

Annual Report
2021

Hala Enterprises Limited





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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.



COMPANY INFORMATION

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



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of **HALA ENTERPRISES LIMITED** will be held on Thursday October 28, 2021 at 11:00 A.M. at Factory Premises, 17.5 KM Sheikhpura Road, Lahore, the Registered Office of the Company to transact the following business.

ORDINARY BUSINESS

1. To confirm minutes of Extra Ordinary General Meeting held on December 21, 2020.
2. To receive and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2021 along with Directors and Auditors Reports thereon.
3. To appoint External Auditors of the Company for the year ending June 30, 2022 as recommended by the Board of Directors and to fix their remuneration.

SPECIAL BUSINESS

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

RESOLVED that the transactions 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, 2021 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, 2021 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

(Muhammad Mushtaq Saeed Iqbal)
Company Secretary

Lahore: October 07, 2021

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 21, 2021 to October 28, 2021 (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.
4. 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.



NOTICE OF ANNUAL GENERAL MEETING

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.

اطلاع سالانہ اجلاس عام

بذریعہ نوٹس ہذا مطلع کیا جاتا ہے کہ ہالہ انٹرپرائزز کے حصہ داران کا سالانہ اجلاس عام جمعرات 28 اکتوبر 2021ء کو صبح 11:00 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- 21 دسمبر 2020ء کو منعقدہ حصہ داران کے غیر معمولی اجلاس عام کی کارروائی کی توثیق۔
- 2- 30 جون 2021 کو ختم ہونے والے سال کے لیے کمپنی کے سالانہ آڈٹ شدہ اکاؤنٹس کے ساتھ ڈائریکٹرز اور آڈیٹرز رپورٹس پر غور کرنا اور ان کی منظوری دینا۔
- 3- مالی سال 2021-2022 کیلئے آڈیٹرز کا تقرر اور معاوضہ طے کرنا۔

خصوصی امور:

- 4- (اے) 30 جون 2021 کو ختم ہونے والے سال کے دوران منسلک کمپنیوں سے کئے گئے لین دین 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 کو منظور کرے اس سلسلہ میں تمام ضروری کارروائی کرے اور تمام ضروری دستاویزات اور قرار نامے 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 2021ء

نوٹ:

- 1- کمپنی کی منتقلی حصص کی کتابیں 21 اکتوبر 2021ء تا 28 اکتوبر 2021ء (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 کر سکتا/سکتی ہے۔ پراکسیاں تا آئندہ موثر ہو سکیں۔ 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 پتے 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۔



INFORMATION FOR SHAREHOLDERS

Company's Registered Office/Works

17.5 KM Sheikhpura 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 than 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.



DIRECTOR'S REPORT

The Directors of the company hereby present the 49th Annual Report on the operations of the company along with the audited financial statements for the year ended 30th June, 2021. The Directors' report under the Companies ACT 2017 and revised CCG 2017 will be put forward to the members at the Annual General Meeting of the Company to be held on the 28th of October, 2021.

Apart from the adverse impact of Covid-19 pandemic on demand of textile products, raw material prices continuously and disproportionately increased as compared to raw material prices during the first half of the financial year 2020-21 which caused severe business challenges for home textile products. However, despite these challenges, the financial performance of the company remained satisfactory and encouraging for the financial year ended 30, June 2021. Total revenue increased by 12.53 % i.e. from Rs. 346.42 million to Rs. 389.82 million. Gross Profit also increased from Rs. 70.33 million to Rs 83.84 million and profit after tax increased by 60% for the year compared to the previous FY.

In the future, a key part of our strategy is to increase our share in the exports of higher value product lines. We expect a growth in profitability due to the development of newer product lines which has been made possible through investing in newer technology machinery. Furthermore, we expect that with stability in raw material prices, better profits shall be achievable in the upcoming period. The company is also targeting and is on track in achieving a higher turnover for the next financial year, where we expect the growth in exports to be somewhere between 30 to 35%. This higher turnover shall help in reducing overall costs, thereby further improving the net margins. We are also planning to further diversify our export market portfolio once travel restrictions are lifted, thereby exploring newer markets, which shall help in boosting sales and improving the sales price mix.

The overall trend in the industry has also been quite positive, where we have seen international buyers return to Pakistan for their requirements. In the past, Pakistani terry products had to face tough competition from India, Bangladesh, Turkey and Egypt. However, now we are witnessing that our product pricing has become the most competitive in the region once again. This is despite the fact that even a larger percentage of cotton is being imported to meet the industry's needs. Yet it seems that the cost of manufacturing in Pakistan remains lower than other competitors in the region.

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.

ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز 30 جون 2021 کے اختتامی سال کے لیے آڈٹ شدہ مالی دستاویزات کے ساتھ کمپنی کے امور پر انچارج سوسل سالانہ رپورٹ پیش کرتے ہیں۔ ڈائریکٹرز رپورٹ کمپنیز ایکٹ 2017 اور نظر ثانی شدہ سی سی جی ریگولیشنز 2019 کے تحت سالانہ جنرل اجلاس میں اراکین کے سامنے 28 اکتوبر 2021 کو پیش کی جائے گی۔

ٹیکسٹائل مصنوعات کی مانگ پر کوڈ 19 وبائی مرض کے منفی اثرات کے علاوہ مالی سال 2020-21 کی دوسری ششماہی کے دوران خام مال کی قیمتوں میں پہلی ششماہی کے مقابلہ میں مسلسل اور غیر متناسب اضافہ ہوا جسکی وجہ سے گھریلو ٹیکسٹائل مصنوعات کو شدید کاروباری چیلنجز کا سامنا کرنا پڑا تاہم ان چیلنجز کے باوجود 30 جون 2021 کو ختم ہونے والے مالی سال کے لیے کمپنی کی مالی کارکردگی تسلی بخش اور حوصلہ افزا رہی۔

ریونیو میں 12.53 فی صد ہوا اور اس سطح ریونیو 346.42 ملین روپے سے 389.82 ملین روپیہ ہوا اور خام منافع بھی 70.33 ملین سے بڑھ کر 83.84 ملین ہو گیا جبکہ ٹیکس کے بعد منافع میں 60 فی صد اضافہ ہوا۔

مستقبل میں ہماری حکمت عملی کا ایک اہم حصہ زیادہ قیمت والی مصنوعات کا برآمدات میں اپنا حصہ بڑھانا ہے۔ ہم نئی پروڈکٹ لائنز کی ترقی کی وجہ سے منافع میں اضافہ کی توقع کرتے ہیں جو نئی ٹیکنالوجی مشینری میں سرمایہ کاری کے ذریعے ممکن ہوا ہے۔ مزید برآں ہم توقع کرتے ہیں کہ خام مال کی قیمتوں میں استحکام کے ساتھ آنے والے عرصہ میں بہتر منافع حاصل ہوگا۔ اسکو کمپنی بھی حدف بنا رہی ہے۔ اور اگلے مالی سال کے لیے زیادہ ٹرن اور حاصل کرنے کی راہ پر گامزن ہے ہمیں امید ہے کہ برآمدات میں اضافہ 30 سے 35 فی صد تک رہے گا۔ جو کہ مجموعی اخراجات کو کم کرنے میں مدد دے گا۔ اور خالص مارجن کو مزید بہتر بنائے گا۔ موجودہ سفری پابندیاں ختم ہونے کے بعد ہم اپنے ایکسپورٹ مارکیٹ پورٹ فولیو میں مزید اضافہ کرنے کی منصوبہ بندی کر رہے ہیں۔ اس طرح نئی مارکیٹوں کی تلاش کریں گے جو سیلز کو بڑھانے اور سیلز پرائس میکس کو بہتر بنانے میں معاون ثابت ہوں گی۔ انڈسٹری میں مجموعی رجحان بھی کافی مثبت رہا ہے۔ یہاں ہم نے بین الاقوامی خریداروں کو اپنی ضروریات کے لیے پاکستان واپس آتے دیکھا ہے۔ ماضی میں پاکستانی ٹیری مصنوعات کو بھارت، بنگلہ دیش، ترکی اور مصر سے سخت مقابلے کا سامنا کرنا پڑا۔

تاہم اب ہم دیکھ رہے ہیں کہ ہماری مصنوعات کی قیمتوں کا تعین ایک بار پھر خطے میں سب سے زیادہ مثبت ہو گیا ہے یہ اس حقیقت کے باوجود ہے کہ صنعت کی ضروریات کو پورا کرنے کے لیے کپاس کا ایک بڑا حصہ درآمد کیا جا رہا ہے۔ پھر بھی ایسا لگتا ہے کہ پاکستان میں مینوفیکچرنگ کی لاگت خطے کے دیگر ریونیو سے کم ہے۔

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

بورڈ کی طرف سے بورڈ کیلئے

جیلانی جہانگیر

چیف ایگزیکٹو آفیسر

لاہور

2021 اکتوبر 5



DIRECTOR'S REPORT

Financial and Operating Results

	2021 RUPEES	2020 RUPEES
Operating Profit	19,189,792	13,971,447
Finance cost	(10,299,965)	(8,839,179)
Other income	<u>1,664,345</u>	<u>3,025,512</u>
Profit before taxation	10,554,172	8,157,780
Taxation	<u>(3,511,533)</u>	<u>(3,775,130)</u>
Profit before disposal of assets	7,042,639	4,382,650
Gain on Disposal of land held for sale	-	8,500,625
Net Profit for the year	<u>7,042,639</u>	<u>12,883,275</u>
Earnings per share Basic & Dilutive	0.54	0.99

Reason for Dividend/Bonus Shares not declared

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

Board Meetings

During the year under review, 4 meetings of the Board of Directors were held from July 01, 2020 to June 30, 2021. All written notices, 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:

S.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, 2021, four (4) meetings were held. Attendance by each member was as under:

S.No. Name of Director 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:



DIRECTOR'S REPORT

- (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.
- (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;
- iii) 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.



DIRECTOR'S REPORT

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 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 accounting estimates are based on reasonable and prudent judgment.

DIRECTOR'S REPORT

- (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 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, 2021 are as follows:

Gratuity Fund Rs. 41.535 Million

- (xii) 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.

- (xiii) A statement of the pattern of shareholding in the Company as at 30 June, 2021 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:



DIRECTOR'S REPORT

- 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 uncontrolled 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, 2021, as required by the Companies Act, 2017 and Code of Corporate Governance is annexed with this 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 2022.

Audit Committee recommended the appointment of M/s Malik Haroon Shahid Safder & Co . as External Auditor for the tenure of next year 2022 subject to the approval of Shareholders in their upcoming Annual General Meeting held on October 28, 2021.

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, 2021



STATEMENT OF COMPLIANCE

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019 For the Year Ended June 30, 2021

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: 4
 - b. Female: 3
2. The composition of board is as follows:

Category		Names
Independent Director(s)*		i. Mr. Rashid Ahmad Khan
Non-Executive Directors	Male	i. Mr. Tahir Jahangir
	Female	i. Mrs. Munizae Jahangir ii. Mrs. Sulema Jahangir iii. Mrs. Myra Hussain Qureshi
Executive Directors		i. Mr. Jillani Jahangir ii. Mr. Abdul Munaf

3. The directors have confirmed that none of them is serving as a director on 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 board 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 Chairman and, 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.



STATEMENT OF COMPLIANCE

With the Code of Corporate Governance as at Ended June 30, 2021

9. The Board of Directors of the Company consist of seven (7) eminent directors, out of which one (1) director is already certified under the Director's Training Program and two (2) directors are exempt. During the year in review no Director's Training Program was arranged by the Company, however, the remaining directors will acquire the required directors' training within the time specified in the Regulations. Further, the Company has planned to arrange Directors' Training Program certification for female executives over the next few years.
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, 2021.
 - b) HR and Remuneration Committee

One Meeting of HR and Remuneration Committee was held during the financial year ended June 30, 2021.
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.



STATEMENT OF COMPLIANCE

With the Code of Corporate Governance as at Ended June 30, 2021

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;
17. The statutory auditors or the persons associated with them have not been appointed 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. We confirm that the Company has complied with respect to all other material requirements of the Regulation.

Lahore: October 05, 2021

**CHIEF EXECUTIVE
OFFICER**

DIRECTOR



KEY FINANCIAL DATA LAST SIX YEARS

Particulars	2021	2020	2019	2018	2017	2016
		(Re-stated)			(Re-stated)	(Re-stated)
Subscribed and paid up capital	129,963,040	129,963,040	129,963,040	68,040,000	68,040,000	68,040,000
Capital Reserve	210,844,442	16,357,160	19,585,154	24,230,233	25,591,623	22,682,680
Long term loan-secured	12,834,045	7,431,103	-	-	-	-
Deferred liabilities	41,563,912	43,545,593	46,031,274	44,577,951	43,754,038	43,794,285
Current liabilities	175,211,257	174,688,397	154,498,937	151,025,102	165,317,087	155,321,798
Operating fixed assets	158,099,285	150,199,499	146,056,870	87,750,348	97,938,309	102,992,790
Current assets	237,559,495	237,197,755	202,438,384	191,227,176	196,111,684	176,589,861
Revenue	389,822,084	346,416,594	385,706,915	314,091,422	231,100,822	208,472,967
Gross profit	83,837,751	70,327,471	70,358,009	55,314,814	41,621,108	29,554,261
Operating Profit / (loss)	19,189,792	13,971,447	13,569,476	12,663,332	8,319,844	(4,375,359)
Profit / (Loss) before taxation	10,554,172	8,157,780	11,967,273	8,541,619	4,508,627	(7,409,726)
Profit / (loss) after taxation	7,042,639	12,883,275	7,839,313	5,421,326	2,119,930	(8,201,266)



INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of "Hala Enterprises Limited"

On the statement of Compliance Contained in the Listed Companies

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, 2021** 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, 2021.

Lahore
October 05, 2021

Malik Haroon Shahid Safder SA

Malik Haroon Shahid Safder & Co.
Chartered Accountants

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





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



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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

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, 2021** 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 thereof 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, 2021** 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.



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	
	<p>(Refer notes 5.18 and 29 to the annexed financial statements)</p> <ul style="list-style-type: none"> • Revenue is recognized when control of the underlying goods has been transferred to the customers. The Company primarily generates revenue from export & local sale of own manufactured terry towels, kitchen towels and terry cloth, measured at invoice price net of export rebates and duty draw back. • We consider revenue recognition as a key audit matter due to revenue being one of the key performance indicators of the Company, inherent risk of material misstatement and significant increase in revenue from last year despite the lockdown due to COVID-19 during the year. 	<p>Our audit procedures in relation to the matter, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of and tested the design and effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period; • Evaluated the appropriateness of the Company's accounting policies for revenue recognition and its compliance with IFRS 15: 'Revenue from Contracts with Customers'; • Performed testing of sample of revenue transactions with underlying documentation including dispatch documents, sales invoices and customer acknowledgements; • Tested on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation including dispatch documents and customer acknowledgements to assess whether revenue has been recognized in the correct period; • 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.

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.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

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.
- 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.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

- 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.

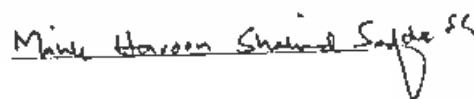
Report on Other Legal and Regulatory Requirements

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**.

Lahore
October 05, 2021



Malik Haroon Shahid Safder & Co.
Chartered Accountants



STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
AUTHORIZED SHARE CAPITAL			
16,000,000 (2020: 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	108,136,803	113,212,127
Fair value reserve of financial assets at FVOCI	8	11,810,155	7,082,873
Other capital reserves		2,274,287	2,274,287
		122,221,245	122,569,287
Revenue reserves			
Other revenue reserve		7,000,000	7,000,000
Accumulated loss		(72,161,201)	(81,553,930)
		(65,161,201)	(74,553,930)
Total Share Capital and Reserves		187,023,084	177,978,397
NON CURRENT LIABILITIES			
Deferred liabilities	9	41,563,912	43,545,593
Long term borrowings	10	12,834,045	7,431,103
Total Non Current Liabilities		54,397,957	50,976,696
CURRENT LIABILITIES			
Trade and other payables	11	27,184,149	37,502,912
Accrued mark up	12	891,887	759,369
Short term borrowings	13	137,520,000	126,330,000
Current portion of deferred Government grant	9	338,951	444,037
Current portion of long term borrowings	10	6,041,804	3,550,117
Due to related parties	14	3,234,466	2,326,832
Provision for taxation	15	-	3,775,130
Total Current Liabilities		175,211,257	174,688,397
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 LIABILITIES		420,407,298	407,418,490

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

**CHIEF EXECUTIVE
OFFICER**

**CHIEF FINANCIAL
OFFICER**

DIRECTOR


STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	18	158,099,285	150,199,499
Long term investments	19	12,993,789	8,266,507
Long term deposits	20	5,038,617	5,038,617
Total Non-Current Assets		176,131,691	163,504,623
CURRENT ASSETS			
Stores, spares and loose tools	21	4,393,269	6,244,850
Stock in trade	22	85,221,420	87,484,719
Trade debts	23	54,138,277	50,284,298
Advances, deposits, prepayments and other receivables	24	50,327,432	42,765,791
Tax refund due from Government	25	30,682,075	40,900,293
Due from related parties	26	10,406,768	7,857,226
Cash and bank balances	27	2,390,254	1,660,578
Total Current Assets		237,559,495	237,197,755
NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	28	6,716,112	6,716,112
TOTAL ASSETS		420,407,298	407,418,490

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

**CHIEF EXECUTIVE
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**CHIEF FINANCIAL
OFFICER**

DIRECTOR



**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021 Rupees	2020 Rupees
Revenue	29	389,822,084	346,416,594
Cost of sales	30	(305,984,333)	(276,089,123)
Gross profit		83,837,751	70,327,471
Operating expenses			
- Selling and distribution costs	31	(34,819,551)	(29,212,320)
- Administrative expenses	32	(25,994,831)	(25,439,768)
- Other operating expenses	33	(3,833,577)	(1,703,936)
		(64,647,959)	(56,356,024)
Operating profit		19,189,792	13,971,447
Finance cost	34	(10,299,965)	(8,839,179)
Other income	35	1,664,345	3,025,512
Profit before taxation		10,554,172	8,157,780
Taxation	36	(3,511,533)	(3,775,130)
Profit after taxation and before disposal of assets held for sale		7,042,639	4,382,650
Gain on disposal of land held for sale		-	8,500,625
Net profit for the year		7,042,639	12,883,275
Earnings per share			
- Basic and Dilutive	37	0.54	0.99

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

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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021 Rupees	2020 Rupees
Net profit for the year		7,042,639	12,883,275
Other Comprehensive Income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial loss due to experience adjustment on remeasurement of staff retirement benefits	9.1.1	(2,725,234)	(221,157)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net gain/(loss) on remeasurement of investment designated as FVOCI	8.1	4,727,282	(3,227,994)
Total other comprehensive income/(loss) for the year		2,002,048	(3,449,151)
Total Comprehensive income for the Year		9,044,687	9,434,124

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

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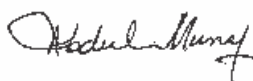
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2021

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, 2019	129,963,040	135,517,101	10,310,867	2,274,287	148,102,255	7,000,000	(116,521,022)	(109,521,022)	168,544,273
Total comprehensive income / (loss) for the year									
Net profit for the year	-	-	-	-	-	-	12,883,275	12,883,275	12,883,275
Other comprehensive (loss) for the year	-	-	(3,227,994)	-	(3,227,994)	-	(221,157)	(221,157)	(3,449,151)
	-	-	(3,227,994)	-	(3,227,994)	-	12,662,118	12,662,118	9,434,124
Incremental depreciation for the year due to surplus on revaluation of property, plant and equipment transferred to equity	-	(2,564,974)	-	-	(2,564,974)	-	2,564,974	2,564,974	-
Surplus realized on disposal of land held for disposal	-	(19,740,000)	-	-	(19,740,000)	-	19,740,000	19,740,000	-
Balance as at June 30, 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
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 / (loss) 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)	-	2,288,954	2,288,954	-
Surplus realized on disposal of plant and machinery	-	(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

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



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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated from/(used in) operations	38	20,080,431	(12,736,565)
Income tax paid		(4,032,253)	(3,571,018)
Finance cost paid		(9,184,928)	(8,625,959)
Gratuity paid	9.1.1	(8,304,476)	(6,558,303)
WPPF and WWF paid		(1,253,858)	-
Net cash outflow operating activities	A	(2,695,084)	(31,491,845)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	18	(21,456,993)	(12,613,538)
Dividend income	35	-	176,701
Proceeds from disposal of property, plant and equipment		6,504,375	2,420,651
Proceeds from disposal of asset held for sales		-	9,605,625
Net cash outflow investing activities	B	(14,952,618)	(410,561)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term loan		7,187,378	11,668,980
Proceeds from short term borrowings		11,190,000	19,179,408
Net Cash inflow from financing activities	C	18,377,378	30,848,388
Net increase/(decrease) in Cash and Cash Equivalents	A+B+C	729,676	(1,054,018)
Cash and cash equivalents at the beginning of the year		1,660,578	2,714,596
Cash and cash equivalents at the end of the year		2,390,254	1,660,578

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

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DIRECTOR



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 Sheikhpura Road, Lahore.
- 2. Manufacturing facilities are located at 17.5 KM Sheikhpura Road, Lahore and 42 KM Ferozepur Road, Lahore.
- 3. Administration and management office is situated at House 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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 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. 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.

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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

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 and relevant

- The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2020 are considered relevant for the Company's financial statements as follows:



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2020 are considered relevant for the Company's financial statements are as follows:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Definition of Materiality (Amendments to IAS 1 and IAS 8)
- The above-mentioned amendments to approved accounting standards did not have any impact on the amounts recognized in prior period and are not expected to significantly affect the current or future periods.

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

- There are amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2020 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not presented with details in these financial statements.
 - Definition of a Business (Amendments to IFRS 3)
 - Covid-19-Related Rent Concessions (Amendment to IFRS 16)
 - Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

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

- Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2021 or later periods:

Amendments or Improvements	Effective date (Annual periods beginning on or after)
- Classification of Liabilities as Current or Non-current - Deferral of Effective Date (Amendment to IAS 1)	January 1, 2023
- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	January 1, 2023
- Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023

- The above amendments and improvements are likely to have no significant impact on the financial statements.

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

- There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2021 but are considered not to be relevant or do not have any significant impact on the Company's financial statements are as follows:

Amendments or Improvements	Effective date (Annual periods beginning on or after)
- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021
- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	April 1, 2021



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

- Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022
- Sale or contribution of Assets between an investor and its Associate or Joint Venture (Amendment IFRS 10 /IAS 28)	Not yet finalized
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022
- Amendments to IFRS 17	January 1, 2023
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 1, 2023
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023

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

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

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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

- 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.

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 offsetted 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. 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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.
- 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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.
- 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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

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.



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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.

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)



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

(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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

(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.

(b) 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' 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.

(c) 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).



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

- 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.
- 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.



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

(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.

(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.

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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

- 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.

5.17 Related party transactions

- Transactions with related parties are based on the mutually agreed prices as approved by board of directors. All transactions between the Company and its related parties are taken at mutually agreed prices except in circumstances where it is not the interest of the Company to do so.

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 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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

(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
 - (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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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

2021	2020	Particulars	2021	2020
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

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

Sr#	Parties	Note	2021	2020
			-----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. Jillani 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	2021	2020
		-----Number of shares-----	
Opening shares		12,996,304	12,996,304
Issued during the year		-	-



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021 Rupees	2020 Rupees
7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Land - freehold	7.1.1	81,208,480	81,208,480
Buildings on freehold land	7.1.2	16,098,584	16,945,878
Plant and machinery	7.1.3	10,813,773	15,040,029
Fittings and installations	7.1.4	15,966	17,740
Total Surplus on Revaluation of Property, Plant and Equipment		108,136,803	113,212,127
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	26,369,720
		81,208,480	100,948,480
Surplus realized on disposal of land classified as held for sale	7.1	-	(19,740,000)
Closing balance		81,208,480	81,208,480
7.1.2 Revaluation Surplus on Buildings on Freehold Land			
Opening balance		16,945,878	17,837,766
Incremental depreciation charge transferred to accumulated profits during the year	7.2	(847,294)	(891,888)
Closing balance		16,098,584	16,945,878
7.1.3 Revaluation Surplus on Plant and Machinery			
Opening balance		15,040,029	16,711,144
Incremental depreciation charge transferred to accumulated profits during the year	7.2	(1,439,886)	(1,671,115)
Surplus realized on disposal of plant and machinery	7.1	(2,786,370)	-
Closing balance		10,813,773	15,040,029
7.1.4 Revaluation Surplus on Fittings and Installations			
Opening balance		17,740	19,711
Incremental depreciation charge transferred to accumulated profits during the year	7.2	(1,774)	(1,971)
Closing balance		15,966	17,740
7.1 Surplus Realized on Disposal of Fixed Assets			
Land - Classified as held for sale		-	19,740,000
Plant and machinery sold during the year		2,786,370	-
		2,786,370	19,740,000
7.2 Incremental Depreciation Charge Transferred to Accumulated Profits			
Buildings on freehold land		847,294	891,888
Plant and machinery		1,439,886	1,671,115
Fittings and installations		1,774	1,971
		2,288,954	2,564,974



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021 Rupees	2020 Rupees
7.3			
Revaluation of property, plant and equipment 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. Depreciated replacement values were used for the revaluation of property, plant and equipment.			
-			
Further, revaluation of land, building and plant and machinery were carried out by an independent valuer on June 30, 2014 and that resulted in further revaluation surplus of Rs. 38.431 million.			
-			
Latest revaluation of land, building and plant and machinery were carried out by an independent valuer "SURVAL" on June 30, 2019 and that resulted in further revaluation surplus of Rs. 56.085 million. Following assets were revalued:			
(1.)	(2.)	(3.)	(4.)
- Land	- Building	- Plant and machinery	- Fittings and installations
8			
FAIR VALUE RESERVE OF FINANCIAL ASSETS AT FVOCI			
Fair value reserve of financial assets at FVOCI	8.1	11,810,155	7,082,873
Total Fair Value Reserve of Financial Assets at FVOCI		11,810,155	7,082,873
8.1			
Fair Value Reserve of Financial Assets at FVOCI			
Opening balance		7,082,873	10,310,867
Fair value gain/(loss) on long term investments held at fair value through "Other Comprehensive Income"		4,727,282	(3,227,994)
Closing balance		11,810,155	7,082,873
9			
DEFERRED LIABILITIES			
Staff retirement benefits - unfunded	9.1	41,535,665	43,301,871
Deferred grant liability	9.2	28,247	243,722
Total Deferred Liabilities		41,563,912	43,545,593
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, 2021.			
9.1.1			
Movement in Net Liability for Staff Retirement Benefits			
Opening balance		43,301,871	46,031,274
Charge for the year - To Statement of Profit or Loss	9.1.2	3,813,036	3,607,743
Payments made / approved during the year		(8,304,476)	(6,558,303)
Actuarial loss due to experience adjustment on remeasurement of staff retirement benefits		2,725,234	221,157
Closing balance		41,535,665	43,301,871
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		1,014,083	1,097,833
(Gain) on settlements		-	(2,834,105)
Interest cost		2,798,953	5,344,015
		3,813,036	3,607,743



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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	Note	2021 Rupees	2020 Rupees
9.1.3 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		10%	8.50%
- Expected rate of increase in salary level - per annum		9%	7.50%
- Average expected remaining working life time of employees		7 years	8 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	

9.1.4 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	2021	2020	2019	2018	2017
	Rupees	Rupees	Rupees	Rupees	Rupees
Present value of defined benefit obligation	41,535,665	43,301,871	46,031,274	44,577,951	43,754,038
Fair value of plan asset	-	-	-	-	-
Net liability	41,535,665	43,301,871	46,031,274	44,577,951	43,754,038

9.1.5 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			
- 2021	1%	27,682,388	30,578,504
- 2020	1%	41,869,485	44,897,649
Salary increase			
- 2021	1%	30,577,827	27,682,048
- 2020	1%	44,897,649	41,844,010

9.1.6 The expense charged into statement of profit or loss for the year has been allocated as follows:

Cost of sales	30	2,921,537	2,317,893
Administrative expenses	32	891,499	1,289,850
		3,813,036	3,607,743

9.2 Deferred Grant Liability

Opening balance		687,759	-
Government grant recognized during the year		275,268	699,642
Less: Amortization of Government grant		(595,829)	(11,883)
		367,198	687,759
Less: Current portion of deferred Government grant		(338,951)	(444,037)
Non current portion of deferred grant liability		28,247	243,722

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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- 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 (2020: Rs. 7.998) 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 installments commencing from July 10, 2020 (2020: October 01, 2020).

10 LONG TERM BORROWINGS

- From banking companies - secured

	Note	2021 Rupees	2020 Rupees
Long term loans	10.1	18,875,849	10,981,220
Current portion of long-term financing		(6,041,804)	(3,550,117)
Total Long Term Borrowing		12,834,045	7,431,103

10.1 Long Term Loans

Salary refinance	10.1.1	9,006,349	7,311,220
Finance against machinery	10.1.2	9,869,500	3,670,000
Total Long Term Loans		18,875,849	10,981,220

10.1.1 Salary Refinance

Opening balance	7,311,220	-
Receipts during the year	3,983,500	7,998,979
Repayments during the year	(2,995,622)	-
Less: Current portion of loan	(5,491,304)	(2,999,617)
	2,807,794	4,999,362
Less: Fair value gain on remeasurement of loan	(275,268)	(699,642)
Add: Notional interest expense charged for the year	982,519	11,883
Closing balance of fair value adjustment on remeasurement of loan	707,251	(687,759)
Non current portion of loan	3,515,045	4,311,603

- 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	3,670,000	-
Addition during the year	6,199,500	3,670,000
	9,869,500	3,670,000
Less: Current portion of loan	(550,500)	(550,500)
Closing balance of loan	9,319,000	3,119,500



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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	Note	2021 Rupees	2020 Rupees
<p>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 at the rate of SBP pricing 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 above mentioned securities in note 13.1.1 and 20% equity.</p>			
11 TRADE AND OTHER PAYABLES			
Creditors for:			
- Goods		10,533,041	13,527,618
- Services		1,738,382	3,453,149
Accrued liabilities		11,417,696	15,783,804
Advances from customers and others		2,586,226	3,476,224
WWF payable		309,325	358,245
WPPF payable		571,763	895,613
Withholding tax payable		27,716	8,259
Total Trade and Other Payables		27,184,149	37,502,912
12 ACCRUED MARK UP			
Mark up accrued against borrowings		891,887	759,369
Total Accrued Mark Up		891,887	759,369
13 SHORT TERM BORROWINGS			
Borrowings from JS Bank Limited-Secured	13.1	137,520,000	126,330,000
Total Short Term Borrowings		137,520,000	126,330,000
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	29,610,000	18,420,000
		137,520,000	126,330,000
<p>13.1.1 This represents utilized portion of short term borrowing facilities obtained from JS Bank Limited with a limit of Rs. 108 million (2020: 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, 2021. 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 Mortgages along with personal net wealth statements of director.</p>			

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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13.1.2 This represents utilized portion of short term borrowing facilities obtained from JS bank Limited with a limit of Rs. 30 million (2020: 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/discouted by JSBL. This is secured against above mentioned securities in Note 12.1.1 plus lien over export bills and indemnity for discrepant document.

14 DUE TO RELATED PARTIES

Mian Tahir Jahangir		212,963	235,000
Mr. Jilani Jahangir		-	113,641
Punjab Oil Mills Limited (Associated Company)		3,021,503	1,978,191
Total Due to Related Parties		3,234,466	2,326,832

14.1 Due to related parties carry mark up @ 10.5% (2020: 12% to 14%) 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		-	3,775,130
Total Provision for Taxation		-	3,775,130

15.1 Reconciliation

Opening balance		3,775,130	3,698,144
Provision for current year		3,883,291	3,679,449
Prior year tax adjustment	36	(371,758)	95,681
		7,286,663	7,473,274
Tax deducted / adjusted during the year		(7,286,663)	(3,698,144)
Total Provision for Taxation		-	3,775,130

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

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 notices u/s 161 (1A) and 138 (1) for the tax years 2018 to 2020 in which the competent authority has demanded penalties, default surcharges and withholding taxes which are not withheld by the Company and are not yet paid to the respective party. The tax consultant is of the view that the Company may have to pay an amount of penalty or default surcharges along with payment of withholding taxes, however, the amount payable cannot be measured reliably as at reporting date.
- 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 chances of default in this regard. The relevant details are explained in note 10 and 13 to these financial statements.



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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17.2 Commitments

- There are no commitments as at June 30, 2021 (2020: USD: 56,350).

18 PROPERTY, PLANT AND EQUIPMENT

Particulars	Note	2021	2020
		Rupees	Rupees
Operating fixed assets-Owned	18.1	158,099,285	150,199,499
		158,099,285	150,199,499

18.1 Operating Fixed Assets-Owned

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								
<i>Cost / Revalued amount</i>								
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
<i>Accumulated depreciation</i>								
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%	

- Reconciliation of carrying amounts at the end of twelve months period ended June 30, 2020 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, 2020								
<i>Cost / Revalued amount</i>								
Balance as at July 01, 2019	74,700,000	28,701,897	58,650,269	5,301,757	1,109,490	2,973,106	663,060	17,099,579
Additions	-	151,940	12,155,899	-	-	-	305,699	12,613,538
Revaluation surplus	-	-	-	-	-	-	-	-
Disposal	-	-	(8,068,778)	-	-	-	-	(8,068,778)
Balance as at June 30, 2020	74,700,000	28,853,837	62,737,390	5,301,757	1,109,490	2,973,106	968,759	176,644,339

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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Accumulated depreciation

Balance as at July 01, 2019	-	4,757,417	13,922,269	4,473,629	867,754	1,554,656	466,985	26,042,710
Charge for the year	-	1,200,388	4,504,484	82,813	24,174	283,690	30,412	6,125,961
Disposals	-	-	(5,723,831)	-	-	-	-	(5,723,831)
Balance as at June 30, 2020	-	5,957,805	12,702,922	4,556,442	891,928	1,838,346	497,397	26,444,840
WDV as at June 30, 2020	74,700,000	22,896,032	50,034,468	745,315	217,562	1,134,760	471,362	150,199,499
Depreciation rates	0%	5%	10%	10%	10%	20%	10%	

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

Particulars	Note	2021	2020
		Rupees	Rupees
Cost of sales	30	7,080,920	5,729,046
Administrative expenses	32	380,751	396,915
		7,461,671	6,125,961

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 year 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
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.

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

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

Particulars	Note	2021	2020
		Rupees	Rupees
Freehold land		135,631	135,631
Buildings on freehold land		25,898,172	5,950,154
Plant and machinery		54,422,024	34,994,439
Fittings and installations		461,088	199,822
		80,916,915	41,280,046

18.7 Particulars of Immoveable property and Forced sales value.

Synod	Nature of Immoveable property	Particulars	Location	Land		Building	
				Total Area (Kanals)	Forced Sales Value	Total Covered Area (Square feet)	Forced Sales Value
1	Land & Building	17.5- Km Lahore, Sheikhpura Road, Momanpura, Tehsil Ferozwala, Distt. Sheikhpura		24.9	59,760,000	109,004	19,157,000



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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19 LONG TERM INVESTMENTS

Equity instrument	19.1	12,993,789	8,266,507
Total Long Term Investments		12,993,789	8,266,507

19.1 Equity instrument

Investment in Associates (Without Significant Influence)- Designed At Fair Value through OCI

Punjab Oil Mills Limited:	19.1.1	12,993,789	8,266,507
Premier Garments Limited:	19.1.2	-	-
Tee Jay Corporation (Private) Limited:	19.1.3	-	-
		12,993,789	8,266,507

19.1.1 Quoted

Punjab Oil Mills Limited:	19.1.1.1	12,993,789	8,266,507
- 51,971 (2020: 51,971) fully paid ordinary shares of Rs. 10 each			
- Market value per share is Rs. 250.02 (2020: Rs. 159.06)			
- Cost Rs. 494,598 (2020: Rs. 494,598)			
- Percentage of equity held 0.96% (2020: 0.96%)			

19.1.2 Unquoted

Premier Garments Limited:	19.1.2.1	-	-
- 950 (2020: 950) ordinary shares of Rs. 100 each			
- Fair value per share is Rs. Nil (2020: Nil)			
- Percentage of equity held 1.36% (2020: 1.36%)			

19.1.3 Unquoted

Tee Jay Corporation (Private) Limited:	19.1.3.1	-	-
- 59,400 (2020: 59,400) ordinary shares of Rs.10 each			
- Fair value per share is Rs. Nil (2020: Rs. Nil)			
- Percentage of equity held 3.96% (2020: 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 gain of Rs. 4,727,282 (2020: loss of Rs. 3,227,994) 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, 2020, 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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- 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, 2020, 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). Based upon the latest available audited financial statements of Tee Jay Corporation (Private) Limited, for the year ended June 30, 2020, 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.

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	1,276,427	1,042,285
Packing materials	1,550,333	1,760,244
Loom stores	522,464	2,295,341
General Store	1,044,045	1,146,980
Total Stores, Spares and Loose Tools	4,393,269	6,244,850

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	20,641,868	19,411,418
Work in process	32,310,134	34,831,833
Finished goods	32,269,418	33,241,468
Total Stock in Trade	85,221,420	87,484,719

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)	53,601,784	49,796,646
Local debts (Un-secured)	1,503,323	1,454,482
	55,105,107	51,251,128
Allowance for expected credit loss against trade debts	23.2 (966,830)	(966,830)
Total Trade Debts	54,138,277	50,284,298

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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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	Note	2021 Rupees	2020 Rupees
23.2 Allowance for Expected Credit Loss against Trade Debts			
Particulars	Note	2021 Rupees	2020 Rupees
Opening balance		966,830	966,830
Allowance for expected credit loss made during the year		-	-
Written off during the year		966,830	966,830
Closing balance		966,830	966,830
23.3 The aging of trade debts as at reporting date is as follows;			
Particulars	Note	2021 Rupees	2020 Rupees
<i>Neither past due nor impaired</i>			
1 - 30 days		45,795,931	36,920,493
31 - 60 days		1,724,938	4,500,085
61 - 120 days		1,346,046	4,307,884
		48,866,915	45,728,462
<i>Past due but not impaired</i>			
More than 120 days		5,271,362	4,555,836
<i>Past due and impaired</i>			
More than 120 days		966,830	966,830
		55,105,107	51,251,128
24 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to- considered good			
- Employees against salaries	24.1	625,318	695,646
- Employees for purchases	24.2	325,207	183,893
- Suppliers		32,424,458	23,705,435
Prepaid insurance		386,227	348,560
Duty draw back receivable		14,584,629	14,189,493
Margin against letter of credit		-	1,845,455
Custom rebate receivable		1,507,914	1,123,630
Other receivables		473,679	673,679
Total Advances, Deposits, Prepayments and Other Receivables		50,327,432	42,765,791
24.1 This includes an amount of Rs. 0.2 million (2020: Rs. 0.2 million) as advance against salary given to Director of the Company.			
24.2 Advances to Suppliers			
Gross amount		33,412,141	24,693,118
Less: Allowance for expected credit loss against advances	24.2.1	(987,683)	(987,683)
		32,424,458	23,705,435
24.2.1 Movement of Allowance for Expected Credit Loss			
Opening balance		987,683	987,683
Allowance for expected credit loss made during the year		-	-
		987,683	987,683
Advances written off		-	-
Closing balance		987,683	987,683

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	Note	2021 Rupees	2020 Rupees
25 TAX REFUND DUE FROM GOVERNMENT			
Advance income tax		5,421,966	8,676,376
Sales tax and excise duty refundable		25,260,109	32,223,917
Total Tax Refund Due from Government		30,682,075	40,900,293

26 DUE FROM RELATED PARTIES			
Mr. Jillani Jahangir (Director)		766,664	-
Premier Garments Limited (Associated Company)		930,497	55,834
Tee Jay Corporation (Private) Limited (Associated Company)		8,709,607	7,801,392
Total Due from Related Parties		10,406,768	7,857,226

26.1 Balance due from related parties carries markup @10.5% (2020: 12% to 14%) per annum. However, the Company has given waiver of interest on director's balance for the current year.

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

Particulars	Note	2021	2020
		Rupees	Rupees
By 3 months		168,395	2,501,948
4 to 6 months		10,238,373	5,355,278
Over 6 months		-	-
		10,406,768	7,857,226

26.3 The maximum balance due from Tee jay Corporation (Private) Limited in any month during the year is Rs. 6,472,150 (2020: Rs. 5,125,650).

26.4 The maximum balance with Premier Garments Limited in any month during the year is Rs. 789,519 (2020: Rs.1,098,381).

26.5 These are interest free loans to related parties but considered good by the management of the Company.

27 CASH AND BANK BALANCES

Cash in hand		943,806	1,319,095
Cash at bank			
- Current accounts		1,436,395	331,853
- Saving accounts	27.1	10,053	9,630
Total Cash and Bank Balances		2,390,254	1,660,578

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%. (2020 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 (2020: 9 Kanal 12 marlas and also 23 kanal 9 marlas, situated at 1.5 Km, Lahore - Sheikhpura 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 (2020: 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.



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021 Rupees	2020 Rupees
<p>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 (2020: 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.</p>			
-			
<p>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.</p>			
29 SALES			
Export sales		375,101,793	331,897,067
Local sales	29.1	5,005,155	5,757,445
		380,106,948	337,654,512
Export rebates		4,838,813	4,281,472
Duty draw back		4,876,323	4,480,610
		9,715,136	8,762,082
Total Sales		389,822,084	346,416,594
29.1 Local Sales			
Gross sales		5,844,487	6,729,159
Sales tax		(839,332)	(971,714)
Total Local Sales		5,005,155	5,757,445
30 COST OF SALES			
Raw materials consumed	30.1	188,122,127	165,919,694
Stores, spares and chemicals consumed	30.2	28,548,864	24,980,865
Salaries and wages (including all benefits)	30.3	28,745,591	30,256,192
Fuel and power		27,039,035	29,881,875
Packing materials		18,235,401	13,620,646
Lease charges		-	1,200,000
Processing charges		2,987,181	4,743,256
Repairs and maintenance		1,318,707	497,013
Insurance		412,758	387,563
Depreciation	18.2	7,080,920	5,729,046
		302,490,584	277,216,150
Work in process inventory:			
- Opening balance		34,831,833	33,988,240
- Closing balance	22	(32,310,134)	(34,831,833)
		2,521,699	(843,593)
Cost of goods manufactured		305,012,283	276,372,557
Finished goods inventory:			
- Opening balance		33,241,468	32,958,034
- Closing balance	22	(32,269,418)	(33,241,468)
		972,050	(283,434)
Total Cost of Sales		305,984,333	276,089,123

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021 Rupees	2020 Rupees
30.1 Raw Materials Consumed			
Opening stock		19,411,418	17,011,422
Purchases during the year		189,352,577	168,319,690
Closing stock	22	(20,641,868)	(19,411,418)
Total Raw Materials Consumed		188,122,127	165,919,694
30.2 Stores, Spares and Chemicals Consumed			
Opening stock		6,244,850	7,138,553
Purchases during the year		26,697,283	24,087,162
Closing stock	21	(4,393,269)	(6,244,850)
Total Stores, Spares and Chemicals Consumed		28,548,864	24,980,865
30.3			
This includes Rs. 2.92 million (2020: Rs. 2.32 million) in respect of staff retirement benefits.			
31 SELLING AND DISTRIBUTION COSTS			
Commission on sales		11,066,046	8,057,585
Sea freight		8,475,883	9,266,179
Freight, octroi and cartage		4,737,268	3,511,954
Clearing charges		5,237,794	4,177,083
Travelling and conveyance		-	164,000
Air freight		1,919,585	886,208
Postage, telephone and telex		2,640,854	2,278,126
Samples		480,957	540,116
Insurance		261,164	331,069
Total Selling and Distribution Costs		34,819,551	29,212,320
32 ADMINISTRATIVE EXPENSES			
Directors' remuneration		2,922,000	2,684,360
Salaries and wages (including all benefits)	32.1	12,787,285	12,216,951
Fuel and power		2,981,277	2,816,931
Vehicles running expenses		2,810,569	2,756,744
Postage, telephone and telex		871,065	787,263
Travelling and conveyance		303,037	439,707
Rent, rates and taxes		1,443,939	1,799,476
Printing and stationery		183,840	183,948
Repairs and maintenance		476,557	658,852
Legal and professional charges		360,862	415,022
Insurance		85,129	95,911
Advertisement		178,625	54,149
Gardening expenses		11,900	23,955
Books and periodicals		8,878	19,581
Entertainment		169,617	90,003
Depreciation	18.2	380,751	396,915
Others		19,500	-
Total Administrative Expenses		25,994,831	25,439,768



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021 Rupees	2020 Rupees
32.1	This includes Rs. 0.89 million (2020: Rs. 1.29 million) in respect of staff retirement benefits.		
33	OTHER OPERATING EXPENSES		
	33.1	300,000	300,000
Auditor's remuneration		2,566,418	150,078
Realized Exchange loss		86,071	-
Unrealized exchange loss		309,325	358,245
WWF expense		571,763	895,613
WPPF expense		3,833,577	1,703,936
Total Other Operating Expenses			
33.1 Auditor's Remuneration			
- Statutory audit		300,000	300,000
- Half yearly review and attestations		-	-
- Out of pocket expenses		-	-
Total Auditor's Remuneration		300,000	300,000
34	FINANCE COST		
Mark up on borrowings - net of subsidy		5,827,578	5,639,694
Bank charges		3,224,504	2,940,668
Notional interest expense		982,519	11,883
Interest charged by related parties		265,364	246,934
Total Finance Cost		10,299,965	8,839,179
34.1	The mark up is ranging from 3% to 10.5% (2020: 3% to 12%).		
35	OTHER INCOME		
Lease rentals		-	855,000
Dividend income		-	176,701
Gain on disposal of property, plant and equipment		408,839	75,704
Interest charged to related parties	35.1	650,352	548,069
Liabilities written off		9,325	1,154
Amortized grant income		595,829	11,883
Unrealized exchange income		-	1,357,001
Total Other Income		1,664,345	3,025,512
35.1	Markup is charged to related parties @10.5% (2020: 12% to 14%) per annum.		
36	TAXATION		
Current Tax	36.1		
- For the year		3,883,291	3,679,449
- Prior period		(371,758)	95,681
		3,511,533	3,775,130
Deferred tax	36.4	-	-
Total Taxation		3,511,533	3,775,130



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021 Rupees	2020 Rupees
36.1			
The current tax provision represents tax on taxable income under final tax regime and a portion of income under normal tax regime of Income Tax Ordinance, 2001.			
36.2			
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 for portion of income under final tax regime and normal tax on taxable income under normal tax regime of Income Tax Ordinance, 2001 (ITO).			
36.3			
The returns of income for the tax years up to 2020 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.			
36.4			
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.			
37	EARNINGS PER SHARE - BASIC AND DILUTIVE		
	Profit for the year attributable to ordinary shareholders	7,042,639	12,883,275
	Number of ordinary shares in issue	12,996,304	12,996,304
	Earnings per Share (Basic)	<u>0.54</u>	<u>0.99</u>
	Earnings per Share (Dilutive)	<u>0.54</u>	<u>0.99</u>
38	NET CASH GENERATED FROM/(USED IN) OPERATIONS		
	Profit before taxation	10,554,172	8,157,780
	Adjustments for:		
	Depreciation	18.2 7,461,671	6,125,961
	Provision for gratuity	9.1.2 3,813,036	3,607,743
	Unrealized exchange loss	33 86,071	-
	Provision for WWF and WPPF	33 881,088	1,253,858
	Dividend income	35 -	(176,701)
	Unrealized exchange income	35 -	(1,357,001)
	Gain on disposal of property, plant and equipment	35 (408,839)	(75,704)
	Amortized grant income	35 (595,829)	(11,883)
	Finance cost	34 10,299,965	8,839,179
	Operating profit before working capital changes	32,091,335	26,363,232
	Changes in working capital		
	(Increase) / decrease in current assets		
	Stores, spares and loose tools	1,851,581	893,703
	Stock in trade	2,263,299	(3,527,023)
	Trade debts	(3,940,050)	(4,817,205)
	Advances, deposits, prepayments and other receivables	(7,561,641)	(1,969,792)
	Tax refund due from Government	6,963,808	(22,936,815)
	Due from related parties	(2,549,542)	(2,226,382)
	Net (increase) in current assets	(2,972,545)	(34,583,514)


**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021 Rupees	2020 Rupees
(Decrease) / increase in current liabilities			
Trade and other payables		(9,945,993)	(5,092,974)
Due to related parties		907,634	576,691
Net (decrease) in current liabilities		(9,038,359)	(4,516,283)
Net cash generated from/(used in) operations		20,080,431	(12,736,565)

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	
	2021	2020	2021	2020	2021	2020	2021	2020
Managerial remuneration	1,157,760	964,800	720,996	655,452	-	-	965,100	-
House rent and utilities	522,864	531,960	325,308	360,948	-	-	434,796	-
Conveyance	3,600	3,600	3,600	3,600	-	-	3,600	-
Utilities	115,776	-	72,096	-	-	-	96,504	-
Travelling	-	164,000	-	-	-	-	-	-
	1,800,000	1,664,360	1,122,000	1,020,000	-	-	1,500,000	-
Number of persons	1	1	1	1	5	5	1	1

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 (2020: 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 these 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	2021	2020
			Rupees in '(000)'	
Premier Garments Limited	Associate (Without Significant Influence)	Interest charged by the Company on balance	63	-
		Interest charged to the Company on balance	-	73
		Amount Paid during the year	600	1,500
		Amount received during the year	(148)	-
		Expenses paid by the Company on behalf	359	81
		Rent charged on Machinery	-	1,200

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

Punjab Oils Mills Limited	Associate (Without Significant Influence)	Interest charged by the Company on balance	265	174
		Amount Paid during the year	2,763	2,974
		Amount received during the year	-	1,056
		Expenses paid on behalf of the Company	401	329
		Expenses paid by the Company on behalf	3,942	4,308
		Sale of goods	-	1,032
Tee Jay Corporation (Private) Limited	Associate (Without Significant Influence)	Rendering of services	-	141
		Rental income	-	855
		Interest charged by the Company on balance	586	547
		Amount Paid during the year	1,740	3,360
		Amount received during the year	1,538	2,733
		Expenses paid on behalf of the Company	120	-
Jillani Jahangir	Directors	Amount Paid during the year	4,117,023	2,539,869
		Amount received during the year	1,467,000	2,443,583
		Expenses paid on behalf of the Company	229,631	202,328
		Expenses paid by the Company on behalf	1,999,349	29,400
Jillani Jahangir and Tahir Jahangir	Directors	Amount Paid during the year	1,177,037	2,334,987
		Amount received during the year	1,155,000	2,230,000

41 FINANCIAL RISK MANAGEMENT

41.1 Financial risk factors

- The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management policies focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the financial performance.
- Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.


NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
(a) 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 payables 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. 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:

- Exposure in USD

Particulars	2021		2020	
	Rs.	USD	Rs.	USD
Current Assets				
Trade debts	28,719,502	173,598	27,118,887	151,426
Total Current Assets	28,719,502	173,598	27,118,887	151,426
Net Exposure	28,719,502	173,598	27,118,887	151,426

- Exposure in EURO

Particulars	2021		2020	
	Rs.	EURO	Rs.	EURO
Current Assets				
Trade debts	24,882,282	132,918	22,677,759	122,179
Total Current Assets	24,882,282	132,918	22,677,759	122,179
Net Exposure	24,882,282	132,918	22,677,759	122,179

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	
	2021	2020	2021	2020
United States Dollar (USD)	157.25	168.05	167.61	158.65
European Union Euro (EURO)	187.20	188.91	191.10	185.17

Currency rate sensitivity analysis

If the functional currency, at reporting date, had increased / decrease by 1% against the foreign currencies with all other variables held constant, the impact on profit before taxation for the year ended June 30, 2021 would have been as follows:

Effect on Profit or (loss) (+, -)	% Change (+, -)	2021	2020
United States Dollar (USD)	1%	272,983	254,471
European Union Euro (EURO)	1%	248,822	230,808

(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 not exposed to commodity price risk.



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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% (2020: 10%) increase/decrease in KSE 100 index on June 30, 2021, 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. 1.3 million (2020: Rs. 0.83 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% (2020: 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, 2021 is not necessarily indicative of the effect on the Company's net assets of future movements in the level of KSE100.
- **Fair value hierarchy**
Financial instruments carried at fair value through OCI.
 - Level 1 Quoted market prices
 - Level 2 Valuation techniques (market observable)
 - Level 3 Valuation techniques (non market observable)

- **The Company held following financial instruments measured at fair value:**

Investment	2021			
	Total	Level 1	Level 2	Level 3
	Rupees			

Financial assets at fair value through OCI - FVOCI

Punjab Oil Mills Limited	12,993,789	12,993,789	-	-
Premier Garments Limited	-	-	-	-
Tee Jay Corporation (Private) LTD	-	-	-	-
Total	12,993,789	12,993,789	-	-

Investment	2020			
	Total	Level 1	Level 2	Level 3
	Rupees			

Financial assets at fair value through OCI - FVOCI

Punjab Oil Mills Limited	8,266,507	8,266,507	-	-
Premier Garments Limited	-	-	-	-
Tee Jay Corporation (Private) LTD	-	-	-	-
Total	8,266,507	8,266,507	-	-

(iii) Interest rate risk

- This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Sensitivity to interest / mark-up rate risk arises from mismatches or gaps in the amounts of interest / mark-up based assets and liabilities that mature or reprice in a given period. The Company manages this risk by matching the repricing of financial assets and liabilities through appropriate policies.


**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

- The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from short term borrowings. As the borrowings are obtained at variable rates. These expose the Company to interest rate risk. At the date of statement of financial position, the interest rate profile of the Company's interest bearing financial instruments was as under:

Particulars	2021			Total
	Exposed to Yield / Interest risk		Not exposed to Yield / Interest rate risk	
	Up to one year	More than one year		
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	-	-	23,689,119	23,689,119
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	146,796,270	12,834,045	24,581,006	184,211,321

Particulars	2020			Total
	Exposed to Yield / Interest risk		Not exposed to Yield / Interest rate risk	
	Up to one year	More than one year		
Rupees				

Financial assets as per statement of financial position

Long term investments	-	-	8,266,507	8,266,507
Long term deposits	-	-	5,038,617	5,038,617
Trade debts	-	-	50,284,298	50,284,298
Deposits and other receivables	-	-	17,832,257	17,832,257
Due from related parties	7,857,226	-	-	7,857,226
Cash and bank balances	9,630	-	1,650,948	1,660,578
Total	7,866,856	-	83,072,627	90,939,483



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

Financial liabilities as per statement of financial position

Long term borrowings	3,550,117	7,431,103	-	10,981,220
Trade and other payables	-	-	32,764,571	32,764,571
Accrued mark up	-	-	759,369	759,369
Short term borrowings	126,330,000	-	-	126,330,000
Due to related parties	2,326,832	-	-	2,326,832
Total	132,206,949	7,431,103	33,523,940	173,161,992

- Cash flow sensitivity analysis for variable rate instruments

'If interest rates at the date of statement of financial position, fluctuate by 1% higher / lower with all other variables held constant, loss before taxation for the year would have been Rs. 0.83 million (2020: Rs. 0.82 million) higher / lower, 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.

- The sensitivity analysis prepared as of June 30, 2021 is not necessarily indicative of the impact on Company's net assets of future movements in interest rates.

(b) Credit risk

- Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed. The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

(i) Exposure to credit risk

- The carrying amounts of financial assets represent the maximum credit exposure. The financial assets exposed to credit risk are as follows:

Financial Assets	2021	2020
	Rupees	Rupees
Long term investments	12,993,789	8,266,507
Long term deposits	5,038,617	5,038,617
Trade debts	54,138,277	50,284,298
Deposits and other receivables	16,566,222	17,832,257
Due from related parties	10,406,768	7,857,226
Bank balances	2,390,254	1,660,578
Total	101,533,927	90,939,483



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

- **The aging of trade debts as at date of statement of financial position is as follows**

Financial Assets	2021	2020
	Rupees	Rupees
Past due 1 - 30 days	45,795,931	36,920,493
Past due 31 - 60 days	1,724,938	4,500,085
Past due 61 - 120 days	1,346,046	4,307,884
More than 120 days	6,238,192	5,522,666
Total	55,105,107	51,251,128

- The credit risk on liquid funds is limited because the counter parties include banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and trade debts are subject to specific credit ceilings based on customer credit history.
- The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Bank	Rating		Agency	2021	2020
	Short term	Long term		Rupees	Rupees
- Faysal Bank Limited	A1+	AA	PACRA	1,353,244	20,392
- Askari Bank Limited	A1+	AA+	PACRA	3,806	164,966
- The Bank of Punjab	A1+	AA	PACRA	3,257	3,257
- Bank Al-Falah 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+	A	PACRA	36,455	5,031
- JS Bank Limited	A1+	AA-	PACRA	14,917	113,068
- Industrial Development Bank Limited	N/A	N/A	N/A	17,240	17,240
				1,446,448	341,483

- 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.

(c) 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, 2021**

Particulars	Carrying value	Contractual cash flows	Within 1 Year	Within 2-5 Years	More than 5 Years
	Rupees	Rupees	Rupees	Rupees	Rupees



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Long term borrowings	18,875,849	18,168,598	6,041,804	12,126,794	-
Trade and other payables	23,689,119	23,689,119	23,689,119	-	-
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	184,211,321	183,504,070	171,377,276	12,126,794	-

Contractual maturities of financial liabilities as at June 30, 2020

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	10,981,220	11,668,979	3,550,117	7,431,103	-
Trade and other payables	32,764,571	32,764,571	32,764,571	-	-
Accrued mark up	759,369	759,369	759,369	-	-
Short term borrowings	126,330,000	126,330,000	126,330,000	-	-
Due to related parties	2,326,832	2,326,832	2,326,832	-	-
Total	173,161,992	173,849,751	165,730,889	7,431,103	-

- 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

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	-	23,689,119
Accrued mark up	-	891,887
Short term borrowings	-	137,520,000
Due to related parties	-	3,234,466
Total	-	184,211,321


**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

As at June 30, 2020	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	-	8,266,507	-	8,266,507
Long term deposits	-	-	5,038,617	5,038,617
Trade debts	-	-	50,284,298	50,284,298
Deposits and other receivables	-	-	17,832,257	17,832,257
Due from related parties	-	-	7,857,226	7,857,226
Cash and bank balances	-	-	1,660,578	1,660,578
Total	-	8,266,507	82,672,976	90,939,483

As at June 30, 2020	Fair Value through Profit or Loss	Amortized Cost
		Rupees
Liabilities as per statement of financial position		
Long term borrowings	-	10,981,220
Trade and other payables	-	32,764,571
Accrued mark up	-	759,369
Short term borrowings	-	126,330,000
Due to related parties	-	2,326,832
Total	-	173,161,992

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 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.
- Long term investments includes:
 - Quoted investments (i.e. Level 1) in **Punjab Oil Mills Limited** measured using market values quoted at stock exchange.
 - Un-quoted investments (Level 3) in **Premier Garments Limited** and **Tee Jay Corporation (Private) Limited** which are measured using break up values maximum up to zero.
- Carrying values of all other financial assets and liabilities reflected in financial statements approximate to their fair values.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 payout thus maintaining smooth capital management.

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 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	2021	2020
	Rupees	Rupees
Borrowings	160,522,202	140,397,421
Cash and bank balances	(2,390,254)	(1,660,578)
Net debt	158,131,948	138,736,843
Equity	187,023,084	177,978,397
Total capital employed	345,155,032	316,715,240
Gearing ratio	45.81%	43.80%

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	Percentage	Percentage
- Information about products wise revenue:		
- Terry towel	90.00%	84.67%
- Information about area wise revenue:		
- Export sales	98.68%	98.29%
- Local sales	1.32%	1.71%
- Major customers:		
- 6 customers (2020: 6 customers)	63.13%	58.62%
- Revenue from external customers attributed to foreign countries	98.68%	98.29%
- All non-current assets of the Company are located in Pakistan as at the reporting date.		

45 PLANT CAPACITY AND ACTUAL PRODUCTION

Particulars	Number	Number
Avg. number of looms installed and worked (including looms obtained on lease)	20	38
Standard production of looms worked (Kilograms)	463,680	507,080
Actual production (Kilograms)	390,286	365,065



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

- Reasons for increase

Due to technological changes, new looms were installed at the end of last year which worked 3 shifts per day and produced more units than the last year.

46 NUMBER OF EMPLOYEES

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

Particulars	2020		
	Head office	Mills	Total
	Number		
Employees as at year end	13	120	133
Average employees during the year	13	128	141

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
Trade debts	Advances, deposits, prepayments and other receivables	24	673,679
Foreign debts (Secured)	Other receivables		
Deferred liabilities	Short term borrowings	13	2,651,455
Deferred grant liability	Borrowings from JS Bank Limited-Secured		
Other income	Finance cost	34	869,742
Amortized grant income	Notional interest expense		

48 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on October 5, 2021 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



PATTERN OF SHAREHOLDING

As at June 30, 2021

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
133	1	100	6,603
254	101	500	75,480
232	501	1,000	169,959
131	1,001	5,000	344,439
36	5,001	10,000	273,809
10	10,001	15,000	136,500
3	15,001	20,000	55,695
4	20,001	25,000	97,100
3	25,001	30,000	86,000
1	35,001	40,000	40,000
3	45,001	50,000	148,000
1	100,001	105,000	102,500
1	110,001	115,000	112,500
1	120,001	125,000	120,500
1	130,001	135,000	130,500
1	165,001	170,000	168,885
1	190,001	195,000	191,900
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
820			12,996,304

Classification of ordinary shares by Categories as at June 30, 2021

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



Catagories of Shareholding required under Code of Corporate Governance (CCG) As on June 30, 2021

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	MRS MYRA HUSAIN QURESHI	192,900	1.4843
6	MR. ABDUL MUNAF	500	0.0038
7	MR. RASHID AHMAD KHAN	1,000	0.0077
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
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NILL



To:

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

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پراکسی فارم

میں / ہم سہمی / مسماة ساکن ضلع

بحیثیت ممبر کمپنی، مسہمی / مسماة ساکن کمپنی ممبر یا اسکی عدم موجودگی کی صورت میں

مسہمی / مسماة ساکن کمپنی ممبر کو بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں تاکہ وہ میری / ہماری جگہ

اور میری / ہماری طرف سے کمپنی کے سالانہ اجلاس عام جو کہ بتاریخ ۲۸ اکتوبر ۲۰۲۱ء بوقت صبح 11:00 بجے، کمپنی کے رجسٹرڈ دفتر فیکٹری پریسز، 17.5 کلومیٹر شینو پورہ روڈ لاہور میں منعقد ہو رہا ہے

میں بول سکے اور ووٹ ڈال سکے۔

پانچ روپے کی ریونیوسٹپ
چسپاں کریں

دستخط بتاریخ دن 2021ء

گواہ کوائف	گواہ کوائف
دستخط:	دستخط:
نام:	نام:
پتہ:	پتہ:
کمپیوٹرائزڈ قومی شناختی کارڈ نمبر:	کمپیوٹرائزڈ قومی شناختی کارڈ نمبر:
دستخط:	فولیو نمبر:
(دستخط کمپنی میں موجود رجسٹرڈ دستخط کے مطابق ہونے چاہئیں)	سی ڈی سی کھانہ نمبر:
	حصص کی تعداد:

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۔



To:

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

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Enterprises Limited

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