FAST CABLES LIMITED

FOR THE YEAR ENDED JUNE 30, 2022

Crowe

Crowe Hussain Chaudhury & Co.
25-E, Main Market, Gulberg II,
Lahore-54600, Pakistan
Main +92-42-3575 9223-5
www.crowe.pk

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, 2022, 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, 2022 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.

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.

Crowe

- 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.

Crowe Hussain Ch & Co

Lahore 27 SEP 2022
Dated:
UDIN: AR2022101692iawrUOJL

CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountant

FAST CABLES LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	4	4,260,572,087	3,916,587,347
Right-of-use assets	5	90,966,526	78,022,967
Long term deposits	6	-	1,219,480
		4,351,538,613	3,995,829,794
Current Assets			
Stock in trade	7	5,209,353,939	3,668,411,610
Trade debts	8	6,098,283,285	3,614,145,045
Loans and advances	9	1,954,147,093	966,317,622
Deposits and prepayments	10	46,321,956	32,315,120
Tax refunds due from the Government		59,899,428	58,572,247
Other receivables	11	63,473,854	15,000,000
Cash and bank balances	12	1,268,151,442	438,084,715
Post employment benefit asset	13	-	79,835
		14,699,630,997	8,792,926,194
Total Assets		19,051,169,610	12,788,755,988
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital 350,000,000 (2021: 50,000,000) ordinary shares of Rs. 10 each		3,500,000,000	500,000,000
Issued, subscribed and paid up share capital	14	2,504,270,001	488,066,040
Share deposit money		-	857,913,941
Reserves	15	1,662,484,688	1,977,145,517
Surplus on revaluation of property, plant and equipment - net	16	1,532,386,113	1,581,019,068
		5,699,140,802	4,904,144,566
Non Current Liabilities			
Long term financing	17	343,623,038	147,168,953
Diminishing musharaka finance	18	93,033,525	23,062,281
Lease liabilities	19	76,768,998	67,419,429
Deferred income – Government grant	20	-	3,748,233
Deferred liabilities	21	247,131,802	203,686,213
		760,557,363	445,085,109
Current Liabilities			
Trade and other payables	22	5,593,062,608	3,674,045,787
Accrued mark up		162,056,995	49,999,564
Sponsors' interest free loans	23	75,250,000	-
Current portion of non current liabilities	24	156,654,033	204,920,448
Short term borrowings	25	6,038,485,693	3,239,126,120
Provision for taxation	26	565,962,116	271,434,394
		12,591,471,445	7,439,526,313
Contingencies and Commitments	27	-	-
Total Equity and Liabilities		19,051,169,610	12,788,755,988

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

FAST CABLES LIMITED

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

	Note	2022 Rupees	2021 Rupees
Revenue	28	22,978,118,987	14,214,854,639
Cost of sales	29	(19,520,135,614)	(12,304,557,363)
Gross Profit		3,457,983,373	1,910,297,276
Distribution cost	30	(752,940,624)	(517,319,227)
Administrative expenses	31	(299,218,346)	(209,019,950)
		(1,052,158,970)	(726,339,177)
Operating Profit		2,405,824,403	1,183,958,099
Other operating expenses	32	(282,656,545)	(151,203,433)
Finance cost	33	(528,030,720)	(283,426,055)
Other income	34	16,262,893	7,039,472
Profit before Taxation		1,611,400,031	756,368,083
Income tax Expense	35		
Current tax		(455,449,302)	(271,434,394)
Super tax		(73,500,736)	-
Deferred tax		(43,352,441)	47,762,319
		(572,302,479)	(223,672,075)
Net Profit for the Year		1,039,097,552	532,696,008

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

FAST CABLES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2022

	2022	2021
	Rupees	Rupees
Net Profit for the Year	1,039,097,552	532,696,008
Other comprehensive income		
Items that will not be re-classified subsequently to profit or loss		
Re-measurement of post employment benefits	(101,934)	638,063
Less : Related deferred tax impact	33,638	(185,038)
Items that may be re-classified subsequently to profit or loss	-	-
Other comprehensive (loss) / income for the year	(68,296)	453,025
Total Comprehensive Income for the Year	1,039,029,256	533,149,033

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

FAST CABLES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2022

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, 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 income 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
Net profit for the year	-	-	-	-	1,039,097,552	-	1,039,097,552
Other comprehensive loss for the year	-	-	-	-	(68,296)		(68,296)
Total comprehensive income for the year	-	-	-	-	1,039,029,256	-	1,039,029,256
Ordinary Shares issued as Bonus Shares at Rs.10	1,158,290,020	-	-	-	(1,158,290,020)	-	-
Ordinary Shares issued as Right Shares at Rs.10	857,913,941	(857,913,941)	-	-	-	-	-
Incremental depreciation for the year on surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	41,414,919	(41,414,919)	-
Effect of rate change	-	-	-	-	7,218,036	(7,218,036)	-
Transactions with owners							
Dividend paid	-	-	-	-	(244,033,020)	-	(244,033,020)
Balance as at June 30, 2022	2,504,270,001	-	-	863,632,121	798,852,567	1,532,386,113	5,699,140,802

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

FAST CABLES LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Used in Operations	36	(376,743,913)	(157,617,006)
Finance cost paid		(405,206,300)	(279,290,922)
Income tax paid		(475,447,129)	(165,071,682)
Employee benefits / contributions paid		(10,401,752)	(1,825,784)
Workers' welfare fund paid		(19,579,741)	(7,791,397)
Workers' (profit) participation fund paid		(56,721,615)	(12,448,705)
		(967,356,537)	(466,428,490)
Net Cash used in Operating Activities		(1,344,100,450)	(624,045,496)
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(313,601,438)	(111,486,126)
Capital work in progress - property, plant and equipment		(224,494,326)	(97,388,871)
Long term deposits		4,286,380	889,150
Net Cash Used in Investing Activities		(533,809,384)	(207,985,847)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share deposit money		-	168,194,940
Sponsors' loan received		75,250,000	-
Long term financing		114,662,529	12,668,459
Short term borrowings		2,799,359,573	914,731,561
Dividend paid		(244,033,020)	-
Lease rental paid		(37,262,521)	(30,660,024)
Net Cash Generated from Financing Activities	37	2,707,976,561	1,064,934,936
Net Increase in Cash and Cash Equivalents		830,066,727	232,903,593
Cash and cash equivalents at the beginning of the year		438,084,715	205,181,122
Cash and Cash Equivalents at the End of the Year		1,268,151,442	438,084,715

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

CAS

CHIEF EXECUTIVE OFFICER

DIRECTOR

FAST CABLES LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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 loacted 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;
- Islamic Financial Accountng Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan 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 and IFAS, 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 3.1 & 4	(stated at Revalued amounts)
Post employment benefit obligations	Note 3.6 & 13	(stated at Present value)
Lease liabilities	Note 3.2 & 19	(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; expected credit loss allowance; provisions for obsolescence of stock; provisions for post employement benefits obligations; and taxation.

The basis and associated assumptions underlying the accounting estimates used in the preparation of annual financial statements of the Company for the year are consistent with the previous year's unless otherwise stated.

Note 2, Basis of Preparation - Continued...

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

2.4.1 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.

2.4.2 Loss allowance for doubtful debts and receivables

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

2.4.3 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.

2.4.4 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, 2021 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, 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors [Amendments]	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.

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 / revalued amounts less accumulated depreciation and identified impairment losses, if any, except land which is valued at cost / revalued amount. The Company has revalued its land, buildings on leasehold land, building on freehold land and plant and machinery while all other assets are stated at cost. Cost of property, plant and equipment comprises historical cost, borrowing cost pertaining to the construction and erection period and directly attributable cost of bringing assets to their working condition.

Depreciation on property, plant and equipment charged to profit or loss account 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.

The management reviews market value of revalued assets at each reporting date to ascertain whether the fair value of revalued assets has differed materially from the carrying value of revalued assets, thus necessitating further revaluation. The management engages independent professional valuers to value its property, plant and equipment every three to five years in line with the industry norms.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Additions, subsequent to revaluation, are stated at cost less accumulated depreciation and identified impairment loss, if any.

Increases in the carrying amount arising on revaluation of assets are recognized, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. However, the increase is first recognized in profit or loss to the extent that the increase reverses a revaluation decrease of the same asset previously recognized in profit or loss account.

Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the statement of profit or loss) and depreciation based on the asset's original cost - incremental depreciation on revalued assets is transferred from surplus on revaluation of property, plant and equipment to retained earnings. All transfers from surplus on revaluation of property, plant and equipment are net of applicable deferred taxation. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Depreciation method, residual value and useful lives of assets are reviewed at least at each reporting date and adjusted if impact on depreciation is significant.

The Company assesses at each reporting date whether there is any indication that property, plant and equipment is impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the statement of profit or loss. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. 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.

Subsequent cost is included in the carrying amount of an asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized. Gains or losses on disposal of property, plant and equipment are included in the current year's income.

Capital work-in-progress

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

Note 3, Significant Accounting Policies - Continued...

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.

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.

Note 3, Significant Accounting Policies - Continued...

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 account 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 acturial valuation, which is carried out by an independent valuer. Under this plan, gratuity is paid to retiring employees on the basis of their last drawn gross salary for each completed year of service.
Actuarial gains / (losses) arising from experience adjustments and changes in actuarial assumptions for the defined benefit plan are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the statement of profit or loss account.

3.7 Income tax expense

Income tax on the profit or loss account 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 higher of corporate tax (higher of tax based on taxable income and minimum tax) and alternative corporate tax.

Corporate tax is based on taxable income for the year determined in accordance with the prevailing laws of taxation. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years. However, in case of loss for the year, income tax expense is recognized as minimum tax liability on turnover of the Company in accordance with the provisions of the Income Tax Ordinance, 2001.

Alternative corporate tax is calculated at 17% of accounting profit, after taking into account the required adjustments.

The Company offsets current tax assets and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred

Deferred tax is recognized using the balance sheet 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.

Note 3, Significant Accounting Policies - Continued...

Note 3.7, Income tax expense - Continued...

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

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are charged to profit or loss account in the period in which they are incurred.

3.11 Foreign currency transactions

Transactions denominated in foreign currencies are initially recorded in Pak Rupees by applying the foreign exchange rates prevailing on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the reporting date. Exchange differences are included in statement of profit or loss account.

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

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

cHS

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 customer's 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 in relation to sales, purchases and services with related parties are made at arm's length prices determined in accordance with the Company's policy except for the allocation of expenses such as utilities, rental and common overheads shared with related parties, which are on actual basis.

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. 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 (EIR) 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.

CHC

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 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 identifed.

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 recieved or the payment is due if a customer pays consideration before the Company transfers goods to the customer.

Note 3, Significant Accounting Policies - Continued...

Note 3.16, Balances from contracts with customers - Continued...

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.

3.17 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 account.

3.18 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 statement of profit or loss account 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 non current liabilities as deferred income and are credited to statement of profit or loss account on a straight-line basis over the expected lives of the related assets.

3.19 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.

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.

CHC

Note 3, Significant Accounting Policies - Continued...

Note 3.19, Fair value measurement - Continued...

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 account 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 16
- Financial instruments (including those carried at amortized cost) — Note 40.2

CHS

Note 4
Property, Plant and Equipment

	Note	2022 Rupees	2021 Rupees
Operating fixed assets	4.1	4,195,296,822	3,874,086,632
Capital work in progress	4.7	65,275,265	42,500,715
		4,260,572,087	3,916,587,347

4.1 Operating fixed assets

As at June 30, 2022

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, 2021	1,378,500,000	699,910,512	211,835,700	1,627,729,187	9,421,968	194,406,523	77,130,891	273,294,757	4,472,229,538
Additions / (Disposals)	-	-	145,125,833	233,729,001	4,329,955	167,108,138	13,193,125	43,921,536	607,407,588
Balance as at June 30, 2022	1,378,500,000	699,910,512	356,961,533	1,861,458,188	13,751,923	361,514,661	90,324,016	317,216,293	5,079,637,126
Accumulated depreciation									
Balance as at July 01, 2021	-	98,876,787	34,733,248	241,545,390	3,900,130	99,396,524	56,847,517	62,843,310	598,142,906
Charge for the year	-	59,948,709	18,200,204	146,425,685	774,676	30,948,915	7,922,863	21,976,346	286,197,398
Balance as at June 30, 2022	-	158,825,496	52,933,452	387,971,075	4,674,806	130,345,439	64,770,380	84,819,656	884,340,304
Balance as at June 30, 2022	**1,378,500,000**	**541,085,016**	**304,028,081**	**1,473,487,113**	**9,077,117**	**231,169,222**	**25,553,636**	**232,396,637**	**4,195,296,822**
Depreciation rates	-	10%	10%	10%	10%	20%	30%	10%	

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

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 / (Disposals)	-	9,821,280	-	28,701,738	1,827,071	29,253,000	7,168,580	95,735,498	172,507,167
Balance as at June 30, 2021	1,378,500,000	699,910,512	211,835,700	1,627,729,187	9,421,968	194,406,523	77,130,891	273,294,757	4,472,229,538
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
Balance as at June 30, 2021	-	98,876,787	34,733,248	241,545,390	3,900,130	99,396,524	56,847,517	62,843,310	598,142,906
Balance as at June 30, 2021	**1,378,500,000**	**601,033,725**	**177,102,452**	**1,386,183,797**	**5,521,838**	**95,009,999**	**20,283,374**	**210,451,447**	**3,874,086,632**
Depreciation rates	-	10%	10%	10%	10%	20%	30%	10%	

CVE

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, Harbans 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 period/year

	Note	2022 Rupees	2021 Rupees
Cost of sales	29	253,759,913	263,999,843
Distribution cost	30	11,533,785	5,516,839
Administrative expenses	31	20,903,700	13,998,553
		286,197,398	283,515,235

4.4 As mentioned in Note 18, long term financing of the Company is secured by way of exclusive charge amounting to Rs. 110.141 million (2021: Rs. 110.141 million) over fixed assets of the Company.

4.5 Owned vehicles include vehicles amounting to Rs. 209.155 million (2021: Rs. 64.743 million) which have been acquired through Diminishing Musharaka Financing (Note 19).

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

4.7 Capital Work in Progress

	2022 Rupees	2021 Rupees
- Opening balance	42,500,715	45,029,145
- Additions during the year	224,494,326	97,388,871
	266,995,041	142,418,016
- Transferred to fixed assets	(201,719,776)	(99,917,301)
	65,275,265	42,500,715

Note 5
Right of Use Assets

	Note	2022 Rupees	2021 Rupees
Opening balance		78,022,967	55,035,765
Add: Additions during the year		43,506,879	49,705,270
		121,529,846	104,741,035
Less: Depreciation charge for the year		(30,563,320)	(26,718,068)
Closing balance		90,966,526	78,022,967
Lease Term (Years)		1 to 10	1 to 10

5.1 Apportionment of depreciation charge for the year

	Note	2022 Rupees	2021 Rupees
Cost of sales	29	4,788,922	4,788,922
Distribution costs	30	12,693,087	12,353,163
Administrative expenses	31	13,081,311	9,575,983
		30,563,320	26,718,068

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.

Note 6
Long Term Deposits

	2022 Rupees	2021 Rupees
Security deposits against Ijara	487,050	4,773,430
Less: Current portion	(487,050)	(3,553,950)
	-	1,219,480

Note 7
Stock in Trade

	Note	2022 Rupees	2021 Rupees
Raw materials and packing materials	7.1	2,131,554,785	1,571,395,865
Work in process		834,194,052	259,462,045
Finished goods		2,243,605,102	1,837,553,700
		5,209,353,939	3,668,411,610

7.1 As mentioned in Note 25, short term borrowings of the Company are secured by way of pari passu and hypothecation charge on current assets of the Company (including stock in trade).

Note 8
Trade Debts

	Note	2022 Rupees	2021 Rupees
Local - Unsecured			
Considered good		6,098,283,285	3,614,145,045
Considered doubtful		61,555,104	32,516,785
		6,159,838,389	3,646,661,830
Less: Loss allowance	8.1	(61,555,104)	(32,516,785)
		6,098,283,285	3,614,145,045

8.1 Loss allowance

	2022 Rupees	2021 Rupees
Opening balance	32,516,785	31,517,422
Loss allowance for the year	44,026,647	22,819,713
	76,543,432	54,337,135
Less: Bad debts written off	(14,988,328)	(21,820,350)
	61,555,104	32,516,785

Note 9
Loans and Advances

	Note	2022 Rupees	2021 Rupees
Advances (Unsecured - Considered good):			
- Employees	9.1	13,934,261	7,124,318
- Suppliers and contractors		527,344,537	183,704,057
- Advance against import letters of credit		873,477,401	477,123,166
Income tax deducted at source		539,390,894	298,366,081
		1,954,147,093	966,317,622

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

Note 10
Deposits and Prepayments

	2022 Rupees	2021 Rupees
Security deposits and bid monies	37,204,930	25,350,483
Current portion of security deposits against lease / ijarah arrangements	487,050	3,553,950
Prepayments	8,629,976	3,410,687
	46,321,956	32,315,120

Note 11
Other Receivables

	Note	2022 Rupees	2021 Rupees
Receivable from J.V	11.1	48,473,854	-
Margin against bank guarantee	11.2	15,000,000	15,000,000
		63,473,854	15,000,000

11.1 This represents an advance given to a joint venture (J.V) between Fast Cables Limited, BARQTRON Engineering Solutions (Private) Limited and MECONS (Private) Limited, in which all the parties agreed to jointly undertake a project awarded by K-Electric for survey, design, engineering, manufacture, supply, construction, installation, testing, commissioning, energization and handing over of 220 kV and 132 kV double circuit transmission lines.

11.2 This represents a bid security amounting to Rs. 15 million submitted by FCL in relation to a joint venture (J.V) as explained in Note 11.1.

Note 12
Cash and Bank Balances

	Note	2022 Rupees	2021 Rupees
Cash in hand		7,112,091	8,540,774
Cash at banks in:			
- Current accounts		522,336,879	187,656,314
- Savings accounts	12.1	738,702,472	241,887,627
		1,268,151,442	438,084,715

12.1 The savings accounts earn interest at floating rates based on daily bank deposit rates ranging from 3.55% to 8.25% (2021: 6.25% to 7.20%) 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 (Obligations) / Asset

	Note	2022 Rupees	2021 Rupees
Post employment benefit (obligations) / assets	13.1	(126,786)	79,835

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

13.1 The Company operates a 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, 2022. The disclosures made in the following notes are based on the information included in that actuarial report.

Present value of defined benefit (obligations) / assets - net		(126,786)	79,835

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

Present value of defined benefit obligations	13.1.3	(37,805,147)	(28,095,184)
Fair value of plan assets	13.1.4	37,678,361	28,175,019
Net reporting date (liability) / asset		(126,786)	79,835

13.1.2 Net Liability / asset Movement

Opening balance	(79,835)	875,853
Charge for the year	10,506,439	8,018,198
Contribution received during the year	(10,401,752)	(8,335,823)
Remeasurement losses / (gains)	101,934	(638,063)
	126,786	(79,835)

13.1.3 Movement in present value of defined benefit obligation

Opening balance	28,095,184	21,313,502
Current service cost	8,071,734	7,449,298
Interest cost	3,478,744	1,876,899
Remeasurement losses / (gains)	38,454	(718,731)
Payments made / approved during the year	(1,878,969)	(1,825,784)
Closing balance	37,805,147	28,095,184

13.1.4 Movement in fair value of plan assets

Opening balance	28,175,019	20,437,649
Contribution received during the year	10,401,752	8,335,823
Return on plan asset	1,044,039	1,307,999
Benefits paid in the year	(1,878,969)	(1,825,784)
Remeasurement losses	(63,480)	(80,668)
Closing balance	37,678,361	28,175,019

13.1.5 Charge for the year

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

Current service cost	8,071,734	7,449,298
Interest cost	3,478,744	1,876,899
Return on plan assets	(1,044,039)	(1,307,999)
	10,506,439	8,018,198

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

Cost of sales	10,134,370	7,568,172
Administrative expenses	372,069	450,026
	10,506,439	8,018,198

13.1.7 Composition of plan assets

Investment in modaraba companies	2,018,855	2,018,855
Investment with Meezan Investment Bank	11,379,252	11,000,000
Cash and cash equivalents	21,604,900	14,187,442
Others	2,675,354	968,722
	37,678,361	28,175,019

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

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

13.1.7 Actuarial assumptions

	2022	2021
Discount rate - per annum / Rate of return on plan assets	13.25%	10.00%
Expected rate of increase in salary level - per annum	10.00%	9.00%
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 rates with 1 year set back as per recommendation of Pakistan Society of Actuaries	

13.1.8 Estimated Charge for the year 2022-2023

	2023
	Rupees
Current service cost and Interest cost	13,670,170

13.1.9 Year end sensitivity analysis on defined benefit obligations

Reasonably possible changes at the reporting 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:

	2022	2021
	Rupees	Rupees
Discount rate + 1%	(1,215,320)	(1,044,610)
Discount rate - 1%	1,272,317	1,101,322
Salary increase + 1%	1,298,720	1,101,322
Salary increase - 1%	(1,261,597)	(1,063,444)

Note 14
Issued, Subscribed and Paid up Share Capital

2022	2021		2022	2021
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
115,829,002	-	Ordinary shares of Rs. 10 each issued as bonus shares.	1,158,290,020	-
100,892,498	15,101,104	Ordinary shares of Rs. 10 each issued as right shares.	1,008,924,981	151,011,040
250,427,000	48,806,604		2,504,270,001	488,066,040

14.1 The Company has issued 115,829,002 ordinary shares as bonus shares to its existing shareholders on the basis of its current shareholding ratio. The Company has also issued 85,791,394 ordinary shares as right shares against share deposits money of its share holders during the period.

Note 15
Reserves

	2022	2021
	Rupees	Rupees
Capital reserves		
Share premium reserve	863,632,121	863,632,121
Revenue reserves		
Unappropriated profit	798,852,567	1,113,513,396
	1,662,484,688	1,977,145,517

CHS

Note 16
Surplus on Revaluation of Property Plant and Equipment - Net

	2022 Rupees	2021 Rupees
Land - freehold	1,166,869,880	1,166,869,880
Buildings on freehold land	1,924,060	2,137,845
Buildings on leasehold land	71,461,493	79,401,659
Plant and machinery	340,763,635	378,626,261
Transferred to retained earnings in respect of net incremental depreciation - net of deferred tax	(41,414,919)	(46,016,577)
Effect of rate change	(7,218,036)	-
Closing balance - net of tax	1,532,386,113	1,581,019,068

16.1 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 17
Long Term Financing

	Note	2022 Rupees	2021 Rupees
Habib Bank Limited	17.1	237,647,663	96,660,289
Bank Al Habib Limited	17.2	152,581,540	103,408,379
Refinance for salaries - Bank Al Habib Limited	17.3	37,749,224	113,247,230
Less: deferred income - Government grant	20	(3,748,205)	(8,253,593)
		34,001,019	104,993,637
		424,230,222	305,062,305
Less: Current portion of loans			
- Habib Bank Limited		(16,069,221)	(16,069,221)
- Bank Al Habib Limited		(26,788,739)	(137,318,771)
- Refinance Scheme		(37,749,224)	(4,505,360)
	24	(80,607,184)	(157,893,352)
		343,623,038	147,168,953

17.1 This represents the remaining balance of long term financing facilities package granted by Habib Bank Limited under SBP's financing scheme for renewable energy, for construction of building hall 4 at unit 2 and for construction of copper furnace at unit 2 amounting to Rs. 237.647 million (2021: Rs. 96.660 million). These facilities carry markup at 3 months KIBOR + 1.25% to 1.5% per annum (2021: 3 months KIBOR+ 1.5% per annum) and are repayable in 5 years (including 1 year grace period) on the basis of 16 to 20 quarterly instalments. The markup is recoverable on quarterly basis.

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 (2021: Rs. 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. 0.1 Million, equitable mortgage of Rs. 500 million over the Company owned land of 145 Kanals and 17 Marlas situated in Tehsil Raiwand, District Lahore; 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 (2021: Rs. 703 million).

b) First exclusive charge over the solar plant and acessories erected at Unit I being financed for Rs. 45.190 million (2021: Rs. 45.190 million) registered with SECP, exclusive charge over plant and machinery for Rs. 64.951 million (2021: Rs. 64.951) and exclusive charge over specific machinery imported for Rs. 256.80 million (2021: Nil).

c) Personal Guarantees of certain Directors of the Company.

17.2 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. 152.582 (2021: Rs. 103.408 million). These facilities carry markup at 6 months KIBOR+ 1.5% per annum (2021: 6 months KIBOR+ 1.5% per annum) and are repayable in 16 to 20 quarterly instalments. The markup is recoverable on quarterly basis. These facilities are secured against:

a) Pari Passu charge of Rs. 1,572.972 million (2021:Rs. 882 million) on fixed assets (i.e., land, building, plant and machinery of unit II).

b) Specific ranking charge over fork lifters, plant & machinery and specific charge over imported machinery of Rs. 271.75 million (2021: Rs. 171.75 million) registered with SECP.

c) Equity participation by the Company amounting to Rs. 174.660 million (2021: Rs. 177.10 million).

d) Personal Guarantees of certain Directors of the Company.

cws

Note 17, Long term financing - Contd...

17.3 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. 37.749 million (2021: Rs. 113.247 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 17.2.

Note 18
Diminishing Musharaka Finance

	2022 Rupees	2021 Rupees
Diminishing musharaka finance	134,002,624	41,916,250
Less: Current portion	(40,969,099)	(18,853,969)
	93,033,525	23,062,281

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

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

Note 19
Lease Liabilities

	2022 Rupees	2021 Rupees
Opening balance	91,087,196	61,607,296
Add: Additions during the year	43,506,879	49,126,272
Add: Interest expense	10,766,989	11,013,652
Less: Payments made	(37,262,526)	(30,660,024)
Gross liability	108,098,543	91,087,196
Less: Current portion	(31,329,545)	(23,667,767)
Closing balance	76,768,998	67,419,429

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

	Included in	Note	2022 Rupees	2021 Rupees
Carrying amount of Right of Use assets	Statement of financial position	5	90,966,526	78,022,967
Depreciation charge	Statement of profit or loss account	5.1	30,563,320	26,718,068
Finance cost	Statement of profit or loss account	33	10,766,989	11,013,652
Payments made	Statement of cash flows		(37,262,526)	(30,660,024)

19.2 Maturity analysis of contractual cash flows including interest cost

At June 30, 2022	**Within One Year**	**Between Two to Five Years**	**Later than Five Years**
		--------------(Rupees)--------------	
	39,509,966	88,072,932	4,055,670

19.3 Nature of leasing activities

19.3.1 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.

19.3.2 Remaining lease term of existing lease contract is 1-10 years for which lease liability is recorded.

Note 20
Deferred Income – Government Grant

	Note	2022 Rupees	2021 Rupees
Deferred income - Government grant	17	3,748,205	8,253,593
Less: current portion		(3,748,205)	(4,505,360)
		-	3,748,233

20.1 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.

Note 21
Deferred Liabilities

	Note	2022 Rupees	2021 Rupees
Post employment benefit obligations	13.1	126,786	-
Deferred tax liability	21.1	246,861,611	203,542,808
Deferred income		143,405	143,405
		247,131,802	203,686,213

21.1 Deferred tax liability

	2022 Rupees	2021 Rupees
Taxable temporary differences		
Accelerated tax depreciation	250,026,595	186,434,637
Surplus on revaluation of property, plant and equipment	162,405,806	180,450,896
Right of Use Asset	30,018,954	22,626,660
Deductible temporary differences		
Lease liabilities	(35,672,519)	(26,415,287)
Loss allowance on local debts	(20,313,184)	(9,429,868)
Staff retirement benefits	(41,839)	-
Tax credits for minimum tax	(96,416,871)	(126,276,833)
WPPF and WWF	(43,132,956)	(23,847,397)
	246,873,986	203,542,808

21.1.1 Reconciliation of deferred tax liabilities / (assets) - Net

	2022	2021
Opening balance	203,542,808	251,120,089
Deferred tax expense / (income) during the year recognised in profit or loss account	36,134,405	(47,762,319)
Deferred tax (income) / expense during the year recognised in other comprehensive income	(33,638)	185,038
Effect of rate change	7,218,036	-
Closing balance	246,861,611	203,542,808

21.1.2 Deferred tax assets / liabilities on temporary differences are measured at effective tax rate of 33%.

Note 22
Trade and Other Payables

	Note	2022 Rupees	2021 Rupees
Trade creditors		4,337,495,725	2,752,610,582
Contract liabilities		907,203,874	656,069,837
Accrued and other liabilities		140,054,922	126,661,844
Workers' (profit) participation fund payable	22.1	89,433,462	59,346,331
Workers' welfare fund		41,272,467	22,886,071
Withholding tax payable		5,576,192	1,162,903
Security deposits		-	357,600
Other payables		72,025,966	54,950,619
		5,593,062,608	3,674,045,787

Note 22, Trade and Other Payables - Continued...

22.1 Workers' (profit) participation fund

Balance at the beginning of the year	59,346,331	27,905,987
Provision during the year	86,808,746	41,112,403
Interest on workers' (profit) participation fund	2,624,716	2,776,646
	148,779,793	71,795,036
Paid during the year	(59,346,331)	(12,448,705)
	89,433,462	59,346,331

Note 23
Sponsors' Loan

This represents balance of interest free loans received from one of the directors of the Company for contributing towards ongoing working capital requirements of the Company. These loans are unsecured and interest free; repayable on the demand.

Note 24
Current Portion of Non Current Liabilities

	Note	2022 Rupees	2021 Rupees
Long term financing	17	80,607,184	157,893,352
Diminishing musharaka finance	18	40,969,099	18,853,969
Lease liabilities	19	31,329,545	23,667,767
Deferred income – Government grant	20	3,748,205	4,505,360
		156,654,033	204,920,448

Note 25
Short Term Borrowings

	2022 Rupees	2021 Rupees
Banking companies - Secured		
Running musharka	435,981,997	358,370,828
Borrowings / Finannce against trust receipts	5,602,503,696	2,880,755,292
	6,038,485,693	3,239,126,120

25.1 Terms and conditions of borrowings

Purpose

This represents availed portion of funded facilities against finance package of funded and non-funded facitlites of Rs. 6,038 million (2021: Rs. 3,239 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 from KIBOR + 0.75% to KIBOR + 1% per annum (2021: KIBOR + 0.75% per annum to KIBOR + 1.15% per annum). These facilites 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. 557 million (2021: Rs. 557 million) over commercial building of 8 Marlas situated at Phase III, DHA, Lahore Cantt and over plot number 253-254 situated at Phase VIII, DHA, Lahore Cantt. These are owned by the director of the Company.

b) Registered pari passu and hypothecation charge of Rs. 10,398.37 million (2021: Rs. 5,352.66 million) on current assets of the Company in favour of various banks as per joint pari passu arrangements.

CHS

Note 25, Short Term Borrowings - Continued...

Note 25.1, Terms and conditions of borrowings - Continued...

c) Registered pari passu charge, ranking charge and exclusive charge of Rs. 2,745 million (2021: Rs. 1,802.44 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

	2022 Rupees	2021 Rupees
Opening balance	271,434,394	210,973,562
Add: Charge for the year	492,463,208	271,436,222
Add: Super tax	73,500,736	-
	837,398,338	482,409,784
Prior year adjustment	(37,013,906)	(1,828)
Adjustments against tax credits	(234,422,316)	(210,973,562)
	565,962,116	271,434,394

26.1 The provision for current year tax represents normal tax at rate of 29% and super tax of 4% (2021 : normal tax @ 29%).

26.2 Income tax assessments are deemed finalized by the management up to the Tax Year 2021 as tax returns were filed under the self assessment scheme.

Note 27
Contingencies and Commitments

	2022 Rupees	2021 Rupees
Contingencies		
Letters of guarantee issued by banks on behalf of the Company	2,031,423,000	798,970,844
Commitments		
Letters of credit outstanding	433,817,077	649,881,013
Rentals of assets under Ijarah arrangements		
- Due not later than one year	487,050	6,685,671
- Due later than one year but not later than five years	-	462,364
	487,050	7,148,035
Commitments against capital work in process	125,000,000	100,000,000
	559,304,127	757,029,048

Note 28
Revenue

	2022 Rupees	2021 Rupees
Gross sales - local	26,859,047,255	16,699,076,604
Less: Sales tax	(3,880,928,268)	(2,484,221,965)
Net sales	22,978,118,987	14,214,854,639

28.1 All the revenue is recognised at a point in time.

28.2 Geographical markets - Pakistan	22,978,118,987	14,214,854,639

CHS

Note 29
Cost of Sales

	Note	2022 Rupees	2021 Rupees
Raw materials consumed	29.1	18,637,373,585	11,541,786,646
Salaries, wages and other benefits	29.2	452,704,353	299,535,442
Packing materials consumed		345,354,331	177,769,410
Utilities		301,420,392	188,328,660
Other factory overheads		65,268,285	56,830,685
Fuel and power		126,220,288	88,934,632
Repairs and maintenance		84,311,414	82,711,061
Insurance		16,075,820	7,639,647
Printing and stationery		1,710,256	1,573,831
Office supplies		1,282,240	1,302,144
Diminshing musharaka rentals		719,453	712,545
Entertainment		2,285,641	1,497,623
Depreciation on property, plant and equipment	4.3	253,759,913	263,999,843
Depreciation on right-of-use assets	5.1	4,788,922	4,788,922
		20,293,274,893	12,717,411,091
Work in process:			
- Opening stock		259,462,045	459,941,756
- Closing stock		(834,194,052)	(259,462,045)
Cost of goods manufactured		19,718,542,886	12,917,890,802
Finished goods:			
- Opening finished goods		1,837,553,700	1,224,220,261
- Finished goods purchases		207,644,130	-
- Closing finished goods		(2,243,605,102)	(1,837,553,700)
		(198,407,272)	(613,333,439)
		19,520,135,614	12,304,557,363

29.1 Raw materials consumed:

	2022	2021
Opening raw material	1,571,395,865	1,308,777,219
Purchases	19,197,532,505	11,804,405,292
Raw material consumed	(18,637,373,585)	(11,541,786,646)
Closing balance	2,131,554,785	1,571,395,865

29.2 This includes Rs.14,248,528 (2021: Rs. 9,886,771) in respect of employees benefits.

Note 30
Distribution Cost

	Note	2022 Rupees	2021 Rupees
Salaries and benefits	30.1	212,063,015	188,561,275
Advertisement		286,610,030	145,209,453
Carriage and freight		45,090,630	60,439,948
Vehicle running expenses		28,041,028	15,079,202
Rents, rates and taxes		3,642,196	-
Communication		3,435,303	7,807,929
Travelling and conveyance		15,344,970	3,182,186
Fees and subscription		47,632	1,158,154
Insurance		2,794,002	4,042,778
Printing and stationery		2,199,812	772,500
Entertainment		1,976,092	2,566,568
Ijarah rentals		6,063,430	11,575,388
Utilities		5,756,092	2,753,858
Repairs and maintenance		6,368,798	1,271,721
Internet charges		224,099	200,909
Diminishing musharaka rentals		2,064,253	772,688
Staff training		3,094,411	456,703
Miscellaneous		42,482	24,100
Inspections and testing charges		103,855,477	53,573,865
Depreciation on property, plant and equipment	4.3	11,533,785	5,516,839
Depreciation on right-of-use assets	5.1	12,693,087	12,353,163
		752,940,624	517,319,227

CHf

Note 30, Distribution Cost - Continued...

30.1 This includes Rs. 9,253,744 (2021: Rs. 5,049,101) in respect of employees benefits.

Note 31
Administrative Expenses

	Note	2022 Rupees	2021 Rupees
Salaries and benefits	31.1	180,780,391	135,835,262
Utilities		9,894,814	4,822,661
Insurance		3,158,506	2,115,875
Communication		5,053,614	4,029,113
Repairs and maintenance		8,331,461	7,759,505
Vehicle running charges		11,994,349	3,981,878
Travelling and conveyance		1,779,712	10,097,020
Fees and subscription		14,742,110	2,293,889
Rents, rates and taxes		1,797,464	-
Software repair and maintenance		4,616,333	5,158,657
Printing and stationery		1,682,287	773,784
Ijarah rentals		306,266	1,347,307
Office supplies		1,385,187	1,142,066
Legal and professional charges		12,733,075	3,803,205
Entertainment		1,274,302	617,201
Miscellaneous		275,224	77,100
Diminishing musharaka rentals		5,428,240	1,590,891
Depreciation on property, plant and equipment	4.3	20,903,700	13,998,553
Depreciation on right-of-use assets	5.1	13,081,311	9,575,983
		299,218,346	209,019,950

31.1 This includes Rs.5,688,940 (2021: Rs. 5,289,328) in respect of employees benefits.

Note 32
Other Operating Expenses

	Note	2022 Rupees	2021 Rupees
Charity and donations	32.1	112,595,015	67,008,489
Loss allowance	8.1	44,026,647	22,819,713
Workers' (profit) participation fund		86,808,746	41,112,403
Workers' welfare fund		37,966,137	19,752,828
Auditors' remuneration	32.2	1,260,000	510,000
		282,656,545	151,203,433

32.1 This represents amount paid to M/s Fatima Latif Welfare Trust. Three directors of the Company are included on the Board of Trustees of the donee.

32.2 Auditors' remuneration:

- Audit fee annual	750,000	510,000
- Six months special audit	510,000	-
	1,260,000	510,000

Note 33
Finance Cost

	2022 Rupees	2021 Rupees
Markup on :		
- Short term borrowings	442,826,945	225,127,302
- Long term finance	31,566,624	19,430,168
Bank charges	40,245,446	25,078,288
Interest on workers' (profit) participation fund	2,624,716	2,776,646
Unwinding of lease liability	10,766,989	11,013,651
	528,030,720	283,426,055

CH$

Note 34
Other Income

	2022 Rupees	2021 Rupees
Profit on bank deposits	16,262,893	7,039,472

Note 35
Taxation

	Note	2022 Rupees	2021 Rupees
Current tax:			
- Current year	26	492,463,208	271,436,222
- Super tax		73,500,736	-
- Prior year adjustment		(37,013,906)	(1,828)
		528,950,038	271,434,394
Deferred tax		43,352,441	(47,762,319)
		572,302,479	223,672,075

35.1 Reconciliation of tax charge for the year

Profit before taxation	1,611,400,031	756,368,083
Tax @ 33% on profit before taxation	531,762,010	219,346,744
Prior year adjustment	(37,013,906)	(1,828)
Other adjustments	34,201,934	52,089,478
Deferred taxation	43,352,441	(47,762,319)
	572,302,479	223,672,075

35.2 The current tax expense for the year is calculated using normal tax of 29% and super tax of 4% (2021: Normal tax @ 29%). The tax rate was enacted through the Finance Act, 2021. Deferred tax assets and liabilities on temporary differences are measured at 33%.

Note 36
Cash Generated from Operations

	2022 Rupees	2021 Rupees
Profit before Taxation	1,611,400,031	756,368,083
Adjustments for:		
- Depreciation on property, plant and equipment	286,197,398	283,515,235
- Depreciation on right-of-use assets	30,563,320	26,718,068
- Workers' (profit) participation fund	86,808,746	41,112,403
- Interest on workers' (profit) participation fund	2,624,716	2,776,646
- Provision for loss allowance	44,026,647	22,819,713
- Workers' welfare fund	37,966,137	19,752,828
- Post employment benefits	10,506,439	8,018,198
- Finance cost	525,406,004	280,649,409
	1,024,099,407	685,362,500
Operating profit before working capital changes	2,635,499,438	1,441,730,583
(Increase) / decrease in current assets		
- Stock-in-trade	(1,540,942,329)	(675,472,374)
- Trade debts	(2,528,164,887)	(1,473,356,388)
- Loans and advances	(746,804,658)	(367,730,046)
- Deposits and prepayments	(17,073,736)	(1,784,283)
- Tax refund due from the Government	(1,327,181)	60,861,646
- Other receivables	(48,473,854)	(8,854,112)
Increase in current liabilities		
- Trade and other payables	1,870,543,294	866,987,968
	(3,012,243,351)	(1,599,347,589)
Cash Used in Operations	(376,743,913)	(157,617,006)

CHC

Note 37
Liabilities arising from Financing Activities

	As at June 30, 2021	Non-cash changes	Cash flows (Net)	As at June 30, 2022
	----------	----------	Rupees ----------	----------
Long term financing	305,062,305	4,505,388	114,662,529	424,230,222
Diminishing musharaka finance	41,916,250	92,086,374	-	134,002,624
Lease liabilities	91,087,196	54,273,868	(37,262,521)	108,098,543
Dividend	-	-	(244,033,020)	(244,033,020)
Sponsors' interest free loans	-	-	75,250,000	75,250,000
Short term borrowings	3,239,126,120	-	2,799,359,573	6,038,485,693
Total liabilities from financing activities	3,677,191,871	150,865,630	2,707,976,561	6,536,034,062

	As at June 30, 2020	Non-cash changes	Cash flows (Net)	As at June 30, 2021
	----------	----------	Rupees ----------	----------
Long term financing	293,636,604	(1,242,758)	12,668,459	305,062,305
Diminishing musharaka finance	31,107,240	10,809,010	-	41,916,250
Sponsors' interest free loans	35,854,113	(35,854,113)	-	-
Share deposit money	647,719,000	35,854,113	168,194,940	851,768,053
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	3,394,318,812	69,706,176	1,064,934,936	4,528,959,924

UHC

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	
	2022	2021	2022	2021	2022	2021	2022	2021
	Rupees		Rupees		Rupees		Rupees	
Managerial remuneration	31,200,000	27,984,000	27,600,000	22,677,000	165,727,788	94,323,300	224,527,788	144,984,300
Bonus	2,600,000	2,376,000	2,300,000	1,932,000	13,810,649	8,465,860	18,710,649	12,773,860
	33,800,000	30,360,000	29,900,000	24,609,000	179,538,437	102,789,160	243,238,437	157,758,160
Number of persons	1	1	3	3	38	34	42	38

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 38 to these financial statements. Transactions with related parties are as follows:

Related party	Relationship	Nature of transactions	2022 Rupees	2021 Rupees
Director	Associated person	Share deposit money received from director	-	174,340,828
Chief Executive Officer	Associated person	Sponsor's loan received	103,000,000	50,000,000
Chief Executive Officer	Associated person	Sponsor's loan repaid	(27,750,000)	(50,000,000)
Director	Associated person	Dividend paid	(244,033,020)	-
Directors	Associated person	Sponsor's loan transferred to share deposit money	-	(35,854,113)
Employees' Gratuity Fund	Retirement Benefit Fund	Contribution paid to gratuity fund	(10,401,752)	(8,200,919)
Staff Provident Fund	Retirement Benefit Fund	Contribution paid to provident fund	(18,684,773)	(18,607,002)
Fatima Latif Welfare Trust	Common directorship	Donation paid during the year	97,100,000	60,305,423
Chief Executive Officer	Associated person	Rent paid during the year for factory building & land Islamabad Office & drawing hall	13,483,161	-
Director	Associated person	Rent paid during the year for head office building	10,784,783	9,804,348
Balance as at				
Sponsors' interest free loans			75,250,000	-

CHC

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 or 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. Currently, the Company's foreign exchange risk exposure is restricted to:

	2022	2021
	Rupees	Rupees
Letters of credit commitments	433,817,077	649,881,013

The following exchange rates were applied during the year:

Rupees per foreign currency rate		
Average rate - Rupees per US Dollar	182.20	163.42
Reporting date rate - Rupees per US Dollar	206.00	158.40

At June 30, 2022, if Pakistani Rupee had weakened / strengthen 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. 4.338 million (2021: Rs. 6.498 million), mainly as a result of foreign exchange losses / gains on translation of US dollar-denominated financial assets and liabilities.

(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. Borrowings obtained at fixed rate expose the Company to fair value 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:

Floating rate instruments

Financial assets		
Bank balances - savings account	738,702,472	241,887,627
Financial liabilities		
Short term borrowings	(6,038,485,693)	(3,239,126,120)
Long term Borrowings	(424,230,222)	(305,062,305)
Diminishing musharaka finance	(134,002,624)	(41,916,250)
Lease liabilities	(108,098,543)	(91,087,196)
	(5,966,114,610)	(3,435,304,244)

Cash flow sensitivity analysis for variable rate instruments

As at June 30, 2022, 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. 59.661 million (2021: Rs. 34.353 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.

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, trade debts, other receivables and bank balances. 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, 2022, the maximum exposure to credit risk is equal to the carrying amount of the financial assets as detailed below:

	Note	2022 Rupees	2021 Rupees
Long term deposits	6	-	1,219,480
Trade debts - (Unsecured - considered good)	8	6,098,283,285	3,614,145,045
Trade deposits	10	37,691,980	28,904,433
Other receivables	11	63,473,854	15,000,000
Bank balances	12	1,261,039,351	429,543,941

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

	2022	2021
1 - 30 days	5,688,464,347	3,433,693,613
31 - 60 days	201,599,691	66,791,885
61 - 120 days	157,775,192	89,595,840
More than 120 days	50,444,055	24,063,707
	6,098,283,285	3,614,145,045

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 Short term	Rating Long term	Rating Agency	2022 Rupees	2021 Rupees
Muslim Commercial Bank	A1+	AAA	PACRA	15,359	44,830,204
Bank Alfalah Limited	A1+	AA+	PACRA	77,120,324	6,733,201
Dubai Islamic Bank	A-1+	AA	JCR-VIS	631,922	6,748
Habib Bank Limited	A-1+	AAA	JCR-VIS	138,202,770	149,017,067
Faysal Bank Limited	A1+	AA	PACRA	300,358,433	58,388
Bank Al Habib Limited	A1+	AAA	PACRA	124,861,623	29,682,247
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	110,228,812	4,640,276
Askari Bank Limited	A1+	AA+	PACRA	145,343,413	14,726,054
Standard Chartered Bank	A1+	AAA	PACRA	31,142,393	3,573,662
Summit Bank Limited	A3	BBB-	JCR-VIS	192,433,951	140,814,554
Allied Bank Limited	A1+	AAA	PACRA	56,160,415	33,461,878
Soneri Bank Limited	AA-	A1+	PACRA	2,415,419	1,793,296
Bank Islami Pakistan Limited	A+	A1	PACRA	32,529,838	-
Bank of Punjab	AA+	A1+	PACRA	49,338,939	-
Al Baraka Bank Limited	A-1	A+	PACRA	255,740	194,844
National Bank of Pakistan	A1+	AAA	PACRA	-	11,482
				1,261,039,351	429,543,901

CHE

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, 2022:

Description	Carrying Amount	Contractual cash flows	Within 1 year	2-5 Years	Above 5 Years
	Rupees	Rupees	Rupees	Rupees	Rupees
Long-term financing	424,230,222	486,047,406	219,571,972	266,475,434	-
Diminishing musharaka finance	134,002,624	140,593,905	60,274,507	80,319,398	-
Lease liabilities	108,098,543	152,514,103	28,087,934	124,426,169	
Trade and other payables	4,549,576,613	4,549,576,613	4,549,576,613	-	-
Accrued markup	162,056,995	162,056,995	162,056,995	-	-
Short term borrowings	6,038,485,693	6,893,236,778	6,893,236,778	-	-
	11,416,450,690	12,384,025,800	11,912,804,799	471,221,001	-

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

Description	Carrying Amount	Contractual cash flows	Within 1 year	1-2 Years	Above 5 Years
	Rupees	Rupees	Rupees	Rupees	Rupees
Long-term financing	305,062,305	349,514,802	157,893,352	191,621,450	-
Diminishing musharaka 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	2,934,580,645	2,934,580,645	2,934,580,645	-	-
Accrued markup	49,999,564	49,999,564	49,999,564	-	-
Short term borrowings	3,239,126,120	3,697,626,265	3,697,626,265	-	-
	6,661,772,080	7,204,212,419	6,882,621,562	321,590,857	-

(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

	2022	2021
	Rupees	Rupees
Long term deposits	-	1,219,480
Trade debts - (Unsecured - considered good)	6,098,283,285	3,614,145,045
Trade deposits	37,691,980	28,904,433
Other receivables	63,473,854	15,000,000
Cash and bank balances	1,268,151,442	438,084,715
	7,467,600,561	4,097,353,673

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

	2022	2021
	Rupees	Rupees
Long-term financing	424,230,222	305,062,305
Diminishing musharakahh finance	134,002,624	41,916,250
Lease liabilities	108,098,543	91,087,196
Trade and other payables	4,549,576,613	2,934,580,645
Accrued markup	162,056,995	49,999,564
Short term borrowings	6,038,485,693	3,239,126,120
	11,416,450,690	6,661,772,080

CHS

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.

As at the reporting date, the gearing ratio of the Company was worked out as under:

	2022	2021
	Rupees	Rupees
Total borrowings	6,596,718,539	3,586,104,675
Cash and bank balances	(1,268,151,442)	(438,084,715)
Net debt	5,328,567,097	3,148,019,960
Equity	5,699,140,802	4,904,144,566
Total capital employed	11,027,707,899	8,052,164,526
Gearing ratio	48.32%	39.10%

Note 42
Shari'ah Screening Disclosure

	2022	2021
	Rupees	Rupees
Loans and advances as per islamic mode	6,562,717,520	3,481,111,038
Shariah compliant bank deposits / bank balances / overdrawn	33,432,859	45,031,796
Profit earned from Shariah compliant bank deposits / bank balances	-	-
Revenue earned from a Shariah compliant business segment	-	-
Gain/loss or dividend earned from Shariah compliant investments	-	-
Exchange gain / (loss) earned from actual currency	-	-
Mark up paid on Islamic mode of financing	474,393,569	244,557,470
Profits earned or interest paid on any conventional loan or advance	-	-

Note 43
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 or copper sections produced.

CHC

Note 44
Number of Employees

	2022	2021
	Number	Number
Employees as at June 30,	1252	967
Average employees during the year	1110	871

Note 45
Authorization of Financial Statements

These financial statements were approved and authorized for issue on 24 SEP 2022 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.

CHIEF EXECUTIVE OFFICER

DIRECTOR