196,001
5	40001	45000	217,485
8	45001	50000	400,000
4	50001	55000	211,499
2	55001	60000	115,500
2	60001	70000	128,000
2	70001	75000	150,000
1	75001	80000	75,999
1	80001	95000	85,000
2	95001	100000	200,000
1	100001	105000	103,000
1	105001	110000	107,000
1	110001	120000	113,166
1	120001	160000	125,000
1	160001	170000	161,100
2	170001	175000	345,795
1	175001	210000	177,000
2	210001	290001	425,490
1	290002	295000	293,047
2	295001	325000	600,000
1	325001	350000	328,435
1	350001	355000	353,120
1	355001	395000	358,968
1	395001	445000	400,000
1	445001	450000	449,500
1	450001	495000	453,764
2	495001	555000	1,000,000
1	555001	815000	557,093
1	815001	870000	819,720
1	870001	915000	870,671
1	915001	1315000	919,072
1	1315001	1505000	1,318,710
1	1505001	1645000	1,507,880
1	1645001	2580000	1,650,000
1	2580001	3745000	2,582,253
1	3745001	3810000	3,749,000
1	3810001	4655000	3,813,700
1	4655001	4730000	4,659,450
1	4730001	4840000	4,732,112
1	4840001	7110000	4,843,432
1	7110001	22320000	7,111,480
1	22320001	22325000	22,322,854
718			71,552,000

Categories of Shareholders

Description	Shares Held	%
Director, Chief Executive Officer, and their Spouse,and minor children.		
Mr. Muhammad Umar Virk	22,622,854	31.62
Mr. Nadeem Aslam Butt	819,720	1.15
Mrs. Shahnaz Umar	4,732,112	6.61
Mr. Umair Umar	8,048,685	11.25
Mrs.Sadiya Umair	4,659,450	6.51
Mrs.Fatima Nadeem	1,507,880	2.11
Mr. Saeed Ahmad Khan	2,000	0.00
Umaira Umar D/O Muhammad Umar Virk	7,111,480	9.94
	49,504,181	**69.19**
Associated Companies, undertakings and related parties.	NIL	-
NIT and ICP	NIL	-
Investment Companies	**25,500**	0.04
Bank, Development Finance Institutions,Non Banking Finance Institutions	**7,881,428**	11.01
Insurance Companies.	**400,000**	0.56
Moderabas and Mutual Funds	353120	-
Joint Stock Cpmpanies	**5,727,881**	8.01
General Public		
Local	**6,720,818**	9.39
Foreign	Nil	-
Others	**939,072**	1.31
	71,552,000	**100.00**

Shareholders holding10% or more

Mr.Muhammad Umar Virk	**22,622,854**	31.62
Mr. Umair Umar	**8,048,685**	11.25

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 30, 2010 (Saturday) at 11.00 AM at the Registered Office of the Company (44 E/1 Gulberg III, Lahore) and at any adjournment thereof.

As witness my hand this ________________ day of ____________ 2010 signed by the said ______________________________ in presence of ______________________________

Witness	Signature	Affix Revenue Stamp

Signature

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.