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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

Mrs. Shahnaz Umar

Mrs. Sadiya Umair

Chairman

Member

Member

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Mr. Saeed Ahmad Khan

AUDITORS

Messrs M. Yousuf Adil Saleem & CO. (Chartered Accountant)

A Member Firm of Deloitte Touche Tohmatsu

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

LEGAL ADVISER

Salman Akram Raja.

Raja Mohammad Akram & Co., Advocates & Legal Consultants

33-C Main Gulberg Lahore.

REGISTRAR OF THE COMPANY

Vision Consulting Ltd.

3 - C , 1st floor, LDA Flats, Lawrance Road Lahore

Ph: + 92 42 637 5531, 637 5339

REGISTERED OFFICE

44-E-1, Gulberg III, Lahore

Ph: + 92 42 571 4191 , Fax: + 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 20th annual general meeting of the members of Hira Textile Mills Limited will be held on Saturday, October 29, 2011 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, 2011. together with the Directors and auditor's reports thereon.
3. To Consider and approve cash dividend @ 10% or Rs. 1.00 per share 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. To transact any other business with the permission of the Chair.

(By the order of the Board)

Saeed Ahmad Khan
Company Secretary

Lahore: October 03, 2011

Notes

- 1- The Share Transfer Books of the Company will remain closed from October 27, 2011 to November 03, 2011 (both days inclusive).
- 2- A member entitled to attend and vote at the General Meeting may appoint any person as proxy to attend and vote instead of him/her. No person other than a member shall act as proxy.
- 3- An instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notarially certified copy of such power or authority, in order to be valid, must be deposited at the registered office of the company at least 48 hours before the time of the meeting and must be duly stamped, signed and witnessed.
- 4- The account holders of CDC are requested to bring their original NI/Passport for the purpose of identification at the meeting.
- 5- 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, 2011.

Company Performance

Following are the operating & Financial results:-

	2011	2010
	(Rupees in Million)	
Net Sale	4,947.94	3,116.91
Gross Profit	729.14	608.79
Share of Profit of Hira Terry	18.29	47.21
Profit before taxation	276.69	277.58
Provision for taxation	56.96	28.75
Profit for The Year	219.73	248.83
EPS – basic & diluted	3.07	3.48

By the grace of Almighty Allah the Overall performance of the company has been satisfactory and Company managed to make a profit of Rs 219.73 Million after meeting all operational, administrative, financial & other expenses. Gross profit has increased due to substantial increase in yarn prices during first half of the year and carrying some low price cotton stocks from the last year. Share of profit of M/S Hira Terry associated company is Rs.18.29 Million as compared to last year Rs.47.21 Million. The profit of Hira Terry has decreased due to substantial reduction in margins for value added products due to increase in their main raw material cost which is yarn. The Financial cost increased by Rs.62.54 Million showing an increase of 23.73 % due to increase in borrowings and interest rates. Though the financial results for the year are satisfactory, however at the same time the management is concerned about the profitability of the company for the coming year due to ever increasing production cost, uncertainty in prices of cotton and yarn, high energy cost coupled with load shedding in Gas & Power sector and double digit inflation. However the management is putting its best efforts to maximize company's profit for the next year.

Expansion and BMR

The Company has spent Rs.6.16 millions on Construction of Packing Hall and Hostels for labours & staff etc and Rs. 235.76 millions for purchase of 2 Auto cones Machine, 2 Card Machine and replacement of 16 Ring Frames by adding 1 Reiter and 8 Toyoda ring frames. The Management of the Company is planning to add 1 Gas Generator, 1 set of Blow room Machine and replace 7 ring frames to improve productivity and quality of its production.

Dividend

The Board of directors is pleased to recommend payment of cash dividend @ 10% or Rs.1.00 per share. The dividend will absorb about Rs. 71,552,000/-

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

Future Plans

Although the performance of the company is quite satisfactory during the year but the future market situation is changing to adversely due to decrease in the yarn prices, and increase in wages, markup rates and other input costs. The management is taking the view of consolidation for the moment and taking 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, 2011 amount to Rs. 8.254 Million.
- i. The pattern of shareholding as at June 30, 2011 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 767,012 shares
- b. Mr. Umair Umar - Director purchased 1,313,418 Shares.

Board Meeting

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

Name of Director	Attendance
Muhammad Umar Virk	6 (Six)
Nadeem Aslam Butt	6 (Six)
Mrs. Shahnaz Umar	5 (Five)
Mr. Umair Umar	6 (Six)
Mrs. Fatima Nadeem	4 (Four)
Mrs. Sadiya Umair	5 (Five)
Mr. Saeed Ahmad Khan	4 (Four)

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

Muhammad Umar Virk

Chairman / Director

Lahore October 03, 2011

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

1. The Company encourages representation of independent non-executive directors. 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 NBFIs 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 Directors, CEO, and Executives do not hold any interest in the shares of the company other than that disclosed in the categories of shareholding.

11. The Company has complied with all the corporate and financial reporting requirements of the Code.
12. The Board has formed an audit committee which is fully functional. The committee comprises three members, of whom two are non-executive directors.
13. 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.
14. The related party transactions and pricing methods have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions.
15. The Board has set-up an effective internal audit function. The staff is considered to be suitably qualified and experienced for the purpose and is fully conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the 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.
17. 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.
18. No specific orientation course was held during the year however the management continue to apprise and familiarize with changes in law to discharge their duties and responsibilities.
19. We confirm that all other material principles contained in the Code have been complied with.

Lahore: October 03, 2011.

For and on behalf of the Board

Muhammad Umar Virk
(Chairman / Director)

FINANCIAL SUMMARY

Amount Rs.(000)

	2011	2010	2009	2008	2007	2006
Net Sales	4,947,939	3,116,909	2,524,728	1,725,607	1,664,978	1,743,871
Cost of Sales	4,218,795	2,508,119	2,132,457	1,449,145	1,412,848	1,428,844
Gross profit	729,144	608,790	392,272	276,462	252,131	315,027
Administration Expenses	56,970	48,298	39,429	23,170	35,840	28,637
Selling Expences	71,203	42,834	41,594	37,721	38,577	39,061
Operating Profit	600,971	517,657	311,248	215,571	177,714	247,329
Other Operating Income	3,297	6	2,117	497	5,546	23,312
Profit before Interest & Taxation	604,268	517,664	313,365	216,068	183,260	270,641
Other Operating Expenses	19,794	23,769	208	3,169	4,216	6,415
Financial & Other Charges	326,067	263,526	341,029	170,076	158,193	157,466
Share of profit Hira Terry Mills Ltd.	18,287	47,211	40,105	21,449	1,598	-
Profit before Taxation	276,694	277,579	12,233	64,272	22,449	106,761
Provision for Taxation	56,960	28,751	10,355	15,549	71,089	16,223
Profit after Taxation (Net Profit)	219,734	248,828	1,878	48,723	(48,639)	90,538

Financial Position

Current Assets	1,841,681	1,567,817	1,465,223	1,486,069	956,667	797,824
Current Liabilities	1,943,063	1,710,386	1,729,143	1,666,172	1,022,246	727,681
Operating Fixed Assets	1,631,012	1,480,325	1,500,810	1,542,254	1,309,689	1,413,721
Total Assets	3,811,610	3,356,841	3,223,464	3,240,217	2,447,104	2,305,419
Net Capital Employed	1,868,548	1,564,431	1,425,058	1,505,780	1,368,196	1,575,078
Long Term Debts	220,877	186,297	295,752	378,351	289,490	615,409
Share Holder,s Equity	1,460,424	1,312,242	1,063,414	1,061,536	1,012,813	741,539
Surplus on Revaluation on Fixed Assets	65,893	65,893	65,893	65,893	65,893	218,130
Break -up Value Per Share (Rupees)	20.41	18.34	14.86	14.84	14.15	15.93
Number of shares	71,552,000	71,552,000	71,552,000	71,552,000	71,552,000	46,552,000

Financial Ratios Analysis (Annualized)

Current Ratio	0.95	0.92	0.85	0.89	0.94	1.10
Total Debt to Total Assets	5.79	5.55	9.17	12.24	11.83	26.69
Acid -Test Ratio	16.76	11.46	14.26	13.76	13.10	26.46
Debt Equity	12:88	12:88	21:79	30:70	21:79	39:61
Debt Coverage Ratio	1.48	1.54	0.82	1.15	1.05	1.72
Leverage Ratio	1.61	1.56	1.85	1.87	1.27	1.40
Interest Coverage Ratio	1.79	2.04	1.00	1.27	1.16	1.72
Fixed Assets Turnover	3.03	2.11	1.68	1.12	1.27	1.23
Total Assets Turnover	1.30	0.93	0.78	0.53	0.68	0.76

Per Share Results & returns

Earning per Share	3.07	3.48	0.03	0.68	(0.87)	1.94
Return on Capital employed- net	11.76	15.91	0.13	3.22	(3.55)	5.75
Gross Profit to Sales	14.80	19.53	15.54	16.02	15.14	18.06
Operating Profit To Sales	12.15	16.61	12.33	12.49	10.67	14.18
Net Income to Sale (Profit margin)	4.44	7.98	0.07	2.82	(2.92)	5.19
Return on Assets (ROA)	5.76	7.41	0.06	1.50	(1.99)	3.93

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 relevant Listing Regulations of Karachi, 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 35 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



HIRA TEXTILE MILLS LIMITED.

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 03, 2011

Lahore.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of HIRA TEXTILE MILLS LIMITED ("the Company") as at June 30, 2011 and the related profit and loss account / statement of comprehensive income , cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material 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, 2011 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat was deductible at source under 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 03, 2011

Lahore



**BALANCE SHEET
AS AT JUNE 30, 2011**

	Note	2011 -----Rupees -----	2010
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,631,012,109	1,480,324,982
Long term investments	5	313,150,300	294,863,341
Long term advances and deposits	6	25,766,626	13,835,506
		1,969,929,035	1,789,023,829
CURRENT ASSETS			
Stores, spare parts and loose tools	7	79,732,862	64,128,162
Stock-in-trade	8	1,413,499,065	1,333,959,513
Trade debts	9	186,752,791	79,498,463
Advances	10	94,306,390	29,202,575
Trade deposits and short term prepayments	11	8,205,697	8,716,447
Advance income tax	12	24,640,568	17,129,597
Tax refunds due from government	13	22,981,338	29,161,673
Cash and bank balances	14	11,562,301	6,020,659
		1,841,681,012	1,567,817,089
		<u>3,811,610,047</u>	<u>3,356,840,918</u>

The annexed notes from 1 to 42 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHAIRMAN / DIRECTOR

**BALANCE SHEET
AS AT JUNE 30, 2011**

	Note	2011 -----Rupees -----	2010
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
75,000,000 (2010: 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
General Reserves	16	82,500,000	82,500,000
Un-appropriated profit		662,404,239	514,221,837
		1,460,424,239	1,312,241,837
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	17	65,892,542	65,892,542
NON - CURRENT LIABILITIES			
Long-term financing	18	220,877,236	170,308,944
Liabilities against assets subject to finance lease	19	26,960,517	15,988,167
Deferred liabilities	20	94,392,991	82,023,911
CURRENT LIABILITIES			
Trade and other payables	21	232,346,388	256,198,252
Mark up accrued	22	115,828,088	73,892,845
Short-term borrowings	23	1,475,407,444	1,255,437,905
Current portion of non-current liabilities	24	119,480,602	124,856,515
		1,943,062,522	1,710,385,517
		3,811,610,047	3,356,840,918
CONTINGENCIES AND COMMITMENTS	25		

The annexed notes from 1 to 42 form an integral part of these financial statements.



**PROFIT AND LOSS ACCOUNT / STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011**

	Note	2011 -----Rupees -----	2010
Sales - net	26	4,947,939,216	3,116,908,591
Cost of sales	27	4,218,794,738	2,508,118,978
Gross profit		729,144,478	608,789,613
Other operating income	28	3,296,613	6,396
		732,441,091	608,796,009
Distribution cost	29	71,203,155	42,833,813
Administrative expenses	30	56,970,003	48,298,432
Other operating expenses	31	19,794,302	23,768,975
Finance cost	32	326,066,510	263,526,353
		474,033,970	378,427,573
		258,407,121	230,368,436
Share of profit of jointly controlled entity	5	18,286,959	47,210,701
Profit before taxation		276,694,080	277,579,137
Provision for taxation	33	56,959,678	28,751,165
Profit for the year		219,734,402	248,827,972
Other comprehensive income - net of tax		-	-
Total comprehensive income for the year		219,734,402	248,827,972
Earnings per share - basic and diluted	34	3.07	3.48

The annexed notes from 1 to 42 form an integral part of these financial statements.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2011 -----Rupees -----	2010
Profit before taxation		276,694,080	277,579,137
Adjustments for:			
Depreciation on property, plant and equipment		83,082,868	78,878,409
(Gain)/loss on disposal of property, plant and equipment		(3,296,613)	28,502
Provision for employee benefits		11,588,098	12,305,373
Share of profit of jointly controlled entity		(18,286,959)	(47,210,701)
Finance cost		326,066,510	263,526,353
		<u>675,847,984</u>	<u>585,107,073</u>
Working capital changes			
Increase in stores, spare parts and loose tools		(15,604,700)	(11,423,376)
Increase in stock-in-trade		(79,539,552)	(119,148,977)
(Increase)/decrease in trade debts		(107,254,328)	57,101,673
Increase in advances		(65,103,815)	(10,779,048)
Decrease/(increase) in trade deposits and short term prepayments		510,750	(3,187,790)
Decrease/(increase) in Tax refunds due from governments		6,180,336	(21,877,959)
(Decrease)/increase in trade and other payables		(24,708,788)	950,697
		<u>(285,520,097)</u>	<u>(108,364,780)</u>
Cash generated from operations		<u>390,327,887</u>	<u>476,742,293</u>
Finance cost paid		(284,131,267)	(279,917,635)
Employee benefits paid		(9,184,424)	(8,720,577)
Dividend paid		(70,695,077)	-
Income Taxes paid		(54,505,243)	(24,419,009)
		<u>(418,516,011)</u>	<u>(313,057,221)</u>
Net cash (used in)/generated from operating activities		<u>(28,188,124)</u>	<u>163,685,072</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(225,621,842)	(60,479,718)
Proceeds from disposal of property, plant and equipment		21,043,660	2,057,500
Increase in long term advances and deposits		(11,931,120)	(4,056,600)
Net cash used in investing activities		<u>(216,509,302)</u>	<u>(62,478,818)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		162,500,000	42,960,000
Payment of long term financing		(117,822,801)	(109,182,164)
Payment of liabilities against assets subject to finance lease		(14,407,670)	(26,527,127)
Increase/(decrease) in short term borrowings - net		219,969,539	(20,022,228)
Net cash generated from/(used in) financing activities		<u>250,239,068</u>	<u>(112,771,519)</u>
Net (decrease)/increase in cash and cash equivalents		5,541,642	(11,565,265)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>6,020,659</u>	<u>17,585,924</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	<u><u>11,562,301</u></u>	<u><u>6,020,659</u></u>

The annexed notes from 1 to 42 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHAIRMAN / DIRECTOR



**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011**

Share capital	Revenue Reserve			Total	
	General reserve	Un-appropriated profit	Sub-total		
----- Rupees -----					
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 ended on June 30, 2010	-	-	248,827,972	248,827,972	248,827,972
Other comprehensive income for the year ended on June 30, 2010	-	-	-	-	-
Total comprehensive income for the year	-	-	248,827,972	248,827,972	248,827,972
Balance as at June 30, 2010	715,520,000	82,500,000	514,221,837	596,721,837	1,312,241,837
Profit for the year ended on June 30, 2011	-	-	219,734,402	219,734,402	219,734,402
Other comprehensive income for the year ended on June 30, 2011	-	-	-	-	-
Total comprehensive income for the year	-	-	219,734,402	219,734,402	219,734,402
Distribution to owners					
Dividend for the year ended June 30, 2010 @ Rs. 1 per share	-	-	(71,552,000)	(71,552,000)	(71,552,000)
Balance as at June 30, 2011	715,520,000	82,500,000	662,404,239	744,904,239	1,460,424,239

The annexed notes from 1 to 42 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHAIRMAN / DIRECTOR

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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 BASIS OF PREPARATION

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 BASIS OF MEASUREMENT

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

2.3 ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

The application of following new and revised IFRSs has not any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

IAS 7 - Statement of Cash Flows

The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

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

The following International Financial Reporting Standards and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them:

	Effective date (accounting periods beginning on or after)
Amendments to IFRS 1 - First Time Adoption of International Financial Reporting Standards	July 01, 2011
Amendments to IFRS 7 - Improving Disclosure about Financial Instruments	January 01, 2011
Amendments to IAS 1 - Presentation of Financial Statements	January 01, 2011
Amendments to IAS 12 - Income Taxes	January 01, 2011
Amendments to IAS 34 - Interim Financial Reporting	January 01, 2011

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standard	IASB effective date (accounting periods beginning on or after)
IFRS 9 Financial Instruments	January 01, 2015
IFRS 10 Consolidated Financial Statements	January 01, 2013
IFRS 11 Joint Arrangements	January 01, 2013
IFRS 12 Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 Fair Value Measurement	January 01, 2013

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

The following standards are mandatory for the Company's accounting year beginning on or after July 01, 2010 but are not relevant for the Company's operations.

IAS 17 - Leases

As part of Improvements to IFRSs (2009) issued in April 2009, the International Accounting Standards Board amended the requirements of IAS 17 Leases regarding the classification of leases of land. This is currently not applicable to Company as it has not entered into any such transaction.

IAS 32 - Financial Instruments

The amendments to IAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Company has not entered into any arrangements that would fall within the scope of the amendments.

IAS 39 - Financial Instruments: Recognition and Measurement- Eligible Hedged Items

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Company has not entered into any transaction of this nature.

2.6 SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with IFRSs as applicable in Pakistan 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 believed to be reasonable under circumstances, and the results of which form the basis for making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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.

The areas where assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

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 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 recognized 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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 recognized 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.

3.2 ASSETS SUBJECT TO FINANCE LEASE

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

3.3 INVESTMENTS

Investments in equity instruments of jointly controlled entities are initially recognized 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.

3.4 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.

3.5 STOCK IN TRADE

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

3.6 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 recognized 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 recognized, 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 recognized for the asset in prior years. Reversal of impairment loss is recognized as an income.

3.7 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.

3.8 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 recognized 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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 recognized 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 lesser 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 capitalized 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 amortized 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 un-availed balance of leaves in the period in which the leaves are earned.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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 recognized 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.

4	PROPERTY, PLANT AND EQUIPMENT	Note	2011	2010
			-----Rupees -----	
	Operating assets	4.1	1,630,658,828	1,480,324,982
	Capital work-in-progress	4.7	353,281	-
			<u>1,631,012,109</u>	<u>1,480,324,982</u>



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

4.1 Operating assets as at June 30, 2011

Particulars	Cost / Revaluation			Accumulated Depreciation			Book value as at June 30, 2011	Annual rate of depreciation %
	As at July 01, 2010	Additions / (Disposals)	As at June 30, 2011	As at July 01, 2010	Charge for the year / (Disposal)	As at June 30, 2011		
----- Rupees -----								
Owned								
Freehold land	86,006,250	-	86,006,250	-	-	-	86,006,250	-
Building on freehold land	220,048,269	6,164,659	226,212,928	74,312,973	7,315,618	81,628,591	144,584,337	5
Plant and machinery	1,505,368,985	209,861,256	1,682,531,990	502,449,004	55,238,715	540,268,693	1,142,263,297	5
	-	(32,698,251)	-	-	(17,419,026)	-	-	-
Electric installation	88,539,488	5,900,142	94,439,630	38,117,854	5,239,473	43,357,327	51,082,303	10
Generator	16,866,941	-	16,866,941	8,001,408	886,553	8,887,961	7,978,980	10
Power house	75,446,828	-	75,446,828	36,022,828	3,942,400	39,965,228	35,481,600	10
Factory equipment	1,984,356	-	1,984,356	1,117,600	86,676	1,204,276	780,080	10
Office equipment	1,322,715	-	1,322,715	697,660	62,506	760,166	562,549	10
Telephone installation	1,016,920	255,700	1,272,620	553,773	51,158	604,931	667,689	10
Tarpaulin	382,057	-	382,057	250,419	13,164	263,583	118,474	10
Computers	2,914,859	198,749	3,113,608	1,426,393	161,088	1,587,481	1,526,127	10
Furniture and fixture	2,902,161	136,055	3,038,216	1,736,070	125,327	1,861,397	1,176,819	10
Vehicles	37,082,072	2,752,000	32,026,039	24,256,153	2,788,566	21,704,508	10,321,531	20
	-	(7,808,033)	-	-	(5,340,211)	-	-	-
	2,039,881,901	225,268,561	2,224,644,178	688,942,135	75,911,244	742,094,142	1,482,550,036	
	-	(40,506,284)	-	-	(22,759,237)	-	-	
Leased								
Plant and machinery	161,736,217	25,895,200	187,631,417	32,351,001	7,171,624	39,522,625	148,108,792	5
Vehicles	-	-	-	-	-	-	-	20
	161,736,217	25,895,200	187,631,417	32,351,001	7,171,624	39,522,625	148,108,792	
	2,201,618,118	251,163,761	2,412,275,595	721,293,136	83,082,868	781,616,767	1,630,658,828	
	-	(40,506,284)	-	-	(22,759,237)	-	-	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**
4.2 Operating assets as at June 30, 2010

Particulars	Cost / Revaluation				Accumulated 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 / (Disposal)	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	
	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)	-	-	

Note	2011	2010
	-----Rupees -----	
4.3 The depreciation charge for the year has been allocated as follows:		
Cost of sales	27	81,421,211
Administrative expenses	30	1,661,657
		<u>83,082,868</u>
		<u>78,878,409</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011 would have been as follows:

Particulars	Cost as at June 30, 2011	Accumulated depreciation as at June 30, 2011	Book Value as at June 30, 2011
----- Rupees -----			
Freehold land	20,113,706	-	20,113,706
Building on freehold land	226,212,928	81,628,591	145,735,296
Plant and machinery	1,870,163,407	579,791,318	1,290,372,089
2011	2,116,490,041	661,419,909	1,456,221,091
2010	1,907,267,177	609,112,978	1,298,154,199

4.6 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Book value	Disposal Proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyers
----- Rupees -----							
Machinery							
FA 502 RING FRAMES	15,475,360	9,351,526	6,123,834	8,388,100	2,264,266	Negotiation	Bombal Textile Mills
Murata Mach Coner	5,413,000	3,265,324	2,147,676	1,900,000	(247,676)	Negotiation	Abbas Corporation
Murata Mach Coner	6,502,655	3,296,789	3,205,866	3,360,000	154,134	Negotiation	Anwar Textile Mills
Fiber Graff 630 Cotton Testing Machine	2,000,000	595,803	1,404,197	740,000	(664,197)	Negotiation	Tariq Spinning Mills
Caipo Slub Device	3,307,236	909,583	2,397,653	1,300,000	(1,097,653)	Negotiation	Marfani Denim Mills
Vehicle							
TOYOTA GLI	969,000	549,710	419,290	970,000	550,710	Negotiation	Haseeb Haroon
HONDA VTI	1,283,000	1,022,182	260,818	910,000	649,182	Negotiation	Salman Ahmed
Suzuki Cultus	566,900	397,425	169,475	228,000	58,525	Negotiation	Naveed Amjad
Hyundai Santro	535,790	360,222	175,568	197,560	21,992	Negotiation	Hira Terry Mills
Suzuki Mehran	351,000	220,227	130,773	250,000	119,227	Negotiation	Mr. Riaz Ahmed
BMW CAR	4,102,343	2,790,446	1,311,897	2,800,000	1,488,103	Negotiation	Mr. Mehmood Khan
2011	40,506,284	22,759,237	17,747,047	21,043,660	3,296,613		
2010	3,686,219	1,600,217	2,086,002	2,057,500	(28,502)		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

		2011	2010
	Note	-----Rupees -----	
4.7	CAPITAL WORK-IN-PROGRESS		
	Civil works	243,281	-
	Plant and Machinery	110,000	-
		<u>353,281</u>	<u>-</u>
5	LONG TERM INVESTMENTS		
	Investment at equity method - Unquoted		
	Hira Terry Mills Limited - Jointly Controlled Entity		
	Cost of Investment		
	18,450,000 (2010: 18,450,000) fully paid ordinary shares of Rs. 10 each	184,500,000	184,500,000
	Share of profits	128,650,300	110,363,341
		<u>313,150,300</u>	<u>294,863,341</u>
5.1	Share of profits at beginning of year	110,363,341	63,152,640
	Share of profit for the year	18,286,959	47,210,701
	Share of profits	<u>128,650,300</u>	<u>110,363,341</u>
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, 2011 have been used for the purpose of application of equity method. Summarized financial information of Hira Terry Mills Limited are set out below:		
	Total assets	2,679,283,601	2,288,904,667
	Total liabilities	2,012,114,890	1,660,755,342
	Net assets	<u>667,168,711</u>	<u>628,149,325</u>
	Sales-net	2,205,784,465	2,094,991,163
	Profit for the year	38,992,355	100,664,985
	Company's share of jointly controlled entity's profit for the year	<u>18,286,959</u>	<u>47,210,701</u>
5.3	Breakup value per share	16.96	15.97
	Percentage of holding	46.90%	46.90%
6	LONG TERM ADVANCES AND DEPOSITS		
	Balance at beginning of year	14,735,506	10,678,906
	Add: deposits made during the year	15,107,879	4,956,600
		<u>29,843,385</u>	<u>15,635,506</u>
	Less: adjusted during the year	1,350,000	900,000
		<u>28,493,385</u>	<u>14,735,506</u>
	Less: current portion	2,726,759	900,000
	Balance at end of year	<u>25,766,626</u>	<u>13,835,506</u>
6.1	This represent interest free deposits with various government agencies and other corporations.		
7	STORES, SPARE PARTS AND LOOSE TOOLS		
	Stores	31,070,658	31,545,283
	Stores in transit	4,517,521	-
	Spare parts and loose tools	44,144,683	32,582,879
		<u>79,732,862</u>	<u>64,128,162</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

		2011	2010
		-----Rupees -----	
8	STOCK-IN-TRADE	Note	
	Raw material and components		
	- in stores	27.1	859,824,466
	- in transit		171,851,909
	Packing material		14,519,072
	Work-in-process	27	36,304,540
	Finished goods		
	- yarn		326,856,265
	- waste		4,142,813
		27	330,999,078
			<u>1,413,499,065</u>
			<u>1,333,959,513</u>
9	TRADE DEBTS		
	Local - unsecured, considered good		116,904,707
	Foreign - secured, considered good	9.1	69,848,084
			<u>186,752,791</u>
			<u>24,119,103</u>
			<u>55,379,360</u>
			<u>79,498,463</u>
9.1	These are secured against letters of credit.		
10	ADVANCES		
	Advances to:		
	Suppliers- unsecured, considered good		54,045,245
	Employees- secured, considered good	10.1	1,234,997
	Letters of credit	10.2	39,026,148
			<u>94,306,390</u>
			<u>4,428,864</u>
			<u>2,649,321</u>
			<u>22,124,390</u>
			<u>29,202,575</u>
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 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	5,439,015
	Current portion of long term deposits	6	2,726,759
	Prepayments		39,923
			<u>8,205,697</u>
			<u>6,634,427</u>
			<u>900,000</u>
			<u>1,182,020</u>
			<u>8,716,447</u>
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		17,129,597
	Add: paid during the year		54,505,243
			<u>71,634,840</u>
	Less: provision for income tax - current	33	46,994,272
	Balance at end of year		<u>24,640,568</u>
			<u>12,285,361</u>
			<u>24,419,009</u>
			<u>36,704,370</u>
			<u>19,574,773</u>
			<u>17,129,597</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

			2,011	2,010
13	TAX REFUNDS DUE FROM GOVERNMENT	Note	-----Rupees -----	
	Sales tax refundable	13.1	10,294,643	15,161,081
	Excise duty refundable		1,953,431	1,346,901
	Rebate receivable		10,733,264	12,653,691
			<u>22,981,338</u>	<u>29,161,673</u>
13.1	These represent accumulated difference of input tax on purchases and output tax payable.			
14	CASH AND BANK BALANCES			
	Cash in hand		745,525	1,225,300
	Cash with banks on:			
	- current accounts	14.1	10,806,421	4,784,540
	- deposit accounts		10,355	10,819
			<u>11,562,301</u>	<u>6,020,659</u>
14.1	These include Rs. 73,761 (2010: Rs. 78,014) in foreign currency accounts.			
15	ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
	2011	2010		
	Number of shares			
			Ordinary shares of Rs.10 each	
	23,000,000	23,000,000	- fully paid in cash	230,000,000
	25,000,000	25,000,000	- Issued to general public	250,000,000
	23,552,000	23,552,000	- Issued as bonus shares	235,520,000
	<u>71,552,000</u>	<u>71,552,000</u>	<u>715,520,000</u>	<u>715,520,000</u>
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	GENERAL RESERVES			
	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	SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT			
	This represents surplus on revaluation of free hold land of the Company.			
18	LONG-TERM FINANCING	Note	2011	2010
			-----Rupees -----	
	From banking companies - secured			
	Habib Bank Limited - term finance	18.1	-	34,791,093
	Bank of Punjab - demand finance I	18.2	65,000,000	84,500,000
	Bank of Punjab - demand finance II	18.3	97,500,000	127,500,000
	MCB - demand finance (43 M)	18.4	20,308,944	35,540,652
	MCB - demand finance (82 M)	18.5	69,700,000	-
	Habib Bank Limited - Demand finance II	18.6	54,000,000	-
			<u>306,508,944</u>	<u>282,331,745</u>
	From related party - unsecured			
	Loan from director	18.7	20,500,000	-
			<u>327,008,944</u>	<u>282,331,745</u>
	Less : current portion	24	106,131,708	112,022,801
			<u>220,877,236</u>	<u>170,308,944</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

- 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 (2010: 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 (2010: 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.

During the year this loan has been paid.

- 18.2 This facility was obtained from Bank of Punjab. The loans carry markup at the rate of six months KIBOR plus 3% (2010: six months KIBOR plus 3%) 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 (2010: six months average KIBOR plus 3% per annum with 12% floor and no cap) per annum with 12% floor and no cap, 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 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 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 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

18.5 The Company has imported plant and machinery against three letters of credit at sight opened with Muslim Commercial Bank Limited. As per arrangement with bank, on payment of respective letters of credit by bank during the year, this is converted into long term demand finance facility amounting to Rs. 82 million on October 05, 2010 and will expire after 5 years without grace period. This facility is repayable in twenty equal quarterly installments. This facility carries mark up at the rate of 3 months KIBOR plus 3.0 % per annum to be reset on 1st working day of each calendar quarter and secured against 1st pari passu charge of Rs. 109.33 million on fixed assets (Land, Building, Plant and Machinery) and personal guarantees of Directors.

18.6 The Company has imported plant and machinery against letter of credit at sight opened with Habib Bank Limited. As per arrangement with bank, on payment of letter of credit by bank, this is converted into long term demand finance loan amounting to Rs. 60 million. This loan is repayable in ten equal semi annually installments. This facility carries mark up at the rate of 6 month average KIBOR (offer) plus 3% per annum to be reset on the date of first disbursement and subsequently on the first working day of each calendar period. This is secured against first pari passu E/M charge of Rs. 564 million on all the present and future fixed assets and hypo charge on the plant and machinery of the Company.

18.7 This represents loan obtained from director carries mark up 6 month KIBOR plus 2.25% per annum and this is repayable after 2 years. Director on his sole discretion may waive full or partial payment of mark up on the loan.

	2011	2010
	----- Rupees -----	
18.8 The maturity profile is as follows:	Note	
6 months or less		59,315,854
6 - 12 months		46,815,854
1 - 5 years		220,877,236
		<u>327,008,944</u>
		<u>282,331,745</u>

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

19 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments	19.2	40,309,411	28,821,881
Less: current portion	24	<u>13,348,894</u>	<u>12,833,714</u>
		<u>26,960,517</u>	<u>15,988,167</u>

19.1 The Company has entered into lease agreements with various leasing companies to acquire plant and machinery. 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 13.27 % to 14.30 % (2010: 13.99% to 14.84%) 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 born 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:

Minimum lease payments			
Not later than one year		17,001,066	14,390,110
Later than one year but not later than five years		29,709,210	22,056,675
		46,710,276	36,446,785
Less: finance cost allocated to future periods		<u>6,400,865</u>	<u>7,624,904</u>
		40,309,411	28,821,881
Less: current portion		<u>13,348,894</u>	<u>12,833,714</u>
		<u>26,960,517</u>	<u>15,988,167</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

		2011	2010
		----- Rupees -----	
	Present value of minimum lease payments		
	Not later than one year	13,348,894	12,833,714
	Later than one year but not later than five years	26,960,517	15,988,167
		<u>40,309,411</u>	<u>28,821,881</u>
19.3	The maturity profile is as follows:		
	6 months or less	6,674,447	8,541,681
	6 - 12 months	6,674,447	4,292,033
	1 - 5 years	26,960,517	15,988,167
		<u>40,309,411</u>	<u>28,821,881</u>
	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	13,064,471	10,660,797
	Deferred tax liability	81,328,520	71,363,114
		<u>94,392,991</u>	<u>82,023,911</u>
20.1	Employee benefits		
	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, 2011 using "Projected Unit Credit Method".		
	Assumptions used for valuation for the scheme are as under:	2011	2010
	Discount rate - per annum	14%	12%
	Expected rate of growth per annum in future salaries	13%	11%
	Average expected remaining working life time of employees	5 years	5 years
20.1.1	Movement in liability		
	Balance at beginning of year	10,660,797	7,076,001
	Charge for the year	11,588,098	12,305,373
	Benefits paid during the year	(9,184,424)	(8,720,577)
	Balance at end of year	<u>13,064,471</u>	<u>10,660,797</u>
20.1.2	Balance sheet reconciliation as at June 30, 2011		
	Present value of obligation	13,064,471	10,660,797
	Un-recognized actuarial gain	-	-
		<u>13,064,471</u>	<u>10,660,797</u>
20.1.3	Charge for the year		
	Service cost	10,522,152	11,194,778
	Interest cost	1,279,296	1,010,318
	Actuarial (gain) / losses	(213,350)	100,277
	Expenses recognized in the profit and loss account	<u>11,588,098</u>	<u>12,305,373</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

20.1.4 Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

	2011	2010	2009	2008	2007
Rupees in thousand.....				
Present value of defined benefit obligation	13,064	10,661	7,076	7,569	1,320
Experience adjustment on obligation	(213)	100	147	(1,490)	76

20.1.5 The Company's policy with regard to actuarial (gains) / losses is to follow the minimum recommended approach under IAS 19 (Employee Benefits).

20.2	Deferred tax liability	Note	2011	2010
			----- Rupees -----	
	This is composed of the following:			
	Deferred tax liability on taxable temporary differences arising in respect of:			
	Tax depreciation allowance		85,971,261	133,390,026
	Finance lease		9,432,446	15,719,055
			<u>95,403,707</u>	<u>149,109,081</u>
	Deferred tax asset on deductible temporary differences arising in respect of:			
	Provision for employee benefits		(1,143,141)	(1,666,389)
	Available tax losses		(12,932,046)	(76,079,578)
			<u>(14,075,187)</u>	<u>(77,745,967)</u>
			<u>81,328,520</u>	<u>71,363,114</u>

21 TRADE AND OTHER PAYABLES

Creditors		100,846,973	78,708,408
Accrued liabilities		60,520,074	45,818,516
Letters of credit payable		-	24,455,303
Advances from customers	21.1	584,443	89,185,319
Workers' profit participation fund	21.2	13,877,934	12,407,770
Worker's welfare fund		10,278,019	5,004,404
Due to jointly controlled entity	21.3	45,382,022	-
Unclaimed dividend		856,923	-
Others		-	618,532
		<u>232,346,388</u>	<u>256,198,252</u>

21.1 These include Rs. 25,126 (2010: Rs. 48.315 million) advances from jointly controlled entity in the ordinary course of business.

21.2 Workers' profit participation fund

Balance at beginning of year		12,407,770	22,370
Allocation / expense for the year	31	13,877,934	12,385,400
		<u>26,285,704</u>	<u>12,407,770</u>
Payments made during the year		(12,407,770)	-
Balance at end of year		<u>13,877,934</u>	<u>12,407,770</u>

21.3 This carries mark-up at the rate of 16% (2010: 16%) per annum. The maximum aggregate amount due at the end of any month during the year was Rs. 92.957 million (2010: Rs. 47.018 million)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

			2011	2010
		Note	----- Rupees -----	-----
22	MARK UP ACCRUED			
	Markup accrued on:			
	Long term financing	22.1	20,055,875	18,974,967
	Liabilities against assets subject to finance lease		2,099,814	2,007,487
	Short term borrowings		92,737,824	52,910,391
	Mark up on director loan		934,575	-
			<u>115,828,088</u>	<u>73,892,845</u>
22.1	This includes overdue payments amounting to Rs. 7.262 million (2010: Nil)			
23	SHORT-TERM BORROWINGS			
	From banking companies - Secured			
		Sanctioned limit Rupees in million		
	Cash finance	1,477	23.2	702,063,106
	Finance against packing credit	320	23.3	312,629,951
	Finance against foreign bills	340	23.4	23,122,147
	Running finance	160	23.5	159,989,861
	FCIF - Loans	1,000		277,602,379
	Temporary overdraft		23.6	-
		<u>3,297</u>		<u>14,901</u>
			<u>1,475,407,444</u>	<u>1,255,437,905</u>
23.1	The aggregate un-availed short term borrowings amount to Rs. 1,313 million (2010: Rs. 817 million).			
23.2	These facilities have been obtained from various banks under mark up arrangements and carry mark up ranging from 14.26 % to 16.40 % (2010: 14.03 % to 15.54 %) per annum. These are secured against pledge of stocks of cotton lint and cotton yarn amounting to Rs. 930 million (2010: Rs. 930 million), ranking hypothecation charge over current assets of the Company amounting to Rs. 909 million (2010: Rs. 909 million), lien over export documents and personal guarantees of directors of the Company. These facilities will expire on respective dates maximum by March 31, 2012.			
23.3	These facilities have been obtained from a commercial bank and carry mark up at the rate ranging from 14.26 % to 17.52 % (2010: 13.94% to 16.60%) per annum. These are secured against lien over export documents, first pari passu charge over current assets amounting Rs. 428 million (2010 : Rs. 428 million) and personal guarantees of directors of the Company. These facilities will expire on respective dates maximum by November 30, 2012.			
23.4	These facilities were obtained from a commercial bank and carry mark up rate ranging from 14.26 % to 16.40 % (2010: 14.29% to 14.59%) per annum. These are secured against lien over export documents, first pari passu hypothecation charge of Rs. 20 million over current assets and personal guarantees of directors of the Company. The facility will expire on March 31, 2012.			
23.5	These facilities have been obtained from various commercial banks and carry mark up ranging from 14.26 % to 15.64 % (2010: 14.03% to 14.79%) per annum. These are secured against first pari-passu hypothecation charge of Rs. 200 million (2010: Rs. 213 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 April 30, 2012.			
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.			



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

		2011	2010
		----- Rupees -----	
24	CURRENT PORTION OF NON-CURRENT LIABILITIES	Note	
	Long term financing	18	106,131,708
	Liabilities against assets subject to finance lease	19	12,833,714
			<u>119,480,602</u>
			<u>124,856,515</u>
24.1	Current portion of long term financing and liabilities against assets subject to finance lease includes overdue installments of Rs. 12.5 million (2010: Rs. 12 million) and Rs. Nil (2010: Rs. 101,989) respectively.		
25	CONTINGENCIES AND COMMITMENTS		
25.1	Contingencies		
25.1.1	Guarantees		
	Guarantee issued by the Habib Bank Limited to Sui Northern Gas Pipelines Limited on behalf of the Company in the ordinary course of business		
			<u>27,979,420</u>
			<u>27,979,420</u>
25.1.2	The Company has given to the custom authorities post dated cheques amounting to Rs. 1,818,500 to be claimed as export oriented unit. The Company has to export a certain limit of yarn in order to meet the threshold for export oriented unit. If the Company does not meet this threshold the custom authorities have right to en-cash these cheques.		
25.2	Commitments		
	Letters of credit for import of:		
	- plant and machinery	-	164,104,778
	- raw material		176,403,579
	- stores, spare parts and loose tools		30,426,009
			<u>206,829,588</u>
			<u>309,032,247</u>
25.3	The aggregate amount of ujarah payments for Ijarah financing and the period in which these payments will become due are as follows:		
	Not later than one year		6,541,382
	Later than one year and not later than five years		700,606
			<u>7,241,988</u>
			<u>13,191,181</u>
			<u>4,719,342</u>
			<u>17,910,523</u>



HIRA TEXTILE MILLS LIMITED.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

26 SALES - NET

		2011			2010		
		Local	Export	Total	Local	Export	Total
-----Rupees -----							
Gross sales							
Finished goods		878,707,037	1,705,263,586	2,583,970,623	1,139,820,997	621,083,584	1,760,904,581
Sales under SPO		-	1,808,057,370	1,808,057,370	-	1,116,138,999	1,116,138,999
Waste		398,608,463	-	398,608,463	177,066,498	-	177,066,498
Cotton		310,946,713	-	310,946,713	106,102,111	-	106,102,111
		1,588,262,213	3,513,320,956	5,101,583,169	1,422,989,606	1,737,222,583	3,160,212,189
Less: Sales return		153,643,953	-	153,643,953	43,303,598	-	43,303,598
		1,434,618,260	3,513,320,956	4,947,939,216	1,379,686,008	1,737,222,583	3,116,908,591



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

		2011	2010
	Note	-----Rupees -----	
27 COST OF SALES			
Raw material consumed	27.1	3,437,145,121	1,776,493,103
Packing material consumed		41,534,541	38,782,054
Salaries, wages and benefits	27.2	175,929,456	165,352,130
Fuel and power		238,595,178	175,764,611
Stores, spare parts and loose tools consumed		54,688,568	35,232,670
Insurance		14,065,761	9,216,266
Dyes and chemicals		16,996,096	17,899,773
Depreciation	4.3	81,421,211	77,300,841
Others		14,304,793	9,987,862
		<u>4,074,680,725</u>	<u>2,306,029,310</u>
Work-in-process - opening		16,293,628	17,430,120
Less: work-in-process - closing	8	36,304,540	16,293,628
Cost of goods manufactured		<u>4,054,669,813</u>	<u>2,307,165,802</u>
Finished stocks - opening		164,569,978	120,902,948
Add : cost of goods manufactured		4,054,669,813	2,307,165,802
Yarn purchased		107,068,529	138,961,222
		<u>4,161,738,342</u>	<u>2,446,127,024</u>
		<u>4,326,308,320</u>	<u>2,567,029,972</u>
Less: finished stocks - closing	8	330,999,078	164,569,978
Cost of finished goods sold		<u>3,995,309,242</u>	<u>2,402,459,994</u>
Cost of cotton sold		223,485,496	105,658,984
Cost of goods sold		<u><u>4,218,794,738</u></u>	<u><u>2,508,118,978</u></u>
27.1 Raw material consumed			
Opening stock		1,090,132,451	1,056,531,000
Add: purchases		3,430,322,632	1,915,753,538
Less: cotton sold		223,485,496	105,658,984
		<u>4,296,969,587</u>	<u>2,866,625,554</u>
Less: closing stock	8	859,824,466	1,090,132,451
		<u><u>3,437,145,121</u></u>	<u><u>1,776,493,103</u></u>
27.2			
Salaries, wages and benefits include employee benefits amounting to Rs.11.588 million (2010: Rs. 12.305 million).			
28 OTHER OPERATING INCOME			
Income from financial assets			
Markup on balance due from jointly controlled entity		-	6,396
Income from assets other than financial assets			
Gain on disposal of property, plant and equipment	4.6	3,296,613	-
		<u><u>3,296,613</u></u>	<u><u>6,396</u></u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

		2011	2010
		-----Rupees -----	
29	DISTRIBUTION COST		
	Local		
	Commission	5,447,869	4,467,918
	Export		
	Commission	26,900,338	15,518,131
	Freight / export forwarding charges	29,571,327	14,635,350
	Others	9,283,621	8,212,414
		71,203,155	42,833,813
30	ADMINISTRATIVE EXPENSES		
	Salaries, allowances and other benefits	15,059,851	15,685,044
	Ujrah Payments	17,202,682	17,939,887
	Repair and maintenance	619,906	367,444
	Rents, rate and taxes	3,643,950	958,320
	Electricity, water and gas	1,531,209	686,553
	Printing and stationery	820,802	352,582
	Vehicles running and maintenance	3,010,272	1,445,785
	Postage, telephone and fax	2,309,543	1,156,089
	Fee and subscription	858,189	901,767
	Donations	100,000	25,000
	Entertainment	330,133	104,647
	Legal and professional charges	1,299,586	944,221
	Newspaper and periodicals	23,875	22,363
	Traveling and conveyance	5,988,628	4,285,443
	Insurance	287,056	188,087
	Auditors' remuneration	827,749	825,250
	Depreciation	1,661,657	1,577,568
	Others	1,394,915	832,382
		56,970,003	48,298,432
30.1	Salaries, allowances and other benefits include provident fund amounting to Rs. 1,032,039 (2010: Rs. 585,990).		
30.2	Auditors' remuneration		
	Annual audit fee	500,000	500,000
	Half year review fee	120,000	120,000
	Review report on Code of Corporate Governance	150,000	150,000
	Out of pocket expenses	57,749	55,250
		827,749	825,250
31	OTHER OPERATING EXPENSES		
	Workers' profit participation fund	13,877,934	12,385,400
	Workers' welfare fund	5,273,615	4,954,160
	Markup on balance due to jointly controlled entity	84,491	-
	Loss on disposal of property, plant and equipment	-	28,502
	Exchange loss	558,262	6,400,913
		19,794,302	23,768,975



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

32	FINANCE COST	Note	2011 -----Rupees -----	2010 -----Rupees -----
	Markup on:			
	- long term financing		55,820,594	34,391,304
	- liabilities against assets subject to finance lease		6,849,211	2,452,609
	- short term borrowings		240,413,308	217,040,258
	Bank charges and guarantee commission		<u>22,983,397</u>	<u>9,642,182</u>
			<u><u>326,066,510</u></u>	<u><u>263,526,353</u></u>
33	PROVISION FOR TAXATION			
	Current	12	46,994,272	19,574,773
	Deferred		<u>9,965,406</u>	<u>9,176,392</u>
			<u><u>56,959,678</u></u>	<u><u>28,751,165</u></u>
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.			
34	EARNINGS PER SHARE - BASIC AND DILUTED			
	The calculation of the basic earnings per share is based on the following data :		2011 -----Rupees -----	2010 -----Rupees -----
	Earnings			
	Profit for the year		<u>219,734,402</u>	<u>248,827,972</u>
			Number of shares	
	Weighted average number of ordinary shares outstanding		<u>71,552,000</u>	<u>71,552,000</u>
	Earnings per share (Rupees)		<u>3.07</u>	<u>3.48</u>
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 (2010: 71.552 million) at Rs. 1.00 (2010: Rs. 1.00) 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.			

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

36 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	2011	2010	2011	2010	2011	2010
	-----Rupees-----					
Remuneration	1,641,658	1,505,550	3,468,000	3,225,000	3,367,920	2,906,960
House rent	823,326	677,500	1,574,004	1,451,250	1,329,570	1,308,132
Retirement benefits	154,920	125,641	82,302	70,392	277,594	242,184
Motor vehicle expenses	158,449	121,249	377,266	311,129	709,774	512,490
Utilities	-	-	159,996	159,996	-	-
Others	83,606	75,278	165,071	161,250	168,827	145,348
	2,861,959	2,505,218	5,826,639	5,379,017	5,853,685	5,115,114
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 statements. Other significant transactions with related parties are as follows:

Description	2011	2010
	-----Rupees-----	
Transactions with jointly controlled entity		
Sales of yarn, cotton, dyes and chemicals	864,163,108	446,616,446
Purchases of towels / wastes, stores and spares	13,825,596	882,992
Expenses charged	14,574,322	12,330,398
Mark up charged / (income) on balance due	84,671	(6,396)
Sale of vehicle	197,560	-
Transactions with Other related parties		
Remuneration paid to directors and chief executive of the Company	8,451,376	7,688,202
Retirement benefits	237,222	196,033
Payment to Employees' Provident Fund Trust	1,032,039	585,990
Loan from Director	20,500,000	-
Compensation of key management personnel		
Remuneration of key management personnel during the year are as follows :		
Remuneration and other benefits	5,576,091	4,872,930
Post employment benefits	277,594	242,184

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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:

	2011	2010
	----- Rupees -----	
Trade debts	186,752,791	79,498,463
Advances to employees	1,234,997	2,649,321
Bank balances	10,816,776	4,795,359
	<u>198,804,564</u>	<u>86,943,143</u>

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	<u>116,904,707</u>	<u>24,119,103</u>
--------------	--------------------	-------------------

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

Ageing analysis of trade debts

Not past due	-	45,632,871
Past due 0-30 days	104,143,548	12,875,423
Past due 30-60 days	11,351,248	8,745,632
Past due 60-90 days	633,169	6,857,081
Over 90 days	776,742	5,387,456
	<u>116,904,707</u>	<u>79,498,463</u>

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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. For effective markup rates please see relevant notes to these financial statements.

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

	Carrying amount	
	2011	2010
	----- Rupees -----	
Trade and other Payables		
Maturity up to one year	232,346,388	256,198,252
Short term borrowings		
Maturity up to one year	1,475,407,444	1,255,437,905
Long term financing		
Maturity up to one year	106,131,708	112,022,801
Maturity after one year and up to five years	220,877,236	170,308,944
Liabilities against assets subject to finance lease		
Maturity up to one year	13,348,894	12,833,714
Maturity after one year and up to five years	26,960,517	15,988,167
	<u>2,075,072,187</u>	<u>1,822,789,783</u>

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.

**NOTES TO THE FINANCIAL STATEMENTS
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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:

	2011	2010	2011	2010
Rupees.....	USD.....	
Trade debts	69,848,084	55,379,360	813,606	648,470
Cash and bank balances	73,761	78,056	859	914
	<u>69,921,845</u>	<u>55,457,416</u>	<u>814,465</u>	<u>649,384</u>

Commitments outstanding at year end amounted to Rs. 206.8 million (2010: Rs. 309 million) relating to letter of credits 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	
	2011	2010	2011	2010
	----- Rupees -----		----- Rupees -----	
USD 1	<u>85.63</u>	<u>83.4</u>	<u>85.85</u>	<u>85.4</u>

Sensitivity analysis

A 10 percent strengthening of the Pak Rupee against the USD at June 30, 2011 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, 2010.

	2011	2010
	----- Rupees -----	
Decrease in profit and loss account	<u>6,992,182</u>	<u>5,537,936</u>

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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.

Floating rate instruments	2011 -----%-----	2010	2011 ----- Rupees -----	2010
Financial liabilities				
Short term financing	14.26 - 17.52	13.94 - 16.60	(1,475,407,444)	(1,255,452,806)
Long term financing	14.85 - 16.60	13.91 - 15.54	(306,508,944)	(282,331,745)
			<u>(1,781,916,388)</u>	<u>(1,537,784,551)</u>

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.

	Increase / (Decrease) in basis points	Effect on profit before tax
	%	Rupees
2011		
Short term borrowings	1.25%	17,067,783
Long term financing		3,808,379
Liabilities against assets subject to finance lease		432,071
		<u>21,308,233</u>
2010		
Short term borrowings	1.25%	15,818,113
Long term financing		4,251,073
Liabilities against assets subject to finance lease		526,068
		<u>20,595,254</u>

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, if any.

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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.

	2011	2010
	----- Rupees -----	
Total debt	1,842,725,799	1,566,591,531
Total Equity	1,460,424,239	1,312,241,837
Total capital	<u>3,303,150,038</u>	<u>2,878,833,368</u>
Gearing ratio	56%	54%

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.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

40 PLANT CAPACITY AND ACTUAL PRODUCTION

	2011	2010
Spinning	-----Numbers-----	
Spindles installed	41,568	39,792
Shifts per day	3	3
Spindle worked	42,414,315	43,094,736
	-----Bags-----	
Capacity after conversion into 20/1 count	326,264	331,498
	-----Kilograms-----	
Capacity after conversion into 20/1 count	14,799,335	15,036,749
Actual production of yarn after conversion into 20/1 count	13,820,672	13,711,789

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.

	2011	2010
Doubling	-----Numbers-----	
Spindles installed	2,064	2,064
Spindles worked	2,253,888	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	50,875	51,750

Under utilization of available sources was due to actual demand.

	-----Numbers-----	
Dyeing		
Machines	4	4
	-----Kilograms-----	
Dyeing capacity	1,095,000	1,095,000
Actual dyeing production	672,617	873,450

Under utilization of available sources was due to actual demand.

41 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 03, 2011

42 GENERAL

Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE OFFICER

CHAIRMAN / DIRECTOR



**Pattern of Shareholding
As at June 30, 2011**

INCORPORATION No. 0023196

Share Holders	Shareholding		Total	
	From	To	Shares Held	
54		1	100	1,199
179		101	500	84,612
123		501	1000	118,540
204		1001	5000	635,402
83		5001	10000	734,756
35		10001	15000	464,706
29		15001	20000	543,557
20		20001	25000	463,210
14		25001	30000	394,186
4		30001	35000	133,074
7		35001	40000	277,500
15		40001	50000	739,141
3		50001	55000	156,449
5		55001	60000	293,057
5		60001	65000	317,500
1		65001	70000	69,400
3		70001	75000	217,001
1		75001	80000	78,000
3		80001	85000	247,000
1		85001	90000	90,000
2		90001	95000	185,100
5		95001	100000	500,000
2		100001	105000	208,000
2		105001	115000	217,018
2		115001	125000	244,420
3		125001	130000	383,801
3		130001	155000	444,910
1		155001	165000	161,100
2		165001	175000	344,635
2		175001	185000	358,220
2		185001	200000	400,000
1		200001	275000	274,299
1		275001	390000	389,000
2		390001	400000	800,000
1		400001	450000	449,500
1		450001	500000	500,000
1		500001	560000	557,093
1		560001	820000	819,720
1		820001	920000	919,072
1		920001	1070000	1,067,012
1		1070001	1320000	1,318,710
1		1320001	1510000	1,507,880
1		1510001	1600000	1,600,000
1		1600001	3900000	3,895,671
1		3900001	4280000	4,279,221
1		4280001	4660000	4,659,450
1		4660001	4735000	4,732,112
1		4735001	4845000	4,843,432
1		4845001	7115000	7,111,480
1		7115001	223250000	22,322,854



HIRA TEXTILE MILLS LIMITED.

Categories of Shareholders

Description	Shares Held	%
Director, Chief Executive Officer, and their Spouse, and minor children.		
Mr. Muhammad Umar Virk	23,389,866	32.69
Mr. Nadeem Aslam Butt	819,720	1.15
Mrs. Shahnaz Umar	4,732,112	6.61
Mr. Umair Umar	9,362,103	13.08
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
	51,584,611	72.09
Associated Companies, undertakings and related parties.		
	NIL	-
NIT and ICP		
	NIL	-
Investment Companies		
	1,235,960	1.73
Bank, Development Finance Institutions, Non Banking Finance Institutions		
	1,318,710	1.84
Insurance Companies.		
	400,000	0.56
Moderabas and Mutual Funds		
	NIL	-
Joint Stock Companies		
	4,797,221	6.70
General Public		
Local	11,276,426	15.76
Foreign	Nil	-
Others		
	939,072	1.31
	71,552,000	100.00
Shareholders holding 10% or more		
Mr. Muhammad Umar Virk	23,389,866	32.69
Mr. Umair Umar	9,362,103	13.08



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 29, 2011 (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 _____ 2011 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.