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Hala Enterprises Limited

ANNUAL REPORT 2022



# ANNUAL REPORT 2022

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# VISION & MISSION STATEMENT

## VISION STATEMENT

Hala Enterprises Limited strives to continue its path of market growth, consolidation and improvement in International market of very high value products. Our Vision is to establish a strong market presence, focused on customer loyalty and satisfaction on a Long Term Basis.

## MISSION STATEMENT

The company should secure and provide a rewarding return on investment to its shareholders and investors, quality Products to its customers, a secured and friendly environment at place of work to its employees, and present itself a reliable partner to all business associates.

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## COMPANY INFORMATION

| | |
|---|---|
| **BOARD OF DIRECTORS** | Mr. Tahir Jahangir — Chairman/Non Executive Director<br>Mr. Jillani Jahangir — Chief Executive Officer<br>Mrs. Munizae Jahangir — Non-Executive Director<br>Mrs. Sulema Jahangir — Non-Executive Director<br>Mr. Rashid Ahmad Khan — Independent Director<br>Mr. Hassan Ahmad — Independent Director<br>Mr. Abdul Munaf — Executive Director |
| **AUDIT COMMITTEE** | Mr. Rashid Ahmad Khan — Chairman/Member<br>Mrs. Munizae Jahangir — Member<br>Mrs. Sulema Jahangir — Member |
| **HUMAN RESOURCE & REMUNERATION COMMITTEE** | Mr. Rashid Ahmad Khan — Chairman/Member<br>Mr. Jillani Jahangir — Member<br>Mrs. Munizae Jahangir — Member<br>Mrs. Sulema Jahangir — Member |
| **CHIEF FINANCIAL OFFICER** | Mr. Abdul Munaf |
| **COMPANY SECRETARY** | Muhammad Mushtaq Saeed Iqbal |
| **AUDITORS** | Malik Haroon Shahid Safder & Co.<br>Chartered Accountants |
| **LEGAL ADVISORS** | A.G.H.S Law Associates |
| **BANKERS** | J.S Bank Limited<br>Faysal Bank Limited<br>Askari Bank Limited<br>MCB Bank Limited |
| **REGISTERED OFFICE/WORKS** | Factory Premises, 17.5 KM Sheikhupura Road,<br>Lahore Tel: 042-37970130, 37970230<br>Fax: 042-37970681<br>Email. hala@halaenterprieses.com<br>Website:www.halaenterprises.com |
| **SHARE REGISTRAR OFFICE** | M/s Corplink (Private) Limited<br>Wings Arcade, 1-K, Commercial Model Town, Lahore<br>Tel: 042-35916714, 35916719 Fax: 042-35869037<br>Email. corplink786@yahoo.com |

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# NOTICE OF ANNUAL GENERAL METING

Notice is hereby given that the Annual General Meeting of the Shareholders of **HALA ENTERPRISES LIMITED** will be held on Friday October 28, 2022 at 10:30 A.M. at Factory Premises, 17.5 KM Sheikhupura Road, Lahore, the Registered Office of the Company to transact the following business.

**ORDINARY BUSINESS**

1. To confirm minutes of Annual General Meeting held on October 28, 2021.

2. To receive and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2022 along with Directors and Auditors Reports thereon.

3. To appoint External Auditors of the Company for the year ending June 30, 2023 as recommended by the Board of Directors and to fix their remuneration.

**SPECIAL BUSINESS**

4. To ratify and approve transactions/ advances carried out with associated Companies in the normal course of the business by passing the following resolutions:

   **RESOLVED** that the transactions/advances carried out in normal course of business with associated Companies as disclosed in respective notes to the Audited Financial Statements for the year ended June 30, 2022 be and are hereby ratified and approved.

   **FURTHER RESOLVED** that the Chief Executive of the Company be and is hereby authorized to approve all the transactions carried out and to be carried out in normal course of business with associated companies during the year ended June 30, 2022 and in this connection the Chief Executive be and is hereby also authorized to take any and all necessary actions and sign/execute any and all such documents/indentures as may be required in this regard on behalf of the Company.

5. Any other business with the permission of the Chair.

By order of the Board

Lahore: October 07, 2022

(Muhammad Mushtaq Saeed Iqbal)
Company Secretary

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from October 21, 2022 to October 28, 2022 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote for him/her. Proxies in order to be effective, must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting and must be duly stamped, signed and witnessed.
3. Members are requested to notify changes immediately to our Share Registrar, if any, in their registered addresses.
1. CDC Account Holders will have to follow the below mentioned guidelines as laid down in Circular 1 dated January, 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

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# NOTICE OF ANNUAL GENERAL METING

**A. FOR ATTENDING THE MEETING:**

i) In case of individuals, the account holder or sub-account holder shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport along with Participants ID number and their account number at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature of 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 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 number shall be mentioned on the form.

iii) Attested copies of 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 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) along with proxy form to the company.

**C. INFORMATION U/S 213 OF THE COMPANIES ACT 2017**

We wish to inform you that in accordance with the approval of the board of director in their meeting held on October 05.2022, the remuneration of Mr. Jillani Jahangir CEO of the company has been determined up to 2.70 million per annum and Mr. Abdul Munaf Executive director of the company up to Rs.2.20 million per annum with effect from July 01,2022 excluding bonuses, retirement fund, incentives and other entitlements as may be granted at any time and from time to time by the board of directors of the company and / or in accordance with the policies and the service rules of the company for the time being in force.

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# اطلاع سالانہ اجلاس عام

بذریعہ نوٹس ہذا مطلع کیا جاتا ہے کہ ہالہ انٹر پرائزز کے حصہ داران کا سالانہ اجلاس عام جمعہ 28 اکتوبر 2022ء کو صبح 10:30 بجے، کمپنی کے رجسٹرڈ دفتر فیکٹری پریمسز :17.5 کلومیٹر شیخوپورہ روڈ لاہور میں درج ذیل امور کی انجام دہی کیلئے منعقد ہوگا۔

عام امور:

1- 28 اکتوبر 2021ء کو منعقدہ حصہ داران کے غیر معمولی اجلاس عام کی کارروائی کی توثیق۔

2- 30 جون 2022 کو ختم ہونے والے سال کے لیے کمپنی کے سالانہ آڈٹ شدہ اکاؤنٹس کے ساتھ ساتھ ڈائریکٹرز اور آڈیٹرز رپورٹس پر غور کرنا اور ان کی منظوری دینا۔

3- مالی سال 2022-2023 کیلئے آڈیٹرز کا تقرر اور معاوضہ طے کرنا۔

خصوصی امور:

4- (اے) 30 جون 2022 کو ختم ہونے والے سال کے دوران منسلک کمپنیوں سے کئے گئے لین دین اور ایڈوانس جن کو مالیاتی گوشواروں میں منکشف کیا گیا ہے کی توثیق کرنا اور منظوری دینا۔

(بی) متفقہ قرارداد کہ کمپنی کے چیف ایگزیکٹو آفیسر کو مجاز بنایا جاتا ہے کہ وہ 2022 کیلئے متعلقہ کمپنیوں کے ساتھ عمومی طریقہ کار کے مطابق کئے جانے والے لین دین اور ایڈوانس کو منظور کرے اس سلسلہ میں تمام ضروری کاروائی کرے اور تمام ضروری دستاویزات اور قرارنامے وغیرہ کو تشکیل دے جو کہ کمپنی کی طرف سے ضروری ہوں۔

5- صاحب صدر کی اجازت سے کسی دیگر امر پر کارروائی ہوگی۔

حسب الحکم بورڈ
محمد مشتاق سعید اقبال
کمپنی سیکرٹری

لاہور
7 اکتوبر 2022ء

نوٹ:

1- کمپنی کی منتقلی حصص کی کتابیں 21 اکتوبر 2022ء تا 28 اکتوبر 2022ء (بشمول ہر دو ایام) بند رہیں گے۔

2- اجلاس ہذا میں شرکت اور ووٹ دینے کا اہل ممبر، اپنی بجائے کسی دوسرے ممبر کو شرکت اور ووٹ دینے کیلئے اپنا پراکسی مقرر کرسکتا/سکتی ہے۔ پراکسیاں تا آنکہ موثر ہوسکیں۔ اجلاس کے وقت سے کم از کم 48 گھنٹے قبل باقاعدہ مہر شدہ اور دستخط شدہ کمپنی کے رجسٹرڈ دفتر میں لازماً وصول ہو جانی چاہئیں۔

3- حصص داران سے درخواست ہے کہ اپنے رجسٹرڈ پتہ میں تبدیلی اگر کوئی ہو، فی الفور ہمارے شیئر رجسٹرار کو مطلع کریں۔

4- سی ڈی سی اکاؤنٹ ہولڈرز کو مزید برآں سکیورٹیز اینڈ ایکسچینج کمیشن پاکستان کی طرف سے جاری شدہ سرکلر 1 مورخہ 26 جنوری 2000 میں دی گئی گائیڈ لائنز کی پیروی کرنا ہوگی۔

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# INFORMATION FOR SHAREHOLDERS

**Company's Registered Office/Works**

17.5 KM Sheikhupura Road, Lahore
Tel: 042-37970130, 37970230
Fax: 042-37970681

**Share Registrar**

M/s Corplink (Private) Limited
Wings Arcade, 1-K, Commercial Model Town, Lahore
Tel: 042-35916714, 042-35916719
Fax: 042-35869037

**Listing on Stock Exchange**

Hala Enterprises Limited is listed on:
Pakistan Stock Exchange Limited

**Stock Symbol**

The stock symbol for dealing in equity shares of Hala Enterprises Limited is 'HAEL'

**Statutory Compliance**

During the year, the Company has complied with all applicable provisions, filed all returns/forms and furnished all the relevant particulars as required under the Companies Act, 2017 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the Listing requirements.

**Share Transfer System**
Share transfers received by the Company's Share Registrar are registered within prescribed period.

**Proxies**

Pursuant to Section 137 of the Companies Act, 2017 and according to the Memorandum and Articles of Association of the Company, every shareholder of the Company who is entitled to attend and vote at a general meeting of the Company can appoint another person as his/her proxy to attend and vote on his/her behalf. Every notice The instrument appointing a proxy (duly signed by the shareholder appointing that proxy) should be deposited at the registered office of the Company not less then forty eight hours before the meeting.

**Notification of SECP for the purpose of CNIC of Shareholders**

The shareholders are informed that SECP through SRO 779(1)2011 dated August 18, 2011 has made it mandatory that dividend warrants issued by the issuer should bear Computerized National Identity Card (CNIC) numbers of the registered shareholders, except in the case of minor(s) and corporate shareholders.

The shareholders are, therefore, requested to provide by mail or fax, photocopy of their CNIC and in case of foreigner copy of passport, unless it has already been provided.

**Dividend Mandate (Optional)**

Transferee of shares may exercise option for dividend mandate by using the revised "Form of Transfer Deed". The revised form of transfer deed will enable the transferees to received cash dividend directly in their bank accounts, if such transferee provides particulars of its bank account which he/she/it desires to be used for credit of cash dividend. The existing shareholders have the option to seek the dividend mandate by using the standardized "Dividend Mandate Form" if they so desires. Shareholders maintaining shareholding under Central Depository System (CDS) are advised to submit their bank mandate information directly to the relevant participant/CDC Investor Account Service.

**Financial Information**

The Company uploaded Annual and Quarterly Accounts on Company's website.

**Company's Website**

Updated information regarding the Company can be accessed at www.halaenterprises.com. The website contains the latest financial results of the Company together with Company's profile and product range.

**Annual General Meetings**

Pursuant to Section 132 of the Companies Act 2017, Company holds a General Meeting of shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all the shareholders at least 21 days before the meeting and also advertised in at least one in English and one in Urdu newspaper having circulation in Karachi, Lahore.

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## DIRECTOR'S REPORT

The Directors of the company hereby present the 50th Annual Report on the operations of the company along with the audited financial statements for the year ended 30th June, 2022. The Directors' report under the Companies ACT 2017 and revised CCG 2019 will be put forward to the members at the Annual General Meeting of the Company to be held on the 28th of October, 2022.

The financial year saw a tremendous rise in inflation, coupled with the highest ever seen freight rates and a weak Euro. Many of these external factors were unfavorable and detrimental for the company. However, despite the adverse conditions, the company performed extremely well and was able to grow its sales revenue while maintaining moderate profitability.

Revenue increased by 41% YoY – growing from approximately 390 Million to 550 Million. The operational profit increased from Rs. 83.84 to Rs. 100.38 Million; thereby showing a net growth of 20% YoY. Profit after tax increased by 67% - resulting in a net earning of Rs. 11.78 Million for the year ended.

It was mentioned in last year's Director Report that we expected to see better margins in the upcoming year and a growth of exports in the range of 30-35%. Clearly, hard work and effort has shown results and the company was able to achieve better than expected results. We are extremely hopeful that the upcoming year will now see a stability in the revenue growth, but better profitability through more stringent cost controls. This is expected to bring about retained earnings to re-invest into the company for expansion and growth in the subsequent years.

The international scenario of the 2nd and 3rd quarter of the year are bleak due to the rise in energy prices, and therefore a slump in demand caused by a recessionary market. We therefore believe that it is not a conducive environment for further growth in sales, however, a better sales strategy may bring about improved profitability in the upcoming period.

We would like to take this opportunity to thank our customers, suppliers and bankers for their continued cooperation towards the progress of the company. We hope that this support continues in the future as well.

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# ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز 30 جون 2022 کے اختتامی سال کے لیے آڈٹ شدہ دستاویزات کے ساتھ کمپنی کے امور پر پچاسویں سالانہ رپورٹ پیش کرتے ہیں ڈائریکٹرز رپوٹ کمپنیز ایکٹ 2017 اور نظر ثانی شدہ سی سی جی ریگولیشنز 2019 کے تحت سالانہ جنرل اجلاس میں اراکین کے سامنے 28 اکتوبر 2022 کو پیش کی جائے گی۔

مالی سال میں افراطِ زر میں زبردست اضافہ دیکھا گیا۔اس کے ساتھ شپنگ کے اخراجات میں اضافہ ہوا جبکہ یورو میں کمزوری دیکھی گئی یہ چیزیں کمپنی کے لیے نامناسب اور نقصان دہ تھیں۔تاہم نامسائد حالات کے باوجود کمپنی نے انتہائی عمدہ کارکردگی کا مظاہرہ کیا اور اعتدال پسند منافع کو برقرار رکھتے ہوئے اپنی فروخت کی آمدنی میں اضافہ کرنے میں کامیاب رہی۔آمدن میں سالانہ 41 فی اضافہ ہوا جو تقریباً 390 ملین سے بڑھ کر 550 ملین ہوگیا۔جبکہ آپریشنل منافع 83.84 ملین سے بڑھ کر 100.38 ملین ہوگیا۔جو کہ تقریباً 20 فی صد ہے۔

ٹیکس کے بعد منافع 11.78 ملین ہے جو کہ پچھلے سال سے 67 فی صد زیادہ ہے۔پچھلے سال کی ڈائریکٹر رپورٹ میں اس بات کا ذکر کیا گیا تھا کہ آنے والے سال میں بہتر مارجن کے ساتھ ہماری برآمدات 30 سے 35 فی صد بڑھیں گی۔محنت اور کوشش کی وجہ سے واضع نتائج سامنے آئے ہیں اور کمپنی توقع سے بہتر نتائج حاصل کرنے میں کامیاب رہی۔ہمیں پوری امید ہے کہ آنے والے سال آمدنی کے اضافہ میں استحکام نظر آئے گا اور لاگت میں سخت کنٹرول کے ذریعے بہتر منافع حاصل ہوگا اور توقع کی جاتی ہے کہ اسطرح سے حاصل ہونے والی آمدنی کو کمپنی کی توسیع اور نمو کے لیے استعمال کیا جائے گا۔آئندہ سال کی دوسری اور تیسری سہ ماہی کا بین الاقوامی منظر نامہ توانائی کی قیمتوں میں اضافہ کی وجہ سے تاریک ہے۔مارکیٹ میں مندی کی وجہ سے ڈیمانڈ کم ہوجائیگی۔چنانچہ ہمارے خیال میں حالات کے پیش نظر سیل میں اضافے کا ماحول سازگار نہیں ہے۔البتہ فروخت کی تیز حکمتِ عملی بہتر منافع کا باعث بن سکتی ہے۔

ہم اس موقع پر گاہکوں سپلائرز اور بینکرز کا شکریہ ادا کرتے ہیں کہ ترقی کے سفر میں انکا تعاون مستقبل میں بھی رہے۔گا

بورڈ کی طرف سے بورڈ کیلئے

جیلانی جہانگیر
چیف ایگزیکٹو آفیسر
لاہور
5 اکتوبر 2022

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# DIRECTOR'S REPORT

## Financial and Operating Results

| | 2022 RUPEES | 2021 RUPEES |
|---|---|---|
| Operating Profit | 23,377,734 | 19,189,792 |
| Finance cost | (11,050,210) | (10,299,965) |
| Other income | 5,279,167 | 1,664,345 |
| Profit before taxation | 17,606,691 | 10,554,172 |
| Taxation | (5,822,245) | (3,511,533) |
| Profit before disposal of assets | 11,784,446 | 7,042,639 |
| Net Profit for the year | 11,784,446 | 7,042,639 |
| Earnings/ per share Basic & Dilutive | 0.91 | 0.54 |

## Reason for Dividend/Bonus Shares not declared

The company is in the process of BMR, r eplacing its old machinery with new one and relatively latest. Furthermore trying to stand on its fee, therefore unable to declare any dividends or bonus shares.

## Board Meetings

During the year under review, 4 meetings of the Board of Direc tors were held from July 01, 2021 to June 30, 2022. All written notice, of the Board Meetings, along with agenda and working papers, were circulated to all directors at least seven days before the meetings.

Attendance by each Director was as under:

| Sr. No. | Name of Director | Meetings Attended |
|---|---|---|
| 1. | Mr. Tahir Jahangir | 4 |
| 2. | Mr. Jillani Jahangir | 4 |
| 3. | Miss Munizae Jahangir | 4 |
| 4. | Mrs. Sulema Jahangir | 4 |
| 5. | Mr. Abdul Munaf | 4 |
| 6. | Mr. Rashid Ahmad Khan | 4 |
| 7. | Mrs.Myra Husain Qureshi | 4 |

The Minutes of the meetings were appropriately circulated to all Directors and recorded in minute book within stipulated time. In accordance with CCG, Company Secretary was also attended all meetings during the year under review.

## Audit Committee

The Board of Directors of the Company has formed an Audit Committee comprising of three members.All members of the Committee are Non-Executive in accordance with the provision of revised CCG. During the year June 30, 2022, four (4) meetings were held. Attendance by each member was as under:

| Sr. No. | Name of Members | | Meetings Attended |
|---|---|---|---|
| 1. | Mr.Rashid Ahmad Khan | Chairman | 4 |
| 2. | Miss. Munizae Jahangir | Member | 4 |
| 3. | Mrs.Sulema Jahangir | Member | 4 |

## Terms of reference of Audit Committee

The Committee reviews the periodic financial statements and examines the adequacy of financial policies and practices to ensure that an efficient and strong system of internal control is in place. The Committee also reviews the audit reports issued by the Internal Audit Department and compliance status of audit observations.

The Audit Committee is also responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and considers any question of resignation or removal of external auditors, audit fees and provision of any service to the Company by its external auditors in addition to the audit of its financial statements.

The Terms of Reference of the Audit Committee are consistent with those stated in the Code of Corporate Governance and broadly include the following:

(i) Review of the interim and annual financial statements of the Company prior to approval by the Board of Directors.

(ii) Discussions with the external auditors of major observations arising from interim and final audits; review of management letter issued by the external auditors and management's response thereto.

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# DIRECTOR'S REPORT

(iii) Review of scope and extent of internal audit ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.

(iv) Ascertain adequacy and effectiveness of the internal control system including financial and operational controls, accounting system and reporting structure.

(v) Determination of compliance with relevant statutory requirements and monitoring compliance with the best practices of corporate governance.

(vi) Institute special projects, value for money studies or other investigations on any matters specified by the Board of Directors.

**Human Resource and Remuneration Committee.**

The Board has constituted a Human Resource and Remuneration Committee, comprising of the following Four members including Chairman of the Committee.

| S.No. | Name of Members | |
|---|---|---|
| 1. | Mr. Rashid Ahmed Khan | Chairman |
| 2. | Mr. Jillani Jahangir | Member |
| 3. | Mrs Munizae Jahahgir | Member |
| 4. | Mrs Sulema Jahangir | Member |

One meeting of Human Resource and remuneration committee was held in the year.

**Terms of Reference**

The Committee shall be responsible for:

i) recommending human resource management policies to the board;

ii) recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;

ii) recommending to the Board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and

(iv) consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO.

**Internal Audit and Control**

The Board has set up an independent audit function headed by a qualified and a full time employee of the Company reporting to the Chairman Audit Committee and administratively to the Chief Executive Officer. The scope of internal auditing within the Company is clearly defined which broadly involves review and evaluation of its' internal control system in accordance with business risk assessments. This includes independent assessment and evaluation of the effectiveness and efficiency of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets of the Company and compliance with laws and regulations. The Internal Audit also undertakes special studies, value for money studies and such other special projects as and when required by the Board Audit Committee.

**Corporate Governance**

The Board gives prime importance in conducting the business in accordance with the best international and local corporate governance practices and is committed to inculcating healthy corporate culture, ethical business practices, reliable and transparent financial reporting, open communication channels with the stakeholders and compliance with the laws and regulations. As a result, good corporate governance principles have been deeply ingrained in Company's decision making and operating set-up as well as monitoring processes.

The Company recognizes and respects the rights of each and every stakeholder including shareholders, employees, financiers, creditors, business partners, local communities and others. The Company encourages active participation of shareholders in all general meetings of the Company and values their views towards better governance and operational management. The Company is also cognizant of its legal and constructive obligations towards its

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# DIRECTOR'S REPORT

business partners, local communities where it operates and other stakeholders and takes appropriate actions to timely respond to their expectations after taking into account a pragmatic view of their interests associated with the Company.

The Code of Conduct for directors and employees of the Company has been approved by the Board and changes were made in line with the new requirements stated in the revised CCG. The said Code of Conduct strengthens the standard for professional business-like behavior expected of directors and employees and binds them to demonstrate ethical, honest and responsible attitude. The Code has been disseminated across the Company to all directors and employees for their compliance.

Before each meeting of the board of directors a closed period is declared by the Company during which directors, CEO, executives of the Company and their spouses are not allowed to trade in shares of the Company in any manner, whether directly or indirectly.

The Board has reviewed the status of 'executives' in terms of clause (xvi) of CCG and has set a threshold defining categories of management employees as 'executives' consequent to which they are subject to additional regulatory requirements for trading and disclosing their transactions in Company shares.

The Directors of the Company are fully aware of their duties and responsibilities and strive to discharge their fiduciary responsibilities in the best possible manner in compliance with all applicable corporate laws and regulations.

During the year, the Board was actively involved in performing their duties including those required to be performed under various laws and the Memorandum and Articles of Association of the Company with the ultimate objective of safeguarding the interests of the shareholders, enhancing the profitability of the Company, increasing shareholders' wealth and promoting market confidence.

**Corporate and Financial Reporting Framework**

(i) The financial statements, prepared by the Management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.

(ii) Proper books of account of the Company have been maintained.

(iii) Appropriate accounting policies have been applied in preparation of financial statements and any changes in accounting policies have been disclosed in the financial statements. The

(iv) International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.

(v) The system of internal control is sound in design and has been effectively implemented and monitored.

(vi) There are no significant doubts upon the Company's ability to continue as a going concern.

(vii) There has been no material departure from best practices of corporate governance as detailed in listing regulations.

(viii) Key operating and financial data of last six years has been given in the Annual Report.

(ix) Information about outstanding taxes, duties, levies and charges is given in Notes to the Accounts.

(x) Significant plans and decisions regarding corporate restructuring, business expansion and discontinuance of operations are outlined along with future

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# DIRECTOR'S REPORT

prospects, risks and uncertainties have been disclosed in relevant sections of Directors Report.

(xi) The value of investments in employee retirement funds based on the latest audited Accounts as of 30 June, 2022 are as follows:

**Gratuity Fund Rs. 42.390 Million**

(xi) Details of number of Board and Committees' meetings held during the year and attendance by each Director has been disclosed in Annual Report. Leave of absence was granted to Directors who could not attend some of the board and committee meetings.

(xii) A statement of the pattern of shareholding in the Company as at 30 June, 2022 of certain classes of shareholders whose disclosure is required under the revised CCG and the statement of purchase and sale of shares by Directors, executives and their minor children during the year is shown on the Annual Report.

**Code of Conduct for Directors and Employees**

The Company has prepared a **"Code of Conduct for Directors and Employees"** and approved by the Board of Directors.

**Priority Standards of Conduct:**

**i) Safety:** There can be no production without safety.

**ii) Quality:** To achieve complete customer satisfaction by focusing on smart team work, meeting all applicable legal and regulatory requirements & continually improving our strategies and goals.

**iii) Productivity:** With safety and quality each of us will strive to excel the performance in all fields of our activities i.e. Production Divisions, Marketing & Planning, after sales service, Finance, Import, Purchase & Logistic and Human Resources & Administration etc.

**Safety, Health and Environment**

Hala Enterprises Limited conducts its business responsibly and in a way to make sure health, safety and protection from environmental aspects of its associates and the society. We implement and maintain the programs that provide reasonable assurance that the business will do the following:

1) To comply with all applicable government and internal health, safety and environmental requirements.
2) Design facilities and conduct operations in a way that avoids risk to human health, safety and the environment.

**Compliance with the Code of Corporate Governance.**

The Statement of Compliance with the Code of Corporate Governance is annexed with the Annual Report.

**Transaction with Related Parties**

The Board of Directors has approved the policy for transaction / contract between Company and its related parties on an arm's length basis and relevant rates are to be determined as per the "comparable un-controlled price method". The company has fully complied with the best practices on transfer pricing as contained in the listing regulations of Pakistan Stock Exchange .

**Pattern of Shareholding and information under clause XIX(i) and (j) of the Code of Corporate Governance**

The statement of pattern of shareholding along with categories of shareholders of the company as at June 30, 2022, as required by the Companies Act, 2017 and Code of Corporate Governance is annexed with this report.

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# DIRECTOR'S REPORT

**Statutory Auditors of the Company**

The present Auditors of the Company, M/s Malik Haroon Shahid Safder & Co., Chartered Accountants, Lahore, shall retire and being eligible for re-appointment for the year 2023.

Audit Committee recommended the appointment of M/s Malik Haroon Shahid Safder & Co . as External Auditor for the tenure of next year 2023 subject to the approval of Shareholders in their upcoming Annual General Meeting held on October 28, 2022.

**Composition of the Board**

The Board of Directors as at 30-06-2022 consists of

| | |
|---|---|
| Total number of Directors | |
| Male | 05 |
| Female | 02 |

**Composition**

| | | |
|---|---|---|
| a) | Independent Director | 02 |
| b) | Other Non Executive Director | 01 |
| c) | Executive Director | 02 |
| d) | Female Non Executive Director | 02 |

**Acknowledgements**

We would like to take this opportunity to thank our customers, suppliers and bankers for their continued support and cooperation towards the progress of the company. We hope that this support would continue in the future as well.

We would also like to thank our dedicated and talented team of executives, staff and workers for the hard work put in towards the company's performance for the year. We expect continued efforts from our employees to achieve even better results next year. And last but not the least, the management is grateful to the board for its persistent support, cooperation and guidance in setting a course for the company that will InshAllah prove to be highly rewarding to all its stakeholders.

For & on behalf of the Board



**(Jillani Jahangir)**
Chief Executive Officer

Lahore
Dated: October 05, 2022

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# STATEMENT OF COMPLIANCE

**Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019**
**For the Year Ended June 30, 2022**

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are Seven (7) as per the following:
   a. Male: 5
   b. Female: 2

2. The composition of board is as follows:

| Category | | Names |
|---|---|---|
| Independent Director(s)* | | i. Mr. Rashid Ahmad Khan<br>ii. Mr. Hassan Ahmed |
| Non-Executive Directors | Male | i. Mr. Tahir Jahangir |
| | Female | i. Mrs. Munizae Jahangir<br>ii. Mrs. Sulema Jahangir |
| Executive Directors | | i. Mr. Jillani Jahangir<br>ii. Mr. Abdul Munaf |

* With reference to Regulation 6 (1), in a Board comprising 7 members, one-third works out to 2.33. Since the fraction is below half (i.e. 0.5) the fraction contained in such onethird is not rounded up to one. Further, t he two elected independent directors have requisite competencies, skills, knowledge, and experience to discharge and execute their duties competently, as per applicable laws and regulations, hence, appointment of a third independent director is not warranted.

3. The directors have confirmed that none of them is serving as a directoron more than seven listed companies, including this Company.

4. 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.

5. 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.

6. All the powers of the boar d have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 and these Regulations.

7. The meetings of the board were presided over by the Chairmanand, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

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## STATEMENT OF COMPLIANCE
**With the Code of Corporate Governance as at Ended June 30, 2022**

9. The majority of Directors have either completed the Director's Certification from authorized institutions or have the prescribed qualification and experience pursuant to Regulation 19 of the CCG.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

    a) Audit Committee
       1. Mr. Rashid Ahmad Khan (Independent Director) – Chairman
       2. Mrs. Munizae Jahangir (Non-Executive Director)
       3. Mrs. Sulema Jahangir (Non-Executive Director)

    b) HR and Remuneration Committee
       1. Mr. Rashid Ahmad Khan – (Independent Director) - Chairman
       2. Mr. Jillani Jahangir (Executive Director)
       3. Mrs. Munizae Jahangir (Non-Executive Director)
       4. Mrs. Sulema Jahangir (Non-Executive Director)

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

    a) Audit Committee:
       Four quarterly meetings were held during the financial year ended June 30, 2022.

    b) HR and Remuneration Committee
       One Meeting of HR and Remuneration Committee was held during the financial year ended June 30, 2022.

15. The board has set up an effective internal audit function which is considered suitably qualified, experienced for the purpose and conversant with the policies and procedures of the Company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, 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 Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not the close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;

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# STATEMENT OF COMPLIANCE

**With the Code of Corporate Governance as at Ended June 30, 2022**

17. The statutory auditors or the persons associated with them have not been appoi nted to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all requirements of the regulations 3,6 ,7, 8, 27, 32, 33, and 36 of the Regulation have been complied with.

19. Explanation for non-compliance with requirements, other than regulations 3,6,7,8,27,32,33 and 36 is as follows:

| Sr. no | Non-Mandatory Requirement | Reg. No. | Explanation |
|---|---|---|---|
| 1 | The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances. | 29(1) | Currently, the board has not constituted a separate Nomination Committee and the function are being performed by the Board. |
| 2 | The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiven ess of risk management procedures and present a report to the Board. | 30(1) | Currently, the board has not constituted a separate Risk Management Committee and the function are being performed by the Board. |
| 3 | It is encouraged that by June 30, 2022, all directors on the Board have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it. | 19(1) | Out of seven directors, three directors meet the exemption requirement of the Directors' Training Program and one directors has obtained the Directors' Training Program certification in prior years. The Company has planned to arrange Directors' Training Program certification for remaining three directors before June 30, 2023. |

**Lahore: October 05, 2022**

For & on behalf of the Board

**(JILLANI JAHANGIR)**
**CHIEF EXECUTIVE OFFICER**

For & on behalf of the Board

**(TAHIR JAHANGIR)**
**DIRECTOR**

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# KEY FINANCIAL DATA LAST SIX YEARS

| Particulars | 2022 | 2021 (Re-stated) | 2020 (Re-stated) | 2019 | 2018 | 2017 (Re-stated) |
|---|---|---|---|---|---|---|
| Subscribed and paid up capital | 129,963,040 | 129,963,040 | 129,963,040 | 129,963,040 | 68,040,000 | 68,040,000 |
| Resserves | 17,341,491 | 21,084,442 | 16,357,160 | 19,585,154 | 24,230,233 | 25,591,623 |
| Long term loan-secured | 6,918,795 | 12,834,045 | 7,431,103 | - | - | - |
| Deferred liabilities | 29,424,667 | 29,122,358 | 43,545,593 | 46,031,274 | 44,577,951 | 43,754,038 |
| Current liabilities | 189,854,689 | 187,652,811 | 174,688,397 | 154,498,937 | 151,025,102 | 165,317,087 |
| Operating fixed assets | 280,264,376 | 158,099,285 | 150,199,499 | 146,056,870 | 87,750,348 | 97,938,309 |
| Current assets | 246,723,435 | 237,559,495 | 237,197,755 | 202,438,384 | 191,227,176 | 196,111,684 |
| Revenue | 549,650,906 | 389,822,084 | 346,416,594 | 385,706,915 | 314,091,422 | 231,100,822 |
| Gross profit | 100,375,399 | 83,837,751 | 70,327,471 | 70,358,009 | 55,314,814 | 41,621,108 |
| Operating Profit | 23,377,734 | 19,189,792 | 13,971,447 | 13,569,476 | 12,663,332 | 8,319,844 |
| Profit befor taxation | 17,606,691 | 10,554,172 | 8,157,780 | 11,967,273 | 8,541,619 | 4,508,627 |
| Profit after taxation | 11,784,446 | 7,042,639 | 12,883,275 | 7,839,313 | 5,421,326 | 2,119,930 |

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# INDEPENDENT AUDITOR'S REVIEW REPORT

**To the Members of "Hala Enterprises Limited"**

**Review Report on the Statement of Compliance Contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Hala Enterprises Limited for the year ended **June 30, 2022** in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended **June 30, 2022**.

**Malik Haroon Shahid Safder & Co.**
**Chartered Accountants**

**Lahore**

**Dated: October 05, 2022**

**UDIN: CR202210206DJOZ7BsET**

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# INDEPENDENT AUDITORS' REPORT

**To the Members of "Hala Enterprises Limited"**
**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the annexed financial statements of **Hala Enterprises Limited** (the Company), which comprise the statement of financial position as at **June 30, 2022** and the statement of profit or loss, the statement of comprehensive income , the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part there of conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **June 30, 2022** and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Following are the Key audit matters:

| Sr. No | Key audit matter | How the matter was addressed in our audit |
|---|---|---|
| 1. | **Revenue recognition** | |
| | (Refer notes 5.18 and 29 to the annexed financial statements)<br><br>• Revenue from sale of goods for the year ended 30 June 2022 has increased by approximately 41% as compared to last year. The Company recognizes revenue at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods.<br><br>• There is an inherent risk that revenue may be overstated since the Company focuses on revenue as a key performance measure, which could create an incentive for revenue to be recognised before the control has been transferred.<br><br>• Considering revenue recognition, a significant risk area, we have identified this as a key audit matter. | Our audit procedures in relation to the matter, amongst others, included the following:<br><br>• Evaluated the appropriateness of the Company's revenue recognition accounting policy as per requirements of IFRS-15.<br><br>• Obtained an understanding of management's internal controls over the revenue process and tested effectiveness of controls relevant to such process.<br><br>• Performed testing of sales transactions on a sample basis to ensure that the related revenues are recorded appropriately at the correct quantity and price when control of goods has been transferred to the customer.<br><br>• Performed sales cut-off procedures on a sample basis, on specific revenue transactions recorded before and after the reporting date with underlying documentation including evidence of deliveries to assess whether revenue was recognised in the correct period.<br><br>• Checked that the presentation and appropriateness of disclosures related to revenue are in accordance with requirements of 4th Schedule of Companies Act, 2017 and International Financial Reporting Standards (IFRSs). |

**Information Other than the Financial Statements and Auditor's Report thereon**

Management is responsible for the other information. The Other Information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

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# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII 1980).

The engagement partner on the audit resulting in this independent auditor's report is ***Malik Haroon Ahmad, FCA***.

**Malik Haroon Shahid Safder & Co**
**Chartered Accountants**

**Lahore**
**Dated: October 05, 2022**
**UDIN: AR202210206U6Lbj3Mw4**

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# STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2022

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| **AUTHORIZED SHARE CAPITAL** | | | |
| 16,000,000 (2021: 16,000,000) ordinary shares of Rs. 10 each | | **160,000,000** | 160,000,000 |
| **Issued, subscribed and paid up capital** | **6** | **129,963,040** | 129,963,040 |
| **Capital reserves** | | | |
| Surplus on revaluation of property, plant and equipment | **7** | **231,780,100** | 108,136,803 |
| Fair value reserve of financial assets at FVOCI | **8** | **8,067,204** | 11,810,155 |
| Other capital reserves | | **2,274,287** | 2,274,287 |
| | | **242,121,591** | 122,221,245 |
| **Revenue reserves** | | | |
| Other revenue reserve | | **7,000,000** | 7,000,000 |
| Accumulated loss | | **(61,064,404)** | (72,161,201) |
| | | **(54,064,404)** | (65,161,201) |
| **Total Share Capital and Reserves** | | **318,020,227** | 187,023,084 |
| **NON CURRENT LIABILITIES** | | | |
| Deferred liabilities | **9** | **29,424,667** | 29,122,358 |
| Long term borrowings | **10** | **6,918,795** | 12,834,045 |
| **Total Non Current Liabilities** | | **36,343,462** | 41,956,403 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | **11** | **55,450,486** | 39,625,703 |
| Accrued mark up | **12** | **929,889** | 891,887 |
| Short term borrowings | **13** | **125,850,000** | 137,520,000 |
| Current portion of deferred Government grant | **9** | **28,247** | 338,951 |
| Current portion of long term borrowings | **10** | **3,731,810** | 6,041,804 |
| Due to related parties | **14** | **3,864,257** | 3,234,466 |
| Provision for taxation | **15** | **-** | - |
| **Total Current Liabilities** | | **189,854,689** | 187,652,811 |
| **LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE** | **16** | **3,775,000** | 3,775,000 |
| **CONTINGENCIES AND COMMITMENTS** | **17** | | |
| **TOTAL EQUITY AND LIBILITIES** | | **547,993,378** | 420,407,298 |

***The annexed notes from 1 to 49 form an integral part of these financial statements.***

**CHIEF EXECUTIVE OFFICER** | **CHIEF FINANCIAL OFFICER** | **DIRECTOR**

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# STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| **ASSETS** | | | |
| **NON CURRENT ASSETS** | | | |
| Property, plant and equipment | 18 | **280,264,376** | 158,099,285 |
| Long term investments | 19 | **9,250,838** | 12,993,789 |
| Long term deposits | 20 | **5,038,617** | 5,038,617 |
| **Total Non-Current Assets** | | **294,553,831** | 176,131,691 |
| **CURRENT ASSETS** | | | |
| Stores, spares and loose tools | 21 | **4,747,685** | 4,393,269 |
| Stock in trade | 22 | **84,328,729** | 85,221,420 |
| Trade debts | 23 | **46,692,624** | 54,138,277 |
| Advances, deposits, prepayments and other receivables | 24 | **48,637,812** | 50,327,432 |
| Tax refund due from Government | 25 | **39,894,482** | 30,682,075 |
| Due from related parties | 26 | **11,694,910** | 10,406,768 |
| Cash and bank balances | 27 | **10,727,193** | 2,390,254 |
| **Total Current Assets** | | **246,723,435** | 237,559,495 |
| **NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE** | 28 | **6,716,112** | 6,716,112 |
| **TOTAL ASSETS** | | **547,993,378** | 420,407,298 |

***The annexed notes from 1 to 49 form an integral part of these financial statements.***

**CHIEF EXECUTIVE OFFICER** | **CHIEF FINANCIAL OFFICER** | **DIRECTOR**

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# STATEMENT OF PROFIT OR LOSS
## FOR THE YEAR ENDED JUNE 30, 2022

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| **Sales** | **29** | **549,650,906** | 389,822,084 |
| Cost of sales | **30** | **(449,275,507)** | (305,984,333) |
| **Gross profit** | | **100,375,399** | 83,837,751 |
| Operating expenses | | | |
| - Selling and distribution costs | **31** | **(49,768,281)** | (34,819,551) |
| - Administrative expenses | **32** | **(25,255,403)** | (25,994,831) |
| - Other operating expenses | **33** | **(1,973,981)** | (3,833,577) |
| | | **(76,997,665)** | (64,647,959) |
| **Operating profit** | | **23,377,734** | 19,189,792 |
| Finance cost | **34** | **(11,050,210)** | (10,299,965) |
| Other income | **35** | **5,279,167** | 1,664,345 |
| **Profit before taxation** | | **17,606,691** | 10,554,172 |
| Taxation | **36** | **(5,822,245)** | (3,511,533) |
| **Profit after taxation and before disposal of assets held for sale** | | **11,784,446** | 7,042,639 |
| Gain on disposal of land held for sale | | - | - |
| **Net profit for the year** | | **11,784,446** | 7,042,639 |
| **Earnings per share** | | | |
| - **Basic and Dilutive** | **37** | **0.91** | 0.54 |

***The annexed notes from 1 to 49 form an integral part of these financial statements.***

**CHIEF EXECUTIVE OFFICER** | **CHIEF FINANCIAL OFFICER** | **DIRECTOR**

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# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2022

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| **Net profit for the year** | | **11,784,446** | 7,042,639 |
| **Other Comprehensive Income** | | | |
| ***Items that will not be reclassified subsequently to profit or loss*** | | | |
| Actuarial loss due to experience adjustment on remeasurement of staff retirement benefits | **9.1.1** | **(3,264,125)** | (2,725,234) |
| ***Items that may be reclassified subsequently to profit or loss*** | | | |
| Gain on revaluation of land, building and plant & machinery | | **126,219,773** | - |
| Net gain/(loss) on remeasurement of investment designated as FVOCI | **8.1** | **(3,742,951)** | 4,727,282 |
| **Total other comprehensive income for the year** | | **119,212,697** | 2,002,048 |
| **Total Comprehensive income for the Year** | | **130,997,143** | 9,044,687 |

***The annexed notes from 1 to 49 form an integral part of these financial statements.***

**CHIEF EXECUTIVE OFFICER**

**CHIEF FINANCIAL OFFICER**

**DIRECTOR**

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# STATEMENT OF CHANGES IN EQUITY

**FOR THE YEAR ENDED JUNE 30, 2022**

| Particulars | Share Capital | Capital Reserves | | | | Revenue Reserves | | | Total Share Capital and Reserves |
|---|---|---|---|---|---|---|---|---|---|
| | | Surplus on Revaluation of Property, Plant and Equipment | Fair Value Reserve of Financial Assets at FVOCI | Other Capital Reserve | Total Capital Reserves | Other Revenue Reserve | Accumulated Loss | Total Revenue Reserves | |
| | Rupees | | | | | | | | |
| **Balance as at July 01, 2020** | **129,963,040** | **113,212,127** | **7,082,873** | **2,274,287** | **122,569,287** | **7,000,000** | **(81,553,930)** | **(74,553,930)** | **177,978,397** |
| **Total comprehensive income for the year** | | | | | | | | | |
| Net profit for the year | - | - | - | - | - | - | 7,042,639 | 7,042,639 | 7,042,639 |
| Other comprehensive income for the year | - | - | 4,727,282 | - | **4,727,282** | - | (2,725,234) | (2,725,234) | 2,002,048 |
| | - | - | **4,727,282** | - | **4,727,282** | - | **4,317,405** | **4,317,405** | **9,044,687** |
| Incremental depreciation for the year due to surplus on revaluation of property, plant and equipment transferred to equity | - | **(2,288,954)** | - | - | - | - | 2,288,954 | - | - |
| Surplus realized on disposal of land held for disposal | - | (2,786,370) | - | - | **(2,786,370)** | - | 2,786,370 | 2,786,370 | - |
| **Balance as at June 30, 2021** | **129,963,040** | **108,136,803** | **11,810,155** | **2,274,287** | **122,221,245** | **7,000,000** | **(72,161,201)** | **(65,161,201)** | **187,023,084** |
| **Balance as at July 01, 2021** | **129,963,040** | **108,136,803** | **11,810,155** | **2,274,287** | **122,221,245** | **7,000,000** | **(72,161,201)** | **(65,161,201)** | **187,023,084** |
| **Total Comprehensive income for the year** | | | | | | | | | |
| Net profit for the year | - | - | - | - | - | - | **11,784,446** | **11,784,446** | **11,784,446** |
| Other comprehensive loss for the year | - | - | **(3,742,951)** | - | **(3,742,951)** | - | **(3,264,125)** | **(3,264,125)** | **(7,007,076)** |
| | - | - | **(3,742,951)** | - | **(3,742,951)** | - | **8,520,321** | **8,520,321** | **4,777,370** |
| Addition in surlus on revaluation of property, plant & equipment | - | **126,219,773** | - | - | **126,219,773** | - | - | - | **126,219,773** |
| Incremental depreciation for the year due to surplus on revaluation of property, plant and equipment transferred to equity | - | **(1,811,395)** | - | - | **(1,811,395)** | - | **1,811,395** | **1,811,395** | - |
| Surplus realized on disposal of plant and machinery | - | **(765,081)** | - | - | **(765,081)** | - | **765,081** | **765,081** | - |
| **Balance as at June 30, 2022** | **129,963,040** | **231,780,100** | **8,067,204** | **2,274,287** | **242,121,591** | **7,000,000** | **(61,064,404)** | **(54,064,404)** | **318,020,227** |

***The annexed notes from 1 to 49 form an integral part of these financial statements.***

**CHIEF EXECUTIVE OFFICER**

**CHIEF FINANCIAL OFFICER**

**DIRECTOR**

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# STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED JUNE 30, 2022**

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net cash generated from operations | 38 | **55,936,516** | 20,080,431 |
| Income tax paid | | **(5,735,227)** | (4,032,253) |
| Finance cost paid | | **(11,012,208)** | (9,184,928) |
| Gratuity paid | 9.1.1 | **(6,772,247)** | (8,304,476) |
| Payment of worker welfare fund | | **(309,324)** | (358,245) |
| Payment of worker profit participation fund | | **(571,763)** | (895,613) |
| **Net cash outflow generated from/(used in) operating activities** | A | **31,535,747** | (2,695,084) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchases of property, plant and equipment | 18 | **(4,165,535)** | (21,456,993) |
| Dividend income | 35 | **51,971** | - |
| Proceeds from disposal of property, plant and equipment | | **810,000** | 6,504,375 |
| **Net cash (used) in investing activities** | B | **(3,303,564)** | (14,952,618) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from long term loan | | **(8,225,244)** | 7,187,378 |
| Proceeds from short term borrowings | | **(11,670,000)** | 11,190,000 |
| **Net Cash inflow (used in)/generated from financing activities** | C | **(19,895,244)** | 18,377,378 |
| **Net increase/(decrease) in Cash and Cash Equivalents** | A+B+C | **8,336,939** | 729,676 |
| Cash and cash equivalents at the beginning of the year | | **2,390,254** | 1,660,578 |
| **Cash and cash equivalents at the end of the year** | | **10,727,193** | 2,390,254 |

***The annexed notes from 1 to 49 form an integral part of these financial statements.***

**CHIEF EXECUTIVE OFFICER**

**CHIEF FINANCIAL OFFICER**

**DIRECTOR**

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# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

## 1 THE COMPANY AND ITS OPERATIONS

- Hala Enterprises Limited ("the Company") was incorporated in Pakistan under the repealed Companies Act, 1913 (now the Companies Act, 2017) as a Private Limited Company on May 16, 1973 which was subsequently converted into a Public Limited Company. The Company is primarily engaged in manufacturing and sale of terry towels, kitchen towels and terry cloth.

### 1.1 Investment in associates

- Details of the Company's investment in associated companies are stated in note 19 to these financial statements.

### 1.2 Geographical location and addresses of business units

- **1.** The registered office of the Company is located at 17.5 KM Sheikhupura Road, Lahore.
- **2.** Manufacturing facilities are located at 17.5 KM Sheikhupura Road, Lahore and 42 KM Ferozepur Road, Lahore.
- **3.** Administration and management office is situated atHouse No, 120 E1, Gulberg III, Lahore.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

- These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:
  - International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
  - Provisions of and directives issued under the Companies Act, 2017.
- Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### 2.2 Basis of measurement

- These financial statements have been prepared under the historical cost convention except to the extent of the following:

| | | |
|---|---|---|
| - Employee retirement benefits (Gratuity) | → | Present value |
| - Certain property plant and equipment | → | Revalued / Fair value |
| - Certain financial instruments | → | Fair value |

### 2.3 Functional and presentation currency

- These financial statements are prepared and presented in Pak Rupees which is the Company's functional and presentation currency. All the figures have been rounded off to the nearest rupee, unless otherwise stated.

## 3 USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

- The preparation of financial statements in conformity with IFRS's requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, incomes and expenses. These estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.
- The estimates and underlying assumptions are reviewed on an ongoing basis. The revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.
- Judgments made by the management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as under:

### 3.1 Estimated useful lives, residual values, method of depreciation and revalued amounts of items of property, plant and equipment

- The Company reviews the estimated useful lives, residual values and method of depreciation of property, plant and equipment on regular basis. For land, building, plant & machinery and fittings and electric installations revalued amounts is determined. Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of nondepreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values. Refer to note 42.3.1 for an analysis of sensitivity of revalued amounts of property, plant and equipment. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis. Any change in such estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge and impairment.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

**3.2 Revenue from contracts with customers involving sale of goods**

- When recognizing revenue in relation to the sale of goods to customers, the key performance obligation of the Company is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore, the benefits of unimpeded access.

**3.3 Impairment**

**3.3.1 Impairment of financial assets**

- The allowance for expected credit losses assessment requires a degree of estimation and judgment. The Company measures allowances for Expected Credit Losses (ECLs) for trade debts using IFRS 9 'Financial Instruments' simplified approach based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates after considering the pattern of receipts from and future financial outlook of the counterparty and are reviewed by the management on regular basis.

- While general 3-stage approach for all other financial assets including deposits, advances, other receivables and bank balances i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. Any change in the estimates in future years might affect the carrying amounts of the respective items of assets with a corresponding effect on income.

**3.3.2 Impairment of non-financial assets**

- The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated using criteria given in respective accounting standards to determine the extent of impairment loss, if any.

**3.4 Employees' retirement benefits - gratuity**

- The Company records its employees' retirement benefits at present value using actuarial assumptions regarding increase in salaries in subsequent years, remaining working lives of employees and an estimate of discount rates. Change in actuarial assumptions over the period of time may affect the present value of post-employment benefits payable and the charge for such liability accounted for in any given period.

**3.5 Provision for stores, spares & loose tools and stock in trade**

- The Company records its stores, spares & loose tools and stock in trade using lower of cost and net realizable value. Net realizable value is determined with reference to estimated selling price less estimated cost to complete and estimated cost necessary to make the sales. Valuation of the stores and spares and stock in trade is reviewed at regular intervals for determination of possible impairment, if any. Any possible impairment may change the future value of stores, spares & and stock in trade.

- Provision for obsolete and slow-moving inventories is based on management's estimate of the condition and usability of stores, spares & loose tools and stock in trade.

**3.6 Taxation**

- Significant judgment is required in determining the provision for income taxes. There are few transactions and calculations for which ultimate tax determination is uncertain as these matters are being contested at various legal forums. The Company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Instance where the management of the Company's view differs from the view taken by the taxation authorities at the assessment stage and where the management considers that its view on items of material nature is in accordance with law, the amounts are shown as contingency. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax expense, assets and liabilities in the period in which such determination is made.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

**3.7 Provisions and contingencies**

- A provision is recognized as a result of past event when the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the liability. The un-winding of discount is recognized as finance cost, if any.

- Where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation can not be measured with sufficient reliability, it is disclosed as contingent liability.

**3.8 Financial instruments – fair value**

- When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

**4 CHANGES IN ACCOUNTING STANDARDS, INTERPRETATIONS AND PRONOUNCEMENTS**

**4.1 Standards, interpretations and amendments to published approved accounting standards that became effective during the year**

- The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2021 are considered relevant for the Company's financial statements are as follows:

| Amendments or Improvements | Effective date ( Annual periods beginning on or after) |
|---|---|
| **1-** Interest Rate Benchmark Reform – Phase 2 - (Amendments to IFRS 9, IAS 39, IFRS 7, 'IFRS 4 and IFRS 16) | January 01, 2021 |
| **2-** Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021 | April 01, 2021 |

- The adoption of the above amendments to the approved accounting standards did not have any material effect on the Company's financial statements.

**4.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant**

- The following standards, amendments and improvements to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, amendments or improvements:

| Amendments or Improvements | | Effective date ( Annual periods beginning on or after) |
|---|---|---|
| - IFRS 3 | Reference to the Conceptual Framework (Amendments) | January 1, 2022 |
| - IAS 16 | Property, Plant and Equipment: Proceeds before Intended Use (Amendments) | January 1, 2022 |
| - IAS 37 | Onerous Contracts – Costs of Fulfilling a Contract (Amendments) | January 1, 2022 |
| - IAS 1 | Classification of Liabilities as Current or Non-current (Amendments) | January 1, 2023 |

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

| | | |
|---|---|---|
| - IAS 1 | Disclosure of Accounting Policies (Amendments) | January 1, 2023 |
| - IAS 8 | Definition of Accounting Estimates (Amendments) | January 1, 2023 |
| - IAS 12 | Deferred tax related to Assets and Liabilities arising from a single transaction (Amendments) | January 1, 2023 |
| - IFRS 10 /IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment) | Not yet finalised |

- **Improvements to Accounting Standards Issued by the IASB (2018-2020 cycle)**

| | | |
|---|---|---|
| IFRS 9 | Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities | January 1, 2022 |
| IAS 41 | Agriculture – Taxation in fair value measurements | January 1, 2022 |
| IFRS 16 | Leases: Lease incentives | January 1, 2022 |

**Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.**

| Amendments or Improvements | | IASB effective date (annual periods beginning on or after) |
|---|---|---|
| IFRS 17 | Insurance Contracts | January 1, 2023 |

The Company expects that above standards, amendments and improvements to approved accounting standards will not have any material impact on the Company's financial statements in the period of initial application.

### 5 SIGNIFICANT ACCOUNTING POLICIES

- The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the changes of adoption of new accounting standards as indicated in Note 4.1 and the changes as indicated below:

### 5.1 Provisions

- Provisions for legal claims, service warranties and good obligations 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 will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

- Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

- Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

- As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognized provision is recognized in the statement of profit or loss unless the provision was originally recognized as part of cost of an asset.

### 5.2 Staff retirement benefits

### 5.2.1 Defined benefit plan

- The Company operates an unfunded gratuity scheme covering all its permanent employees. Employees are eligible for benefits under this scheme after completion of six months of continuous service. The benefit is calculated on the basis of number of completed years of service and last drawn gross salary.

- As at reporting date the Company records staff retirement benefits liability based on actuarial valuation, which is carried out using the projected unit credit method. All actuarial gains and losses (i.e. remeasurements) are recognized in "other comprehensive income" as they occur.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

### 5.3 Taxation

#### 5.3.1 Current

- The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period (i.e. taxable income at the current tax rate after taking into account applicable tax credits, rebates and exemptions available, if any, or minimum taxation at the rate of one percentage of the turnover, or alternate corporate tax at the rates applicable for the time being, whichever is higher, however, for income covered under final tax regime, taxation is based on applicable tax rates under such regime).

- Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

- Current tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

- Current tax assets and tax liabilities are offset, where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### 5.3.2 Deferred

- Deferred taxation has not been provided using the liability method for all temporary differences at the date of statement of financial position between tax bases of assets and liabilities and their carrying amount for financial reporting purposes. In this regard the effects on deferred taxation of the portion of income subject to final tax regime is considered in accordance with the requirement of "Technical Release - 27 " of the Institute of Chartered Accountants of Pakistan.

#### 5.3.3 Sales Tax

- Revenues, expenses, assets and liabilities are recognized net of the amount of sales tax except:
  - **(a)** Where the sales tax incurred on purchase of assets or services is not recoverable from the taxation authority, the sales tax is recognized as part of the cost of acquisition of the asset or as part of expense, as applicable.
  - **(b)** When receivables and payable are stated with the amount of sales tax included.
- The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Sales tax assets and liabilities are offseted when balances relate to the same taxation authority.

### 5.4 Trade and other payables

- Trade creditors and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. These are recognized initially at their fair value which is consideration to be paid in future for goods and services received, whether or not billed to the Company and subsequently measured at amortized cost using the effective interest method. These are presented as current liabilities unless payment is not due within 12 months after the reporting period.

- Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

### 5.5 Property, plant and equipment

#### 5.5.1 Owned assets

- Property, plant and equipment are stated at revalued amount/cost less accumulated depreciation and identified impairment losses, if any, except freehold land which is stated at revalued amount. Revaluation is carried out with sufficient regularity to ensure that the carrying amounts of assets do not differ materially from their fair values. Additions, subsequent to revaluation, are stated at cost less accumulated depreciation and any identified impairment loss.

- The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost in relation to certain assets also includes cost of borrowing during construction period in respect of loans taken for specific asset/projects.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

- The management reviews the market value of revalued assets at each date of statement of financial position to ascertain whether the fair value of revalued assets have differed materially from the carrying value of such assets, thus necessitating further revaluation.
- Depreciation on property, plant and equipment, except freehold land, is charged to statement of profit or loss using reducing balance method so as to write off the cost or revalued amount of an asset over its estimated useful life. Incremental depreciation representing the difference between actual depreciation based on revalued carrying amount of the asset and equivalent depreciation based on the original carrying amount of the asset is transferred to equity from surplus on revaluation of property, plant and equipment.
- Depreciation on additions is charged from the day on which the assets are available for use while no depreciation will be charged from the day on which the assets are disposed off. Rates of depreciation are disclosed in note 18.
- Depreciation method, residual value and useful lives of assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.
- Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized. Gains or losses on disposal of property, plant and equipment are included in the current year's income.
- Increases in the carrying amounts arising due to revaluation are credited to revaluation surplus on property, plant and equipment. Decreases that offset previous increases of any other fixed asset of the Company are debited against revaluation surplus directly in equity. All other decreases are charged to the statement of profit or loss.

**5.5.2 Capital work-in-progress**

- Capital work-in-progress is stated at cost less any identified impairment loss.

**5.5.3 Advance against capital assets**

Advance against capital assets is stated at cost less impairment loss, if any. Transfers are made to relevant asset category as and when assets are available for intended use.

**5.6 Leases**

- The Company recognizes a right-to-use ("RTU") asset and a RTU liability at the lease commencement date. The RTU asset is initially measured at cost which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.
- The RTU asset is depreciated from the commencement date to the earlier of the end of the useful life of the RTU asset or to the end of the lease term. The estimated useful lives of RTU assets are determined on the same basis as those of property, plant and equipment. In addition, the RTU asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.
- The RTU liability, or lease liability, is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Company's incremental borrowing rate. The RTU liability is remeasured when there is a change in future lease payments such as a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

- The Company has elected not to recognize RTU assets for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**5.7 Impairment of non-financial assets**

- The Company assesses the carrying amount of non financial assets at each reporting date to determine whether there is any indication of impairment loss. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in the statement of profit or loss. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

**5.8 Investments**

**5.8.1 In associated undertakings**

- Investments in associates are accounted for using the equity method. This method is applied from the date when significant influence is established until the date when that significant influence ceases.

**5.8.2 Other investments**

- The Company classifies all other investments into following three categories as financial asset:
    - fair value through profit or loss (FVTPL); and
    - fair value through other comprehensive income (FVOCI);
    - measured at amortized cost.
- See financial assets recognition, measurement and derecognition criteria as described in policy of financial assets (Ref: note 5.14).

**5.9 Stores, spares and loose tools**

- Stores, spares and loose tools are valued at weighted average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Provision is made for obsolete and slow moving stores items based on management estimate.

**5.10 Stock in trade**

- These are valued at lower of cost and net realizable value and the cost is determined by using the following basis:
    - Raw materials → At weighted average cost
    - Work in process → At estimated average manufacturing cost
    - Finished goods → Average manufacturing cost
- Manufacturing cost in relation to work-in-process and finished goods comprises cost of materials, labor and appropriate manufacturing overheads.
- Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale. If the net realizable value is lower than the carrying amount, a write-down is recognized for the amount by which the carrying amount exceeds its net realizable value. Provision is made in the financial statements for obsolete and slow moving stock in trade based on management estimate.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

**5.11 Trade debts**

- Trade debts are amounts due from customers for goods sold in the ordinary course of business. Trade debts are recognized initially at the original invoice amount being the fair value, unless they contain significant financing component in which case such are recognized at fair value. The Company holds the trade debt with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortized cost using the effective interest rate method as per IFRS 9.
- The Company recognizes life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:
    - an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
    - reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.
- Trade debts are separately assessed for ECL measurement. The lifetime expected credit losses are estimated using the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

**5.11.1 Recognition of loss allowance**

- The Company recognizes a loss allowance in the statement of profit or loss for trade debts with a corresponding adjustment to their carrying amount through a loss allowance account. Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 360 days past due in making a contractual payment.

**5.11.2 Write-off**

- The Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.
- Exchange gains or losses arising in respect of account receivables/due from customers against progress billings/ retention money in foreign currency are added to their respective carrying amounts.

**5.12 Cash and cash equivalents**

- Cash and cash equivalents are carried at amortized cost. Cash and cash equivalents in the statement of financial position comprise cash at banks, cash in hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.
- For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term bank deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

**5.13 Non-current assets (or disposal group) classified as held for sale**

- Non-current assets (or disposal group) are classified as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets (or disposal groups) are measured at the lower of their carrying amount and fair value less cost to sell. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

### 5.14 Financial instruments

- A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**(A) Financial assets**

**(a) Initial recognition and measurement**

- Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.
- The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.
- In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.
- The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.
- Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

**(b) Subsequent measurement**

- For purposes of subsequent measurement, financial assets are classified in following categories:
  - **(i)** Financial assets at amortized cost (debt instruments)
  - **(ii)** Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
  - **(iii)** Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
  - **(iv)** Financial assets at fair value through profit or loss

**(i) Financial assets at amortized cost (debt instruments)**

- This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:
  - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in statement of profit or loss when the asset is derecognized, modified or impaired.
- The Company's financial assets at amortized cost includes:
  - Long term investments
  - Long term deposits
  - Trade debts
  - Advances, deposits, prepayments and other receivables
  - Due from related parties
  - Cash and bank balances

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

**(ii) Financial assets at fair value through OCI (debt instruments)**

- The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- (i) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
  (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

**(iii) Financial assets designated at fair value through OCI (equity instruments)**

- Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under "(IAS 32 Financial Instruments: Presentation)" and are not held for trading. The classification is determined on an instrument-by-instrument basis.

- Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

**(iv) Financial assets at fair value through profit or loss**

- Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.
- This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

- A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

**(c) Derecognition**

- A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

**(i)** The rights to receive cash flows from the asset have expired.
**(ii)** The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through'

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

- When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.
- Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**(d) Impairment of financial assets**

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at amortized cost (other than trade receivables and contract assets) and fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company's debt instruments at fair value through OCI that are considered to be low credit risk investments, it is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the Good Credit Rating Agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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- The Company considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**(B) Financial liabilities**

**(a) Initial recognition and measurement**

- Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, and financial liabilities at amortized cost, as appropriate.
- All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
- The Company's financial liabilities include:
    - Long term borrowings
    - Trade and other payables
    - Accrued mark up
    - Short term borrowings
    - Due to related parties

**(b) Subsequent measurement**

- The measurement of financial liabilities depends on their classification, as described below:

**(i) Financial liabilities at fair value through profit or loss**

- Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.
- Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.
- Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.
- Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

**(ii) Financial liabilities at amortized cost (loans and borrowings)**

- This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.
- Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.
- This category generally applies to interest-bearing loans and borrowings.

**(c) Derecognition**

- A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

**(C) Derivative financial instruments**

- Derivatives are initially recognized at fair value. Any directly attributable transaction costs are recognized in the statement of profit or loss as incurred. They are subsequently remeasured at fair value on regular basis and at each reporting date as a minimum, with all their gains and losses, realized and unrealized, recognized in the statement of profit or loss.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

**(D) Fair value measurement**

- Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

**5.15 Fair value measurement**

- Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

- The different levels of fair valuation method have been defined as follows:

  **Level 1** Quoted prices in active markets for identical assets or liabilities;

  **Level 2** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

  **Level 3** Inputs for the asset or liability that are not based on observable market data.

**5.16 Foreign currency transactions and translations**

- Transactions in foreign currencies are converted into Pakistani Rupees at the rates of exchange prevailing on the date of the transactions.
- Monetary assets and liabilities in foreign currencies are translated into Rupees at rates prevailing at the reporting date.
- Foreign currency gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.
- Foreign exchange differences arising from trading transactions are included in the results of operating activities whereas exchange differences on financing activities are included in finance costs.
- All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.
- 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 recognition of transactions.
- Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as investments held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as investments measured at fair value through OCI are recognized in other comprehensive income.
- In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.
- The exchange rates of the major currencies that impact the operations are:

| Exchange rates used for conversions in Pakistani Rupees (PKR) | | | | |
|---|---|---|---|---|
| Currency | Closing rate as of June 30, | | Average rate for the year ended June 30, | |
| | 2022 | 2021 | 2022 | 2021 |
| - United States Dollar (USD) | 205.50 | 157.25 | 177.56 | 167.61 |
| - European Union Euro (EURO) | 215.23 | 187.20 | 196.53 | 191.10 |

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

**5.17 Related party transactions**

- Transactions with related parties are carried out by the Company at arms' length prices, whereas transactions lacking commercial substance are conducted at mutually agreed prices in accordance with policy approved by Board of Directors, where where majority of the directors are interested in any transaction with approval of Members as prescribed under section 208 of Companies Act, 2017.

**5.18 Revenue recognition**

**5.18.1 From sale of goods to customer**

- Revenue is recognized in statement of profit or loss in accordance with the pattern of satisfying the Company's performance obligations under a contract. This satisfaction occurs when control of a good or service transfers to the customer. Revenue is measured at the fair value of the consideration received or receivable, and is recognized on the following basis:

  - Revenue from sale of goods and scrap sales is recognized when control of goods have been transferred to a customer at a point in time when the performance obligation is met (generally at the time of delivery). Generally, the normal credit term is 30 to 60 days upon delivery.

**5.18.2 Others income**

- Return on long-term deposits, due from related parties and return on bank deposits at amortized cost are accounted for using the effective interest rate method.
- Dividends on equity investments are recognized as income when the Company's right to receive the dividends is established.
- Revenue from processing income is recognized when processing services are rendered.
- Duty draw back and export rebates are recognized as income when bill of lading of related export sales are received.
- Income from lease rentals is recognized on straight line basis over the term of the respective lease agreement.

**5.19 Segment reporting**

- Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

**5.20 Earnings per share (EPS)**

- The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares.
- Basic earnings per share is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.
- Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

**5.21 Contingencies and commitments**

**5.21.1 Commitments**

- Commitments are disclosed in note 17 to the financial statements.

**5.21.2 Contingencies**

**(a) Contingent assets**

- Contingent assets are disclosed when the Company has a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization becomes certain.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

**(b) Contingent liabilities**

- Contingent liability is disclosed when:
  - **(i)** there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
  - **(ii)** there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measure with sufficient reliability.
- In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognized in the financial statements.

**5.22 Borrowing costs**

- Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of the asset until such time as the asset is substantially ready for its intended use or sale.
- Borrowing costs includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs and net gain / loss on the settlement of derivatives hedging instruments.

**5.23 Dividend and other appropriations**

- Dividend to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved. However, if these are declared/approved after the reporting period but before the financial statement are authorized for issue, disclosure is made in the financial statements.

**5.24 Share Capital**

- Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**5.25 Government Grant**

- Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. As the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

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

| 2022 | 2021 | Particulars | 2022 | 2021 |
|---|---|---|---|---|
| Number of shares | | | Rupees | Rupees |
| **2,336,920** | 2,336,920 | Ordinary shares of Rs. 10 each fully paid in cash | **23,369,200** | 23,369,200 |
| **1,443,080** | 1,443,080 | Ordinary shares of Rs. 10 each issued as bonus shares | **14,430,800** | 14,430,800 |
| **9,216,304** | 9,216,304 | Ordinary shares of Rs. 10 each issued otherwise than right issue | **92,163,040** | 92,163,040 |
| **12,996,304** | 12,996,304 | | **129,963,040** | 129,963,040 |

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

**6.1** Ordinary shares of the Company held by associated companies and directors as at the year end are as follows:

| Sr# | Parties | Note | 2022 | 2021 |
|---|---|---|---|---|
| | | | ----------Number of shares--------- | |
| 1 | Teejay Corporation (Private) Limited | | **3,939,393** | 3,939,393 |
| 2 | Premier Garments Limited | | **40,000** | 40,000 |
| 3 | Mr. Tahir Jahangir | | **3,159,383** | 3,159,383 |
| 4 | Miss. Munizae Jahangir | | **821,941** | 821,941 |
| 5 | Mrs. Sulema Jahangir | | **5,818** | 5,818 |
| 6 | Mr. Jilani Jahangir | | **2,935,887** | 2,935,887 |
| 7 | Mrs. Myra Husain Qureshi | | **192,900** | 192,900 |
| 8 | Mr. Abdul Munaf | | **500** | 500 |
| 9 | Mr. Rashid Ahmad Khan | | **1,000** | 1,000 |
| | | | **11,096,822** | 11,096,822 |

**6.2** Reconciliation of the number of shares outstanding as at the beginning and at the end of the year is as under:

| Parties | Note | 2022 | 2021 |
|---|---|---|---|
| | | ----------Number of shares--------- | |
| Opening shares | | **12,996,304** | 12,996,304 |
| Issued during the year | | **-** | - |
| **Closing shares** | | **12,996,304** | 12,996,304 |

| | | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|---|
| **7** | **SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT** | | | |
| | Land - freehold | **7.1.1** | **133,498,480** | 81,208,480 |
| | Buildings on freehold land | **7.1.2** | **32,009,859** | 16,098,584 |
| | Plant and machinery | **7.1.3** | **66,257,392** | 10,813,773 |
| | Fittings and installations | **7.1.4** | **14,369** | 15,966 |
| | **Total Surplus on Revaluation of Property, Plant and Equipment** | | **231,780,100** | 108,136,803 |
| **7.1.1** | **Revaluation Surplus on Land** | | | |
| | Freehold land-Opening balance | | **74,578,760** | 74,578,760 |
| | Land classified as held for sale-Opening balance | | **6,629,720** | 6,629,720 |
| | | | **81,208,480** | 81,208,480 |
| | Addition in revaluation surplus during the year | | **52,290,000** | - |
| | **Closing balance** | | **133,498,480** | 81,208,480 |
| **7.1.2** | **Revaluation Surplus on Buildings on Freehold Land** | | | |
| | Opening balance | | **16,098,584** | 16,945,878 |
| | Addition in revaluation surplus during the year | | **16,716,204** | - |
| | Incremental depreciation charge transferred to accumulated profits during the year | **7.3** | **(804,929)** | (847,294) |
| | **Closing balance** | | **32,009,859** | 16,098,584 |

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

| | | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|---|
| **7.1.3** | **Revaluation Surplus on Plant and Machinery** | | | |
| | Opening balance | | **10,813,773** | 15,040,029 |
| | Addition in reveluation surplus during the year | | **57,213,569** | - |
| | Incremental depreciation charge transferred to accumulated profits during the year | **7.3** | **(1,004,869)** | (1,439,886) |
| | Surplus realized on disposal of plant and machinery | **7.2** | **(765,081)** | (2,786,370) |
| | **Closing balance** | | **66,257,392** | 10,813,773 |
| **7.1.4** | **Revaluation Surplus on Fittings and Installations** | | | |
| | Opening balance | | **15,966** | 17,740 |
| | Incremental depreciation charge transferred to accumulated profits during the year | **7.3** | **(1,597)** | (1,774) |
| | **Closing balance** | | **14,369** | 15,966 |
| **7.2** | **Surplus Realized on Disposal of Fixed Assets** | | | |
| | Land - Classified as held for sale | | **-** | - |
| | Plant and machinery sold during the year | | **765,081** | 2,786,370 |
| | | | **765,081** | 2,786,370 |

**7.3 Incremental Depreciation Charge Transferred to Accumulated Profits**

| | | |
|---|---|---|
| Buildings on freehold land | **804,929** | 847,294 |
| Plant and machinery | **1,004,869** | 1,439,886 |
| Fittings and installations | **1,597** | 1,774 |
| | **1,811,395** | 2,288,954 |

**7.4** Revaluation of land, building, plant and machinery and fittings & electric installation was carried out by an independent valuer as at June 30, 1996 that was duly certified by an independent firm of Chartered Accountants. This resulted in revaluation surplus of Rs. 54.41 million. Present market value in case of land and depreciated replacement values were used for the revaluation of property, plant and equipment.

- Further, revaluation of land, building, plant and machinery and fittings & electric installation were carried out by an independent valuer on June 30, 2014 and that resulted in further revaluation surplus of Rs. 38.431 million.
- Further, revaluation of land, building, plant and machinery and fittings & electric installation were carried out by an independent valuer "SURVAL" on June 30, 2019 and that resulted in further revaluation surplus of Rs. 56.09 million.
- Latest revaluation of land, building, plant and machinery and fittings & electric installation were carried out by an independent valuer "SURVAL" on June 30, 2022 and that resulted in further revaluation surplus of Rs. 126.22 million. Following assets were revalued:

  (1.) - Land (2.) - Building (3.) - Plant and machinery (4.) - Fittings and electric installation

| | | | | |
|---|---|---|---|---|
| **8** | **FAIR VALUE RESERVE OF FINANCIAL ASSETS AT FVOCI** | | | |
| | Fair value reserve of financial assets at FVOCI | **8.1** | **8,067,204** | 11,810,155 |
| | **Total Fair Value Reserve of Financial Assets at FVOCI** | | **8,067,204** | 11,810,155 |

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

| | | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|---|
| **8.1** | **Fair Value Reserve of Financial Assets at FVOCI** | | | |
| | Opening balance | | **11,810,155** | 7,082,873 |
| | Fair value gain/(loss) on long term investments held at fair value through "Other Comprehensive Income" | | **(3,742,951)** | 4,727,282 |
| | **Closing balance** | | **8,067,204** | 11,810,155 |
| **9** | **DEFERRED LIABILITIES** | | | |
| | Staff retirement benefits - unfunded | **9.1** | **29,424,667** | 29,094,111 |
| | Deferred grant liability | **9.2** | **-** | 28,247 |
| | **Total Deferred Liabilities** | | **29,424,667** | 29,122,358 |

**9.1 Staff Retirement Benefits - Unfunded**

This represents provision for gratuity for permanent employees and is based on length of service and last drawn gross salary. Latest actuarial valuation was carried out by "TRT Associates" actuaries & management consultants as at June 30, 2022.

| | | | | |
|---|---|---|---|---|
| **9.1.1** | **Movement in Net Liability for Staff Retirement Benefits** | | | |
| | Opening balance deferred libility | | **29,094,111** | 43,301,871 |
| | Opening balance payables | | **12,441,554** | - |
| | Charge for the year - To Statement of Profit or Loss | **9.1.2** | **4,362,513** | 3,813,036 |
| | Payments made / approved during the year | | **(6,772,247)** | (8,304,476) |
| | Actuarial loss due to experience adjustment on remeasurement of staff retirement benefits | | **3,264,125** | 2,725,234 |
| | Closing gratuity balance payable to staff | **11** | **(12,965,389)** | (12,441,554) |
| | **Closing balance** | | **29,424,667** | 29,094,111 |

**9.1.2 Charge for the Year**

- The amounts recognized in the statement of profit or loss account against defined benefit scheme are as follows:

| | | |
|---|---|---|
| Current service cost | **1,817,906** | 1,014,083 |
| Interest cost | **2,544,607** | 2,798,953 |
| | **4,362,513** | 3,813,036 |

**9.1.3 Remeasurements chargeable in other comprehensive income**

| | | |
|---|---|---|
| Actuarial losses due to changes in financial assumptions | **67,829** | - |
| Actuarial (gains)/losses due to experience adjustments | **3,196,296** | 2,725,234 |
| Amount Chargeable to Other Comprehensive Income (OCI) | **3,264,125** | 2,725,234 |

**9.1.4 Actuarial Assumptions**

Liability in statement of financial position and charge for the current year have been determined on the basis of following actuarial estimates provided by the actuary.

| | | | |
|---|---|---|---|
| - | Discount rate - per annum | **13.25%** | 10% |
| - | Expected rate of increase in salary level - per annum | **12.25%** | 9% |
| - | Average expected remaining working life time of employees | **8 years** | 7 years |
| - | Average duration of liability | **5 years** | 5 years |
| - | Expected mortality rate for active employees | **SLIC (2001-2005) Mortality Table** | |
| - | Actuarial valuation method | **Projected Unit Credit Method** | |

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

**9.1.5** The Company does not have any plan assets covering its staff retirement benefits payable. The comparative statement of present value of defined benefit obligations is as under:

| Particulars | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| | ---------- Rupees ---------- | | | | |
| Present value of defined benefit obligation | **29,424,667** | 29,094,111 | 43,301,871 | 46,031,274 | 44,577,951 |
| Fair value of plan asset | **-** | - | - | - | - |
| **Net liability** | **29,424,667** | 29,094,111 | 43,301,871 | 46,031,274 | 44,577,951 |

**9.1.6 Year end sensitivity analysis on defined benefit obligation**

- Reasonably possible changes at the date of statement of financial position to one of the relevant actuarial assumptions, holding other assumptions constant, would have resulted in present value of defined benefit obligation as stated below:

| Particulars | Impact on defined benefit obligation | | |
|---|---|---|---|
| | Change in assumption | Increase in assumption | Decrease in assumption |
| | % | --------- Rupees --------- | |
| **Discount rate** | | | |
| **- 2022** | **1%** | **27,996,905** | **30,925,925** |
| **- 2021** | 1% | 27,682,388 | 30,578,504 |
| **Salary increase** | | | |
| **- 2022** | **1%** | **30,925,241** | **27,996,561** |
| **- 2021** | 1% | 30,577,827 | 27,682,048 |

| | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|
| **9.1.7 The expense charged into statement of profit or loss for the year has been allocated as follows:** | | | |
| Cost of sales | **30** | **3,262,304** | 2,921,537 |
| Administrative expenses | **32** | **1,100,209** | 891,499 |
| | | **4,362,513** | 3,813,036 |
| **9.2 Deferred Grant Liability** | | | |
| Opening balance | | **367,198** | 687,759 |
| Government grant recognized during the year | | **-** | 275,268 |
| Less: Amortization of Government grant | | **(338,951)** | (595,829) |
| | | **28,247** | 367,198 |
| Less: Current portion of deferred Government grant | | **(28,247)** | (338,951) |
| **Non current portion of deferred grant liability** | | **-** | 28,247 |

**9.2.1** During the year, the Company received following concessional finance facility from JS Bank Limited:

- Refinancing Scheme of the State Bank of Pakistan amounting to Rs. 3.98 million (2021: 3.98 million) specifically for paying salaries and wages to Company's employees. The tenure of the financing is two and half year inclusive 6 Months grace period and are repayable in 8 equal monthly instalments commencing from January 01, 2021.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

| | | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|---|
| 10 | **LONG TERM BORROWINGS** | | | |
| | ***- From banking companies - secured*** | | | |
| | Long term loans | **10.1** | **10,650,605** | 18,875,849 |
| | Current portion of long-term financing | | **(3,731,810)** | (6,041,804) |
| | **Total Long Term Borrowing** | | **6,918,795** | 12,834,045 |
| 10.1 | **Long Term Loans** | | | |
| | Salary refinance | **10.1.1** | **3,015,105** | 9,006,349 |
| | Finance against machinery | **10.1.2** | **7,635,500** | 9,869,500 |
| | **Total Long Term Loans** | | **10,650,605** | 18,875,849 |
| 10.1.1 | **Salary Refinance** | | | |
| | Opening balance | | **9,006,349** | 7,311,220 |
| | Receipts during the year | | **-** | 3,983,500 |
| | Repayments during the year | | **(5,991,244)** | (2,995,622) |
| | Less: Current portion of loan | | **(1,497,810)** | (5,491,304) |
| | | | **1,517,296** | 2,807,794 |
| | Less: Fair value gain on remeasurement of loan | | **(633,074)** | (275,268) |
| | Add: Notional interest expense charged for the year | | **633,074** | 982,519 |
| | Closing balance of fair value adjustment on remeasurement of loan | | **-** | 707,251 |
| | **Non current portion of loan** | | **1,517,296** | 3,515,045 |

**10.1.1.1** The long-term financing has been obtained under salary refinance scheme of State Bank of Pakistan for a term of 2.5 years with grace period of 6 months from disbursement and carry mark-up at the rate of 3% per annum payable quarterly. The principal repayment will take place in 8 quarterly installments commencing from January 2021. This is secured against below mentioned securities in note 13.1.1.

| | | | | |
|---|---|---|---|---|
| 10.1.2 | **Finance Against Machinery** | | | |
| | Opening balance of loan | | **9,869,500** | 3,670,000 |
| | Addition during the year | | **(2,234,000)** | 6,199,500 |
| | | | **7,635,500** | 9,869,500 |
| | Less: Current portion of loan | | **(2,234,000)** | (550,500) |
| | **Closing balance of loan** | | **5,401,500** | 9,319,000 |

**10.1.2.1** The long-term financing facility (LTFF) has been obtained under textile machinery imported to enhance production capacity unit of State Bank of Pakistan for a term of 5 years from disbursement and carry mark up payable quaterly basis at the rate of SBP princing plus 2.50% per annum. The loan is secured against 1st charge of Rs. 16 Million to be registered with SECP on plant & machinery imported under LTFF plus securities mentioned in note 13.1.1 and 20% equity (to be obtained from cash margin under SLC facility.

| | | | | |
|---|---|---|---|---|
| 11 | **TRADE AND OTHER PAYABLES** | | | |
| | Creditors for: | | | |
| | - *Goods* | | **11,374,856** | 10,533,041 |
| | - *Services* | | **2,892,939** | 1,738,382 |
| | Accrued liabilities | | **12,651,599** | 11,417,696 |
| | Advances from customers and others | | **14,156,983** | 2,586,226 |
| | Worker welfare fund payable | | **474,858** | 309,325 |
| | Worker profit participation fund payable | | **933,862** | 571,763 |
| | Gratuity Payable | **9.1.1** | **12,965,389** | 12,441,554 |
| | Withholding tax payable | | **-** | 27,716 |
| | **Total Trade and Other Payables** | | **55,450,486** | 39,625,703 |

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

| | | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|---|
| **12** | **ACCRUED MARK UP** | | | |
| | Mark up accrued against borrowings | | **929,889** | 891,887 |
| | **Total Accrued Mark Up** | | **929,889** | 891,887 |
| **13** | **SHORT TERM BORROWINGS** | | | |
| | Borrowings from JS Bank Limited-Secured | **13.1** | **125,850,000** | 137,520,000 |
| | **Total Short Term Borrowings** | | **125,850,000** | 137,520,000 |
| **13.1** | **Borrowings from JS Bank Limited-Secured** | | | |
| | Export refinance | **13.1.1** | **107,910,000** | 107,910,000 |
| | Finance against foreign bills | **13.1.2** | **17,940,000** | 29,610,000 |
| | | | **125,850,000** | 137,520,000 |

**13.1.1** This represents utilized portion of short term borrowing facilities obtained from JS Bank Limited with a limit of Rs. 108 million (2021: 108 million). The purpose of this facility is to finance exports of the Company. This facility carries mark-up at SBP pricing plus 1% or maximum spread (whichever is higher) payable on quarterly basis. The credit facility of the Company will expire on December 31, 2022. This is secured against first charge of Rs. 184 million over all present and future current assets of the Company to be registered with SECP with 25% margin, first charge of Rs. 149 million over all present and future fixed assets of the Company to be registered with SECP with 25% margin, lien over EE-Statement, equitable mortgage with legal mortgage of Rs 100,000 and rest against equitable mortgage of factory's land (measuring 24 kanals 18 Marla's, situated at 17.5 KM Lahore-Sheikhupura road, Ferozwala District Sheikhupura) including building and plant and machinery, equitable mortgage with legal mortgage of Rs 100,000 and rest against equitable mortgage of residential property of director (situated at Plot number 5, St. No 74, G-6/4, Islamabad, pledge of 51,971 shares of M/s Punjab Oil Mills Limited (margin 30%) which shall be held in CDC pledged account of JSBL and personal guarantees of director and Mortgagors along with personal net wealth statements of director.

**13.1.2** This represents utilized portion of short term borrowing facilities obtained from JS bank Limited with a limit of Rs. 30 million (2021: 30 million). The purpose of this facility is to finance export bills sent on CAD basis. This facility carries mark-up of 3-Month Kibor plus 2.25% (if payment is delayed fifteen days after quarter end than rate will be 3-Month Kibor plus 4.25%) and is payable upfront through realization of export documents (Margin 10%) negotiated/discounted by JSBL. This is secured against above mentioned securities in Note 13.1.1 plus lien over export bills and indemnity for discrepant document.

| | | | | |
|---|---|---|---|---|
| **14** | **DUE TO RELATED PARTIES** | | | |
| | Mian Tahir Jahangir | | **-** | 212,963 |
| | Mr. Jillani Jahangir | | **132,184** | - |
| | Punjab Oil Mills Limited (Associated Company) | | **3,732,073** | 3,021,503 |
| | **Total Due to Related Parties** | | **3,864,257** | 3,234,466 |

**14.1** Due to related parties carry mark up @ 15.73% (2021: 10.5%) per annum. However, directors have given waiver of interest on their balance for the current and comparative financial year due to liquidity issues of the company. Moreover, the above balances are unsecured.

| | | | |
|---|---|---|---|
| **15** | **PROVISION FOR TAXATION** | | |
| | Provision for taxation | **-** | - |
| | **Total Provision for Taxation** | **-** | - |

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

| | | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|---|
| 15.1 | **Reconciliation** | | | |
| | Opening balance | | - | 3,775,130 |
| | Provision for current year | 36 | **5,943,513** | 3,883,291 |
| | Prior year tax adjustment | | **(121,268)** | (371,758) |
| | | | **5,822,245** | 7,286,663 |
| | Tax deducted / adjusted during the year | | **(5,822,245)** | (7,286,663) |
| | **Total Provision for Taxation** | | - | - |

**16 LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE**

| | Note | | |
|---|---|---|---|
| Advance against assets held for disposal | 16.1 | **3,775,000** | 3,775,000 |
| **Total Liabilities Directly Associated with Non-Current Assets Classified as Held for Sale** | | **3,775,000** | 3,775,000 |

**16.1** This represents amount received from a party as an advance against sale of land as described in note 28.

**17 CONTINGENCIES AND COMMITMENTS**

**17.1 Contingencies**

- The Company has received notice u/s 161 (1A) for the tax year 2020. As at date of issuance of financial statements the case is pending in Commissioner Inland Revenue (Appeals), Lahore where the case is pending as at issuance of financial statements. No provision against this demand has been made in these financial statements as the management of the Company along with tax consultants are hopeful for a favorable outcome.

- The Company has received notice u/s 161 (1A) for the tax year 2015. Against this notice the Assistant / Deputy Commissioner Inland Revenue has passed an order. The Company has filed appeal against the impugned order before the Commissioner Inland Revenue (Appeals), Lahore. The case was remanded back by the Learned Commissioner Appeals Inland Revenue, which is pending in front of Commissioner Inland Revenue as at reporting date. No provision against this has been made in these financial statements as the management of the Company along with tax consultants are hopeful for a favorable outcome.

- The Company has received notice u/s 161 (1A) for the tax year 2018 in which the competent authority has demanded information against withholding taxes and reconciliation with payments made during the year to suppliers and service provider. No provision against this has been made in these financial statements as the management of the Company along with tax consultants are hopeful for a favorable outcome.

- The Company has obtained Export Refinance Facility, Foreign Bills Facility, Machinery Finance Facility and Salary Finance Facility from JS Bank Limited and pledged certain asset of the Company. The management is sure that they will repay the above facility within the specified time and there is no chances of default in this regard. The relevant details are explained in note 10 and 13 to these financial statements.

**17.2 Commitments**

- There are no commitments as at June 30, 2022 (2021: USD: 56,350).

## 18 PROPERTY, PLANT AND EQUIPMENT

| Particulars | Note | 2022 | 2021 |
|---|---|---|---|
| | | -------- Rupees -------- | |
| **Operating fixed assets-Owned** | **18.1** | **280,264,376** | 158,099,285 |
| | | **280,264,376** | 158,099,285 |

### 18.1 Operating Fixed Assets-Owned

Reconciliation of carrying amounts at the end of twelve months period ended June 30, 2022 is as follows:

| Description | Freehold Land | Buildings on Freehold Land | Plant and Machinery | Furniture and Fixtures | Fittings and Electric Installations | Vehicles | Other Assets | Total |
|---|---|---|---|---|---|---|---|---|
| | ---------- Rupees ---------- | | | | | | | |
| **Year Ended June 30, 2022** | | | | | | | | |
| ***Cost / Revalued amount*** | | | | | | | | |
| Balance as at July 01, 2021 | **74,700,000** | **33,566,671** | **62,342,185** | **5,650,767** | **1,386,220** | **2,364,106** | **1,278,260** | **181,288,209** |
| Additions | **-** | **3,190,535** | **542,000** | **-** | **-** | **56,000** | **377,000** | **4,165,535** |
| Revaluation surplus | **52,290,000** | **16,716,204** | **57,213,569** | **-** | **-** | **-** | **-** | **126,219,773** |
| Disposal | **-** | **-** | **(1,350,000)** | **-** | **-** | **(380,398)** | **-** | **(1,730,398)** |
| **Balance as at June 30, 2022** | **126,990,000** | **53,473,410** | **118,747,754** | **5,650,767** | **1,386,220** | **2,039,708** | **1,655,260** | **309,943,119** |
| ***Accumulated depreciation*** | | | | | | | | |
| Balance as at July 01, 2021 | **-** | **7,668,499** | **7,920,161** | **4,646,338** | **925,132** | **1,467,765** | **561,029** | **23,188,924** |
| Charge for the year | **-** | **1,362,912** | **5,364,624** | **100,443** | **46,109** | **181,215** | **90,438** | **7,145,741** |
| Disposals | **-** | **-** | **(283,030)** | **-** | **-** | **(372,892)** | **-** | **(655,922)** |
| **Balance as at June 30, 2022** | **-** | **9,031,411** | **13,001,755** | **4,746,781** | **971,241** | **1,276,088** | **651,467** | **29,678,743** |
| **WDV as at June 30, 2022** | **126,990,000** | **44,441,999** | **105,745,999** | **903,986** | **414,979** | **763,620** | **1,003,793** | **280,264,376** |
| **Depreciation rates** | ***0%*** | ***5%*** | ***10%*** | ***10%*** | ***10%*** | ***20%*** | ***10%*** | |

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Reconciliation of carrying amounts at the end of twelve months period ended June 30, 2021 is as follows:

| Description | Freehold Land | Buildings on Freehold Land | Plant and Machinery | Furniture and Fixtures | Fittings and Electric Installations | Vehicles | Other Assets | Total |
|---|---|---|---|---|---|---|---|---|
| | ---------- Rupees ---------- | | | | | | | |
| **Year Ended June 30, 2021** | | | | | | | | |
| ***Cost / Revalued amount*** | | | | | | | | |
| Balance as at July 01, 2020 | 74,700,000 | 28,853,837 | 62,737,390 | 5,301,757 | 1,109,490 | 2,973,106 | 968,759 | 176,644,339 |
| Additions | - | 4,712,834 | 15,808,918 | 349,010 | 276,730 | - | 309,501 | 21,456,993 |
| Revaluation surplus | - | - | - | - | - | - | - | - |
| Disposal | - | - | (16,204,123) | - | - | (609,000) | - | (16,813,123) |
| **Balance as at June 30, 2021** | 74,700,000 | 33,566,671 | 62,342,185 | 5,650,767 | 1,386,220 | 2,364,106 | 1,278,260 | 181,288,209 |
| ***Accumulated depreciation*** | | | | | | | | |
| Balance as at July 01, 2020 | - | 5,957,805 | 12,702,922 | 4,556,442 | 891,928 | 1,838,346 | 497,397 | 26,444,840 |
| Charge for the year | - | 1,710,694 | 5,337,022 | 89,896 | 33,204 | 227,223 | 63,632 | 7,461,671 |
| Disposals | - | - | (10,119,783) | - | - | (597,804) | - | (10,717,587) |
| **Balance as at June 30, 2021** | - | 7,668,499 | 7,920,161 | 4,646,338 | 925,132 | 1,467,765 | 561,029 | 23,188,924 |
| **WDV as at June 30, 2021** | 74,700,000 | 25,898,172 | 54,422,024 | 1,004,429 | 461,088 | 896,341 | 717,231 | 158,099,285 |
| **Depreciation rates** | *0%* | *5%* | *10%* | *10%* | *10%* | *20%* | *10%* | |

**18.2 The depreciation charge for the year has been apportioned as follows:**

| Particulars | Note | 2022 | 2021 |
|---|---|---|---|
| | | -------- Rupees -------- | |
| Cost of sales | **30** | **6,773,645** | 7,080,920 |
| Administrative expenses | **32** | **372,096** | 380,751 |
| | | **7,145,741** | 7,461,671 |





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**18.2.1** The above depreciation charge is inclusive of incremental depreciation due to revaluation.

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

Detail of property, plant and equipment disposed off during the comparative year ended June 30, 2021 with carrying value exceeding Rs. 500,000 is as follows:

| Particulars | Cost | Accumulated Depreciation | WDV | Sale Proceeds | Gain/(Loss) on Disposal | Buyer Name | Mode of Sale |
|---|---|---|---|---|---|---|---|
| | ---------- Rupees ---------- | | | | | | |
| **PLANT AND MACHINERY** | | | | | | | |
| Loom machines | 4,526,340 | (2,420,784) | 2,105,556 | 2,340,000 | 234,444 | Muhammad Islam | Negotiation |
| Tumble machine | 5,425,318 | (3,636,266) | 1,789,052 | 1,350,000 | (439,052) | A.R. Trading Co. | Negotiation |
| Boiler | 850,000 | (238,472) | 611,528 | 500,000 | (111,528) | Sajjad Ali | Negotiation |
| Other assets* | 6,011,465 | (4,422,065) | 1,589,400 | 2,314,375 | 724,975 | Miscellaneous parties | Negotiation |
| **Total** | 16,813,123 | (10,717,587) | 6,095,536 | 6,504,375 | 408,839 | | |

* (individually carrying value does not exceeding Rs. 500,000)

**18.4** No impairment related to operating fixed assets has been charged during the year. There is no item of property, plant and equipment which is temporary idle or otherwise retired from active use.

**18.5** The charge/ mortgage on fixed assets are disclosed in Note 13 & 10.

**Revaluation of property, plant and equipment**

Most recent valuation of land, building, plant and machinery and fittings & electric installations was carried out by an independent valuer, SURVAL on June 30, 2022 and was incorporated in the financial statements for the year ended June 30, 2022. For basis of valuation and other fair value measurement disclosures refer to 42.3.1.

**18.6 The book value of revalued assets, had there been no revaluation:**

| Particulars | Note | 2022 | 2021 |
|---|---|---|---|
| | | -------- Rupees -------- | |
| Freehold land | | **121,239** | 121,239 |
| Buildings on freehold land | | **12,432,140** | 9,799,588 |
| Plant and machinery | | **39,488,607** | 43,608,251 |
| Fittings and installations | | **400,610** | 445,122 |
| | | **52,442,596** | **53,974,200** |

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**18.7 Particulars of Immoveable property:**

| Particulars | | | Land | Building |
|---|---|---|---|---|
| Synod | Nature of Immovable property | Location | Total Area ( Kanals) | Total Covered Area (Square feet) |
| 1 | Land & Building | 17.5- Km Lahore, Sheikhupura Road, Momanpura, Tehsil Ferozwala, Distt. Sheikhupura | 24.9 | 109,004 |

**18.8 Forced sales value of property, plant and equipment as estimated by the independent valuer "SURVAL" durinng the year is:**

| Particulrs | Forced Sales Value |
|---|---|
| | -------- Rupees -------- |
| - Freehold Land | 119,520,000 |
| - Buildings on Freehold Land | 41,190,000 |
| - Plant and Machinery | 84,597,000 |



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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

| | | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|---|
| **19** | **LONG TERM INVESTMENTS** | | | |
| | Equity instrument | **19.1** | **9,250,838** | 12,993,789 |
| | **Total Long Term Investments** | | **9,250,838** | 12,993,789 |
| **19.1** | **Equity instrument** | | | |
| | ***Investment in Associates (Without Significant Influence)- Designed At Fair Value through OCI*** | | | |
| | Punjab Oil Mills Limited: | **19.1.1** | **9,250,838** | 12,993,789 |
| | Premier Garments Limited: | **19.1.2** | **-** | - |
| | Tee Jay Corporation (Private) Limited: | **19.1.3** | **-** | - |
| | | | **9,250,838** | 12,993,789 |
| **19.1.1** | **Quoted** | | | |
| | **Punjab Oil Mills Limited:** | **19.1.1.1** | **9,250,838** | 12,993,789 |
| | - 51,971 (2021: 51,971) fully paid ordinary shares of Rs. 10 each | | | |
| | - Market value per share is Rs. 178 (2021: Rs. 250.02) | | | |
| | - Total cost of shares Rs. 494,598 (2021: Rs. 494,598) | | | |
| | - Percentage of equity held 0.96% (2021: 0.96%) | | | |
| **19.1.2** | **Unquoted** | | | |
| | **Premier Garments Limited:** | **19.1.2.1** | **-** | - |
| | - 950 (2021: 950) ordinary shares of Rs. 100 each | | | |
| | - Fair value per share is Rs. Nil (2021: Nil) | | | |
| | - Total cost of shares Rs. 95,000 (2021: Rs. 95,000 ) | | | |
| | - Percentage of equity held 1.36% (2021: 1.36%) | | | |
| **19.1.3** | **Unquoted** | | | |
| | **Tee Jay Corporation (Private) Limited:** | **19.1.3.1** | **-** | - |
| | - 59,400 (2021: 59,400) ordinary shares of Rs.10 each | | | |
| | - Fair value per share is Rs. Nil (2021: Rs. Nil) | | | |
| | - Total cost of shares Rs. 59,4000 (2021: Rs.59,4000 ) | | | |
| | - Percentage of equity held 3.96% (2021: 3.96%) | | | |

**19.1.1.1** Quoted market value in an active market is considered as level 1 fair value measurement of the investment and the resulting difference between cost and fair value is shown as a separate component of equity "fair value reserve of financial assets at FVOCI". Investments that do not have a quoted market price in an active market and whose fair value cannot be measured reliably through observable market data, in that case fair value is measured using other valuation methods as described in IFRS - 13 (Fair value measurement).

- Based upon the year end quoted market value of shares in PSX daily price index, fair value loss of Rs. 3,742,951 (2021: Gain of Rs. 4,727,282) is recognized in OCI. Market values of these quoted investments (i.e. Shares) is categorized as Level 1 fair value measurement.
- The shares of Punjab Oil Mills Limited have been pledged with JS bank as a security for grant of loan by JS bank. In case of default to repay the loan, the Company may be liable to the JS bank to the extent of the value of shares so pledged as mentioned in note 13.1.1.

**19.1.2.1** Based upon the latest available audited financial statements of Premier Garments Limited, for the year ended June 30, 2021, the management has valued these investments using the break up value per share at Rs. Nil (2020: Nil). These investments are fully impaired in prior years, accordingly no change in fair value is recognized in current year. Fair values of these Un-quoted investments (i.e. Shares) are categorized as Level 3 fair value measurement as per IFRS - 13 (Fair value measurement).

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

The Company's held shares of Premier Garments Limited have been pledged with Investment Corporation of Pakistan Limited as a security for grant of loan by Investment Corporation of Pakistan to Premier Garments Limited. In case of default by Premier Garments Limited to repay the loan, the Company may be held liable to the Investment Corporation of Pakistan Limited to the extent of the value of shares so pledged. Allowance for contingent financial guarantee contract has not been recorded as directors has agreed to reimburse any probable loss to the Company.

**19.1.3.1** Based upon the latest available audited financial statements of Tee Jay Corporation (Private) Limited, for the year ended June 30, 2021, the management has valued these investments using the break up value per share at Rs. Nil (2020: Nil). These investments are fully impaired in prior years, accordingly no change in fair value is recognized in current year. Fair values of these Un-quoted investments (i.e. Shares) are categorized as Level 3 fair value measurement as per IFRS - 13 (Fair value measurement).

**19.2** These investments are made in accordance with the provisions of Companies Act, 2017.

| | | Note | 2022<br>Rupees | 2021<br>Rupees |
|---|---|---|---|---|
| **20** | **LONG TERM DEPOSITS** | | | |
| | Deposits extended against utilities | | **4,798,544** | 4,798,544 |
| | Others | | **240,073** | 240,073 |
| | **Total Long Term Deposits** | | **5,038,617** | 5,038,617 |

**20.1** These are unsecured and interest free deposits but considered good by the management.

| | | | |
|---|---|---|---|
| **21** | **STORES, SPARES AND LOOSE TOOLS** | | |
| | Dyes and chemicals | **1,569,257** | 1,276,427 |
| | Packing materials | **1,643,223** | 1,550,333 |
| | Loom stores | **690,380** | 522,464 |
| | General Store | **844,825** | 1,044,045 |
| | **Total Stores, Spares and Loose Tools** | **4,747,685** | 4,393,269 |

**21.1** No identifiable store items are held for specific capitalization. Further, there are no slow moving, obsolete and damaged store items.

| | | | |
|---|---|---|---|
| **22** | **STOCK IN TRADE** | | |
| | Raw materials | **19,818,118** | 20,641,868 |
| | Work in process | **30,073,158** | 32,310,134 |
| | Finished goods | **34,437,453** | 32,269,418 |
| | **Total Stock in Trade** | **84,328,729** | 85,221,420 |

**22.1** No identifiable stock items are held for specific capitalization. Further, there are no slow moving, obsolete and damaged stock items.

| | | | | |
|---|---|---|---|---|
| **23** | **TRADE DEBTS** | | | |
| | Foreign debts (Secured) | | **43,006,576** | 53,601,784 |
| | Local debts (Un-secured) | | **4,652,878** | 1,503,323 |
| | | | **47,659,454** | 55,105,107 |
| | Allowance for expected credit loss against trade debts | **23.2** | **(966,830)** | (966,830) |
| | **Total Trade Debts** | | **46,692,624** | 54,138,277 |

**23.1** Trade debtors other than those against which allowance for expected credit loss has been made are considered good by the management. Further, foreign debtors are secured against letter of credits.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

**23.2 Allowance for Expected Credit Loss against Trade Debts**

| Particulars | Note | 2022 | 2021 |
|---|---|---|---|
| | | --------- Rupees --------- | |
| Opening balance | | **966,830** | 966,830 |
| Allowance for expected credit loss made during the year | | **-** | - |
| | | **966,830** | 966,830 |
| Written off during the year | | **-** | - |
| **Closing balance** | | **966,830** | 966,830 |

**23.3 The aging of trade debts as at reporting date is as follows;**

| Particulars | Note | 2022 | 2021 |
|---|---|---|---|
| | | --------- Rupees --------- | |
| ***Neither past due nor impaired*** | | | |
| 1 - 30 days | | **34,628,504** | 45,795,931 |
| ***Past due but not impaired*** | | | |
| 31 - 60 days | | **1,053,893** | 1,724,938 |
| 61 - 120 days | | **2,209,254** | 1,346,046 |
| More than 120 days | | **8,800,973** | 5,271,362 |
| | | **12,064,120** | 8,342,346 |
| ***Past due and impaired*** | | | |
| More than 120 days | | **966,830** | 966,830 |
| | | **47,659,454** | 55,105,107 |

**24 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

| | | | |
|---|---|---|---|
| Advances to- considered good | | | |
| - *Employees against salaries* | **24.1** | **1,218,075** | 625,318 |
| - *Employees for purchases* | | **654,104** | 325,207 |
| - *Suppliers* | **24.2** | **36,479,612** | 32,424,458 |
| Prepaid insurance | | **362,535** | 386,227 |
| Duty draw back receivable | | **7,782,665** | 14,584,629 |
| Custom rebate receivable | | **2,140,821** | 1,507,914 |
| Other receivables | | **-** | 473,679 |
| **Total Advances, Deposits, Prepayments and Other Receivables** | | **48,637,812** | 50,327,432 |

**24.1** This includes an amount of Rs. 0.2 million (2021: Rs. 0.2 million) as advance against salary given to Director of the Company.

**24.2 Advances to Suppliers**

| | | | |
|---|---|---|---|
| Gross amount | | **37,467,295** | 33,412,141 |
| Less: Provision for irrecoverable balance against advances | **24.2.1** | **(987,683)** | (987,683) |
| | | **36,479,612** | 32,424,458 |

**24.2.1 Movement of Provision for irrecoverable balance against advances**

| | | |
|---|---|---|
| Opening balance | **987,683** | 987,683 |
| Provision for irrecoverable balance against advances made during the year | **-** | - |
| | **987,683** | 987,683 |
| Advances written off | **-** | - |
| **Closing balance** | **987,683** | 987,683 |

**25 TAX REFUND DUE FROM GOVERNMENT**

| | | |
|---|---|---|
| Advance income tax | **5,334,948** | 5,421,966 |
| Sales tax and excise duty refundable | **34,559,534** | 25,260,109 |
| **Total Tax Refund Due from Government** | **39,894,482** | 30,682,075 |

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

| | | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|---|
| 26 | **DUE FROM RELATED PARTIES** | | | |
| | Mr. Jillani Jahangir (Chief Executive Officer) | | - | 766,664 |
| | Premier Garments (Private) Limited (Associated Company) | | **4,683,493** | 930,497 |
| | Tee Jay Corporation (Private) Limited (Associated Company) | | **7,011,417** | 8,709,607 |
| | **Total Due from Related Parties** | | **11,694,910** | 10,406,768 |

**26.1** Balance due from related parties carries markup @ 15.73% (2021: 10.5%) per annum. However, the Company has given waiver of interest on director's balance for the current and comparative year 2021.

**26.2** **The age analysis of these due from related parties is as follows:**

| Particulars | Note | 2022 | 2021 |
|---|---|---|---|
| | | --------- Rupees --------- | |
| By 3 months | | **4,385,307** | 168,395 |
| 4 to 6 months | | **2,810,417** | 10,238,373 |
| Over 6 months | | **4,499,186** | - |
| | | **11,694,910** | 10,406,768 |

**26.3** The maximum balance due from Tee Jay Corporation (Private) Limited in any month during the year is Rs. 14,842,334 (2021: Rs. 6,472,150).

**26.4** The maximum balance with Premier Garments Limited in any month during the year is Rs. 4,683,493 (2021: Rs.789,519).

**26.5** These loans to related parties are considered good by the management of the Company.

| | | | | |
|---|---|---|---|---|
| 27 | **CASH AND BANK BALANCES** | | | |
| | Cash in hand | | **3,410,318** | 943,806 |
| | Cash at bank | | | |
| | *- Current accounts* | | **7,306,348** | 1,436,395 |
| | *- Saving accounts* | **27.1** | **10,527** | 10,053 |
| | **Total Cash and Bank Balances** | | **10,727,193** | 2,390,254 |

**27.1** The Company is maintaining saving account with different banks with interest on the daily product basis which was carrying interest @ 6% to 7.5%. (2021 to @ 6% to 7.5%).

**27.2** All bank accounts are maintained under conventional banking system.

| | | | | |
|---|---|---|---|---|
| 28 | **NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE** | | | |
| | Non-current assets classified as held for sale | **28.1** | **6,716,112** | 6,716,112 |
| | **Total Non-Current Assets Classified as Held for Sale** | | **6,716,112** | 6,716,112 |

**28.1** This includes land, measuring 9 kanal 12 marlas , situated at 10 Km G.T. Road, Adayain Road, Rana Town (2021: 9 Kanal 12 marlas and also 23 kanal 9 marlas, situated at 1.5 Km, Lahore - Sheikhupura Road).

**28.1.1** The Company entered into an agreement to sell the land, measuring 9 kanal 12 marlas, in February 2011 and an advance on account of token payment was received which stands at Rs. 3.775 million (2021: 3.775 million). However, the agreement has been held pending as at the date of statement of financial position, and since then no further payment was made by buyer.

- Subsequent to the reporting date , no further land is sold to any of the party but the management is hopeful that the land will be sold in the next year. Consequently, this land has been classified as asset held for sale.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

| | | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|---|
| **29** | **Sales** | | | |
| | Export sales | | **530,128,820** | 375,101,793 |
| | Local sales | **29.1** | **8,429,503** | 5,005,155 |
| | | | **538,558,323** | 380,106,948 |
| | Export rebates | | **6,838,662** | 4,838,813 |
| | Duty draw back | | **4,253,921** | 4,876,323 |
| | | | **11,092,583** | 9,715,136 |
| | **Total Sales** | | **549,650,906** | 389,822,084 |
| **29.1** | **Local Sales** | | | |
| | Gross sales | | **10,095,738** | 5,844,487 |
| | Sales tax | | **(1,666,235)** | (839,332) |
| | **Total Local Sales** | | **8,429,503** | 5,005,155 |
| **30** | **COST OF SALES** | | | |
| | Raw materials consumed | **30.1** | **306,072,080** | 188,122,127 |
| | Stores, spares and chemicals consumed | **30.2** | **37,638,898** | 28,548,864 |
| | Salaries and wages (including all benefits) | **30.3** | **31,065,395** | 28,745,591 |
| | Fuel and power | | **35,414,054** | 27,039,035 |
| | Packing materials | | **24,470,213** | 18,235,401 |
| | Processing charges | | **4,675,952** | 2,987,181 |
| | Repairs and maintenance | | **2,629,957** | 1,318,707 |
| | Insurance | | **466,372** | 412,758 |
| | Depreciation | **18.2** | **6,773,645** | 7,080,920 |
| | | | **449,206,566** | 302,490,584 |
| | **Work in process inventory:** | | | |
| | - Opening balance | | **32,310,134** | 34,831,833 |
| | - Closing balance | **22** | **(30,073,158)** | (32,310,134) |
| | | | **2,236,976** | 2,521,699 |
| | **Cost of goods manufactured** | | **451,443,542** | 305,012,283 |
| | **Finished goods inventory:** | | | |
| | - Opening balance | | **32,269,418** | 33,241,468 |
| | - Closing balance | **22** | **(34,437,453)** | (32,269,418) |
| | | | **(2,168,035)** | 972,050 |
| | **Total Cost of Sales** | | **449,275,507** | 305,984,333 |
| **30.1** | **Raw Materials Consumed** | | | |
| | Opening stock | | **20,641,868** | 19,411,418 |
| | Purchases during the year | | **305,248,330** | 189,352,577 |
| | Closing stock | **22** | **(19,818,118)** | (20,641,868) |
| | **Total Raw Materials Consumed** | | **306,072,080** | 188,122,127 |

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

| | | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|---|
| **30.2** | **Stores, Spares and Chemicals Consumed** | | | |
| | Opening stock | | **4,393,269** | 6,244,850 |
| | Purchases during the year | | **37,993,314** | 26,697,283 |
| | Closing stock | **21** | **(4,747,685)** | (4,393,269) |
| | **Total Stores, Spares and Chemicals Consumed** | | **37,638,898** | 28,548,864 |

**30.3** This includes Rs. 3.26 million (2021: Rs. 2.92 million) in respect of staff retirement benefits.

| | | | | |
|---|---|---|---|---|
| **31** | **SELLING AND DISTRIBUTION COSTS** | | | |
| | Commission on sales | | **11,484,249** | 11,066,046 |
| | Sea freight | | **25,237,722** | 8,475,883 |
| | Freight, octroi and cartage | | **3,986,320** | 4,737,268 |
| | Clearing charges | | **4,838,521** | 5,237,794 |
| | Air freight | | **21,010** | 1,919,585 |
| | Postage, telephone and telex | | **3,625,067** | 2,640,854 |
| | Samples | | **149,902** | 480,957 |
| | Insurance | | **425,490** | 261,164 |
| | **Total Selling and Distribution Costs** | | **49,768,281** | 34,819,551 |
| **32** | **ADMINISTRATIVE EXPENSES** | | | |
| | Directors' remuneration | | **3,120,000** | 2,922,000 |
| | Salaries and wages (including all benefits) | **32.1** | **12,753,429** | 12,787,285 |
| | Fuel and power | | **1,898,610** | 2,981,277 |
| | Vehicles running expenses | | **2,712,277** | 2,810,569 |
| | Postage, telephone and telex | | **1,029,213** | 871,065 |
| | Travelling and conveyance | | **748,621** | 303,037 |
| | Rent, rates and taxes | | **1,058,783** | 1,443,939 |
| | Printing and stationery | | **333,673** | 183,840 |
| | Repairs and maintenance | | **413,537** | 476,557 |
| | Legal and professional charges | | **332,896** | 360,862 |
| | Insurance | | **61,369** | 85,129 |
| | Advertisement | | **85,820** | 178,625 |
| | Gardening expenses | | **2,871** | 11,900 |
| | Books and periodicals | | **15,164** | 8,878 |
| | Entertainment | | **288,828** | 169,617 |
| | Depreciation | **18.2** | **372,096** | 380,751 |
| | Others | | **28,216** | 19,500 |
| | **Total Administrative Expenses** | | **25,255,403** | 25,994,831 |

**32.1** This includes Rs. 1.10 million (2021: Rs. 0.89 million) in respect of staff retirement benefits.

| | | | | |
|---|---|---|---|---|
| **33** | **OTHER OPERATING EXPENSES** | | | |
| | Auditor's remuneration | **33.1** | **300,000** | 300,000 |
| | Realized Exchange loss | | **-** | 2,566,418 |
| | Unrealized exchange loss | | **-** | 86,071 |
| | Loss on disposal of plant and Machinery | | **264,476** | - |
| | Bad Debt Expense | | **786** | - |

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

| | | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|---|
| | Worker welfare fund expense | | **474,857** | 309,325 |
| | Worker profit participation fund expense | | **933,862** | 571,763 |
| | **Total Other Operating Expenses** | | **1,973,981** | 3,833,577 |
| **33.1** | **Auditor's Remuneration** | | | |
| | - Statutory audit | | **225,000** | 225,000 |
| | - Half yearly review and attestations | | **75,000** | 75,000 |
| | - Out of pocket expenses | | **-** | - |
| | **Total Auditor's Remuneration** | | **300,000** | 300,000 |
| **34** | **FINANCE COST** | | | |
| | Mark up on borrowings - net of subsidy | | **6,862,001** | 5,827,578 |
| | Bank charges | | **3,775,672** | 3,224,504 |
| | Notional interest expense | | **-** | 982,519 |
| | Interest charged by related parties | | **412,537** | 265,364 |
| | **Total Finance Cost** | | **11,050,210** | 10,299,965 |
| **34.1** | The mark up is 15.73% (2021: 3% to 10.5%). | | | |
| **35** | **OTHER INCOME** | | | |
| | Dividend income | | **51,971** | - |
| | Interest income from saving account | | **653** | - |
| | Gain on disposal of Vehicles | | **-** | 408,839 |
| | Interest charged to related parties | **35.1** | **1,782,400** | 650,352 |
| | Liabilities written off | | **-** | 9,325 |
| | Amortized grant income | | **338,951** | 595,829 |
| | Unrealized exchange income | | **415,069** | - |
| | Realized exchange income | | **2,690,123** | - |
| | **Total Other Income** | | **5,279,167** | 1,664,345 |
| **35.1** | Markup is charged to related parties @ 15.73% (2021: 10.5%) per annum. | | | |
| **36** | **TAXATION** | | | |
| | Current Tax | **36.1** | | |
| | - *For the year* | | **5,943,513** | 3,883,291 |
| | - *Prior period* | | **(121,268)** | (371,758) |
| | | | **5,822,245** | 3,511,533 |
| | Deferred tax | **36.4** | **-** | - |
| | **Total Taxation** | | **5,822,245** | 3,511,533 |

**36.1** The current tax provision represents tax on taxable income under final tax regime under normal tax regime of Income Tax Ordinance, 2001.

**36.2** The returns of income for the tax years up to 2021 has been filed by the Company. The said returns, as per the provisions of Section 120 of the ITO has been deemed to be an assessment order passed by the Commissioner Inland Revenue under self assessment scheme. Further, the Company's income tax assessment has been finalized by tax authorities under section 122 of the ITO up to 2010 under amended assessment scheme.

**36.3** Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as provision for current tax has been made under final tax regime of Income Tax Ordinance, 2001 (ITO).

**36.4** Deferred tax expense/income has not been recognized as income of the Company is chargeable under final tax regime in accordance with the requirement of "Technical Release - 27 " of the Institute of Chartered Accountants of Pakistan.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

| | | Note | 2022 Rupees | 2021 Rupees |
|---|---|---|---|---|
| **37** | **EARNINGS PER SHARE - BASIC AND DILUTIVE** | | | |
| | Profit for the year attributable to ordinary shareholders | | **11,784,446** | 7,042,639 |
| | Number of ordinary shares in issue | | **12,996,304** | 12,996,304 |
| | Earnings per Share (Basic) | | **0.91** | 0.54 |
| | Earnings per Share (Dilutive) | | **0.91** | 0.54 |
| **38** | **NET CASH GENERATED FROM OPERATIONS** | | | |
| | Profit before taxation | | **17,606,691** | 10,554,172 |
| | **Adjustments for:** | | | |
| | Depreciation | **18.2** | **7,145,741** | 7,461,671 |
| | Provision for gratuity | **9.1.2** | **4,362,513** | 3,813,036 |
| | Unrealized exchange loss | **33** | **-** | 86,071 |
| | Provision for worker welfare fund | **33** | **474,857** | 309,325 |
| | Provision for worker profit participation fund | **33** | **933,862** | 571,763 |
| | Loss on disposal of property, plant and equipment | **33** | **264,476** | - |
| | Finance cost | **34** | **11,050,210** | 10,299,965 |
| | Dividend income | **35** | **(51,971)** | - |
| | Unrealized exchange income | **35** | **(415,069)** | - |
| | (Gain) on disposal of property, plant and equipment | **35** | **-** | (408,839) |
| | Amortized grant income | **35** | **(338,951)** | (595,829) |
| | **Operating profit before working capital changes** | | **41,032,359** | 32,091,335 |
| | **Changes in working capital** | | | |
| | **(Increase) / decrease in current assets** | | | |
| | Stores, spares and loose tools | | **(354,416)** | 1,851,581 |
| | Stock in trade | | **892,691** | 2,263,299 |
| | Trade debts | | **7,860,722** | (3,940,050) |
| | Advances, deposits, prepayments and other receivables | | **1,689,620** | (7,561,641) |
| | Tax refund due from Government | | **(9,299,425)** | 6,963,808 |
| | Due from related parties | | **(1,288,142)** | (2,549,542) |
| | **Net (increase) in current assets** | | **(498,950)** | (2,972,545) |
| | **(Decrease) / increase in current liabilities** | | | |
| | Trade and other payables | | **14,773,316** | (9,945,993) |
| | Due to related parties | | **629,791** | 907,634 |
| | **Net increase/(decrease) in current liabilities** | | **15,403,107** | (9,038,359) |
| | **Net cash generated from operations** | | **55,936,516** | 20,080,431 |

**39 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES**

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits to the Key Management Personnel of the branch is as follows:

| Particulars | Chief Executive Officer | | Executive Directors | | Non-Executive Directors | | Executives | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2020 | 2022 | 2021 |
| Managerial remuneration | 1,157,760 | | 858,000 | 720,996 | - | - | 1,131,000 | 965,100 |
| House rent and utilities | 522,864 | | 386,100 | 325,308 | - | - | 508,956 | 434,796 |
| Conveyance | 3,600 | | 3,600 | 3,600 | - | - | 3,600 | 3,600 |
| Utilities | 115,776 | | 72,300 | 72,096 | - | - | 96,444 | 96,504 |
| Travelling | - | - | | | - | - | - | - |
| | 1,800,000 | 1,800,000 | 1,320,000 | 1,122,000 | - | - | 1,740,000 | 1,500,000 |
| Number of persons | 1 | 1 | 1 | 1 | 5 | 5 | 1 | 1 |

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

**39.1** The Chief Executive Officer is provided with Company maintained car and reimbursement of residential telephone bills. Further, the executive Director is provided with Company maintained car.

**39.2** Non-executive directors have not been paid any remuneration during the year (2021: Nil.)

**39.3** An executive is defined as an employee with basic salary of Rs. 1,200,000 or more per annum. Only one employee of the Company qualifies as an Executive.

**40 TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise Associated Companies, Chief Executive Officer, Directors and Key Management Personnel. Remuneration of key management personnel is disclosed in note 39 to theses financial statements. Amounts due from and to related parties are shown under receivables and payables. Significant related party transactions have been disclosed in respective notes in these financial statements other than the following:

| Related Party | Relation | Nature of Transaction | 2022 | 2021 |
|---|---|---|---|---|
| | | | --------- Rupees --------- | |
| Premier Garments Limited | Associate (Without Significant Influence) | Interest charged by the Company on balance | **296,659** | 63,298 |
| | | Amount Paid during the year by the Company | **2,525,000** | 600,000 |
| | | Amount received during the year by the Company | **-** | 148,000 |
| | | Expenses paid by the Company on behalf of related party | **931,337** | 359,365 |
| Punjab Oils Mills Limited | Associate (Without Significant Influence) | Interest charged by the related party on balance | **412,537** | 265,364 |
| | | Amount Paid during the year by the Company | **2,192,982** | 2,762,599 |
| | | Expenses paid by Company on behalf of the related party | **90,423** | 401,246 |
| | | Amount received during the year by the Company | **2,596,939** | 3,941,793 |
| | | Sale of goods by the Company to related party | **15,501** | - |
| Tee Jay Corporation (Private) Limited | Associate (Without Significant Influence) | Interest charged by the Company on balance | **1,485,741** | 586,515 |
| | | Amount Paid during the year by the Company | **8,472,440** | 1,740,000 |
| | | Amount received during the year by the Company | **12,200,000** | 1,538,400 |
| | | Expenses paid by Company on behalf of the related party | **543,629** | 120,100 |

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

| | | | 2022 Rupees | 2021 Rupees |
|---|---|---|---|---|
| Jillani Jahangir | Chief Executive Officer | Amount Paid during the year by the Company | **7,217,000** | 4,117,023 |
| | | Amount received during the year by the Company | **8,393,398** | 1,467,000 |
| | | Expenses paid by related party on behalf of the Company | - | 1,999,349 |
| | | Expenses paid by Company on behalf of the related party | **277,550** | 229,631 |
| Tahir Jahangir | Directors | Amount Paid during the year by the Company | **2,949,186** | 1,177,037 |
| | | Amount received during the year by the Company | **2,736,223** | 1,155,000 |

### 41 FINANCIAL RISK MANAGEMENT

#### 41.1 Financial risk factors

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

- Market risk
- Credit risk
- Liquidity risk

- These risks affect revenues, expenses and assets and liabilities of the Company.
- The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.
- The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the Company in accordance with the risk management framework.
- The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

#### 41.1.1 Market risk

**(i) Currency risk**

- Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and advances from customer that exist due to transactions in foreign currencies.
- The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and European Union Euro (EURO). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from foreign trade debtors and advances from foreign customers. The Company manages its currency risk by close monitoring of currency markets. However, the Company does not hedge its currency risk exposure. The Company's exposure to currency risk is as follows:

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

- **Exposure in USD**

| Particulars | 2022 | | 2021 | |
|---|---|---|---|---|
| | Rupees | USD | Rupees | USD |
| **Current Assets** | | | | |
| Trade debts | **14,715,387** | **71,608** | 28,719,502 | 173,598 |
| **Total Current Assets** | **14,715,387** | **71,608** | 28,719,502 | 173,598 |
| **On Balance Sheet Exposure** | | **71,608** | | 173,598 |
| **Off Balance Sheet Exposure** | | - | | - |

- **Exposure in EURO**

| Particulars | 2022 | | 2021 | |
|---|---|---|---|---|
| | Rupees | EURO | Rupees | EURO |
| **Current Assets** | | | | |
| Trade debts | **28,291,189** | **131,446** | 24,882,282 | 132,918 |
| **Total Current Assets** | **28,291,189** | **131,446** | 24,882,282 | 132,918 |
| **On Balance Sheet Exposure** | | **131,446** | | 132,918 |
| **Off Balance Sheet Exposure** | | - | | - |

- **The following significant exchange rates were applied during the year:**

| Currency | Closing rate as of June 30 | | Average rate for the period ended June 30 | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| United States Dollar (USD) | **205.50** | 157.25 | **177.56** | 167.61 |
| European Union Euro (EURO) | **215.23** | 187.20 | **196.53** | 191.10 |

- **Currency rate sensitivity analysis**

At reporting date, one percent depreciation/appreciationin Pak Rupee would have had an equal but opposite effect on profit for the year and equity. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores the impact, if any, on provision for taxation for the year. There were no changes in the methods and assumptions used in preparing the sensitivity analysis, the impact on profit before taxation for the year ended June 30, 2022 would have been as follows:

| Effect on Profit or (loss) (+ , -) | % Change (+ , -) | 2022 | 2021 |
|---|---|---|---|
| United States Dollar (USD) | 1% | **147,154** | 272,983 |
| European Union Euro (EURO) | 1% | **282,912** | 248,822 |
| **Currency rate sensitivity** | | **430,066** | 521,805 |

**(ii) Other price risk**

- Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is exposed to price risk in respect of its investments in equity securities classified at fair value through OCI. However, the risk is minimal as these investments are held for strategic purposes rather than trading purposes. The Company does not actively trade in these investments. The Company is not exposed to commodity price risk. The Company's exposure to other price risk is as follows:

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

| Financial Instruments | 2022 | 2021 |
|---|---|---|
| *Equity instrument - Investment in Associates - Designed At Fair Value through OCI* | | |
| Punjab Oil Mills Limited | **9,250,838** | 12,993,789 |
| Premier Garments Limited | - | - |
| Tee Jay Corporation (Private) Limited | - | - |

**Sensitivity analysis**

- The investment of the Company classified at fair value through OCI would normally be affected due to fluctuation of equity prices in the stock exchange . In case of 10% (2021: 10%) increase/decrease in KSE 100 index on June 30, 2022, the net gain/(loss) for the year relating to securities classified at fair value through OCI and other components of equity and net assets of the Company would increase / decrease by Rs. 0.93 million (2021: Rs. 1.3 million) as a result of gains / losses on equity securities classified at fair value through OCI.

- The above analysis is based on the assumption that the equity index had increased / decreased by 10% (2021: 10%) with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Company's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2022 is not necessarily indicative of the effect on the Company's net assets of future movements in the level of KSE100.

**(iii) Interest rate risk**

- Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

**(a) Interest rate risk management**

The Company manages interest rate risk by analysing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points. There were no changes in Company's approach to interest rate risk management during the year.

**(b) Interest/markup/profit bearing financial instruments**

The effective interest/markup/profit rates for interest/markup/profit bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest/markup/profitbearing financial instruments as at the reporting date are as follows:

| Particulars | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Exposed to Yield / Interest risk | | | | Not exposed to Yield / Interest rate risk | Total |
| | Up to one year | | More than one year | | | |
| | Variable rate | Fixed rate | Variable rate | Fixed rate | | |
| | Rupees | | | | | |
| Financial assets as per statement of financial position | | | | | | |
| Long term investments | - | | - | | 9,250,838 | 9,250,838 |
| Long term deposits | - | | - | | 5,038,617 | 5,038,617 |
| Trade debts | - | | - | | 46,692,624 | 46,692,624 |
| Deposits and other receivables | - | | - | | 9,923,486 | 9,923,486 |
| Due from related parties | 11,694,910 | | - | | - | 11,694,910 |
| Cash and bank balances | 10,527 | | - | | 10,716,666 | 10,727,193 |
| Total | 11,705,437 | | - | | 81,622, 231 | 93,327,668 |

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

| | | | | | | |
|---|---|---|---|---|---|---|
| Financial liabilities as per statement of financial position | | | | | | |
| Long term borrowings | - | 3,731,810 | - | 6,918,795 | - | 10,650,605 |
| Trade and other payables | - | - | - | - | 39,884,783 | 39,884,783 |
| Accrued mark up | - | - | - | - | 929,889 | 929,889 |
| Short term borrowings | 125,850,000 | - | - | - | - | 125,850,000 |
| Due to related parties | 3,864,257 | - | - | - | - | 3,864,257 |
| Total | 129,714,257 | 3,731,810 | - | 6,918,795 | 40,814,672 | 181,179,534 |

| Particulars | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Exposed to Yield / Interest risk | | | | Not exposed to Yield / Interest rate risk | Total |
| | Up to one year | | More than one year | | | |
| | Variable rate | Fixed rate | Variable rate | Fixed rate | | |
| | Rupees | | | | | |
| Financial assets as per statement of financial position | | | | | | |
| Long term investments | - | | - | | 12,993,789 | 12,993,789 |
| Long term deposits | - | | - | | 5,038,617 | 5,038,617 |
| Trade debts | - | | - | | 54,138,277 | 54,138,277 |
| Deposits and other receivables | - | | - | | 16,566,222 | 16,566,222 |
| Due from related parties | 10,406,768 | | - | | - | 10,406,768 |
| Cash and bank balances | 10,053 | | - | | 2,380,201 | 2,390,254 |
| Total | 10,416,821 | | - | | 91,117,106 | 101,533,927 |
| Financial liabilities as per statement of financial position | | | | | | |
| Long term borrowings | - | 6,041,804 | - | 12,834,045 | - | 18,875,849 |
| Trade and other payables | - | - | - | - | 36,130,673 | 36,130,673 |
| Accrued mark up | - | - | - | - | 891,887 | 891,887 |
| Short term borrowings | 137,520,000 | - | - | - | - | 137,520,000 |
| Due to related parties | 3,234,466 | - | - | - | - | 3,234,466 |
| Total | 140,754,466 | 6,041,804 | - | 12,834,045 | 37,022,560 | 196,652,875 |

**(c) Fair value sensitivity analysis for fixed rate instruments**

- The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

**(d) Cash flow sensitivity analysis for variable rate instruments**

- If interest rates at reporting date, fluctuate by 1% (i.e. 100 basis points) higher / lower, profit for the year and equity would have been Rs. 1.22 million (2021: Rs. 1.36 million) lower/higher, mainly as a result of higher / lower interest expense on borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at the date of statement of financial position were indicative of balances outstanding during the year and other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year. There were no changes in the methods and assumptions used in preparing the sensitivity analysis.
- The sensitivity analysis prepared as of June 30, 2022 is not necessarily indicative of the impact on Company's net assets of future movements in interest rates.

**41.1.2 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 Long term investments, long-term deposits, trade debts, certain advances, deposits and other receivables, due from related parties and balances with banks.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

**(a) Credit risk management practices**

- In order to minimise credit risk, the Company has adopted a policy of only dealing with creditworthy counterparties and limiting significant exposure to any single counterparty. The Company only transacts with counterparties that have reasonably high external credit ratings. Where an external rating is not available, the Company uses an internal credit risk grading mechanism. Particularly for customers, a dedicated team responsible for the determination of credit limits uses a credit scoring system to assess the potential as well as existing customers' credit quality and assigns or updates credit limits accordingly. The ageing profile of trade receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis.
- The Company reviews the recoverable amount of each financial asset on an individual basis at each reporting date to ensure that adequate loss allowance is made in accordance with the assessment of credit risk for each financial asset.
- The Company considers a financial asset to have low credit risk when the asset has reasonably high external credit rating or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has no past due amounts or otherwise there is no significant increase in credit risk if the amounts are past due in the normal course of business based on history with the counterparty.
- In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset at the reporting date with the risk of a default occurring on the financial asset at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.
- This is usually the case with various customers of the Company where the Company has long standing business relationship with these customers and any amounts that are past due by more than 30 days in the normal course of business are considered 'performing' based on history with the customers. Therefore despite the foregoing, the Company considers some past due trade receivables to have low credit risk where the counterparty has a good history of meeting its contractual cash flow obligations and is expected to maintain the same in future.
- The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk.
- The Company considers 'default' to have occurred when the financial asset is credit-impaired. A financial asset is considered to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.
- The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial condition and there is no realistic prospect of recovery.

**(b)** The Company's credit risk grading framework comprises the following categories and basis for recognizing impairment allowance for Expected Credit Losses ('ECL'J for each category:

| Category | Description | Basis for recognizing ECL |
|---|---|---|
| Performing | The counterparty has low credit risk | Trade debts: Lifetime ECL |
| | | Other assets: 12-month ECL |
| Doubtful | Credit risk has increased significantly since initial recognition | Lifetime ECL |
| In default | There is evidence indicating the assets is credit-impaired | Lifetime ECL |
| Write-off | There is no realistic prospect of recovery | Amount is written-off |

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

There were no changes in the Company's approach to credit risk management during the year.

**(c) Exposure to credit risk**

- Credit risk principally arises from debt instruments held by the Company as at the reporting date. The maximum exposure to credit risk as at the reporting date is as follows:

| Financial assets at amortized cost | 2022 | 2021 |
|---|---|---|
| | ----------Rupees---------- | |
| Long term deposits | **5,038,617** | 5,038,617 |
| Trade debts | **46,692,624** | 54,138,277 |
| Deposits and other receivables | **9,923,486** | 16,566,222 |
| Due from related parties | **11,694,910** | 10,406,768 |
| Bank balances | **7,316,875** | 1,446,448 |
| | **80,666,512** | 87,596,332 |

**(d) Credit quality and impairment**

- Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to internal credit risk grading. The credit quality of the Company's financial assets exposed to credit risk is as follows:

| Financial assets at amortized cost | External credit rating | Internal credit risk grading | 12-month or life-time ECL | Gross carrying amount | Loss allowance |
|---|---|---|---|---|---|
| Long term deposits | N/A | Performing | 12-month ECL | 5,038,617 | - |
| Trade debts | N/A | Performing | Lifetime ECL | 46,692,624 | - |
| | | Doubtful | Lifetime ECL | 966,830 | 966,830 |
| Deposits and other receivables | N/A | Performing | 12-month ECL | 9,923,486 | - |
| Due from related parties | N/A | Performing | 12-month ECL | - | - |
| Bank balances | Note 41.1.2 (d) (iv) | N/A | 12-month ECL | - | - |

**(i) Long term deposits**

- These include deposits placed with Government owned utility companies against utilities connections and do not carry any significant credit risk. Accordingly no loss allowance has been made.

**(ii) Trade debtors**

- For trade receivables, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on trade receivables by using internal credit risk gradings. As at the reporting date, trade receivables amounting to Rs. 6.082 million are considered 'doubtful'. Other trade receivables are considered 'performing' including those past due as there is no significant increase in credit risk in respect of these receivables since initial recognition. The ageing analysis of trade receivables as at the reporting date is as follows:

- **Aging analysis of the trade debts**

| Particulars | Note | 2022 | 2021 |
|---|---|---|---|
| | | --------- Rupees --------- | |
| ***Neither past due nor impaired*** | | | |
| 1 - 30 days | | **34,628,504** | 45,795,931 |
| ***Past due but not impaired*** | | | |
| 31 - 60 days | | **1,053,893** | 1,724,938 |
| 61 - 120 days | | **2,209,254** | 1,346,046 |
| More than 120 days | | **8,800,973** | 6,238,192 |
| | | **12,064,120** | 9,309,176 |
| ***Past due and impaired*** | | | |
| More than 120 days | | **-** | - |
| | | **46,692,624** | 55,105,107 |

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

**(iii) Deposits and other receivables**

- These include receivables from custom authorities against rebates and duty drawbacks on export sales.
- For other receivables, the Company has applied the 12 months ECL to measure the loss allowance. The Company determines the expected credit losses on deposits by using internal credit risk gradings. As at the reporting date, Rs.0.97 million (2021: Rs. 0.97 million) are considered 'doubtful'. Other deposits are considered 'performing' as there is no significant increase in credit risk in respect of these since initial recognition.
- For bank guarantee margin, these are placed with financial institutions with reasonably high credit ratings and therefore no credit loss is expected. Accordingly no loss allowance has been made.

**(iv) Bank balances**

- Due to the Company's long standing business relationships with the bankers and after giving due consideration to their strong financial standing. The have reasonably high credit ratings as determined by various independent credit rating agencies. Considering their strong financial standing, management does not expect any credit loss. The external credit ratings of the Company's banks as follows:

| Bank | Rating | | Agency | 2022 | 2021 |
|---|---|---|---|---|---|
| | Short term | Long term | | Rupees | |
| - Faysal Bank Limited | A1+ | AA | PACRA | **7,075,134** | 1,353,244 |
| - Askari Bank Limited | A1+ | AA+ | PACRA | **16,659** | 3,806 |
| - The Bank of Punjab | A1+ | AA+ | PACRA | **3,257** | 3,257 |
| - Bank AlFalah Limited | A1+ | AA+ | PACRA | **1,371** | 1,371 |
| - Soneri Bank Limited | A1+ | AA- | PACRA | **1,682** | 1,682 |
| - United Bank Limited | A-1+ | AAA | VIS | **14,476** | 14,476 |
| - MCB Bank Limited | A-1+ | AAA | PACRA | **151,686** | 36,455 |
| - JS Bank Limited | A1+ | AA- | PACRA | **35,370** | 14,917 |
| - Industrial Development Bank Limited | N/A | N/A | N/A | **17,240** | 17,240 |
| | | | | **7,316,875** | 1,446,448 |

- Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

**(e) Concentrations of credit risk**

- The Company determines concentrations of credit risk by type of counterparty. Maximum exposure to credit risk, as at the reporting date, by type of counterparty is as follows:

| Financial assets at amortized cost | 2022 | 2021 |
|---|---|---|
| | ----------Rupees---------- | |
| Utility companies & local government body | **5,038,617** | 5,038,617 |
| Customers | **46,692,624** | 54,138,277 |
| Regulatory authorities | **9,923,486** | 16,566,222 |
| Related parties | **11,694,910** | 10,406,768 |
| Banking companies and financial institutions | **7,316,875** | 1,446,448 |
| | **80,666,512** | 87,596,332 |

- There are no significant concentrations of credit risk, except for trade receivables The Company's 5 (2021: 5) significant customers account for Rs. 34.94 million (2021: Rs. 40.20) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 30% (2021: 20%) of gross trade debt balance as at the reporting date. These significant customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

### 41.1.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through committed credit facilities. Following are the contractual maturities of financial liabilities, including interest payments.

- **Contractual maturities of financial liabilities as at June 30, 2022**

| Particulars | Carrying value | Contractual cash flows | Within 1 Year | Within 2-5 Years | More than 5 Years |
|---|---|---|---|---|---|
| | Rupees | Rupees | Rupees | Rupees | Rupees |
| Long term borrowings | **10,650,605** | **10,650,606** | **3,731,810** | **6,918,796** | - |
| Trade and other payables | **39,884,783** | **39,884,783** | **39,884,783** | - | - |
| Accrued mark up | **929,889** | **929,889** | **929,889** | - | - |
| Short term borrowings | **125,850,000** | **125,850,000** | **125,850,000** | - | - |
| Due to related parties | **3,864,257** | **3,864,257** | **3,864,257** | - | - |
| **Total** | **181,179,534** | **181,179,535** | **174,260,739** | **6,918,796** | - |

**Contractual maturities of financial liabilities as at June 30, 2021**

| Particulars | Carrying value | flows | Within 1 Year | Years | Years |
|---|---|---|---|---|---|
| | Rupees | Rupees | Rupees | Rupees | Rupees |
| Long term borrowings | 18,875,849 | 18,168,598 | 6,041,804 | 12,126,794 | - |
| Trade and other payables | 36,130,673 | 36,130,673 | 36,130,673 | - | - |
| Accrued mark up | 891,887 | 891,887 | 891,887 | - | - |
| Short term borrowings | 137,520,000 | 137,520,000 | 137,520,000 | - | - |
| Due to related parties | 3,234,466 | 3,234,466 | 3,234,466 | - | - |
| Total | 196,652,875 | 195,945,624 | 183,818,830 | 12,126,794 | - |

- The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at June 30. The rates of interest / mark up have been disclosed in relevant notes to these financial statements.

### 41.2 Financial instruments by categories

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

| As at June 30, 2022 | Fair Value through P&L | Fair Value through OCI | Amortized Cost | Total |
|---|---|---|---|---|
| | Rupees | Rupees | Rupees | Rupees |
| **Assets as per statement of financial position** | | | | |
| Long term investments | - | **9,250,838** | - | **9,250,838** |
| Long term deposits | - | - | **5,038,617** | **5,038,617** |
| Trade debts | - | - | **46,692,624** | **46,692,624** |
| Deposits and other receivables | - | - | **9,923,486** | **9,923,486** |
| Due from related parties | - | - | **11,694,910** | **11,694,910** |
| Cash and bank balances | - | - | **10,727,193** | **10,727,193** |
| **Total** | - | **9,250,838** | **84,076,830** | **93,327,668** |

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

| As at June 30, 2022 | Fair Value through Profit or Loss | Amortized Cost |
|---|---|---|
| | | Rupees |
| **Liabilities as per statement of financial position** | | |
| Long term borrowings | - | **10,650,605** |
| Trade and other payables | - | **39,884,783** |
| Accrued mark up | - | **929,889** |
| Short term borrowings | - | **125,850,000** |
| Due to related parties | - | **3,864,257** |
| **Total** | - | **181,179,534** |

| As at June 30, 2021 | Fair Value through P&L | Fair Value through OCI | Amortized Cost | Total |
|---|---|---|---|---|
| | Rupees | Rupees | Rupees | Rupees |
| **Assets as per statement of financial position** | | | | |
| Long term investments | - | 12,993,789 | - | 12,993,789 |
| Long term deposits | - | - | 5,038,617 | 5,038,617 |
| Trade debts | - | - | 54,138,277 | 54,138,277 |
| Deposits and other receivables | - | - | 16,566,222 | 16,566,222 |
| Due from related parties | - | - | 10,406,768 | 10,406,768 |
| Cash and bank balances | - | - | 2,390,254 | 2,390,254 |
| Total | - | 12,993,789 | 88,540,138 | 101,533,927 |

| As at June 30, 2021 | Fair Value through Profit or Loss | Amortized Cost |
|---|---|---|
| | | Rupees |
| **Liabilities as per statement of financial position** | | |
| Long term borrowings | - | 18,875,849 |
| Trade and other payables | - | 36,130,673 |
| Accrued mark up | - | 891,887 |
| Short term borrowings | - | 137,520,000 |
| Due to related parties | - | 3,234,466 |
| Total | - | 196,652,875 |

### 41.3 Offsetting financial assets and financial liabilities

- There are no significant financial assets and financial liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements.

### 42 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

- Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.
- The different levels of fair valuation method have been defined as follows:
  - **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).

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

- The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred.
- The Company's policy for determining when transfers between levels in the hierarchy have occurred includes monitoring of the following factors:
    - changes in market and trading activity (e.g.. significant increases / decreases in activity)
    - changes in inputs used in valuation techniques (e.g. inputs becoming / ceasing to be observable in the market)

### 42.1 Financial instruments measured at fair value

### 42.1.1 Recurring fair value measurements

| Financial Instruments | Hierarchy | Valuation Techniques and Key inputs | 2022 | 2021 |
|---|---|---|---|---|
| Equity instrument | | | | |
| *Investment in Associates (Without Significant Influence)- Designed At Fair Value through OCI* | | | | |
| Punjab Oil Mills Limited | Level 1 | Quoted bid prices in an active market | **9,250,838** | 12,993,789 |
| Premier Garments Limited | Level 3 | Un-quoted investments, which are measured using break up values maximum up to zero. | - | - |
| Tee Jay Corporation (Private) Limited | Level 3 | Un-quoted investments, which are measured using break up values maximum up to zero. | - | - |

### 42.1.2 Non-recurring fair value measurements

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

### 42.2 Financial instruments not measured at fair value

The management considers the carrying amount of all financial instruments not measured at fair value at the end of each reporting period to approximate their fair values as at the reporting date.

### 42.3 Assets and liabilities other than financial instruments

### 42.3.1 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:

| Particulars | Level 1 | Level 2 | Level 3 | 30-Jun-22 | 30-Jun-21 |
|---|---|---|---|---|---|
| Freehold Land | - | 126,990,000 | - | 126,990,000 | 74,700,000 |
| Buildings on Freehold Land | - | 44,441,999 | - | 44,441,999 | 25,898,172 |
| Plant and Machinery | - | 105,745,999 | - | 105,745,999 | 54,422,024 |
| Fittings and Electric | - | 414,979 | - | 414,979 | 461,088 |

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

| Particulars | 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 nonrefundable purchase taxes and other costs directly attributable to the acquisition would result in a significant increase in fair value of buildings by Rs.6.35 million (2021: Rs. 3.74 million). |
| Buildings on Freehold 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 year. | Estimated construction costs her 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.2.22 million (2021: Rs. 1.29 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 year. | 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.5.29 million (2021: Rs. 2.72 million). |
| Fittings and Electric Installations | Market comparable approach that reflects recent transaction prices for similar properties. | 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 fittings and electric Installations by Rs.0.02 million (2021: Rs. 0.02 million). |

**42.3.2 Non-recurring fair value measurements**

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

**43 CAPITAL RISK MANAGEMENT**

- While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhances shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth, maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchasing shares, if possible, selling surplus property, plant and equipment without affecting the optimal production and operating level and regulating its dividend pay out thus maintaining smooth capital management.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

- In line with others in the industry practices, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings including current maturities less cash and bank balances. Total capital employed is calculated as equity as shown in the statement of financial position plus net debt. As at the date of statement of financial position, the gearing ratio of the Company was worked out as under:

| Particulars | 2022 | 2021 |
|---|---|---|
| | Rupees | Rupees |
| Borrowings | **141,294,751** | 160,522,202 |
| Cash and bank balances | **(10,727,193)** | (2,390,254) |
| **Net debt** | **130,567,558** | 158,131,948 |
| Equity | **318,020,227** | 187,023,084 |
| **Total capital employed** | **448,587,785** | 345,155,032 |
| **Gearing ratio** | **29.11%** | 45.81% |

- The Company is not subject to externally imposed capital requirements, except those related to maintenance of debt covenants, commonly imposed by the providers of debt finance. There were no changes in the Company's approach to capital management during the year.

### 44 SEGMENT INFORMATION

For management purposes, the activities of the Company are recognized into one operating segment, i.e. manufacturing and sales of towel. The Company operates in the said reportable operating segment based on the nature of the product, risk and return, organizational and management structure and internal financial reporting systems. Accordingly, the figures reported in these financial statements relate to the Company's only one reportable segment. The Company-wide disclosures regarding the reportable segments are as follows:

| Particulars | 2022 Rupees | 2021 Rupees |
|---|---|---|
| | ------- Percentage ------- | |
| - Information about products wise revenue: | | |
| - Terry towel | **82.85%** | 90.00% |
| - Information about area wise revenue: | | |
| - Export sales | **98.43%** | 98.68% |
| - Local sales | **1.57%** | 1.32% |
| - Major customers: | | |
| - 7 customers (2021: 6 customers) | **65.14%** | 63.13% |
| - Revenue from external customers attributed to foreign countries | **98.43%** | 98.68% |

- All non-current assets of the Company are located in Pakistan as at the reporting date.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

### 45 PLANT CAPACITY AND ACTUAL PRODUCTION

| Particulars | ----- Number ----- | |
|---|---|---|
| Avg. number of looms installed and worked (including looms obtained on lease) | **20** | 20 |
| Standard production of looms worked (Kilograms) | **510,000** | 463,680 |
| Actual production (Kilograms) | **445,615** | 390,286 |

- **Reasons for increase**

Due to more export orders in current year, actual capacity utilized has increased resulted in more production than the last year.

### 46 NUMBER OF EMPLOYEES

| Particulars | 2022 | | |
|---|---|---|---|
| | Head office | Mills | Total |
| | Number | | |
| Employees as at year end | **13** | **96** | **108** |
| Average employees during the year | **13** | **93** | **105** |

| Particulars | 2021 | | |
|---|---|---|---|
| | Head office | Mills | Total |
| | Number | | |
| Employees as at year end | 13 | 93 | 106 |
| Average employees during the year | 13 | 92 | 105 |

### 47 CORRESPONDING FIGURES

Corresponding figures have been reclassified and restated wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan. The following figures have been re-arranged wherever necessary for purposes of better presentation as follows:

| Reclassification/Restatement from component | Reclassification / Restatement to component | Note | Rupees |
|---|---|---|---|
| **Deferred liabilities**<br>Staff retirement benefits - unfunded | **Trade and other payables**<br>Gratuity Payable | **11** | **12,441,554** |
| **Auditor's Remuneration**<br>- Statutory audit | **Auditor's Remuneration**<br>- Half yearly review and attestations | **33.1** | **75,000** |

### 48 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on October 5, 2022 by the Board of Directors of the Company.

### 49 GENERAL

Figures have been rounded off to the nearest Pakistani rupees.

**CHIEF EXECUTIVE OFFICER** | **CHIEF FINANCIAL OFFICER** | **DIRECTOR**

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# PATTERN OF SHAREHOLDING

As at June 30, 2022

| No. of Shareholders | Shareholdings From | To | Total Shares Held |
|---|---|---|---|
| 133 | 1 | 100 | 6,757 |
| 250 | 101 | 500 | 74,326 |
| 232 | 501 | 1,000 | 169,959 |
| 132 | 1,001 | 5,000 | 350,439 |
| 33 | 5,001 | 10,000 | 253,809 |
| 5 | 10,001 | 15,000 | 70,000 |
| 3 | 15,001 | 20,000 | 56,995 |
| 3 | 20,001 | 25,000 | 71,100 |
| 3 | 25,001 | 30,000 | 83,700 |
| 1 | 35,001 | 40,000 | 40,000 |
| 3 | 45,001 | 50,000 | 148,000 |
| 1 | 50,001 | 55,000 | 54,500 |
| 1 | 70,001 | 75,000 | 70,500 |
| 1 | 120,001 | 125,000 | 120,500 |
| 1 | 130,001 | 135,000 | 131,500 |
| 1 | 165,001 | 170,000 | 168,885 |
| 1 | 190,001 | 195,000 | 191,900 |
| 1 | 195,001 | 200,000 | 197,500 |
| 1 | 820,001 | 825,000 | 821,941 |
| 1 | 2,935,001 | 2,940,000 | 2,935,887 |
| 1 | 3,035,001 | 3,040,000 | 3,038,883 |
| 1 | 3,935,001 | 3,940,000 | 3,939,223 |
| 809 | | | 12,996,304 |

**Classification of ordinary shares by Catergories as at June 30, 2022**

| Categories of shareholders | Share held | Percentage |
|---|---|---|
| Directors, Chief Executive Officers, and their spouse and minor children and their spouse and minor children | 7,117,429 | 54.7650 |
| Associated Companies, undertakings and related parties. (parent Company) | 3,979,393 | 30.6194 |
| NIT and ICP | 19,895 | 0.1531 |
| Banks Development financial institutions, Non banking Financial Institutions | 4,710 | 0.0362 |
| Insurance Companies | - | - |
| Modarabas and Mutual Funds | 1,000 | 0.0077 |
| Shares holders holding 10% or more | 10,034,663 | 77.2117 |
| General Public | | |
| a. Local | 1,842,876 | 14.1800 |
| b. Foreign | - | - |
| Others (to be specified) | - | - |
| Joint Stock Companies | 31,001 | 0.2385 |

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## Catagories of Shareholding required under Code of Corporate Governance (CCG)

As on June 30, 2022

| Sr. No. | Name & Category of shareholders | No. of Shares Held | Percentage |
|---|---|---|---|
| Associated Companies, Undertakings and Related Parties | | | |
| 1 | M/S TEEJAY CORPORATION (PVT) LTD | 3,939,393 | 30.3116 |
| 2 | M/S PREMIER GARMENTS LIMITED | 40,000 | 0.3078 |
| Mutual Funds | | - | - |
| Directors and their Spouse and Minor Children | | | |
| 1 | MR. TAHIR JAHANGIR | 3,159,383 | 24.3099 |
| 2 | MRS MUNIZAE JAHANGIR | 821,941 | 6.3244 |
| 3 | MRS SULEMA JAHANGIR | 5,818 | 0.0448 |
| 4 | MR. JILLANI JAHANGIR | 2,935,887 | 22.5902 |
| 5 | MR. ABDUL MUNAF | 500 | 0.0038 |
| 6 | MR. RASHID AHMAD KHAN | 1,000 | 0.0077 |
| 7 | MR. HASSAN AHMAD | - | 0.0000 |
| Spouse | | | |
| MRS. MYRA HUSAIN QURESHI (WIFE OF JILLANI JAHANGIR) | | 192,900 | 1.4843 |
| Executives: | | | - |
| Public Sector Companies & Corporations: | | - | - |
| Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds: | | 5,710 | 0.0439 |

Shareholders holding five percent or more voting intrest in the listed company

| Sr. No. | Name & Category of shareholders | No. of Shares Held | Percentage |
|---|---|---|---|
| 1 | M/S TEEJAY CORPORATION (PVT) LTD | 3,939,393 | 30.3116 |
| 2 | MR. TAHIR JAHANGIR | 3,159,383 | 24.3099 |
| 3 | MR. JILLANI JAHANGIR | 2,935,887 | 22.5902 |
| 4 | MRS MUNIZAE JAHANGIR | 821,941 | 6.3244 |

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

| Sr. No. | Name | SALE | PURCHASE | SP. REIGHT |
|---|---|---|---|---|
| | NILL | | | |

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# FORM OF PROXY

I/We _____

of _____ being a Member of **Hala Enterprises Limited** and holder(s) of

_____ Ordinary Shares as per Share Register Folio No. _____

**For beneficial owners as per CDC List**

CDC Participant I.D. No. _____ Sub Account No. _____

CNIC No. ☐☐☐☐☐■☐☐☐☐☐☐☐■☐ Passport No. _____

hereby appoint Mr./Mrs./Miss. _____ of _____ an other member of the Company or failing him/her Miss/Mrs/ Mr. _____ of _____ another member of the Company as my / our proxy to attend and vote for me / us and my /our behalf at Annual General Meeting of the Company to be held on Friday, October 28, 2021 at 10:30 A.M. and at Factory premises or at any adjournment thereof, if any.

Please affix Rupees Five Revenue Stamp

(Signature should agree with the specimen signature registered with the Company)

Signed this _____ day of _____ 2022

Signature of Shareholder _____

Signature of Proxy _____

| | |
|---|---|
| **1. WITNESS**<br>Signature: _____<br>Name: _____<br>Address: _____<br>_____<br>CNIC No. ☐☐☐☐☐■☐☐☐☐☐☐☐■☐<br>or Passport No. _____ | **2. WITNESS**<br>Signature: _____<br>Name: _____<br>Address: _____<br>_____<br>CNIC No. ☐☐☐☐☐■☐☐☐☐☐☐☐■☐<br>or Passport No. _____ |

**Important:**

1. This Proxy Form. duly completed and signed, must be received at above mentioned address the Registered Office of the Company, not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
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 forms.

ii. The proxy shall produce his original CNIC or original passport at the time of the 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.

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POSTAGE

**To:**

**The Company Secretary**
**Hala Enterprises Limited**
**17.5 Kilometers Sheikhupura Road,**
**Lahore**

**BOOK POST**

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# پراکسی فارم

میں/ہم مسمی/مسماۃ_____ساکن_____ضلع_____

بحیثیت ممبر کمپنی، مسمی/مسماۃ_____ساکن_____کمپنی ممبر یا اُسکی عدم موجودگی کی صورت میں

مسمی/مسماۃ_____ساکن_____کمپنی ممبر کو بطور مختار (پراکسی) مقرر کرتا/ کرتی ہوں تا کہ وہ میری/ہماری جگہ اور میری/ہماری طرف سے کمپنی کے سالانہ اجلاس عام جو کہ بتاریخ ۲۸ اکتوبر ۲۰۲۲ء بوقت صبح 10:30 بجے، کمپنی کے رجسٹرڈ دفتر فیکٹری پریمسز :17.5 کلومیٹر شیخوپورہ روڈ لاہور میں منعقد ہو رہا ہے میں بول سکے اور ووٹ ڈال سکے۔

دستخط بتاریخ_____دن_____2022ء

پانچ روپے کی ریونیو سٹمپ چسپاں کریں

گواہ کوائف

دستخط:_____

نام:_____

پتہ:_____

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر:_____

گواہ کوائف

دستخط:_____

نام:_____

پتہ:_____

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر:_____

فولیو نمبر:_____

سی ڈی سی کھاتہ نمبر:_____

حصص کی تعداد:_____

دستخط:_____

(دستخط کمپنی میں موجود رجسٹرڈ دستخط کے مطابق ہونے چاہئیں)

اہم:

پراکسی فارم، کمپنی کے رجسٹرڈ آفس 120 ای ون گلبرگ تھری لاہور، میں اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل جمع کرانا لازمی ہے۔ بصورت دیگر وہ قابل قبول نہ ہوگا۔

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**To:**

**The Company Secretary**
**Hala Enterprises Limited**
**17.5 Kilometers Sheikhupura Road,**
**Lahore**

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Hala
Enterprises Limited

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