

FAST CABLES LIMITED

FOR THE YEAR ENDED JUNE 30, 2021

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FAST CABLES LIMITED
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **FAST CABLES LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2021, and the statement of profit or loss account, 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 account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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 Directors' report, but does not include the financial statements and our auditor's report thereon.

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

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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.

- 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.

Report on Other Legal and Regulatory Requirements

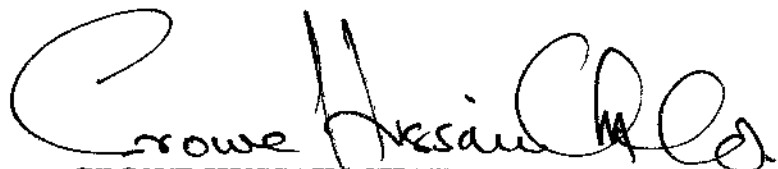
Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Nasir Muneer.

Lahore
Dated:

15 OCT 2021



CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountant
CWC

FAST CABLES LIMITED
STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	4	3,916,587,347	4,030,123,845
Right-of-use assets	5	78,022,967	55,035,765
Long term deposits	6	1,219,480	4,558,530
		3,995,829,794	4,089,718,140
Current Assets			
Stock in trade	7	3,668,411,610	2,992,939,236
Trade debts	8	3,614,145,045	2,163,608,370
Loans and advances	9	966,317,622	583,627,810
Deposits and prepayments	10	32,315,120	28,080,937
Tax refund due from the Government		58,572,247	119,433,893
Other receivables	11	15,000,000	-
Cash and bank balances	12	438,084,715	205,181,122
Post employment benefit asset	13	79,835	-
		8,792,926,194	6,092,871,368
Total Assets		12,788,755,988	10,182,589,508
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized capital 50,000,000 (2020: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid up share capital	14	488,066,040	488,066,040
Share deposit money	15	857,913,941	647,719,000
Sponsors' interest free loans		-	35,854,113
Reserves	16	1,977,145,517	1,397,979,907
Surplus on revaluation of property, plant and equipment - net	17	1,581,019,068	1,627,035,645
		4,904,144,566	4,196,654,705
Non Current Liabilities			
Long term financing	18	147,168,953	197,723,972
Diminishing musharaka finance	19	23,062,281	17,464,148
Lease liabilities	20	67,419,429	45,877,801
Deferred income - Government grant	21	3,748,233	5,477,324
Deferred liabilities	22	203,686,213	252,139,347
		445,085,109	518,682,592
Current Liabilities			
Trade and other payables	23	3,674,045,787	2,748,187,277
Accrued mark up		49,999,564	56,878,083
Current portion of non current liabilities	24	204,920,448	126,818,730
Short term borrowings	25	3,239,126,120	2,324,394,559
Provision for taxation	26	271,434,394	210,973,562
		7,439,526,313	5,467,252,211
Contingencies and Commitments	27	-	-
Total Equity and Liabilities		12,788,755,988	10,182,589,508

The annexed notes from 1 to 46 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

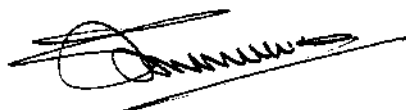

DIRECTOR

FAST CABLES LIMITED
STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2021

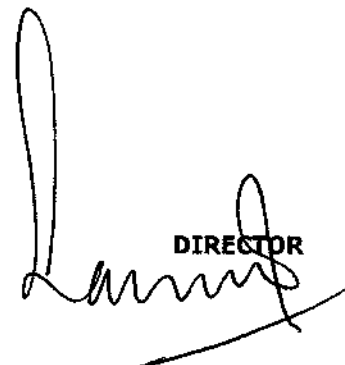
	Note	2021	2020
		Rupees	Rupees
Revenue	28	14,214,854,639	8,952,909,446
Cost of sales	29	<u>(12,304,557,363)</u>	<u>(7,651,479,840)</u>
Gross Profit		1,910,297,276	1,301,429,606
Distribution cost	30	<u>(517,319,227)</u>	<u>(424,058,018)</u>
Administrative expenses	31	<u>(209,019,950)</u>	<u>(164,793,575)</u>
		<u>(726,339,177)</u>	<u>(588,851,593)</u>
Operating Profit		1,183,958,099	712,578,013
Other operating expenses	32	(151,203,433)	(102,444,413)
Finance cost	33	(283,426,055)	(378,491,613)
Other income	34	<u>7,039,472</u>	<u>17,332,121</u>
Profit before Taxation		756,368,083	248,974,108
Income tax Expense			
Current tax	35	<u>(271,434,394)</u>	<u>(146,311,294)</u>
Deferred tax		<u>47,762,319</u>	<u>63,904,630</u>
		<u>(223,672,075)</u>	<u>(82,406,664)</u>
Net Profit for the Year		<u><u>532,696,008</u></u>	<u><u>166,567,444</u></u>

The annexed notes from 1 to 46 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER



DIRECTOR

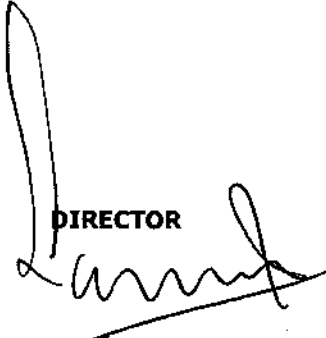
FAST CABLES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020
	Rupees	Rupees
Net Profit for the Year	532,696,008	166,567,444
Other comprehensive income		
<i>Items that will not be re-classified subsequently to profit or loss</i>		
Surplus arising on revaluation of property, plant and equipment	-	1,493,632,625
Less : Related deferred tax impact	-	(200,500,996)
Re-measurement of post employment benefits	638,063	2,289,841
Less : Related deferred tax impact	(185,038)	(664,054)
<i>Items that may be re-classified subsequently to profit or loss</i>		
	-	-
Other comprehensive income for the year	453,025	1,294,757,416
Total Comprehensive Income for the Year	<u>533,149,033</u>	<u>1,461,324,860</u>

The annexed notes from 1 to 46 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER


DIRECTOR

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

Particulars	Share Capital	Share Deposit Money	Sponsors' Interest Free Loans	Capital Reserves	Revenue Reserves	Surplus on Revaluation of Property, Plant and Equipment	Total
				Share Premium Reserve	Unappropriated Profit		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2019	488,066,040	-	134,759,280	863,632,121	457,455,081	364,620,000	2,308,532,522
Net profit for the year	-	-	-	-	166,567,444	-	166,567,444
Other comprehensive income for the year	-	-	-	-	1,625,787	1,293,131,629	1,294,757,416
Total comprehensive income for the year	-	-	-	-	168,193,231	1,293,131,629	1,461,324,860
Incremental depreciation for the year on surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	30,715,984	(30,715,984)	-
Transactions with owners							
Dividend paid	-	-	-	-	(122,016,510)	-	(122,016,510)
Sponsors' loan - net	-	-	(98,905,167)	-	-	-	(98,905,167)
Share deposit money - net	-	647,719,000	-	-	-	-	647,719,000
Balance as at June 30, 2020	488,066,040	647,719,000	35,854,113	863,632,121	534,347,786	1,627,035,645	4,196,654,705
Net profit for the year	-	-	-	-	532,696,008	-	532,696,008
Other comprehensive loss for the year	-	-	-	-	453,025	-	453,025
Total comprehensive income for the year	-	-	-	-	533,149,033	-	533,149,033
Incremental depreciation for the year on surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	46,016,577	(46,016,577)	-
Transactions with owners							
Sponsors' loan - net	-	35,854,113	(35,854,113)	-	-	-	-
Share deposit money - net	-	174,340,828	-	-	-	-	174,340,828
Balance as at June 30, 2021	488,066,040	857,913,941	-	863,632,121	1,113,513,396	1,581,019,068	4,904,144,566

The annexed notes from 1 to 46 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER



DIRECTOR

FAST CABLES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (Used in) / Generated from Operations	36	(157,617,006)	488,378,760
Finance cost paid		(279,290,922)	(372,611,914)
Income tax paid		(165,071,682)	(79,174,984)
Employee benefits / contributions paid		(1,825,784)	(1,776,025)
Workers' welfare fund paid		(7,791,397)	(3,976,279)
Workers' (profit) participation fund paid		(12,448,705)	(10,673,171)
		<u>(466,428,490)</u>	<u>(468,212,373)</u>
Net Cash (used in) / Generated from Operating Activities		(624,045,496)	20,166,387
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(111,486,126)	(156,869,265)
Capital work in progress - property, plant and equipment		(97,388,871)	(47,704,924)
Long term deposits		889,150	2,811,944
Net Cash Used in Investing Activities		(207,985,847)	(201,762,245)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share deposit money received		168,194,940	647,719,000
Sponsors' loan received		50,000,000	(98,905,167)
Sponsors' loan paid		(50,000,000)	
Long term financing		12,668,459	(131,322,616)
Short term borrowings		914,731,561	(1,050,728)
Dividend paid		-	(122,016,510)
Diminishing musharaka liabilities - net		-	22,808,988
Lease rental paid		(30,660,024)	(18,092,523)
Net Cash Generated from Financing Activities	37	<u>1,064,934,936</u>	<u>299,140,444</u>
Net Increase in Cash and Cash Equivalents		232,903,593	117,544,586
Cash and cash equivalents at the beginning of the year		205,181,122	87,636,536
Cash and Cash Equivalents at the End of the Year		<u>438,084,715</u>	<u>205,181,122</u>

The annexed notes from 1 to 46 form an integral part of these financial statements.

OR


CHIEF EXECUTIVE OFFICER


DIRECTOR

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

Note 1

The Company and its Operations

- 1.1** Fast Cables Limited is a public limited company incorporated in Pakistan on December 29, 2008 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company is domiciled in Pakistan and its registered office is situated at 192-Y Commercial Area DHA, Lahore. The Company is engaged in manufacturing and selling of all types of electric wires, cables and conductors.
- 1.2** The Company operates two manufacturing Units. Unit I is located at 7-Canal Bank Main Jallo Road, Harbans Pura, Lahore and Unit II is located at Bahi Kot, Dars Road, Tehsil Raiwind, District Lahore.

Note 2

Basis of Preparation**2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS) 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, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

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

Certain property, plant and equipment	Note 3 & 4	(stated at Revalued amounts)
Post employment benefit obligations	Note 13.1	(stated at Present value)
Lease liabilities	Note 20	(stated at Present value)

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

These estimates and related assumptions are reviewed on an on-going basis. Significant management estimates in these financial statements relate to the useful life and residual values of property, plant and equipment; provisions for doubtful receivables; provisions for obsolescence of stock; provisions for post employment benefits obligations; and taxation.

The basis and associated assumptions underlying the accounting estimates used in the preparation of annual financial statement of the Company for the year have been consistent with the previous year.

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Note 2, Basis of Preparation - Continued...

Note 2.4, Use of estimates and judgments - Continued...

Property, plant and equipment

Estimates are made with respect to residual value, depreciation method and depreciable lives of property, plant and equipment as disclosed in notes 3.1 and 4 to these financial statements. Further, the Company reviews the carrying value of assets for impairment, if any, on each reporting date.

Loss allowance for doubtful debts and receivables

The Company reviews the recoverability of its trade debts and other receivables to assess the amount required for the loss allowance of doubtful debts / receivables as disclosed to these financial statements

Provision for store and spares and stock in trade

Estimates are made with respect to provision for slow moving, damaged and obsolete items and their net realizable value as disclosed in note 3.3 to these financial statements.

Taxation

The Company calculates the charge for taxation by taking into account the current income tax laws and decisions taken by the appellate judicial authorities as disclosed in note 3.7 and note 35 to these financial statements. Instances where the Company's view differs from the view taken by the tax department at the assessment stage and the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

2.5 Changes in accounting standards, interpretations and pronouncements

2.5.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements.

2.5.2 Standards, interpretation and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting and reporting standards, as applicable in Pakistan and relevant to the Company, would be effective from the dates mentioned below against the respective standard:

Standard or Interpretation	Effective Date (Period beginning on or after)
IAS 1 Presentation of Financial Statements [Amendments]	January 1, 2022 & January 1, 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2023
IAS 16 Property, Plant and Equipment [Amendments]	January 1, 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets [Amendments]	January 1, 2022
IAS 12 Income Taxes [Amendments]	January 1, 2023
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

The Company will assess the impacts of these changes in the period of initial application once such changes become effective for the Company.

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Note 3

Significant Accounting Policies

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

3.1 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses except freehold land which is stated at revalued amount. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to the construction and erection period and directly attributable cost of bringing assets to the working condition.

Depreciation on property, plant and equipment has been provided for using the reducing balance method at the rates specified in Note 4. Depreciation is charged on additions from the date of purchase and on disposals, up till the date of disposal of assets. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to operating fixed assets as and when these are available for use.

3.2 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Company as a lessee

Recognition and measurement

The Company recognizes a right-of-use asset and a lease liability at the commencement date. A commencement date is the date on which the lessor makes an underlying asset available for use by the lessee (the Company).

Lease liability

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid. The lease payments are discounted using the interest rate implicit in the lease, or the Company's incremental borrowing rate if the implicit rate is not readily available. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments comprise fixed payments less any lease incentives receivable; variable lease payments that depend on an index or a rate; amounts expected to be payable by the Company under residual value guarantees; the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

After the commencement date, the Company re-measures the lease liability to reflect the affect of interest on outstanding lease liability, lease payments made, reassessments and lease modifications etc. Variable lease payments not included in the measurement of the lease liability and interest on lease liability are recognized in the statement of profit or loss account.

Right-of-use asset

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

After the commencement date, the Company measures the right-of-use asset at cost less accumulated depreciation and accumulated identified impairment losses, if any, adjusted for any remeasurement of the lease liability.

~~Cost~~

Note 3, Significant Accounting Policies - Continued...

3.3 Stock in trade

These are valued at lower of cost and net realizable value. The cost is determined as follows:

Raw and packing materials	- At FIFO basis.
Work in process	- At estimated average manufacturing cost.
Finished goods	- At average manufacturing cost comprising prime cost and an appropriate portion of production overheads.

Manufacturing cost in relation to work-in-process and finished goods comprises cost of material, labour and appropriate allocation of manufacturing overheads.

Provision for slow moving, damaged and obsolete items are charged to the statement of profit or loss account. Value of items comprising stores, spares and stock in trade is reviewed at reporting date to record provision for any slow moving items, damaged and obsolete items.

3.4 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand and cash at banks in current and savings accounts.

3.5 Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and of which a reliable estimate can be made. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

3.6 Post employment benefits

The Company operates the following schemes for post - employment benefits of its employees:

3.6.1 Defined contribution plan

The Company operates a recognised provident fund for all its permanent non workmen employees. Equal monthly contributions are made by the Company and employees into the fund at the rate of 8.3% of the basic salary. Obligation for contributions to defined contribution plan is recognised as an expense in profit or loss on monthly basis.

3.6.2 Defined benefit plan

The Company operates a funded gratuity scheme for workmen employees who are not covered under the provident fund scheme. The funded gratuity scheme is a defined benefit plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method of actuarial valuation, which is carried out by an independent valuer.

3.7 Income tax expense

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax expense is recognized in the statement of profit or loss account except to the extent that relates to items recognized directly in other comprehensive income or equity, in which case it is recognized in other comprehensive income or equity.

Current

The charge for current tax is based on higher of minimum tax on turnover, corporate tax and alternate corporate tax for the year determined in accordance with the prevailing laws of taxation. All tax credits and tax rebates are taken into account in calculating this charge. However, in case of taxable loss for the year, income tax expense is recognized on the basis of minimum tax liability on turnover of the Company in accordance with the provisions of the income tax law.

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Note 3, Significant Accounting Policies - Continued...

Note 3.7, Income tax expense - Continued...

Deferred

Deferred tax is recognized using the reporting date liability method on all temporary differences arising at the reporting date between the carrying amount of the assets and liabilities and their tax bases.

Deferred tax liabilities are recognized for all major taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that future taxable profits will be available against which the assets may be utilized.

The carrying amount of the deferred tax asset is reviewed at each reporting date and is recognized only to the extent that it is probable that future taxable profits will be available against which assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent of probable future taxable profit available that will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is utilized or the liability is settled, based on the tax rates that have been enacted or have been notified for subsequent enactments at the reporting date.

3.8 Contingent liabilities

Contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

A contingent liability is also disclosed when there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits would be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.9 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid or given in future for goods and services received or to be delivered or for any other amount, whether or not billed to the Company.

3.10 Borrowing cost

Borrowing costs are charged to income as and when incurred except costs directly attributable to acquisition, construction or production of qualifying assets that are capitalized as part of the cost of assets.

3.11 Foreign currency transactions

Assets and liabilities in foreign currency are stated in Pak Rupees at the rates of exchange ruling on the reporting date or rate of exchange fixed under contractual agreements. Transactions in foreign currency are translated at the exchange rate prevailing at the date of transaction. All exchange differences are included in the statement of profit or loss account.

3.12 Revenue recognition

Revenue is to be recognised in accordance with the following steps:

- i) Identify the contract with a customer
- ii) Identify the performance obligations in the contract
- iii) Determine the transaction price of the contract
- iv) Allocate the transaction price to each of the separate performance obligations in the contract
- v) Recognize the revenue when (or as) the entity satisfies a performance obligation

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Note 3, Significant Accounting Policies - Continued...

Note 3.12, Revenue recognition - Continued...

Revenue from sale of goods is measured at fair value of the consideration received or receivable. The company records revenue from sale of goods at point in time when the performance obligation in respect of delivery of goods has been satisfied. This usually happens when control of the goods has transferred to the customer. The sales invoices are generated and revenue is recognized on delivery of products. Delivery occurs when the products have been shipped / delivered to the customers destination / specific location, the risk of the loss have been transferred to customer and the customer has accepted the product or the company has objective evidence that all criteria for acceptance have been satisfied.

3.13 Related party transactions

Related parties comprise the associated companies / undertakings, directors of the Company and their close relatives and key management personnel of the Company. The Company in the normal course of business carries out transactions with various related parties.

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and the related party or between two or more segments of the Company are at arm's length prices using the comparable uncontrolled price method except in circumstances where it is not in the interest of the Company to do so.

3.14 Financial instruments

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

3.14.1 Financial assets

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

3.14.1.1 Classification

Financial assets are classified in either of the three categories: at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. Currently, the Company classifies its financial assets at amortized cost and fair value through profit or loss. This classification is based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The management determines the classification of its financial assets at the time of initial recognition.

3.14.1.2 Initial recognition and measurement

All financial assets are initially measured at cost plus transaction costs that are directly attributable to its acquisition except for trade receivables. Trade receivables are initially measured at the transaction price.

3.14.1.3 Subsequent measurement

Financial assets measured at amortized cost are subsequently measured using the effective interest rate method. The amortized cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss account.

Financial assets measured at fair value through profit or loss are subsequently measured at fair value prevailing at the reporting date. The difference arising is charged to the profit or loss account.

Financial assets measured at fair value through other comprehensive income are subsequently measured at fair value prevailing at the reporting date. The difference arising is charged to the other comprehensive income.

3.14.1.4 Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired. The difference between the carrying amount and the consideration received is recognized in profit or loss account.

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Note 3, Significant Accounting Policies - Continued...

Note 3.14, Financial instruments- Continued...

3.14.1.5 Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all financial assets which are measured at amortised cost. 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.

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

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

3.14.2 Financial liabilities

a) Initial recognition and measurement

Financial liabilities are initially classified at amortized cost. Such liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and include trade and other payables, loans or borrowings and accrued mark up etc.

b) Subsequent measurement

The Company measures its financial liabilities subsequently at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss account. Difference between carrying amount and consideration paid is recognized in the statement of profit or loss account when the liabilities are derecognized.

3.14.3 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.15 Dividend

Dividends are recognized as a liability in the period in which these are approved.

3.16 Long term financing

All borrowings are initially recognized at fair value less directly attributable transaction costs. Difference between the fair value and the proceeds of borrowings is recognized as income or expense in the statement of profit or loss.

Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the amortization process.

3.17 Balances from contracts with customers

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional. Trade receivables are carried at original invoice amount less expected credit loss based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

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Note 3, Significant Accounting Policies - Continued...

Note 3.17, Balances from contract with customers - Continued...

Contract assets

A contract asset is the right to consideration in exchange for goods or services already transferred to the customer. The Company recognizes a contract asset for the earned consideration that is conditional if the Company performs by transferring goods to a customer before the customer pays consideration or before payment is due.

Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Company has received consideration from the customer. A contract liability is recognized at earlier of when the payment is received or the payment is due if a customer pays consideration before the Company transfers goods to the customer.

Right of return assets

Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

3.18 Impairment

Carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of any information about the fair value, the recoverable amount is determined to be the value in use. Impairment losses are recognized as expense in the statement of profit or loss.

3.19 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in noncurrent liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

3.20 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 between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. When applicable, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

etc.

Note 3, Significant Accounting Policies - Continued...

Note 3.20, Fair value measurement - Continued...

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within different levels of the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole.

Fair value hierarchy categorizes into following three levels of the inputs to valuation techniques that are used to measure fair value:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 — Unobservable inputs for the asset or liability.

The management usually engages external valuers for valuation of property, plant and equipment. Selection criteria of such valuers comprise market knowledge, reputation, independence and whether professional standards are maintained.

When there is no quoted price in an active market, the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from the transaction price. Subsequently, that difference is credited or charged to the statement of profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- | | | |
|---|---|-----------|
| - | Property, plant and equipment under revaluation model | Note 17 |
| - | Financial instruments (including those carried at amortized cost) | Note 40.2 |

etc.

Note 4

Property, Plant and Equipment

	Note	2021 Rupees	2020 Rupees
Operating fixed assets	4.1	3,874,086,632	3,985,094,700
Capital work in progress	4.6	42,500,715	45,029,145
		<u>3,916,587,347</u>	<u>4,030,123,845</u>

4.1 Operating fixed assets

Year Ended June 30, 2021

Description	Land	Building on freehold land	Building on leasehold land	Plant and machinery	Furniture and fixture	Vehicles	Office equipment and computers	Electric fittings / generators	Total
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Cost/Revalued amount									
Balance as at July 01, 2020	1,378,500,000	690,089,232	211,835,700	1,599,027,449	7,594,897	165,153,523	69,962,311	177,559,259	4,299,722,371
Additions	-	9,821,280	-	28,701,738	1,827,071	29,253,000	7,168,580	95,735,498	172,507,167
Disposals during the year	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2021	<u>1,378,500,000</u>	<u>699,910,512</u>	<u>211,835,700</u>	<u>1,627,729,187</u>	<u>9,421,968</u>	<u>194,406,523</u>	<u>77,130,891</u>	<u>273,294,757</u>	<u>4,472,229,538</u>
Accumulated depreciation									
Balance as at July 01, 2020	-	32,630,151	15,115,266	88,737,973	3,431,093	80,316,152	49,369,159	45,027,877	314,627,671
Charge for the year	-	66,246,636	19,617,982	152,807,417	469,037	19,080,372	7,478,358	17,815,433	283,515,235
Disposals during the year	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2021	<u>-</u>	<u>98,876,787</u>	<u>34,733,248</u>	<u>241,545,390</u>	<u>3,900,130</u>	<u>99,396,524</u>	<u>56,847,517</u>	<u>62,843,310</u>	<u>598,142,906</u>
Balance as at June 30, 2021	<u>1,378,500,000</u>	<u>601,033,725</u>	<u>177,102,452</u>	<u>1,386,183,797</u>	<u>5,521,838</u>	<u>95,009,999</u>	<u>20,283,374</u>	<u>210,451,447</u>	<u>3,874,086,632</u>
Depreciation rates	-	10%	10%	10%	10%	20%	30%	10%	

Cont.

Note 4, Property, Plant and Equipment - Continued...

Year Ended June 30, 2020

Description	Land	Building on freehold land	Building on leasehold land	Plant and machinery	Furniture and fixture	Vehicles	Office equipment and computers	Electric fittings / generators	Total
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Cost/Revalued amount									
Balance as at July 01, 2019	576,250,120	836,496,938	144,046,012	1,377,145,341	6,899,897	61,344,869	67,269,687	114,566,792	3,184,019,656
Additions	-	20,862,232	-	45,205,449	695,000	45,283,725	2,692,624	62,992,467	177,731,497
Revaluation surplus	802,249,880	3,153,610	120,517,162	567,711,973	-	-	-	-	1,493,632,625
Transferred in / (out)	-	-	-	-	-	58,524,929	-	-	58,524,929
Revaluation Adjustment	-	(170,423,548)	(52,727,474)	(391,035,314)	-	-	-	-	(614,186,336)
Balance as at June 30, 2020	<u>1,378,500,000</u>	<u>690,089,232</u>	<u>211,835,700</u>	<u>1,599,027,449</u>	<u>7,594,897</u>	<u>165,153,523</u>	<u>69,962,311</u>	<u>177,559,259</u>	<u>4,299,722,371</u>
Accumulated depreciation									
Balance as at July 01, 2019	-	131,810,598	50,102,195	338,852,409	2,994,780	40,399,313	41,067,959	31,678,470	636,905,724
Charge for the year	-	71,243,101	17,740,545	140,920,878	436,313	9,016,644	8,301,200	13,349,407	261,008,088
Transferred in / (out)	-	-	-	-	-	30,900,195	-	-	30,900,195
Revaluation adjustment	-	(170,423,548)	(52,727,474)	(391,035,314)	-	-	-	-	(614,186,336)
Balance as at June 30, 2020	<u>-</u>	<u>32,630,151</u>	<u>15,115,266</u>	<u>88,737,973</u>	<u>3,431,093</u>	<u>80,316,152</u>	<u>49,369,159</u>	<u>45,027,877</u>	<u>314,627,671</u>
Balance as at June 30, 2020	<u>1,378,500,000</u>	<u>657,459,081</u>	<u>196,720,434</u>	<u>1,510,289,476</u>	<u>4,163,804</u>	<u>84,837,371</u>	<u>20,593,152</u>	<u>132,531,382</u>	<u>3,985,094,700</u>
Depreciation rates	-	10%	10%	10%	10%	20%	30%	10%	

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Note 4, Property, Plant and Equipment - Continued...

4.2 Particulars of immovable property (i.e. land and building) in the name of Company are as follows:

Location / Address	Usage of immovable property	Total area
7-Canal Bank Main Jallo Road Harbnse Pura Lahore. (Unit I)	Production plant	23 Kanals - 14.6 Marlas
Bahi Kot, Dars Road, Tehsil-Raiwind, District Lahore. (Unit II)	Production plant	145 Kanals - 17 Marlas
Nawab Pura, Tehsil Shalimar-District Lahore	Production plant	2 Kanals - 11 Marlas
Bahi Kot, Dars Road, Tehsil-Raiwind, District Lahore. (Unit II)	Production plant	8 Kanals - 2 Marlas

4.3 Apportionment of depreciation charge for the year

	Note	2021 Rupees	2020 Rupees
Cost of sales	29	263,999,843	245,347,603
Distribution cost	30	5,516,839	7,830,243
Administrative expenses	31	13,998,553	7,830,243
		<u>283,515,235</u>	<u>261,008,089</u>

4.4 As mentioned in Note 17, long term financing of the Company are secured by way exclusive charge over amounting to Rs. 110.141 million (2020: Rs. 110.141 million) fixed assets of the Company.

4.5 Land measuring 17 Kanal has been obtained on lease from the director of the Company for a period of 15 years.

4.6 Capital Work in Progress

	2021 Rupees	2020 Rupees
- Opening balance	45,029,145	18,186,453
- Additions during the year	97,388,871	47,704,924
	142,418,016	65,891,377
- Transferred to fixed assets	(99,917,301)	(20,862,232)
	<u>42,500,715</u>	<u>45,029,145</u>

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Note 5

Right of Use Assets

	Note	2021 Rupees	2020 Rupees
Opening balance		55,035,765	34,530,917
Add: Additions during the year		49,705,270	70,979,434
		<u>104,741,035</u>	<u>105,510,351</u>
Less: Depreciation charge for the year		(26,718,068)	(22,849,852)
Less: Deletions during the year		-	(27,624,734)
Closing balance		<u>78,022,967</u>	<u>55,035,765</u>
Lease Term (Years)		<u>1 to 7</u>	<u>1 to 5</u>
5.1 Apportionment of depreciation charge for the year			
Cost of sales	29	4,788,922	11,224,428
Distribution costs	30	12,353,163	9,134,380
Administrative expenses	31	9,575,983	2,491,044
		<u>26,718,068</u>	<u>22,849,852</u>

There are no variable lease payments in the lease contracts. Further, there were no leases with residual value guarantees or leases not yet commenced to which the Company is committed.

etc.

Note 6

Long Term Deposits

	2021	2020
	Rupees	Rupees
Security deposits against Ijara	4,773,430	5,662,580
Less : Current portion	<u>(3,553,950)</u>	<u>(1,104,050)</u>
	<u>1,219,480</u>	<u>4,558,530</u>

Note 7

Stock in Trade

		2021	2020
	Note	Rupees	Rupees
Raw materials and packing materials	7.1	1,571,395,865	1,308,777,219
Work in process		259,462,045	459,941,756
Finished goods		<u>1,837,553,700</u>	<u>1,224,220,261</u>
		<u>3,668,411,610</u>	<u>2,992,939,236</u>

7.1 As mentioned in Note 24, short term borrowings of the Company are secured by way of hypothecation charge on present and future current assets of the Company (including stock in trade).

Note 8

Trade Debts

		2021	2020
	Note	Rupees	Rupees
Local - Unsecured			
Considered good			
- Local sales		3,614,145,045	2,163,608,370
Considered doubtful		<u>32,516,785</u>	<u>31,517,422</u>
		3,646,661,830	2,195,125,792
Less: Loss allowance	8.1	<u>(32,516,785)</u>	<u>(31,517,422)</u>
		<u>3,614,145,045</u>	<u>2,163,608,370</u>
8.1 Loss allowance			
		Rupees	Rupees
Opening balance		31,517,422	16,322,616
Loss allowance for the year		<u>22,819,713</u>	<u>15,194,806</u>
		54,337,135	31,517,422
Less: Bad debts written off		<u>(21,820,350)</u>	<u>-</u>
		<u>32,516,785</u>	<u>31,517,422</u>

Note 9

Loans and Advances

		2021	2020
	Note	Rupees	Rupees
Advances (Unsecured - Considered good):			
- Employees	9.1	7,124,318	19,722,579
- Suppliers and contractors		183,704,057	265,247,466
- Advance against import letters of credit		477,123,166	15,251,450
Income tax deducted at source		<u>298,366,081</u>	<u>283,406,315</u>
		<u>966,317,622</u>	<u>583,627,810</u>

9.1 Advances to employees do not include any amount given to directors or executives of the Company.

Note 10

Deposits and Prepayments

	2021	2020
	Rupees	Rupees
Security deposits and bid monies	25,350,483	24,936,772
Current portion of security deposits against lease / ijarah arrangements	3,553,950	1,104,050
Prepayments	<u>3,410,687</u>	<u>2,040,115</u>
	<u>32,315,120</u>	<u>28,080,937</u>

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Note 11

Other Receivables

	2021	2020
	Rupees	Rupees
Margin against bank guarantee	<u>15,000,000</u>	<u>-</u>

Note 12

Cash and Bank Balances

	2021	2020
Note	Rupees	Rupees
Cash in hand	8,540,774	3,820,591
Cash at banks in:		
- Current accounts	187,656,314	93,711,084
- Savings accounts	<u>241,887,627</u>	<u>107,649,447</u>
	<u>438,084,715</u>	<u>205,181,122</u>

12.1 The savings accounts earn interest at floating rates based on daily bank deposit rates ranging from 6.25% to 7.2% (2020: 7.25% to 12.50%) per annum.

12.2 The above figures of cash and bank balances reconcile to the amount of cash and cash equivalents shown in the statement of cash flows.

Note 13

Post Employment Benefit Asset / (Obligations)

	2021	2020
	Rupees	Rupees
Post employment benefit assets / (obligations)	<u>79,835</u>	<u>(875,853)</u>

13.1 Post employment benefit assets / (obligations)

The Company operates an funded gratuity scheme for its permanent employees subject to completion of one year of service. Actuarial valuation of the scheme is carried out annually by an independent actuary and the latest valuation has been carried out as at June 30, 2021. The disclosures made in the following notes are based on the information included in that actuarial report.

	2021	2020
	Rupees	Rupees
Present value of defined benefit assets / (obligations) -net	<u>79,835</u>	<u>(875,853)</u>

13.1.1 Reconciliation of post employment benefit assets / (obligations):

Present value of defined benefit obligations	(28,095,184)	(21,313,502)
Fair value of plan assets	<u>28,175,019</u>	<u>20,437,649</u>
Net reporting date asset / (liability)	<u>79,835</u>	<u>(875,853)</u>

13.1.2 Movement in present value of defined benefit obligation

Opening balance	21,313,502	28,267,359
Current service cost	7,449,298	6,658,945
Interest cost	1,876,899	1,148,053
Gain on past service cost	-	(9,422,453)
Remeasurement gains	(718,731)	(3,562,377)
Payments made / approved during the year	<u>(1,825,784)</u>	<u>(1,776,025)</u>
Closing balance	<u>28,095,184</u>	<u>21,313,502</u>

13.1.3 Movement in fair value of plan assets

Opening balance	20,437,649	14,706,551
Contribution received during the year	8,335,823	6,683,241
Return on plan asset	1,307,999	2,096,418
Benefits paid in the year	(1,825,784)	(1,776,025)
Remeasurement losses	(80,668)	(1,272,536)
Closing balance	<u>28,175,019</u>	<u>20,437,649</u>

etc.

Note 13, Post Employment Benefit Asset / (Obligations)- Continued..

Note 13.1, Post employment benefit assets / (obligations)- Continued..

13.1.4 Charge for the year

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

	2021	2020
	Rupees	Rupees
Current service cost	7,449,298	6,658,945
Gain on past service cost	-	(9,422,453)
Interest cost	1,876,899	1,148,053
Return on plan assets	<u>(1,307,999)</u>	<u>(2,096,418)</u>
	<u>8,018,198</u>	<u>(3,711,873)</u>

13.1.5 The charge for the year has been allocated as follows:

Cost of sales	7,568,172	5,346,245
Administrative expenses	<u>450,026</u>	<u>364,335</u>
	<u>8,018,198</u>	<u>5,710,580</u>

13.1.6 Composition of plan assets

	2021	2020
	Rupees	Rupees
Investment in modaraba companies	2,018,855	8,409,430
Investment with Meezan Investment Bank	11,000,000	-
Cash and cash equivalents	14,187,442	11,417,611
Others	<u>968,722</u>	<u>610,608</u>
	<u>28,175,019</u>	<u>20,437,649</u>

13.1.7 Actuarial assumptions

Discount rate - per annum / Rate of return on plan assets	10.00%	8.50%
Expected rate of increase in salary level - per annum	9.00%	7.50%
Expected year of services	8 years	8 years
Actuarial valuation method	Projected Unit Credit Method	
Expected mortality rate for active employees	SLIC (2001-2005) Mortality Table	

13.1.8 Estimated Charge for the year 2021-2022

	2022
	Rupees
Current service cost and Interest cost	<u>10,610,762</u>
	<u>10,610,762</u>

13.1.9 Year end sensitivity analysis on defined benefit obligations

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

	2021	2020
	Rupees	Rupees
Discount rate + 1%	(1,044,610)	(803,484)
Discount rate - 1%	1,101,322	850,938
Salary increase + 1%	1,101,322	850,938
Salary increase - 1%	<u>(1,063,444)</u>	<u>(818,141)</u>

Note 14

Issued, Subscribed and Paid up Share Capital

2021	2020		2021	2020
No. of Shares	No. of Shares		Rupees	Rupees
9,000	9,000	Ordinary shares of Rs. 10 each fully paid in cash	90,000	90,000
33,696,500	33,696,500	Ordinary shares of Rs. 10 each for consideration other than in cash	336,965,000	336,965,000
15,101,104	15,101,104	Ordinary shares of Rs. 10 each issued as right shares	151,011,040	151,011,040
<u>48,806,604</u>	<u>48,806,604</u>		<u>488,066,040</u>	<u>488,066,040</u>

14.1 The Company has not issued / cancelled any shares during the year.

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Note 15

Sponsors' Loan

This represented balances of interest free loans received from one of the directors of the Company for contributing towards ongoing capital work in progress and working capital requirements of the Company. These loans were unsecured and interest free; repayable on the discretion of the Company and had been accounted for as Sponsors' Loans in accordance with Technical Release TR-32 issued on January 9, 2016 by The Institute of Chartered Accountants of Pakistan. During the year, these loans have been transferred to Share deposit money.

Note 16

Reserves

	2021	2020
	Rupees	Rupees
Capital reserves		
Share premium reserve	863,632,121	863,632,121
Revenue reserves		
Unappropriated profit	1,113,513,396	534,347,786
	<u>1,977,145,517</u>	<u>1,397,979,907</u>

Note 17

Surplus on Revaluation of Property Plant and Equipment - Net

	2021	2020
	Rupees	Rupees
Land - freehold		
Opening balance	1,166,869,880	364,620,000
Add: Surplus on revaluation arisen during the year	-	802,249,880
	1,166,869,880	1,166,869,880
Buildings on freehold land		
Opening balance	2,137,845	-
Add: Surplus on revaluation arisen during the year	-	3,153,610
Less: Related deferred taxation	-	(914,547)
	2,137,845	2,239,063
Buildings on leasehold land		
Opening balance	79,401,659	-
Add: Surplus on revaluation arisen during the year	-	120,517,162
Less: Related deferred taxation	-	(34,949,977)
	79,401,659	85,567,185
Plant and machinery		
Opening balance	378,626,261	-
Add: Surplus on revaluation arisen during the year	-	567,711,973
Less: Related deferred taxation	-	(164,636,472)
	378,626,261	403,075,501
Transferred to retained earnings in respect of net incremental depreciation - net of deferred tax	(46,016,577)	(30,715,984)
Closing balance - net of tax	<u>1,581,019,068</u>	<u>1,627,035,645</u>

17.1 The surplus on revaluation of property, plant and equipment is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

Note 18

Long Term Financing

		2021	2020
	Note	Rupees	Rupees
Habib Bank Limited		96,660,289	25,306,484
Bank Al Habib Limited		103,408,379	187,289,955
Refinance for salaries - The Bank of Punjab		113,247,230	88,051,000
Less: deferred income - Government grant	21	(8,253,593)	(7,010,835)
		104,993,637	81,040,165
		305,062,305	293,636,604
Less: Current portion of loans			
- Habib Bank Limited		(16,069,221)	(12,653,242)
- Bank Al Habib Limited		(137,318,771)	(83,259,390)
- Refinance Scheme		(4,505,360)	-
	24	(157,893,352)	(95,912,632)
		<u>147,168,953</u>	<u>197,723,972</u>

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Note 18, Long term financing - Contd..

- 18.1** This represents the remaining balance of long term financing facilities package granted by Habib Bank Limited under SBP's financing scheme for renewable energy amounting to Rs. 60.386 million (2020: Rs. 25.306 million). For construction of building hall 4 at unit 2 to the extent of Rs. 36.274 million (2020: Rs. Nil). These facilities carry markup at 3 months KIBOR+ 1.5% per annum (2020: 3 months KIBOR+ 1.5% per annum) and are repayable in 5 years (including 1 year as grace period) on the basis of 16 to 20 quarterly principal instalments. The markup is recoverable on quarterly basis.
- 18.2** The facility is secured by way of combined collateral for various other funded and non-funded facilities approved by Habib Bank Limited for Unit II of the Company. Such combined collateral consists of:
- a) First Pari Passu charge of Rs. 540 million (2020: 540 million) over Project's fixed assets (i.e., land, building and machinery of Unit-II) registered with SECP through registered token mortgage for Rs. 1 Million, equitable mortgage of Rs. 500 million over company owned land of 145 Kanals and 07 Marlas situated in Tehsil Raiwand, District Lahore and Rs. 40 million on plant and machinery at Unit I and First Pari Passu charge over current assets of the Company for Rs. 703 Million (2020: 250 million).
- b) First exclusive charge over the solar plant and accessories erected at Unit I being financed for Rs. 45,190 million (2020: 45.190 million) registered with SECP and exclusive charge over Plant and Machinery for Rs. 64.951 million (2020: 64.951) comprising:
- JA Solar Panel (Mono -455 Watts/ 22.4% Efficiency, 25 Years Performance Warranty)
- Huawei Solar Grid Tie Inverter (100-KW 3 Phase Grid the Inverter)
- Schneider Solar Grid Tie Inverter (60-KW 3 Phase Grid the Inverter).
- c) Personal Guarantees of Directors Mr. Ghulam Murtaza, Mr. Kamal Mehmood Amjad Mian and Mrs. Roubina Shoukat.
- 18.3** This represents the remaining balance of long term financing facilities package granted by Bank Al - Habib Limited for the import of machinery (stranding & extruder machines), building and civil works and for the purchase of vehicles for Rs. 103.408 (2020: Rs. 193.888 million). These facilities carry markup at 6 months KIBOR+ 1.5% per annum (2020: 6 months KIBOR+ 1.5% per annum) and are repayable in 16 and 20 quarterly principal instalments. The markup is recoverable on quarterly basis. These facilities are secured against:
- a) Pari Passu charge of Rs. 882 million (2020: 1,000.972 million) on fixed assets (i.e., land, building, plant and machinery of unit II).
- b) Specific ranking charge over Fork Lifters of Rs. 13.75 million (2020: Rs. 13.75 million), specific charge over imported machinery of Rs. 25 million (2020: Rs. 125 million), specific charge over imported machinery of Rs. 45 million (2020: Rs. 45 million) and specific ranking charge over specific plant and machinery of Rs. 88 million (2020: Rs. 88 million) registered with SECP.
- c) Equity participation by the Company amounting to Rs. 177.10 million (2020: Rs. 177.10 million).
- d) Personal Guarantees of Directors Mr. Ghulam Murtaza and Mr. Kamal Mehmood Amjad Mian.
- 18.4** This represents availed portion of long term financing facilities package granted by Bank Al - Habib Limited for disbursement of salaries of employees under the State Bank of Pakistan Refinance Scheme for an amount of Rs. 113.247 million (2020: Rs. 88.051 million). This loan is repayable in 8 equal quarterly installments starting from January 01, 2021. Markup is charged at the rate of SBP rate plus 3% p.a payable quarterly in arrears. This facility is secured against the securities as mentioned in Note 18.3.

Note 19

Diminishing Musharaka Finance

	2021	2020
	Rupees	Rupees
Diminishing musharaka finance	41,916,250	31,107,240
Less: Current portion	<u>(18,853,969)</u>	<u>(13,643,092)</u>
	<u>23,062,281</u>	<u>17,464,148</u>

19.1 This represents amount payable in respect of diminishing musharakah finance arrangements entered into with First Habib Modaraba and Habib Metropolitan Bank for the purchase of vehicles. These finances are repayable in monthly instalments. The rental portion included in monthly instalments is charged to the statement of profit or loss account.

19.2 These arrangements are secured by joint ownership of assets purchased under the arrangements.

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Note 20

Lease Liabilities

	2021	2020
	Rupees	Rupees
Opening balance	61,607,296	-
Add: Additions during the year	49,126,272	70,979,434
Add: Interest expense	11,013,652	8,720,385
Less: Payments made	<u>(30,660,024)</u>	<u>(18,092,523)</u>
Gross liability	91,087,196	61,607,296
Less: Current portion	<u>(23,667,767)</u>	<u>(15,729,495)</u>
Closing balance	<u>67,419,429</u>	<u>45,877,801</u>

20.1 Summary of amounts relating to leases charged in different line items of the financial statements is as follows:

	Included in	Note	2021	2020
			Rupees	Rupees
Carrying amount of Right of Use assets	Statement of financial position	5	78,022,967	55,035,765
Depreciation charge	Statement of profit or loss	5.1	26,718,068	22,849,852
Finance cost	Statement of profit or loss	33	11,013,652	8,720,385
Payments made	Statement of cash flows		(30,660,024)	18,092,523

20.2 Maturity analysis of contractual cash flows including interest cost

At June 30, 2021	Within One Year	Between Two to Five Years	Later than Five Years
	----- (Rupees) -----		
	30,101,526	79,015,148	6,799,464

20.3 Nature of leasing activities

20.3.1 The Company's leases comprise space taken for its branches, factory and head office. Periodic rentals are fixed over the lease term. These neither contain any variable lease payments nor any lease incentives. The Company is not committed to any lease not yet commenced as at the reporting date.

20.3.2 Remaining lease term of existing lease contract is 1-7 years for which lease liability is recorded.

Note 21

Deferred Income – Government Grant

	Note	2021	2020
		Rupees	Rupees
Deferred income - Government grant	18	8,253,593	7,010,835
Less: current portion		<u>(4,505,360)</u>	<u>(1,533,511)</u>
		<u>3,748,233</u>	<u>5,477,324</u>

21.1 The Company has recorded deferred income for government grants in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" for the treatment of loan received under Refinance Scheme for Payment of Wages and Salaries that offers a less than market rate of interest. The standard treats any benefit of a government loan at a below-market rate of interest as a government grant. The loan is initially recognized and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. The Company is treating it as per income approach and therefore the grant's benefit shall be recognized in profit or loss on a systematic basis over the periods in which the entity records the related expense.

etc.

Note 22

Deferred Liabilities

	Note	2021 Rupees	2020 Rupees
Post employment benefit obligations	13.1	-	875,853
Deferred tax liability	22.1	203,542,808	251,120,089
Deferred income		143,405	143,405
		<u>203,686,213</u>	<u>252,139,347</u>

22.1 Deferred tax liability

	2021 Rupees	2020 Rupees
Taxable temporary differences		
Accelerated tax depreciation	186,434,637	189,516,240
Surplus on revaluation of property, plant and equipment	180,450,896	200,500,996
Right of Use Asset	22,626,660	-
Deductible temporary differences		
Lease liabilities	(26,415,287)	(13,304,562)
Loss allowance on local debts	(9,429,868)	(9,140,052)
Staff retirement benefits	-	(253,997)
Tax credits for minimum tax	(126,276,833)	(104,937,654)
WPPF and WWF	(23,847,397)	(11,260,882)
	<u>203,542,808</u>	<u>251,120,089</u>

Deferred tax assets / liabilities on temporary differences are measured at notified tax rate of 29%.

Note 23

Trade and Other Payables

	Note	2021 Rupees	2020 Rupees
Trade creditors		2,752,610,582	686,603,764
Contract liabilities		656,069,837	1,907,568,234
Accrued and other liabilities		126,661,844	66,638,089
Due to director		-	-
Workers' (profit) participation fund payable	22.1	59,346,331	27,905,987
Workers' welfare fund		22,886,071	10,924,640
Withholding tax payable		1,162,903	360,855
Security deposits		357,600	313,500
Other payables		54,950,619	47,872,208
		<u>3,674,045,787</u>	<u>2,748,187,277</u>

23.1 Workers' (profit) participation fund

	2021 Rupees	2020 Rupees
Balance at the beginning of the year	27,905,987	23,771,569
Provision during the year	41,112,403	13,529,185
Interest on workers' (profit) participation fund	2,776,646	1,278,404
	71,795,036	38,579,158
Paid during the year	(12,448,705)	(10,673,171)
	<u>59,346,331</u>	<u>27,905,987</u>

Note 24

Current Portion of Non Current Liabilities

	Note	2021 Rupees	2020 Rupees
Long term financing	18	157,893,352	95,912,632
Diminishing musharakah finance	19	18,853,969	13,643,092
Lease liabilities	20	23,667,767	15,729,495
Deferred income – Government grant	21	4,505,360	1,533,511
		<u>204,920,448</u>	<u>126,818,730</u>

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Note 25

Short Term Borrowings

	2021	2020
	Rupees	Rupees
Banking companies - Secured		
Banking companies - secured:		
Finance against trust receipts, Running musharka, Import local murabaha	<u>3,239,126,120</u>	<u>2,324,394,559</u>

25.1 Terms and conditions of borrowings

Purpose

This represents availed portion of funded facilities against finance package of funded and non-funded facilities of Rs. 3,239 million (2020: 2,324 million) obtained from various banks for purposes like usance LCs, cash finance, FATR/FCIF, inland bills purchase, murabaha finance and letters of guarantees, etc.

Markup

The availed finances under these facilities carry markup rates ranging KIBOR+0.75% to KIBOR+1.15% per annum (2020: KIBOR+1% per annum to KIBOR+1.15% per annum). These facilities are secured by way of combined collateral offered by the Company for long term and short term facilities. Such combined collateral consists of:

Securities

a) Equitable mortgage of Rs. 577.861 million (2020: 435.061 million) over commercial plot of 8 Marias situated at Phase III, DHA, Lahore Cantt and over plot number 253-254 situated at Phase VIII, DHA, Lahore Cantt. These plot are owned by the director of the Company.

b) Registered pari passu hypothecation charge of Rs. 5352.660 (2020: Rs. 4,825.66 million) on current assets of the Company in favour of various banks as per Joint Pari Passu arrangements.

c) Registered Pari Passu charge, ranking charge and exclusive charge of Rs. 1802.444 (2020: Rs. 3,453.47 million) on fixed assets of the Company in favour of various banks.

d) Personal guarantees of Mr. Mian Ghulam Murtaza (CEO), Mrs. Roubina Shaukat (Director) and Mr. Kamal Mehmood Amjad Mian (Director).

Note 26

Provision for Taxation

	2021	2020
	Rupees	Rupees
Opening balance	210,973,562	64,662,268
Add: Charge for the year	<u>271,436,222</u>	<u>134,295,470</u>
	482,409,784	198,957,738
Prior year adjustment	(1,828)	14,276,096
Tax credit under section 65-B of Income Tax Ordinance, 2001	-	(2,260,272)
Adjustments against tax credits	<u>(210,973,562)</u>	<u>-</u>
	<u>271,434,394</u>	<u>210,973,562</u>

26.1 The provision for current year tax represents normal tax at rate of 29% (2020: minimum tax on revenue @ 1.5%).

26.2 Income tax assessments are deemed finalized by the management up to the Tax Year 2020 as tax returns were filed under the self assessment scheme.

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Note 27

Contingencies and Commitments

	2021	2020
	Rupees	Rupees
Contingencies		
Letters of guarantee issued by banks on behalf of the Company	<u>798,970,844</u>	<u>744,263,916</u>
Commitments		
Letters of credit outstanding	649,881,013	506,418,227
Rentals of assets under Ijarah arrangements		
- Due not later than one year	<u>6,685,671</u>	<u>13,368,376</u>
- Due later than one year but not later than five years	<u>462,364</u>	<u>7,233,031</u>
	7,148,035	20,601,407
Commitments against capital work in process	100,000,000	-
	<u>757,029,048</u>	<u>527,019,634</u>

Note 28

Revenue

	2021	2020
	Rupees	Rupees
Gross sales - local	16,699,076,604	10,509,822,476
Less: Sales tax	<u>(2,484,221,965)</u>	<u>(1,556,913,030)</u>
Net sales	<u>14,214,854,639</u>	<u>8,952,909,446</u>
28.1 All the revenue is recognised at a point in time.		
28.2 Geographical markets		
Pakistan	<u>14,214,854,639</u>	<u>8,952,909,446</u>

Note 29

Cost of Sales

		2021	2020
	Note	Rupees	Rupees
Raw materials consumed	29.1	11,541,786,646	6,990,586,700
Salaries, wages and other benefits	29.2	299,535,442	232,263,347
Packing materials consumed		177,769,410	208,876,112
Utilities		188,328,660	83,737,009
Other factory overheads		56,830,685	69,680,266
Fuel and power		88,934,632	128,372,456
Repairs and maintenance		82,711,061	46,812,208
Insurance		7,639,647	4,853,189
Printing and stationery		1,573,831	1,361,118
Office Supplies		1,302,144	1,600,056
Diminishing musharakahh rentals		712,545	405,792
Entertainment		1,497,623	-
Depreciation	4.3	<u>268,788,765</u>	<u>256,572,031</u>
		12,717,411,091	8,075,170,784
Work in process:			
- Opening stock		<u>459,941,756</u>	<u>584,667,837</u>
- Closing stock		<u>(259,462,045)</u>	<u>(459,941,756)</u>
Cost of goods manufactured		12,917,890,802	8,149,846,365
Finished goods:			
- Opening finished goods		<u>1,224,220,261</u>	<u>725,853,736</u>
- Closing finished goods		<u>(1,837,553,700)</u>	<u>(1,224,220,261)</u>
		<u>(613,333,439)</u>	<u>(498,366,525)</u>
		<u>12,304,557,363</u>	<u>7,651,479,840</u>
29.1 Raw materials consumed:			
Opening raw material		1,308,777,219	1,124,072,623
Purchases		11,804,405,292	7,175,291,296
Raw material consumed		<u>(11,541,786,646)</u>	<u>(6,990,586,700)</u>
Closing balance		<u>1,571,395,865</u>	<u>1,308,777,219</u>

29.2 This includes Rs. 9,886,771 (2020: Rs. 7,658,805) in respect of employees benefits.

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Note 30

Distribution Cost

	Note	2021 Rupees	2020 Rupees
Salaries and benefits	30.1	188,561,275	182,947,332
Advertisement		145,209,453	119,149,209
Carriage and freight		60,439,948	44,817,577
Vehicle running expenses		15,079,202	17,193,697
Rents, rates and taxes		-	1,326,370
Communication		7,807,929	8,611,776
Travelling and conveyance		3,182,186	2,988,116
Fees and subscription		1,158,154	3,072,724
Insurance		4,042,778	3,567,168
Printing and stationery		772,500	2,324,083
Entertainment		2,566,568	3,853,395
Ijarah rentals		11,575,388	11,729,169
Utilities		2,753,858	3,161,309
Repairs and maintenance		1,271,721	1,017,398
Internet charges		200,909	73,073
Diminishing musharakah rentals		772,688	994,899
Staff training		456,703	264,100
Miscellaneous		24,100	2,000
Inspections and testing charges		53,573,865	-
Depreciation	4.3	17,870,002	16,964,623
		<u>517,319,227</u>	<u>424,058,018</u>

30.1 This includes Rs. 5,049,101 (2020: Rs. 7,532,567) in respect of employees benefits.

Note 31

Administrative Expenses

	Note	2021 Rupees	2020 Rupees
Salaries and benefits	31.1	135,835,262	100,171,155
Rents, rates and taxes		-	9,335,448
Utilities		4,822,661	3,869,989
Insurance		2,115,875	3,882,258
Communication		4,029,113	4,257,023
Repairs and maintenance		7,759,505	3,669,877
Vehicle running charges		3,981,878	4,906,418
Travelling and conveyance		10,097,020	4,105,569
Fees and subscription		2,293,889	1,829,826
Software repair and maintenance		5,158,657	9,133,107
Printing and stationery		773,784	1,874,046
Ijarah rentals		1,347,307	1,993,328
Office supplies	4.3	1,142,066	993,175
Legal and professional charges		3,803,205	2,082,000
Entertainment		617,201	997,182
Miscellaneous		77,100	11,061
Diminishing musharakah rentals		1,590,891	1,360,829
Depreciation		23,574,536	10,321,284
		<u>209,019,950</u>	<u>164,793,575</u>

31.1 This includes Rs. 5,289,328 (2020: Rs. 6,013,116) in respect of employees benefits.

Note 32

Other Operating Expenses

	Note	2021 Rupees	2020 Rupees
Charity and donations	32.1	67,008,489	65,230,018
Loss allowance	8.1	22,819,713	15,194,806
Workers' (profit) participation fund		41,112,403	13,529,185
Workers' welfare fund		19,752,828	8,080,404
Auditors' remuneration		510,000	410,000
		<u>151,203,433</u>	<u>102,444,413</u>

32.1 The represent amount paid to M/s Fatima Latif Welfare Trust. Three directors of the Company are included in the Board of Trustees of the donee.

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Note 33

Finance Cost

	2021	2020
	Rupees	Rupees
Markup on :		
- Short term borrowings	225,127,302	320,560,902
- Long term finance	19,430,168	43,797,022
- Lease liabilities	-	388,141
Bank charges	25,078,288	3,746,759
Interest on workers' (profit) participation fund	2,776,646	1,278,404
Unwinding of lease liability	11,013,651	8,720,385
	<u>283,426,055</u>	<u>378,491,613</u>

Note 34

Other Income

	2021	2020
	Rupees	Rupees
Profit on bank deposits	7,039,472	7,766,262
Gain on past service cost	-	9,422,453
Amortization of deferred income	-	143,406
	<u>7,039,472</u>	<u>17,332,121</u>

Note 35

Taxation

	Note	2021	2020
		Rupees	Rupees
Current tax:			
- Current year	26	271,436,222	134,295,470
- Adjustment against tax credits prior year		(1,828)	14,276,096
- Adjustment against tax credits		-	(2,260,272)
		271,434,394	146,311,294
Deferred tax		(47,762,319)	(63,904,630)
		<u>223,672,075</u>	<u>82,406,664</u>

35.1 Reconciliation of tax charge for the year

Profit before taxation	<u>756,368,083</u>	<u>248,974,108</u>
Tax @ 29% on profit before taxation	219,346,744	72,202,491
Adjustment against tax credits prior year	(1,828)	14,276,096
Adjustment against tax credits current year	-	(2,260,272)
Other adjustments	52,089,478	62,092,979
Deferred taxation	(47,762,319)	(63,904,630)
	<u>223,672,075</u>	<u>82,406,664</u>

35.2 The current tax expense for the year is calculated using normal tax of 29% (2020: 1.5% minimum tax based on turnover). The tax rate was enacted through the Finance Act, 2021. Deferred tax assets and liabilities on temporary differences are measured at 29%.

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Note 36

Cash Generated from Operations

	2021	2020
	Rupees	Rupees
Profit before taxation	756,368,083	248,974,108
Adjustments for:		
- Depreciation	310,233,303	283,857,940
- Workers' (profit) participation fund	41,112,403	13,529,185
- Interest on workers' (profit) participation fund	2,776,646	1,278,404
- Workers' welfare fund	19,752,828	8,080,404
- Post employment benefits	8,018,198	5,710,580
- Gain on past service cost	-	(9,422,453)
- Amortization of deferred income	-	(143,406)
- Finance cost	280,649,409	378,491,613
	<u>662,542,787</u>	<u>681,382,267</u>
Operating profit before working capital changes	1,418,910,870	930,356,375
(Increase) / decrease in current assets		
- Stock-in-trade	(675,472,374)	(558,345,040)
- Trade debts	(1,450,536,675)	(654,273,503)
- Loans and advances	(367,730,046)	580,054,983
- Deposits and prepayments	(1,784,283)	814,822
- Tax refund due from the Government	60,861,646	191,882,300
- Other receivables	(8,854,112)	-
Increase in current liabilities		
- Trade and other payables	866,987,968	(2,111,177)
	<u>(1,576,527,876)</u>	<u>(441,977,615)</u>
Cash (Used in) / Generated from Operations	<u>(157,617,006)</u>	<u>488,378,760</u>

Note 37

Liabilities arising from Financing Activities

	As at June 30, 2020	Non-cash changes	Cash flows (Net)	As at June 30, 2021
	Rupees			
Long term financing	305,062,305	-	12,668,459	317,730,764
Diminishing musharaka finance	31,107,240	26,327,700	(15,518,690)	41,916,250
Lease liabilities	61,607,296	60,139,924	(30,660,024)	91,087,196
Short term borrowings	2,324,394,559	-	914,731,561	3,239,126,120
Total liabilities from financing activities	<u>2,722,171,400</u>	<u>86,467,624</u>	<u>881,221,306</u>	<u>3,689,860,330</u>
	As at June 30, 2019	Non-cash changes	Cash flows (Net)	As at June 30, 2020
	Rupees			
Long term financing	436,384,921	-	(131,322,616)	305,062,305
Diminishing musharaka finance	8,298,252	22,808,988	-	31,107,240
Lease liabilities	-	79,699,819	(18,092,523)	61,607,296
Short term borrowings	2,325,445,287	-	(1,050,728)	2,324,394,559
Total liabilities from financing activities	<u>2,770,128,460</u>	<u>102,508,807</u>	<u>(150,465,867)</u>	<u>2,722,171,400</u>

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Note 38

Remuneration of Chief Executive Officer, Directors and Executives

The aggregate amounts charged in the financial statements for the year as remuneration and benefits paid to the chief executive officer, directors and executives of the Company are as follows:

	Chief Executive Officer		Directors		Executives		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	Rupees		Rupees		Rupees		Rupees	
Managerial remuneration	27,984,000	26,400,000	22,677,000	18,156,000	94,323,300	124,820,400	144,984,300	169,376,400
Bonus	2,376,000	1,000,000	1,932,000	665,000	8,465,860	-	12,773,860	1,665,000
	<u>30,360,000</u>	<u>27,400,000</u>	<u>24,609,000</u>	<u>18,821,000</u>	<u>102,789,160</u>	<u>124,820,400</u>	<u>157,758,160</u>	<u>171,041,400</u>
Number of persons	1	1	3	2	34	51	38	54

38.1 An executive is defined as an employee, other than the chief executive officer and directors, whose basic salary exceeds Rs. 1.2 million in a financial year.

38.2 The Company has provided company maintained vehicles to the Chief Executive Officer and two directors.

38.3 No meeting fee has been paid to any director of the Company.

Note 39

Balances and Transaction with Related Parties

Related parties comprise directors, associated undertakings in which directors are interested, key management personnel and staff retirement funds. Remuneration of key management personnel is disclosed in note 37 to these financial statements. Transactions with related parties are as follows:

Related party	Relationship	Nature of transactions	2021	2020
			Rupees	Rupees
Director	Associated person	Share Deposit Money received from director	174,340,828	647,719,000
Chief Executive Officer	Associated person	Sponsor's loan received	50,000,000	-
Chief Executive Officer	Associated person	Sponsor's loan repaid	(50,000,000)	-
Director	Associated person	Dividend paid	-	(122,016,510)
Directors	Associated person	Sponsor's loan transferred to Share deposit money	(35,854,113)	(98,905,167)
Employees' Gratuity Fund	Retirement Benefit Fund	Contribution paid to gratuity fund	8,200,919	6,683,241
Staff Provident Fund	Retirement Benefit Fund	Contribution paid to provident fund	37,214,003	8,666,536
Fatima Latif Welfare Trust	Common directorship	Donation paid during the year	60,305,423	65,230,018
Chief Executive Officer	Associated person	Rent paid during the year for factory building	-	6,215,579
Director	Associated person	Rent paid during the year for head office building	9,804,348	8,913,048

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Note 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, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

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.

(a) Market risk

(i) Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. This exists due to the Company's exposure resulting from outstanding import and export payments.

At June 30, 2021, if Pakistani Rupee had weakened / strengthened by 1% against the US dollars with all other variables held constant, pre-tax profit for the year would have been lower / higher by Rs. 1.86 million (2020: Rs. 1.13 million), mainly as a result of foreign exchange losses / gains on translation of US dollar-denominated financial assets and liabilities.

	<u>2021</u>	<u>2020</u>
	Rupees	Rupees
Letters of credit commitments	<u>649,881,013</u>	<u>506,418,227</u>

The following exchange rates were applied during the year:

Rupees per foreign currency rate

Average rate - Rupees per US Dollar	163.42	166.47
Reporting date rate - Rupees per US Dollar	158.40	168.43

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises from short and long-term borrowings. These are benchmarked to variable rates which expose the Company to cash flow interest rate risk.

As the Company has no significant floating interest rate assets, the Company's income is substantially independent of changes in market interest rates. The interest rate profile of the Company's interest-bearing financial instruments as at the reporting date is as follows:

	<u>2021</u>	<u>2020</u>
	Rupees	Rupees
<i>Floating rate instruments</i>		
Financial assets		
Bank balances - saving account	241,887,627	107,649,447
Financial liabilities		
Short term borrowings	(3,239,126,120)	(2,324,394,559)
Long term Borrowings	(352,089,401)	(324,542,702)
	<u>(3,349,327,894)</u>	<u>(2,541,287,814)</u>

Cash flow sensitivity analysis for variable rate instruments

As at June 30, 2021, if interest rates on the Company's borrowings had been 1% higher / lower with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 33.493 million (2020: Rs. 25.413 million), mainly as a result of interest exposure on variable rate borrowings.

(iii) Other price risk

Other price risk is 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 currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is not exposed to any market price risk.

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Note 40, Financial Risk Management - Continued...

Note 40.1, Financial Risk Factor - Continued...

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk of the Company arises from deposits with banks, trade receivables and other receivables. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilization of credit limits is regularly monitored. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings, if any. As at June 30, 2021, the maximum exposure to credit risk is equal to the carrying amount of the financial assets as detailed below:

	Note	2021 Rupees	2020 Rupees
Long term deposits	6	1,219,480	4,558,530
Trade debts - (Unsecured - consider good)	8	3,614,145,045	2,163,608,370
Trade deposits	10	28,904,433	26,040,822
Other receivables	11	15,000,000	-
Bank balances	12	429,543,941	201,360,531

The aging of trade debts as at reporting date is as follows:

	2021 Rupees	2020 Rupees
1 - 30 days	3,433,693,613	1,877,855,223
31 - 60 days	66,791,885	105,024,180
61 - 120 days	89,595,840	85,667,562
More than 120 days	24,063,707	95,061,405
	<u>3,614,145,045</u>	<u>2,163,608,370</u>

Customer credit risk is managed by each business unit subject to the Company's established policies, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. 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.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Company does not hold collateral as security.

The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are operated in largely independent markets. The credit risk on liquid funds is limited because the counter parties are either banks (with reasonably high credit ratings) and trade receivables for which the exposure is spread over a large number of counter parties.

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:

	Rating		Rating Agency	2021	2020
	Short term	Long term		Rupees	Rupees
Muslim Commercial Bank	A1+	AAA	PACRA	44,830,204	12,059,950
Bank Alfalah Limited	A1+	AA+	PACRA	6,733,201	12,559,318
Dubai Islamic Bank	A-1+	AA	JCR-VIS	6,748	6,748
Habib Bank Limited	A-1+	AAA	JCR-VIS	149,017,067	24,043,188
Faysal Bank Limited	A1+	AA	PACRA	58,388	58,388
Bank Al Habib Ltd	A1+	AA+	PACRA	29,682,247	58,470,987
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	4,640,276	18,158,174
Askari Bank Limited	A1+	AA+	PACRA	14,726,054	6,596,145
Standard Chartered Saadiq	A1+	AAA	PACRA	3,573,662	6,420,790
Summit Bank Limited	A-3	BBB-	JCR-VIS	140,814,594	40,760,265
Allied Bank Limited	A1+	AAA	PACRA	33,461,878	3,537,219
Soneri Bank Limited	A1+	AA-	PACRA	1,793,296	18,200,848
Al Baraka Bank Limited	A1	A	PACRA	194,844	194,844
	A-1	A+	JCR-VIS		
National Bank of Pakistan	A1+	AAA	PACRA	11,482	293,667
	A-1+	AAA	JCR-VIS		
				<u>429,543,941</u>	<u>201,360,531</u>

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Note 40, Financial Risk Management - Continued...

Note 40.1, Financial Risk Factor - Continued...

(c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios and maintaining debt financing plans. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

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

Description	Carrying Amount	Contractual cash flows	Within 1 year	2-5 Years	Above 5 Years
	Rupees	Rupees	Rupees	Rupees	Rupees
Long-term financing	200,068,668	229,221,899	157,893,352	71,328,547	-
Diminishing musharakahh finance	41,916,250	43,978,014	18,853,969	25,124,045	-
Lease liabilities	91,087,196	128,513,129	23,667,767	104,845,362	-
Trade and other payables	3,674,045,787	3,674,045,787	3,674,045,787	-	-
Accrued markup	49,999,564	49,999,564	-	-	-
Short term borrowings	3,239,126,120	3,697,626,265	3,697,626,265	-	-
	<u>7,296,243,585</u>	<u>7,823,384,658</u>	<u>7,572,087,140</u>	<u>201,297,954</u>	<u>-</u>

Contractual maturities of financial liabilities as at June 30, 2020:

Description	Carrying Amount	Contractual cash flows	Within 1 year	1-2 Years	Above 5 Years
	Rupees	Rupees	Rupees	Rupees	Rupees
Long-term financing	212,596,439	243,575,168	95,912,632	147,662,536	-
Diminishing musharakahh finance	31,107,240	32,637,334	13,643,092	18,994,242	-
Lease liabilities	61,607,296	86,920,519	19,079,444	50,837,472	17,003,603
Trade and other payables	801,427,561	801,427,561	801,427,561	-	-
Accrued markup	56,878,083	56,878,083	-	-	-
Short term borrowings	2,324,394,559	2,653,413,931	2,653,413,931	-	-
	<u>3,488,011,178</u>	<u>3,874,852,596</u>	<u>3,583,476,660</u>	<u>217,494,250</u>	<u>17,003,603</u>

(d) Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. Fair value is determined on the basis of objective evidence at each reporting date. The management believes that the fair values of financial assets and financial liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

40.2 Financial instruments by categories

Financial asset as at amortized cost

	2021	2020
	Rupees	Rupees
Long term deposits	1,219,480	4,558,530
Trade debts - (Unsecured - consider good)	3,614,145,045	2,163,608,370
Trade deposits	28,904,433	26,040,822
Other receivables	15,000,000	-
Cash and bank balances	438,084,715	205,181,122
	<u>4,097,353,673</u>	<u>2,399,388,844</u>

The Company did not possess any financial assets designated as fair value through profit or loss and fair value through other comprehensive income categories.

Financial liabilities at amortized cost

	2021	2020
	Rupees	Rupees
Long-term financing	147,168,953	197,723,972
Diminishing musharakahh finance	23,062,281	17,464,148
Lease liabilities	67,419,429	45,877,801
Trade and other payables	2,934,580,645	801,427,561
Accrued markup	49,999,564	56,878,083
Short term borrowings	3,239,126,120	2,324,394,559
	<u>6,461,356,992</u>	<u>3,443,766,124</u>

etc.

Note 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 operating level and regulating its dividend payout thus maintaining smooth capital management.

In line with the industry norms, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

	2021	2020
	Rupees	Rupees
Total borrowings	3,586,104,675	2,649,138,403
Cash and bank balances	(438,084,715)	(205,181,122)
Net debt	3,148,019,960	2,443,957,281
Equity	4,904,144,566	4,196,654,705
Total capital employed	<u>8,052,164,526</u>	<u>6,640,611,986</u>
Gearing ratio	<u>39.10%</u>	<u>36.80%</u>

Note 42

Plant Capacity and Actual Production

The production capacity of the plant cannot be determined as this depends on the relative proportions of the various types and sizes of cables and wires and type of aluminium sections produced.

Note 43

Number of Employees

	2021	2020
	Number	Number
Employees as at June 30,	967	774
Average employees during the year	871	799
43.1 This includes factory employees as at June 30,	47	54

Note 44

Subsequent Events

The Board of Directors at its meeting held on October 02, 2021, has proposed a final cash dividend @ Rs. 5 per share for the year ended June 30, 2021, (2020: Rs. Nil) as well as an issue of bonus shares @ Rs. 5 per share for the year ended June 30, 2021, (2020: Rs. Nil) for approval of the members at the Annual General Meeting to be held on October 28, 2021. These financial statements do not reflect these events.

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Note 45

Authorization of Financial Statements

These financial statements were approved and authorized for issue on ~~02 OCT 2021~~ by the Board of Directors of the Company.

Note 46

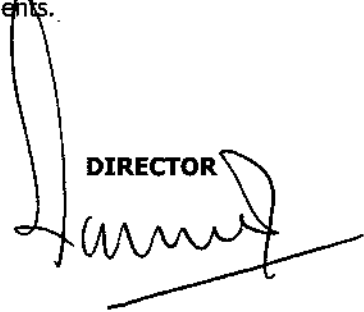
General

Comparative figures are re-arranged / reclassified, wherever necessary, to facilitate comparison. No material re-arrangements / reclassifications have been made in these financial statements.

CAC



CHIEF EXECUTIVE OFFICER



DIRECTOR