

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Muhammad Umar Virk

Chairman

Mr. Nadeem Aslam Butt

Chief Executive

Mr. Umair Umar

Mrs. Shahnaz Umar

Miss Umaira Umar

Mrs. Sadiya Umair

Mr. Saeed Ahmad Khan

CHIEF EXECUTIVE

Mr. Nadeem Aslam Butt

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Mr.Saeed Ahmad Khan

AUDITORS

Messrs M.Yousuf Adil Saleem & CO.

A Member Firm of Deloitte Touche Tohmatsu

Chartered Accountant

66-E –FCC, Syed Maratab Ali Road,

Gulberg IV , Lahore

REGISTERED OFFICE

44-E-1, Gulberg III, Lahore

MILLS

8 KM Manga Raiwind Road Raiwind District Kasur

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 16th annual general meeting of the members of Hira Textile Mills Limited will be held on Saturday October 27, 2007 at 3.00 PM 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, 2007 together with the Directors and auditor's reports thereon.
3. To appoint auditors and fix their remuneration. The retiring auditors M/S M. Yousaf Adil Saleem & Co. chartered accountants, being eligible offer themselves for reappointment.

Special Business

- 1-To review and discuss in detail the progress of expansion plan with the members of the company.
- 2-To consider and revise the remuneration of one Director.
- 3-To transact any other business with the permission of chair.

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

One Director of the Company is drawing Rs. 52,000/- p.m. It is proposed that his remuneration be fixed at Rs. 84,500/- p.m. w.e.f. July 01, 2007.

(By the order of the Board)

Lahore : October 05, 2007

Saeed Ahmad Khan
Company Secretary

Notes

- 1- The Shares Transfer Books of the Company will remain closed from October 21, 2007 to October 27, 2007 (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, 2007.

Company Performance

Following are the operating & Financial results:-

	2007	2006
	(Rupees in Million)	
Net Sale	1,664.98	1,743.87
Cost of Sale	1,412.85	1,428.84
Gross Profit	252.13	315.03
Other Operating Income	5.55	23.31
	257.68	338.34
Distribution Cost	38.58	39.06
Administrative & Other Expenses	40.06	35.05
Financial Cost	158.19	157.46
	236.83	231.57
Operating Profit	20.85	106.76
Share of Profit of Hira Terry	1.60	-
Profit before taxation	22.45	106.76
Provision for taxation	15.82	16.22
Profit for The Year	6.63	90.54
EPS – basic & diluted	0.12	1.94

Though the period under review was a very tough year but by the grace of Almighty Allah the Company managed to make a profit of Rs. 6.63 Million after meeting all operational, administrative, financial & other expenses. The decline in profit is mainly due to:-

- 1- IPO expenses Rs. 15.856 million were paid and charged to current year in Administrative expenses.
- 2- Raw cotton price went up by 8.45%
- 3- Salaries & Wages increased by 21.24%
- 4- Local container freight increased by 30%
- 5- Financial cost increased by Rs. 1.144 million.

The overall picture clearly shows that the efforts of the management were successful in mitigating the effects of abnormal increase in financial, labour & raw material costs.

Investment

During the year 8 Elite compact system & 3 Cards machines were installed. The Company also invested Rs. 85.876 Million in associated company M/S Hira Terry Mills. M/S Hira Terry Mills has started its commercial production and earned net profit after tax Rs. 3.196 million, in just one month.

Future Plans

Construction work for expansion in Building is carrying out smoothly and Rs. 41,180,500 have been spent on civil works. The building will be completed by the end of Feb, 2008, Inshallaha. During the year L/C for import of Compact Ring Frames, Draw Frame, Simplex and cards machine were established.

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.

Board Meeting

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

Name of Director	Attendance
Muhammad Umar Virk	5
Nadeem Aslam Butt	5
Mrs. Shahnaz Umar	5
Mr. Umair Umar	5
Miss Umaira Umar	5
Mrs. Sadiya Umair	3
Mr. Saeed Ahmad Khan	5

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 an on 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, 2007 amount to Rs. 4.833 Million.
- i. The pattern of shareholding as at June 30, 2007 is annexed.

Acknowledgements

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

On Behalf of the Board

Nadeem Aslam Butt

Chief Executive Officer

Lahore October 05, 2007

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 NBFI or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. The Board has developed a mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended is being maintained.
5. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
6. The meetings of the Board were presided over by the Chairman and the Board met at least once every quarter. Written notices of the Board meetings, along with agenda, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
7. 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.

8. The CEO and CFO duly endorsed the financial statements of the Company before approval by the Board.
9. The Company has complied with all the corporate and financial reporting requirements of the Code.
10. The Board has formed an audit committee comprising three members, of whom all are non-executive directors including the Chairman of the committee.
11. 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.
12. 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.
13. 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.
14. 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.
15. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Lahore: October 05, 2007.

NADEEM ASLAM BUTT
(Chief Executive Officer)

FINANCIAL SUMMARY

Amount Rs.(000)

	2007	2006	(9 Months) 2005	2004	2003	2002
Net Sales	1,664,978	1,743,871	1,090,508	1,219,596	901,048	847,033
Cost of Sales	1,412,848	1,428,844	879,878	1,025,074	776,362	726,756
Gross profit	252,131	315,027	210,630	194,522	124,686	120,277
Administration Expenses	35,840	28,637	14,311	17,834	13,014	12,847
Selling Expences	38,577	39,061	32,457	40,897	28,884	30,962
Operating Profit	177,714	247,329	163,863	135,791	82,788	76,468
Other Operating Income	5,546	23,312	116,593	68	519	293
Profit before Interest & Taxation	183,260	270,641	280,456	135,859	83,307	76,761
Other Operating Expenses	4,216	6,415	4,911	4,341	1,995	843
Financial & Other Charges	158,193	157,466	63,822	49,045	43,411	59,897
Share of profit Hira Terry Mills Ltd.	1,598	-	-	-	-	-
Profit before Taxation	22,449	106,761	211,723	82,474	37,901	16,021
Provision for Taxation	15,823	16,223	8,491	10,508	8,009	7,202
Profit after Taxation (Net Profit)	6,626	90,538	203,232	71,966	29,892	8,819

Financial Position

Current Assets	956,667	797,824	931,322	871,569	518,804	421,005
Current Liabilities	1,022,246	727,681	795,379	850,621	542,906	473,104
Operating Fixed Assets	1,309,689	1,413,721	1,315,052	1,291,931	836,977	812,839
Total Assets	2,447,104	2,305,419	2,286,685	2,171,116	1,365,887	1,241,781
Net Capital Employed	1,423,461	1,575,078	1,488,524	1,318,991	819,048	764,177
Long Term Debts	289,490	615,409	619,393	689,084	439,065	414,087
Share Holder,s Equity	1,068,078	741,539	640,682	393,416	250,164	213,439
Surplus on Revaluation on Fixed Assets	65,893	218,130	228,450	236,491	129,819	136,651
Break -up Value Per Share (Rupees)	14.93	15.93	27.86	18.73	16.68	14.23
Number of shares	71,552,000	46,552,000	23,000,000	21,000,000	15,000,000	15,000,000

Financial Ratios Analysis (Annualized)

Current Ratio	0.94	1.10	1.17	1.02	0.96	0.89
Total Debt to Total Assets	11.83	26.69	27.09	31.74	32.15	33.35
Acid -Test Ratio	13.10	26.46	27.20	38.49	40.32	24.67
Debt Equity	20.80	39:61	41:59	52:48	54:46	54:46
Debt Coverage Ratio	0.03	0.37	1.86	0.70	0.24	0.07
Leverage Ratio	1.16	1.40	1.63	2.45	2.59	2.55
Interest Coverage Ratio	1.16	1.72	4.39	2.77	1.92	1.28
Fixed Assets Turnover	1.27	1.23	1.11	0.94	1.08	1.04
Total Assets Turnover	0.68	0.76	0.64	0.56	0.66	0.68

Per Share Results & returns

Earning per Share	0.12	1.94	5.82	4.76	1.99	0.59
Return on Capital employed- net	0.47	5.75	18.20	5.46	3.65	1.15
Gross Profit to Sales	15.14	18.06	19.31	15.95	13.84	14.20
Operating Profit To Sales	10.67	14.18	15.03	11.13	9.19	9.03
Net Income to Sale (Profit margin)	0.40	5.19	18.64	5.90	3.32	1.04
Return on Assets (ROA)	0.27	3.93	11.85	3.31	2.19	0.71

REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, we report that the Company did not arrange any orientation courses for their directors.

Based on our review, except for the matters noted in the previous paragraph, 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 as applicable to the Company for the year ended June 30, 2007.

M. YOUSUF ADIL SALEEM & CO
(Chartered Accountants)

Lahore, September 29, 2007

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **HIRA TEXTILE MILLS LIMITED** ("the Company") as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion-
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under Zakat and Ushr Ordinance, 1980.

M. YOUSUF ADIL SALEEM & CO.
(Chartered Accountants)

Lahore, September 29, 2007

HIRA TEXTILE MILLS LIMITED

BALANCE SHEET AS AT JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	1,309,688,815	1,413,721,451
Long-term investments	4	176,498,315	89,024,000
Long-term advances and deposits	5	4,250,099	4,850,099
		1,490,437,229	1,507,595,550
CURRENT ASSETS			
Stores, spare parts and loose tools	6	56,771,836	54,671,046
Stock-in-trade	7	765,971,811	550,584,682
Trade debts	8	82,637,486	93,662,893
Advances	9	21,071,755	45,028,632
Deposits and short-term prepayments	10	10,530,140	13,501,161
Other receivables	11	11,979,264	344,521
Sales tax refundable	12	4,331,089	13,813,663
Cash and bank balances	13	3,373,841	26,271,847
		956,667,222	797,878,445
		<u>2,447,104,451</u>	<u>2,305,473,995</u>

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

CHIEF EXECUTIVE OFFICER

CHAIRMAN / DIRECTOR

HIRA TEXTILE MILLS LIMITED

BALANCE SHEET AS AT JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital		750,000,000	750,000,000
75,000,000 (2006 : 75,000,000) ordinary shares of Rs.10 each			
Issued, subscribed and paid up share capital	14	715,520,000	465,520,000
Reserves	15	82,500,000	20,000,000
Un-appropriated profit		270,058,430	256,019,042
		1,068,078,430	741,539,042
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
	16	65,892,542	218,129,690
NON - CURRENT LIABILITIES			
Long-term financing	17	214,525,534	145,579,941
Non-participatory redeemable capital	18	-	349,720,000
Liabilities against assets subject to finance lease	19	74,964,885	120,109,308
Deferred liability	20	1,396,682	2,714,549
CURRENT LIABILITIES			
Trade and other payables	21	52,970,961	50,096,587
Mark up accrued on loans	22	14,604,295	27,678,774
Short-term borrowings	23	862,447,193	563,556,437
Current portion of non-current liabilities	24	92,223,929	86,349,667
		1,022,246,378	727,681,465
CONTINGENCIES AND COMMITMENTS			
	25		
		2,447,104,451	2,305,473,995

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

CHIEF EXECUTIVE OFFICER

CHAIRMAN / DIRECTOR

HIRA TEXTILE MILLS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
Sales- net	26	1,664,978,390	1,743,871,269
Cost of sales	27	1,412,847,841	1,428,843,794
Gross profit		252,130,549	315,027,475
Other operating income	28	5,546,157	23,312,250
		257,676,706	338,339,725
Distribution cost	29	38,577,138	39,061,443
Administrative expenses	30	35,839,728	28,636,905
Other operating expenses	31	4,215,725	6,414,774
Finance cost	32	158,193,133	157,465,901
		236,825,724	231,579,023
		20,850,982	106,760,702
Share of profit of jointly controlled entity		1,598,315	-
Profit before taxation		22,449,297	106,760,702
Provision for taxation	33	15,823,248	16,223,085
Profit for the year		6,626,049	90,537,617
Earnings per share - basic and diluted	34	0.12	1.94

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

CHIEF EXECUTIVE OFFICER

CHAIRMAN / DIRECTOR

HIRA TEXTILE MILLS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		22,449,297	106,760,702
Adjustment for:			
Depreciation on property, plant and equipment		76,716,452	76,138,740
Gain on disposal of property, plant and equipment		(765,449)	(23,057,727)
Impairment of property, plant and equipment		557,122	-
Provision for employee benefits		2,971,518	3,016,881
Share of profit of jointly controlled entity		(1,598,315)	-
Finance cost		158,193,133	157,465,901
		258,523,758	320,324,497
(Increase) / decrease in stores, spare parts and loose tools		(2,100,790)	3,154,394
(Increase) / decrease in stock-in-trade		(215,387,129)	106,575,517
Decrease in trade debts		11,025,407	1,961,481
Decrease in advances		23,956,877	45,468,762
Decrease in deposits and short-term prepayments		4,194,424	2,254,756
(Increase) / decrease in other receivables		(11,634,743)	722,153
Increase in trade and other payables		2,874,374	31,272,909
		(187,071,580)	191,409,972
Cash generated from operations		71,452,178	511,734,469
Finance cost paid		(171,267,612)	(151,736,672)
Employee benefits paid		(4,289,385)	(3,083,675)
Taxes paid		(7,564,077)	(31,514,050)
		(183,121,074)	(186,334,397)
<i>Net cash (used in) / from operating activities</i>		(111,668,896)	325,400,072
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(102,462,358)	(180,395,332)
Proceeds from disposal of property, plant and equipment		5,454,000	129,574,170
Increase in investments		(85,876,000)	(53,623,408)
Decrease in long-term advances and deposits		600,000	5,119
<i>Net cash used in investing activities</i>		(182,284,358)	(104,439,451)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		312,500,000	-
Proceeds from long-term financing		102,794,361	-
Payment of long-term financing		(31,146,274)	(19,280,164)
Redemption of non-participatory redeemable capital		(349,860,000)	(140,000)
Payment of liabilities against assets subject to finance lease		(62,123,595)	(59,458,728)
Increase / (decrease) in short-term borrowings		298,890,756	(130,734,451)
<i>Net cash from / (used in) financing activities</i>		271,055,248	(209,613,343)
Net (decrease) / increase in cash and cash equivalents		(22,898,006)	11,347,278
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		26,271,847	14,924,569
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	3,373,841	26,271,847

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

CHIEF EXECUTIVE OFFICER

CHAIRMAN / DIRECTOR

HIRA TEXTILE MILLS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2007

	Share capital	Share premium	Un-appropriated profit	Total	Surplus on revaluation of property, plant and equipment
	Rupees				
Balance as at June 30, 2005	230,000,000	20,000,000	390,681,560	640,681,560	228,449,555
Issue of bonus shares of Rs. 10 each	235,520,000	-	(235,520,000)	-	-
Profit for the year	-	-	90,537,617	90,537,617	-
Adjustment of depreciation on incremental value arising on revaluation of property, plant and equipment attributed to current year	-	-	10,319,865	10,319,865	(10,319,865)
Balance as at June 30, 2006	465,520,000	20,000,000	256,019,042	741,539,042	218,129,690
Issue of ordinary shares of Rs. 10 each fully paid in cash	250,000,000	-		250,000,000	-
Share premium at Rs. 2.5 per share		62,500,000		62,500,000	
Profit for the year	-	-	6,626,049	6,626,049	-
Adjustment of surplus on revaluation of property, plant and equipment		-	-	-	(144,823,809)
Adjustment of depreciation on incremental value arising on revaluation of property, plant and equipment attributed to current year	-	-	7,413,339	7,413,339	(7,413,339)
Balance as at June 30, 2007	715,520,000	82,500,000	270,058,430	1,068,078,430	65,892,542

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

CHIEF EXECUTIVE OFFICER

CHAIRMAN / DIRECTOR

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

1 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.

1.3 Significant estimates

The preparation of financial statements in conformity with IASs 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, results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates .

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

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

Employee benefits

The Company operates unfunded gratuity scheme (defined benefit plan) for all its permanent 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 require 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.

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.

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 ("the Ordinance") and directions issued by the Securities and Exchange Commission of Pakistan ("SECP"), and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Ordinance or the said directives take precedence.

- 2.2 Following International Financial Reporting Standards ("IFRSs") and interpretations of accounting standards issued by International Financial Reporting Interpretations Committee ("IFRIC") are either not relevant to Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosures in certain cases:

Title of IFRSs and IFRICs:	Effective from accounting period on or after:
IAS 1 - Presentation of Financial Statements - Capital Disclosure;	January 1, 2007
IAS 23 - Borrowing Cost (as revised);	January 1, 2009
IFRS 2 - Share based payment	January 1, 2007
IFRS 3 - Business Combinations	January 1, 2007
IFRS 5 - Non-current assets held for sale and discontinued operations	January 1, 2007
IFRS 6 - Exploration for and evaluation of mineral resources	January 1, 2007
IFRIC 10 - Interim financial reporting and impairment	November 1, 2006
IFRIC 11 - Group and treasury share transactions	March 1, 2007
IFRIC 12 - Services concession arrangements	January 1, 2008
IFRS 7 - Financial Instrument: Disclosure	January 1, 2008
IFRS 8 - Operating Segment	January 1, 2009
IFRIC 13 - Customer Loyalty Programmes;	July 1, 2008
IFRIC 14 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interactions	January 1, 2008

2.3 Basis of preparation

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

- revaluation of certain property, plant and equipment
- financial instruments at fair value
- recognition of certain employee benefits at present value

The principal accounting policies are set out below:

2.4 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.

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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

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

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

Depreciation is charged to profit and loss account applying the reducing balance method over its estimated useful life at the rates specified in note 3 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 sales proceeds and the carrying amount of the asset is recognised as an income or expense.

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

2.5 Assets subject to finance lease

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

2.6 Investments

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

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

2.7 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.

2.8 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.

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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.

2.9 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 amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in future periods to allocate the assets revised carrying amount over its estimated useful life.

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

2.10 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.

2.11 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 setoff the recognised amount and the Company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

2.12 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.

2.13 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.

2.14 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.

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

2.15 Leases

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

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

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

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

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

Defined contribution plan

The Company also operates a funded provident fund scheme for all its employees of head office who have completed the minimum qualifying period of service as defined under the respective scheme.

Equal monthly contributions are made both by the Company and the employees at the rate of 8.33% of the basic salary. Contributions are charged to profit and loss account.

Compensated absences

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

2.17 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.

2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

receivable for goods and services provided in the normal course of business.

Revenue from sale is recognized on despatch 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 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.

2.19 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 remaining unpaid.

2.20 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.

2.21 Taxation

Current

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

Deferred

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

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

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

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

2.22 Foreign currencies

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

Exchange differences are included in profit and loss account.

2.23 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	PROPERTY, PLANT AND EQUIPMENT	Note	2007	2006
			Rupees	Rupees
	Operating fixed assets	3.1	1,266,706,315	1,413,721,451
	Capital work-in-progress	3.8	42,982,500	-
			<u>1,309,688,815</u>	<u>1,413,721,451</u>

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

3.1 PROPERTY, PLANT AND EQUIPMENT

S. PROPERTY, PLANT AND EQUIPMENT												
	Cost / Revaluation				Depreciation					Book value as at June 30, 2007	Annual rate of depreciation %	
	As at July 01, 2006	Additions / (Disposals)	Revaluation adjustment	Transfers	As at June 30, 2007	As at July 01, 2006	Charge for the year / (Accumulated depreciation on disposals)	Revaluation adjustment	Transfers			As at June 30, 2007
..... Rupees												
Owned												
Freehold land	42,165,956		43,840,294	-	86,006,250	-	-	-	-	-	86,006,250	-
Building on freehold land	207,894,578	-	(64,792,219)		143,102,359	60,387,108	6,719,317	(12,999,599)	-	54,106,826	88,995,533	5
Plant and machinery	1,337,627,421	50,478,392	(237,651,160)	550,000	1,139,066,179	413,268,451	45,303,814	(100,222,555)	98,054	350,803,633	788,262,546	5
		(11,938,474)					(7,644,131)					
Electric installation	45,139,702	5,667,983		9,900,000	60,707,685	17,869,018	3,548,157	-	3,337,580	24,754,755	35,952,930	10
Generator	11,216,684	266,000	-	-	11,482,684	4,819,006	664,109	-	-	5,483,115	5,999,569	10
Power house	58,832,913	705,755	-	-	59,538,668	14,073,872	4,478,172	-	-	18,552,044	40,986,624	10
Factory equipment	1,234,356	-	-	-	1,234,356	859,714	37,464	-	-	897,178	337,178	10
Office equipment	1,039,193	-	-	-	1,039,193	517,891	52,130	-	-	570,021	469,172	10
Telephone installation	786,645	140,300	-	-	926,945	350,798	50,673	-	-	401,471	525,474	10
Tarpaulin	382,057	-	-	-	382,057	181,418	20,064	-	-	201,482	180,575	10
Computers	2,121,599	224,200	-	-	2,345,799	875,281	133,561	-	-	1,008,842	1,336,957	10
Furniture and fixture	2,438,232	214,867	-	-	2,653,099	1,232,408	129,038	-	-	1,361,446	1,291,653	10
Vehicles	8,785,726	1,782,361		4,360,000	13,844,087	5,188,912	1,032,892	-	2,269,647	7,801,659	6,042,428	20
		(1,084,000)					(689,792)					
	1,719,665,062	59,479,858	43,840,294	14,810,000	1,522,329,361	519,623,877	62,169,391	-	5,705,281	465,942,472	1,056,386,889	
		(13,022,474)	(302,443,379)	-			(8,333,923)	(113,222,154)	-			
Leased												
Plant and machinery	188,260,977	17,821,440		(550,000)	205,532,417	12,204,019	9,223,955	-	(98,054)	21,329,920	184,202,497	5
Electric installation	9,900,000	-		(9,900,000)	-	3,224,183	113,397	-	(3,337,580)	-	-	10
Power house	14,000,000	-		-	14,000,000	2,345,000	1,165,500	-	-	3,510,500	10,489,500	10
Vehicles	25,724,884	2,469,500		(4,360,000)	23,834,384	6,432,393	4,044,209	-	(2,269,647)	8,206,955	15,627,429	20
	237,885,861	20,290,940	-	(14,810,000)	243,366,801	24,205,595	14,547,061	-	(5,705,281)	33,047,375	210,319,426	
2007	1,957,550,923	79,770,798	43,840,294	14,810,000	1,765,696,162	543,829,472	76,716,452	-	5,705,281	498,989,847	1,266,706,315	
		(13,022,474)	(302,443,379)	(14,810,000)			(8,333,923)	(113,222,154)	(5,705,281)			
2006	1,789,046,088	277,970,131	42,924,021	42,924,021	1,957,550,923	474,526,606	76,138,740	-	-	543,829,472	1,413,721,451	
		(113,352,317)	(39,037,000)	(42,924,021)			(6,835,874)	-	-			

Note	2007	2006
	Rupees	Rupees

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

Cost of sales	27	74,414,958	73,854,578
Administrative expenses	30	2,301,494	2,284,162
		<u>76,716,452</u>	<u>76,138,740</u>

HIRA TEXTILE MILLS LIMITED

3.3 PROPERTY, PLANT AND EQUIPMENT - for the year ended June 30, 2006

Particulars	Cost / Revaluation				Depreciation				Book value as at June 30, 2006	Annual rate of depreciation %
	As at July 01, 2005	Additions / (Disposal)	Transfers	As at June 30, 2006	As at July 01, 2005	Charge for the year / (Accumulated depreciation on disposals)	Transfers	As at June 30, 2006		
Rupees										
Owned										
Freehold land	46,503,007	(4,337,051)	-	42,165,956	-	-	-	-	42,165,956	-
Building on freehold land	205,011,129	-	2,883,449	207,894,578	52,743,762	7,643,346	-	60,387,108	147,507,470	5
Plant and machinery	1,232,428,540	164,958,047	39,037,000	1,337,627,421	367,667,666	45,492,290	5,279,564	413,268,451	924,358,970	5
		(98,796,166)				(5,171,069)			-	
Electric installation	41,080,749	4,058,953	-	45,139,702	15,127,042	2,741,976	-	17,869,018	27,270,684	10
Generator	11,216,684	-	-	11,216,684	4,108,153	710,853	-	4,819,006	6,397,678	10
Power house	56,382,676	2,450,237	-	58,832,913	9,298,055	4,775,817	-	14,073,872	44,759,041	10
Factory equipment	1,234,356	-	-	1,234,356	818,087	41,627	-	859,714	374,642	10
Office equipment	1,039,193	-	-	1,039,193	459,969	57,922	-	517,891	521,302	10
Telephone installation	566,185	220,460	-	786,645	320,854	29,944	-	350,798	435,847	10
Tarpaulin	267,187	114,870	-	382,057	163,716	17,702	-	181,418	200,639	10
Computers	1,924,099	283,200	-	2,121,599	802,097	127,047	-	875,281	1,246,318	10
		(85,700)				(53,863)	-		-	
Furniture and fixtures	2,087,892	350,340	-	2,438,232	1,116,619	115,789	-	1,232,408	1,205,824	10
Vehicles	14,314,800	4,604,326	-	8,785,726	5,472,960	1,326,894	-	5,188,912	3,596,814	20
		(10,133,400)				(1,610,942)	-		-	
	1,614,056,497	177,040,433	41,920,449	1,719,665,062	458,098,980	63,081,207	5,279,564	519,623,877	1,200,041,185	
		(113,352,317)				(6,835,874)				
Assets held under finance lease										
Plant and machinery	138,296,207	87,998,198	1,003,572	188,260,977	9,846,203	7,637,380		12,204,019	176,056,958	5
			(39,037,000)				(5,279,564)		-	
Electric installation	9,900,000	-	-	9,900,000	2,482,425	741,758		3,224,183	6,675,817	10
Power house	14,000,000	-	-	14,000,000	1,050,000	1,295,000		2,345,000	11,655,000	10
Vehicles	12,793,384	12,931,500	-	25,724,884	3,048,998	3,383,395		6,432,393	19,292,491	20
	174,989,591	100,929,698	1,003,572	237,885,861	16,427,626	13,057,533		24,205,595	213,680,266	
			(39,037,000)				(5,279,564)			
	1,789,046,088	277,970,131	42,924,021	1,957,550,923	474,526,606	76,138,740	5,279,564	543,829,472	1,413,721,451	
		(113,352,317)	(39,037,000)			(6,835,874)	(5,279,564)			
Capital work in progress										
Civil works	-	2,883,449	(2,883,449)	-	-	-		-	-	
Plant and machinery	532,122	471,450	(1,003,572)	-	-	-		-	-	
	532,122	3,354,899	(3,887,021)	-	-	-		-	-	
2006	1,789,578,210	281,325,030	42,924,021	1,957,550,923	474,526,606	76,138,740		543,829,472	1,413,721,451	
		(113,352,317)	(42,924,021)			(6,835,874)				

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

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

- 3.4 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 incorporated in the financial statements for the year. The previous 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). 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 plants and machinery depreciated to account for the age, usage and physical condition.

- 3.5 The carrying value of freehold land includes revaluation surplus of Rs. 43.840 million arising from revaluation of freehold land in April 2007. The effect has been incorporated in the financial statements for the year as increase in surplus on revaluation of free hold land.

The carrying value of building on freehold land includes revaluation deficit / impairment of Rs. 51.793 million arising from revaluation of building on freehold land in April 2007. The effect has been incorporated in the financial statements for the year as reversal of surplus on revaluation of building on free hold land amounting to Rs. 51.777 million and has been charged to profit and loss account for the year amounting to Rs. 15,808.

The carrying value of plant and machinery includes revaluation deficit / impairment of Rs. 137.429 million arising from revaluation of plant and machinery in April 2007. The effect has been incorporated in the financial statements for the year as reversal of surplus on revaluation of plant and machinery amounting to Rs. 136.887 million and has been charged to profit and loss account for the year amounting to Rs. 541,314.

- 3.6 Had there been no revaluation, the cost, accumulated depreciation, and book value of revalued property, plant and equipment as at June 30, 2007 would have been as follows:-

Particulars	Cost as at June 30, 2007	Accumulated depreciation as at June 30, 2007	Book Value as at June 30, 2007
..... Rupees			
Free hold land	20,113,706	-	20,113,706
Building on free hold land	143,102,359	54,106,826	88,995,533
Plant and machinery	1,344,598,596	372,133,553	972,465,043
	1,507,814,661	426,240,379	1,081,574,282

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

3.7 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Book value	Proceeds from disposal of property, plant and equipment	Gain on disposal of property, plant and equipment	Mode of disposal	Particulars of buyers
 Rupees						

Plant and machinery

Card Machines	2,381,584	1,521,367	860,217	900,000	39,783	Negotiation	Naveed Traders
Card Machines	2,015,187	1,287,311	727,876	764,000	36,124	Negotiation	Shehbaz Scrap Merchants
Card Machines	1,282,391	819,197	463,194	500,000	36,806	Negotiation	Shehbaz Scrap Merchants
Card Machine	6,259,312	4,016,256	2,243,056	2,700,000	456,944	Negotiation	Nishat Chunian Limited

Vehicles

Toyota Corolla	1,084,000	689,792	394,208	590,000	195,792	Negotiation	Mr. Bilal Akram
----------------	-----------	---------	---------	---------	---------	-------------	-----------------

2007	13,022,474	8,333,923	4,688,551	5,454,000	765,449		
2006	113,352,317	6,835,874	106,516,443	129,574,170	23,057,727		

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
3.8 CAPITAL WORK-IN-PROGRESS			
Civil works		41,180,500	-
Advance for land		1,802,000	-
		42,982,500	-
4 LONG-TERM INVESTMENTS			
Investment at equity method			
Hira Terry Mills Limited - Jointly Controlled Entity			
17,490,000 (2006: 8,250,000) fully paid ordinary shares of Rs. 10 each	4.1	174,900,000	82,500,000
Share deposit money		-	6,524,000
Cost of investment		174,900,000	89,024,000
Share of profit for the year		1,598,315	-
		176,498,315	89,024,000
4.1 Summarised financial information of the jointly controlled entity is set out below:			
Total assets		1,120,886,999	500,685,717
Total Liabilities		760,422,745	280,481,499
Net Assets		360,464,254	220,204,218
Company's share of jointly controlled entity's net assets		176,498,315	89,024,000
Sales-net		35,889,421	-
Profit for the year		3,264,254	-
Company's share of jointly controlled entity's profit for the year		1,598,315	-
4.2 Breakup value per share		10.09	10.00
Percentage of holding		48.96%	40.43%
5 LONG-TERM ADVANCES AND DEPOSITS			
Balance at beginning of the year			
Security deposits with leasing companies		1,537,000	4,438,850
Others	5.1	5,450,099	6,050,099
		6,987,099	10,488,949
Less: adjusted during the period		2,137,000	3,501,850
		4,850,099	6,987,099
Less: current portion	10	600,000	2,137,000
Balance at end of the year		4,250,099	4,850,099
5.1 These include interest free deposits with various government agencies.			
6 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		23,046,271	21,304,683
Spare parts and loose tools		11,326,044	18,279,228
Packing material		22,399,521	15,087,135
		56,771,836	54,671,046

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

7	STOCK-IN-TRADE	Note	2007 Rupees	2006 Rupees
	Raw material	7.1	712,245,358	504,463,439
	Work-in-process		11,833,321	10,006,733
	Finished goods			
	- yarn		41,193,454	35,779,430
	- waste		699,678	335,080
			41,893,132	36,114,510
			765,971,811	550,584,682

7.1 This includes raw material in transit amounting to Rs. 103,460,905 (2006: Nil).

7.1 Stocks with the carrying value of Rs. 690.357 million (2006 : Rs. 438.95 million) have been pledged with certain banks against financing facilities.

8 TRADE DEBTS

Local - unsecured, considered good		53,565,178	45,709,376
Foreign - secured, considered good	8.1	29,072,308	47,953,517
		82,637,486	93,662,893

8.1 These are secured against letters of credit.

9 ADVANCES

Advances to:

Suppliers- unsecured, considered good		16,245,378	40,548,004
Director - secured, considered good		-	400,000
Employees- secured, considered good	9.1	1,176,889	648,355
Letters of credit	9.2	3,649,488	3,432,273
		21,071,755	45,028,632

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

9.2 This represents advance expenses incurred in respect of letters of credit for raw material and stores, spare parts and loose tools.

10 DEPOSITS AND SHORT-TERM PREPAYMENTS

Deposits:

Guarantee margin		1,389,299	1,389,299
Export margin		-	863,322
Import margin		-	1,794,102
Current portion of long-term deposits	5	600,000	2,137,000
Prepayments		178,356	178,356
Withholding tax net of provision for tax in liabilities	10.1	8,362,485	7,139,082
		10,530,140	13,501,161

10.1	Withholding tax - net of provision at beginning of year	7,139,082	4,496,632
	Withholding tax paid during the year	17,046,651	18,865,535
		24,185,733	23,362,167
	Provision for taxation - current	15,823,248	16,223,085
	Withholding tax - net of provision at end of year	8,362,485	7,139,082

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
11 OTHER RECEIVABLES			
Receivable from contractor / others		-	36,922
Receivable from Hira Terry Mills Limited	11.1	11,979,264	307,599
		<u>11,979,264</u>	<u>344,521</u>
11.1 This represents receivable from jointly controlled entity and includes Rs. 228,224 (2006: Rs. 252,711) in respect of markup on balance outstanding.			
12 SALES TAX REFUNDABLE			
Sales tax refundable		4,331,089	13,813,663
		<u>4,331,089</u>	<u>13,813,663</u>
12.1 This represents accumulated differences of input tax paid and sales tax payable.			
13 CASH AND BANK BALANCES			
Cash in hand		1,217,891	2,011,860
Cash with banks on:			
- current accounts	13.1	2,145,132	24,249,169
- deposit accounts	13.2	10,818	10,818
		<u>3,373,841</u>	<u>26,271,847</u>
13.1 These include Rs. 51,895 (2006: Rs. 51,852) in foreign currency account .			
13.2 Effective markup rate in respect of deposit accounts ranges from 3% to 11% (2006: 5% to 6%) per annum.			
14 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL			
Number of shares		2007	2006
2007	2006	Note	Rupees
			Rupees
23,000,000	23,000,000	Ordinary shares of Rs.10 each	
25,000,000	-	- fully paid in cash	230,000,000
23,552,000	23,552,000	- Issued to general public	250,000,000
		- Issued as bonus shares	235,520,000
<u>71,552,000</u>	<u>46,552,000</u>		<u>715,520,000</u>
			<u>465,520,000</u>
14.1 The Board of Directors of the Company in its meeting held on January 15, 2006 and October 14, 2006 proposed to offer 25 million ordinary shares having face value of Rs.10 each to general public at a price of Rs. 12.50 each. The proposal was approved by the shareholders in their extra ordinary general meeting held on February 06, 2006 and the Company obtained listing at Karachi and Lahore Stock Exchanges of Pakistan.			
14.2 Reconciliation of number of ordinary shares of Rs. 10 each.		2007	2006
		Number of shares	
At beginning of year		46,552,000	23,000,000
Add: Bonus shares issued during the year		-	23,552,000
Shares issued to general public during the year		25,000,000	-
At end of year		<u>71,552,000</u>	<u>46,552,000</u>

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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

	Note	2007 Rupees	2006 Rupees
15 RESERVES	15.1	82,500,000	20,000,000
		<u>82,500,000</u>	<u>20,000,000</u>

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

16 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Balance at beginning of year		218,129,690	228,449,555
Less: Adjustment for the year	16.1	144,823,809	-
Transferred to unappropriated profit in respect of incremental depreciation	16.2	7,413,339	10,319,865
Balance at end of year		<u>65,892,542</u>	<u>218,129,690</u>

16.1 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. This revaluation resulted in following:

Increase in surplus on revaluation of freehold land	(43,840,294)	-
Reversal of surplus on revaluation of building on freehold land	51,776,812	-
Reversal of surplus on revaluation of plant and machinery	136,887,291	-
Reversal of surplus on revaluation of property, plant and equipment	<u>144,823,809</u>	<u>-</u>

16.2 Incremental depreciation represents the difference between the depreciation on property, plant and equipment charged during the year and the equivalent depreciation based on its historical costs. See note 3.5 to the financial statements for detail of revaluation of property, plant and equipment.

17 LONG-TERM FINANCING

From banking Companies - secured

Balance at beginning of year			
Habib Bank Limited (HBL)	17.2	176,729,359	196,009,523
Obtained during the year			
Bank of Punjab - Demand Fiance I	17.3	100,000,000	-
Bank of Punjab - Demand Fiance II	17.3	2,794,361	-
		102,794,361	-
Less : Paid during the year - HBL		31,146,274	19,280,164
		248,377,446	176,729,359
Less : Current portion - HBL	24	33,851,912	31,149,418
		<u>214,525,534</u>	<u>145,579,941</u>

17.1 The aggregate unavailed long-term financing facilities amount to Rs. 147.206 million (June 30, 2006 : Rs. Nil)

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

- 17.2 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. 464.000 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 supposed to automatically stand cancelled with application of mark up at the rate of 14% 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% 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 further 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 of six months offer rate of KIBOR plus 1.5% per annum with a floor of 7.0% and cap of 8.5% per annum, 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 and personal guarantees of sponsoring directors backed by the latest wealth tax statements filed.

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.

- 17.3 The Company has obtained demand finance I-II from Bank of Punjab to facilitate early repayment of TFCs and import of plant and machinery. The loans carry markup at three months KIBOR plus 2.95% per annum payable quarterly in arrear. The loans are secured against ranking 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 after first disbursement. The first installment is repayable after fifteen months from the date of first draw down.

Note	2007 Rupees	2006 Rupees
18 NON-PARTICIPATORY REDEEMABLE CAPITAL		
Balance at beginning of year	349,860,000	350,000,000
Less: Redeemed during the year	349,860,000	140,000
	-	349,860,000
Less: Current portion	-	140,000
Balance at end of year	-	349,720,000

- 18.1 The Company raised Rs. 350 million by issuing 70,000 term finance certificates (TFCs) of Rs. 5,000 each, on March 17, 2005 for meeting working capital requirements and repayments of outstanding loan liabilities. These were listed on Lahore Stock Exchange. The TFCs has been redeemed fully on June 29, 2007.

Rating

The TFCs were rated A (Single A) by JCR-VIS on September 21, 2005.

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Terms of repayment

After an initial redemption of four installments of Re.1 per certificate semi annually in the grace period, the principal amount was repayable in six semi annual installments after a grace period of twenty four months from the last date of public subscription.

Call option

The Company had option to redeem in full the outstanding amount of the TFCs by exercising the call option. This option was exercisable after a period of twenty four months from the last date of public subscription upon giving written notice of not less than sixty days to the TFCs holders and the trustee. The TFCs holders had no right to exercise put option.

In case of the exercise of the call option, the Company had to pay ; (a) the redemption amount of the scrips of the TFCs maturing for payment on the option redemption date; and (b) the outstanding issue price allocated to the then outstanding TFCs (excluding the TFC scrip for which payment of the redemption amount.

Rate of return

The rate of return on TFCs, payable semi-annually, was calculated at average six months KIBOR plus 2.50% per annum with no floor and no caps.

Security

The TFCs were secured by way of pari passu charge on all present and future fixed assets of the Company with at least 25% security margin. Additionally, the Company had committed to provide a bank guarantee of Rs. 70 million from a minimum 'A' rated bank at all times.

Trustee

In order to protect the interest of TFCs holders, First Dawood Investment Bank Limited was appointed as trustee under the trust deed, dated December 15, 2004. The bank was being paid a fee at the rate of 0.025% per annum of the outstanding balance of the TFCs.

In case of default on any of its obligation, the trustee could enforce the Company's obligation in accordance with the terms of the deed. The proceeds of any such enforcement had to be distributed to the TFCs holders at that time on pari-passu basis in proportion to the amounts owed to them pursuant to the TFCs.

19	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	Note	2007 Rupees	2006 Rupees
	Present value of minimum lease payments		133,336,902	175,169,557
	Less: current portion	24	58,372,017	55,060,249
			<u>74,964,885</u>	<u>120,109,308</u>

- 19.1 The Company has entered into lease agreements with various leasing companies to acquire plant and machinery and vehicles. 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 7.00% to 13.07% (2006: 7.50% to 14.00%) 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. Taxes, repairs, replacements and insurance costs are borne by the Company. There are no financial restrictions in lease agreements.

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

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
Minimum lease payments			
Not later than one year		71,176,889	70,459,307
Later than one year but not later than five years		83,519,935	135,361,402
		154,696,824	205,820,709
Less: Finance cost allocated to future periods		21,359,922	30,651,152
		133,336,902	175,169,557
Less: Current portion		58,372,017	55,060,249
		74,964,885	120,109,308
Present value of minimum lease payments			
Not later than one year		58,372,017	55,060,249
Later than one year but not later than five years		74,964,885	120,109,308
		133,336,902	175,169,557
20 DEFERRED LIABILITY			
Employee retirement benefits		1,396,682	2,714,549
		1,396,682	2,714,549
20.1	Provision has been made on the basis of internal assessment of management based on the actuarial assumptions. The assumptions are determined by independent actuary after every three years. Latest actuarial valuation of these benefits was carried out on June 30, 2006 using "Projected Unit Credit Method".		
	Assumptions used for valuation for the scheme are as under:		
		Per annum	
Discount rate		9%	
Expected rate of increase in salaries		8%	
Expected remaining life time of employees		4 years	
20.2 Movement in liability			
Balance at beginning of year		2,714,549	2,781,343
Charge for the year		2,971,518	3,016,881
Benefits paid during the year		(4,289,385)	(3,083,675)
Balance at end of year		1,396,682	2,714,549
20.3 Balance sheet reconciliation as at June 30,			
Present value of obligation		1,320,332	2,638,199
Un-recognized actuarial gain		76,350	76,350
		1,396,682	2,714,549
20.4 Charge for the year			
Service cost		2,734,080	2,766,560
Interest cost		237,438	250,321
		2,971,518	3,016,881

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

			2007 Rupees	2006 Rupees	
21	TRADE AND OTHER PAYABLES	Note			
	Creditors		29,007,070	18,725,965	
	Accrued liabilities		19,296,672	24,215,735	
	Advances from customers		733,990	82,836	
	Workers' profit participation fund	21.1	3,199,985	6,562,598	
	Others		733,244	509,453	
			<u>52,970,961</u>	<u>50,096,587</u>	
21.1	Workers' profit participation fund				
	Balance at beginning of year		6,562,598	5,056,784	
	Allocation / expense for the year		3,199,985	6,414,774	
	Interest on funds utilized in the Company's business		-	147,824	
			<u>9,762,583</u>	<u>11,619,382</u>	
	Payments made during the year		6,562,598	5,056,784	
	Balance at end of year		<u>3,199,985</u>	<u>6,562,598</u>	
	Interest on workers' profit participation fund has been provided at Nil (2006: 11%) per annum.				
22	MARK UP ACCRUED ON LOANS				
	Markup accrued on:				
	Long-term financing		3,376,841	3,791,987	
	Non-participatory redeemable capital		-	11,652,175	
	Liabilities against assets subject to finance lease		677,793	697,262	
	Short-term borrowings		10,549,661	11,537,350	
			<u>14,604,295</u>	<u>27,678,774</u>	
23	SHORT-TERM BORROWINGS				
	From banking companies- Secured				
		Sanctioned limit Rupees in million			
	Cash finance	1,425	23.2	498,966,036	158,937,778
	Finance against packing credit	30	23.3	30,000,000	29,989,000
	Finance against foreign bills	270	23.4	2,130,000	25,145,000
	FE- 25 export	830	23.5	280,848,524	288,500,426
	Running finance	60	23.6	50,502,633	60,984,233
		<u>2,615</u>		<u>862,447,193</u>	<u>563,556,437</u>

23.1 The aggregate unavailed short-term borrowings amount to Rs. 923 million (2006: Rs. 1,270 million)

23.2 These facilities have been obtained from various banks under mark up arrangements and carry mark up ranging from 10.12% to 13.13% (2006: 9.67% to 14.03%) per annum. These are secured against pledge of stocks of cotton lint and cotton yarn amounting to Rs. 521.410 million (2006: Rs. 166.09 million), ranking hypothecation charge over current assets of the Company amounting to Rs. 427.000 million (2006: Rs. 300.000 million), lien over export documents and personal guarantees of directors of the Company. These facilities will expire on various dates by June 30, 2008.

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

- 23.3 This facility has been obtained from a commercial bank and carries mark up at the rate of 10.12% to 11.56% (2006: 8.92% to 10.81%) per annum. This is secured against lien over export documents and personal guarantees of directors of the Company. The facility will expire on March 31, 2008.
- 23.4 This facility has been obtained from a commercial bank and carrying mark up ranging from 10.12% to 11.62% (2006: 9.92% to 11.66%) per annum. These are secured against lien over export documents and personal guarantees of directors of the Company. The facility will expire on March 31, 2008.
- 23.5 These facilities have been obtained from various banks and carry mark up ranging from 8.00% to 12.00% (2006: 6.53% to 7.54%) per annum. These are secured against pledge of cotton and yarn amounting to Rs. 168.947 million (June 30, 2006: Rs. 272.86 million), ranking hypothecation charge over current assets of the Company amounting to Rs. 427.000 million (2006: Rs. 300.000 million), lien on export documents and personal guarantees of directors of the Company. These facilities will expire on various dates by March 31, 2008.
- 23.6 These facilities have been obtained from various banks and carry mark up ranging from 10.10% to 12.41% (2006: 8.92% to 11.34%) per annum. These are secured against first hypothecation charge of Rs. 200 million (2006: Rs. 200 million) over current assets of the Company including stock in process, first equitable mortgage charge on all present and future fixed assets and first hypothecation charge on plant and machinery of the Company and existing charge of Rs. 631 million. These facilities will expire on various dates by March 31, 2008. These include book overdraft of Rs. 3,834,907 (June 30, 2006: Rs. 1,598,435).

24	CURRENT PORTION OF NON-CURRENT LIABILITIES	Note	2007 Rupees	2006 Rupees
	Long-term financing	17	33,851,912	31,149,418
	Non-participatory redeemable capital	18	-	140,000
	Liabilities against assets subject to finance lease	19	58,372,017	55,060,249
			<u>92,223,929</u>	<u>86,349,667</u>

25 CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

In case of default in payment of rescheduled loan from Habib Bank Limited, the restructured package would automatically stand cancelled and consequently the original terms of loan shall apply. In such case an amount equal to adjustment of finance cost i.e. Rs. 116,466,477 shall be payable by the Company. Please also refer to the note 16.2 to these financial statements.

25.2 Guarantees

Habib Bank Limited	25.2.1	25,373,120	25,373,120
First Dawood Investment Bank Limited	25.2.2	-	70,000,000
		<u>25,373,120</u>	<u>95,373,120</u>

25.2.1 Guarantee issued by the Habib Bank Limited to Sui Northern Gas Pipelines Limited on behalf of the Company.

25.2.2 Guarantee issued by the First Dawood Investment Bank Limited in respect of non participatory redeemable capital on behalf of the Company. The guarantee has been released as the Company has redeemed all TFCs during the

25.3 Commitments

Letters of credit for import of:

- plant and machinery	150,089,060	9,141,679
- raw material	133,707,903	70,788,617
- stores, spare parts and loose tools	1,337,087	857,057
	<u>285,134,050</u>	<u>80,787,353</u>

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

26	SALES - NET	2007			2006		
		Local	Export	Total	Local	Export	Total
		Rupees					
	Gross sales						
	Finished goods	555,250,626	1,057,184,915	1,612,435,541	406,960,376	1,170,045,390	1,577,005,766
	Waste	99,047,310	-	99,047,310	86,455,011	-	86,455,011
	Cotton	-	-	-	102,083,059	-	102,083,059
		654,297,936	1,057,184,915	1,711,482,851	595,498,446	1,170,045,390	1,765,543,836
	Less: Commission	1,315,190	27,608,076	28,923,266	1,213,363	19,454,844	20,668,207
	Sales return	17,581,195	-	17,581,195	1,004,360	-	1,004,360
		635,401,551	1,029,576,839	1,664,978,390	593,280,723	1,150,590,546	1,743,871,269
27	COST OF SALES				Note	2007 Rupees	2006 Rupees
	Raw material consumed				27.1	900,625,374	896,683,796
	Packing material consumed					23,873,162	22,425,691
	Salaries, wages and benefits				27.2	93,937,738	77,482,256
	Fuel and power					97,249,928	104,923,298
	Stores, spare parts and loose tools consumed					20,110,844	22,865,375
	Insurance					6,471,679	6,982,941
	Dyes and chemicals					17,140,677	18,323,105
	Depreciation				3.2	74,414,958	73,854,578
	Other					10,797,658	8,870,075
						1,244,622,018	1,232,411,115
	Work-in-process - opening					10,006,733	9,572,413
	Less: work-in-process - closing					11,833,321	10,006,733
	Cost of goods manufactured					1,242,795,430	1,231,976,795
	Finished stocks - opening					36,114,510	34,276,347
	Add : Cost of goods manufactured					1,242,795,430	1,231,976,795
	Yarn purchased					175,831,032	198,705,162
					1,418,626,462	1,430,681,957	
					1,454,740,972	1,464,958,304	
Less: Finished stocks - closing					41,893,131	36,114,510	
Cost of goods sold					1,412,847,841	1,428,843,794	
27.1	Raw material consumed						
	Opening stock					504,463,439	613,311,439
	Add: Purchases					1,004,946,388	787,835,796
						1,509,409,827	1,401,147,235
	Less: closing stock					608,784,453	504,463,439
						900,625,374	896,683,796

27.2 Salaries, wages and benefits include employee retirement benefits amounting to Rs. 2.972 million (2006: Rs. 3.016 million).

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

			2007 Rupees	2006 Rupees
28	OTHER OPERATING INCOME	Note		
	Income from financial assets			
	Foreign exchange gain		43	1,812
	Markup on advances given to jointly controlled entity		228,224	252,711
	Income from assets other than financial assets			
	Income tax refund allowed		4,552,441	-
	Gain on disposal of property, plant and equipment	28.1	765,449	23,057,727
			<u>5,546,157</u>	<u>23,312,250</u>
28.1	This includes profit on disposal of free hold land amounting to Rs. NIL (2006: Rs. 22.149 million) to Hira Terry Mills Limited a jointly controlled entity.			
29	DISTRIBUTION COST			
	Freight / export forwarding charges		36,060,357	36,481,494
	Others		2,516,781	2,579,949
			<u>38,577,138</u>	<u>39,061,443</u>
30	ADMINISTRATIVE EXPENSES			
	Salaries, allowances and other benefits	30.1	10,799,085	12,514,546
	Repair and maintenance		81,097	188,855
	Rents, rate and taxes		297,962	879,700
	Electricity, water and gas		503,718	820,831
	Printing and stationary		252,679	641,967
	Vehicles running and maintenance		1,041,144	1,075,430
	Postage, telephone and fax		1,059,021	1,938,123
	Fee and subscription		439,119	1,869,433
	Donations	30.2	-	570,500
	Entertainment		81,811	140,989
	Legal and professional charges		762,297	501,904
	Newspaper and periodicals		8,420	13,742
	Traveling and conveyance		1,285,503	1,596,969
	Insurance		104,155	215,967
	Auditors' remuneration	30.3	355,000	435,000
	Initial public offer (IPO) / Pre-IPO expenses		15,855,558	1,523,029
	Depreciation	3.2	2,301,494	2,284,162
	Others		611,665	1,425,758
			<u>35,839,728</u>	<u>28,636,905</u>
30.1	Salaries, wages and other benefits include provident fund amounting to Rs. 735,945 (2006: Rs. 677,686)			
30.2	No director or his spouse had any interest in the donee institutions.			
30.3	Auditors' remuneration			
	Annual audit fee		250,000	200,000
	Audit fee for interim periods for listing of the Company		-	220,000
	Review report on Code of Corporate Governance		80,000	-
	Out of pocket expenses		25,000	15,000
			<u>355,000</u>	<u>435,000</u>

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

			2007 Rupees	2006 Rupees
31	OTHER OPERATING EXPENSES	Note		
	Workers' profit participation fund		3,199,985	6,414,774
	Workers' welfare fund		458,618	-
	Impairment of property, plant and equipment	3.5	557,122	-
			<u>4,215,725</u>	<u>6,414,774</u>
32	FINANCE COST			
	Markup on:			
	- long-term financing		13,845,088	15,627,123
	- non-participatory redeemable capital		44,479,152	38,432,256
	- liabilities against assets subject to finance lease		20,214,407	16,229,309
	- short-term borrowings		65,887,471	73,297,943
	- workers' profit participation fund		-	147,824
	Bank charges and guarantee commission		13,767,015	13,731,446
			<u>158,193,133</u>	<u>157,465,901</u>
33	PROVISION FOR TAXATION			
	Current			
	- for the year		15,823,248	16,698,582
	- for prior years		-	(475,497)
			<u>15,823,248</u>	<u>16,223,085</u>

Income tax assessment of the Company has been finalized up to tax year 2004. Assessment for the tax year 2006 is deemed assessment in terms of section 120(1) of the Income Tax Ordinance, as per the return filed by the Company.

33.1 Numerical reconciliation between the average tax rate and the applicable tax rate

The numerical reconciliation between the average tax rate and the 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 or falls under final tax regime and hence tax has been provided under sections 154 and 169 of the Income Tax Ordinance, 2001.

33.2 Deferred

The Company is expected to be assessed under the final tax regime for the future periods, therefore timing differences are not expected to reverse in foreseeable future and accordingly no provision for deferred taxation has been made in these financial statements.

34 EARNINGS PER SHARE - BASIC AND DILUTED

The calculation of the basic earnings per share is based on the following data :

Earnings

Profit after taxation	<u>6,626,049</u>	<u>90,537,617</u>
	Number of shares	
Weighted average number of ordinary shares outstanding	<u>56,004,055</u>	<u>46,552,000</u>
Earnings per share (Rupees)	<u>0.12</u>	<u>1.94</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.

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	2007	2006	2007	2006	2007	2006
	-----Rupees-----					
Remuneration	835,022	731,124	2,072,898	2,541,578	2,177,238	566,676
House rent	337,055	329,005	709,159	1,065,710	870,895	255,004
Retirement benefits	82,467	73,308	34,653	93,632	188,258	49,980
Motor vehicle expenses	77,710	188,234	407,585	435,575	481,869	148,176
Utilities	-	36,552	120,000	100,924		5,664
Others	230,456	150,000	207,290	104,150	217,724	22,668
	1,562,710	1,508,223	3,551,585	4,341,569	3,935,984	1,048,168
No of persons	1	1	3	5	3	1

36 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise jointly controlled company, directors, key management personnel of the Company and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties.

Description	2007	2006
Transactions with jointly controlled entity - Hira Terry Mills Limited (HTL)	Rupees	Rupees
Equity injection in HTL	85,876,000	56,674,000
Sale of freehold land to HTL	-	26,486,250
Disposal of vehicle to HTL	-	325,000
Payment to and on behalf of HTL	227,792,376	166,984,730
Amount received from HTL	237,526,598	167,090,210
Sales of yarn and dyes and chemicals to HTL	20,906,889	-
Markup charged on balance due from HTL	228,224	252,711
Transactions with Other related parties		
Remuneration paid to directors and chief executive of the Company	5,114,295	5,849,792
Advance given to technical director	-	500,000
Payment to Employees' Provident Fund Trust	<u>1,336,395</u>	<u>4,879,911</u>
	<u>578,780,777</u>	<u>429,042,604</u>
Compensation of key management personnel		
Remuneration of key management personnel during the year are as follows :		
Remuneration and other benefits	5,062,565	3,469,971
Post employment benefits	<u>288,229</u>	<u>204,029</u>
	<u>5,350,794</u>	<u>3,674,000</u>

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

37 FINANCIAL INSTRUMENTS

37.1 Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments. Changes in interest rates can adversely affect the rates charged on interest bearing liabilities. This can result in an increase in interest expense relative to financial borrowings or vice versa. The Company manages its risk by maintaining a fair balance between interest rates, financial assets and financial liabilities. The effective interest rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

2007			2006		
Interest / markup bearing	Non Interest / markup bearing	Total	Interest / markup bearing	Non Interest / markup bearing	Total
Rupees					

Financial assets

Maturity up to one year

Trade debts	-	82,637,486	82,637,486	-	93,662,893	93,662,893
Advances	-	1,176,889	1,176,889	-	1,048,355	1,048,355
Deposits and short-term prepayments	-	1,389,299	1,389,299	-	4,046,723	4,046,723
Other receivable	11,979,264	-	11,979,264	307,599	36,922	344,521
Cash and bank balances	10,818	3,363,023	3,373,841	10,818	26,261,029	26,271,847

Maturity after one year

Long- term deposits	-	3,318,218	3,318,218	-	3,318,218	3,318,218
	11,990,082	91,884,915	103,874,997	318,417	128,374,140	128,692,557

Financial liabilities

Maturity up to one year

Long-term financing	33,851,912	-	33,851,912	31,149,418	-	31,149,418
Non- participatory redeemable capital	-	-	-	140,000	-	140,000
Liabilities against assets subject to finance lease	58,372,017	-	58,372,017	55,060,249	-	55,060,249
Trade and other payables	-	52,970,961	52,970,961	-	50,096,587	50,096,587
Markup accrued on loans	-	14,604,295	14,604,295	-	27,678,774	27,678,774
Short-term borrowings - secured	862,447,193	-	862,447,193	563,556,437	-	563,556,437

Maturity after one year

Long-term financing	214,525,534	-	214,525,534	145,579,941	-	145,579,941
Non- participatory redeemable capital	-	-	-	349,720,000	-	349,720,000
Liabilities against assets subject to finance lease	74,964,885	-	74,964,885	120,109,308	-	120,109,308

1,244,161,541	67,575,256	1,311,736,797	1,265,315,353	77,775,361	1,343,090,714
(1,232,171,459)	24,309,659	(1,207,861,800)	(1,264,996,936)	50,598,779	(1,214,398,157)

On balance sheet gap - June 30, 2005

(725,502,285)	(615,384,435)	(1,340,886,720)	143,381,793	4,714,659	(1,192,790,268)
---------------	---------------	-----------------	-------------	-----------	-----------------

Off balance sheet items

Financial commitments

Maturity up to one year

Adjustment of finance cost	-	116,466,477	116,466,477	-	116,466,477	116,466,477
Guarantees	-	25,373,120	25,373,120	-	95,373,120	95,373,120
Letters of credit	-	285,134,050	285,134,050	-	80,787,353	80,787,353
	-	426,973,647	426,973,647	-	292,626,950	292,626,950

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

37.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. Out of the total financial assets of Rs. 103,874,997 (2006: Rs. 128,692,557), the financial assets which are subject to credit risk amounted to Rs. 67,533,741 (2006: Rs. 52,237,620). The Company manages credit risk in trade receivables by limiting significant exposure to individual customers by obtaining advance against sales.

The Company is exposed to credit risk on deposits, local trade debts and receivable from contractors. The Company seeks to minimize the credit risk exposure through dealing with customers considered credit worthy and obtaining securities where applicable.

37.3 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The 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 customers.

37.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The total foreign currency risk exposure is Rs. (2006: Rs.) in respect of trade debts.

37.5 Fair value of financial assets and liabilities

The carrying value of all financial assets and financial liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

38 PLANT CAPACITY AND ACTUAL PRODUCTION

Spinning	2007	2006
	(Numbers)	
Spindles installed	33,792	33,792
Shifts per day	3	3
Spindle worked	37,002,240	37,002,240
	Bags	
Capacity after conversion into 20/1 count	284,633	284,633
	Kilograms	
Capacity after conversion into 20/1 count	12,910,953	12,910,953
Actual production of yarn after conversion into 20/1 count	11,973,419	12,666,980

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

Doubling	(Numbers)	
Spindles installed	2,064	2,064
Spindles worked	2,260,080	2,260,080
	Bags	
Capacity after conversion into 20/1 count	56,000	56,000
Actual production of yarn after conversion into 20/1 count	40,294	53,956

Under utilization of available sources was due to actual demand.

Dyeing	(Numbers)	
Machines	4	4
	Kilograms	
Dyeing capacity	1,095,000	1,095,000
Actual dyeing production	877,618	942,095

Under utilization of available sources was due to actual demand.

39 NON-CASH TRANSACTIONS

Additions to fixed assets during the year amounting to Rs. 14,810,000 (2006: Rs. 39,037,000) million were financed by new finance lease.

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on 29 th, september 2007.

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

41 RE-ARRANGEMENT AND RE-CLASSIFICATION

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

From	To	Reason	Rupees
Other receivables	Deposits prepayments and other receivable	Better presentation of balance	7,428,715
Investment	Deposits prepayments and other receivable	Better presentation of balance	54,888
Trade and other payables	Short-term borrowings	Better presentation of balance	29,092,957
Markup accrued on long-term financing	Non- participatory redeemable capital	Better presentation of balance	6,360,270

42 GENERAL

Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE OFFICER

CHAIRMAN / DIRECTOR

**Pattern of Shareholding
As at June 30, 2007**

Share Holders	Shareholding		Total Shares Held
	From	To	
221	101	500	110,500
433	501	1000	433,000
99	1001	5000	263,048
23	5001	10000	193,000
9	10001	15000	113,500
6	15001	20000	118,500
1	20001	25000	24,000
1	25001	30000	30,000
1	35001	40000	40,000
3	45001	50000	150,000
1	60001	65000	65,000
1	65001	70000	67,000
4	95001	100000	400,000
1	105001	110000	107,000
1	120001	125000	122,000
1	245001	250000	250,000
1	270001	275000	275,000
1	290001	295000	293,047
1	395001	400000	400,000
1	435001	440000	439,570
1	495001	500000	500,000
3	585001	590000	1,758,279
1	815001	820000	819,720
1	875001	880000	879,140
1	915001	920000	919,072
2	1170001	1175000	2,344,374
1	1315001	1320000	1,318,710
1	1405001	1410000	1,406,624
1	1505001	1510000	1,507,880
1	1755001	1760000	1,758,280
1	1995001	2000000	2,000,000
1	2555001	2560000	2,558,253
1	2635001	2640000	2,637,420
1	3945001	3950000	3,948,803
1	4655001	4666000	4,659,450
1	4730001	4735000	4,732,112
2	4840001	4845000	9,686,864
1	24220001	24225000	24,222,854
832			71,552,000

Categories of Shareholders

Description	Shares Held	%
-------------	-------------	---

Director, Chief Executive Officer, and their Spouse, and minor children.

Mr. Muhammad Umar Virk	24,222,854	33.85
Mr. Nadeem Aslam Butt	819,720	1.15
Mrs. Shahnaz Umar	4,732,112	6.61
Mr. Umair Umar	4,843,432	6.77
Miss Umaira Umar	4,843,432	6.77
Mr. Saeed Ahmad Khan	4,048	0.01
Mrs. Sadiya Umair	4,659,450	6.51
Mrs. Fatima Nadeem W/O Mr. Nadeem Aslam Butt	1,507,880	2.11

	45,632,928	63.78
--	-------------------	--------------

Associated Companies, undertakings and related parties.

NIL

NIT and ICP

NIL

Bank, Development Finance Institutions, Non Banking Finance Institutions

	16,208,154	22.65
--	------------	-------

Insurance Companies.

	400,000	0.56
--	---------	------

Moderabas and Mutual Funds

NIL

Joint Stock Companies

	3,239,593	4.53
--	-----------	------

Shareholders holding 10% or more

Mr. Muhammad Umar Virk	24,222,854	33.85
------------------------	------------	-------

Executives

	2,000	0.00
--	-------	------

General Public

Local	6,049,325	8.45
Foreign	Nil	

Others

	20,000	0.03
--	--------	------

	71,552,000	100.00
--	-------------------	---------------

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 27, 2007 (Saturday) at 3.00 PM 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 _____ 2007 signed by the said _____ in presence of _____

Witness

Signature

Signature

Affix

Revenue

Stamp

Notes:

- a. Proxies, in order to be effective, must be received at the Company's Registered Office / head Office not less than 48 hours before the meeting duly stamped, signed and witnessed.
- b. Signature must agree with the specimen signature registered with the Company.
- c. In case of Central Depository System Account Holder, an attested copy of identity Card should be attached to this proxy form.
- d. No person shall act as proxy unless he is member of the company.