

2018

ANNUAL REPORT



www.halaenterprises.com



Hala Enterprises Limited



CONTENTS

Vision & Mission Statement	1
Company Information	2
Notice of Annual General Meeting	3-5
Information For Shareholders	6
Director's Report	7-12
Statement of Compliance with listed Companies (Code of Corporate Governance) Regulation 2017	13-14
Key Financial Data last Six years	15
Independent Auditor's Review Report on Statement of Compliance (CCG) Regulation 2017	16
Information Massage on Jama Punji	17
Independent Auditor's Report to the Members	18-22
Statement of Financial Position	23-24
Statement of Profit or Loss	25
Statement of Comprehensive Income	26
Statement of Changes in Equity	27
Statement of Cash Flows	28
Notes to the Financial Statements	29-59
Pattern of Holding of the Share	60-61
Form of Proxy English & Urdu	62-63



VISION & MISSION STATEMENT

Vision Statement

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

Mission Statement

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



COMPANY INFORMATION

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



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of the Shareholders of HALA ENTERPRISES LIMITED will be held on Saturday, October 27, 2018 at 11:00 A.M. at Factory Premises, 17.5 KM Sheikhpura Road, Lahore, the Registered Office of the Company to transact the following business.

ORDINARY BUSINESS

1. To confirm minutes of Extra ordinary General Meeting held on December 20, 2017.
2. To receive and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2018 along with Directors and Auditors Reports thereon.
3. To appoint External Auditors of the Company for the year ending June 30, 2018 as recommended by the Board of Directors and to fix their remuneration.
5. Any other business with the permission of the Chair.

By order of the Board

(Muhammad Mushtaq Saeed Iqbal)
Company Secretary

Lahore: October 05, 2018

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 20, 2018 to October 27, 2018 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote for him/her. Proxies in order to be effective, must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting and must be duly stamped, signed and witnessed.
3. Members are requested to notify changes immediately to our Share Registrar, if any, in their registered addresses.
4. CDC Account Holders will have to follow the below mentioned guidelines as laid down in Circular 1 dated January, 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. FOR ATTENDING THE MEETING:

- i) In case of individuals, the account holder or sub-account holder shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport along with Participants ID number and their account number at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature of nominee shall be produced (unless it has been provided earlier) at the time of the meeting.



NOTICE OF ANNUAL GENERAL MEETING

B. FOR APPOINTING PROXIES:

- i) In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owners and of the proxy shall be furnished with the proxy form.
- iv). The Proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- v). In case of a corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with p r o x y form to the company.

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

We wish to inform you that in accordance with the approval of the board of director in their meeting held on October 03.2018, the remuneration of Mr.Jillani Jahangir CEO of the company has been determined up to 1.5 million per annum and Mr. Abdul Munaf Executive director of the company up to Rs.1.2 million per annum with effect from July 01,2018 excluding bonuses, retirement fund, incentives and other entitlements as may be granted at any time and from time to time by the board of directors of the company and / or in accordance with the policies and the service rules of the company for the time being in force.

اطلاع سالانہ اجلاس عام

بذریعہ نوٹس ہذا مطلع کیا جاتا ہے کہ ہالہ انٹرپرائزز کے حصاد ران کا سالانہ اجلاس عام ہفتہ 27 اکتوبر 2018ء کو صبح 11:00 بجے، کمپنی کے رجسٹرڈ دفتر فیکٹری پریمسز: 17.5 کلو میٹر شیخوپورہ روڈ لاہور میں درج ذیل امور کی انجام دہی کیلئے منعقد ہوگا۔

عام امور:

- 1- 20 دسمبر 2017ء کو منعقدہ حصاد ران کے غیر معمولی اجلاس عام کی کارروائی کی توثیق۔
- 2- 30 جون 2018ء کو ختم ہونے والے سال کے لیے کمپنی کے سالانہ آڈٹ شدہ اکاؤنٹس کے ساتھ ساتھ ڈائریکٹرز اور آڈیٹرز رپورٹس پر غور کرنا اور ان کی منظوری دینا۔
- 3- مالی سال 2018-2019 کیلئے آڈیٹرز کا تقرر اور معاوضہ طے کرنا۔
- 4- صاحب صدر کی اجازت سے کسی دیگر امر پر کارروائی ہوگی۔

حسب الحکم بورڈ

لاہور

محمد مشتاق سعید اقبال

5 اکتوبر 2018ء

کمپنی سیکرٹری

نوٹ:

- 1- کمپنی کی منتقلی حصص کی کتابیں 20 اکتوبر 2018ء تا 27 اکتوبر 2018ء (بشمول ہر دو ایام) بند رہیں گے۔
- 2- اجلاس ہذا میں شرکت اور ووٹ دینے کا اہل ممبر، اپنی بجائے کسی دوسرے ممبر کو شرکت اور ووٹ دینے کیلئے اپنا پراکسی مقرر کر سکتا/سکتی ہے۔ پراکسیاں تا آنکہ موثر ہو سکیں۔ اجلاس کے وقت سے کم از کم 48 گھنٹے قبل باقاعدہ مہر شدہ اور دستخط شدہ کمپنی کے رجسٹرڈ دفتر میں لازماً وصول ہو جانی چاہئیں۔
- 3- حصص داران سے درخواست ہے کہ اپنے رجسٹرڈ پتہ میں تبدیلی اگر کوئی ہو، فی الفور ہمارے شیئر رجسٹرار کو مطلع کریں۔

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



INFORMATION FOR SHAREHOLDERS

Company's Registered Office/Works

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

Share Registrar

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

Listing on Stock Exchange

Hala Enterprises Limited is listed on:
Pakistan Stock Exchange Limited

Stock Symbol

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

Statutory Compliance

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

Share Transfer System

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

Proxies

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

Notification of SECP for the purpose of CNIC of Shareholders

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

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

Dividend Mandate (Optional)

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

Financial Information

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

Company's Website

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

Annual General Meetings

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



DIRECTOR'S REPORT

The Directors of the company hereby present the 46th Annual Report on the operations of the company along with the audited financial statements for the year ended June 30th, 2018. The Directors' report under the Companies ACT 2017 and revised CCG 2017 will be put forward to the members at the 46th Annual General Meeting of the Company to be held on the 27th of October, 2018.

The performance of the company during the financial year 2017-2018 showed a continued improvement from the previous year. The total annual turnover increased from Rs. 231 M to Rs. 314 M - marking an unprecedented 36% growth in sales over a one-year period. The gross profit also increased in proportion to the growth of sales which was an extremely positive indicator. The major growth factor was better export sales at higher prices than previous years - and the impact of production line changes which were made earlier this calendar year. The company's export performance has also shown a remarkable increase of 33% over a one year period - thereby qualifying it for an additional 3.55% DLT. From the previous year, the company has managed to draw an additional Rs. 12.5 M through export incentives by increasing its exports volume and its sales value.

However, despite the positive changes there have been negative factors which have limited the company's performance - and shall probably continue to hinder further growth. Firstly, the higher costs of energy (especially gas) has made the textile industry in Pakistan unable to compete regionally. In addition, the industry situated in Punjab faces a much higher energy cost than the competitors situated in other provinces. This is primarily due to the major difference of tariff in the MMBTU price per unit of Sui Gas. Until the gas rates are not rationalized and equalized between various provinces, the textile industry in Punjab shall continue to suffer from poor profitability and much higher input costs.

Secondly, the long awaited Government refunds amounting to millions create a liquidity crunch for all manufacturing units - especially those who are in the export sector. This in turn could help turnaround a lot of businesses who are dependent upon cash buying for their raw materials and inputs - and help them to further increase their export volumes.

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

ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز 30 جون 2018 کے اختتامی سال کے لئے آڈٹ شدہ مالی دستاویزات کے ساتھ کمپنی کے امور پر چھیلیسویں سالانہ رپورٹ پیش کرتے ہیں۔ ڈائریکٹرز کی رپورٹ کمپنیز ایکٹ 2017 اور نظر ثانی شدہ سی سی جی 2017 کے تحت سالانہ جنرل اجلاس میں اراکین کے سامنے 27 اکتوبر 2018 کو پیش کی جائے گی۔ مالی سال 2017-18 کے دوران کمپنی کی کارکردگی میں پچھلے سال سے مسلسل بہتری آئی ہے، کمپنی کے مجموعی سالانہ کاروباری حجم میں 36 فی صد غیر مثالی اضافہ ہوا جو کہ پچھلے سال 231 ملین روپے سے 314 ملین ہو گیا ہے۔ اس طرح مجموعی خام منافع میں بھی فروخت کی ترقی کے تناسب سے اضافہ ہوا۔ جو ایک مثبت اشارہ ہے

اضافہ کی بڑی وجہ ایکسپورٹ کی قیمت میں پچھلے سال کے مقابلہ میں زیادہ ہونا اور پیداواری لائین میں تبدیلی کا عنصر شامل ہونا ہے۔ ایک سال میں کمپنی کی ایکسپورٹ کارکردگی میں 33 فی صد اضافہ ہوا ہے۔ جس کی بنیاد پر کمپنی اضافی 3.55 فی صد DTL کے لئے اہل ہو گئی ہے۔ پچھلے سال کے مقابلے میں ایکسپورٹ کے حجم اور قدر میں اضافے کی وجہ سے مزید 12.5 ملین روپے کا ایکسپورٹ انسٹو (Incentive) شامل ہوا ہے۔

تاہم مثبت تبدیلیوں کے باوجود کچھ منفی عوامل نے کمپنی کی کارکردگی کو محدود کر دیا ہے۔ جو کہ مستقبل میں بھی جاری رہ سکتے ہیں۔ سب سے پہلے توانائی کی زیادہ قیمت خاص طور پر گیس کی قیمت میں اضافہ کی وجہ سے ٹیکسٹائل انڈسٹری باقی علاقائی صنعت کا مقابلہ نہیں کر سکتی۔ اس کے علاوہ پنجاب میں واقع انڈسٹری دوسرے صوبوں کے مقابلہ میں زیادہ توانائی کی لاگت کا سامنا کرتی ہے۔ یہ بنیادی طور پر سوئی گیس کے MMBTU کی فی یونٹ قیمت میں ٹیرف کے اہم فرق کی وجہ سے ہے۔ جب تک گیس کی شرح تمام صوبوں کے درمیان متوازن نہیں کی جاتی پنجاب میں ٹیکسٹائل انڈسٹری کم منافع بخش ہو گی۔ اور اس کے ان پٹ (Input) اخراجات میں اضافہ ہو گا۔

مزید برآں لاکھوں روپے مالیت کے گورنمنٹ ری فنڈ میں دیر کی وجہ سے مینوفیکچر اور خصوصاً ایکسپوٹرز کو مالی مشکلات کا سامنا ہے۔ گورنمنٹ ری فنڈ میں بہتری لاکر بہت سے اداروں کو بحال کرنے میں مدد مل سکتی ہے۔ جو اپنے خام مال اور دیگر ان پٹ نقد خریدتے ہیں۔ ہم اس موقع پر گاہکوں، سپلائرز اور بینکوں کا شکریہ ادا کرتے ہیں کہ ترقی کے اس سفر میں ان کا تعاون مستقبل میں بھی جاری رہے گا۔



DIRECTOR'S REPORT

Financial and Operating Results

	2018 RUPEES	2017 RUPEES
Operating Profit	12,663,332	8,319,844
Finance cost	(7,426,496)	(6,502,900)
Other income	<u>3,304,783</u>	<u>2,691,683</u>
Profit before taxation	8,541,619	4,508,627
Taxation	<u>(3,120,293)</u>	<u>(2,388,697)</u>
Profit before disposal of assets	5,421,326	2,119,930
Net Profit for the year	<u><u>5,421,326</u></u>	<u><u>2,119,930</u></u>
Earnings per share		
Basic	0.80	0.31
Dilutive	0.43	0.16

Reason for Dividend/Bonus Shares not declared

The company earned only nominal profit during the financial year and was therefore unable to declare any dividends or bonus shares.

Board Meetings

During the year under review, 4 meetings of the Board of Directors were held from July 01, 2017 to June 30, 2018. All written notice, of the Board Meetings, along with agenda and working papers, were circulated to all directors at least seven days before the meetings.

Attendance by each Director was as under:

Attendance by each Director was as under:

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

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

Audit Committee

The Board of Directors of the Company has formed an Audit Committee comprising of three members. All members of the Committee are Non-Executive in accordance with the provision of revised CCG. During the year June 30, 2018, four (4) meetings were held. Attendance by each member was as under:

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

Terms of reference of Audit Committee

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

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

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

- Review of the interim and annual financial statements of the Company prior to approval by the Board of Directors.
- Discussions with the external auditors of major observations arising from interim and final audits; review of management letter issued by the external auditors and management's response thereto.
- Review of scope and extent of internal audit ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.
- Ascertain adequacy and effectiveness of the internal control system including financial and



DIRECTOR'S REPORT

- (v) Determination of compliance with relevant statutory requirements and monitoring compliance with the best practices of corporate governance.
- (vi) Institute special projects, value for money studies or other investigations on any matters specified by the Board of Directors.

Human Resource and Remuneration Committee.

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

S.No. Name of Members

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

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

Terms of Reference

The Committee shall be responsible for:

- i) recommending human resource management policies to the board;
- ii) recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
- iii) recommending to the Board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and
- iv) consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO.

Internal Audit and Control

The Board has set up an independent audit function headed by a qualified and a full time employee of the Company reporting to the Chairman Audit Committee and administratively to the Chief Executive Officer. The scope of internal auditing within the Company is clearly defined which broadly involves review and evaluation of its' internal control system in accordance with business risk assessments.

This includes independent assessment and evaluation of the effectiveness and efficiency of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets of the Company and compliance with laws and regulations. The Internal Audit also undertakes special studies, value for money studies and such other special projects as and when required by the Board Audit Committee.

Corporate Governance

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

The Company recognizes and respects the rights of each and every stakeholder including shareholders, employees, financiers, creditors, business partners, local communities and others. The Company encourages active participation of shareholders in all general meetings of the Company and values their views towards better governance and operational management. The Company is also cognizant of its legal and constructive obligations towards its business partners, local communities where it operates and other stakeholders and takes appropriate actions to timely respond to their expectations after taking into account a pragmatic view of their interests associated with the Company.

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

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



DIRECTOR'S REPORT

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

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

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

Corporate and Financial Reporting Framework

- (i) The financial statements, prepared by the Management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- (ii) Proper books of account of the Company have been maintained.
- (iii) Appropriate accounting policies have been applied in preparation of financial statements and any changes in accounting policies have been disclosed in the financial statements. The accounting estimates are based on reasonable and prudent judgment.
- (iv) International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- (v) The system of internal control is sound in design and has been effectively implemented and monitored.
- (vi) There are no significant doubts upon the Company's ability to continue as a going concern.

- (vii) There has been no material departure from best practices of corporate governance as detailed in listing regulations.
- (viii) Key operating and financial data of last six years has been given in the Annual Report.
- (ix) Information about outstanding taxes, duties, levies and charges is given in Notes to the Accounts.
- (x) Significant plans and decisions regarding corporate restructuring, business expansion and discontinuance of operations are outlined along with future prospects, risks and uncertainties have been disclosed in relevant sections of Directors Report.
- (xi) The value of investments in employee retirement funds based on the latest audited Accounts as of 30 June, 2018 are as follows:

Gratuity Fund Rs. 44.578 Million

- (xi) Details of number of Board and Committees' meetings held during the year and attendance by each Director has been disclosed in Annual Report. Leave of absence was granted to Directors who could not attend some of the board and committee meetings.
- (xii) A statement of the pattern of shareholding in the Company as at 30 June, 2018 of certain classes of shareholders whose disclosure is required under the revised CCG and the statement of purchase and sale of shares by Directors, executives and their minor children during the year is shown on the Annual Report.

Code of Conduct for Directors and Employees

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

Priority Standards of Conduct:

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



DIRECTOR'S REPORT

- ii) **Quality:** To achieve complete customer satisfaction by focusing on smart team work, meeting all applicable legal and regulatory requirements & continually improving our strategies and goals.
- iii) **Productivity:** With safety and quality each of us will strive to excel the performance in all fields of our activities i.e. Production Divisions, Marketing & Planning, after sales service, Finance, Import, Purchase & Logistic and Human Resources & Administration etc.

Safety, Health and Environment

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

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

Compliance with the Code of Corporate Governance.

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

Transaction with Related Parties

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

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

The statement of pattern of shareholding along with categories of shareholders of the company as at June 30, 2018, as required by Companies Act, 2017 and Code of Corporate Governance is annexed with this report.

Statutory Auditors of the Company

The present Auditors of the Company, M/s Tariq Abdul Ghani Maqbool & Co., Chartered Accountants, Lahore, shall retire and being eligible for re-appointment for the year 2019.

Audit Committee recommended the appointment of M/s Tariq Abdul Ghani Maqbool & Co. as External Auditor for the tenure of next year 2019 subject to the approval of Shareholders in their upcoming Annual General Meeting held on October 27, 2018.

Acknowledgements

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

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

For & on behalf of the Board

(Jillani Jahangir)
Chief Executive Officer

Lahore

Dated: October 03, 2018



STATEMENT OF COMPLIANCE

With the Code of Corporate Governance as at June 30, 2018

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

Name of company: Hala Enterprises Limited

Year ending: June 30, 2018

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

1. The total number of directors are Seven (7) as per the following:
 - a. Male: 4
 - b. Female: 3
2. The composition of board is as follows:

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

* Currently the company has less than required number of Independent Directors on the Board. As specified in the Regulations the Company will appoint required number of independent director not later than expiry of its current term pursuant to effective date of the Regulations.

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board of Directors of the Company consist of seven (7) eminent directors, out of which one (1) director is already certified under the Director's Training Program and two (2) directors are exempt. During the year in review no Director's Training Program was arranged by the company, however, the remaining directors will acquire the required directors' training within the time specified in the Regulations.



STATEMENT OF COMPLIANCE

With the Code of Corporate Governanceas at June 30, 2018

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
 1. The board has formed committees comprising of members given below:
 - a) Audit Committee
 1. Mr.Rashid Ahmad Khan (Independent Director) – Chairman
 2. Mrs. Munizae Jahangir (Non-Executive Director)
 3. Mrs. Sulema Jahangir (Non-Executive Director)
 - b) HR and Remuneration Committee
 1. Mr. Rashid Ahmad Khan– (Independent Director) - Chairman
 2. Mr. Jillani Jahangir (Executive Director)
 3. Mrs. Munizae Jahangir (Non-Executive Director)
 4. Mrs. Sulema Jahangir (Non-Executive Director)
 2. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
 3. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
 - a) Audit Committee:

Four quarterly meetings were held during the financial year ended June 30, 2018
 - b) HR and Remuneration Committee

One Meeting of HR and Remuneration Committee was held during the financial year ended June 30, 2018.
15. The board has set up an effective internal audit function which is considered suitably qualified, experienced for the purpose and conversant with the policies and procedures of the Company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

(Jillani Jahangir)
CEO



KEY FINANCIAL DATA LAST SIX YEARS

Particulars	2018	2017	2016	2015	2014	2013
		(Re-stated)	(Re-stated)			
Subscribed and paid up capital	68,040,000	68,040,000	68,040,000	68,040,000	68,040,000	68,040,000
Capital Reserve	24,230,233	25,591,623	22,682,680	18,290,866	14,225,694	12,079,812
Long term loan-secured	-	-	-	-	-	-
Deferred liabilities	44,577,951	43,754,038	43,794,285	41,829,086	38,921,261	36,162,801
Current liabilities	151,025,102	165,317,087	155,321,798	176,477,752	179,896,062	178,555,533
Operating fixed assets	108,504,724	113,456,998	121,491,107	107,117,076	122,987,051	92,695,692
Current assets	191,227,176	196,111,684	176,589,861	191,274,431	184,570,727	189,222,755
Sales	314,091,422	231,100,822	208,472,967	232,992,322	287,226,825	285,526,710
Gross profit	55,314,814	41,621,108	29,554,261	36,146,398	38,557,774	34,650,279
Operating Profit / (loss)	12,663,332	8,319,844	(4,375,359)	482,641	(2,118,136)	(4,949,277)
Profit / (Loss) before taxation	8,541,619	4,508,627	(7,409,726)	(9,687,200)	(14,091,685)	(23,192,339)
Profit / (loss) after taxation	5,421,326	2,119,930	(8,201,266)	(11,960,973)	(16,910,915)	(26,017,495)



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS

On the Statement Of Compliance with the listed Companies (CCG) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") prepared by the Board of Directors of Hala Enterprises Limited ("the Company") for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

Tariq Abdul Ghani Maqbool & Co.
Chartered Accountants

Lahore October 03, 2018



www.jamapunji.pk



**Be aware, Be alert,
Be safe**

Learn about investing at
www.jamapunji.pk

Key features:

- Licensed Entities Verification
- Scam meter*
- Jamapunji games*
- Tax credit calculator*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered

- Stock trading simulator
(based on live feed from KSE)
- Knowledge center
- Risk profiler*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

jamapunji.pk

[@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Opinion

We have audited the annexed financial statements of Hala Enterprises Limited, which comprise the statement of financial position as at June 30, 2018 and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017, 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, 2018 and of the profit, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Following are the Key audit matters:

S. No. Key audit matter

How the matter was addressed in our audit

1. First time application of third and fourth schedules to the Companies Act, 2017

As referred to in note 2.5 to the annexed financial statements, the third and fourth schedules to the Companies Act, 2017 became applicable for the first time for the preparation of the Company's annual financial statements for the year ended June 30, 2018.

The Companies Act, 2017 (including third and fourth schedules) forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.

As part of this transition to the requirements of the said third and fourth schedules, the management performed a gap analysis to identify differences between the previous reporting framework and the current reporting framework and as a result assessed the amendments (as specified in the said note 2.5) relating to disclosures required in the Company's financial statements.

We consider it as a key audit matter in view of the extensive impacts in the financial statements due to the Companies Act, 2017.

Our audit procedures included the following:

Considering the management's process to identify the necessary amendments required in the Company's financial statements.

Evaluating the results of management's analysis and key decisions taken in respect of the transition, using our knowledge of the relevant requirements of the third and fourth schedules to the Companies Act, 2017 and our understanding of the Company's operations and business.

Assessing the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures made in the annexed financial statements based on the new requirements.

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

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

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

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

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.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

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 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

Lahore
October 03, 2018

Taqi Abdul Gani Maghalsi
Chartered Accountants

STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

	Note	2018 Rupees	Restated 2017 Rupees	Restated 2016 Rupees
EQUITY AND LIABILITIES				
Share Capital and Reserves				
Authorized share capital 16,000,000 (2017: 16,000,000) ordinary shares of Rs. 10 each		160,000,000	160,000,000	160,000,000
Issued, subscribed and paid up capital	5	68,040,000	68,040,000	68,040,000
Share deposit money	6	61,923,044	61,923,044	61,923,044
Reserves	7	24,230,233	25,591,623	22,682,680
Accumulated loss		(124,590,308)	(131,191,722)	(134,549,853)
Surplus on Revaluation of Property, Plant and Equipment	8	80,571,990	82,180,724	83,810,126
Total Equity		110,174,959	106,543,669	101,905,997
Non Current Liabilities				
Deferred liabilities	9	44,577,951	43,754,038	43,794,285
Current Liabilities				
Trade and other payables	10	44,365,283	47,684,400	51,350,271
Unpaid dividend		-	541,012	541,012
Unclaimed dividend		-	892,493	892,493
Accrued mark up	11	1,759,740	3,585,447	7,770,541
Short term borrowings	12	91,440,000	96,390,000	89,210,000
Due to related parties	13	10,221,193	13,835,038	3,405,189
Provision for taxation	14	3,238,886	2,388,697	2,152,292
Total Current Liabilities		151,025,102	165,317,087	155,321,798
Liabilities directly associated with non-current assets classified as held for sale	15	21,775,000	21,775,000	3,775,000
CONTINGENCIES AND COMMITMENTS				
	16			
		327,553,012	337,389,794	304,797,080

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



CHIEF EXECUTIVE



STATEMENT OF FINANCIAL POSITION As at June 30, 2018

	Note	2018 Rupees	Restated 2017 Rupees	Restated 2016 Rupees
ASSETS				
Non Current Assets				
Property, plant and equipment	17	87,750,348	91,938,309	102,992,790
Long term investments	18	16,139,580	17,500,970	14,592,027
Long term deposits	19	4,614,796	4,017,719	3,906,290
Total Non-current Assets		108,504,724	113,456,998	121,491,107
Current Assets				
Stores and spares	20	7,683,123	9,167,536	8,849,653
Stock in trade	21	85,530,435	93,135,308	88,268,365
Trade debts	22	32,706,745	36,112,507	29,045,551
Advances, deposits, prepayments and other receivables	23	38,850,272	29,576,412	19,885,041
Tax refund due from Government	24	17,427,420	18,229,844	18,144,442
Due from associates	25	6,211,211	6,616,246	9,402,081
Cash and bank balances	26	2,817,970	3,273,831	2,994,728
Total Current Assets		191,227,176	196,111,684	176,589,861
Non-current assets classified as held for sale	27	27,821,112	27,821,112	6,716,112
		327,553,012	337,389,794	304,797,080

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

DIRECTOR



STATEMENT OF PROFIT OR LOSS

For The Year Ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
Revenue	28	314,091,422	231,100,822
Cost of sales	29	(258,776,608)	(189,479,714)
Gross Profit		55,314,814	41,621,108
Operating expenses			
- Selling and distribution costs	30	(22,426,434)	(15,651,317)
- Administrative expenses	31	(20,056,444)	(16,956,066)
- Other operating expenses	32	(168,604)	(693,881)
		(42,651,482)	(33,301,264)
Operating Profit		12,663,332	8,319,844
Finance cost	33	(7,426,496)	(6,502,900)
Other income	34	3,304,783	2,691,683
		(4,121,713)	(3,811,217)
Profit before Taxation		8,541,619	4,508,627
Taxation	35	(3,120,293)	(2,388,697)
Profit for the year before disposal of "Assets Held for Sale"		5,421,326	2,119,930
Gain on disposal of asset		-	-
Net Profit for the Year		5,421,326	2,119,930
Earnings per Share			
Basic	37	0.80	0.31
Dilutive	37	0.42	0.16

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

CHIEF EXECUTIVE

DIRECTOR



STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended June 30, 2018

	Note	2018	2017
Net Profit for the Year		5,421,326	2,119,930
Other Comprehensive Income			
<i>Items that will not be reclassified to profit and loss</i>			
Actuarial (loss) due to experience adjustment on remeasurement of staff retirement benefits		(428,646)	(391,201)
<i>Items that may be reclassified subsequently to profit and loss</i>			
(Loss)/ Profit on remeasurement of investment available for sale		(1,361,390)	2,908,943
Other comprehensive (loss)/ income for the year		(1,790,036)	2,517,742
Total Comprehensive income for the Year		3,631,290	4,637,672

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

CHIEF EXECUTIVE

DIRECTOR



STATEMENT OF CHANGES IN EQUITY

For The Year Ended June 30, 2018

Particulars	Share Capital	Share Deposit Money	Reserves				Accumulated Loss	Surplus on Revaluation of Property, Plant and Equipment	Total
			Capital Reserve	Investment Revaluation Reserve	Revenue Reserve	Total			
Balance as at July 1, 2016-as previously reported	68,040,000	61,923,044	2,274,287	13,408,393	7,000,000	22,682,680	(134,549,853)	-	18,095,871
Impact of restatement (note 4)	-	-	-	-	-	-	-	83,810,126	83,810,126
Balance as at July 1, 2016-as restated	68,040,000	61,923,044	2,274,287	13,408,393	7,000,000	22,682,680	(134,549,853)	83,810,126	101,905,997
Comprehensive income / (loss) for the year									
Net loss for the year	-	-	-	-	-	-	2,119,930	-	2,119,930
Other comprehensive income for the year	-	-	-	2,908,943	-	2,908,943	(391,201)	-	2,517,742
Total comprehensive loss for the year	-	-	-	2,908,943	-	2,908,943	1,728,729	-	4,637,672
Incremental depreciation for the year on surplus on revaluation of property, plant and equipment	-	-	-	-	-	-	1,414,934	(1,414,934)	-
Surplus realized on disposal	-	-	-	-	-	-	214,468	(214,468)	-
Balance as at June 30, 2017-as restated	68,040,000	61,923,044	2,274,287	16,317,336	7,000,000	25,591,623	(131,191,722)	82,180,724	106,543,669
Balance as at July 1, 2017	68,040,000	61,923,044	2,274,287	16,317,336	7,000,000	25,591,623	(131,191,722)	82,180,724	106,543,669
Comprehensive income / (loss) for the year									
Net profit for the year	-	-	-	-	-	-	5,421,326	-	5,421,326
Other comprehensive income for the year	-	-	-	(1,361,390)	-	(1,361,390)	(428,646)	-	(1,790,036)
Total comprehensive income for the year	-	-	-	(1,361,390)	-	(1,361,390)	4,992,680	-	3,631,290
Incremental depreciation for the year on surplus on revaluation of property, plant and equipment	-	-	-	-	-	-	1,282,821	(1,282,821)	-
Surplus realized on disposal	-	-	-	-	-	-	325,913	(325,913)	-
Balance as at June 30, 2018	68,040,000	61,923,044	2,274,287	14,955,946	7,000,000	24,230,233	(124,590,308)	80,571,990	110,174,959

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

CHIEF EXECUTIVE

DIRECTOR



STATEMENT OF CASH FLOWS

For The Year Ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
Cash generated from operations	36	22,662,508	6,279,836
Dividend paid		(1,433,505)	-
Income tax paid		(3,474,913)	(2,767,826)
Finance cost paid		(9,252,203)	(10,687,994)
Gratuity paid		(4,211,473)	(5,026,329)
		(18,372,094)	(18,482,149)
Net Cash used in/ generated from operating activities		4,290,414	(12,202,313)
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment	17	(1,950,000)	(14,394,207)
Dividend income	34	493,725	675,623
Proceeds from disposal of property, plant and equipment	17	1,660,000	1,020,000
Advance against asset held for sale	15	-	18,000,000
Net Cash generated from Investing Activities		203,725	5,301,416
CASH FLOWS FROM FINANCING ACTIVITIES			
Share deposit money		-	-
Short term borrowings	12	(4,950,000)	7,180,000
Net Cash generated from / (used in) Financing Activities		(4,950,000)	7,180,000
Net Increase/ (decrease) in Cash and Cash Equivalents		(455,861)	279,103
Cash and cash equivalents at the beginning of the year		3,273,831	2,994,728
Cash and Cash Equivalents at the End of the Year		2,817,970	3,273,831

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

CHIEF EXECUTIVE

DIRECTOR



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended June 30, 2018

1 THE COMPANY AND ITS OPERATIONS

Hala Enterprises Limited ("the Company") was incorporated as a Private Limited Company and was subsequently converted into a public limited company. The registered office of the Company is located at 17.5 KM Sheikhpura Road, Lahore and its shares are listed on Pakistan Stock Exchange Limited. The Company is primarily engaged in manufacturing and sale of terry towels, kitchen towels and terry cloth. Manufacturing facilities are located at 17.5 KM Sheikhpura Road, Lahore and 42 KM Ferozpur Road, Lahore while administration & management office is situated at House No, 120 E1, Gulburg III, Lahore.

Details of the Company's investment in associated companies are stated in note 20 to these financial statements.

2 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

- a) Due to applicability of the Companies Act, 2017 to the financial statements of the company, amounts reported for the previous period have been restated. For detailed information please refer to note 2.5.2 and note 4; and
- b) During the year the Company has disposed off its 34 looms located in factory, 17.5 KM Sheikhpura Road, Lahore which decreases production capacity. However, in last year 12 new latest technology looms were purchased which become fully functional during the current year as a result net production capacity has increased 330,932 Kilograms to 404,872 Kilograms during the year.
- c) The exchange rate of USD PKR has increased from PKR 104.86 as at June 30, 2017 to PKR 121.50 as at June 30, 2018
- d) The exchange rate of EURO PKR has increased from PKR 119.79 as at June 30, 2017 to PKR 141.81 as at June 30, 2018
- e) During the year board of directors alongwith approval of AGM decided to issue shares against shares deposit money. For detailed information please refer to note 5.
- f) For a detailed discussion about the Company's performance please refer to the Directors' report.

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 as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Act, 2017 (the Act). Wherever the requirements of the Act or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Act or the requirements of the said directives prevail.

2.2 Basis of measurement

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

Employee retirement benefits (Gratuity)	Present value
Certain property plant and equipment	Revalued / Fair value
Investment in quoted companies	Fair value

2.3 Functional and presentation currency

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

2.4 Use of Estimates and Judgments

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended June 30, 2018

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

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

2.4.1 **Property, plant and equipment**

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the management's estimates might affect the carrying amount of respective items of property, plant and equipment, with a corresponding effect on depreciation charge and impairment.

2.4.2 **Doubtful receivables**

The Company records its trade and other receivables after deducting appropriate provisioning using its prudence and experience. This estimate is subjective in nature. Recoveries of amounts already provided and/or the need of further provisioning cannot be determined with precision.

2.4.3 **Employees' retirement benefits**

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

2.4.4 **Inventories**

The Company has recorded its inventories using lower of cost and net realizable value. Valuation of the inventory is reviewed at regular intervals for determination of possible impairment, if any. Any possible impairment may change the future value of inventories.

2.5 **New and amended standards and interpretations to published approved accounting standards that are effective in the current year**

The following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on or after April 1, 2017 and are considered to be relevant to the Company's financial statements:

IAS 7, 'Statement of cash flows' amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's disclosure initiative, which continues to explore how financial statement disclosure can be improved. In the first year of adoption, comparative information need not be provided. The disclosure has been made in note 40.2 to these financial statements.

The third and fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. These changes include change in respect of recognition criteria of revaluation surplus of property, plant and equipment as more fully explained in note 4, change in nomenclature of primary statements, etc. Additional disclosures include but are not limited to, management assessment of sufficiency of tax provision in the financial statements (refer note 35), change in threshold for identification of executives (Ref. Note: 38), additional disclosure requirements for related parties (Ref Note: 39) etc.

Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirements; and
- incorporation of significant additional disclosures.

2.6 **New and amended standards and interpretations to published approved accounting standards that are not yet effective in the current year**

- 2.6.1 The following standards, amendments and interpretations with respect to approved accounting standards would be effective from the date mentioned below against the respective standards, amendments or interpretations:



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended June 30, 2018

Standards, Interpretations or Amendments	Effective date (accounting period beginning on or after)
- IFRS 9 - Financial Instruments	July 1, 2018
- IFRS 15 - Revenue from contracts	July 1, 2018
- IFRS 16 - Leases	January 1, 2019

The standards highlighted above may impact the financial statements of the Company on adoption. The Management is currently in the process of assessing the impact on the financial statements of the Company.

- 2.6.2 There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after April 1, 2018 but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

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 years presented, unless otherwise stated.

3.1 Provisions

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

3.2 Staff retirement benefits

Defined benefit plan

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

3.3 Taxation

3.3.1 Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available, if any or minimum taxation at the rate of one and half percentage of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

3.3.2 Deferred

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

3.4 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 in future for goods and services received, whether or not billed to the Company.

3.5 Property, plant and equipment

Owned

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended June 30, 2018

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

The management reviews the market value of revalued assets at each date of statement of financial position to ascertain whether the fair value of revalued assets have differed materially from the carrying value of such assets, thus necessitating further revaluation.

Depreciation on property, plant and equipment, except freehold land, is charged to Statement of profit or loss using reducing balance method so as to write off the cost or revalued amount of an asset over its estimated useful life. Incremental depreciation representing the difference between actual depreciation based on revalued carrying amount of the asset and equivalent depreciation based on the original carrying amount of the asset is transferred to equity from surplus on revaluation of property, plant and equipment.

Depreciation on additions is charged from the day on which the assets are available for use while no depreciation is charged from the day on which the assets are disposed off. Rates of depreciation are disclosed in Note 19.

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

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalised. Gains or losses on disposal of property, plant and equipment are included in the current year's income.

Increases in the carrying amounts arising due to revaluation are credited to revaluation surplus on property, plant and equipment. Decreases that offset previous increases of any other fixed asset of the Company are debited against revaluation surplus directly in equity. All other decreases are charged to the Statement of profit or loss.

3.5.2 Leased

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

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

3.5.3 Capital work-in-progress

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

3.6 Impairment of Assets

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

3.7 Investments

In associated undertakings

Investments in associates are accounted for using the equity method. This method is applied from the date when significant influence is established until the date when that significant influence ceases. Investments in associates other than those described above are classified as "Available for Sale".



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended June 30, 2018

Other investments

Investments are initially recognized at cost, comprising the consideration paid and cost of transaction except in the case of investment at fair value through profit or loss where transaction costs are charged to the Statement of profit or loss when incurred. For listed securities, closing quotations of stock exchanges on the last working day of the accounting year are considered for determining the fair value, while for unquoted securities, cost is considered as the fair value of securities.

The classification is made on the basis of intended purpose for holding such investments. These are measured at the date of statement of financial position as under:

Available for sale

These are stated at fair value and changes in carrying value are recognized in equity until the investment is sold or determined to be impaired at which time the accumulated gain or loss previously recognized in equity is included in the Statement of profit or loss.

At fair value through profit or loss

These are securities which are acquired for the purpose of generating profit from short-term fluctuations in market price or dealer's margin, securities in a portfolio in which a pattern of short term profit taking exists or derivatives other than those held as hedging instruments.

Held to maturity

These are stated at amortized cost less impairment loss, if any, recognized to reflect irrecoverable amounts. Impairment loss is charged to the Statement of profit or loss.

3.8 Stores and spares

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

3.9 Stock in trade

These are valued at lower of cost and net realizable value and the cost is determined by using the following basis:

Raw materials	- At average cost
Work in process	- At estimated average manufacturing cost
Finished goods	- Average manufacturing cost

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

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale. If the net realisable value is lower than the carrying amount, a write-down is recognised for the amount by which the carrying amount exceeds its net realisable value. Provision is made in the financial statements for obsolete and slow moving stock in trade based on management estimate.

3.10 Trade debts

Trade debts are recognised initially at original invoice amount less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognised in the Statement of profit or loss. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the Statement of profit or loss.

3.11 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2018

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

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

3.13 Financial instruments

3.13.1 Financial assets

The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at the time of initial recognition. The Company classifies its financial assets in the following categories:

At fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than twelve months after the date of statement of financial position, which are classified as non-current assets. Loans and receivables comprise advances, deposits and other receivables in the statement of financial position.

Held to maturity

Held to maturity are financial assets with fixed or determinable payments and fixed maturity, where the management has the intention and ability to hold till maturity are carried at amortized cost.

Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless the management intends to dispose off the investments within twelve months from the statement of financial position date, in which case these financial assets are classified as short term investments in the statement of financial position. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized directly in equity are included in the Statement of profit or loss as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognized in the Statement of profit or loss. Dividends on available-for sale equity instruments are recognized in the Statement of profit or loss when the Company's right to receive payments is established.

Measurement criteria

All financial assets are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized at trade date that is the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the Statement of profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. 'Loans and receivables' and 'held to maturity' investments are carried at amortized cost using effective interest rate method.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses at each date of statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended June 30, 2018

3.13.2 Financial liabilities

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

Financial liabilities, other than those at fair value through profit or loss, are measured at amortized cost using the effective yield method.

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

3.13.3 Offsetting

Financial assets and financial liabilities and tax assets and tax liabilities are set off in the statement of financial position, only when the Company has a legally enforceable right to set off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.14 Foreign currency translation

All monetary assets and liabilities in foreign currencies are translated into Pak rupees at exchange rates prevailing at the date of statement of financial position. Transactions in foreign currencies are translated into Pak rupees at exchange rates prevailing at the date of transaction. Exchange gains and losses are included in the Statement of profit or loss.

3.15 Related party transactions

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

3.16 Revenue recognition

- Local sales are recorded on dispatch of goods to customers.
- Export sales are recorded at the time of receipt of bill of lading.
- Dividends on equity investments are recognized as income when the Company's right to receive the dividends is established.
- Revenue from processing income is recognized when processing services are rendered.
- Duty draw back and export rebates are recognized as income when bill of lading of related export sales are received.
- Return on bank deposits is recognized using the effective interest method.
- Income from Lease rentals and interest charged to related parties are recognized on an accrual basis.

3.17 Segment reporting

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

3.18 Contingent liabilities

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

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

3.19 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of the asset until such time as the asset is substantially ready for its intended use or sale.

3.20 Dividend and other appropriations

Dividend to the shareholders is recognized in the period in which it is declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended June 30, 2018

4 CHANGE IN ACCOUNTING POLICY

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS) 16, Property, Plant and Equipment, surplus on revaluation of fixed assets would now be presented within equity.

Following the application of IAS 16, the Company's accounting policy for surplus on revaluation of land and building stands amended as follows:

Increases in the carrying amounts arising on revaluation of land, buildings and plant and machinery are recognized, net of tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity to the extent that increase reverses a decrease previously recognized in the statement of profit or loss, the increase is first recognized in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus on property, plant and equipment to accumulated loss.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

4.1 Effect on statement of financial position

As at July 01, 2016			
	As previously reported	As re-stated	Re- statement
Surplus on revaluation of fixed assets	83,810,126	-	(83,810,126)
Share capital and reserves	-	83,810,126	83,810,126
Effect on statement of changes in			
Revaluation surplus on fixed assets		83,810,126	83,810,126

As at June 30, 2017			
	As previously reported	As re-stated	Re- statement
Surplus on revaluation of fixed assets	82,180,724	-	(82,180,724)
Share capital and reserves	-	82,180,724	82,180,724
Effect on statement of changes in equity			
Revaluation surplus on fixed assets		82,180,724	82,180,724

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2018	2017		2018	2017
Number of shares			Rupees	Rupees
2,336,920	2,336,920	Ordinary shares of Rs. 10 each fully paid in cash	23,369,200	23,369,200
1,443,080	1,443,080	Ordinary shares of Rs. 10 each issued as bonus shares	14,430,800	14,430,800
3,024,000	3,024,000	Ordinary shares of Rs. 10 each issued otherwise than right issue	30,240,000	30,240,000
6,804,000	6,804,000		68,040,000	68,040,000

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2018

	Note	2018	2017
		-----Number of shares-----	
Teejay Corporation (Private) Limited		3,139,393	3,139,393
Premier Garments Limited		40,000	40,000
Mr. Tahir Jahangir		933,322	933,322
Mrs. Munizae Jahangir		197,441	197,441
Mrs. Sulema Jahangir		197,718	197,718
Mr. Jillani Jahangir		394,144	394,144
Sheikh Ijaz Ahmad		-	500
Mr. Abdul Munaf		500	500
Mr. Rashid Ahmad Khan		1,000	1,000
Mrs. Myra Husain Qureshi		1,000	-
		4,904,518	4,904,018
5.2 Reconciliation of the number of shares outstanding as at the beginning and at the end of the year is as under:			
Opening shares		6,804,000	6,804,000
Issued / cancelled during the year		-	-
Closing shares		6,804,000	6,804,000
5.3 The Company convened an Extraordinary General Meeting on July 9, 2015 and resolved to enhance its authorized share capital from Rs. 80 million to Rs. 160 million and issue shares against the share deposit money (refer to Note 6). During the year the Company has passed a special resolution on Annual general meeting (AGM) held on as at Oct 31, 2017 for issuance of 6,192,304 shares at par value of Rs 10/- by way of shares other than right issue under clause (b) of subsection (1) of Section 83 of the Companies Act, 2017 to the directors and associates. By the year end, shares issuance is in process.			
	Note	2018 Rupees	2017 Rupees
6 SHARE DEPOSIT MONEY			
Directors	6.1	53,923,044	53,923,044
Associate - Tee Jay Corporation (Private) Limited		8,000,000	8,000,000
		61,923,044	61,923,044
6.1 Mr. Tahir Jahangir		22,260,614	22,260,614
Mr. Jillani Jahangir		25,417,430	25,417,430
Mrs. Munizae Jahangir		6,245,000	6,245,000
		53,923,044	53,923,044
6.2 Share deposit money represents amounts received from directors and associate for issuance of 6,192,304 shares at par value of Rs 10/-, till year end shares are in issuance process as described in note 5.3. The share deposit money has been contributed to support the liquidity position of the Company.			
7 RESERVES			
Capital reserve		2,274,287	2,274,287
Investment revaluation reserve		14,955,946	16,317,336
Revenue reserve		7,000,000	7,000,000
		24,230,233	25,591,623



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
7.1 Movement in Investment revaluation reserve			
Opening balance		16,317,336	13,408,393
(Loss)/ Gain on investment available for sale-other comprehensive income		(1,361,390)	2,908,943
Closing balance		<u>14,955,946</u>	<u>16,317,336</u>
8 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Land - freehold		63,598,480	63,598,480
Buildings on freehold land		11,732,846	12,350,364
Plant and machinery		6,825,063	7,834,243
Fittings and installations		24,335	27,039
		<u>82,180,724</u>	<u>83,810,126</u>
Surplus realized on disposal	8.1	(325,913)	(214,468)
Incremental depreciation charged on revalued property, plant and equipment during the year transferred to retained earnings	8.2	(1,282,821)	(1,414,934)
		<u>80,571,991</u>	<u>82,180,724</u>
8.1 Surplus realized on disposal			
Plant and machinery		325,913	214,468
		<u>325,913</u>	<u>214,468</u>
8.2 Incremental depreciation			
Land - freehold		-	-
Buildings on freehold land		586,642	617,518
Plant and machinery		693,745	794,712
Fittings and installations		2,434	2,704
		<u>1,282,821</u>	<u>1,414,934</u>
8.3 Revaluation of property, plant and equipment was carried out by an independent valuer as at June 30, 1996 that was duly certified by an independent firm of Chartered Accountants. This resulted in revaluation surplus of Rs. 54.410 million. Depreciated replacement values were used for the revaluation of property, plant and equipment.			
8.4 Latest revaluation of land, building and plant and machinery were carried out by an independent valuer on June 30, 2014 and that resulted in further revaluation surplus of Rs. 38.431 million. Following basis were used for revaluation			
- Land	Present Market Value		
- Building	Depreciated Market Value		
- Plant and machinery	Depreciated Market Value		
9 DEFERRED LIABILITIES			
Staff retirement benefits - unfunded	9.1	44,577,951	43,754,038
		<u>44,577,951</u>	<u>43,754,038</u>
9.1 Staff retirement benefits			
This represents provision for gratuity for permanent employees and is based on length of service and last drawn gross salary. Latest actuarial valuation was carried out by TRT associates acturaries & management consultants as at June 30, 2018. Results of actuarial valuation are as under:			



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
9.1.1 Movement in net liability for staff retirement benefits			
Opening balance		43,754,038	43,794,285
Charge for the year - Profit and loss account	9.1.2	4,606,740	4,594,881
Payments made / approved during the year		(4,211,473)	(5,026,329)
Actuarial (loss) due to experience adjustment on remeasurement of staff retirement benefits		428,646	391,201
Closing balance		44,577,951	43,754,038

9.1.2 Charge for the year

The amounts recognized in the profit and loss account against defined benefit scheme are as follows:

Current service cost	1,378,997	1,602,000
Interest cost	3,227,743	2,992,881
	4,606,740	4,594,881

9.1.3 Actuarial assumptions

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

	Percentage	Percentage
Discount rate - per annum	8.00%	7.75%
Expected rate of increase in salary level - per annum	7.00%	6.75%
Average expected remaining working lifetime of employees	8 years	8 years
Average duration of liability	5 years	6 years
Expected mortality rate for active employees	SLIC (2001-2005) Mortality Table	
Actuarial valuation method	Projected Unit Credit Method	

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

	2018 Rupees	2017 Rupees	2016 Rupees	2015 Rupees	2014 Rupees
Present value of defined benefit obligation	44,577,951	43,754,038	43,794,285	41,288,074	38,380,249
Fair value of plan asset	-	-	-	-	-
Net liability	44,577,951	43,754,038	43,794,285	41,288,074	38,380,249

9.1.5 Year end sensitivity analysis on defined benefit obligation

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		Rupees	Rupees
Discount rate	1%	42,785,169	46,585,079
Salary increase	1%	46,585,079	42,753,218



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
9.1.6 The charge for the year has been allocated as follows:			
Cost of sales	29	3,964,663	4,046,850
Administrative expenses	31	642,077	548,031
		4,606,740	4,594,881
10 TRADE AND OTHER PAYABLES			
Creditors for:			
- Goods		20,362,433	20,657,754
- Services		2,537,667	1,734,528
- Machinery	10.1	6,000,000	6,000,000
Accrued liabilities		14,247,422	17,229,959
Advances from customers and others		1,196,361	2,051,068
Withholding tax payable		21,400	11,091
		44,365,283	47,684,400
10.1 This includes an amount of Rs. 6 million (2017: Rs. 6 million) payable on account of machinery purchased in the year 2010 from a commercial vendor. The outstanding amount carries mark-up at 1 month KIBOR + 2.5% (2017: 1 month KIBOR + 2.5%). The amount was payable in 12 monthly installments; however, no payment has been made yet.			
11 ACCRUED MARK UP			
Short term borrowings from banking companies		760,403	50,858
Due to related parties	11.1	-	1,132,949
Comfort Textile (Private) Limited		999,337	2,401,640
		1,759,740	3,585,447
11.1 This accrued markup relates to loan from directors as presented in Note 13 to be charged at the rate of 10% per annum. Directors have given waiver of interest for the current financial year due to liquidity issues of the company.			
12 SHORT TERM BORROWINGS			
JS Bank Limited	12.1	91,440,000	96,390,000
		91,440,000	96,390,000
12.1 JS Bank Limited			
Finance against foreign Bills	12.1.1	7,530,000	12,480,000
Export refinance	12.1.2	83,910,000	83,910,000
		91,440,000	96,390,000
12.1.1 This represents utilized portion of short term borrowing facilities obtained from JS bank Limited with a limit of Rs. 25 million (2017: 25 million). The purpose of this facility is to finance export bills on cash against documents (CAD). This facility carries mark-up at 3 month KIBOR plus 2.25% per annum and payable before documents are released. This is secured against lien over export bills and security as mentioned in Note 12.1.2			
12.1.2 This represents utilized portion of short term borrowing facilities obtained from JS Bank Limited with a limit of Rs. 84 million (2017: 84 million). The purpose of this facility is to finance exports of the company. This facility carries mark-up at SBP rate of refinance plus 1% per annum payable on quarterly basis subject to penalty of, 1% rate increased by given rate, in case of failure of payment. The credit facility of the Company will be expired on January 31, 2019. This is secured against first charge of Rs. 149 million over all present and future current and fixed assets of the company, equitable mortgage of factory's land (measuring 48 kanals 7 marlas, situated at Freozwala, District Sheikhpura) including building and plant and machinery, equitable mortgage of residential property of a close relative of director (measuring 1,000 Sq. yards, situated at 1-A St. No 58, F-7, Islamabad), personal guarantees of director and close relative of the director and pledge of 51,971 shares of M/s Punjab Oil Mills Limited owned by the Company.			



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
13 DUE TO RELATED PARTIES - UNSECURED			
Mian Tahir Jahangir		4,408,203	7,900,000
Mr Jillani Jahangir		2,117,385	3,700,000
Premier Garments Limited (Associated Company)		3,204,987	2,134,417
Punjab Oil Mills Limited (Associated Company)		490,618	100,621
		10,221,193	13,835,038
13.1 Due to related parties carry mark up @ 10% (2017: 10%) per annum. But directors have given waiver of interest for the current financial year due to liquidity issues of the company.			
14 PROVISION FOR TAXATION			
Opening balance		2,388,697	2,152,292
- Provision for the current year	35	3,238,886	2,415,622
- Prior year adjustment		-	(26,925)
		5,627,583	4,540,989
Payments / adjustments during the year		(2,388,697)	(2,152,292)
		3,238,886	2,388,697
14.1 Income tax assessments have been finalized upto the Assessment Year 2009-2010 (accounting year ending June 30, 2010). Assessments for the Tax Years 2010 onwards are deemed finalized under the self assessment scheme.			
15 ADVANCE AGAINST ASSETS HELD FOR DISPOSAL			
Advance against assets held for disposal	15.1	21,775,000	21,775,000
15.1 This represents amount received from a party as an advance against sale of land (refer to Note 27).			
16 CONTINGENCIES AND COMMITMENTS			
16.1 Contingencies			
16.1.1 The Company-held shares of Premier Garments Limited have been pledged with Investment Corporation of Pakistan Limited as a security for grant of loan by Investment Corporation of Pakistan to Premier Garments Limited. In case of default by Premier Garments Limited to repay the loan, the Company may be liable to the Investment Corporation of Pakistan Limited to the extent of the value of shares so pledged. Provision for contingent loan has not been recorded as directors have agreed to reimburse any probable loss to the Company.			
16.1.2 The Company-held shares of Punjab Oil Mills Limited have been pledged with JS bank as a security for grant of loan by JS bank to Hala Enterprises Limited. In case of default to repay the loan, the Company may be liable to the JS bank to the extent of the value of shares so pledged. Provision for contingent loan has not been recorded as directors have agreed to reimburse any probable loss to the Company.			
16.2 Commitments			
There are no material commitments outstanding as at the date of statement of financial position (2017: Nil).			



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended June 30, 2018

17 PROPERTY, PLANT AND EQUIPMENT

	Note	2018	2017
Operating fixed assets	17.1	87,750,348	91,938,309
Capital work in progress - at cost		-	-
		87,750,348	91,938,309

17.1 Operating fixed assets

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

-----Rupees-----

Year Ended June 30, 2018

Owned assets

Cost / Revalued amount

Balance as at July 01, 2017	37,350,000	21,130,703	42,510,989	5,301,757	1,071,490	1,676,006	594,660	109,635,605
Additions			1,950,000				-	1,950,000
Disposal			(2,100,000)				-	(2,100,000)
Transferred to assets held for sale							-	-
Balance as at June 30, 2018	37,350,000	21,130,703	42,360,989	5,301,757	1,071,490	1,676,006	594,660	109,485,605

Accumulated depreciation

Balance as at July 01, 2017	-	2,982,730	7,725,130	4,279,377	819,952	1,454,463	435,644	17,697,297
Charge for the year	-	907,399	3,563,090	102,238	25,154	44,309	15,902	4,658,090
Disposals	-		(620,130)					(620,130)
Balance as at June 30, 2018	-	3,890,129	10,668,090	4,381,615	845,106	1,498,772	451,546	21,735,257

WDV as at June 30, 2018	37,350,000	17,240,574	31,692,899	920,142	226,384	177,234	143,114	87,750,348
--------------------------------	-------------------	-------------------	-------------------	----------------	----------------	----------------	----------------	-------------------

Depreciation rates	0%	5%	10%	10%	10%	20%	10%	
---------------------------	-----------	-----------	------------	------------	------------	------------	------------	--

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

-----Rupees-----

Year Ended June 30, 2017

Owned assets

Cost / Revalued amount

Balance as at July 01, 2016	58,455,000	20,892,000	29,497,000	5,286,757	919,975	3,350,006	594,660	118,995,398
Additions	-	238,703	13,863,989	15,000	151,515	125,000	-	14,394,207
Disposal	-	-	(850,000)	-	-	(1,799,000)	-	(2,649,000)
Transferred to assets held for sale	(21,105,000)	-	-	-	-	-	-	(21,105,000)
Balance as at June 30, 2017	37,350,000	21,130,703	42,510,989	5,301,757	1,071,490	1,676,006	594,660	109,635,605

Accumulated depreciation

Balance as at July 01, 2016	-	2,036,970	5,557,967	4,167,234	808,074	3,014,387	417,976	16,002,608
Charge for the year	-	945,760	2,363,570	112,143	11,878	34,815	17,668	3,485,834
Disposals	-	-	(196,407)	-	-	(1,594,739)	-	(1,791,146)
Balance as at June 30, 2017	-	2,982,730	7,725,130	4,279,377	819,952	1,454,463	435,644	17,697,296

WDV as at June 30, 2017	37,350,000	18,147,973	34,785,859	1,022,380	251,538	221,543	159,016	91,938,309
--------------------------------	-------------------	-------------------	-------------------	------------------	----------------	----------------	----------------	-------------------

Depreciation rates	0%	5%	10%	10%	10%	20%	10%	
---------------------------	-----------	-----------	------------	------------	------------	------------	------------	--

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2018

17.1.1 Apportionment of depreciation charge for the year

Depreciation charge for the year has been apportioned as follows:

	Note	2018 Rupees	2017 Rupees
Cost of sales	29	4,495,642	3,683,030
Administrative expenses	31	162,448	268,948
		4,658,090	3,951,978

Depreciation charge is inclusive of incremental depreciation due to revaluation.

17.1.4 Disposal of property, plant and equipment

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

Particulars	Cost	Accumulate depreciation	Written down value	Sale proceeds	Gain on disposal	Buyer Name	Mode of Sale
	Rupees	Rupees	Rupees	Rupees	Rupees		
Assets with carrying value exceeding Rs. 500,000							
PLANT AND MACHINERY							
34 Looms-(Iwama + Desi)	2,100,000	620,130	1,479,870	1,660,000	180,130	Mr. Muhammad Islam	Negotiation
Total 2018	2,100,000	620,130	1,479,870	1,660,000	180,130		
Total 2017	2,649,000	1,794,003	854,997	1,020,000	165,003		

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

17.1.6 Charge/ mortgage on fixed assets are disclosed in notes no. 12.1.2 and 14.2.1

17.1.7 Book value of revalued assets, had there been no revaluation

	2018 Rupees	2017 Rupees
Freehold land	1,011,408	1,011,408
Buildings on freehold land	6,094,370	6,414,158
Plant and machinery	28,980,454	27,848,871
Fittings and installations	204,483	225,977
	36,290,715	35,500,414

17.1.8 Particulars of Immoveable property and Forced sales value.

S.No	Nature of Immoveable property	Location	Land		Building	
			Total Area (Square feet)	Forced Sales Value	Total Covered Area (Square feet)	Forced Sales Value
1	Land & Building	17.5- Km Lahore, Sheikhpur Road, Momanpura, Tehsil Ferozwala, Distt. Sheikhpura	127685	21,105,000	135,126 Sft	16,713,000
2	Land & Building	17.5- Km Lahore, Sheikhpur Road, Momanpura, Tehsil Ferozwala, Distt. Sheikhpura	134492	37,350,000		
3	Land	10 Km G.T. Road Rana Town, Adayain, Tehsil Ferozwaala, Distt. Sheikhpura	52272	5,376,000	-	-



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
18 LONG TERM INVESTMENTS			
Investment in associates - Available for sale			
Quoted			
Punjab Oil Mills Limited:	18.2	14,732,859	16,111,010
- 51,971 (2017: 51,971) fully paid ordinary shares of Rs. 10 each			
- Market value per share is Rs. 283.48 (2017: Rs. 310)			
- Cost Rs. 494,598 (2017: Rs. 494,598)			
- Percentage of equity held 0.96% (2017: 0.96%)			
Unquoted			
Premier Garments Limited:	18.3	-	-
- 950 (2017: 950) ordinary shares of Rs. 100 each			
- Fair value per share is Rs. Nil (2017: Nil)			
- Percentage of equity held 1.36% (2016: 1.36%)			
Tee Jay Corporation (Private) Limited:	18.4	1,406,721	1,389,960
- 59,400 (2016: 59,400) ordinary shares of Rs.10 each			
- Fair value per share is Rs. 23.68 (2017: Rs. 23.40)			
- Percentage of equity held 3.96% (2016: 3.96%)			
		16,139,580	17,500,970
18.1 Investments available for sale are measured at fair values in accordance with IAS 39 (Financial Instruments: Recognition and Measurement). Quoted market value in an active market is considered as the fair value of the investment and the resulting difference between cost and fair value is shown as a separate component of equity. Investments that do not have a quoted market price in an active market and whose fair value cannot be measured reliably through observable market data, in that case fair value is measured using other valuation methods as described in IFRS - 13 (Fair value measurement).			
18.2 Basing upon the year end quoted market value of shares in PSX daily price index. This has resulted in gain of Rs. 1,378,151 (2017: Rs 2,234,753). Market values of these quoted investments (i.e. Shares) is categorized as Level 1 fair value measurement.			
18.3 Basing upon the latest available audited financial statements, for the year ended June 30, 2017, the management has valued these using the break up value per share of Premier Garments Limited. As a result of this valuation, the entire amount of investment in Premier Garments Limited's shares has been impaired. Fair values of these Un-quoted investments (i.e. Shares) are categorized as Level 3 fair value measurement.			
18.4 Basing upon the latest available audited financial statements, for the year ended June 30, 2017, the shares have been valued using the break up value basis. This has resulted in gain of Rs. 16,761 (2017: Rs 674,190). Fair values of these Un-quoted investments (i.e. Shares) are categorized as Level 3 fair value measurement.			
19 LONG TERM DEPOSITS			
Deposits against utilities		4,374,723	3,777,646
Others		240,073	240,073
		4,614,796	4,017,719
20 STORES AND SPARES			
Dyes and chemicals		2,246,758	2,599,720
Packing materials		1,275,900	1,942,641
Loom stores		2,298,330	2,516,793
General Store		1,862,135	2,108,382
		7,683,123	9,167,536



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2018

20.1 No specific stores and spares were held for capital expenditure as at the date of statement of financial position.

	Note	2018 Rupees	2017 Rupees
21 STOCK IN TRADE			
Raw materials		17,575,625	20,907,953
Work in process		33,982,360	35,895,352
Finished goods		33,972,450	36,332,003
		85,530,435	93,135,308

21.1 No specific stock in trade were held for capital expenditure as at the date of statement of financial position.

22 TRADE DEBTS			
Foreign debts (Secured)		32,066,480	36,076,767
Local debts (Unsecured)		1,607,095	1,002,570
		33,673,575	37,079,337
Less: Provision for doubtful debts	22.1	(966,830)	(966,830)
		32,706,745	36,112,507

22.1 Trade debtors other than those against which provision has been made are considered good by the management.

22.2 Provision for doubtful debts

Opening balance	966,830	966,830
Provision made during the year	-	-
	966,830	966,830
Bad debts written off	-	-
Closing balance	966,830	966,830

22.3 There is no outstanding receivable from any related party as at the date of statement of financial position. (2017: Nil).

22.4 The aging of trade debts as at Statement of financial position date is as follows;

Past due 1 - 30 days	22,073,513	31,639,285
Past due 31 - 60 days	4,529,108	2,641,432
Past due 61 - 120 days	4,391,950	1,022,594
More than 120 days	1,712,173	809,196
	32,706,744	36,112,507

22.5 Export sales

Jurisdiction	Type of Arrangements			Total
	Letter of Credit	Contract	Cash against documents	
Europe	-	4,634,074	16,382,464	21,016,538
U.A.E	7,263,893	-	-	7,263,893
Lebanon	-	2,361,346	-	2,361,346
Others	-	1,424,703	-	1,424,703
Total	7,263,893	8,420,123	16,382,464	32,066,480



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
23 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - considered good			
- Employees against salaries	23.1	782,375	733,614
- Employees for purchases		9,099	99,854
- Suppliers		15,670,276	18,872,119
Less: Provision for doubtful advances	23.2	(987,683)	(987,683)
		14,682,593	17,884,436
		15,474,067	18,717,904
Margin against export refinance account		-	-
Prepaid insurance		423,675	432,673
Duty draw back receivable		18,552,930	8,414,932
Custom rebate receivable		3,850,496	1,461,799
Mark up subsidy receivable		549,104	549,104
		23,376,205	10,858,508
		38,850,272	29,576,412
23.1 This includes an amount of Rs. 0.2 million (2017: Rs. 0.2 million) as advance against salary given to director of the Company.			
23.2 Provision for doubtful advances			
Opening balance		987,683	987,683
Provision made during the year		-	-
		987,683	987,683
Advances written off		-	-
Closing balance		987,683	987,683
24 TAX REFUND DUE FROM GOVERNMENT			
Advance income tax		8,511,036	7,306,227
Sales tax and excise duty refundable		8,916,384	10,923,617
		17,427,420	18,229,844
25 DUE FROM ASSOCIATES			
Unsecured - Considered good			
Tee jay corporation (private) limited		6,211,211	6,616,246
		6,211,211	6,616,246
25.1 Balance due from associated company carries mark up @ 10% (2016: 10%) per annum.			
25.2 The age analysis of these due from associates is as follows			
By 3 months		534,140	6,616,246
4 to 6 months		5,677,071	-
Over 6 months		-	-
		6,211,211	6,616,246



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
26 CASH AND BANK BALANCES			
Cash in hand		1,249,063	1,273,640
Cash at bank - current accounts		1,558,205	1,989,774
Cash at bank - saving accounts		10,702	10,417
		1,568,907	2,000,191
		2,817,970	3,273,831
26.1 The company is maintaining saving account with different banks with interest on the daily product basis which was carrying interest @6% to 7.5%. (2017 : @ 6% to 7%).			
26.2 All bank accounts are maintained under conventional banking system.			
27 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE			
Non-current assets classified as held for sale	27.1	27,821,112	27,821,112
27.1 This includes land, measuring 9 kanal 12 marlas (2017: 9 Kanal 12 marlas) , situated at 10 Km G.T. Road, Adayain Road, Rana Town and land, measuring 23 kanal 9 marlas, situated at 1.5 Km, Lahore - Sheikhpura Road.			
The Company entered into an agreement to sell the land, measuring 9 kanal 12 marlas, in February 2011 and an advance on account of token payment was received which stands at Rs. 3.775 million (2017: 3.775 million). However, the agreement has been held pending as at the date of statement of financial position, since then no further payment was made by buyer.			
The Company entered into an agreement to sell a piece land, measuring 23 kanal 09 marlas, in December 2016, an advance on account of token payment was received which stands at Rs. 18 million (2017: 18 million). However, the agreement has been held pending as at the date of statement of financial position, since then no futhrer payment was made by buyer.			
Subsequent to the date of statement of financial position, no further land is sold to any of the party but the management is hopeful that the land will be sold in the next year. Consequently, this land has been classified as asset held for sale.			
28 REVENUE			
Export sales		287,587,535	216,251,798
Local sales		7,420,518	8,187,314
		295,008,053	224,439,112
Export rebates		3,709,879	2,054,392
Duty draw back		15,373,490	4,607,318
		19,083,369	6,661,710
		314,091,422	231,100,822



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
29 COST OF SALES			
Raw materials consumed	29.1	136,700,991	97,448,074
Salaries and wages (including all benefits)	29.2	34,389,055	33,486,327
Fuel and power		37,646,761	25,242,276
Stores, spares and chemicals consumed		24,584,191	19,260,366
Packing materials		9,788,430	6,679,721
Lease charges		1,200,000	1,800,000
Processing charges		4,535,243	4,169,303
Repairs and maintenance		663,617	179,483
Insurance		500,133	405,745
Depreciation	17.1.1	4,495,642	3,321,208
		254,504,063	191,992,503
- Opening		35,895,352	34,188,668
- Closing	21	(33,982,360)	(35,895,352)
		1,912,992	(1,706,684)
Cost of goods manufactured		256,417,055	190,285,819
Finished goods inventory:			
- Opening		36,332,003	35,525,898
- Closing	21	(33,972,450)	(36,332,003)
		2,359,553	(806,105)
		258,776,608	189,479,714
29.1 Raw material consumed			
Opening stock		20,907,953	18,553,799
Add: Yarn Purchases during the year		133,368,663	99,802,228
Less: Closing stock	21	(17,575,625)	(20,907,953)
		136,700,991	97,448,074
29.2 This includes Rs. 3.965 million (2017: Rs. 4.046 million) in respect of staff retirement benefits.			
30 SELLING AND DISTRIBUTION COSTS			
Commission on sales		7,001,168	5,235,925
Sea freight		7,078,414	2,378,058
Freight, octroi and cartage		3,009,350	1,844,240
Clearing charges		2,616,743	2,807,578
Travelling and conveyance		-	430,800
Air freight		755,563	1,358,725
Postage, telephone and telex		1,353,146	921,111
Samples		546,048	655,530
Insurance		66,002	19,350
		22,426,434	15,651,317



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
31 ADMINISTRATIVE EXPENSES			
Directors' remuneration		1,946,200	1,813,000
Salaries and wages (including all benefits)	31.1	10,820,966	9,058,313
Fuel and power		1,921,059	1,682,839
Vehicles running expenses		1,695,383	1,023,410
Postage, telephone and telex		949,003	971,382
Travelling and conveyance		333,920	390,089
Rent, rates and taxes		701,635	482,988
Printing and stationery		322,010	319,407
Repairs and maintenance		258,878	153,780
Legal and professional charges		575,811	453,393
Insurance		95,822	192,352
Advertisement		142,282	86,275
Gardening expenses		37,300	9,860
Books and periodicals		30,138	28,471
Entertainment		63,589	125,881
Depreciation	17.1.1	162,448	164,626
		20,056,444	16,956,066
31.1 This includes Rs. 0.642 million (2017: Rs.0.548 million) in respect of staff retirement benefits.			
32 OTHER OPERATING EXPENSES			
Auditors' remuneration	32.1	375,000	375,000
Provision for doubtful debts / advances		-	-
Exchange loss/(Income)		(206,396)	318,881
		168,604	693,881
32.1 Auditors' remuneration:			
- Statutory audit		300,000	300,000
- Half yearly review and attestations		75,000	75,000
		375,000	375,000
33 FINANCE COST			
Short term borrowings from banking companies - net of subsidy		4,037,383	2,996,968
Comfort Textile (Private) Limited		537,697	524,850
		4,575,080	3,521,818
Bank charges		2,553,875	1,885,373
Interest charged by related parties		297,541	1,095,709
		2,851,416	2,981,082
		7,426,496	6,502,900
34 OTHER INCOME			
Lease rentals		1,080,000	1,020,000
Dividend income		493,725	675,623
Gain on disposal of property, plant and equipment		180,130	162,146
Interest charged to related parties		534,140	721,774
Profit on long term security deposit		597,077	111,429
Profit on saving account		316	711
Exchange Income-realized		419,395	-
		3,304,783	2,691,683



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
35 TAXATION			
Current			
for the year		3,238,886	2,415,622
for prior years		(118,593)	(26,925)
		3,120,293	2,388,697

35.1 The current tax provision represents tax on taxable income under final tax regime of Income Tax Ordinance, 2001. Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as provision for current year income tax has been made under tax on taxable income under final tax regime of Income Tax Ordinance, 2001

35.2 Company's income tax assessment has been finalized up to 2010.

35.3 As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

	2017	2016	2015
	-----Rupees-----		
Provision as per financial statements	2,415,622	2,152,292	2,273,773
Tax assessment	2,297,029	2,125,367	2,344,687

	Note	2018 Rupees	2017 Rupees
36 CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before taxation		8,541,619	4,508,627
Adjustments for:			
- Depreciation	17	4,658,090	3,485,834
- Provision for gratuity	9	4,606,740	4,594,881
- Dividend income	34	(493,725)	(675,623)
- Provision for doubtful debts / advances		-	-
- Exchange loss/(Income)	32	(206,396)	318,881
- Gain on disposal of property, plant and equipment	17	(180,130)	(162,146)
- Profit on long term security deposit	34	(597,077)	(111,429)
- Finance cost	33	7,426,496	6,502,900
		15,213,998	13,953,298
Operating profit before working capital changes		23,755,618	18,461,925
(Increase) / decrease in current assets			
- Stores and spares		1,484,413	(317,883)
- Stock in trade		7,604,873	(4,866,943)
- Trade debts		3,612,158	(7,385,837)
- Advances, deposits, prepayments and other receivables		(9,273,860)	(9,691,371)
- Sales tax refundable		2,007,233	530,132
- Balances due from related parties / associates		405,035	2,785,835
(Decrease) / increase in current liabilities			
- Trade and other payables		(3,319,117)	(3,665,871)
- Balances due to related parties / associates		(3,613,845)	10,429,849
		(1,093,110)	(12,182,089)
Cash generated from operations		22,662,508	6,279,836



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
37 EARNINGS PER SHARE - BASIC AND DILUTIVE			
Basic EPS:			
Profit for the year attributable to ordinary shareholders	Rupees	5,421,326	2,119,930
Weighted average number of ordinary shares in issue	Number	6,804,000	6,804,000
Earnings per Share (Basic)	Rupees	0.80	0.31
Dilutive EPS:			
Profit for the year attributable to ordinary shareholders	Rupees	5,421,326	2,119,930
Weighted average number of ordinary shares in issue	Number	6,804,000	6,804,000
Weighted average number of potential ordinary shares	Number	6,192,304	6,192,304
Weighted average number of total shares	Number	12,996,304	12,996,304
Earnings per Share (Dilutive)	Rupees	0.42	0.16

- 37.1 To calculate the dilutive earnings per share, the share deposit money has been considered as issued share capital for the purpose of dilution of earnings per share.

38 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2018			2017		
	Chief Executive Officer	Executive Directors	Non-Executive Directors	Chief Executive Officer	Executive Directors	Non-Executive Directors
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	653,424	511,478	-	653,424	511,478	-
House rent and utilities	359,376	281,522	-	359,376	281,522	-
Conveyance	3,600	3,600	-	3,600	3,600	-
Entertainment	25,000	42,000	-	-	-	-
Travelling	36,200	30,000	-	-	-	-
	1,077,600	868,600	-	1,016,400	796,600	-
Number of persons	1	1	5	1	2	5

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

39 TRANSACTIONS WITH RELATED PARTIES

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended June 30, 2018

		Note	2018	2017
			-----Rs 000-----	
39.1 Related party	Relationship	Nature of transaction		
Premier Garments Limited	Associated company	Interest charged by Associate	(271)	(297)
		Payments made for expenses	1,050	(3,638)
		Funds received	-	872
		Expenses charged to Associate - net	(18)	(370)
		Lease rental charged by Associate	(600)	(1,800)
Punjab Oil Mills Limited	Associated company	Interest charged by Associate	(27)	(17)
		Payments made	(1,052)	(1,704)
		Expenses charged by Associate - net	(1,359)	(1,572)
Tee Jay Corporation (Private) Limited	Associated company	Rendering of services	675	3,057
		Lease rental income	540	1,020
		Interest charged to Associate	534	722
		Payments made	(6,649)	(12,817)
		Funds received	8,493	22,976
		Expenses charged to Associate - net	15,381	15,381
		Balance transferred from directors	1,133	4,090
		Creditors / Debtors - net transferred	1,896	4,484
		Interest received	-	1,600
		Adjusted against loan of directors	-	2,830
Directors	Associated persons	Balance transferred to Tee Jay Corporation (Private) Limited	-	(2,830)
		Payments made	(10,840)	(11,026)
		Funds received	5,766	22,626
		Interest charged by Associate persons	-	(782)
Compensation paid to key management personnel	Key management personnel		See Note: 38	

39.2 Outstanding Balance with Related Parties at the year end are as follows:

Related party	Nature of Balance			
Premier Garments Limited	Due to associated company	13	3,205	2,134
Punjab Oil Mills Limited	Due to associated company	13	496	101
Tee Jay Corporation (Private) Limited	Due from associated company	25	6,211	6,616
	Share deposit money	6	8,000	8,000
Directors and close relatives thereof	Share deposit money	6	53,923	53,923
	Accrued mark up	11	-	1,133
	Advance against Salary	23	(200)	(200)

39.2.1 Maximum amount due from associated undertakings Ref Note 27 at the end of any month was of Rs 7,103,704/ Further balance outstanding associated undertaking is more than 360 days over due



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended June 30, 2018

40 FINANCIAL RISK MANAGEMENT

40.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management policies focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and European Union Euro (EURO). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from foreign trade debtors. The Company manages its currency risk by close monitoring of currency markets. However, the Company does not hedge its currency risk exposure. The Company's exposure to currency risk during the year has been as under:

Trade debts - net exposure

The following significant exchange rates were applied during the year:

	2018	2017
	Rupees	Rupees
Rupees per US Dollar		
Average rate	113.18	103.76
Reporting date rate	121.50	104.86
Rupees per EURO		
Average rate	130.80	113.09
Reporting date rate	141.81	119.79

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 1% against the USD & EURO with all other variables held constant, the impact on profit before taxation for the year would have been Rs. 0.3068 million (2017: Rs. 0.347 million) respectively higher / lower, mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

Sensitivity analysis

The investment of the Company classified as available for sale and at fair value through profit or loss would normally be affected due to fluctuation of equity prices in the stock exchange. In case of 10% (2017: 10%) increase / decrease in KSE 100 index on June 30, 2018, the net gain/(loss) for the year relating to securities classified as available for sale and other components of equity and net assets of the Company would increase / decrease by Rs. 1.47 million (2017: Rs. 1.61 million) as a result of gains / losses on equity securities classified as available for sale.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended June 30, 2018

Fair value hierarchy

Financial instruments carried at available for sale

Level 1 Quoted market prices

Level 2 Valuation techniques (market observable)

Level 3 Valuation techniques (non market observable)

The Company held following financial instruments measured at fair value:

2018				
Total	Level 1	Level 2	Level 3	
Rupees	Rupees	Rupees	Rupees	
<i>Financial assets - Available for sale investments</i>				
- Punjab Oil Mills Limited	14,732,859	14,732,859	-	-
- Premier Garments Limited	-	-	-	-
- Tee Jay Corporation (Private) Limited	1,406,721	-	-	1,406,721
16,139,580	14,732,859	-	1,406,721	
2017				
Total	Level 1	Level 2	Level 3	
Rupees	Rupees	Rupees	Rupees	
<i>Financial assets - Available for sale investments</i>				
- Punjab Oil Mills Limited	16,111,010	16,111,010	-	-
- Premier Garments Limited	-	-	-	-
- Tee Jay Corporation (Private) Limited	1,389,960	-	-	1,389,960
17,500,970	16,111,010	-	1,389,960	

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

Floating rate instruments

Financial liabilities

Short term borrowings **91,440,000** 96,390,000

Financial assets

Bank balances - deposit accounts **10,702** 10,417

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the date of statement of financial position, fluctuate by 1% higher / lower with all other variables held constant, loss before taxation for the year would have been Rs. 0.914 million (2017: Rs. 0.964 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at the date of statement of financial position were indicative of balances outstanding during the year.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2018

(b) Credit risk

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

Long term investments	16,139,580	17,500,970
Long term deposits	4,614,796	4,017,719
Trade debts	32,706,745	36,112,507
Deposits and other receivables	22,952,530	10,425,835
Bank balances	1,568,907	2,000,191

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

Past due 1 - 30 days	22,073,513	31,639,285
Past due 31 - 60 days	4,529,108	2,641,432
Past due 61 - 120 days	4,391,950	1,022,594
More than 120 days	1,712,173	809,196
	32,706,744	36,112,507

The credit risk on liquid funds is limited because the counter parties include banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and trade debts are subject to specific credit ceilings based on customer credit history.

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2018	2017
	Short term	Long term	Agency	Rupees	Rupees
Faysal Bank Limited	A1+	AA	PACRA	18,388	1,698,409
Askari Bank Limited	A1+	AA+	PACRA	10,806	23,959
The Bank of Punjab	A1+	AA	PACRA	3,257	3,257
Bank Al-falah Limited	A1+	AA+	PACRA	1,371	1,371
Soneri Bank Limited	A1+	AA-	PACRA	1,682	1,682
United Bank Limited	A-1+	AAA	JCR-VIS	14,476	14,476
NIB Bank Limited	A1+	AA-	PACRA	4,296	2,534
JS Bank Limited	A1+	AA-	PACRA	1,497,391	237,263
National Bank of Pakistan	A1+	AAA	PACRA	-	-
Industrial Development Bank of Pakistan	N/A	N/A		17,240	17,240
				1,568,907	2,000,191

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2018

(c) Liquidity risk

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

Contractual maturities of financial liabilities as at June 30, 2018

	Carrying Amount	Contractual cash flows	Within 1 Year	Within 2-5 Years	Within 2-5 Years
	Rupees	Rupees	Rupees	Rupees	Rupees
Trade and other payables	28,900,100	28,900,100	28,900,100	-	-
Accrued mark-up	1,759,740	5,797,123	5,797,123	-	-
Short term borrowings	91,440,000	91,440,000	91,440,000	-	-
Due to related parties	10,221,193	11,243,312	11,243,312	-	-
	132,321,033	137,380,535	137,380,535	-	-

Contractual maturities of financial liabilities as at June 30, 2017

	Carrying Amount	Contractual cash flows	Within 1 Year	Within 2-5 Years	Within 2-5 Years
	Rupees	Rupees	Rupees	Rupees	Rupees
Trade and other payables	28,392,282	28,392,282	28,392,282	-	-
Accrued mark-up	3,585,447	3,585,447	3,585,447	-	-
Short term borrowings	96,390,000	96,390,000	96,390,000	-	-
Due to related parties	13,835,038	13,835,038	13,835,038	-	-
Unpaid dividend	541,012	541,012	541,012	-	-
Unclaimed dividend	892,493	892,493	892,493	-	-
	143,636,272	143,636,272	143,636,272	-	-

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

40.2 Financial instruments by categories

Financial instruments as at June 30, 2018

	Cash and Cash Equivalents	Deposit and receivables	Available for sale	Total
	Rupees	Rupees	Rupees	Rupees
Assets as per Statement of financial position				
Long term investments	-	-	16,139,580	16,139,580
Long term deposits	-	4,614,796	-	4,614,796
Trade debts	-	32,706,745	-	32,706,745
Deposits and other receivable	-	22,952,530	-	22,952,530
Cash and bank balances	2,817,970	-	-	2,817,970
	2,817,970	60,274,071	16,139,580	79,231,621



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2018

	Other liabilities	Total
	Rupees	Rupees
Liabilities as per Statement of financial position		
Trade and other payables	37,147,522	37,147,522
Accrued mark-up	1,759,740	1,759,740
Short term borrowings	91,440,000	91,440,000
Due to related parties	10,221,193	10,221,193
	140,568,455	140,568,455

Financial instruments as at June 30, 2017

	Cash and Cash Equivalents	Deposit and receivables	Available for sale	Total
	Rupees	Rupees	Rupees	Rupees
Assets as per Statement of financial position				
Long term investments	-	-	17,500,970	17,500,970
Long term deposits	-	4,017,719	-	4,017,719
Trade debts	-	36,112,507	-	36,112,507
Deposits and other receivable	-	10,425,835	-	10,425,835
Cash and bank balances	3,273,831	-	-	3,273,831
	3,273,831	50,556,061	17,500,970	71,330,862

	Liabilities	Total
	Rupees	Rupees
Liabilities as per Statement of financial position		
Trade and other payables	39,622,241	39,622,241
Accrued mark-up	3,585,447	3,585,447
Short term borrowings	96,390,000	96,390,000
Due to related parties	13,835,038	13,835,038
	153,432,726	153,432,726

40.3 Fair values of financial assets and liabilities

Carrying values of all financial assets and liabilities reflected in financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

41 CAPITAL RISK MANAGEMENT

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

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended June 30, 2018

	2018 Rupees	2017 Rupees
Borrowings	91,440,000	96,390,000
Cash and bank balances	(2,817,970)	(3,273,831)
Net debt	88,622,030	93,116,169
Equity	110,174,959	24,362,945
Total capital employed	198,796,989	117,479,114
Gearing ratio	44.58%	79.26%

42 SEGMENT INFORMATION

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

	Percentage	Percentage
Information about productswise revenue:		
- Terry towel	92.87%	91.44%
Information about areawise revenue:		
- Export sales	97.48%	96.35%
- Local sales	2.52%	3.65%
Major customers:		
- 6 customers (2017: 4 customers)	63.61%	60.73%
Revenue from external customers attributed to foreign countries	97%	96%

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

43 PLANT CAPACITY AND ACTUAL PRODUCTION

	Number	Number
No. of looms installed and worked (including looms obtained on lease)	48	86
Standard production of looms worked (Kilograms)	582,000	549,400
Actual production (Kilograms)	404,872	330,932

Reasons for shortfall

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

44 NUMBER OF EMPLOYEES

	2018		
	Head office	Mills	Total
	Number	Number	Number
Employees as at June 30, 2018	12	127	139
Average employees during the year	12	139	151
	2017		
	Head office	Mills	Total
	Number	Number	Number
Employees as at June 30, 2017	12	156	168
Average employees during the year	12	179	191



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended June 30, 2018

45 CORRESPONDING FIGURES

Reclassification from component	Reclassification to component	Rupees
Dividend payable to directors (Deferred Liabilities)	Unclaimed Dividend	541,012
Unclaimed Dividend (Trade and other payables)	Unclaimed Dividend	892,493

46 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on October 03, 2018 by the Board of Directors of the Company.

47 GENERAL

Figures have been rounded off to the nearest pakistani rupees.

CHIEF EXECUTIVE

DIRECTOR



PATTERN OF HOLDING OF THE SHARE

As At June 30, 2018

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
134	1	100	6,976
254	101	500	76,261
243	501	1,000	178,739
148	1,001	5,000	376,657
24	5,001	10,000	183,381
11	10,001	15,000	144,658
6	15,001	20,000	108,995
7	20,001	25,000	163,600
2	25,001	30,000	58,500
2	35,001	40,000	77,000
1	50,001	55,000	53,000
1	80,001	85,000	80,500
1	100,001	105,000	102,000
1	120,001	125,000	120,500
1	160,001	165,000	163,000
1	165,001	170,000	168,885
2	195,001	200,000	395,159
1	390,001	395,000	394,144
1	810,001	815,000	812,822
1	3,135,001	3,140,000	3,139,223
842			6,804,000

Classification of ordinary shares by Categories as at June 30, 2018

Categories of shareholders	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor children and their spouse and minor children	1,724,625	25.34
Associated Companies, undertakings and related parties. (parent Company)	3,179,393	46.73
NIT and ICP	19,895	0.29
Banks Development financial institutions, Non banking Financial Institutions	4,710	0.07
Insurance Companies	-	-
Modarabas and Mutual Funds	1,000	0.01
Shares holders holding 10% or more	4,072,715	59.86
General Public		
a. Local	1,699,876	24.99
b. Foreign	-	-
Others (to be specified)	-	-
Joint Stock Companies	174,501	2.57



Catagories of Shareholding required under Code of Corporate Governance (CCG) As on June 30, 2018

Sr. No.	Name & Category of shareholders	No. of Shares Held	Percentage
---------	---------------------------------	-----------------------	------------

Associated Companies, Undertakings and Related Parties

1	M/S TEEJAY CORPORATION (PVT) LTD	3,139,393	46.14
2	M/S PREMIER GARMENTS LIMITED	40,000	0.59

Mutual Funds

- -

Directors and their Spouse and Minor Children

1	MR. TAHIR JAHANGIR	933,322	13.72
2	MRS MUNIZA JAHANGIR	197,441	2.90
3	MRS SULEMA JAHANGIR	197,718	2.91
4	MR. JILLANI JAHANGIR	394,144	5.79
5	MRS MYRA HUSAIN QURESHI	1,000	0.01
6	MR. ABDUL MUNAF	500	0.01
7	MR. RASHID AHMAD KHAN	1,000	0.01

Executives:

- -

Public Sector Companies & Corporations:

- -

Banks, Development Finance Institutions, Non Banking Finance
Companies, Insurance Companies, Takaful, Modarabas and Pension Funds: 5,710 0.08

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

Sr. No.	Name & Category of shareholders	No. of Shares Held	Percentage
1	M/S TEEJAY CORPORATION (PVT) LTD	3,139,393	46.14
2	MR. TAHIR JAHANGIR	933,322	13.72
3	MR. JILLANI JAHANGIR	394,144	5.79

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

Sr. No.	Name	SALE	PURCHASE
	Nill		



FORM OF PROXY

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

For beneficial owners as per CDC List

CDC Participant I.D. No. _____

Sub Account No. _____

CNIC No.

Passport No. _____

hereby appoint Mr./Mrs./Miss. _____ of _____ an other member of
the Company or failing him/her Miss/Mrs/ Mr. _____
of _____ another member of the Company as my / our proxy to attend and vote for me / us and my /our
behalf at Annual General Meeting of the Company to be held on Saturday, October 27, 2018 at 11:00 A.M. and at every
adjournment thereof, if any.

Please affix
Rupees Five
Revenue
Stamp

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

Signed this _____ day of _____ 2018

Signature of Shareholder _____

Signature of Proxy _____

1. WITNESS

Signature: _____

Name: _____

Address: _____

CNIC No.
or Passport No. _____

2. WITNESS

Signature: _____

Name: _____

Address: _____

CNIC No.
or Passport No. _____

Important:

1. This Proxy Form, duly completed and signed, must be received at above mentioned address the Registered Office of the Company, not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
3. For CDC Account Holders / Corporate Entities In addition to the above the following requirements have to be met
 - i. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy forms.
 - ii. The proxy shall produce his original CNIC or original passport at the time of the meeting.
 - iii. In case of a corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.



To:

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

**AFFIX
CORRECT
POSTAGE**

BOOK POST





پراکسی فارم

میں / ہم مسمیٰ / مسماۃ _____ ساکن _____ ضلع _____

بحیثیت ممبر کمپنی، مسمیٰ / مسماۃ _____ ساکن _____ کمپنی ممبر یا اسکی عدم موجودگی کی صورت میں

مسمیٰ / مسماۃ _____ ساکن _____ کمپنی ممبر کو بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں تاکہ وہ میری / ہماری جگہ

اور میری / ہماری طرف سے کمپنی کے سالانہ اجلاس عام جو کہ بتاریخ ۲۷ اکتوبر ۲۰۱۸ء بوقت صبح ۱۱:۰۰ بجے، کمپنی کے رجسٹرڈ دفتر فیکٹری پریسز: ۱۷.۵ کلومیٹر شینو پورہ روڈ لاہور میں منعقد ہو رہا ہے

میں بول سکے اور ووٹ ڈال سکے۔

پانچ روپے کی ریونیو سٹپ
چسپاں کریں

دستخط بتاریخ _____ دن _____ ۲۰۱۸ء

گواہ کوائف	گواہ کوائف
دستخط: _____	دستخط: _____
نام: _____	نام: _____
پتہ: _____	پتہ: _____
کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: _____	کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: _____

دستخط: _____	فولیو نمبر: _____
(دستخط کمپنی میں موجود رجسٹرڈ دستخط کے مطابق ہونے چاہئیں)	سی ڈی سی کھانہ نمبر: _____
	حصص کی تعداد: _____

اہم:

پراکسی فارم، کمپنی کے رجسٹرڈ آفس ۱۲۰ ایون گلیبرگ تھری لاہور، میں اجلاس کے انعقاد سے کم از کم ۴۸ گھنٹے قبل جمع کرانا لازمی ہے۔ بصورت دیگر وہ قابل قبول نہ ہوگا۔



To:

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

**AFFIX
CORRECT
POSTAGE**

BOOK POST





Hala
Enterprises Limited

17.5 km Sheikhpura Road, Lahore - PK
Tel: + 92 (42) 3797 0130, 3797 0230
Fax: + 92 (42) 3797 0681
E-mail: corporate@halaenterprises.com
www.halaenterprises.com

