

63rd Annual Report 2014



HAFIZ LIMITED

VISION AND MISSION STATEMENT

While keeping our fundamentals correct we shall build upon our recognition as a very good company known and established for our principled and honest business practices and continue to strive for high standards of quality to regain the reputation earned duly in last sixty three years.

We are committed to the higher expectations of our customers and through optimum utilization of available resources, make the Company viable and profitable so as to generate adequate profit to make reasonable returns on shareholders equity.

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NOTICE OF ANNUAL GENRAL MEETING

Notice is hereby given that the 63rd Annual General Meeting of shareholders of the **HAFIZ LIMITED** will be held on **Monday, 27th October, 2014 at 9:00 a.m.** at the Registered Office of the Company, 97, Alliance Building, 2nd Floor, Moolji Street, Mereweather Tower, Karachi for the following purposes:

1. To confirm the Minutes of last Annual General Meeting held on 25th October, 2013.
2. To receive, consider and adopt the Annual Audited Accounts of the company for the year ended 30th June, 2014 together with the Directors' and Auditors' reports thereon.
3. To approve as recommended by the directors, the payment of Cash Dividend @ 15% Rs.1.50 per share for the year ended 30th June, 2014.
4. To appoint Auditors for the year ending 30th June, 2015 and to fix their remuneration. The retiring auditors **M/s. Moochhala Gangat & Co.,** Chartered Accountants, being eligible, offer themselves for reappointment.
5. To transact any other business of the Company with the permission of the Chair.

By order of the Board

S. Shafiq Hassan
Company Secretary

Karachi: 3rd October, 2014.

Notes:

1- Participation in the Annual General Meeting

A member entitled to attend and vote at this meeting is entitled to appoint another person as his/her proxy to attend and vote. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting.

2- CDC Account holders will further have to follow the under mentioned guidelines as laid down in Circular-1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan:

a) For attending the meeting

In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

In the case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

**b) For appointing proxies**

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per regulations, shall submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies for CNIC or the passport of the beneficial owners and of the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- v) In the case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

3- Closure of Share Transfer Books

The share transfer books of the Company will remain closed and no transfer of shares will be accepted for registration from Monday, 20th October, 2014 to Friday, 31st October, 2014 (both days inclusive). Transfers received in order at the Share Registrars' office by the close of business on Friday, 17th October, 2014 will be treated in time for the purpose of payment of final cash dividend, if approved by the Shareholders.

4- Change in Address

Members are requested to promptly notify any change in their addresses.

5-Submission of copies of CNIC

Pursuant to the directive of the Securities & Exchange Commission of Pakistan, CNIC numbers of shareholders are mandatorily required to be mentioned on dividend warrants. Shareholders are, therefore, requested to submit a copy of their CNIC (if not already provided) to the Company's Share Registrar, M/s. MG Associates (Pvt.) Ltd, F-4/2, Mustafa Avenue, Block-9, Behind "THE FORUM", Clifton, Karachi.

6- Deduction of Income Tax from Dividend U/s150 of the Income Tax ordinance, 2001

Pursuant to the provision of Finance Act, 2014 the rates of Income tax deduction from dividend payment have been revised as For filers - 10% and For non-filers 15%. All shareholders are requested to make sure that copy of their valid CNIC/NTN should be available with the Share Registrar. Please also note that in case of non-availability of CNIC/NTN, the Share Registrar could not check their status and would be constrained to apply tax rate prescribed for non-filers.

DIRECTORS REPORT

"We would start with the name of **Almighty Allah** - the most Gracious, and Merciful, and again thanks Almighty Allah for sending us such a precious gift in the form of our beloved prophet **Muhammad (peace be upon him)**, whose teaching and life style always being a reason of success in life and hereafter."

The Board of Directors of your company are pleased to present the 63rd Annual Report together with audited financial statements of your company and auditors' report thereon for the year ended June 30, 2014.

Operating Results:

	2014 (Rupees)	2013 (Rupees)
Net profit before taxation	21,285,735	6,071,645
Taxation	2,380,561	1,192,441
Net profit after taxation	18,905,174	4,879,204
Appropriations:		
Proposed Final Dividend 15%	1,800,000	2,400,000
Transfer to reserves	17,105,174	2,479,204
Earnings per share	15.75	4.07

Overview:

We are living in a state where despite abundance of resources, we have a feeling of deprivation as a consequence of widening the gap between government and businessmen, which leads to shaken the public confidence and ultimately resulted in not properly management of resources. This seems bitter, but a punitive reality.

The mentioned scenarios is not enough to hurt the corporate sector, especially textile units, but prevailing law and order situation, drastic rupees to dollar parity, and again the energy crisis would add salt to the grievances.

As the Generalized System of Preference Plus (GSP+) status was awarded to Pakistan, your company management was optimistic to rejuvenate it dead units in upcoming years, but as the PKR to Dollar came down from Rupees 105 to Rupees 96.5, it was agreed that the benefit would eventually come to record a deliberate loss. We are desperate to provide our stake holders the good returns, for which, under current economic scenario, we came back to our past decision to carry on Ware House Business.

Future Outlook:

Organizations are working primarily in an economic environment, and when this premier environment is get effected by series of obstacles, then the organizations do not in a position to bring desire outcomes. No doubt, Pakistan stock markets are at good pace, with all time high index level, monetary policy does not change the policy rate, but the rupee to dollar parity, current account deficit, circular debts issues, energy crisis where rate per unit of utility bill soared approx. 34%, and prevailing uncontrollable law and order situation in financial hub Karachi, would not allow to be aggressive under current company position.



Your company's management is continuously working to explore any opportunity that surpass all these economic obstacles, and to be operational in any sector that are suitably fit according to cost and budget analysis.

Dividend:

The Board of Director of your company has announced the final dividend of 15% i.e. Rs.1.50 per share for the year ended June 2014 to the shareholders of the company.

Auditors:

The present auditors **M/s. Moochhala Gangat & Co.**, Chartered Accountants retire and offer themselves for re-appointment. As suggested by the audit committee, the Board recommends their appointment as Auditors for the Company for the year ended June 30, 2015.

Pattern of shareholding:

The Pattern of shareholding and the additional information as required by the Code of Corporate Governance is enclosed.

No. of Board Meeting:

During the year under review, six meeting of the board of directors were held and the attendance of directors was as under:

Name of Directors	No. of Meeting attended
Fakhruddin Usmani	6
Quamruddin Usmani	6
Muhammad Farooq Usmani	5
Mahmood Wali Muhammad	6
Muhammad Atiq	6
Ali Muhammad Usmani	5
Muhammad Shahzad Fakir	5

However, leaves of absence were granted to the directors who could not attend the Board Meeting due to preoccupation.

Audit Committee:

The board in compliance with the Code of corporate Governance has constituted an audit committee comprising of the following members:

Quamruddin Usmani
Muhammad Farooq Usmani
Mahmood Wali Muhammad

During the year under review, the committee has performed its functions satisfactory and in accordance with the Code of corporate Governance.

Code of Corporate Governance:

We are in compliance with all the code of good corporate governance, which we think should be applicable to a company, which is not in production and has negligible activities. But the directors are doing their best efforts to comply the provisions set out by the Securities and Exchange Commission of Pakistan in near future. As regard the review it the same is concerned, in order to save the company from more expenditure the same was not offered for review to the statutory auditors.

Acknowledgement:

The Directors place on record their appreciation for the continued support and co-operation rendered by the Banks, Government Authorities, Suppliers and the Consumers and the shareholders of the company. The Director also conveys their thanks to their employees at all levels for the growth of the company.

FOR AND ON BEHALF OF THE BOARD



Fakhruddin Usmani

Chief Executive Officer

Karachi:

3rd October, 2014.



KEY OPERATING & FINANCIAL RESULTS FROM 2009 TO 2014

PARTICULARS	2014	2013	2012	2011	2010	2009
	(Rupees in thousands)					
OPERATING DATA						
Sales (Net)	9,218	12,210	12,071	-	-	-
Cost of Sales		-	-	-	-	-
Gross Profit / (Loss)		-	-	-	-	-
Operating Expenses	4,564	6,132	5,454	4,933	4,121	3,539
Opeerating Profit / (Loss)	4,654	6,078	6,617	(4,933)	(4,121)	(3,539)
Financial Charges	26	6	18	22	15	20
Gain on change in fair value of Investment Property	16,657	-	-	-	-	-
Profit/ (Loss) Before Taxation	21,285	6,072	8,014	4,493	3,962	7,189
Profit/ (Loss) After Taxation	18,905	4,879	6,826	3,451	3,370	6,524
FINANCIAL DATA						
Paid up Capital	12,000	12,000	12,000	12,000	12,000	12,000
Equity Balance	311,909	295,395	(80,533)	(88,468)	(91,726)	(96,071)
Long Term Loans	65,256	71,456	73,022	78,272	82,722	86,277
Fixed Assets (Net)	393,155	376,940	86,423	87,247	88,997	90,150
Current Assets	6,578	10,422	5,888	4,087	3,376	983
Current Liabilities	10,307	8,276	6,853	7,463	7,249	5,680
KEY RATIOS						
Gross Margin	-	-	-	-	-	-
Operating Margin	-	-	-	-	-	-
Net Profit	24%	40%	57%	-	-	-
Return on Capital Employed	1.19%	1.60%	9.38%	5.36%	4.65%	8.41%
Current Ratio	0.64	1.26	0.86	0.55	0.47	0.17
Earning per share (Rupees)	15.75	4.07	5.69	2.88	2.81	5.44
Cash Dividend	15%	20%	15%	-	-	7.5%

STATEMENT OF COMPLIANCE

WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of listing regulations of Karachi Stock Exchange (guarantee) Limited 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 CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Mr. Quamruddin Usmani
Executive Directors	Mr. Fakhruddin Usmani
Non-Executive Directors	Mr. Muhammad Farooq Usmani Mr. Mahmood Wali Muhammad Mr. Muhammad Atiq Mr. Ali Muhammad Usmani Mr. Muhammad Shahzad Fakir

The independent directors meet the criteria of independent under clause i(b) of the CCG.

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

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

4. During the year, no casual vacancy was occurred and filled up in the board.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

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

7. 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, other executive and non-executive directors, have been taken by the board/ shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board arranged nil training programs for its directors during the year.

10. There was no new appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the



CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is a non-executive director.

18. The board has set up an effective internal audit function.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.

Fakhruddin Usmani
Chief Executive Officer

Karachi:
3rd October, 2014.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of HAFIZ LIMITED ("the Company") as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (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, statement of comprehensive income, cash flow statement and the 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 affair as at June 30, 2014 and of the profit, for the year then ended; and
- d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in the central zakat fund established under section 7 of that Ordinance.

Further we draw attention of the members' toward the fact that the "Statement of Compliance with Best Practices of Corporate Governance" has not been offered for review of the auditor's.

Moochhala Gangat & Co.
Chartered Accountants
Karachi
Date: 3rd October, 2014.

Name of the audit engagement partner:
Mr. Hussaini Fakhruddin



BALANCE SHEET AS ON JUNE 30, 2014

ASSETS	NOTE	2014 RUPEES	2013 RUPEES
Non-current assets			
Property, plant and equipment	5	3,036,633	3,478,257
Investment property	6	390,118,728	373,461,618
Long term investments- quoted	7	1	1
Deferred tax	8	-	-
		<u>393,155,362</u>	<u>376,939,876</u>
Current assets			
Stores and spares	9	-	-
Trade debts	10	-	-
Loans and advances	11	-	-
Deposits and income tax	12	1,538,768	1,439,103
Cash and bank balances	13	5,039,611	8,982,832
		<u>6,578,379</u>	<u>10,421,935</u>
Net assets in Bangladesh	14	<u>1</u>	<u>1</u>
Total assets		<u><u>399,733,742</u></u>	<u><u>387,361,812</u></u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Authorized			
2,000,000 (2013: 2,000,000) ordinary shares of Rs.10/- each		<u>20,000,000</u>	<u>20,000,000</u>
Issued, subscribed and paid-up	15	<u>12,000,000</u>	<u>12,000,000</u>
Reserves		<u>311,908,730</u>	<u>295,394,842</u>
		<u>323,908,730</u>	<u>307,394,842</u>
Surplus on revaluation of fixed assets	16	<u>-</u>	<u>-</u>
		<u>323,908,730</u>	<u>307,394,842</u>
Loan from directors	17	65,255,805	71,455,805
Deferred liabilities	18	261,712	235,622
Current liabilities			
Trade and other payable	19	<u>7,906,926</u>	<u>7,069,554</u>
Provision for taxation		<u>2,400,569</u>	<u>1,205,989</u>
		<u>10,307,495</u>	<u>8,275,543</u>
Contingencies and commitments	20	<u>-</u>	<u>-</u>
Total equity and liabilities		<u><u>399,733,742</u></u>	<u><u>387,361,812</u></u>

The annexed notes from an integral part of these financial statements.


Fakhruddin Usmani
CEO


Quamruddin Usmani
Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2014

	NOTE	2014 RUPEES	2013 RUPEES
Rental income		9,217,842	12,209,822
Administrative expenditure	21	(4,563,561)	(6,132,446)
Financial charges	22	(25,656)	(5,731)
		(4,589,217)	(6,138,177)
Gain on change in fair value of investment property	6	16,657,110	-
Profit before taxation		21,285,735	6,071,645
Taxation	23	(2,380,561)	(1,192,441)
Profit after taxation		18,905,174	4,879,204
Earnings per share	24	15.75	4.07

The annexed notes from an integral part of these financial statements.


 Fakhruddin Usmani
 CEO


 Quamruddin Usmani
 Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2014

	NOTE	2014 RUPEES	2013 RUPEES
Profit for the year		18,905,174	4,879,204
Other Comprehensive Income:			
Items that may be reclassified subsequently to profit or loss			
Items that will not be subsequently reclassified to profit or loss:			
-Incremental depreciation transferred from surplus on revaluation of fixed assets		-	1,096,455
-Remeasurement of net defined benefit liability		8,714	-
		8,714	1,096,455
Total comprehensive income for the year		<u>18,913,888</u>	<u>5,975,659</u>

The annexed notes from an integral part of these financial statements.


Fakhruddin Usmani
 CEO


Quamruddin Usmani
 Director



CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOW FROM OPERATING ACTIVITIES	NOTE	2014 RUPEES	2013 RUPEES
Profit before taxation		21,285,735	6,071,645
Depreciation		441,625	1,749,102
Provision for gratuity		34,804	31,416
Transitional asset		-	(35,794)
Gain on change in fair value of investment property		(16,657,110)	-
Financial charges		25,656	5,731
		(16,155,025)	1,750,455
Operating profit before working capital changes		5,130,710	7,822,100
Movement in Working Capital			
Increase / (decrease) in Current Liabilities			
Trade and other payable		582,486	650,985
		582,486	650,985
Cash generated from operations		5,713,196	8,473,085
Payments for:			
Taxes		(1,285,648)	(1,151,256)
Financial charges		(25,656)	(5,731)
Net cash inflow from operating activities		4,401,892	7,316,098
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		-	(146,429)
Net cash (outflow) from investing activities		-	(146,429)
CASH FLOW FROM FINANCING ACTIVITIES			
Loan from directors		(6,200,000)	(1,566,250)
Dividend paid		(2,145,113)	(1,005,165)
Net cash (outflow) from financing activities		(8,345,113)	(2,571,415)
Net increase in cash and bank balances		(3,943,221)	4,598,254
Cash and bank balances at beginning of the year		8,982,832	4,384,578
Cash and bank balances at end of the year		5,039,611	8,982,832

The annexed notes from an integral part of these financial statements.


 Fakhruddin Usmani
 CEO


 Quamruddin Usmani
 Director




STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2014

	Reserves					
Share Capital	Unappropriated (loss)	Revaluation reserve for investment property	Total Reserves	Surplus on revaluation of fixed assets	Total equity	
Balance as at July 01, 2012	12,000,000	(80,533,211)	-	(80,533,211)	80,729,277	12,196,066
Total comprehensive income for the year	-	5,975,659	-	5,975,659	-	5,975,659
Transfer from surplus on revaluation of fixed assets	-	-	79,632,822	79,632,822	(79,632,822)	-
Fair value gain on transfer of fixed assets to investment property at fair value	-	-	292,119,572	292,119,572	-	292,119,572
Final dividend for the year ended June 30, 2012 - @ Rs. 1.5 per share	-	(1,800,000)	-	(1,800,000)	-	(1,800,000)
Balance as at June 30, 2013	12,000,000	(76,357,552)	371,752,394	295,394,842	1,096,455	308,491,297
Profit for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	18,913,888	-	18,913,888	-	18,913,888
	-	-	-	-	-	-
	-	-	-	-	-	-
Final dividend for the year ended June 30, 2013. - @ Rs. 2 per share	-	(2,400,000)	-	(2,400,000)	-	(2,400,000)
Balance as at June 30, 2014	12,000,000	(59,843,664)	371,752,394	311,908,730	1,096,455	325,005,185

The annexed notes from an integral part of these financial statements.


Fakhruddin Usmani
CEO


Quamruddin Usmani
Director

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2014

1. LEGAL STATUS AND OPERATIONS

Hafiz Limited (the Company) is a public limited Company incorporated in 1951 under the Companies Ordinance, 1984. The shares of the Company are listed on the Karachi Stock Exchange. The registered office of the Company is situated at 97, Alliance Building, 2nd Floor, Moolji Street, Mereweather Tower, Karachi. Last year company has changed the name and nature of its business. Previously the principal activity of the company was to deal in spinning of textile fibers and now the principal activity of the company is to earn rentals on land and building.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 STATEMENT OF COMPLIANCE

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

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2012 but are considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in these financial statements except the following:

Amendments to IAS 1, 'Financial statement presentation' regarding other comprehensive income, emphasises on the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The application of the amendment has not affected the results or net assets of the Company as it is only concerned with presentation and disclosures.

IAS 19 (revised) 'Employee Benefits' has eliminated the corridor approach and requires to calculate finance cost on net funding bases. Further a new term 'remeasurement' has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The Standard requires "remeasurement" to be recognised in the statement of financial position immediately, with a charge or credit to other comprehensive income in the period in which they occur.

The Company has applied this change in accounting policy retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The retrospective application of the change in accounting policy has no effect on unappropriated profit and net assets of the Company already reported in prior years, as there were no unrecognized actuarial gains or losses carried forward from prior years to be recorded.

2.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 01, 2014 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

2.4 SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with approved accounting standards require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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 estimates are revised and in any future periods affected.

Significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are discussed in the ensuing paragraphs.

2.4.1 Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

2.4.2 Taxation

In making the estimates for income taxes payable by the Company, the management consider the applicable taxation laws.

3. ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective policies and notes given hereunder.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

4.1 Property, Plant and Equipment**4.1.1 Operating Fixed Assets**

Operating fixed assets are stated at cost / revalued amounts less accumulated depreciation. Depreciation is provided on a diminishing balance method at the rate mentioned in the relevant note. An amount equal to the incremental depreciation charged during the year on revalued assets is transferred from surplus on revaluation of fixed assets to reserves. Depreciation is charged from the date the asset is put into operation and discontinued from the date the asset is retired.

Gain and loss on disposal of assets are included in the profit and loss account currently.

4.1.2 Subsequent costs

The costs of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as they are incurred.

4.1.3 Impairment of Assets

The carrying amount of the Company's assets are reviewed at each balance sheet date to identify circumstances indicating concurrence of impairment loss or reversal of previous impairment losses. If any such indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversal of impairment losses are recognized in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

4.2 Investment Property

Property held to earn rentals or for capital appreciation or for both is classified as investment property. Investment property comprises leasehold land and buildings on leasehold land. After initial recognition an investment property is carried at fair value and gain or loss arising from a change in the fair value of investment property is recognised in profit or loss for the period in which it arises.

The investment property of the Company has been valued by independent professionally qualified valuer as at June 30, 2014. The fair value of the investment property is based on active market prices.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognized in the equity as a revaluation reserve for investment property. However, if a fair value gain reverses a previous impairment loss the gain is recognized in the profit and loss account to the extent of impairment charged previously in the profit and loss account. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings, the transfer is not made through the profit and loss account.

4.3 Investments

Considering the materiality of amount and non marketability of these shares on Stock Exchange, these have been valued at a token value of Re. 1 instead of market value as required by IAS-39.

4.4 Stores and Spares

Stores, spares and loose tools are valued at average cost except for items in transit which are stated at cost incurred up to the balance sheet date. For items which are slow moving and / or identified as surplus the Company's requirements, adequate provision is made for any excess book value over estimated realizable value. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.

4.5 Stock in Trade

Stock in trade is valued at the lower of cost and net realizable value.

Cost incurred in bringing each product to its present location and condition are accounted for as follows:

Raw and packing material except in transit/bond	at purchase cost on an average basis
Finished goods and work in progress	average production cost which includes cost of:
	Direct material
	Direct wages
	Direct expenses
	Overheads

Items in transit/bond are valued at cost comprising invoice values plus other charges incurred thereon up to the balance sheet date.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred to make the sale.

Trading goods are accounted for on cost which is the invoice value plus other expenses incurred to bring them to the point of sale.

4.6 Trade Debts

These are initially stated at fair value and subsequently measured at amortized cost using effective interest rate method less provisions for any uncollectible amounts. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

4.7 Trade and other payable

Trade and other amounts payable are recognized initially at fair value and subsequently carried at amortized cost.

4.8 Taxation

4.8.1 Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and rebates available, if any.

4.8.2 Deferred

Deferred tax is recognized using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.9 Retirement benefits

As explained in note 2.2, IAS - 19 (revised) 'Employee Benefits' amends the accounting for the Company's defined benefit plan. Thus following the application of IAS - 19 (revised), the Company's policy for Staff Retirement Benefits - Defined Benefit Plans stand amended as follows:

"The company operates an unfunded gratuity scheme. Liability in respect of gratuity payable to employees has been fully provided for in these accounts on the basis of actuarial valuation and is charged to profit and loss account. The latest actuarial valuation was carried out as at June 30, 2014. The amount arising as a result of remeasurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur."

Projected unit credit method, using following significant assumptions, is used for determining the liability.

Discount rate 13.25%

Expected rate of salary increase 12.25%

No. of employees as at June 30, 2014 is one (2013: one)

4.10 Provisions

Provision 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 can be made. Provision are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

4.11 Foreign Currencies

Pakistan rupee (PKR) is the functional currency of the Company. Transaction in foreign currencies are recorded in PKR at the exchange rate approximating those prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are reported in PKR at the exchange rate approximating those prevalent at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies, are translated using the exchange rates at the date when the fair value was determined. Foreign exchange gains and losses resulting from the settlement of such transactions and translations are taken to income currently.

4.12 Revenue Recognition

Rental income is recognized on accrual basis.

4.13 Borrowing Cost

Borrowing costs are recognized as an expense in the period they are incurred.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a part of the asset.

4.14 Related Party Transactions

Transactions with related parties are carried out on commercial terms and conditions.

4.15 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents include cash in hand and with banks and other short term highly liquid investments with maturities of three months or less. The fair value of cash and cash equivalents approximate their carrying amount.

4.16 Financial Assets and Liabilities

All financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on the recognition and de-recognition of the financial assets and financial liabilities is taken to the profit and loss account currently. Financial assets and liabilities, other than specifically mentioned in these policies, are carried at amortized cost. The fair value of these approximate their carrying value.

4.17 Off-setting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously and the same is required or permitted by IAS/IFRS or interpretations thereof.

	NOTE	2014 RUPEES	2013 RUPEES
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	3,036,633	3,478,257
		<u>3,036,633</u>	<u>3,478,257</u>

5.1 OPERATING FIXED ASSETS

Description	Owned Assets									Total
	Leasehold land	Factory building on leasehold land	Residential building on leasehold land	Plant & machinery	Workshop tools and equipment	Electric fittings	Furniture and fixture	Office equipment	Vehicle	
COST										
Balance as at 01 July 2012	94,880,000	9,895,782	5,527,750	55,327,036	466,091	2,649,199	1,006,336	1,019,358	2,359,546	173,131,098
Additions	-	-	-	-	-	-	-	146,429	-	146,429
Transfer to investment property	(94,880,000)	(9,895,782)	(5,527,750)	-	-	-	-	-	-	(110,303,532)
Balance as at 30 June 2013	-	-	-	55,327,036	466,091	2,649,199	1,006,336	1,165,787	2,359,546	62,973,995
Balance as at 01 July 2013	-	-	-	55,327,036	466,091	2,649,199	1,006,336	1,165,787	2,359,546	62,973,995
Balance as at 30 June 2014	-	-	-	55,327,036	466,091	2,649,199	1,006,336	1,165,787	2,359,546	62,973,995
DEPRECIATION										
Balance as at 01 July 2012	16,245,283	7,962,026	3,511,172	53,121,356	457,822	2,537,628	863,900	821,882	1,187,053	86,708,122
Charge for the year	948,800	193,376	100,829	220,568	827	11,157	14,244	24,802	234,499	1,749,102
Deletion	-	-	-	-	-	-	-	-	-	-
Transfer to investment property	(17,194,083)	(8,155,402)	(3,612,001)	-	-	-	-	-	-	(28,961,486)
Balance as at 30 June 2013	-	-	-	53,341,924	458,649	2,548,785	878,144	846,684	1,421,552	59,495,738
Balance as at 01 July 2013	-	-	-	53,341,924	458,649	2,548,785	878,144	846,684	1,421,552	59,495,738
Charge for the year	-	-	-	198,511	744	10,041	12,819	31,910	187,599	441,625
Deletion	-	-	-	-	-	-	-	-	-	-
Transfer to investment property	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2014	-	-	-	53,540,435	459,393	2,558,826	890,963	878,594	1,609,151	59,937,363
CARRYING AMOUNT - 2013	-	-	-	1,985,112	7,442	100,414	128,192	319,103	937,994	3,478,257
CARRYING AMOUNT - 2014	-	-	-	1,786,601	6,698	90,373	115,373	287,193	750,395	3,036,633
RATE OF DEPRECIATION (%)	1%	10%	5%	10%	10%	10%	10%	10%	20%	

6 INVESTMENT PROPERTY

Description	Cost as at		Fair value as at	
	June 30, 2014 (Rupees)	June 30, 2013 (Rupees)	June 30, 2014 (Rupees)	June 30, 2013 (Rupees)
Opening value as on July 1	1,709,224	-	373,461,618	-
Additions/(disposals)	-	-	-	-
Transfers from property, plant and equipment (Note 6.1)	-	1,709,224	-	373,461,618
Fair value adjustments	-	-	16,657,110	-
Closing value as on June 30	1,709,224	1,709,224	390,118,728	373,461,618

- 6.1 Fair value of Rs. 390,118,728 (2013: Rs. 373,461,618) comprised of lease hold land of Rs. 340,000,000 (2013: Rs. 326,000,000) and building on lease hold land of Rs. 50,118,728 (2013: Rs. 47,461,618)

	Note	2014 RUPEES	2013 RUPEES
6.2 Transfer from property, plant and equipment			
- Cost		-	110,303,532
- Accumulated depreciation		-	(28,961,486)
		-	81,342,046
Transfer from surplus on revaluation of fixed assets to revaluation reserve for investment property		-	(79,632,622)
Transfers from property, plant and equipment		-	1,709,224

- 6.3 As at June 30, 2014 the leasehold land and building was professionally reappraised by Iqbal A. Nanjee & Co. (Pvt) Limited and the difference between the book value and fair value as at June 30, 2014 amounting to Rs.16,657,110 is recognised in profit and loss account.

7 LONG TERM INVESTMENT - QUOTED

Pan Islamic Steamship Company Limited	16,137	16,137
288 (2013 : 288) Ordinary shares of Rs.100/- each		
Less : Provision for diminution in value of investments	(16,136)	(16,136)
	<u>1</u>	<u>1</u>

Considering the materiality of amount and no trading in Stock Exchange in these share, these have not been carried at market value as required by IAS-39. However full provision has been made leaving a token value of Rs. 1.

8 DEFERRED TAX

The balance of deferred tax is in respect of the following major temporary taxable / (deductible) differences:

Investment property - Building on lease hold land	(2,971,730)	(605,189)
Accelerated tax depreciation	(596,331)	(665,759)
Stores and spares	900,501	927,789
Trade debts	664,223	684,351
Loans and advances	1,256,595	1,294,673
Gratuity	86,365	80,111
Unused tax losses	7,682,566	6,281,528
	<u>7,022,188</u>	<u>7,997,505</u>

The company has not recognized deferred tax asset of Rs. 7.02 million (2013: 7.99 million) in accordance with the accounting policy as disclosed in note 4.8.2.

	Note	2014 RUPEES	2013 RUPEES
9 STORES AND SPARES			
Stores		196,970	196,970
Spares		2,531,821	2,531,821
		2,728,791	2,728,791
Less: Provision for obsolete stock		(2,728,791)	(2,728,791)
		-	-
10 TRADE DEBTS			
Trade debts - unsecured considered good		2,012,797	2,012,797
Less: Provision against doubtful debts		(2,012,797)	(2,012,797)
		-	-
11 LOANS AND ADVANCES			
Advances to suppliers & other		3,807,863	3,807,863
		3,807,863	3,807,863
Less: Provision against doubtful advances		(3,807,863)	(3,807,863)
		-	-
12 DEPOSITS AND INCOME TAX			
Deposits		121,688	121,688
Advance income tax		1,285,648	1,151,256
Tax refund due from government		131,432	166,159
		1,538,768	1,439,103
13 CASH AND BANK BALANCES			
At bank in current accounts		5,039,611	8,982,832
		5,039,611	8,982,832
14 NET ASSETS IN BANGLADESH			
Board Loan Unit		10,196,790	10,196,790
Deduct: Loan from PICIC and interest accrued thereon		4,741,141	4,741,141
		5,455,649	5,455,649
Investment: 712,500 (2013: 712,500) fully paid ordinary Shares of Rs. 10/- each Hafiz Jute Mills Ltd.		7,125,000	7,125,000
Chittagong branch:			
Vehicles		106,085	106,085
Office equipment		24,319	24,319
Furniture and fixtures		3,641	3,641
		134,045	134,045
		12,714,694	12,714,694
Deducted: Accumulated depreciation		44,389	44,389
		12,670,305	12,670,305
Less: Written off during 1986-87		(12,670,304)	(12,670,304)
		1	1

	Note	2014 RUPEES	2013 RUPEES
15 ISSUED, SUBSCRIBED AND PAID-UP			
395,000 (2013:395,000) ordinary shares of Rs. 10/- each fully paid in cash		3,950,000	3,950,000
105,000 (2013:105,000) ordinary shares of Rs. 10/- each issued for consideration other than cash		1,050,000	1,050,000
700,000 (2013:700,000) ordinary shares of Rs. 10/- each issued as fully paid bonus shares		7,000,000	7,000,000
		<u>12,000,000</u>	<u>12,000,000</u>
16 SURPLUS ON REVALUATION OF FIXED ASSETS			
Opening balance	16.1	-	80,729,277
Incremental depreciation charged for the year		-	(1,096,455)
Transfer to revaluation reserve for investment property		-	(79,632,822)
		<u>-</u>	<u>-</u>
<p>16.1 Due to incorrect transfer of incremental depreciation from "Surplus on revaluation of fixed assets" to "Reserves" in the financial statements relating to previous years, management has decided to rectify such adjustments retrospectively in accordance with the requirements of IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors".</p> <p>Effects of retrospective restatement of correction of prior period errors are as follows:</p> <p>Balance sheet</p> <p>Surplus on revaluation of fixed assets - (10,684,555)</p> <p>Statement of changes in equity</p> <p>Unappropriated (loss) / Reserves - 10,684,555</p>			
17 LOAN FROM DIRECTORS			
- unsecured and considered good			
This represents unsecured interest free loan from directors and it is not repayable on demand.			
18 DEFERRED LIABILITIES			
	Note	2014 RUPEES	2013 RUPEES
18.1 Gratuity			
Movement in net liability recognized			
Opening net liability		235,622	240,000
Transitional asset recognized during the year in profit and loss account		-	(35,794)
		<u>235,622</u>	<u>204,206</u>
Expense charge for the year	18.1.1	34,804	31,416
Remeasurement (gain) on obligation		(8,714)	-
		<u>261,712</u>	<u>235,622</u>
Benefits paid during the year		-	-
Closing net liability		<u>261,712</u>	<u>235,622</u>
18.1.1 Expense charge for the year			
Current service cost		11,242	11,278
Interest cost		23,562	20,138
Expense for the year		<u>34,804</u>	<u>31,416</u>

18.2.2 Historical Information

	2014	2013	2012	2011	2010
	RUPEES				
Present value of defined benefit obligation	261,712	235,622	-	-	-
Fair value of plan assets	-	-	-	-	-
Deficit in the plan	261,712	235,622	-	-	-
Unrecognised actuarial gain / (loss)	-	-	-	-	-
Liability in balance sheet	261,712	235,622	-	-	-
Remeasurement (gain) on obligation	(8,714)	-	-	-	-

19 TRADE AND OTHER PAYABLE

	Note	2014 RUPEES	2013 RUPEES
Creditors		1,147,103	1,147,103
Accrued liabilities		2,110,591	1,974,591
Unclaimed dividend		1,707,672	1,452,785
Deposits	19.1	2,447,145	2,000,660
War risk insurance premium		494,415	494,415
		<u>7,906,926</u>	<u>7,069,554</u>

19.1 All deposits are re-payable on demand and no interest is payable thereon.

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

- 20.1.1 The company has a contingent liability of 1.12 million in respect of "War Risk Insurance Dues" for the year 1971 imposed by Federation of Pakistan through its secretary commerce. The company has filed an appeal with High Court of Sindh and the case is still in progress. As a matter of prudence the company has provided a liability of 0.4 million.
- 20.1.2 During the year 1992, the company was served by a notice from High Court of Sindh in respect of termination of various employees. The notice says that company should pay 0.41 million as a compensation to them. The management is hopeful that the case will be in their favour.
- 20.1.3 During the year 2010, SECP vide its order EMD/233/253/2002-1131 dated May 20, 2010 under the provisions of Section 473 of the Companies Ordinance 1984 directed the Company to reverse the director's loan of Rs. 57,790,720 and write back advances from suppliers/creditors to the profit and loss account of the Company. The Company's appeal before SECP has dismissed but the Company has filed appeal before High Court of Sindh, since the outcome of the above appeal is pending and in view of the fact that management is confident that appeal will be decided in Company's favour, no provisions has been made in these financial statements relating to above appeal.

20.2 Commitments

There were no outstanding commitments as at June 30, 2014 (2013: Nil).

21 ADMINISTRATIVE EXPENDITURE

	Note	2014 RUPEES	2013 RUPEES
Directors Remuneration	25	947,850	947,850
Salaries, bonus and benefits	21.1	502,804	463,622
Electricity Expenses		437,721	418,516
Postage, telegram & telephone		173,207	129,464
Printing & stationery		119,597	151,756
Vehicle maintenance		279,220	291,746
Legal & professional charges		188,000	740,823
Auditor's remuneration	21.2	257,500	82,500
Fees & Subscription		209,443	217,242
Rent, rates & taxes		313,778	313,778
Repairs & maintenance		354,461	322,725



Depreciation	441,625	1,749,102
Entertainment	202,127	163,962
Advertisement	53,260	64,280
Other expenses	82,968	3,180
Tavelling Expenses	-	71,900
	<u>4,563,561</u>	<u>6,132,446</u>

21.1 These include retirement benefits of Rs. 34,804 (2013: 31,416).

21.2 This includes:	Annual audit fee	250,000	75,000
	Half yearly review	7,500	7,500
		<u>257,500</u>	<u>82,500</u>

22 FINANCIAL CHARGES

Bank charges	25,656	5,731
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23 TAXATION

Current	(2,400,569)	(1,205,989)
Prior	20,008	13,548
	<u>(2,380,561)</u>	<u>(1,192,441)</u>

23.1 Relation between Tax Expense and Accounting Profit

Profit before taxation	21,285,735	6,071,645
Corporate tax rate	34%	35%
Tax on accounting profit	(7,237,150)	(2,125,076)
Tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes	4,836,581	919,087
Effect of change in prior years' tax	20,008	13,548
Tax charge	<u>(2,380,561)</u>	<u>(1,192,441)</u>

24 EARNING PER SHARE

24.1 Basic earning per share

Profit for the year	18,905,174	4,879,204
Weighted average number of ordinary shares in issue during the year	1,200,000	1,200,000
Earning per share	<u>15.75</u>	<u>4.07</u>

24.2 Diluted earning per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2014 and 2013 which would have any effect on the earnings per share if the option to convert is exercised.

25 DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVE EMOLUMENTS

	June 30, 2014		June 30, 2013	
	Chief Executive	Executives	Chief Executive	Executives
Remuneration	300,000	180,000	300,000	180,000
Utilities	175,000	292,850	175,000	292,850
	<u>475,000</u>	<u>472,850</u>	<u>475,000</u>	<u>472,850</u>
Number of persons	1	1	1	1

No meeting fee is paid to any director and no remuneration is paid to any other director.

26 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated undertakings, directors and key management personnel of the Company. Details of transactions with related parties during the year were as follows:

Relationship	Nature of transactions	2014 RUPEES	2013 RUPEES
Director	Repayment of loan to director	6,200,000	1,566,250

27 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risk from its use of financial instruments:

- Credit risk
- Liquidity risk

28 CREDIT RISK
28.1 Exposure to credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2014 RUPEES	2013 RUPEES
Deposits	121,688	121,688
Cash and bank balances	5,039,611	8,982,832
	<u>5,161,299</u>	<u>9,104,520</u>

28.2 LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	2014					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
Loan from directors	65,255,805	(65,255,805)	-	-	(65,255,805)	-
Trade and other payable	7,906,926	(7,906,926)	(7,906,926)	-	-	-
	<u>73,162,731</u>	<u>(73,162,731)</u>	<u>(7,906,926)</u>	<u>-</u>	<u>(65,255,805)</u>	<u>-</u>
	2013					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
Loan from directors	71,455,805	(71,455,805)	-	-	(71,455,805)	-
Trade and other payable	7,069,554	(7,069,554)	(7,069,554)	-	-	-
	<u>78,525,359</u>	<u>(78,525,359)</u>	<u>(7,069,554)</u>	<u>-</u>	<u>(71,455,805)</u>	<u>-</u>

28.3 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

28.4 CAPITAL RISK MANAGEMENT

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

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

29 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on 3rd October, 2014 by the Board of Directors of the Company.

30 SUBSEQUENT EVENT

In respect of current year, the directors have proposed to pay final cash dividend of Rs. 1.8 million (2013: 2.4 millions) at Rs. 1.5 (2013: Rs.2) per ordinary share each for approval of the shareholders at the forthcoming Annual General Meeting to be held on October 27, 2014. Financial effect of the proposed dividend has not been taken in these financial statements and will be accounted for subsequently in the year when such dividend is approved.

31 GENERAL

Figures have been rounded off to the nearest rupee.


Fakhruddin Usmani
CEO


Quamruddin Usmani
Director


FORM - "A"
Pattern of holding of shares held by the share holders as on 30th June, 2014.

No. of shareholders	From	To	Share Value Rs. 10 - each
64	1	100	32.000
155	101	500	34.117
24	501	1000	19.161
23	1001	5000	58.161
10	5001	10000	71.593
3	10001	15000	38.855
2	15001	20000	37.069
4	20001	25000	52.310
13	25001	30000	340.205
3	30001	35000	100.342
7	35001	40000	255.337
1	115001	120000	118.156
924			1,200,000

Categories of Share Holders	No. of Share Holders	Shares Held	%
Associated Companies	1	118,156	9.85%
Mutual Fund	1	20	0.00%
NIT and ICP	2	2,226	0.19%
Directors, CEO and their spouse and minor children	20	417,158	34.75%
Public Sector Companies and Corporations	3	2,144	0.18%
Banks, Development Finance Institutions, Non-banking Finance Companies, Insurance Companies, Takatuf, Modarabas and Pension Funds	6	340	0.03%
Individuals	891	659,956	55.00%
	924	1,200,000	100.00%

Associated Companies			
Textile Trading Company Limited	1	118,156	9.85%
Mutual Fund			
H.M. Investment (Pvt) Limited	1	20	0.00%
NIT and ICP			
Investment Corporation of Pakistan	1	1,203	0.10%
National Bank of Pakistan	1	1,023	0.09%
	2	2,226	0.19%
Directors, CEO and their spouse and minor children			
Mr. Fakhruddin Usmani	1	35,000	3.00%
Mr. Quamruddin Usmani	1	35,000	2.92%
Mr. Muhammad Farooq Usmani	1	34,980	2.92%
Mr. Mahmood Wali Muhammad	1	36,000	3.00%
Mr. Muhammad Aliq	1	35,835	2.99%
Mr. Ali Muhammad Usmani	1	11,936	0.99%
Mr. Muhammad Shahzad Fahir	1	20,000	1.67%
Mrs. Sebra Fakhruddin	(Spouse of Directors & CEO)	30,362	2.53%
Mrs. Zahida Quamruddin	(Spouse of Directors & CEO)	27,455	2.29%
Mrs. Nusrat Farooq	(Spouse of Directors & CEO)	25,831	2.15%
Mrs. Parveen Mahmood	(Spouse of Directors & CEO)	21,598	1.80%
Mrs. Rukya Aliq	(Spouse of Directors & CEO)	21,612	1.80%
Mrs. Noor Fatima	(Spouse of Directors & CEO)	24,730	2.05%
Miss. Kashif	(Minor Children of Directors & CEO)	5,476	0.46%
Miss. Javeria	(Minor Children of Directors & CEO)	5,021	0.42%
Miss. Resha	(Minor Children of Directors & CEO)	8,068	0.67%
Miss. Sanabil	(Minor Children of Directors & CEO)	9,000	0.74%
Miss. Rema	(Minor Children of Directors & CEO)	6,600	0.55%
Miss. Zynal Al Saba	(Minor Children of Directors & CEO)	7,100	0.58%
Mr. Shabbir Hassan	(Minor Children of Directors & CEO)	14,614	1.22%
	20	417,158	34.75%
Public Sector Companies and Corporations			
BCGA Punjab (Pvt) Limited	1	2,004	0.17%
Fateh Textile Mills Limited	1	100	0.01%
Zam Zam Limited	1	40	0.00%
	3	2,144	0.18%
Banks, Development Finance Institutions, Non-banking Finance Companies, Insurance Companies, Takatuf, Modarabas and Pension Funds			
Habib Bank Ltd. KSE Br. Karachi	1	6	0.00%
HLB A/c A.G. Ismail	1	2	0.00%
HLB A/c A.K. Hay Morsad	1	2	0.00%
Muslim Commercial Bank Ltd	1	100	0.01%
Habib Bank Limited, HS Branch, Karachi	1	30	0.00%
Pakistan Insurance Corporation	1	200	0.02%
	6	340	0.03%
Individuals			
	891	659,956	55.00%
	924	1,200,000	100.00%



HAFIZ LIMITED

97 Alliance Building, 2nd Floor, Moolji Street, Merweather Tower, Karachi-74000.
Tel: 021-32440371 Fax: 021-32440372.

3rd October, 2014.

Dear Shareholder,

SUBJECT: DIVIDEND MANDATE FORM

It is to inform you that under section 250 of the Companies Ordinance, 1984 a shareholders' may, if so desire, direct the Company to pay dividend through your bank account.

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan vide Circular No.18 of 2012 dated June 05, 2012, we request you, being the registered shareholder of HAFIZ LIMITED and hereby give the opportunity to authorize the Company to directly credit in your bank account cash dividend, if any, declared by the Company in future.

[PLEASE NOTE THAT THIS DIVIDEND MANDATE IS OPTIONAL AND NOT COMPULSARY; IN CASE YOU DO NOT WISH YOUR DIVIDEND TO BE DIRECTLY CREDITED INTO YOUR BANK ACCOUNT THEN THE SAME SHALL BE PAID TO YOU THROUGH THE DIVIDEND WARRANTS].

Do you wish the cash dividend declared by the Company, if any, is directly credited in your bank account, instead of issue of dividend warrants. Please tick any of the following boxes.

YES	NO
-----	----

If yes, then please provide the following information:

DETAILS OF BANK MANDATE	
Folio Number	
Name of Shareholder with Father / Husband Name	
Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Code, Name and Address	
Cell Number of Shareholder / Transferee	
Landline Number of shareholder / Transferee, if any	
CNIC No. (Please also enclose the copy)	

It is stated that the above mentioned information is correct, that I will intimate the changes in the above mentioned information to the Company and the concerned Share Registrar as soon as these occur.

Signature of the Member / Shareholders

Notes:

CNIC Submission (Mandatory):

Shareholders are further advised that pursuant to the directive of the SECP, CNIC numbers of the shareholders are mandatorily required to be mentioned on dividend warrants. Shareholders are therefore requested to submit a copy of their CNIC to the Hafiz Limited Share Registrar.

Physical Shareholders:

Please mail your reply to our Share Registrar M/s. MG Associates (Pvt.) Ltd. F-4/2, Mustafa Avenue, Block-9, Behind "THE FORUM", Clifton, Karachi.

CDC Shareholders:

The members who have shares in Central Depository System (CDS) may provide the information to CDS or concerned broker.

HAFIZ LIMITED

(FORMERLY HAFIZ TEXTILE MILLS LIMITED)



I, _____ CNIC _____
of _____
being a member of **HAFIZ LIMITED**, and entitled to _____ vote (votes) hereby appoint
Mr. _____ NIC _____ of _____
as my proxy _____ to vote
for me and my behalf at **63rd Annual General Meeting** of the Company to be held on
Monday, 27th October, 2014 at 9:00 a.m. and at any adjournment thereof.

As witness my/our hand seal this _____ day of _____

Signed by _____

Said in presence of:-

1. Name _____ Address _____
N.I.C. No. _____

2. Name _____ Address _____
N.I.C. No. _____

Folio No.

CDC Account #	
Participant I.D.	Account #

Signature on Five Rupees Revenue Stamps
The Signature should agree with the specimen register of the company

N.B.:

1. The proxy duly signed across 5/- rupees Revenue Stamp should reach the Company's Office at least 48 hours before the time of meeting. Please quote number of shares _____
Registered Folio No. _____
A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote in his/her place. Such proxy must be a member of the company.
2. Original CNIC of shareholder is necessary to attend the AGM alongwith a photo copy of CNIC to submit at the desk of reception.
3. **For CDC Account Holders / Corporate Entities**
In addition to the above the following requirements have to be met.
 - (i) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
 - (ii) The proxy shall produce his original CNIC or original passport at the time of meeting.
 - (iii) In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier alongwith proxy form to the company).

ANNUAL REPORT 2014

Chief Executive Officer	:	<i>Fakhruddin Usmani</i>
Directors	:	<i>Quamruddin Usmani</i>
	:	<i>Muhammad Farooq Usmani</i>
	:	<i>Mahmood Wali Muhammad</i>
	:	<i>Muhammad Atiq</i>
	:	<i>Ali Muhammad Usmani</i>
	:	<i>Muhammad Shahzad Fakir</i>
Board of Audit Committee		
Chairman	:	<i>Quamruddin Usmani</i>
Members	:	<i>Muhammad Farooq Usmani</i>
	:	<i>Mahmood Wali Muhammad</i>
Chief Financial Officer	:	<i>Muhammad Shahid Siddiqui</i>
Company Secretary	:	<i>S. Shafiq Hasan</i>
Bankers	:	<i>Habib Metropolitan Bank Ltd.</i>
	:	<i>HBL Bank Limited</i>
	:	<i>NIB Bank Limited</i>
	:	<i>National Bank of Pakistan</i>
Auditors	:	<i>Moochhala Gangat & Co.,</i>
	:	<i>Chartered Accountants,</i>
	:	<i>Karachi.</i>
Shares Registrar	:	<i>MG Associates (Pvt.) Limited,</i>
	:	<i>F-4/2, Mustafa Avenue, Block - 9,</i>
	:	<i>Behind "The Forum", Clifton, Karachi.</i>
Registered Office	:	<i>97, Alliance Building, 2nd Floor,</i>
	:	<i>Moolji Street, Mereweather Tower,</i>
	:	<i>Karachi-74000.</i>
Mill at	:	<i>D-9, S.I.T.E., Karachi.</i>
Webside	:	<i>www.hafiztm.com</i>

BOOK POST

UNDER POSTAL CERTIFICATE

If undelivered pleased return to:

HAFIZ LIMITED

97, Alliance Building, 2nd Floor, Moolji Street, M.W. Tower, Karachi-74000