

# ANNUAL REPORT 2020



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	Chairman/Non Executive Director
Mr. Jillani Jahangir	Chief Executive Officer
Mrs. Munizae Jahangir	Non-Executive Director
Mrs. Sulema Jahangir	Non-Executive Director
Mr. Rashid Ahmad Khan	Independent Director
Mrs. Myra Husain Qureshi	Non-Executive Director
Mr. Abdul Munaf	Executive Director

### AUDIT COMMITTEE

Mr. Rashid Ahmad Khan	Chairman/Member
Mrs. Munizae Jahangir	Member
Mrs. Sulema Jahangir	Member

### HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Rashid Ahmad Khan	Chairman/Member
Mr. Jillani Jahangir	Member
Mrs. Munizae Jahangir	Member
Mrs. Sulema Jahangir	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 Wednesday October 28, 2020 at 10:30 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 annual General Meeting held on October 28, 2019.
2. To receive and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2020 along with Directors and Auditors Reports thereon.
3. To appoint External Auditors of the Company for the year ending June 30, 2021 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, 2020 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, 2020

### NOTES:

1. The Share Transfer Books of the Company will remain closed from October 21, 2020 to October 28, 2020 (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 بدھ 28 اکتوبر 2020ء کو صبح 10:30 بجے، کمپنی کے رجسٹرڈ دفتر فیکٹری پریمسز: 17.5 کلو میٹر شیخوپورہ روڈ لاہور میں درج ذیل امور کی انجام دہی کیلئے منعقد ہوگا۔

عام امور:

- 1- 28 اکتوبر 2019ء کو منعقدہ حصہ داران کے سالانہ اجلاس عام کی کارروائی کی توثیق۔
- 2- 30 جون 2020 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 2020-2021 کیلئے آڈیٹرز کا تقرر اور معاوضہ طے کرنا۔

خصوصی امور:

- 4- (اے) 30 جون 2020 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 2021 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 قرارنامے وغیرہ کو تشکیل دے جو کہ کمپنی کی طرف سے ضروری ہوں۔
- 5- صاحب صدر کی اجازت سے کسی دیگر امر پر کارروائی ہوگی۔

حسب الحکم بورڈ

محمد مشتاق سعید اقبال

کمپنی سیکرٹری

لاہور

7 اکتوبر 2020ء

نوٹ:

- 1- کمپنی کی منتقلی حصص کی کتابیں 21 اکتوبر 2020ء تا 28 اکتوبر 2020ء (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 آنکہ 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 پتہ میں تبدیلی اگر کوئی ہو، فی الفور ہمارے شیئر رجسٹرار کو مطلع کریں۔
- 4- سی ڈی سی اکاؤنٹ ہولڈرز کو مزید برآں سیکیورٹیز 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](http://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.





## Directors' Report

The Directors of the company hereby present the 48th Annual Report on the operations of the company along with the audited financial statements for the year ended 30th June, 2020. 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, 2020.

The overall performance of the company during the period remained satisfactory and consistent with the growth witnessed in the past few years. Profitability improved by 65% over the previous period due to better cost management and an increase in efficiency. While the overall revenue seems to have gone down by 10% - in actual fact it remained consistent as the same amount of sales was lost due to the Covid-19 pandemic where shipments could not be made because of local lockdown situations. At the same time we were able to improve our margins during the period and were able to make some significant changes in our production management systems which shall help in keeping our costs down in the long run.

Our overall strategy of tapping into higher value added products remained successful; and this helped in improving margins for the company. Due to Covid 19 the hospitality and institutional markets suffered greatly as most hotels remained shut. Hence, in hindsight it was a well timed strategy to move towards the retail sector and limit the institutional products to a core business only.

This calendar year (2020), the company has further invested into newer technology machines and this is expected to give the sales a further boost for the upcoming years and an increase in profitability.

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 2020 کے اختتامی سال کے لیے آڈٹ شدہ مالی دستاویزات کے ساتھ کمپنی کے امور پر آڈٹائلیسویں سالانہ رپورٹ پیش کرتے ہیں۔ ڈائریکٹر کی رپورٹ کمپنیز ایکٹ 2017 اور نظر ثانی شدہ سی سی جی ریگولیشنز 2019 کے تحت سالانہ جنرل اجلاس میں اراکین کے سامنے 28 اکتوبر 2020 کو پیش کی جائے گی۔

اس عرصے کے دوران کمپنی کی مجموعی کارکردگی تسلی بخش اور گزشتہ کچھ سالوں میں دیکھنے میں آنے والی نمو کے مطابق رہی۔ لاگت کے بہتر انتظام اور کارکردگی میں اضافہ کی وجہ سے پچھلے سال کے مقابلے میں منافع میں 65% اضافہ ہوا ہے۔ اگرچہ مجموعی طور پر ریونیو میں تقریباً 10 فی صد کمی ہوئی ہے۔ لیکن دراصل ریونیو میں استحکام ہی رہا ہے۔ کیونکہ کووڈ 19 وبائی امراض کی وجہ سے تقریباً اتنی ہی ریونیو مین کمی ہوئی ہے۔ جہاں ہم مقدار میں زیادہ ترسیلات نہیں کر سکے ہم نے اپنے مارجن کو بہتر کرنے کی کوشش کی ہے، اس سلسلے میں ہم نے اپنے پیداواری مینجمنٹ سسٹم میں نمایاں تبدیلیاں کی ہیں۔ نتیجتاً ہماری لاگت کم ہوئی ہے جو کہ آئندہ بھی جاری رہے گی۔

اعلیٰ ویلیو ایڈڈ مصنوعات پر توجہ دینے کی ہماری مجموعی حکمت عملی کامیاب رہی ہے۔ اور اس سے کمپنی کے مارجن کو بہتر بنانے میں مدد ملی۔ جہاں کووڈ 19 کی وجہ سے ہوٹل انڈسٹری اور ادارہ جاتی مارکیٹ میں سیل متاثر ہوئی۔ ہم نے زیادہ توجہ ریٹیل فروخت پر مرکوز کی جو کہ اس وقت کے لحاظ سے بہتر حکمت عملی ثابت ہوئی۔ سال 2020 میں کمپنی نے جدید ٹیکنالوجی والی مشینری میں مزید سرمایہ کاری کی ہے۔ جس سے مستقبل میں فروخت کو مزید فروغ ملے گا۔ اور اس طرح منافع میں بھی اضافہ ہوگا۔

ہم اس موقع پر گاہکوں سپلائرز اور بینکروں 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

5 اکتوبر 2020



## DIRECTOR'S REPORT

### Financial and Operating Results

	2020 RUPEES	2019 RUPEES
Operating Profit	13,971,447	13,569,476
Finance cost	(9,708,921)	(8,854,233)
Other income	<u>3,895,254</u>	<u>7,252,030</u>
Profit before taxation	8,157,780	11,967,273
Taxation	<u>(3,775,130)</u>	<u>(4,127,960)</u>
Profit for the year before disposal of "Assets held for sale"	4,382,650	7,839,313
Gain on Disposal of land held for sale	8,500,625	-
Net Profit for the year	<u>12,883,275</u>	<u>7,839,313</u>
Earnings per share Basic & Dilutive	0.99	0.60

### Reason for Dividend/Bonus shares not declared

The company is in the process of BMR, replacing its old machinery with new one. Furthermore we are trying to update our production facilities. Therefore we are 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, 2019 to June 30, 2020. 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, 2020, four (4) meetings were held. Attendance by each member was as under:

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

### Terms of reference of Audit Committee

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

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

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

- (i) Review of the interim and annual financial statements of the Company prior to approval by the Board of Directors.
- (ii) Discussions with the external auditors of major observations arising from interim and final audits; review of management letter issued by the external auditors and management's response thereto.



## DIRECTOR'S REPORT

- (iii) Review of scope and extent of internal audit ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.
- (iv) Ascertain adequacy and effectiveness of the internal control system including financial and operational controls, accounting system and reporting structure.
- (v) Determination of compliance with relevant statutory requirements and monitoring compliance with the best practices of corporate governance.
- (vi) Institute special projects, value for money studies or other investigations on any matters specified by the Board of Directors.

### Human Resource and Remuneration Committee.

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

#### S.No. Name of Members

- |    |                       |          |
|----|-----------------------|----------|
| 1. | Mr. Rashid Ahmed Khan | Chairman |
| 2. | Mr. Jillani Jahangir  | Member   |
| 3. | Mrs Munizae Jahahgir  | Member   |
| 4. | Mrs Sulema Jahangir   | Member   |

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

### Terms of Reference

The Committee shall be responsible for:

- i) recommending human resource management policies to the board;
- ii) recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
- 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.

### 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



## DIRECTOR'S REPORT

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.

- (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, 2020 are as follows:

### Gratuity Fund Rs. 43.608 Million

- (xi) Details of number of Board and Committees' meetings held during the year and attendance by each Director has been disclosed in Annual Report. Leave of absence was granted to Directors who could not attend some of the board and committee meetings.
- (xii) A statement of the pattern of shareholding in the Company as at 30 June, 2020 of certain classes of shareholders whose disclosure is required under the revised CCG and the statement of



## DIRECTOR'S REPORT

purchase and sale of shares by Directors, executives and their minor children during the year is shown on the Annual Report.

### Code of Conduct for Directors and Employees

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

### Priority Standards of Conduct:

- i) **Safety:** There can be no production without safety.
- ii) **Quality:** To achieve complete customer satisfaction by focusing on smart team work, meeting all applicable legal and regulatory requirements & continually improving our strategies and goals.
- iii) **Productivity:** With safety and quality each of us will strive to excel the performance in all fields of our activities i.e. Production Divisions, Marketing & Planning, after sales service, Finance, Import, Purchase & Logistic and Human Resources & Administration etc.

### Safety, Health and Environment

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

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

### Compliance with the Code of Corporate Governance.

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

### Transaction with Related Parties

The Board of Directors has approved the policy for transaction / contract between Company and its related parties on an arm's length basis and relevant rates are to be determined as per the

“comparable un-controlled price method”. The company has fully complied with the best practices on transfer pricing as contained in the listing regulations of Pakistan Stock Exchange .

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

The statement of pattern of shareholding along with categories of shareholders of the company as at June 30, 2020, 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 2021.

Audit Committee recommended the appointment of M/s Malik Haroon Shahid Safder & Co . as External Auditor for the tenure of next year 2021 subject to the approval of Shareholders in their upcoming Annual General Meeting held on October 28, 2020.

### 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, 2020





## STATEMENT OF COMPLIANCE

With the Code of Corporate Governance as at Ended June 30, 2020

### Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019 For the Year Ended June 30, 2020

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.
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.
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.



## STATEMENT OF COMPLIANCE

With the Code of Corporate Governance as at Ended June 30, 2020

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, 2020
  - b) HR and Remuneration Committee

One Meeting of HR and Remuneration Committee was held during the financial year ended June 30, 2020.
15. The board has set up an effective internal audit function which is considered suitably qualified, experienced for the purpose and conversant with the policies and procedures of the Company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not the close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of 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 03, 2020



**CHIEF EXECUTIVE  
OFFICER**



**CHAIRMAN**



## KEY FINANCIAL DATA LAST SIX YEARS

Particulars	2020	2019	2018	2017	2016	2015
				(Re-stated)	(Re-stated)	
Subscribed and paid up capital	129,963,040	129,963,040	68,040,000	68,040,000	68,040,000	68,040,000
Capital Reserve	1,6357,160	19,585,154	24,230,233	25,591,623	22,682,680	18,290,866
Long term loan-secured	7,431,103	-	-	-	-	-
Deferred liabilities	43,608,244	46,031,274	44,577,951	43,754,038	43,794,285	41,829,086
Current liabilities	174,625,746	154,498,937	151,025,102	165,317,087	155,321,798	176,477,752
Operating fixed assets	150,199,499	146,056,870	87,750,348	97,938,309	102,992,790	107,117,076
Current assets	237,197,735	202,438,384	191,227,176	196,111,684	176,589,861	191,274,431
Revenue	346,416,594	385,706,915	314,091,422	231,100,822	208,472,967	232,992,322
Gross profit	70,327,471	70,358,009	55,314,814	41,621,108	29,554,261	36,146,398
Operating Profit / (loss)	13,971,447	13,569,476	12,663,332	8,319,844	(4,375,359)	482,641
Profit / (Loss) before taxation	8,157,780	11,967,273	8,541,619	4,508,627	(7,409,726)	(9,687,200)
Profit / (loss) after taxation	12,883,275	7,839,313	5,421,326	2,119,930	(8,201,266)	(11,960,973)



## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS

### On the Statement of Compliance Contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Hala Enterprises Limited for the year ended June 30, 2020 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, 2020.

Lahore  
October 03, 2020

Malik Haroon Shahid Safder & Co.  
Chartered Accountants

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





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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

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the annexed financial statements of **Hala Enterprises Limited** (the Company), which comprise the statement of financial position as at **June 30, 2020** 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, 2020** and of the profit, other comprehensive loss, 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 matter

Sr. No	Key audit matter	How the matter was addressed in our audit
1.	<b>Impact of COVID 19</b>	
	<ul style="list-style-type: none"> <li>As disclosed in note 2 to the financial statements, the COVID-19 pandemic caused significant and unprecedented curtailment in economic and social activities from March 2020 in line with the directives of the Government.</li> <li>This situation posed a range of business and financial challenges to the businesses globally and across various sectors of the economy in Pakistan.</li> <li>The Company's operations were disrupted due to the circumstances arising from COVID-19 including the suspension of operation for a few days.</li> <li>In view of the unique nature of these events and its possible impacts on the business operations and financial reporting, we considered this area as a key audit matter due to the potential impact on our audit strategy.</li> </ul>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>We discussed with the management about the impacts of COVID 19 related events on the business operations, financial condition, liquidity and operating performance of the Company;</li> <li>We obtained an overall understanding of the changes in financial reporting process and underlying controls in order to determine the appropriate audit strategy;</li> <li>we reviewed the future projections prepared by the management to assess the liquidity position and sustainability of operations;</li> <li>we considered the implications of impairment loss on tangible fixed assets by considering the projected revenue and profitability of the individual plants and correlated the same with the book values of the relevant assets;</li> <li>we checked the computations for expected credit losses as determined by the management in accordance with the requirements of IFRS-9 'Financial Instruments'. We evaluated the assumptions used by the management for such estimates including their reasonableness and the supporting economic and historical data used in this regard;</li> <li>we reviewed the reasonableness of the inputs used for calculation of NRV of inventories held to assess the adequacy of relevant provisions; and</li> <li>we reviewed the adequacy of the disclosures made by the Company under the applicable financial reporting framework.</li> </ul>

### 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.



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- no Zakat was deductible at source under the Zakat and Usher ordinance, 1980 (XVIII 1980).

### Other Matter

The financial statements of the Company for the year ended June 30, 2019 were audited by another firm of chartered accountants, who had expressed an unqualified opinion thereon through their Report dated October 04, 2019.

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

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

Lahore  
October 03, 2020



## STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorized share capital 16,000,000 (2019: 16,000,000) ordinary shares of Rs. 10 each		<b>160,000,000</b>	160,000,000
Issued, subscribed and paid up capital	5	<b>129,963,040</b>	129,963,040
Reserves	6	<b>16,357,160</b>	19,585,154
Accumulated loss		<b>(81,553,930)</b>	(116,521,022)
Surplus on revaluation of property, plant and equipment	7	<b>113,212,127</b>	135,517,101
<b>Total Equity</b>		<b>177,978,397</b>	<b>168,544,273</b>
<b>Non Current Liabilities</b>			
Deferred liabilities	8	<b>43,608,244</b>	46,031,274
Long term borrowing	9	<b>7,431,103</b>	-
<b>Current Liabilities</b>			
Trade and other payables	10	<b>37,502,912</b>	41,342,028
Accrued mark up	11	<b>759,369</b>	558,032
Short term borrowings	12	<b>123,678,545</b>	107,150,592
Current portion of deferred Government grant	8	<b>3,032,841</b>	-
Current portion of long term financing	9	<b>3,550,117</b>	-
Due to related parties	13	<b>2,326,832</b>	1,750,141
Provision for taxation	14	<b>3,775,130</b>	3,698,144
<b>Total Current Liabilities</b>		<b>174,625,746</b>	<b>154,498,937</b>
<b>Liabilities Directly Associated with Non-Current Assets Classified as Held for Sale</b>	15	<b>3,775,000</b>	<b>23,775,000</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	16		
		<b>407,418,490</b>	<b>392,849,484</b>

*The annexed notes from 1 to 47 form an integral part of these financial statements.*

**CHIEF EXECUTIVE  
OFFICER**

**CHIEF FINANCIAL  
OFFICER**

**DIRECTOR**



## STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	17	150,199,499	146,056,870
Long term investments	18	8,266,507	11,494,501
Long term deposits	19	5,038,617	5,038,617
<b>Total Non-current Assets</b>		<b>163,504,623</b>	<b>162,589,988</b>
<b>Current Assets</b>			
Stores and spares	20	6,244,850	7,138,553
Stock in trade	21	87,484,719	83,957,696
Trade debts	22	50,957,977	44,783,771
Advances, deposits, prepayments and other receivables	23	42,092,112	40,122,320
Tax refund due from Government	24	40,900,293	18,090,604
Due from associates	25	7,857,226	5,630,844
Cash and bank balances	26	1,660,578	2,714,596
<b>Total Current Assets</b>		<b>237,197,755</b>	<b>202,438,384</b>
<b>Non-Current Assets Classified as Held for Sale</b>	27	<b>6,716,112</b>	<b>27,821,112</b>
		<b>407,418,490</b>	<b>392,849,484</b>

*The annexed notes from 1 to 47 form an integral part of these financial statements.*

**CHIEF EXECUTIVE  
OFFICER**

**CHIEF FINANCIAL  
OFFICER**

**DIRECTOR**



## STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
Revenue	28	346,416,594	385,706,915
Cost of sales	29	<u>(276,089,123)</u>	<u>(315,348,906)</u>
<b>Gross Profit</b>		<b>70,327,471</b>	<b>70,358,009</b>
Operating expenses			
- Selling and distribution costs	30	<u>(29,212,320)</u>	<u>(32,812,738)</u>
- Administrative expenses	31	<u>(25,439,768)</u>	<u>(23,600,795)</u>
- Other operating expenses	32	<u>(1,703,936)</u>	<u>(375,000)</u>
		<u>(56,356,024)</u>	<u>(56,788,533)</u>
<b>Operating Profit</b>		<b>13,971,447</b>	<b>13,569,476</b>
Finance cost	33	<u>(9,708,921)</u>	<u>(8,854,233)</u>
Other income	34	<u>3,895,254</u>	<u>7,252,030</u>
		<u>(5,813,667)</u>	<u>(1,602,203)</u>
<b>Profit before Taxation</b>		<b>8,157,780</b>	<b>11,967,273</b>
Taxation	35	<u>(3,775,130)</u>	<u>(4,127,960)</u>
<b>Profit for the year before disposal of "Assets Held for Sale"</b>		<b>4,382,650</b>	<b>7,839,313</b>
Gain on disposal of land held for sale		<u>8,500,625</u>	<u>-</u>
<b>Net Profit for the Year</b>		<u><b>12,883,275</b></u>	<u><b>7,839,313</b></u>
<b>Earnings per Share</b>			
- Basic & Dilutive	37	<u><b>0.99</b></u>	<u><b>0.60</b></u>

*The annexed notes from 1 to 47 form an integral part of these financial statements.*

**CHIEF EXECUTIVE  
OFFICER**

**CHIEF FINANCIAL  
OFFICER**

**DIRECTOR**



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
<b>Net Profit for the Year</b>		<b>12,883,275</b>	<b>7,839,313</b>
<b>Other Comprehensive Income</b>			
<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		(221,157)	(910,068)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Loss on remeasurement of investment designated as FVOCI		(3,227,994)	(4,645,079)
Other comprehensive (loss) for the year		(3,449,151)	(5,555,147)
<b>Total Comprehensive income for the Year</b>		<b>9,434,124</b>	<b>2,284,166</b>

*The annexed notes from 1 to 47 form an integral part of these financial statements.*

**CHIEF EXECUTIVE  
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OFFICER**

**DIRECTOR**



## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED JUNE 30, 2020

Particulars	Share Capital	Share Deposit Money	Reserves					Accumulated Loss	Surplus on Revaluation of Property, Plant and Equipment	Total
			Capital Reserve	Fair Value Reserve of Financial Assets at FVOCI	Investment revaluation reserve	Revenue Reserve	Total			
----- Rupees -----										
Balance as at July 1, 2018	68,040,000	61,923,044	2,274,287	14,955,946	-	7,000,000	24,230,233	(124,590,308)	80,571,990	110,174,959
Comprehensive income / (loss) for the year										
Net profit for the year	-	-	-	-	-	-	-	7,839,313	-	7,839,313
Other comprehensive income for the year	-	-	-	(4,645,079)	-	-	(4,645,079)	(910,068)	-	(5,555,147)
Total comprehensive income for the year	-	-	-	(4,645,079)	-	-	(4,645,079)	6,929,245	-	2,284,166
Incremental depreciation for the year due to surplus on revaluation of property, plant and equipment transferred to equity	-	-	-	-	-	-	-	1,140,041	(1,140,041)	-
Issue of shares	61,923,040	(61,923,040)	-	-	-	-	-	-	-	-
Transferred to due from related parties (Note 13)	-	(4)	-	-	-	-	-	-	-	(4)
Surplus on revaluation of property, Plant & equipment	-	-	-	-	-	-	-	-	56,085,152	56,085,152
Balance as at June 30, 2019	129,963,040	-	2,274,287	10,310,867	-	7,000,000	19,585,154	(116,521,022)	135,517,101	168,544,273
Balance as at July 1, 2019	129,963,040	-	2,274,287	10,310,867	-	7,000,000	19,585,154	(116,521,022)	135,517,101	168,544,273
Comprehensive income / (loss) for the year										
Net profit for the year	-	-	-	-	-	-	-	12,883,275	-	12,883,275
Other comprehensive income for the year	-	-	-	(3,227,994)	-	-	(3,227,994)	(221,157)	-	(3,449,151)
Total comprehensive income for the year	-	-	-	(3,227,994)	-	-	(3,227,994)	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)	-
Transferred to due from related parties (Note 13)	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of property, Plant & equipment	-	-	-	-	-	-	-	19,740,000	(19,740,000)	-
Balance as at June 30, 2020	129,963,040	-	2,274,287	7,082,873	-	7,000,000	16,357,160	(81,553,930)	113,212,127	177,978,397

The annexed notes from 1 to 47 form an integral part of these financial statements.

**CHIEF EXECUTIVE OFFICER**

**CHIEF FINANCIAL OFFICER**

**DIRECTOR**



## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>Cash (used in) / generated from operations</b>	36	<b>(11,854,940)</b>	6,326,068
Income tax paid		<b>(3,571,018)</b>	(3,961,168)
Finance cost paid		<b>(9,507,584)</b>	(10,055,941)
Gratuity paid		<b>(6,558,303)</b>	(4,070,868)
		<b>(19,636,905)</b>	(18,087,977)
<b>Net Cash (used in) operating activities</b>		<b>(31,491,845)</b>	(11,761,909)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of Property, plant and equipment	17	<b>(12,613,538)</b>	(6,528,821)
Dividend income	34	<b>176,701</b>	244,264
Proceeds from disposal of property, plant and equipment	17	<b>2,420,651</b>	-
Long term investment	18	-	-
Cash received against reduction in long term deposits	19	-	232,500
Proceeds from disposal of asset held for sales	27 & 15	<b>9,605,625</b>	-
Advance against asset held for sale	15	-	2,000,000
<b>Net Cash (used in) Investing Activities</b>		<b>(410,561)</b>	(4,052,057)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term loan		<b>14,320,435</b>	-
Proceeds from short term borrowings	12	<b>16,527,953</b>	15,710,592
<b>Net Cash generated from Financing Activities</b>		<b>30,848,388</b>	15,710,592
<b>Net decrease in Cash and Cash Equivalents</b>		<b>(1,054,018)</b>	(103,374)
Cash and cash equivalents at the beginning of the year		<b>2,714,596</b>	2,817,970
<b>Cash and Cash Equivalents at the End of the Year</b>		<b>1,660,578</b>	2,714,596

*The annexed notes from 1 to 47 form an integral part of these financial statements.*

**CHIEF EXECUTIVE  
OFFICER**

**CHIEF FINANCIAL  
OFFICER**

**DIRECTOR**





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 1 THE COMPANY AND ITS OPERATIONS

Hala Enterprises Limited ("the Company") was incorporated as a Private Limited Company and was subsequently converted into a public limited company. The registered office of the Company is located at 17.5 KM Sheikhpura Road, Lahore and its shares are listed on Pakistan Stock Exchange Limited. The Company is primarily engaged in manufacturing and sale of terry towels, kitchen towels and terry cloth.

#### 1.1 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is located at 17.5 KM Sheikhpura Road, Lahore and its shares are listed on Pakistan Stock Exchange Limited. Manufacturing facilities are located at 17.5 KM Sheikhpura Road, Lahore and 42 KM Ferozpur Road, Lahore while administration & management office is situated at House No, 120 E1, Gulberg III, Lahore.

Details of the Company's investment in associated companies are stated in note 18 to these financial statements.

### 2 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The novel coronavirus (COVID-19) emerged and since then, the condition has continued to deteriorate. On January 30, 2020, The International Health Regulations Emergency Committee of the World Health Organisation declared the outbreak "Public Health Emergency of International Concern". Many countries including Pakistan have enacted protection measures against COVID-19, with a significant impact on economic activities in these countries. The Company carried out an assessment including financial and non-financial consideration such as debt covenant compliance, liquidity and funding concerns, disruption of supply chain, logistics, fluctuating demand, workforce management and employee health issues. The evolution of COVID-19 as well as its impact on the global and the local economy is hard predict at this stage. According to management's assessment, as of the release date of these financial statements, there has been no specifically material quantifiable impact of COVID-19 on the Company's financial condition or results of operations.

### 3 BASIS OF PREPARATION

#### 3.1 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.

#### 3.2 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
Investment in quoted companies	Fair value

#### 3.3 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.

#### 3.4 Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS's requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, incomes and expenses. These estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

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

Judgments made by the management in the application of IFRS's that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as under:



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 3.4.1 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.

### 3.4.2 Impairment

#### 3.4.2.1 Impairment of financial assets

The Company measures loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortized cost after considering the pattern of receipts from and future financial outlook of the counterparty and is reviewed by the management on regular basis. 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.

#### 3.4.2.2 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.

### 3.4.3 Employees' retirement benefits

The Company has recorded 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.

### 3.4.4 Inventories

The Company has recorded its inventories 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 to make the sales. Valuation of the inventory is reviewed at regular intervals for determination of possible impairment, if any. Any possible impairment may change the future value of inventories.

### 3.4.5 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.

### 3.4.6 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.

### 3.4.7 Provision for inventories and stores

The Company regularly reviews the inventories and stores for impairment. Provision for obsolete and slow-moving inventories is based on management's estimate of the condition and usability of inventories and stores.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 3.4.8 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.

### 3.5 New standards and amendments

3.5.1 The accounting policies adopted in preparation of these financial statements are consistent with those of the previous year except that the Company has adopted the following new standards and amendments which became effective for the current year:

- IFRS 9 – Prepayment Features with Negative Compensation (Amendments)
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 16 – Leases
- IFRS 16 – COVID 19 Related Rent Concessions (Amendments)
- IAS 19 – Plan Amendment, Curtailment or Settlement (Amendments)
- IAS 28 – Long-term Interests in Associates and Joint Ventures (Amendments)
- IFRIC 23 – Uncertainty over income tax treatments

3.5.2 Improvements to Accounting Standards Issued by the IASB (2015-2017 cycle)

- IFRS 3 – Business Combinations - Previously held Interests in a joint operation
- IFRS 11 – Joint Arrangements - Previously held Interests in a joint operation
- IAS 12 – Income Taxes - Income tax consequences of payments on financial instruments classified as equity
- IAS 23 – Borrowing Costs - Borrowing costs eligible for capitalisation

3.5.3 The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the financial statements.

### 3.6 New and amended standards and interpretations to published approved accounting standards that are not yet effective in the current year and have not been early adopted by the Company

3.6.1 The following standards, amendments and interpretations with respect to approved accounting standards would be

effective from the date mentioned below against the respective standards, amendments or interpretations:

Standards, Interpretations or Amendments		Effective date accounting period beginning
IAS 1	Presentation of financial statements (Amendments)	01-Jan-20
IAS 8	Accounting policies, changes in accounting estimates and errors (Amendments)	01-Jan-20
IAS 16	Property, Plant and Equipment (Amendments)	01-Jan-22
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Amendments)	01-Jan-22
IAS 41	Agriculture (Amendments)	01-Jan-20
IASB	Conceptual Framework for Financial Reporting (Revised)	01-Jan-20
IFRS 3	Business Combinations (Amendments)	01-Jan-20
IFRS 4	Insurance Contracts (Amendments)	01-Jan-23
IFRS 7	Financial Instruments : Disclosures (Amendments)	01-Jan-20
IFRS 9	Financial Instruments (Amendments)	01-Jan-20
IFRS 16	Leases (Amendments)	01-Jun-20

The above standards and interpretations are not expected to have any material impact on the Company's financial statements in the period of initial application.

3.7 Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Standard	IASB Effective date (annual periods beginning Standard on or after)
IFRS 1 - First Time adoption of IFRSs	01-Jan-14
IFRS 17 – Insurance Contracts	01-Jan-21

- 3.8 The following interpretation issued by the IASB has been waived off by SECP:

IFRIC 12 Service concession arrangements
--

### 4 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 2.5.3 and the changes as indicated below:

#### 4.1 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources shall be required to settle the obligation and the amount has been reliably estimated. Provisions are reviewed at each date of statement of financial position and adjusted to reflect the current best estimate.

#### 4.2 Staff retirement benefits

##### Defined benefit plan

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

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

#### 4.3 Taxation

##### 4.3.1 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 recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised 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 realise the asset and settle the liability simultaneously.

##### 4.3.2 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.

##### 4.3.3 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.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

**(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.

### 4.4 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 recognised 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 amortised 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.

### 4.5 Property, plant and equipment

#### 4.5.1 Owned

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 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 is charged from the day on which the assets are disposed off. Rates of depreciation are disclosed in Note 17.

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.

#### 4.5.2 Leased

The Company accounts for assets acquired under finance lease by recording assets and related liabilities. Principal values are determined on the basis of discounted value of total minimum lease payments to be paid by the Company. Finance costs are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liabilities.

Depreciation is charged using the reducing balance method, at the same rates as applicable to owned assets, to write off the cost of assets over their estimated useful life.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 4.5.3 Capital work-in-progress

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

### 4.6 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 recognised, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

### 4.7 Investments

#### 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. Investments in associates other than those described above are classified as "Fair value through other comprehensive income".

#### Other investments

The Company classifies all other investments into following three categories as financial asset:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortised cost.

See financial assets recognition, measurement and derecognition criteria as described in policy of financial assets.

### 4.8 Stores and spares

Stores and spares 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 and spares based on management estimate.

### 4.9 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 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, labour 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 recognised 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.

### 4.10 Trade debts

Trade debts and other receivables are classified as financial assets at amortised cost according to IFRS 9. Trade debts and other receivables are recognized and carried at original invoice amount being the fair value and subsequently measured at amortised cost. Provision is made on the basis of lifetime ECLs that result from all possible default events over the expected life of the account receivables/ due from customers against progress billings/ retention money. Bad debts are written off when considered irrecoverable.

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, 2020

### 4.11 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 and on 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.

### 4.12 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.

### 4.13 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 amortised 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 amortised 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 recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

- (i) Financial assets at amortised cost (debt instruments)
- (ii) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- (iii) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- (iv) Financial assets at fair value through profit or loss

#### (i) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised 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.





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes:

- Long term investments
- Long term deposits
- Trade debts
- Deposits and other receivable
- Due from associates
- 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 recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised 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 recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised 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 recognised 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 recognised 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 derecognised 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.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises 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 recognises 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 recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises 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 amortised 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 amortised cost, as appropriate.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

All financial liabilities are recognised 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 borrowing
- 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 recognised 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.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

#### (ii) **Financial liabilities at amortised 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 amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised 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 amortisation 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 derecognised 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 recognised 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 recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### 4.14 **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.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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.

### 4.15 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 balance sheet 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 recognised in profit or loss.

Foreign exchange differences arising from trading transactions are included in the results of operating activities whereas exchange differences on financing activities are included in finance costs.

All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial recognition of transactions.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as investments held at fair value through profit or loss are recognised 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 recognised 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 recognises 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.

### 4.16 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.

### 4.17 Revenue recognition

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 recognised on the following basis:

- Revenue from sale of goods and scrap sales is recognised when control of goods have been transferred to a customer at a point in time when the performance obligation is met i.e. Local sales are recorded on dispatch of goods to customers & Export sales are recorded at the time of receipt of bill of lading. Generally, the normal credit term is 30 to 60 days upon delivery.
- Return on long-term deposits, due from related parties and return on bank deposits at amortised 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, 2020

### 4.18 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.

### 4.19 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.

### 4.20 Provisions

#### Recognition and measurement

Provisions for legal claims, service warranties and make good obligations are recognised 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 recognised 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 recognised 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 recognised 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 recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

### 4.21

#### Contingencies and commitments

##### Commitments

Commitments are disclosed in the financial statements.

##### 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 events not wholly within the control of the
- (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.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 4.22 Borrowing costs

Borrowing costs are recognised 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.

### 4.23 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.

### 4.24 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.

### 4.25 Government Grant

Government grants are recognised 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 recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

## 5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2020 Number of shares	2019		2020 Rupees	2019 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
<b>12,996,304</b>	<b>12,996,304</b>		<b>129,963,040</b>	<b>129,963,040</b>

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

	Note	2020	2019
		-----Number of shares-----	
Teejay Corporation (Private) Limited		3,939,393	3,939,393
Premier Garments Limited		40,000	40,000
Mr. Tahir Jahangir		3,159,383	3,159,383
Miss. Munizae Jahangir		821,941	821,941
Mrs. Sulema Jahangir		5,818	5,818
Mr. Jillani Jahangir		2,935,887	2,935,887
Mrs. Myra Husain Qureshi		192,900	192,900
Mr. Abdul Munaf		500	500
Mr. Rashid Ahmad Khan		1,000	1,000
		<b>11,096,822</b>	<b>11,096,822</b>

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

Opening shares	12,996,304	6,804,000
Issued during the year	-	6,192,304
Closing shares	<b>12,996,304</b>	<b>12,996,304</b>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>6 RESERVES</b>			
Capital reserve		2,274,287	2,274,287
Fair value reserve of financial assets at FVOCI		7,082,873	10,310,867
Revenue reserve		7,000,000	7,000,000
		<b>16,357,160</b>	<b>19,585,154</b>
<b>6.1 Movement in Investment revaluation reserve</b>			
Opening balance		10,310,867	14,955,946
Fair value loss on long term investment held at fair value through "Other Comprehensive Income"		(3,227,994)	(4,645,079)
Closing balance		<b>7,082,873</b>	<b>10,310,867</b>
<b>7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
Land - freehold		100,948,480	100,948,480
Buildings on freehold land		17,837,766	18,395,076
Plant and machinery		16,711,144	17,291,685
Fittings and installations		19,711	21,901
		<b>135,517,101</b>	<b>136,657,142</b>
Surplus realized on disposal	7.1	(19,740,000)	-
Incremental depreciation charged on revalued property, plant and equipment during the year transferred to retained earnings	7.2	(2,564,974)	(1,140,041)
		<b>113,212,127</b>	<b>135,517,101</b>
<b>7.1 Surplus realized on disposal</b>			
Land - Classified as held for sale		19,740,000	-
		<b>19,740,000</b>	<b>-</b>
<b>7.2 Incremental depreciation</b>			
Buildings on freehold land		891,888	557,310
Plant and machinery		1,671,115	580,541
Fittings and installations		1,971	2,190
		<b>2,564,974</b>	<b>1,140,041</b>
<b>7.3</b>			
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. 54.410 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 basis were used for revaluation:			
- Land	Present Market Value		
- Building	Depreciated Market Value		
- Plant and machinery	Depreciated Market Value		
<b>8 DEFERRED LIABILITIES</b>			
Staff retirement benefits - unfunded	8.1	43,301,871	46,031,274
Deferred grant liability	8.2	306,373	-
		<b>43,608,244</b>	<b>46,031,274</b>





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees		
<b>8.1 Staff retirement benefits</b>					
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, 2020. Results of actuarial valuation are as under:					
<b>8.1.1 Movement in net liability for staff retirement benefits</b>					
Opening balance		46,031,274	44,577,951		
Charge for the year - Profit and loss account	8.1.2	3,607,743	4,614,123		
Payments made / approved during the year		(6,558,303)	(4,070,868)		
Actuarial loss due to experience adjustment on remeasurement of staff retirement benefits		221,157	910,068		
Closing balance		<u>43,301,871</u>	<u>46,031,274</u>		
<b>8.1.2 Charge for the year</b>					
The amounts recognized in the profit and loss account against defined benefit scheme are as follows:					
Current service cost		1,097,833	1,210,722		
Gain on settlements		(2,834,105)	-		
Interest cost		5,344,015	3,403,401		
		<u>3,607,743</u>	<u>4,614,123</u>		
<b>8.1.3 Actuarial assumptions</b>					
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.					
		Percentage	Percentage		
Discount rate - per annum		8.50%	12.50%		
Expected rate of increase in salary level - per annum		7.50%	11.50%		
Average expected remaining working lifetime of employees		8 years	7 years		
Average duration of liability		5 years	5 years		
Expected mortality rate for active employees		SLIC (2001-2005) Mortality Table			
Actuarial valuation method		Projected Unit Credit Method			
<b>8.1.4 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:</b>					
	2020 Rupees	2019 Rupees	2018 Rupees	2017 Rupees	2016 Rupees
Present value of defined benefit obligation	43,301,871	46,031,274	44,577,951	43,754,038	43,794,285
Fair value of plan asset	-	-	-	-	-
Net liability	<u>43,301,871</u>	<u>46,031,274</u>	<u>44,577,951</u>	<u>43,754,038</u>	<u>43,794,285</u>
<b>8.1.5 Year end sensitivity analysis on defined benefit obligation</b>					
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:					
	Impact on defined benefit obligation				
	Change in assumption	Increase in assumption	Decrease in assumption		
		Rupees	Rupees		
Discount rate					
- 2020	1%	41,869,485	44,897,649		
- 2019	1%	44,282,490	47,979,971		
Salary increase					



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
- 2020	1%	44,897,649	41,844,010
- 2019	1%	47,979,971	44,252,518
<b>8.1.6 The expense charged in Profit or Loss for the year has been allocated as follows:</b>			
Cost of sales	29	2,317,893	3,889,315
Administrative expenses	31	1,289,850	724,808
		<b>3,607,743</b>	<b>4,614,123</b>
<b>8.2 Non current portion of deferred grant liability</b>			
Government grant recognised		4,220,839	-
Less: Amortisation of Government grant		(881,625)	-
		<b>3,339,214</b>	-
Less: Current portion of deferred Government grant		(3,032,841)	-
Non current portion of deferred grant liability		<b>306,374</b>	-
<b>8.2.1</b> 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. 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 October 2020. Export Refinance Scheme of the State Bank of Pakistan amounting to Rs. 107.9 million specifically to finance exports of the Company. The tenure of the financing is up to 180 days on roll-over-basis with repayment of principal on maturity and interest on quarterly basis. The Company recognized the Deferred Grant in accordance with the requirements of 'IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance'. There are no unfulfilled conditions or other contingencies attaching to this grant.			
<b>9 LONG TERM FINANCING</b>			
Long term loans	9.1	10,981,220	-
<b>Less: current portion of long-term financing</b>		<b>(3,550,117)</b>	-
		<b>7,431,103</b>	-
<b>9.1 JS Bank Limited</b>			
Salary refinance	9.1.1	7,311,220	-
Finance against machinery	9.1.2	3,670,000	-
		<b>10,981,220</b>	-
<b>9.1.1 Salary refinance</b>			
Long term loan		7,998,979	-
Less: Current portion of loan		(2,999,617)	-
		<b>4,999,362</b>	-
Opening balance of fair value adjustment on remeasurement of laon			
Less: Fair value gain on remearsurment of loan		(699,642)	-
Add: Notional interest expense charged for the yaer		11,883	-
Closing balance of fair value adjustment on remeasurement of laon		(687,759)	-
Closing balance of loan		<b>4,311,603</b>	-
<b>9.1.1.1</b> 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 12.1.1.			



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>9.1.2 Finance against machinery</b>			
Opening balance of loan		-	-
Addition during the year		3,670,000	-
		3,670,000	-
Less: Current portion of loan		(550,500)	-
Closing balance of loan		3,119,500	-
<b>9.1.2.1</b> The long-term financing facility (LTFF) has been obtained under textile machinery imported to enhance production capacity of unit of State Bank of Pakistan for a term of 5 years from disbursement and carry mark up at the rate of SBP prancing 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.			
<b>10 TRADE AND OTHER PAYABLES</b>			
Creditors for:			
- Goods		13,527,618	16,790,981
- Services		3,453,149	5,967,515
- Machinery	10.1	-	1,750,000
Accrued liabilities		15,783,804	15,930,117
Advances from customers and others		3,476,224	902,895
WWF payable		358,245	-
WPPF payable		895,613	-
Withholding tax payable		8,259	520
		37,502,912	41,342,028
<b>10.1</b> This includes an amount of Rs. Nil (2019: Rs. 1.75 million) payable on account of machinery purchased in the year 2010 from a commercial vendor "Comfort Textile (Private) Limited". The outstanding amount carried mark-up at 1 month KIBOR + 2.5% till December 31, 2018, however management of both companies agreed to waive off markup for remaining period till final payments.			
<b>11 ACCRUED MARK UP</b>			
Short term borrowings from banking companies		759,369	558,032
		759,369	558,032
<b>12 SHORT TERM BORROWINGS</b>			
JS Bank Limited	12.1	123,678,545	107,150,592
		123,678,545	107,150,592
<b>12.1 JS Bank Limited</b>			
Export refinance	12.1.1	107,910,000	83,910,000
Opening balance of fair value adjustment on remeasurement of laon		(3,521,197)	-
Less: Fair value gain on remearsurment of loan		869,742	-
Add: Notional interest expense charged for the yaer		(2,651,455)	-
Closing balance of fair value adjustment on remeasurement of laon		105,258,545	83,910,000
Finance against foreign Bills	12.1.2	18,420,000	23,240,592



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
		<b>123,678,545</b>	<b>107,150,592</b>
12.1.1	This represents utilized portion of short term borrowing facilities obtained from JS Bank Limited with a limit of Rs. 108 million (2019: 84 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, 2020. 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 marlas, situated at 17.5 KM Lahore-Shekhupura road, Freozwala, District Shekhupura) 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 pledgee account of JSBL and personal guarantees of director and Mortgagors alongwith PNWS.		
12.1.2	This represents utilized portion of short term borrowing facilities obtained from JS bank Limited with a limit of Rs. 30 million (2019: 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 5.25%) 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.		
<b>13</b>	<b>DUE TO RELATED PARTIES - UNSECURED</b>		
Mian Tahir Jahangir		<b>235,000</b>	339,987
Mr Jillani Jahangir		<b>113,641</b>	382,855
Premier Garments Limited (Associated Company)		-	252,736
Punjab Oil Mills Limited (Associated Company)		<b>1,978,191</b>	774,563
		<b>2,326,832</b>	1,750,141
13.1	Due to related parties carry mark up @ 12%-14% (2019: 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.		
<b>14</b>	<b>PROVISION FOR TAXATION</b>		
Opening balance		<b>3,698,144</b>	3,238,886
- Provision for the current year	35	<b>3,679,449</b>	3,698,144
- Prior year adjustment		<b>95,681</b>	429,816
		<b>7,473,274</b>	7,366,846
Payments / adjustments during the year		<b>(3,698,144)</b>	<b>(3,668,702)</b>
		<b>3,775,130</b>	3,698,144
14.1	The returns of income for the tax years upto 2019 has been filed by the Company. The said returns, as per the provisions of Section 120 of the Income Tax Ordinance, 2001 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 Income Tax Ordinance, 2001 up to 2010 under amended assessment scheme.		
<b>15</b>	<b>LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE</b>		
Advance against assets held for disposal	15.1	<b>3,775,000</b>	23,775,000
15.1	This represents amount received from a party as an advance against sale of land as described in Note 27.		



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 16 CONTINGENCIES AND COMMITMENTS

#### 16.1 Contingencies

The company has received notices under rule 44(4) for the years 2014 to 2017 and also under section 138(1), 182(2) for the year 2016 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 by the respective party. The tax consultant of the company is of the view that the company may have to pay a amount of penalty or default surcharges alongwith payment of withholding taxes, however, the amount payable cannot be measured reliably as at reporting date.

#### 16.2 Commitments

There is a commitment outstanding amounting USD 56,350 against import of looms as at reporting date (2019: Nil).



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 17 PROPERTY, PLANT AND EQUIPMENT

Note	2020	2019
Operating fixed assets	150,199,499	146,056,870
	<b>150,199,499</b>	<b>146,056,870</b>

#### 17.1 Operating fixed assets

Description	Freehold Land	Buildings on Freehold Land	Plant and Machinery	Furniture and Fixture	Fittings and electric Installations	Vehicles	Other Assets	Total
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Rupees

#### Year Ended June 30, 2020

##### Owned assets

##### Cost / Revalued amount

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	172,099,579
Additions	-	151,940	12,155,899	-	-	-	305,699	12,613,538
Revaluation surplus	-	-	-	-	-	-	-	-
Disposal	-	-	(8,068,778)	-	-	-	-	(8,068,778)
<b>Balance as at June 30, 2020</b>	<b>74,700,000</b>	<b>28,853,837</b>	<b>62,737,390</b>	<b>5,301,757</b>	<b>1,109,490</b>	<b>2,973,106</b>	<b>968,759</b>	<b>176,644,339</b>

##### 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)
<b>Balance as at June 30, 2020</b>	<b>-</b>	<b>5,957,805</b>	<b>12,702,922</b>	<b>4,556,442</b>	<b>891,928</b>	<b>1,838,346</b>	<b>497,397</b>	<b>26,444,840</b>
<b>WDV as at June 30, 2020</b>	<b>74,700,000</b>	<b>22,896,032</b>	<b>50,034,468</b>	<b>745,315</b>	<b>217,562</b>	<b>1,134,760</b>	<b>471,362</b>	<b>150,199,499</b>
<b>Depreciation rates</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>20%</b>	<b>10%</b>	

Description	Freehold Land	Buildings on Freehold Land	Plant and Machinery	Furniture and Fixture	Fittings and electric Installations	Vehicles	Other Assets	Total
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Rupees

#### Year Ended June 30, 2019

##### Owned assets

##### Cost / Revalued amount

Balance as at July 01, 2018	37,350,000	21,130,703	42,360,989	5,301,757	1,071,490	1,676,006	594,660	109,485,605
Additions	-	322,321	4,803,000	-	38,000	1,297,100	68,400	6,528,821
Revaluation surplus	37,350,000	7,248,873	11,486,280	-	-	-	-	56,085,153
Disposal	-	-	-	-	-	-	-	-
<b>Balance as at June 30, 2019</b>	<b>74,700,000</b>	<b>28,701,897</b>	<b>58,650,269</b>	<b>5,301,757</b>	<b>1,109,490</b>	<b>2,973,106</b>	<b>663,060</b>	<b>172,099,579</b>

##### Accumulated depreciation

Balance as at July 01, 2018	-	3,890,129	10,668,090	4,381,615	845,106	1,498,772	451,546	21,735,257
Charge for the year	-	867,288	3,254,179	92,014	22,648	55,884	15,439	4,307,452
Disposals	-	-	-	-	-	-	-	-
<b>Balance as at June 30, 2019</b>	<b>-</b>	<b>4,757,417</b>	<b>13,922,269</b>	<b>4,473,629</b>	<b>867,754</b>	<b>1,554,656</b>	<b>466,985</b>	<b>26,042,709</b>
<b>WDV as at June 30, 2019</b>	<b>74,700,000</b>	<b>23,944,480</b>	<b>44,728,000</b>	<b>828,128</b>	<b>241,736</b>	<b>1,418,450</b>	<b>196,075</b>	<b>146,056,870</b>
<b>Depreciation rates</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>20%</b>	<b>10%</b>	

#### 17.1.1 Apportionment of depreciation charge for the year

Depreciation charge for the year has been apportioned as follows:

	Note	2020 Rupees	2019 Rupees
Cost of sales	29	5,729,046	3,683,030
Administrative expenses	31	396,915	268,948
		<b>6,125,961</b>	<b>3,951,978</b>

Depreciation charge is inclusive of incremental depreciation due to revaluation.

#### 17.1.2 Disposal of property, plant and equipment

Detail of property, plant and equipment disposed off during the year is as follows:

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain on disposal	Buyer Name	Mode of Sale
	Rupees	Rupees	Rupees	Rupees	Rupees		

Assets with carrying value exceeding Rs. 500,000

##### PLANT AND MACHINERY

12 Looms	8,068,778	5,723,831	2,344,947	2,420,651	75,704	Mr. Muhammad Islam	Negotiation
<b>Total 2020</b>	<b>8,068,778</b>	<b>5,723,831</b>	<b>2,344,947</b>	<b>2,420,651</b>	<b>75,704</b>		

#### 17.1.3 No impairment related to operating fixed assets has been charged during the year.

#### 17.1.4 Charge/ mortgage on fixed assets are disclosed in Note 12 & 9.

#### 17.1.5 Book value of revalued assets, had there been no revaluation



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	2020 Rupees	2019 Rupees
Freehold land	135,631	1,572,631
Buildings on freehold land	5,950,154	6,094,370
Plant and machinery	34,994,439	28,980,454
Fittings and installations	223,996	204,483
	<b>41,304,221</b>	<b>36,851,938</b>

### 17.1.6 Particulars of Immoveable property and Forced sales value.

S.No	Nature of Immoveable property	Location	Land		Building	
			Total Area (Kanals)	Forced Sales Value	Total Covered Area ( Square feet)	Forced Sales Value
1	Land & Building	17.5- Km Lahore, Sheikhpur Road, Momanpura, Tehsil Ferozwala, Distt. Sheikhpura	24.9	59,760,000	109,004	19,157,000

## 18 LONG TERM INVESTMENTS

### Investment in associates - Fair value through "Other Comprehensive Income"

#### Quoted

<b>Punjab Oil Mills Limited:</b>	18.2	<b>8,266,507</b>	10,378,609
- 51,971 (2019: 51,971) fully paid ordinary shares of Rs. 10 each			
- Market value per share is Rs. 159.06 (2019: Rs. 199.70)			
- Cost Rs. 494,598 (2019: Rs. 494,598)			
- Percentage of equity held 0.96% (2019: 0.96%)			

#### Unquoted

<b>Premier Garments Limited:</b>	18.3	-	-
- 950 (2019: 950) ordinary shares of Rs. 100 each			
- Fair value per share is Rs. Nil (2019: Nil)			
- Percentage of equity held 1.36% (2019: 1.36%)			
<b>Tee Jay Corporation (Private) Limited:</b>	18.4	-	1,115,892
- 59,400 (2019: 59,400) ordinary shares of Rs.10 each			
- Fair value per share is Rs. Nil (2019: Rs. 18.79)			
- Percentage of equity held 3.96% (2019: 3.96%)			
		<b>8,266,507</b>	<b>11,494,501</b>

18.1 Quoted market value in an active market is considered as the fair value 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).

18.2 Basing upon the year end quoted market value of shares in PSX daily price index. This has resulted in loss of Rs. 2,112,101(2019:loss of Rs 4,354,250).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 to Hala Enterprises Limited. 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 12.





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
18.3	Basing upon the latest available audited financial statements, for the year ended June 30, 2019, the management has valued these using the break up value per share of Premier Garments Limited. As a result of this valuation, the entire amount of investment in Premier Garments Limited's shares has been impaired. Fair values of these Un-quoted investments (i.e. Shares) are categorized as Level 3 fair value measurement.		
	The Company-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.		
18.4	Basing upon the latest available audited financial statements, for the year ended June 30, 2019, the shares have been valued using the break up value basis. As a result of this valuation, the entire amount of investment in Tee Jay Corporation (Private) Limited has been impaired (2019: loss of Rs. 290,829 ). Fair values of these Un-quoted investments (i.e. Shares) are categorized as Level 3 fair value measurement.		
<b>19</b>	<b>LONG TERM DEPOSITS</b>		
	Deposits against utilities	4,798,544	4,798,544
	Others	240,073	240,073
		<u>5,038,617</u>	<u>5,038,617</u>
<b>20</b>	<b>STORES AND SPARES</b>		
	Dyes and chemicals	1,042,285	2,097,815
	Packing materials	1,760,244	1,936,274
	Loom stores	2,295,341	1,172,696
	General Store	1,146,980	1,931,768
		<u>6,244,850</u>	<u>7,138,553</u>
20.1	No specific stores and spares were held for capital expenditure as at the date of statement of financial position.		
<b>21</b>	<b>STOCK IN TRADE</b>		
	Raw materials	19,411,418	17,011,422
	Work in process	34,831,833	33,988,240
	Finished goods	33,241,468	32,958,034
		<u>87,484,719</u>	<u>83,957,696</u>
21.1	No specific stock in trade were held for capital expenditure as at the date of statement of financial position.		
<b>22</b>	<b>TRADE DEBTS</b>		
	Foreign debts (Secured)	49,796,646	43,489,379
	Local debts (Unsecured)	2,128,161	2,261,222
		<u>51,924,807</u>	<u>45,750,601</u>
	Less: Allowance for expected credit loss against debtors	22.1 (966,830)	(966,830)
		<u>50,957,977</u>	<u>44,783,771</u>
22.1	Trade debtors other than those against which allowance for expected credit loss has been made are considered good by the management.		
<b>22.2</b>	<b>Movement of allowance for expected credit loss</b>		
	Opening balance	966,830	966,830
	Allowance for expected credit loss made during the year	-	-
		<u>966,830</u>	<u>966,830</u>
	Written off during the year	-	-
	Closing balance	<u>966,830</u>	<u>966,830</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
22.3	There is no outstanding receivable from any related party as at the reporting date. (2019: Nil).		
22.4	The aging of trade debts as at Statement of financial position date is as follows;		
	<b>Neither past due nor impaired</b>		
	1 - 30 days	36,920,493	34,869,885
	31 - 60 days	4,500,085	4,991,599
	61 - 120 days	4,307,884	2,195,140
	<b>Past due but not impaired</b>		
	More than 120 days	5,229,515	2,727,147
	<b>Past due and impaired</b>		
	More than 120 days	966,830	966,830
		<b>51,924,807</b>	<b>45,750,601</b>
<b>23</b>	<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Advances - considered good		
	- Employees against salaries	23.1 695,646	605,769
	- Employees for purchases	183,893	137,945
	- Suppliers	24,693,118	16,931,953
	Less: Allowance for expected credit loss against advances	23.2 (987,683)	(987,683)
		23,705,435	15,944,270
		<b>24,584,974</b>	<b>16,687,984</b>
	Prepaid insurance	348,560	350,525
	Duty draw back receivable	14,189,493	18,890,577
	Margin against letter of credit	1,845,455	-
	Custom rebate receivable	1,123,630	3,644,130
	Mark up subsidy receivable	-	549,104
		<b>17,507,138</b>	<b>23,434,336</b>
		<b>42,092,112</b>	<b>40,122,320</b>
23.1	This includes an amount of Rs. 0.2 million (2019: Rs. 0.2 million) as advance against salary given to director of the Company.		
23.2	<b>Movement of allowance for expected credit loss</b>		
	Opening balance	987,683	987,683
	Allowance for expected credit loss made during the year	-	-
		<b>987,683</b>	<b>987,683</b>
	Advances written off	-	-
	Closing balance	<b>987,683</b>	<b>987,683</b>
<b>24</b>	<b>TAX REFUND DUE FROM GOVERNMENT</b>		
	Advance income tax	8,676,376	8,803,502
	Sales tax and excise duty refundable	32,223,917	9,287,102
		<b>40,900,293</b>	<b>18,090,604</b>
<b>25</b>	<b>DUE FROM ASSOCIATES</b>		
	<b>Unsecured - Considered good</b>		
	Tee jay corporation (private) limited	7,801,392	5,630,844
	Premier Garments Limited (Associated Company)	55,834	-
		<b>7,857,226</b>	<b>5,630,844</b>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
25.1	Balance due from associated company carries markup @12%-14% (2019: 14%) per annum.		
25.2	The age analysis of these due from associates is as follows		
	By 3 months	2,501,948	2,446,114
	4 to 6 months	5,355,278	3,184,730
	Over 6 months	-	-
		<u>7,857,226</u>	<u>5,630,844</u>
25.3	The maximum balance due from Tee jay Corporation (Private) Limited in any month during the year is Rs. 5,125,650 (2019: Rs. 9,163,688).		
	The maximum balance with Premier Garments Limited in any month during the year is Rs. 1,098,381 (2019: Rs. Nil).		
<b>26</b>	<b>CASH AND BANK BALANCES</b>		
	Cash in hand	1,319,095	1,034,849
	Cash at bank - current accounts	331,853	1,670,936
	Cash at bank - saving accounts	9,630	8,811
		<u>341,483</u>	<u>1,679,747</u>
		<u>1,660,578</u>	<u>2,714,596</u>
26.1	The company is maintaining saving account with different banks with interest on the daily product basis which was carrying interest @6% to 7.5%. (2019 to @ 6% to 7.5%).		
26.2	All bank accounts are maintained under conventional banking system.		
<b>27</b>	<b>NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE</b>		
	Non-current assets classified as held for sale	27.1 <u>6,716,112</u>	<u>27,821,112</u>
27.1	This includes land, measuring 9 kanal 12 marlas, situated at 10 Km G.T. Road, Adayain Road, Rana Town (2019: 9 Kanal 12 marlas and also 23 kanal 9 marlas, situated at 1.5 Km, Lahore - Sheikhpura Road).		
27.1.1	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 (2019: 3.775 million). However, the agreement has been held pending as at the date of statement of financial position, since then no further payment was made by buyer.		
	Subsequent to the date of statement of financial position, 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.		
<b>28</b>	<b>REVENUE</b>		
	Export sales	331,897,067	370,933,714
	Local sales	<u>5,757,445</u>	<u>5,208,162</u>
		<u>337,654,512</u>	<u>376,141,876</u>
	Export rebates	4,281,472	4,785,045
	Duty draw back	<u>4,480,610</u>	<u>4,779,994</u>
		<u>8,762,082</u>	<u>9,565,039</u>
		<u>346,416,594</u>	<u>385,706,915</u>
28.1	Local sales		
	Gross sales	6,729,159	5,576,366
	Sales tax	<u>(971,714)</u>	<u>(368,204)</u>
		<u>5,757,445</u>	<u>5,208,162</u>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>29 COST OF SALES</b>			
Raw materials consumed	29.1	165,919,694	189,081,834
Salaries and wages (including all benefits)	29.2	30,256,192	36,384,906
Fuel and power		29,881,875	35,321,345
Stores, spares and chemicals consumed	29.3	24,980,865	29,638,597
Packing materials		13,620,646	11,964,922
Lease charges		1,200,000	1,200,000
Processing charges		4,743,256	5,688,654
Repairs and maintenance		497,013	453,321
Insurance		387,563	462,676
Depreciation	17.1.1	5,729,046	4,144,115
		<u>277,216,150</u>	<u>314,340,370</u>
Work in process inventory:			
- Opening		33,988,240	33,982,360
- Closing	21	(34,831,833)	(33,988,240)
		<u>(843,593)</u>	<u>(5,880)</u>
Cost of goods manufactured		<u>276,372,557</u>	<u>314,334,490</u>
Finished goods inventory:			
- Opening		32,958,034	33,972,450
- Closing	21	(33,241,468)	(32,958,034)
		<u>(283,434)</u>	<u>1,014,416</u>
Cost of goods sold		<u>276,089,123</u>	<u>315,348,906</u>
<b>29.1 Raw material consumed</b>			
Opening stock		17,011,422	17,575,625
Add: Yarn Purchases during the year		168,319,690	188,517,631
Less: Closing stock	21	(19,411,418)	(17,011,422)
		<u>165,919,694</u>	<u>189,081,834</u>
29.2 This includes Rs. 2.318 million (2019: Rs. 3.889 million) in respect of staff retirement benefits.			
<b>29.3 Stores, spares and chemicals consumed</b>			
Opening stores, spares and chemicals		7,138,553	7,683,123
Add: Purchases during the year		24,087,162	29,094,027
Less: Closing stores, spares and chemicals	20	(6,244,850)	(7,138,553)
		<u>24,980,865</u>	<u>29,638,597</u>
<b>30 SELLING AND DISTRIBUTION COSTS</b>			
Commission on sales		8,057,585	11,103,155
Sea freight		9,266,179	7,445,662
Freight, octroi and cartage		3,511,954	4,314,542
Clearing charges		4,177,083	4,508,286
Travelling and conveyance		164,000	365,000
Air freight		886,208	1,892,608
Postage, telephone and telex		2,278,126	2,336,587
Samples		540,116	571,616
Insurance		331,069	275,282
		<u>29,212,320</u>	<u>32,812,738</u>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>31 ADMINISTRATIVE EXPENSES</b>			
Directors' remuneration		2,684,360	2,653,274
Salaries and wages (including all benefits)	31.1	12,216,951	10,981,483
Fuel and power		2,816,931	2,422,565
Vehicles running expenses		2,756,744	2,526,564
Postage, telephone and telex		787,263	869,098
Travelling and conveyance		439,707	309,722
Rent, rates and taxes		1,799,476	1,466,328
Printing and stationery		183,948	509,785
Repairs and maintenance		658,852	379,702
Legal and professional charges		415,022	890,447
Insurance		95,911	91,983
Advertisement		54,149	25,080
Gardening expenses		23,955	60,714
Books and periodicals		19,581	34,199
Entertainment		90,003	216,514
Depreciation	17.1.1	396,915	163,337
		<b>25,439,768</b>	<b>23,600,795</b>
31.1 This includes Rs. 1.290 million (2019: Rs. 0.725 million) in respect of staff retirement benefits.			
<b>32 OTHER OPERATING EXPENSES</b>			
Auditors' remuneration	32.1	300,000	375,000
Realized Exchange loss		150,078	-
WWF expense		358,245	
WPPF expense		895,613	
		<b>1,703,936</b>	<b>375,000</b>
32.1 Auditors' remuneration:			
- Statutory audit		300,000	300,000
- Half yearly review and attestations		-	75,000
		<b>300,000</b>	<b>375,000</b>
<b>33 FINANCE COST</b>			
Short term borrowings from banking companies - net of subsidy		5,639,694	4,970,237
Comfort Textile (Private) Limited		-	344,040
		<b>5,639,694</b>	<b>5,314,277</b>
Bank charges		2,940,668	3,068,803
Notional interest expense		881,625	-
Interest charged by related parties		246,934	471,153
		<b>4,069,227</b>	<b>3,539,956</b>
		<b>9,708,921</b>	<b>8,854,233</b>
<b>34 OTHER INCOME</b>			
Lease rentals		855,000	1,140,000
Dividend income		176,701	244,264
Gain on disposal of property, plant and equipment		75,704	-
Interest charged to related parties		547,121	813,537
Liabilities No Longer (Payable)		1,154	-



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
Profit on long term security deposit		-	656,321
Profit on saving account		948	628
Amortised grant income		881,625	-
Exchange Income-unrealized		1,357,001	518,921
Exchange Income-realized		-	3,878,359
		<b>3,895,254</b>	<b>7,252,030</b>
<b>35 TAXATION</b>			
Current			
for the year		3,679,449	3,698,144
for prior years		95,681	429,816
		<b>3,775,130</b>	<b>4,127,960</b>
<b>35.1</b>	The current tax provision represents tax on taxable income under final tax regime of Income Tax Ordinance, 2001. Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as provision for current year income tax has been made under normal tax on taxable income under normal tax regime and tax on taxable income under final tax regime of Income Tax Ordinance, 2001 (ITO).		
<b>35.2</b>	The returns of income for the tax years upto 2019 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.		
<b>36 CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit / (Loss) before taxation		8,157,780	11,967,273
<b>Adjustments for:</b>			
- Depreciation	17	6,125,961	4,307,452
- Provision for gratuity	8	3,607,743	4,614,123
- Dividend income	34	(176,701)	(244,264)
- Provision for doubtful debts / advances		-	-
- Exchange loss/(Income)	32	(1,357,001)	(518,921)
Gain on disposal of property, plant and equipment		(75,704)	-
- Profit on long term security deposit	34	-	(656,321)
- Finance cost	33	9,708,921	8,854,233
		<b>17,833,219</b>	<b>16,356,302</b>
<b>Operating profit before working capital changes</b>		<b>25,990,999</b>	<b>28,323,574</b>
<b>(Increase) / decrease in current assets</b>			
- Stores and spares		893,703	544,570
- Stock in trade		(3,527,023)	1,572,739
- Trade debts		(4,817,205)	(11,558,105)
- Advances, deposits, prepayments and other receivables		(1,969,792)	(1,272,048)
- Sales tax refundable		(22,936,815)	(370,718)
- Balances due from related parties / associates		(2,226,382)	580,367
<b>(Decrease) / increase in current liabilities</b>			
- Trade and other payables		(3,839,116)	(3,023,255)
- Balances due to related parties / associates		576,691	(8,471,056)
		<b>(37,845,939)</b>	<b>(21,997,506)</b>
<b>Cash (used in) / generated from operations</b>		<b>(11,854,940)</b>	<b>6,326,068</b>

Reporting date rate



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>37 EARNINGS PER SHARE - BASIC AND DILUTIVE</b>			
<b>Basic &amp; Dilutive EPS:</b>			
Profit for the year attributable to ordinary shareholders	Rupees	<b>12,883,275</b>	7,839,313
Number of ordinary shares in issue	Number	<b>12,996,304</b>	12,996,304
Earnings per Share (Basic)	Rupees	<b>0.99</b>	0.60
Earnings per Share (Dilutive)		<b>0.99</b>	0.60

### 38 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2020			2019		
	Chief Executive Officer	Executive Directors	Non-Executive Directors	Chief Executive Officer	Executive Directors	Non-Executive Directors
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	<b>964,800</b>	<b>655,452</b>	-	836,184	614,356	-
House rent and utilities	<b>531,960</b>	<b>360,948</b>	-	460,216	338,044	-
Conveyance	<b>3,600</b>	<b>3,600</b>	-	3,600	3,600	-
Entertainment	-	-	-	32,274	-	-
Travelling	<b>164,000</b>	-	-	365,000	-	-
	<b>1,664,360</b>	<b>1,020,000</b>	-	1,697,274	956,000	-
Number of persons	<b>1</b>	<b>1</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>5</b>

- 38.1 The Chief Executive Officer is provided with Company maintained car and reimbursement of residential telephone bills.
- 38.2 Executive Director is provided with Company maintained car.
- 38.3 Non-executive directors have not been paid any remuneration during the year.
- 38.4 An executive is defined as an employee with basic salary of Rs. 1,200,000 or more per annum. No employee of the Company qualifies as an executive. The company has no employee who meets the definition of Executive.

### 39 TRANSACTIONS WITH RELATED PARTIES

Related parties and associates comprise associated companies/undertakings, directors of the Company and key management staff. Transactions with related parties and associates, other than remuneration and benefits to key management personnel under the term of their employment are as follows:

39.1 Related party	Relationship	Nature of transaction	Rs. in "000"	
<b>Premier Garments Limited</b>	Associated company	Interest charged by Associate	<b>(73)</b>	(401)
		Payments made for expenses	<b>1,500</b>	4,493
		Funds received	-	-
		Expenses charged to Associate - net	<b>81</b>	61
		Lease rental charged by Associate	<b>(1,200)</b>	(1,200)
<b>Punjab Oil Mills Limited</b>	Associated company	Interest charged by Associate	<b>(174)</b>	(70)
		Payments made	<b>2,974</b>	2,984
		Funds Received	<b>1,056</b>	-
		Expenses charged to Associate - net	<b>329</b>	192
		Sale of goods	<b>1,031</b>	-
		Expenses charged by Associate - net	<b>(4,308)</b>	(3,390)





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

		Note	2020 Rupees Rs. in "000"	2019 Rupees
Related party	Relationship	Nature of transaction		
<b>Tee Jay Corporation (Private) Limited</b>	Associated company	Rendering of services	1,031	-
		Lease rental income	855	1,140
		Interest charged to Associate	547	814
		Payments made	3,360	8,520
		Funds received	(1,227)	(1,393)
		Material purchase/transferred	-	(9,831)
		Balance transferred from directors	(2,073)	-
		Creditors / Debtors - net transferred	567	78
<b>Directors</b>	Associated persons	Payments made	5,077	13,158
		Funds received	4,703	7,356
<b>Compensation paid to key management</b>	Key management personnel		See Note: 37	
<b>39.2 Outstanding Balance with Related Parties at the year end are as follows:</b>			<b>Rs. in "000"</b>	
<b>Related party</b>	<b>Nature of Balance</b>			
Premier Garments Limited	Due to associated company	25	56	253
Punjab Oil Mills Limited	Due to associated company	13	1,978	775
Tee Jay Corporation (Private) Limited	Due from associated company	25	7,857	5,631
	Share deposit money	6	-	-
Directors and close relatives thereof	Share deposit money	6	-	-
	Accrued mark up	11	-	-
	Advance against Salary	23	(200)	(200)

## 40 FINANCIAL RISK MANAGEMENT

### 40.1 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.

#### (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 during the year has been as under:

	Note	2020 Rupees	2019 Rupees
<b>Trade debts - net exposure</b>			
The following significant exchange rates were applied during the year:			
<b>Rupees per US Dollar</b>			
Average rate		158.65	136.14
		168.05	160.05



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Rupees per EURO

Average rate	185.17	155.19
Reporting date rate	188.91	182.32

### Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 1% against the USD & EURO with all other variables held constant, the impact on profit before taxation for the year would have been Rs. 0.9246 million (2019: Rs. 2.5338 million) respectively higher / lower, mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

### (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.

### Sensitivity analysis

The investment of the Company classified as available for sale and at fair value through profit or loss would normally be affected due to fluctuation of equity prices in the stock exchange. In case of 10% (2019: 10%) increase / decrease in KSE 100 index on June 30, 2020, the net gain/(loss) for the year relating to securities classified as available for sale and other components of equity and net assets of the Company would increase / decrease by Rs. 0.827 million (2019: Rs. 1.038 million) as a result of gains / losses on equity securities classified as available for sale.

### Fair value hierarchy

Financial instruments carried at available for sale

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:

### Financial assets - FVOCI

- Punjab Oil Mills Limited
- Premier Garments Limited
- Tee Jay Corporation (Private) Limited

2020			
Total	Level 1	Level 2	Level 3
Rupees	Rupees	Rupees	Rupees
8,266,507	8,266,507	-	-
-	-	-	-
-	-	-	-
<b>8,266,507</b>	<b>8,266,507</b>	-	-

### Financial assets - FVOCI

- Punjab Oil Mills Limited
- Premier Garments Limited
- Tee Jay Corporation (Private) Limited

2019			
Total	Level 1	Level 2	Level 3
Rupees	Rupees	Rupees	Rupees
10,378,609	10,378,609	-	-
-	-	-	-
1,115,892	-	-	1,115,892
<b>11,494,501</b>	<b>10,378,609</b>	-	<b>1,115,892</b>

### (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.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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:

	Note	2020 Rupees	2019 Rupees
<b>Floating rate instruments</b>			
<b>Financial liabilities</b>			
Long term investments		10,981,220	-
Short term borrowings		123,678,545	107,150,592
Due to related parties		1,978,191	1,027,299
<b>Financial assets</b>			
Bank balances - deposit accounts		9,630	8,811
Due from associates		7,857,226	5,630,844
Long term deposits		5,038,617	5,038,617

### 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. 1.237 million (2019: Rs. .975 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate 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.

### (b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Long term investments	8,266,507	11,494,501
Long term deposits	5,038,617	5,038,617
Trade debts	50,957,977	44,783,771
Deposits and other receivables	17,158,578	23,083,811
Bank balances	341,483	1,679,747
	<b>81,763,162</b>	<b>86,080,447</b>

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

Past due 1 - 30 days	36,920,493	34,869,885
Past due 31 - 60 days	4,500,085	4,991,599
Past due 61 - 120 days	4,307,884	2,195,140
More than 120 days	6,196,345	3,693,977
	<b>51,924,807</b>	<b>45,750,601</b>

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:



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Short term	Rating Long term	Agency	2020 Rupees	2019 Rupees
Faysal Bank Limited	A1+	AA	PACRA	20,392	18,860
Askari Bank Limited	A1+	AA+	PACRA	164,966	93,597
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
MIB Bank Limited	N/A	N/A		5,031	9,308
JS Bank Limited	A1+	AA-	PACRA	113,068	1,519,956
Industrial Development Bank of Pakistan	N/A	N/A		17,240	17,240
				<b>341,483</b>	<b>1,679,747</b>

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, 2020

	Carrying Amount	Contractual cash flows	Within 1 Year	Within 2-5 Years	Within 2-5 Years
	Rupees	Rupees	Rupees	Rupees	Rupees
Long term borrowing	10,981,220	10,981,220	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	123,678,545	123,678,545	123,678,545	-	-
Due to related parties	2,326,832	2,559,515	2,559,515	-	-
	<b>170,510,537</b>	<b>170,743,220</b>	<b>163,312,117</b>	<b>7,431,103</b>	<b>-</b>

#### Contractual maturities of financial liabilities as at June 30, 2019

	Carrying Amount	Contractual cash flows	Within 1 Year	Within 2-5 Years	Within 2-5 Years
	Rupees	Rupees	Rupees	Rupees	Rupees
Trade and other payables	38,688,613	38,688,613	38,688,613	-	-
Accrued mark-up	558,032	558,032	558,032	-	-
Short term borrowings	107,150,592	107,150,592	107,150,592	-	-
Due to related parties	1,750,141	1,750,141	1,750,141	-	-
	<b>148,147,378</b>	<b>148,147,378</b>	<b>148,147,378</b>	<b>-</b>	<b>-</b>

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 30 June. The rates of interest / mark up have been disclosed in relevant notes to these financial statements.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 40.2 Financial instruments by categories

#### Financial instruments as at June 30, 2020

##### Assets as per Statement of financial position

	Fair Value through P&L Rupees	Fair Value through OCI Rupees	Amortized Cost Rupees	Total Rupees
Long term investments	-	8,266,507	-	8,266,507
Long term deposits	-	-	5,038,617	5,038,617
Trade debts	-	-	50,957,977	50,957,977
Deposits and other receivable	-	-	17,158,578	17,158,578
Cash and bank balances	-	-	1,660,578	1,660,578
	-	8,266,507	74,815,750	83,082,257

##### Liabilities as per Statement of financial position

	Amortized Cost Rupees	Total Rupees
Long term borrowing	10,981,220	10,981,220
Trade and other payables	32,764,571	32,764,571
Accrued mark-up	759,369	759,369
Short term borrowings	123,678,545	123,678,545
Due to related parties	2,326,832	2,326,832
	170,510,537	170,510,537

#### Financial instruments as at June 30, 2019

##### Assets as per Statement of financial position

	Fair Value through P&L Rupees	Fair Value through OCI Rupees	Amortized Cost Rupees	Total Rupees
Long term investments	-	11,494,501	-	11,494,501
Long term deposits	-	-	5,038,617	5,038,617
Trade debts	-	-	44,783,771	44,783,771
Deposits and other receivable	-	-	23,083,811	23,083,811
Cash and bank balances	-	-	2,714,596	2,714,596
	-	11,494,501	75,620,795	87,115,296

##### Liabilities as per Statement of financial position

	Liabilities Rupees	Total Rupees
Trade and other payables	38,688,613	38,688,613
Accrued mark-up	558,032	558,032
Short term borrowings	107,150,592	107,150,592
Due to related parties	1,750,141	1,750,141
	148,147,378	148,147,378

### 40.3 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.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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.

Quoted investments (Level 3) in Premier Garments Limited and Tee Jay Corporation (Private) Limited which are measured using book values.

Carrying values of all other financial assets and liabilities reflected in financial statements approximate to their fair values.

### 41 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 viz. 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:

Borrowings	137,745,966	109,458,765
Cash and bank balances	(1,660,578)	(2,714,596)
Net debt	136,085,388	106,744,169
Equity	177,978,397	168,544,273
Total capital employed	314,063,785	275,288,442
Gearing ratio	43.33%	38.78%

### 42 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. Company-wide disclosures regarding the reportable segments are as follows:

	Percentage	Percentage
Information about products wise revenue:		
- Terry towel	84.67%	86.17%
Information about area wise revenue:		
- Export sales	98.29%	98.62%
- Local sales	1.71%	1.38%
Major customers:		
- 6 customers (2019: 6 customers)	58.62%	47.93%
Revenue from external customers attributed to foreign countries	98.29%	98.62%
All non-current assets of the Company are located in Pakistan as at the reporting date.		

### 43 PLANT CAPACITY AND ACTUAL PRODUCTION

	Number	Number
Avg. number of looms installed and worked (including looms obtained on lease)	38	48
Standard production of looms worked (Kilograms)	507,080	582,000
Actual production (Kilograms)	365,065	404,872



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Reasons for shortfall

Reasons attributable to under-utilization of optimal production capacity are mainly the shortage of gas and power as well as change in design and quality resulting in an increase in weaving time etc.

### 44 NUMBER OF EMPLOYEES

Employees as at June 30, 2020  
Average employees during the year

2020		
Head office	Mills	Total
Number	Number	Number
13	120	133
13	128	141

Employees as at June 30, 2019  
Average employees during the year

2019		
Head office	Mills	Total
Number	Number	Number
13	118	131
12	121	133

### 45 CORRESPONDING FIGURES

Corresponding figures have been reclassified 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.

### 46 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on October 05, 2020 by the Board of Directors of the Company.

### 47 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, 2020

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
133	1	100	6,813
258	101	500	78,161
238	501	1,000	173,962
139	1,001	5,000	352,634
26	5,001	10,000	187,419
5	10,001	15,000	69,000
4	15,001	20,000	72,495
3	20,001	25,000	69,600
4	25,001	30,000	116,501
1	35,001	40,000	40,000
1	75,001	80,000	80,000
1	120,001	125,000	120,500
1	125,001	130,000	127,000
1	135,001	140,000	140,000
1	165,001	170,000	168,885
1	190,001	195,000	191,900
1	265,001	270,000	265,500
1	820,001	825,000	821,941
1	2,935,001	2,940,000	2,935,887
1	3,035,001	3,040,000	3,038,883
1	3,935,001	3,940,000	3,939,223
<b>822</b>			<b>12,996,304</b>

### Classification of ordinary shares by Categories as at June 30, 2020

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	72.2117
General Public		
a. Local	1,873,876	14.4185
b. Foreign	-	-
Others (to be specified)	-	-
Joint Stock Companies	1	-



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

As on June 30, 2020

Sr. No.	Name & Category of shareholders	No. of Shares Held	Percentage
<b>Associated Companies, Undertakings and Related Parties</b>			
1	M/S TEEJAY CORPORATION (PVT) LTD	3,939,393	30.3116
2	M/S PREMIER GARMENTS LIMITED	40,000	0.3078
<b>Mutual Funds</b>			
<b>Directors and their Spouse and Minor Children</b>			
1	MR. TAHIR JAHANGIR	3,159,383	24.3099
2	MRS MUNIZA 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
<b>Executives:</b>			
<b>Public Sector Companies &amp; Corporations:</b>			
<b>Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:</b>		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
Nil			

I/We \_\_\_\_\_  
of \_\_\_\_\_ being a Member of **Hala Enterprises Limited** and holder(s) of \_\_\_\_\_  
Ordinary Shares as per Share Register Folio No. \_\_\_\_\_

[illegible]

hereby appoint Mr./Mrs./Miss. \_\_\_\_\_ of \_\_\_\_\_ an other member of the Company or failing him/her Miss/Mrs/ Mr. \_\_\_\_\_ of \_\_\_\_\_ another member of the Company as my / our proxy to attend and vote for me / us and my /our behalf at Annual General Meeting of the Company to be held on Wednesday, October 28, 2020 at 10:30 A.M. and at every adjournment thereof, if any.

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

Signature of Shareholder \_\_\_\_\_

Signature of Proxy

<p><b>1. WITNESS</b></p> <p>Signature: _____</p> <p>Name: _____</p> <p>Address: _____</p> <p>_____</p> <p>CNIC No. <span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="background-color: black; color: black;">XXXX</span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="background-color: black; color: black;">XXXX</span><span style="border: 1px solid black; padding: 2px 5px;">  </span></p> <p>or Passport No. _____</p>	<p><b>2. WITNESS</b></p> <p>Signature: _____</p> <p>Name: _____</p> <p>Address: _____</p> <p>_____</p> <p>CNIC No. <span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="background-color: black; color: black;">XXXX</span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="border: 1px solid black; padding: 2px 5px;">  </span><span style="background-color: black; color: black;">XXXX</span><span style="border: 1px solid black; padding: 2px 5px;">  </span></p> <p>or Passport No. _____</p>
--	--

1. This Proxy Form, duly completed and signed, must be received at above mentioned address the Registered Office of the Company, not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
3. For CDC Account Holders / Corporate Entities In addition to the above the following requirements have to be met

- i. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy forms.
- ii. The proxy shall produce his original CNIC or original passport at the time of the meeting.
- iii. In case of a corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.



**To:**

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

**AFFIX  
CORRECT  
POSTAGE**

**BOOK POST**





**To:**

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

**AFFIX  
CORRECT  
POSTAGE**

**BOOK POST**





## پراکسی فارم

میں/ہم کسی/مسماۃ..... ساکن..... ضلع.....

بجائیت ممبر کمپنی، کسی/مسماۃ..... ساکن..... کمپنی ممبر یا کسی عدم موجودگی کی صورت میں

کسی/مسماۃ..... 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 ۲۰۲۰ء بوقت صبح 10:30 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 ریونیو سٹپ  
چسپاں کریں

دستخط بتاریخ..... دن..... 2020ء

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 کھاتہ 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 کرنا لازمی ہے۔ بصورت دیگر وہ قابل قبول نہ ہوگا۔



 Hala  
Enterprises Limited

17.5 km Sheikhpura Road, Lahore - PK

Tel: + 92 (42) 3797 0130, 3797 0230

Fax: + 92 (42) 3797 0681

E-mail: [corporate@halaenterprises.com](mailto:corporate@halaenterprises.com)

[www.halaenterprises.com](http://www.halaenterprises.com)

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