



*Half Yearly Accounts December 31, 2020  
(Un-Audited)*





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## COMPANY INFORMATION

### CHAIRPERSON

Mrs. Shahnaz Umar

### CHIEF EXECUTIVE

Mr. Mohammad Mahboob

### BOARD OF DIRECTORS

Mrs. Shahnaz Umar  
Mr. Mohammad Mahboob  
Mrs. Sadiya Umair  
Mr. Muhammad Tariq  
Mrs. Zainab Malik  
Mr. Saeed Ahmed Khan  
Mr. Shaukat Nazir Malik

### AUDIT COMMITTEE

Mr. Shaukat Nazir Malik	Chairman
Mr. Muhammad Tariq	Member
Mrs. Zainab Malik	Member

### HUMAN RESOURCE & REMUNERATION COMMITTEE

Mrs. Zainab Malik	Chairperson
Mrs. Sadiya Umair	Member
Mr. Mohammad Mahboob	Member

### COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Mr. Saeed Ahmad Khan

### AUDITORS

M/S Rahman Sarfaraz Rahim Iqbal Rafiq. (Chartered Accountants)  
Member of Russell Bedford International.  
72-A, Faisal Town, Lahore.

### TAX ADVISER

M/S Tipu Associates  
97/8-B, Babar Block, Garden Town, Lahore

### AUDITORS

Rahman Sarfaraz Rahim Iqbal Rafiq (Chartered Accountants)  
Member of Russel Badford International.  
72-A, Faisal Town, Lahore.

### LEGAL ADVISER

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

### REGISTRAR OF THE COMPANY

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

### REGISTERED OFFICE

8 KM Manga Raiwind Road, Raiwind District Kasur  
Ph: + 92 42 353935360-64  
W: [www.hiratex.com.pk](http://www.hiratex.com.pk)

### MILLS

8 KM Manga Raiwind Road Raiwind District Kasur



## Directors' Report

The Directors are pleased to present the reviewed financial statements of the Company for the half-year ended December 31, 2020.

Following are the Operating financial results of the Company.

	Six months ended 31 December 2020	Six months ended 31 December 2019
	<i>Rupees</i>	<i>Rupees</i>
Sales - Net	852,216,787	693,424,829
Gross profit (Loss)	15,531,050	(73,629,010)
Operating Profit (Loss)	22,556,888	(75,643,559)
Share of profit of Associate	-	(68,867,548)
Profit/ (Loss) after Tax	(34,506,116)	(275,322,634)
(Loss) / Earning per Share	(0.40)	(3.18)

### Review of business during this period and Future outlook

The Company's sales are Rs. 852.216 million as compared to Rs.693.425 million during the corresponding period of last year showing an increase of 22.90%. Gross Profit for the period is Rs.15.531 million as compared to the gross loss of Rs.73.629 million in the corresponding period. The decrease in Gross Loss is mainly due to effective cost control. Profit from operations is Rs.22.56 million as compared to operation Loss of Rs. 75.644 million in the corresponding period. The decrease in loss is attributed due to lease rental income of yarn dyeing section of the company. After tax loss is Rs. 34.506 million as compared to loss of Rs. 275.322 million in the corresponding period. (Loss)/ Earnings per share for the six-month period are Rs. (0.40) as compared to Rs. (3.18) during the corresponding period of last year.

The company has launched new variety of special yarn – Melange and Open End Yarn in the market in the beginning of second quarter of current financial year. The management cautiously optimistic about the textile sector in the near future. Value added business producing home textile, towels, denim and knitting garments have received excellent order from abroad. The higher export and capacity utilization of the value added sector has increased demand for yarn in local market. It is hoped that demand surge in the local market will last for the rest of the financial year. However, the management of the company is putting its best efforts forward by taking severe cost cutting measures to increase the profit margins and to improve the margins further through better production and marketing strategies in the remaining six months of the year.

The Directors wish to express their appreciation to the staff & workers of the Company for their dedication & devotion displayed in the success & sales growth of the company.

On behalf of the Board

**Mrs. Shahnaz Umar**  
(Chairperson)

**Mr. Mohammad Mahboob**  
(Chief Executive Officer)

Lahore  
February 26, 2021



## ڈائریکٹرز رپورٹ

ڈائریکٹرز 31 دسمبر 2020ء کو اختتام ششماہی کے لئے آڈیٹرز سے جائزہ شدہ مالیاتی معلومات پیش کرتے ہوئے خوش محسوس کرتے ہیں۔  
کمپنی کے عملی مالیاتی نتائج درج ذیل ہیں۔

نتیجہ ششماہی 31 دسمبر 2020ء	نتیجہ ششماہی 31 دسمبر 2019ء	
روپے	روپے	
852,216,787	693,424,829	فروختی (Net)
15,531,050	(73,629,010)	مجموعی منافع (نقصان)
22,556,888	(75,643,559)	اپریٹنگ منافع (نقصان)
-	(68,867,548)	ایسوسی ایٹڈ کمپنی کے منافع کا حصہ
(34,506,116)	(275,322,634)	منافع (نقصان) بعد از ٹیکس
(0.40)	(3.18)	آمد (نقصان) فی شیئر

### اس مدت کے دوران کاروبار کا جائزہ اور مستقبل پر نظر

کمپنی کی زیر جائزہ مدت کے دوران فروخت شدہ مال کی مالیت 852.216 ملین روپے ہے جبکہ پچھلے سال اسی مدت کے دوران فروخت شدہ مال کی مالیت 693.425 ملین روپے تھی۔ جوگزشتہ سال سے 22.90% زیادہ ظاہر کر رہی ہے۔ زیر جائزہ مدت کے دوران مجموعی منافع 15.531 ملین روپے رہا جبکہ پچھلے سال اسی مدت کے دوران مجموعی نقصان 73.629 ملین روپے تھا۔ مجموعی نقصان میں کمی کی بنیادی وجہ اخراجات پر موثر کنٹرول ہے۔ کمپنی کا آپریشنل منافع 22.56 ملین روپے رہا جبکہ پچھلے سال اسی مدت کے دوران آپریشنل نقصان 75.644 ملین روپے تھا۔ آپریشنل منافع کی وجہ کمپنی کے ڈائمنگ سیکشن کی لیز سے حاصل شدہ آمدنی ہے۔ بعد از ٹیکس نقصان 34.506 ملین روپے ہے جبکہ پچھلے سال اسی مدت میں بعد از ٹیکس نقصان 275.322 ملین روپے تھا۔ رواں ششماہی کے لئے فی حصص نقصان (0.40) روپے ہے۔ جبکہ پچھلے سال کی اسی مدت کے دوران فی حصص نقصان (3.18) روپے تھا۔

کمپنی نے موجودہ سال کی دوسری سدماہی کے شروع میں ایکشنل دھاگہ کی ایک قسم میلاؤ اور اوپن انڈیا رن متعارف کروائی ہے۔ کمپنی کی اصطلاحی مستقبل قریب میں ٹیکسٹائل کے شعبہ میں محتاط انداز میں پُر امید ہے۔ ہوم ٹیکسٹائل تو لے، ڈینم اور بٹے ہوئے لباس تیار کرنے والے ویلیو ایڈڈ کاروبار کو بیرون ملک سے شاندار آرڈر موصول ہوئے ہیں۔ ویلیو ایڈڈ سیکٹر کی برآمدات اور صلاحیت کے زیادہ استعمال سے مقامی مارکیٹ میں سوت کی طلب میں اضافہ ہوا ہے۔ اُمید کی جارہی ہے کہ مقامی مارکیٹ میں طلب میں اضافہ کم از کم مالی سال کے باقی عرصے تک برقرار رہے گا۔ تاہم کمپنی کی انتظامیہ یقیناً دوسری ششماہی میں بہتر منافع کے حصول کے لئے اور پیداواری لاگت میں کمی لانے کے لئے سخت اقدامات اٹھانے کے ساتھ ساتھ بہتر پیداوار اور مارکیٹنگ حکمت عملی کے ذریعے اپنی تمام تر صلاحیتوں کو بروئے کار لاتے ہوئے اس میں بہتری کے لئے پُر امید ہے۔

ڈائریکٹرز، کمپنی کے عملے اور کارکنان کی اپنے کام کی لگن اور تیار رکے لئے جو انھوں نے کمپنی کی بہتری کے لئے کی ہیں کو تسکین کی نظر سے دیکھتے اور سراہتے ہیں۔

منجانب بورڈ

م. م. م. م.

مہر شہناز زمر

چیر پرسن

م. م. م. م.

محمد محبوب

چیف ایگزیکٹو

لاہور

26 فروری 2021ء



# INDEPENDENT AUDITOR'S REVIEW REPORT

## To the members of HIRA TEXTILE MILLS LIMITED Report on review of Interim Financial Statements

### *Introduction*

We have reviewed the accompanying condensed interim statement of financial position of **HIRA TEXTILE MILLS LIMITED** [‘the Company’] as at December 31, 2020 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the “interim financial statements”). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures for the three-month period ended December 31, 2020 of the condensed interim statement of profit or loss, condensed interim statement of comprehensive income have not been reviewed as we are required to review only cumulative figures for the six-month period ended on that date.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information performed by the Independent Auditor of the Entity.” A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Basis for Adverse Conclusion*

Our audit opinion on the financial statements for the year ended June 30, 2020 was modified because we did not receive responses to our requests for direct confirmations from bankers of the Company for debt finances amounting to Rs. 1,337.847 million and accrued interest thereon amounting to Rs. 265.8 million. We were unable to satisfy ourselves by alternative means concerning these liabilities as at June 30, 2020 and the related interest expense for the year ended June 30, 2020. Our conclusion on review of the annexed interim financial statements is also modified because the matter giving rise to the modification is unresolved in respect of debt finances amounting to Rs. 1,337.847 million and accrued interest thereon amounting to Rs. 277.488 million as at December 31, 2020.

Outstanding principal and accrued interest pertaining to various short term borrowings reported in the financial statements for the year ended June 30, 2020 were not in agreement with responses to our requests for direct confirmation from the bankers of the Company. As a result, current liabilities as at June 30, 2020 were understated by Rs. 2.87 million and Rs. 15.746 million on account of outstanding principal and accrued interest respectively. This matter caused us to modify our audit opinion on the financial statements for the year ended June 30, 2020. The matter giving rise to the modification is unresolved. Accordingly our conclusion on review of the annexed interim financial statements is also modified because of the possible effects of the matter on current period's figures.

The Company was unable to make timely repayments of long term finances and interest thereon. As a result, the Company breached provisions of long term financing agreements with MCB Bank Limited, National Bank of Pakistan and Habib Bank Limited whereby the entire liability under these agreements became payable on demand. International Accounting Standard 1 'Presentation of Financial Statements' requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current. However, the Company classified these finances as non-current liabilities as on June 30, 2020 which caused us to modify our audit opinion on the financial statements for the year then ended and our conclusion on review of the annexed interim financial statements is also modified because the matter giving rise to the modification is unresolved. Had these finances been classified appropriately, the total current liabilities of the Company as at June 30, 2020 and December 31, 2020 would have been higher by Rs. 208.159 million.

Our audit opinion on the financial statements for the year ended June 30, 2020 was modified because we did not receive response to our request for direct confirmation from Hira Terry Mills Limited, a related party for transactions and balances amounting to Rs. 363.642 million and Rs. 212.728 million respectively. We were unable to satisfy ourselves by alternative means concerning these transactions and balances. The matter giving rise to the modification is unresolved. Accordingly our conclusion on review of the annexed interim financial statements is also modified because of the possible effects of the matter on current period's figures.



## HIRA TEXTILE MILLS LIMITED

As referred to in note 2.2 to the interim financial statements, the Company has incurred loss after tax of Rs. 34,584 million during the period ended December 31, 2019. As at the reporting date, the Company has accumulated losses of Rs. 1,896.023 million. Its current liabilities exceed current assets by Rs. 836.142 million. The Company has not been able to make timely repayments of its debt finances and interest thereon. The providers of debt finances have filed recovery suits against the Company for Rs. 1,775.437 million. All short term borrowing facilities availed by the Company stand expired. These factors indicate existence of material uncertainty that raises doubts about the Company's ability to continue as a going concern and that the Company may not be able to discharge its liabilities and realize its assets in the normal course of business. We consider that in the absence of any favourable settlement with the providers of debt finances, ability to obtain further financing and revival of its operations, the Company may not be able to settle its liabilities and realize its assets in the normal course of business. Consequently, the use of going concern assumption in the preparation of annexed interim financial statements is not appropriate and adjustments may be required to the amounts reported in the interim financial statements. The interim financial statements do not disclose this fact.

**Adverse Conclusion**

Our review indicates that, because of the matters described in 'Basis of Adverse Conclusion' section of this report, these interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

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

  
**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
 Chartered Accountants



**Date: February 26, 2021**  
**Place: Lahore**





# Condensed Interim Statement of Financial Position

as at December 31, 2020

Note	December 31, 2020	June 30, 2020
	Rupees	Rupees
	(Un-audited)	(Audited)
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorized capital		
87,000,000 (June 30, 2020: 87,000,000) ordinary shares of Rs. 10 each	870,000,000	870,000,000
Issued, subscribed and paid-up capital	865,779,200	865,779,200
Share premium	82,500,000	82,500,000
Surplus on revaluation of property, plant and equipment	431,584,373	438,903,099
Loan from directors and sponsors	481,500,000	481,500,000
Accumulated losses	(1,826,888,091)	(1,799,700,701)
<b>TOTAL EQUITY</b>	<b>34,475,482</b>	<b>68,981,598</b>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Long term finances	1,272,862,065	1,136,343,968
Lease liability	3,934,918	4,904,925
Employees retirement benefits	17,936,000	14,876,450
Deferred taxation	220,860,514	220,860,514
	<b>1,515,593,497</b>	<b>1,376,985,857</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	625,175,424	558,699,716
Unclaimed dividend	2,757,216	2,757,216
Short term borrowings	719,098,339	809,279,436
Accrued interest	344,169,075	366,899,587
Current portion of non-current liabilities	38,371,166	38,371,166
	<b>1,729,571,220</b>	<b>1,776,007,121</b>
<b>TOTAL LIABILITIES</b>	<b>3,245,164,717</b>	<b>3,152,992,978</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	6	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,279,640,199</b>	<b>3,221,974,576</b>

The annexed notes from 1 to 18 form an integral part of these interim financial statements.

Lahore  
Date : February 26, 2021

  
Chief Executive

  
Chief Financial Officer

  
Chairperson



## Condensed Interim Statement of Financial Position

as at December 31, 2020

	Note	December 31, 2020	June 30, 2020
		Rupees	Rupees
		(Un-audited)	(Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets	7	2,277,631,833	2,295,738,076
Right-of-use assets	8	60,352,643	62,259,751
Long term investments	9	-	-
Long term deposits		48,148,652	48,148,652
		2,386,133,128	2,406,146,479
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		39,298,091	37,366,947
Stock in trade		424,404,684	288,798,084
Trade debts		207,192,403	184,206,555
Advances, deposits, prepayments and other receivables		183,094,695	252,842,646
Advance income tax/income tax refundable		30,475,161	42,997,856
Cash and bank balances		9,042,037	9,616,009
		893,507,071	815,828,097
<b>TOTAL ASSETS</b>		<b>3,279,640,199</b>	<b>3,221,974,576</b>

The annexed notes from 1 to 18 form an integral part of these interim financial statements.

Lahore  
Date : February 26, 2021

  
Chief Executive

  
Chief Financial Officer

  
Chairperson



## Condensed Interim Statement of Profit or Loss (Un-audited)

For the six month period ended December 31, 2020

	Note	Six month ended		Three month ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
		Rupees	Rupees	Rupees	Rupees
Sales - net	10	852,216,787	693,424,829	362,221,710	424,079,161
Cost of sales	11	(836,685,737)	(767,053,839)	(359,316,307)	(459,091,753)
<b>Gross profit/(loss)</b>		<b>15,531,050</b>	<b>(73,629,010)</b>	<b>2,905,403</b>	<b>(35,012,592)</b>
Distribution cost		(627,211)	(31,410)	(619,111)	(23,910)
Administrative expenses		(18,612,551)	(22,204,095)	(10,715,750)	(9,497,737)
		(19,239,762)	(22,235,505)	(11,334,861)	(9,521,647)
Other income		26,265,600	20,220,956	13,305,600	8,220,956
<b>Operating profit/(loss)</b>		<b>22,556,888</b>	<b>(75,643,559)</b>	<b>4,876,142</b>	<b>(36,313,283)</b>
Finance cost		(44,279,752)	(122,143,717)	(18,107,300)	(62,677,907)
		(21,722,864)	(197,787,276)	(13,231,158)	(98,991,190)
Share of loss of associate		-	(68,867,548)	-	(31,309,825)
<b>Loss before taxation</b>		<b>(21,722,864)</b>	<b>(266,654,824)</b>	<b>(13,231,158)</b>	<b>(130,301,015)</b>
Taxation	12	(12,783,252)	(8,667,810)	(7,883,301)	(5,300,990)
<b>Loss after taxation</b>		<b>(34,506,116)</b>	<b>(275,322,634)</b>	<b>(21,114,459)</b>	<b>(135,602,005)</b>
<b>Loss per share - basic and diluted</b>		<b>(0.40)</b>	<b>(3.18)</b>	<b>(0.24)</b>	<b>(1.57)</b>

The annexed notes from 1 to 18 form an integral part of these interim financial statements.

Lahore  
Date : February 26, 2021

  
Chief Executive

  
Chief Financial Officer

  
Chairperson



## Condensed Interim Statement of Comprehensive Income (Un-audited)

*For the six month period ended December 31, 2020*

	Six month ended		Three month ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	Rupees	Rupees	Rupees	Rupees
Other comprehensive income	-	-	-	-
Loss after taxation	(34,506,116)	(275,322,634)	(21,114,459)	(135,602,005)
<b>Total comprehensive loss</b>	<b>(34,506,116)</b>	<b>(275,322,634)</b>	<b>(21,114,459)</b>	<b>(135,602,005)</b>

*The annexed notes from 1 to 18 form an integral part of these interim financial statements.*

Lahore  
Date : February 26, 2021

  
Chief Executive

  
Chief Financial Officer

  
Chairperson



## Condensed Interim Cash Flow Statement (Un-audited)

For the six month period ended December 31, 2020

	Six month ended	
	December 31, 2020	December 31, 2019
	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(21,722,864)	(266,654,824)
<b>Adjustments for non-cash items</b>		
Interest on borrowings	44,279,752	122,143,717
Gain on disposal of property, plant and equipment	-	(220,956)
Provision for employees retirement benefits	5,000,000	4,500,000
Depreciation	60,777,779	62,902,867
Share of loss of associate	-	68,867,548
	110,057,531	258,193,176
<b>Operating profit/(loss) before changes in working capital</b>	<b>88,334,667</b>	<b>(8,461,648)</b>
<b>Changes in working capital</b>		
Stores, spares and loose tools	(1,931,144)	(10,430,485)
Stock-in-trade	(135,606,600)	(167,402,248)
Trade debts	(22,985,848)	515,117,125
Advances, deposits, prepayments and other receivables	69,747,951	(56,058,992)
Trade and other payables	66,475,708	(172,078,050)
	(24,299,933)	109,147,350
<b>Net cash generated from operations</b>	<b>64,034,734</b>	<b>100,685,702</b>
<b>Payments for</b>		
Interest on borrowings	(67,010,264)	(7,296,476)
Income tax	(260,557)	(364,396)
Employees retirement benefits	(1,940,450)	(3,933,565)
<b>Net cash (used in)/generated from operating activities</b>	<b>(5,176,537)</b>	<b>89,091,265</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(40,764,428)	(19,864,937)
Long term deposits made	-	(39,093,631)
Proceeds from disposal of property, plant and equipment	-	579,999
<b>Net cash used in investing activities</b>	<b>(40,764,428)</b>	<b>(58,378,569)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term finances obtained/(repaid)	136,518,097	(7,899,409)
Repayment of lease liability	(970,007)	-
Net decrease in short term borrowings	(90,181,097)	(850,076)
<b>Net cash generated from/(used in) financing activities</b>	<b>45,366,993</b>	<b>(8,749,485)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(573,972)</b>	<b>21,963,211</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>9,616,009</b>	<b>8,316,676</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>9,042,037</b>	<b>30,279,887</b>

The annexed notes from 1 to 18 form an integral part of these interim financial statements.

Lahore  
Date : February 26, 2021

  
Chief Executive

  
Chief Financial Officer

  
Chairperson



## Condensed Interim Statement of Changes in Equity (Un-audited)

For the six month period ended December 31, 2020

	Share capital	Capital reserves			Revenue reserves	
	Issued subscribed and paid-up capital	Share premium	Surplus on revaluation of property, plant and equipment	Loan from directors and sponsors	Accumulated losses	Total equity
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2019 - Audited	865,779,200	82,500,000	465,056,876	-	(1,510,775,030)	(97,438,954)
Comprehensive loss						
Loss after taxation	-	-	-	-	(275,322,634)	(275,322,634)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(275,322,634)	(275,322,634)
Incremental depreciation	-	-	(8,405,915)	-	8,405,915	-
Transaction with owners	-	-	-	-	-	-
Balance as at December 31, 2019 - Un-audited	865,779,200	82,500,000	456,650,961	-	(1,777,691,749)	(372,761,588)
Balance as at January 01, 2020 - Un-audited	865,779,200	82,500,000	456,650,961	-	(1,777,691,749)	(372,761,588)
Comprehensive loss						
Loss after taxation	-	-	-	-	(28,465,937)	(28,465,937)
Other comprehensive loss	-	-	(10,719,908)	-	(570,969)	(11,290,877)
Total comprehensive loss	-	-	(10,719,908)	-	(29,036,906)	(39,756,814)
Surplus on revaluation of property, plant and equipment realised on disposal	-	-	(796,419)	-	796,419	-
Incremental depreciation	-	-	(6,231,535)	-	6,231,535	-
Transaction with owners	-	-	-	-	-	-
Transferred from Long Term loan from Directors and Sponsors	-	-	-	213,493,000	-	213,493,000
Transferred from Short Term loan from Directors and Sponsors	-	-	-	268,007,000	-	268,007,000
Balance as at June 30, 2020 - Audited	865,779,200	82,500,000	438,903,099	481,500,000	(1,799,700,701)	68,981,598
Balance as at July 01, 2020 - Audited	865,779,200	82,500,000	438,903,099	481,500,000	(1,799,700,701)	68,981,598
Comprehensive loss						
Loss after taxation	-	-	-	-	(34,506,116)	(34,506,116)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(34,506,116)	(34,506,116)
Incremental depreciation	-	-	(7,318,726)	-	7,318,726	-
Transaction with owners	-	-	-	-	-	-
Balance as at December 31, 2020 - Un-audited	865,779,200	82,500,000	431,584,373	481,500,000	(1,826,888,091)	34,475,482

The annexed notes from 1 to 18 form an integral part of these interim financial statements.

Lahore  
Date : February 26, 2021

  
Chief Executive

  
Chief Financial Officer

  
Chairperson



# Notes to the Condensed Interim Financial Statements (Un-audited)

*For the six month period ended December 31, 2020*

## 1 LEGAL STATUS AND OPERATIONS

Hira Textile Mills Limited [“the Company”] is incorporated in Pakistan as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017), and is listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 8-KM, Manga Raiwind Road, Raiwind, Distt. Kasur. The principal activity of the Company is manufacturing and sale of yarn. The manufacturing facility is located at Manga Raiwind Road, Tehsil and District Kasur in the province of Punjab.

## 2 BASIS OF PREPARATION

The interim financial statements are un-audited and has been presented in condensed form and does not include all the information as is required to be provided in a full set of annual financial statements. This condensed interim financial information should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2020.

This interim financial statements have been subjected to limited scope review by the auditors of the company, as required by the Companies Act, 2017 under section 237. The comparative condensed interim statement of financial position as at June 30, 2020 and the related notes to the interim financial statements are based on audited financial statements. The comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and related notes to the condensed interim financial statements for the six month period ended December 31, 2019 are based on unaudited, reviewed interim financial statements. The condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three months period ended December 31, 2020 and December 31, 2019 are neither audited nor reviewed.

### 2.1 Statement of compliance

These interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprises of:

- International Accounting Standard 34 - Interim Financial Reporting, issued by International Accounting Standards Board [IASB] as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### 2.2 Appropriateness of the going concern assumption

The Company has been facing unfavorable market conditions, depressed yarn prices following weak demand of spun yarn, increase in raw material and production costs resulting in low margins for past few years. As a result, the Company has incurred loss after taxation of Rs. 34.506 million during the period ended December 31, 2020. As at December 31, 2020, the Company has accumulated losses of Rs. 1,826.888 million as at the reporting date and its current liabilities exceed its current assets by Rs. 836.064 million. The Company has failed to make timely repayments of its debt finances and interest thereon due to which lenders have filed recovery suits against the Company. These factors raise doubts about the Company's ability to continue as a going concern and that the Company may not be able discharge its liabilities and realize its assets in normal course of business. However, these financial statements have been prepared on going concern basis based on the following:

- a) The management of the company has entered into negotiation with the providers of debt finances for restructuring of long term and short term debt including accrued interest thereon. The management successfully negotiated restructuring of short term debt and lease liabilities, including accrued interest thereon with the Bank of Punjab, whereby liabilities amounting to Rs. 229.453 million was converted into long term finance with a grace period upto December 2021 and accrued interest amounting to Rs. 10.899 million was converted into interest free long term finance with repayments commencing from December 2026. A restructuring / rescheduling agreement with Faysal Bank Limited has been finalized and approved. The management is confident that it will be able to secure a reasonable arrangement. Further, rounds of negotiations for debt restructuring with National Bank of Pakistan are also in process and the management expects to secure a favourable deal soon.
- b) The management is vigorously contesting the recovery suits filed by providers of debt finances. Further, the Company has filed countersuits claiming an aggregate recovery of 3,053.244 million.
- c) The Company has continued financial support of its directors and sponsors. Upto June 30, 2020, the directors and sponsors of the Company has provided financial support amounting to Rs. 531.44 million .



## Notes to the Condensed Interim Financial Statements (Un-audited)

### *For the six month period ended December 31, 2020*

- d) The Company has shifted its product mix from manufacturing of coarse count yarn to fine count yarn. This will lead to lower cost of raw material (primarily cotton) and reduction in manpower requirements, reduction in per spindle cost through savings in energy costs as well as upto 60% savings in labour costs. This, coupled with a company-wide cost-cutting drive, is expected to provide the much needed breathing room in terms of liquidity

The management believes that in view of the afore mentioned, the Company will able to continue as a going concern.

#### **2.3 Basis of measurement**

These interim financial statements have been prepared under the historical cost convention except for certain items of property, plant and equipment at revalued amounts, certain financial instruments at fair value/amortized cost and employees retirement benefits at present value. In these interim financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

#### **2.4 Judgments, estimates and assumptions**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

#### **2.5 Functional currency**

This financial information is prepared in Pak Rupees which is the Company's functional currency.

#### **2.6 Date of authorisation for issue**

This interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on February 26, 2020.

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

The following new and revised standards, interpretations and amendments are effective in the current year but are either not relevant to the Company or their application does not have any material impact on the financial statements of the Company other than presentation and disclosures, except as stated otherwise.

#### **3.1 Amendments to References to the Conceptual Framework in IFRS Standards**

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

#### **3.2 Definition of a Business (Amendments to IFRS 3 - Business Combinations)**

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.







## Notes to the Condensed Interim Financial Statements (Un-audited)

*For the six month period ended December 31, 2020*

### 6 CONTINGENCIES AND COMMITMENTS

#### 6.1 Contingencies

There is no significant change in status and amount of contingencies since June 30, 2020.

#### 6.2 Commitments

There are no commitments as at December 31, 2020.

	December 31, 2020	June 30, 2020
	Rupees	Rupees
	(Un-Audited)	(Audited)
<b>7 FIXED ASSETS</b>		
<b>7.1 Operating fixed assets</b>		
Net book value at the beginning of the period/year	2,295,738,076	2,380,081,576
Additions during the period/year		
Buildings on freehold land	432,397	509,963
Plant and machinery	34,013,723	32,110,376
Electric installation	3,421,810	8,065,705
Power house	1,673,676	5,491,848
Factory equipment	249,380	288,681
Computers	118,895	152,125
Furniture and fixtures	11,150	85,892
	39,921,031	46,704,590
Net book value of assets disposed during the period/year	-	(8,523,440)
Depreciation for the period/year	(58,870,671)	(122,524,650)
Net book value at end of the period/year	2,276,788,436	2,295,738,076
<b>7.2 Capital work in progress</b>		
Net book value at the beginning of the period/year	-	-
Additions during the period/year	843,397	-
Net book value at end of the period/year	843,397	-
<b>8 RIGHT-OF-USE ASSETS</b>		
Net book value at beginning of the period/year	62,259,751	66,459,247
Depreciation for the period/year	(1,907,108)	(4,199,496)
Net book value at end of the period/year	60,352,643	62,259,751

### 9 LONG TERM INVESTMENTS

This represents investment in ordinary shares of Hira Terry Mills Limited, an associated company.

	December 31, 2020	June 30, 2020
	Rupees	Rupees
	(Un-Audited)	(Audited)
Percentage of ownership interest	46.90%	46.90%
Cost of investment	184,500,000	184,500,000
18,450,000 shares (June 30, 2020: 18,450,000 shares)		
Bonus Issue @ 20%	36,900,920	36,900,920
Share of post acquisition losses	(221,400,920)	(221,400,920)
	-	-



## Notes to the Condensed Interim Financial Statements (Un-audited)

For the six month period ended December 31, 2020

	Six month ended		Three month ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	Rupees	Rupees	Rupees	Rupees
	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
<b>10 SALES - NET</b>				
Yarn	798,585,097	657,322,838	362,221,710	400,036,588
Dyeing	-	19,422,830	-	19,422,830
Waste	53,631,690	16,679,161	-	4,619,743
	<b>852,216,787</b>	<b>693,424,829</b>	<b>362,221,710</b>	<b>424,079,161</b>
<b>11 COST OF SALES</b>				
Raw material consumed	513,350,345	477,882,620	206,159,616	221,087,968
Packing material consumed	12,247,933	15,035,233	7,370,176	7,308,334
Stores, spares and loose tools consumed	19,465,951	16,292,787	9,058,218	8,000,740
Salaries, wages and benefits	136,431,607	10,015,932	74,436,958	54,429,673
Insurance	2,268,245	3,809,529	618,245	2,200,002
Fuel and power	151,433,013	251,755,638	81,766,934	100,338,437
Dyes and chemicals	-	4,557,346	-	4,557,346
Depreciation	59,562,223	61,644,809	29,543,684	30,822,405
Other manufacturing overheads	10,533,924	4,903,782	8,112,983	3,189,551
	<b>905,293,241</b>	<b>845,897,676</b>	<b>417,066,814</b>	<b>431,934,456</b>
Work in process				
As at beginning of the period	43,810,486	39,802,358	62,137,237	32,172,381
As at end of the period	(72,709,573)	(32,096,223)	(72,709,573)	(32,096,223)
	<b>(28,899,087)</b>	<b>7,706,135</b>	<b>(10,572,336)</b>	<b>76,158</b>
Cost of goods manufactured	<b>876,394,154</b>	<b>853,603,811</b>	<b>406,494,478</b>	<b>432,010,614</b>
Finished goods				
As at beginning of the period	50,182,052	20,352,646	42,712,298	133,983,757
As at end of the period	(89,890,469)	(106,902,618)	(89,890,469)	(106,902,618)
	<b>(39,708,417)</b>	<b>(86,549,972)</b>	<b>(47,178,171)</b>	<b>27,081,139</b>
	<b>836,685,737</b>	<b>767,053,839</b>	<b>359,316,307</b>	<b>459,091,753</b>
<b>12 PROVISION FOR TAXATION</b>				
Current taxation	12.1	12,783,252	8,667,810	7,883,301
Deferred taxation	12.2	-	-	-
		<b>12,783,252</b>	<b>8,667,810</b>	<b>7,883,301</b>
			<b>7,883,301</b>	<b>5,300,990</b>

12.1 Provision for taxation has been made under section 113 of the Income Tax Ordinance, 2001.

12.2 No provision for deferred tax has been made as the impact of the same is considered immaterial.

### 13 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise associated companies and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company. The details of Company's related parties, with whom the Company had transactions during the period or has balances outstanding as at the reporting date are as follows:



## Notes to the Condensed Interim Financial Statements (Un-audited)

For the six month period ended December 31, 2020

Name of related party	Nature of relationship	Basis of relationship	Aggregate %age of shareholding in the Company
Hira Terry Mills Limited	Associated company	Investment	46.9000%
Muhammad Umer Virk	Key management personnel	Father of director	27.2800%
Saeed Ahmad Khan	Key management personnel	Director	0.0028%
Muhammad Mehboob	Key management personnel	Director	0.0006%
Omer Aziz Mian	Key management personnel	Director (retired)	0.0000%
Shahnaz Umer	Key management personnel	Director	6.6135%
Sadiya Umair	Key management personnel	Director	6.5120%
Umair Umer	Close family member of director	Son of Director	0.0000%
Umaira Umer	Close family member of director	Daughter of Director	9.9400%

Transactions with key management personnel are limited to payment of short term employee benefits and office rent. The Company in the normal course of business carries out various transactions with associated companies and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an orderly transaction between market participants at the date of transaction. Detail of transactions and balances with related parties is as follows:

		Six month ended	
		December 31, 2020	December 31, 2019
		Rupees	Rupees
		(Un-Audited)	(Un-Audited)
<b>13.1 Transactions with related parties</b>			
<b>Nature of relationship</b>	<b>Nature of transaction</b>		
Associated companies	Sales of yarn, dyes and chemicals	74,803,351	823,071
	Rental Income	26,265,600	20,000,000
Sponsors	Interest on borrowings charged	21,306,375	15,713,085
	Interest on borrowings waived	21,306,375	15,713,085
Provident fund trust	Contribution for the period	1,080,335	1,004,345
Key management personnel	Remuneration and other benefits	2,328,480	2,076,000
		December 31, 2020	June 30, 2020
		Rupees	Rupees
		(Un-Audited)	(Audited)
<b>13.2 Balances with related parties</b>			
Associated company	Receivable against expenses claimed	-	61,490,681
	Advance against rent	168,322,936	189,127,049
	Receivable against sale of yarn	21,313,018	23,601,006
Sponsors	Borrowings	481,500,000	481,500,000
Key management personnel	Short term employee benefits payable	776,160	1,164,240
Provident fund trust	Payable to provident fund trust	1,042,984	2,467,220

### 14 FINANCIAL INSTRUMENTS

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



## Notes to the Condensed Interim Financial Statements (Un-audited)

For the six month period ended December 31, 2020

	December 31, 2020	June 30, 2020
	Rupees	Rupees
	(Un-Audited)	(Audited)
<b>14.1 Financial assets</b>		
<i>Cash in hand</i>	896,484	772,378
<i>Financial assets at amortized cost</i>		
Long term deposits	48,148,652	48,148,652
Trade debts	207,192,403	184,206,555
Advances to employees	9,250,239	6,863,169
Cash at bank	8,145,553	8,843,631
	272,736,847	248,062,007
	273,633,331	248,834,385
<b>14.2 Financial liabilities</b>		
<i>Financial liabilities at amortized cost</i>		
Long term finances	1,309,181,231	1,172,663,134
Loan from directors and sponsors	481,500,000	481,500,000
Lease liability	5,986,918	6,956,925
Short term borrowings	719,098,339	809,279,436
Accrued interest	344,169,075	366,899,587
Trade creditors	254,130,253	182,017,052
Due to jointly controlled entity	168,322,936	189,127,049
Accrued liabilities	189,861,925	98,040,223
Other payables	49,939,673	49,939,673
Unclaimed dividend	2,757,216	2,757,216
	3,524,947,566	3,359,180,295

## 15 FAIR VALUE MEASUREMENTS

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

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

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

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

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

### 15.1 Financial Instruments

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

### 15.2 Assets and liabilities other than financial instruments.

#### 15.2.1 Recurring fair value measurements

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



## Notes to the Condensed Interim Financial Statements (Un-audited)

*For the six month period ended December 31, 2020*

	Level 1	Level 2	Level 3	December 31, 2020	June 30, 2020
				Rupees (Un-Audited)	Rupees (Audited)
Freehold land	-	183,480,000	-	183,480,000	183,480,000
Building on free hold land	-	279,699,856	-	279,699,856	300,981,343
Plant and machinery	-	1,606,046,207	-	1,606,046,207	1,673,331,802

For fair value measurements categorised into Level 2 the following information is relevant:

	Valuation technique	Significant inputs	Sensitivity
Freehold land	Market comparable approach that reflects recent transaction prices for similar properties.	Estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition.	A 5% increase in estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition would result in a significant increase in fair value of buildings by Rs. 9.17 million (June 30, 2020: Rs. 9.17 million).
Building on free hold land	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would result in a significant increase in fair value of buildings by Rs. 13.98 million (June 30, 2020: Rs. 15.05 million).
Plant and machinery	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in a significant increase in fair value of plant and machinery by Rs. 80.30 million (June 30, 2020: Rs. 83.67 million).

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

### 15.2.2 Non-recurring fair value measurements

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

## 16 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period that may require adjustment of and/or disclosure in these interim financial statements.

## 17 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these interim financial statements.



## Notes to the Condensed Interim Financial Statements (Un-audited)

*For the six month period ended December 31, 2020*

**18 GENERAL**

- 18.1** There are no other significant activities since June 30, 2020 affecting the interim financial statements.
- 18.2** Corresponding figures have been re-arranged where necessary to facilitate comparison. However, there are no significant reclassifications during the period.
- 18.3** Figures have been rounded off to the nearest Rupee.

  
Chief Executive

  
Chief Financial Officer

  
Chairperson

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