

Annual Report

CONTENTS

PART A:	ORGANIZATIONAL OVERVIEW	
	A.1 Mission, Vision and Value Statements	02
	A.2 Message from Chairman	03
	A.3 Message from CEO	04
	A.4 Company Profile	05
	A.5 Company Information	09
PART B:	CORPORATE GOVERNANCE STRUCTURE	
	B.1 Directors Report	10
	B.2 Directors' Profile	18
	B.3 Board Committees	20
	B.4 Statement of Compliance (as filed with PSX)	21
	B.5 External Auditors Report	23
PART C:	STAKEHOLDERS ENGAGEMENT	
	C.1 Pattern of Shareholding	30
	C.2 Categories of Shareholders	31
	C.3 Notice of 2 nd AGM	32
	C.4 Proxy Form	34
PART D:	FINANCIAL STATEMENTS	36

OUR MISSION STATEMENT

To maintain our pioneer status in the agricultural textiles sector of Pakistan by continuing to play an effective and positive role in the economic development of our country through provision of finest quality products at most reasonable rates to our clients and sustained investment in research and development.

OUR VISION STATEMENT

Our vision is an economically strong and prosperous agricultural sector of Pakistan, capable of meeting all of our country's food and agri-based raw material needs from its own land, and contributing to country's socio-economic development.

STATEMENT OF VALUES

Our Company is committed to conducting all its operations ethically, transparently and in strict compliance with all laws, ensuring to maintain a healthy balance between the interest of all of its stakeholders, including shareholders, employees, business associates and the society at large

MESSAGE FROM THE CHAIRMAN

Alhamdulillah, your Company has completed its first financial year since it gained the listed company status in November 2021. Due to several reasons which are enumerated by the CEO in his message as well in Directors Report, the pace of development in these months has been less than expected. However, the things have finally settled in and we are confident of achieving our operational financial targets in the coming financial years.

Your Company was the first company to be listed on the GEM Board of PSX. We will always cherish this honor and strive to prove ourselves worthy of it. We believe the success of your Company will encourage other smaller companies to seek listing at the GEM Board and play a positive role in the economic development of our nation.

Our journey of progress has begun and we are confident that in the coming years your Company will not only prosper in financial terms but also help the agricultural sector of the country to attain greater self-sufficiency through reduction in reliance on imported agricultural produce.

I take this opportunity to thank all our suppliers, customer, employees, associates and professional consultants who have helped us reach thus far – and look forward to their continued support in years to come.



Dr Safdar A Butt
Chairman

MESSAGE FROM CHIEF EXECUTIVE OFFICER

I feel honored to present this first Annual Report since attaining the status of a listed company in November 2021.

Following the successful initial public offering which raised a total of Rs 198 million rupees, we have been occupied with implementing the development program as outlined in our Information Memorandum. Due to the disturbances in the economic environment of the country, the pace of work has not been as brisk as we would have liked. For example, the major machinery import was delayed for considerable period and the machines arrived only during the last month of the year under review (June 2022). The machinery had not been commissioned by the end of the financial year, significantly affecting the turnover and operational forecasts for the year. However, I am pleased to state that all necessary steps have since been taken, our operational capacity and efficiency has been heightened and we are confident that your Company will be able to meet all its production and marketing targets in the coming financial year.

Production of fishing nets, the focus of our expansion program, did not start in the year under review but it has since started and we are pleased to state that your Company has started moving towards meeting all the fishing net requirements of the country. Our product has been well received by the market and its demand is steadily rising.

The year under review saw considerable increase in prices of our raw materials (which are petroleum based) due to changes in oil prices as well as unprecedented drop in the value of our currency. We were able to withstand this onslaught by improving our operational efficiency and seeking economies in all our functions.

We reiterate our commitment to providing quality products to our agricultural sector at competitive prices – thereby playing an effective role in economic development of the country. Your Company continues to occupy its leader status in production and marketing of agricultural textiles. We are confident that our efforts towards maintaining the high quality and standards of production will keep bearing fruits for us in foreseeable future.



Khalid Butt
Chief Executive Officer

COMPANY PROFILE – OUR JOURNEY SO FAR

The Company

Pak Agro Packaging Private Ltd. started its operations in May 2001 as the first company to provide agricultural textiles to the local market.

The Company's corporate head office is in Islamabad, the capital city of Pakistan while its factory is at Hattar Industrial Estate, Haripur in the Frontier Province.

The Head Office houses the administration, finance and marketing functions. The company also maintains presence in some provincial towns through placement of marketing representatives.

The factory in Hattar manufactures most of the products handled by the Company. The Company also gets some of the products partly processed by specially contracted vendors.

The factory is ideally located to serve the agricultural belt of the country. It is well connected by excellent all-weather tarmac roads to all major agricultural centres of Punjab and Frontier provinces, and indeed all the provinces.

The Company maintains a network of Authorised Distributors throughout the country. As far as possible, all local sales are made only through authorized distributors. Authorised Distributors are permitted to appoint sub-dealers in consultation with the Company.

Company History

The Company was originally incorporated in February 1989 under the name and style of Kohsar Tyres Ltd. It acquired a two-acre plot in Phase IV of Hattar Industrial Estate, Haripur, NWFP.

Kohsar Tyres Ltd. never commenced operations and was subsequently acquired by another group of shareholders who renamed the company as Mian and Khan Industries (Private) Ltd. This group did not use the plot or carried out any business either. The present Management of the Company acquired the entire share capital of the company, principally to get ownership and possession of the two-acre piece of land, which was company's only asset. The company was renamed as Pak Agro Packaging (Private) Ltd. (PAPPL). This change of name was achieved on 24 August 2000, along with an appropriate amendment in company's Memorandum of Association to allow for change in nature of its business, namely to undertake the business of manufacturing net bags and other agricultural related textiles, mainly packaging materials and protective / support products for agricultural sector of the country.

The company commenced its commercial production towards the end of 2000, with only two machines: a stretch bags making machines and a Raschel machine for making net bags. At that stage, it was getting its flat yarn manufactured by an outside vendor. It was soon discovered that in order to maintain the quality and reliability of supply, the company will have to acquire its own flat yarn making machine. This was done in 2001. With products gaining visibility and recognition in the market, the company soon found it necessary to add another Raschel Machine to enhance its production of net bags and greenhouse shades. In late 2002 this was done. A continuous market study revealed that there is a much larger market for greenhouse shades prepared with round yarn and having a width of 3 meters (as opposed to our flat yarn and under 12 feet width). Therefore, in July 2004, the company imported a

complete set of machines to manufacture flat yarn and to make broader, heavier greenhouse shades sought by the upper segments of the market.

After experiencing some teething problems in the initial years of its operations, the Company now occupies a premier status in the market. Its products command a premium in price and most of its production is sold well in advance.

In 2021, the Company took a leap of faith and converted into a public limited company. In November 2021, it became the first company to be listed at the GEM Board of Pakistan Stock Exchange. Its IPO proved a great success and helped us raise Rs 198 million. This was invested in installing several new machines and construction of a new production hall – as well as improving our capacity to sustain higher levels of operations through maintaining larger stocks.

Information about the promoters and directors of the Company is given elsewhere in this report.

The current products of the company include:

- a. Greenhouse shades of different varieties and specifications
- b. Plant support nets
- c. Bale nets
- d. Anti Insect Nets
- e. Anti Bird Nets
- f. Anti Hail Nets
- g. Mulching film
- h. Packaging Materials including stretched nets and knitted nets used for packing a wide variety of vegetables and fruits.
- i. Fishing nets

The Factory

Location

The factory is located at Plots 22 and 23, Phase IV of Hattar Industrial Estate, Haripur, NWFP. The site is about 40 kms from Islamabad. It is well connected by excellent all-weather tarmac roads with all major agricultural centres of Punjab and Frontier provinces, and indeed all the provinces. It has excellent infrastructural facilities including adequate power supply, water, gas, road and telecommunication links, drainage, access to labour, etc.

Size & Construction

The factory has a land area of two acres and constructed area of over 55,000 square feet. In addition to the main production hall (that also houses the warehouse), there is an office block and workers' quarters. Plenty of area has been reserved for plantation and greenery to give an environmentally pleasant appearance.

The Plant

The company has imported all the machines from most appropriate sources to ensure the best possible quality for its products. Its plant is well balanced and capable of meeting the demands for most varieties of greenhouse shades, net bags, other packing and support nets, and fishing nets required by the Pakistani market.

Quality Control

Key Principles

The Company is committed to giving the finest quality products to its clients and to maintain its stature as the country's pioneer and leading supplier of agro-based packing material.

Key steps

These include:

- All production processes are documented.
- No material is accepted in the factory, or issued to production, unless it has been tested and found satisfactory for the purpose.
- No finished product is transferred from factory to finished goods warehouse unless it has been tested and found of required standard.
- ISO 9000 certification is in process.
- There is an active Research and Development Department.

The Market

Pakistan produces a large quantity of vegetables and fruits for local consumption and export. At present, net bags are being made only by PAK. Its only alternative is jute bags that not only too expensive, they are also harmful as they transmit viruses through re-use. While it is difficult to accurately assess the real market potential (due to lack of awareness of the usefulness of the product among its prospective users), we believe that given the right price and quality, net bags can penetrate the packing market in more or less the same way as ordinary polythene bags overwhelmed the paper-bags in recent past.

The size of the market can only be assessed by the size of vegetable and fruit production in the country. This is given at over 50 million metric tons per year. Since a net bag can carry a maximum of 25 kg weight and considering that the produce may change hands more than once before it reaches the final consumer, the market size appears to be as large as 3,000 million bags per year. Hence, the sponsors envisage no difficulty in marketing the product since the market is now well informed of the benefits of using appropriate packaging material.

Similarly, the size of greenhouse shades market is simply too enormous for the company to contemplate meeting even 15% of the market share. Due to the hard work done by the company over the past several years, the product has gained awareness in the market. Now, there is sufficient awareness of this particular product and its import has virtually ended.

Marketing and Distribution Network

For the purpose of maintaining an effective distribution network, we have divided the country into five regions namely Punjab, Sindh, Baluchistan, KPK. and Azad Kashmir. The larger regions, namely Sindh and Punjab have been further sub-divided into three zones each. In this way, we have nine marketing zones in the country as follows:

- | | | |
|-------|--------------|----------|
| ii) | Lahore | (Punjab) |
| iii) | Rawalpindi | (Punjab) |
| iv) | Multan | (Punjab) |
| v) | Karachi | (Sindh) |
| vi) | Hyderabad | (Sindh) |
| vii) | Sukker | (Sindh) |
| viii) | Baluchistan | |
| ix) | KPK | |
| x) | Azad Kashmir | |

Each zone has between six and nine districts, or territories. One Sole Distributor has been appointed in each Territory. Thus we have around seventy sole distributors in the country. Certain sole distributors have been authorized to appoint sub-dealers. Collectively, this network ensures that our products are available in all parts of the country, conveniently and economically.

Export Potential

While the capacity of the plant cannot meet even 1% of the local demand, the potential for export cannot be altogether ignored. In particular, net bags can be exported as part of fruits and vegetables exports. Over the recent past, a good percentage of potatoes and onions exported from Pakistan were packed in the net bags made by this company.

Market Strategy

The company has already set up their distribution network by appointing Distributors in all major cities of Pakistan. A sales force is being maintained at head office to provide information and assistance to all clients. Sales personnel make frequent visits to see distributors and clients throughout the year. The Remuneration package offered to sales force has a significant commission element. Commission rates offered to distributors are volume related to provide incentive.

COMPANY INFORMATION

Board of Directors:	<p>Dr. Safdar Ali Butt <i>Chairman of the Board / Non-executive Director</i></p> <p>Khalid Butt <i>Executive Director / CEO</i></p> <p>Dr. Tariq Javed <i>Executive Director / CFO & Company Secretary</i></p> <p>Mrs Kaisra Jabeen Butt. <i>Non-Executive Director</i></p> <p>Dr. Mubarak Hussain Haider <i>Independent Director</i></p> <p>Mohammad Javed <i>Independent Director</i></p> <p>Mr Iftkhar Mahmood <i>Independent Director</i></p>
External Auditor	<p>Rafaqat Mansha Mohsin Dossani Masoom & Co. <i>Chartered Accountants</i> 3rd Floor, Sharjah Centre, 62 Shadman Market, Lahore Phone: 042-37552728-9 Fax: 042-37552730</p>
Share Registrar	<p>CDC Share Registrar Services Limited, CDC House, 99-B, Block 'B', SMCHS Main Shakra-e-Faisal, Karachi-74400 Phone: +92 21 111 111 500; Fax: +92 21 34326053 Website: www.cddcsrsl.com</p>
Legal Advisor	<p>Mr Abid Hussain Mirza Islamabad</p>
Registered Office & Factory	<p>Plot # 22-23 Phase – IV Hattar Industrial Estate, Hattar KPK. Phone: +92 995 352547</p>
Corporate Head Office	<p>Third Floor, Green Trust Tower Jinnah Avenue, Blue Area, Islamabad. Phone: +92 51 8311645</p>
Contact us:	<p>Phone: +92 51 8311645 www.pakagro.com info@pakagro.com</p>

DIRECTORS REPORT

The Directors of Pak Agro Packaging Limited (“PAPL” or the “Company”) are pleased to present Annual Report along with audited financial statements for the year ended June 30, 2022.

Significant Events

The year under review was the most significant period in the life of your Company so far. Some of the most important events that took place in the year are enumerated below:

- a. The Company changed its status from private limited company to public limited company.
- b. It applied for and successfully got listed as the first company on Pakistan Stock Exchange’s GEM Board.
- c. It offered 8 million shares of Rs 10 each for public subscription, on book-building exercise basis, and succeeded in raising Rs 198 million, in November 2021.
- d. Orders were placed for import of new machinery and work on construction of a new production hall commenced in January 2022. Due to economic disturbances prevailing in the country, the arrival of machinery was slightly delayed. However, most of the machines arrived before the end of the period under review, though their commissioning took place in July 2022. Alhamdulillah, all the machines are now functional.
- e. The Plant as a whole has been rationalized to ensure smooth and efficient production processes and to maximize total output.

Pakistan’s Economic Review

The period under review was a mixed bag for Pakistan’s economy. The country posted a robust GDP growth of 5.97% for the fiscal year ended 2022. Exports grew strongly on account of policy support including export facilitation scheme, enhancement in coverage and loan limits under LTFF, and tariff rationalization in certain sectors. Tax collection by the Federal Board of Revenue also recorded substantial growth of 29% during the same period. However, the geopolitical uncertainty, arising out of the Russia-Ukraine conflict has amplified our macroeconomic imbalances and global commodity prices have increased substantially, bringing pressure on forex reserves. Further, CPI inflation rose to 11.3% that led the State Bank of Pakistan (SBP) to raise the policy rate to 15 percent as part of monetary tightening which has been underway since September 2021 to tame the rising inflation. The Federal Government has also increased the income taxes on select corporate sectors through the Federal Budget 2022-23 to reduce the fiscal gap. The country’s economic outlook is surrounded by global and domestic uncertainties. Geo-political tensions remain unabated, worldwide inflation remains high, interest rates show tendencies to rise, and the US dollar strengthens. Pakistan’s external environment is therefore posing increasing challenges. Domestically, the Government has taken necessary measures to comply with IMF requirements. These have further increased inflation, but also have had the positive effect of alleviating the external financing constraints.

The agricultural sector of the country, that provides the bulk of the demands for the products of your Company, has also been hit with the global economic situation. In fact, the floods that have besieged Pakistan over the last few months have aggravated an already fragile situation. Almost all the crops, major and minor, have been adversely affected and this may lead to a drop in the performance of our agricultural sector. However, this is a bitter-sweet news for your company. On the one hand, buying power of the agricultural sector is likely to be reduced but on the other hand, farmers will have a greater need for your Company’s products to regain their sustainability.

Financial Performance

Due to the economic upheaval in the country, coupled by delays in arrival of our new plant, there has been a less than projected growth in the sales volume and revenue in the year under review. While sales showed a modest growth of 24.9%, from PKR 402.5 million to PKR 502.9 million, the gross profit margin dropped from 16.7% to 13.8% due to exchange rate fluctuations and our inability to fully transfer the cost increases to the customers due to the generally fragile state of the agricultural sector. Our direct costs were also impacted by substantial increase in energy costs as well as labor cost caused by changes in minimum wage. Again, our administration overheads were increased because of the need for hiring several new managerial level employees to cope with the demands of increase in projected production and our newly acquired listed company status. This brought down our profit before tax by 9.5% and profit after tax by 15.7%. Despite heavy capital expenditure, we did not get the tax benefit as the new fixed assets did not become operational in the year under review. This is the prime cause of higher income tax charge for the year.

Highlights of our financial performance are as follows:

	Year ended 30 June		Variance Positive/ (Negative)
	2022	2021	
	PKR'000		% age
Net Sales	502,900	402,498	24.9%
Gross Profit	69,312	67,394	2.8%
GP % of sales	13.78%	16.7%	(2.9%)
Operating Profit	47,557	55,116	(13.7%)
Net Profit before Tax	40,807	45,110	(9.5%)
Net profit after Tax	28,316	33,599	(15.7%)
Earnings Per Share (diluted as appropriate)	1.42	2.80	(49.3%)

Your Company's product strategy is focused on delivering quality in every aspect of its business.

Operational Performance

The principal segment of our business are agricultural textiles, packaging bags and fish-nets.

Agricultural Textiles include greenhouse shades, plant support nets, bale nets, insect nets, anti-hail nets, anti-bird nets etc. This segment remains a strong contributor to our total turnover. During the year under review, it recorded a steady growth, in terms of quantitative volume, of 11%.

Packaging bags include both stretch net bags (used for packing sports goods and certain food items) as well as woven bags (used for packing vegetables and fruits). This segment accounts for almost 15% of our total quantitative turnover but for more than 25% of our sales revenue. During the year under review, this segment maintained a steady growth in demand.

Fish nets are relatively a new segment of our business. While some of the machines were acquired in the second half of the year under review, the real plant that includes back-process as well as finishing unit arrived only in June 2022. Hence, no real impact on turnover was made to year's sales revenue by this unit. However, we strongly believe that this segment will soon become the principal contributor to our overall sales revenue. We have the capacity to produce more than 80% of the country's demand for different types of fish nets. We hope that very soon the import of this product will be stopped, saving considerable forex resources for the country.

Management of Liquid Resources

Cash management and liquidity control are our key focus areas that are incorporated into all our strategic decision-making processes of the Company from purchasing, the design of marketing schemes and capital expenditures. A budgeting and planning department works under the direct supervision of CFO of the Company, who in turn reports to the CEO. This section works for annual strategic planning, budgeting and forecasting that enables Company to efficiently achieve its vision and safeguard against future strategic and liquidity risks. The Company has an effective Cash Management System in place whereby cash inflows and outflows are projected on monthly, quarterly and half-yearly basis and monitored rigorously along with monthly and quarterly rolling forecast budgeting. Working capital requirements are properly planned and managed through efficient management of trade receivables, payables and inventory levels and financing arrangements. The company faces no liquidity risks in light of its well-planned cash management strategies leading to adequate availability of judiciously negotiated funded and non-funded financial facilities.

Capital expenditure is managed carefully through a proper evaluation of profitability and risks associated with each investment. In conformity with Company's prescribed Capital Expenditure and Risk Management policies, regular project reviews are undertaken by executive management and Board's Audit Committees for delivery on time and within budgeted cost levels. During the year under review, capital expenditure of PKR was incurred on construction of new production hall and storage facilities, and for import/local purchase and installation of production machinery.

Contribution to National Exchequer

Your Company has contributed PKR 108.1 million during the year under review to the national exchequer on account of import duties, sales and income taxes.

Appropriation of Profits

Due to the late arrival of machinery acquired out of IPO proceeds, and delays in construction of production hall/storage, our profits (and cash flows) for the year were well below the budgeted levels. Considering the general state of economy, and in particular the hardships wreaked on agricultural sector by the recent floods, the Board of your Company strongly feels that the company needs to conserve its liquid resources in the coming year to ensure sustainable growth in revenues and cash flows.

It has therefore been decided by the Board at its meeting held on 05 October 2022 not to recommend the payment of any cash or scrip dividends for the year under review. However, it is envisaged that the Company will be able to pay a decent dividend in the next financial year.

Utilization Of IPO Funds

Note 40.2 to the financial statements of the Company for the year ended 30 June 2022, provides detailed information on the utilization of IPO proceeds.

<i>Payments out of IPO Funds</i>	Pak Rs
• Purchase of Machinery, installation and commissioning thereof	73,971,557
• Construction of production hall and storage	10,200,000
• Purchase of delivery truck	3,111,700
• IPO related expenses	10,716,743
• Investment in stocks / Repayment of Current Liabilities	70,000,000
Total Payments	168,000,000
Held in TDR	30,000,000
IPO proceeds	198,000,000

Material Changes and Commitments

- a. There have been no material changes since June 30, 2022 and your Company has not entered into any commitment, which would affect financial position of any group company at the date except those included in the financial statements of the Company for the year ended June 30, 2022.
- b. There has been no modification in the Auditor's Report in relation to your company's operation at any stage.
- c. There has been no default in payment of any debt by your company during the year.
- d. These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan.
- e. There has been no material departure from the Best Practices of Corporate Governance, as detailed in the Listing Regulations and Listed Companies (Code of Corporate Governance) Regulations, 2019.
- f. The Auditors have expressed unqualified opinions on the financials statements of each of the group companies.

Compliance With the Code of Corporate Governance

The mandatory requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 have been duly complied with and a Statement of Compliance to this effect is annexed in the Annual Report.

External Auditors

The present auditors, M/s Rafaqat Mansha Mohsin Dossani Masoom & Co., Chartered Accountants, retire and offer themselves for re-appointment. They have confirmed achieving satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) and compliance with the Guidelines on the Code of Ethics of the International Federation of Accountants (IFAC) as adopted by ICAP. As suggested by the Audit Committee, the Board of Directors has recommended their reappointment as Auditors of the Company for the year ending June 30, 2023, at a fee to be mutually agreed.

Pattern of Shareholding

A statement of the pattern of shareholding of certain class of shareholders as at June 30, 2022, whose disclosure is required under the reporting framework, is included in the annexed shareholders' information.

Board Committees

The Board oversees the risk management process primarily through its various committees. Audit Committee ensures transparency and accountability by focusing on financial, regulatory and compliance risks. The Committee meets quarterly or more frequently if it is so required. Human Resource and Remuneration Committee focuses on the risks in its area of oversight, including assessment of compensation programs to ensure they do not escalate corporate risk, in addition to an ongoing succession planning exercise with a view to ensure availability of competent human resources in each critical area of Company operations.

Adequacy of Internal Controls

The directors are committed to the values of good governance and adequacy of internal controls. The Company has a sound system of internal control which is firmly integrated across all functions, effectively implemented and regularly monitored. The Board's Audit Committee reviews the Company's system of internal control to ensure that systems are in place and are adequate to safeguard the Company's assets, prevention & detection of error or fraud, compliance with laws & regulations and ensure the reliability of financial statements. The Company is in the process of setting up its own Internal Audit Department, hopefully with the coming financial year.

Risk Management

The Company has a comprehensive Risk Management Policy that has assigned specific responsibilities to directors and senior management. The two main players in the policy are the Board of Directors and its Audit Committee, who regularly review the risk matrix in terms of impact and probability of occurrence. The senior management team, led by the Chief Executive Officer, Chief Financial Officer and Non-Executive Directors are responsible for risk mitigation measures and developing proposals thereof for consideration by the Board.

The Company's activities expose it to a variety of financial risks: market risks (including currency risk, price fluctuations risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the Company's finance department under policies approved by the Board of Directors.

The Company's finance department evaluates and hedges financial risks where possible. 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, liquidity risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

Credit Risk

Credit risk represents the risk that one party to a financial instrument may cause a financial loss for the other party by failing to discharge an obligation. PAPL does not generally extend credit other than to financially sound industrial customers and such exposure is immaterial to total revenues of the Company. As regards financial assets, their carrying amounts represent the maximum credit exposure. The Company believes that it is not exposed to major concentration of credit or market value fluctuations risks. Exposure is managed through application of diversification of its investment portfolio placed with 'A' ranked banks and financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company may not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of funding through an adequate amount of committed credit facilities. The Company's fund management strategy aims at managing liquidity risk through internal cash generation. PAPL has no long-term debt while it has been allotted credit rating of A for short term financing by its two principal bankers. Low level of receivables balance and availability of sufficient credit lines, due to stable liquidity position, enables the Company to meet all its contractual commitments.

Foreign Exchange Risk

Foreign currency risk arises mainly where receivables and payables exist due to transaction in foreign currencies. The Company is mainly exposed to short term USD/PKR parity on its import of raw materials. As a matter of policy, the Company prefers to use sight letters of credit for all imports of raw material. Any loss arising out of forex fluctuation is absorbed in the cost of raw materials or fixed assets imported; thereby exposing to any forex losses.

Policies and Procedures

The Company has started a process of documenting all its policies and procedures on the direction of its Board and its Committees and integrate these into the Company's risk governance framework to ensure the smooth management of financial, operational and compliance risks.

Corporate Social Responsibility

The Company has not yet formulated its CSR program due to paucity of resources. However, your Board is keenly aware of the importance of Company's role in serving the society. While the Company participates in CSR activities on informal basis by donating funds to deserving charities, it aims to establish a formal CSR Section under its HR Committee to pay due attention to this commitment. During the year, total donations made by the Company amounted to Rs. 261,000.

Sustainability and Corporate Social Responsibility (CSR)

At PAK, Corporate Social Responsibility refers to playing a positive role in the community while fully taking into account the environmental and social impact of business decisions. Your Company principally serves the agricultural sector which is the backbone of our country's sustainability. We believe providing useful products to this sector is of tremendous value to our society's overall sustainability. As your Company progresses and is able to devote adequate funds to this aspect, formal sustainability and CSR programs will be designed and implemented.

Environment, Health & Safety

All our production processes have been designed to ensure that no risk is posed to environment, and workers' health and safety. All necessary equipment has been installed to handle any emergency in these areas.

Contracts with Related Parties

All necessary disclosures have been made in this respect in the financial statements. As a policy, your Company avoids awarding contracts for goods or services to any person related to the Company's board members or senior executives.

Threshold For Consideration as Executives

The Board has fixed the threshold of employees for consideration as Executives of the Company which includes CEO, CFO, all the Heads of Departments and such other employees as may be specified by Human Resource Committee keeping in view their scope of performance affecting the organization's key objectives and drawing monthly salary package of PKR 100,000/- or above.

Names of Directors of The Company During the Financial Year

1. Dr Safdar Ali Butt (Chairman BOD & Non-Executive Director);
2. Mr. Khalid Butt (CEO & Executive Director);
3. Dr Tariq Javed (CFO & Executive Director);
4. Mr. Mohammad Javed (Non-Executive, Independent Director);
5. Mr. Iftikhar Mahmood (Non-Executive Director);
6. Ms. Kaisra Jabeen Butt (Non-Executive Director);
7. Dr. Mubarak Hussain (Non-Executive, Independent Director);

Composition of Board at the Time of Directors' Report

The Composition of the Board at the time of Directors' Report is as following;

The total number of directors are 7 as per the following:

Male: 06

Female: 01

The composition of board, on basis of type of directorship held, is as follows:

- a) Independent Non-executive Directors: 03
- b) Other Non-executive Director: 02 (including 1 female director)
- c) Executive Directors: 02

Directors Trainings

The Company is in the process of meeting all legal requirements in respect of Directors' Trainings.

Evaluation of Performances

The Company has instituted a process of evaluating the performance of its Board Members and Board Committees internally.

Directors' Remuneration Policy

An extract of Directors Remuneration Policy is appended below as required under Listed Companies (Code of Corporate Governance) Regulations, 2019.

Human Resources and Remuneration Committee of the Board (HRRC) has been authorized by the Board to design and oversee the implementation of the Company's Directors' Remuneration Policy. A formal Directors Remuneration Policy was approved by the Board in the meeting held on 10 July 2021.

Its salient features are enumerated below:

The objectives of the policy are two-fold: to attract, motivate and retain directors of the highest caliber with broad commercial experience, and to comply with all the provisions of all relevant laws, rules and regulations applicable to directors' remunerations.

The Policy has been drawn considering the following:

- Company's strategic aims and goals.
- Company's corporate social responsibility.
- Company's core principle of business integrity.
- The market conditions for desired talent;
- A need for maintaining a work atmosphere that is conducive to efficiency, maturity of thought, motivation to progress and attainment of corporate goals; and
- Remuneration structure for directors in similar businesses in Pakistan as well as other companies of comparable size.
- The upper limit of base pay and benefits to be allowed to individual directors is approved by Board of Directors within the limits approved by the shareholders/members of the Company. .

However, while setting the remuneration package of any individual director, the following factors are considered:

- The particular qualifications, relevant experience and stature of the director.
- The prevailing market value of his/her particular talent.
- The nature of association of the director with the company, i.e. type of directorship held.
- Remuneration of Independent Directors is restricted to Directors / Meetings Fees only.

Boards' Efforts Towards Understanding the Views of Shareholders

The Board is cognizant of its responsibilities to all minority shareholders. Both board members and the management team hold conversations with large institutional holders of the stock and brokerage houses to understand areas of focus for shareholders or any concerns. The goal of the Board of Directors is to attract a high caliber of shareholders who are well informed about the Company's prospects and its strategy. Members of the Board have virtually interacted with shareholders in Annual General Meeting held on October 12, 2021 to understand the views of shareholders of the Company and will do so again at this year's AGM.

Acknowledgements

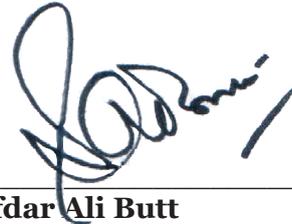
We wish to record our gratitude to all the Company employees, consultants and associates for their sheer hard work and commitment to the Company's objectives and for achieving satisfactory results in a challenging year for the country's economy. We are also thankful to all of Company's stakeholders especially our customers for their continued confidence in our products and services.

Website of the Company

All the information as required to be placed on Company's website under statutory/regulatory requirements is appropriately placed at www.pakagro.com



Mr. Khalid Butt
(Chief Executive Officer)



Dr Safdar Ali Butt
(Chairman)

Islamabad, October 5, 2022

DIRECTORS' PROFILES

Dr. Safdar Ali Butt

Chairman of the Board / Non-executive Director

Dr. Safdar Ali Butt is a financial expert, an experienced corporate official, an academician and an entrepreneur. He holds a master's degree in Commerce from Karachi University and a doctorate in financial management from Canada. He is a member of several professional bodies in Accounting, Finance and management. He has also completed Directors' Education program of Pakistan Institute of Corporate Governance.

Dr. Butt worked in senior financial positions with multinational companies overseas like Johnson & Johnson and Caltex Oil Corporation. He has worked as Director Finance / CFO with Army Welfare Trust, and served on the boards of directors of Askari Bank, Askari Leasing, Askari General Insurance, Askari Cement and several other companies functioning under AWT's ambit. He also served as a director of Bank of Azad Jammu & Kashmir as a nominee of AJK government for over 8 years.

He is currently an independent director of Hi Tech Lubricants Ltd., a company engaged in blending and marketing lubricants and also holding an OMC license. Dr. Butt is also engaged in Ujala Education Foundation.

Khalid Butt

Chief Executive

Mr Khalid Butt is a graduate from Punjab University and also holds a diploma in mechanical engineering. He has served for over nine years with Kohinoor Textile Mills Rawalpindi, acquiring useful knowledge and exposure to running and maintaining textile machinery. He has been with the Company since its inception and was responsible for the installation of its entire plant. He is the Chief Executive of the Company. More particularly, he personally looks after all the production and sales related affairs.

Dr. Tariq Javed

Director Finance & Company Secretary

Dr. Tariq Javed holds a PhD in financial management from UPSI, Malaysia. He also holds a CPA and PIPFA qualifications. He has over twenty years industrial and commercial experience including 12 years with Pak Agro Packaging Ltd. He also has academic experience, teaching at MBA and MS levels in several universities. He is well-versed with the requirements of the present-day finance department and corporate compliance procedures.

Mrs Kaisra Jabeen Butt.

Non-Executive Director

She holds a master's degree in literature in English and is an experienced academician and administrator. She takes a keen interest in her social responsibilities and serves as a director on a board of a large-scale social welfare organization, engaged in human and institutional development, immunization, and mother/child health care programs. She has been on the board of Pak Agro Packaging Limited as a Non-Executive Director since 2003.

Dr. Mubarak Hussain Haider*Independent Director*

Dr. Mubarak Hussain Haider is an experienced business manager and entrepreneur, with over twenty-eight years' corporate experience. He holds a PhD in human resource management and has considerable academic experience at university level. He is currently a principal shareholder and CEO of Quantum Energy, a firm engaged in manufacture, installation, and maintenance of Solar Systems. Dr Mubarak also runs a managerial training firm called "BRAINS IN BRAIN" in Islamabad.

Mohammad Javed*Independent Director*

Mr Mohammad Javed is an engineer by qualification and a marketing guru by profession. He has over 27 years' experience at senior managerial level and as an advisor and consultant in ICT, public safety and smart technologies, with large Pakistani and European corporate organizations. He has worked in both public and private sector companies and was until recently a director general in one of the country's largest semi-governmental corporations. He has been instrumental in shaping marketing policies and strategies at national level. As an independent director, Mr Javed provides useful insights into the world of technology and marketing strategy building.

Mr Iftkhar Mahmood*Independent Director*

Mr Iftkhar Mahmood is a qualified civil engineer and engaged in his construction business for last twenty years. Earlier he had served in important technical and managerial positions with large construction firms, being involved in development of large scales housing estates. He contributes significantly toward engineering and labor relation matters of the company.

BOARD COMMITTEES

The company attained its listed status only in November 2021. So far it has formed only two Board Committees, as enumerated below. However, it proposes to form other necessary board committee within the coming financial year.

Board Audit Committee

The Board Audit Committee of your Company has been specifically mandated to perform the functions and duties assigned to such committees by the Code of Corporate Governance issued by SECP, briefly including the following:

- Determination of suitable measure for protecting the assets of listed company; examination of initial declaration of results before publication; Review of quarterly, half-yearly and annual financial statement of listed company before presenting to Board of Directors;
- Facilitate the external audit by discussing significant observations resulting from interim and external audit with external auditors; Assessment of management letter which is issued by external auditors, along with management response in this regard;
- Ensuring the effectiveness of internal control systems (financial and operational), accounting structure and reporting system; reviewing of company's statements which contain description of internal control systems, before presenting them to Board of Directors;
- Specifying compliance practices related to statutory requisites;
- Making recommendation for the appointment of external auditors to Board of Directors; and advise the Board on issues related to resignation or removal of external auditors as well as audit fee of external auditors.

The Current Members of our Board Audit Committee are:

- | | |
|------------------------------|---------------------------------|
| 1. Dr Mubarak Hussain Haider | Independent Director / Chairman |
| 2. Dr Safdar Ali Butt | Non-executive Director / Member |
| 3. Mr Iftikhar Mahmood | Independent Director / Member |

The Committee had two meeting since its inception in February 2022 to consider quarterly financial statements and to make appropriate recommendations to the Board thereof.

Human Resources Committee

In accordance with the provisions of Code of Corporate Governance, our Human Resources Committee has been assigned the following responsibilities:

- To oversee the Company's compensation and benefits policies generally;
- To evaluate performance of executives; and review the Company's management succession plan;
- To oversee and set compensation for the Company's executive directors, CEO, and other senior managers;
- To recommend the appointment of and terminate compensation consultants as needed;
- To perform any other tasks that may be assigned to it by the Board from time to time.

This committee should have at least three members, preferably all non-executive directors and at least one independent director. The current members of our Board HR Committee are:

- | | |
|---------------------------|---------------------------------|
| 1. Mr Mohammad Javed | Independent Director / Chairman |
| 2. Dr Safdar A Butt | Non-Executive Director / Member |
| 3. Mrs Kaisra Jabeen Butt | Non-Executive Director / Member |

HR Committee held two meeting during the two last two quarters of the year under review and attention to routine human resource and remuneration affairs.

STATEMENT OF COMPLIANCE

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

The total number of Directors is 07 as shown below:

Male:	06
Female:	01

The composition of the Board is as follows:

<i>Category</i>	<i>No of Directors</i>	<i>Names</i>
Independent Directors	03	Dr Mubarak Hussain Haider Mr. Mohammad Javed Mr. Iftikhar Mahmood
Non-Executive Directors	02	Dr Safdar Ali Butt Mrs Kaisra Jabeen Butt
Executive Directors	02	Mr Khalid Butt Dr Tariq Javed

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company
- 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.
- The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company.
- All the powers of the board have been fully exercised and decisions on relevant matters have been taken by the board / shareholders as empowered by the relevant provisions of the Companies Act 2017 and these regulations.
- The meetings of the board were presided over by the Chairman. The board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
- The board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- The board remained compliant with the provision of the Regulations pertaining to the directors' training program. Out of Seven directors one (01) director on the board have already attended the Directors' Training program in prior years. Two directors were nominated for such a training during the financial year ended 30.6.22 but were unable to attend it due to unavoidable reasons. However, all six directors will undergo DTP in the coming financial year.
- During the period no change occurred in the positions of Chief Financial Officer, Company Secretary and Head of Internal Audit. Their remuneration and terms and conditions of employment complied with relevant requirements of the regulations.

- Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the board.
- Status of Board Committee is as follows:
 - The board has an Audit Committee, comprising of members given below:
 - Dr Mubarak Hussain Haider Independent Director / Chairman
 - Dr Safdar Ali Butt Non-executive Director / Member
 - Mr Iftikhar Mahmood Independent Director / Member

The board has a Human Resources Committee, comprising of the following members:

- Mr Mohammad Javed Independent Director / Chairman
- Dr Safdar A Butt Non-Executive Director / Member
- Mrs Kaisra Jabeen Butt Non-Executive Director / Member
- The Board proposes to form a Strategy and/or Risk Management Committee in the coming financial year.
- The terms of reference of the aforesaid committee have been formed, documented and advised to the committee for compliance
- The frequency of meetings of the committee were as follows:
 - Audit committee (02)
 - Board meetings (02)
 - Human Resource Committee (2)
- The board has set up an effective internal audit function which is considered suitable and effective for the purpose and are connected with the policies and procedures of the company.
- The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Review program of the Institute of Chartered Accountants of Pakistan.
- 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 requirements.
- Quarterly financial results and accounts have been submitted to PSX and are also available on company's website.

INDEPENDENT AUDITOR'S REPORT

To the Members of Pak Agro Packaging Limited



**RAFAQAT MANSHA
MOHSIN DOSSANI
MASOOM & CO .**
Chartered Accountants

Independent Auditors' Report to the Members of Pak Agro Packaging Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pak Agro Packaging Limited ("the Company"), which comprise the statement of financial position as at June 30, 2022, and the statement of profit or loss, the statement of other 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, statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2022 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matter

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.

Office: 3rd Floor, Sharjah Centre, 62- Shadman Market, Lahore
Telephone: 042-35408708-9 Fax: 042-35408710
E-mail: rmdmhr@hotmail.com, Website: www.rmdm.com.pk
Other Office at:
Karachi, Islamabad, Peshawar



**RAFAQAT MANSHA
MOHSIN DOSSANI
MASOOM & CO .**
Chartered Accountants

Following is the Key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our report
1.	<p>Capital expenditure</p> <p>(Refer note 17 to the annexed financial statements)</p> <p>During the current year, the Company has incurred a significant amount of the capital expenditure to enhance production, technological upgrades and strengthen the existing product slate of the Company and has been capitalized during the year. We consider the above as a key audit matter being significant transactions and events for the Company during the year.</p>	<p>Our audit procedures included the following:</p> <p>Assessed, on a sample basis, costs capitalised during the year by comparing the costs capitalised with the relevant underlying documentation, which included purchase agreements and invoices.</p> <p>Assessed whether the costs capitalized met the relevant criteria for capitalization as per the applicable accounting and reporting framework.</p> <p>Evaluated management's estimation of economic useful lives and residual values by considering our knowledge of the business and practices adopted in the local industry.</p> <p>Checked the date of transferring capital work-in progress to operating fixed assets by examining the completion certificates, on a sample basis.</p> <p>Assessed whether the disclosures are made in accordance with the financial reporting framework.</p>

Office: 3rd Floor , Sharjah Centre, 62- Shadman Market, Lahore
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E-mail: rmdmhr@hotmail.com , Website: www.rmdm.com.pk
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<p>2. Inventories</p>	<p>Refer notes 3.5, 3.6 and 10 to the financial statements, the Company has inventories i.e. stock in trade Rs. 136,053,241/- as compared to preceding year Rs. 76,306,082/-. We identified this area as a key audit matter because inventories increased by 78.30% as compared to the previous year & constitute 28.56% of the total assets of the Company as at June 30, 2022, and determining an appropriate write down as a result of net realizable value (NRV).</p>	<p>Our audit procedures in respect of this area included:</p> <p>Assessed whether the Company's accounting policy for inventories valuations is in line with the applicable financial reporting standards;</p> <p>Attended the inventory count at the year-end and on a sample basis, reconciled the physical inventory with the valuation sheets provided to ensure the completeness of the data;</p> <p>Compared on a sample basis specific purchases and directly attributable cost with underlying supporting documents;</p> <p>Compared the NRV, on a sample basis, to the cost of finished goods to assess whether any adjustments are required to value stocks in accordance with applicable accounting and reporting standards; and</p> <p>Considered the adequacy of the related disclosures and assessed these are in accordance with the applicable financial reporting standards and the Companies Act, 2017.</p>
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Office: 3rd Floor, Sharjah Centre, 62- Shadman Market, Lahore
Telephone: 042-35408708-9 Fax: 042-35408710
E-mail: rmdm1hr@hotmail.com, Website: www.rmdm.com.pk
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3.	<p>Revenue recognition</p> <p>(Refer notes 3.90 and 24 to the annexed financial statements)</p> <p>Revenue is recognized when control of the underlying products has been transferred to the customers. The Company is engaged in manufacturing of net bags and green shades for green houses. The Company recognized revenue from the sales of own manufactured goods.</p> <p>We considered revenue recognition as a key audit matter due to revenue being one of the key performance indicators of the Company and due to the reason that revenue increased significantly by 24.94% as compared to last year. In addition, revenue was also considered as an area of significant audit risk as part of the audit process.</p>	<p>Our audit procedures included the following:</p> <p>Assessed the design, implementation and operating effectiveness of the relevant key internal controls over the Company's system which governs revenue recognition.</p> <p>Understood and evaluated the accounting policies with respect to revenue recognition.</p> <p>Performed testing of sample of revenue transactions with underlying documentation including dispatch documents and sales invoices.</p> <p>Tested on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the correct period.</p> <p>Checked on a sample basis, approval of sales prices by the appropriate authority.</p> <p>Performed audit procedures to analyze variation in the price and quantity sold during the year.</p> <p>Assessed the adequacy of disclosures made in the financial statements related to revenue.</p>
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Information Other than the Financial Statement and Auditors' 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.

Office: 3rd Floor, Sharjah Centre, 62- Shadman Market, Lahore
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 E-mail: rmdmhr@hotmail.com, Website: www.rmdm.com.pk
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MOHSIN DOSSANI
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Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is, materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' 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:

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

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

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.

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Report on Other Legal and Regulatory Requirements

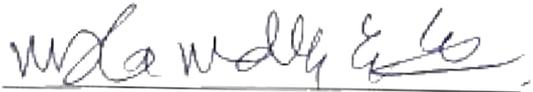
Based on our audit, we further report that in our opinion:

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

Other Matter

The financials statements of Pak Agro Packaging Limited for the year ended June 30, 2021 were audited by another auditor who expressed unmodified opinion on those statements on September 04, 2021.

The Engagement partner on the audit resulting in this independent auditors' report is Mr. Mohsin Nadeem, FCA.



Place: Lahore

Dated: October 05, 2022

Rafaqat Mansha Mohsin Dossani Masoom & Co.
Chartered Accountants
Engagement Partner: Mohsin Nadeem (FCA)

UDIN:AR202210048EJGvbB57I

Office: 3rd Floor, Sharjah Centre, 62- Shadman Market, Lahore
Telephone: 042-35408708-9 Fax: 042-35408710
E-mail: rmdmhr@hotmail.com, Website: www.rmdm.com.pk
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PATTERN OF SHAREHOLDING

Pattern of Shareholding as on 30.06.2022			
No of Shareholders	Shareholding		Total Shares Held
	From	To	
2	1	100	69
14	101	500	6,153
7	501	1,000	6,325
14	1,001	5,000	49,087
12	5,001	10,000	94,912
4	10,001	15,000	53,500
6	15,001	20,000	110,592
2	20,001	25,000	47,259
3	25,001	30,000	86,800
1	30,001	35,000	34,000
2	35,001	40,000	77,500
0	40,001	45,000	-
3	45,001	50,000	148,904
1	50,001	55,000	50,500
0	55,001	60,000	-
2	60,001	65,000	130,000
1	65,001	70,000	66,000
2	70,001	75,000	148,529
2	75,001	80,000	154,020
0	80,001	85,000	-
1	85,001	90,000	86,948
4	90,001	100,000	390,454
16	100,001	500,000	3,930,478
4	500,001	1,000,00	2,330,470
1	1,000,001	2,000,000	1,197,500
0	2,000,001	3,000,000	-
1	3,000,001	4,000,000	3,600,000
1	4,000,000	8,000,000	7,200,000
106			20,000,000

CATEGORIES OF SHAREHOLDERS

<i>Classification of Shareholders by Categories</i>			
Categories Of Shareholders	Numbers	Shares Held	Percentage
Directors and Executives	7	11,999,500	60.00%
Employees Provident Fund	1	50,500	0.25%
Investment Companies	1	147,000	0.74%
Individuals	80	3,868,633	19.34%
Modarabas	1	101,000	0.51%
Mutual Fund	2	1,048,470	5.24%
Takaful Company	2	800,000	4.00%
Financial Institutions	1	1,500	0.01%
Joint Stock Companies	11	1,983,397	9.92%
Totals	106	20,000,000	100.00%

Shareholders holding 5% or more shares

	Shares Held	Percentage
Safdar Ali Butt	7,200,000	36.00%
Khalid Butt	3,600,000	18.00%
Kaisra Jabeen Butt	1,197,500	5.99%

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2nd Annual General Meeting of Pak Agro Packaging Ltd; will be held at 16:00 pm on October 28, 2022 to transact the following business at company's registered office at Plot 22-23, Phase – IV, Hattar Industrial Estate, Hattar. KPK.

In wake of the outbreak of pandemic (COVID-19) shareholders are encouraged to attend the Meeting online as per the instructions given in Notes.

ORDINARY BUSINESS

- To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2022 together with the Directors' and Auditors' reports thereon.
- To appoint Auditors for the term ending at the conclusion of the next Annual General Meeting and to fix their remuneration. The retiring Auditors Rafaqat Mansha Mohsin Dossani Masoom & Co. Chartered Accountants being eligible have offered themselves for reappointment.

ANY OTHER BUSINESS

- To transact any other business with the permission of the Chair.

NOTES

- i) Share Transfer Books of Pak Agro Packaging Limited ("Company") shall remain closed from October 22, 2022 to October 28, 2022 (both days inclusive) and no transfer will be registered during that time. Share transfer deeds received in order with the Share Registrar of the Company, i.e. CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400 at the close of business on October 21, 2022 will be treated in time for all legal entitlements.
- ii) A member entitled to attend and vote at the Annual General Meeting ("Meeting") is entitled to appoint another member as a proxy to attend and vote on his/ her behalf. In case of a corporate entity, being a member, may appoint as its proxy any of its official or any other person whether a member of the Company or not through Board Resolution/ Power of Attorney.
- iii) The instrument appointing a proxy duly stamped/ signed and witnessed, and must be received at the Corporate Office of the Company at 302, 3rd Floor, Green Trust Tower, Jinnah Avenue, Blue Area, Islamabad, Pakistan, not later than forty-eight (48) hours before the Meeting.
- iv) Shareholders whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to e-mail copy CNIC along with their account number in CDS and participants ID number for verification. In case of appointment of proxy by such account holders, it must be accompanied with participants' ID number and Account/Sub-account number along with attested photocopies of CNIC or the Passport of the beneficial owner. Representatives of Corporate Members should e-mail the usual documents required for such purposes through the e-mail address communicated in Proxy Form through which they are appointed as Proxy of the respective Shareholder.
- v) Members should quote their Folio. / CDS Account number in all correspondence with the Company and at the time of attending the Annual General Meeting.
- vi) Shareholders are requested to notify the change of address, and any other relevant details, if any, immediately to our Share Registrar.

- vii) In case of joint holders, only one member whose name will appear as main title shareholder in our list of shareholders, will be allowed to attend the General Meeting.

TRANSMISSION OF ANNUAL REPORT:

The Audited Financial Statements of the Company for the year ended June 30, 2022 have been made available on the Company’s website (<https://www.pakagro.com>) in addition to the quarterly financial statements for the prior periods. Further, Annual Report of the Company for the year ended June 30, 2022 has been e-mailed to the respective shareholders who have provided their valid e-mail IDs to the Share Registrar of the Company (CDSRSL). Those members who require a hard copy of the Company’s Annual Report are requested to provide us their latest address to enable us send these by courier / post.

PHYSICAL / ONLINE PARTICIPATION IN AGM:

The physical avenue has been given earlier in the notice however, in view of the evolving situation on the spread of pandemic Pak Agro Packaging has decided to conduct above Shareholders’ Meeting online in order to protect the wellbeing of the shareholders. The shareholders will be able to login and participate in the AGM proceedings through their smartphones or computer devices from their homes or any convenient location after completing all the formalities required for the verification and identification of the shareholders. In this regard, shareholders are required to update their valid e-mail addresses with the Company Secretary Office (info@pakagro.com) latest by October 13, 2022. A detailed procedure shall be communicated through e-mail directly to the shareholders who have provided their valid e-mail IDs and same shall be placed at the Company’s website (<https://www.pakagro.com>) in investor relations section. The shareholders’ who have already updated their valid e-mail addresses with the Company or its Share Registrar (CDSRSL) and are interested to attend AGM may send below information at info@pakagro.com for the shareholders/ appointed proxy’s verification from their duly registered valid e-mail address for the registration purposes latest by October 13, 2022.

In case of appointment of a proxy, please communicate above information for the individual who has been appointed as proxy of the Shareholder to participate and vote on behalf of the respective shareholder along with the duly signed proxy form.

FOLIO / CDC ACCOUNT NO.	TOTAL SHARES	PRINCIPAL SHAREHOLDER		JOINT SHAREHOLDER(S)	
		NAME AND CNIC NO.	SHAREHOLDING PROPORTION (NO. OF SHARES)	NAME AND CNIC NO.	SHAREHOLDING PROPORTION (NO. OF SHARES)

FORM OF PROXY

I / we _____ a member of Pak Agro Packaging Limited and holder of _____ shares as per Shares Register Folio # / CDC Participant I.D Participant ID # Sub A/C # / Investor A/C # _____ do hereby appoint _____

of _____ or failing him _____ of _____ who is

also member of the Company vide Registered Folio # _____ as my / our proxy to attend, speak and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on Friday the October 28, 2022 at 16.00 hours and at any adjournment thereof.

As witness my / our hand this _____ day of October 2022 at _____

Signature Of Witness 1	Affix Revenue Stamp of Rs 50/-
Name	
CNIC No	
Address	

Signature Of Witness 2	Member's Signature
Name	
CNIC No	
Address	

Date: _____ Place _____

Notes:

- A member entitled to attend and vote at the AGM is entitled to appoint another member as a proxy to attend and vote instead of him / her. The instrument appointing a proxy must be received at the registered office of the company not less than 48 hours before the time fixed for AGM.
- In case of individuals, the account holder and / or sub-account holder, whose registration details are uploaded as per the CDC Regulations, shall submit scan / photo of the proxy form as per above requirements.
- The proxy form shall be (i) dully stamped with adhesive revenue tickets of Rs.50/- and (ii) witness by two persons, whose names addresses and CNIC numbers shall be mentioned on the proxy form.
- Attested copies of CNIC of the Passport of beneficial owners and of the proxy shall be furnished with the proxy form
- The proxy shall submit scan/photo of his original CNIC of Passport at the time of login to the Video Link / Zoom application for attending online AGM.
- In case of corporate entity, scan/photo of the Board's resolution / power of attorney with specimen signature thereon shall be submitted online (unless it has been provided earlier) along with proxy form to the company at the time of login to the Video-Link / Zoom application for attending online AGM.

FINANCIAL STATEMENTS

Pak Agro Packaging Limited
Statement of Financial Position as at June 30, 2022

Equity and liabilities	Note	2022 (Rupees)	2021 (Rupees)
Share capital and reserves			
Share capital	4	200,000,000	120,000,000
Reserves	5	107,283,257	-
Loan from directors	6	-	7,500,000
Revenue reserves			
Unappropriated profit		46,703,047	17,806,329
		353,986,304	145,306,329
Non-current liabilities			
Obligation against assets subject to finance lease	7	7,129,849	3,089,167
Long term loan	8	-	2,616,115
Deposit against vehicles	9	2,427,789	2,427,789
Deferred taxation	10	16,381,813	14,685,485
Employees' Gratuity Fund	11	2,069,710	1,246,150
		28,009,161	24,064,705
Current liabilities			
Running finance	12	65,759,588	65,415,932
Current maturity of long term liabilities	13	8,808,777	6,827,738
Accrued and other liabilities	14	16,776,016	9,127,025
Taxation - net	15	3,078,672	1,013,766
		94,423,053	82,384,461
Contingencies and commitments			
	16	-	-
		476,418,518	251,755,496
Property and assets			
Non-current assets			
Operating fixed assets	17	213,183,851	132,136,535
Long term deposits	18	7,104,066	3,410,336
Current assets			
Stock in trade	19	136,053,241	76,306,082
Trade debts	20	17,498,358	-
Advances and other receivables	21	46,829,213	10,472,825
Prepayments	22	2,169,056	1,109,532
Short term investment	23	30,000,000	-
Cash and bank balances	24	23,580,733	28,320,186
		256,130,601	116,208,625
		476,418,518	251,755,496

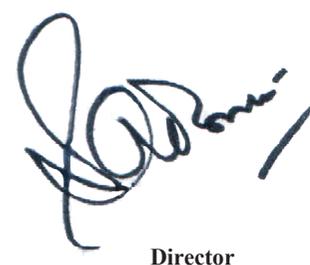
The annexed notes 1 to 43 form an integral part of these financial statements.



Chief Financial Officer



Chief Executive



Director

Pak Agro Packaging Limited
Statement of Profit or Loss
For the year ended June 30, 2022

	Note	2022 (Rupees)	2021 (Rupees)
Sales	25	502,900,382	402,497,955
Cost of sales	26	433,588,058	335,104,113
Gross profit		69,312,324	67,393,842
Operating expenses			
Administrative	27	21,677,221	12,225,105
Selling and distribution	28	77,510	52,720
		21,754,731	12,277,825
Profit from operations			
		47,557,593	55,116,017
Financial expenses	29	5,341,319	8,924,163
Other charges	30	3,281,474	3,803,005
		8,622,793	12,727,168
		38,934,800	42,388,849
Other income	31	1,872,740	2,721,078
Profit for the year before taxation		40,807,540	45,109,927
Taxation	32	12,491,419	11,510,485
Profit for the year		28,316,120	33,599,442
Basic and diluted earnings per share (PKR)		1.42	2.80

The annexed notes 1 to 43 form an integral part of these financial statements.


Chief Financial Officer


Chief Executive


Director

Pak Agro Packaging Limited
Statement of Comprehensive Income
For the year ended June 30, 2022

	2022 (Rupees)	2021 (Rupees)
Profit for the year after taxation	28,316,120	33,599,442
Other comprehensive income		
Items that will not classified to profit or loss		
Remeasurement gain on staff retirement benefit plan	<u>580,598</u>	<u>-</u>
Total comprehensive income for the year	<u><u>28,896,718</u></u>	<u><u>33,599,442</u></u>

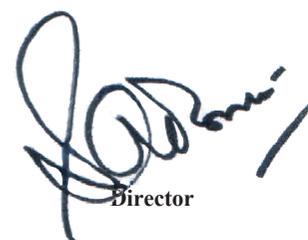
The annexed notes 1 to 43 form an integral part of these financial statements.



Chief Financial Officer



Chief Executive



Director

Pak Agro Packaging Limited
Statement of Changes in Equity
For the year ended June 30, 2022

	Share capital	Capital reserves	Interest free loan from directors	Accumulated profit/(loss)	Total
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Balance as at June 30, 2020	30,000,000	-	50,000,000	4,206,886	84,206,886
Allotment of shares against interest free loan	42,500,000	-	(42,500,000)	-	-
Allotment of shares against interest bearing loan	27,500,000	-	-	-	27,500,000
Issued as fully paid bonus shares	20,000,000	-	-	(20,000,000)	-
Total comprehensive income for the year	-	-	-	33,599,442	33,599,442
Balance as at June 30, 2021	120,000,000	-	7,500,000	17,806,329	145,306,329
Interest free loan repaid during the year	-	-	(7,500,000)	-	(7,500,000)
Issued as fully paid shares	80,000,000	-	-	-	80,000,000
Share premium (note 5)	-	107,283,257	-	-	107,283,257
Total comprehensive income for the year	-	-	-	28,896,718	28,896,718
Balance as at June 30, 2022	200,000,000	107,283,257	-	46,703,047	353,986,304

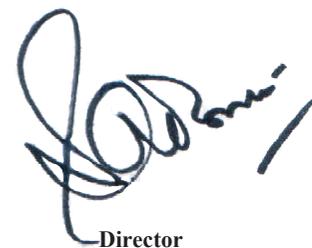
The annexed notes 1 to 43 form an integral part of these financial statements.



Chief Financial Officer



Chief Executive

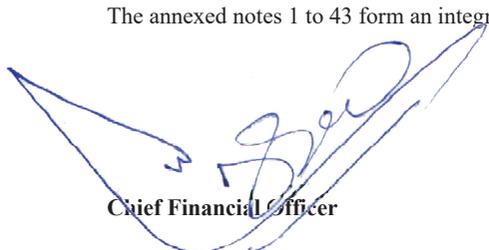


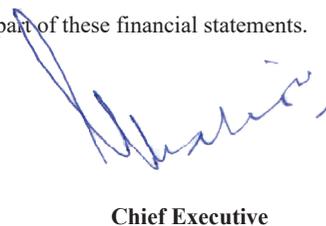
Director

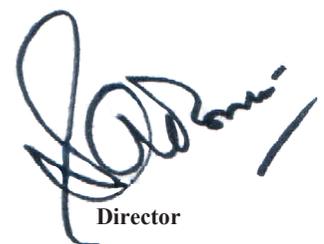
Pak Agro Packaging Limited
Statement of Cash Flows
For the year ended June 30, 2022

		2022	2021
		(Rupees)	(Rupees)
Cash flow from operating activities	Note		
Profit for the year before taxation		40,807,540	45,109,927
Adjustments for:			
Depreciation	(17.2.1)	19,950,008	15,335,675
Gain on disposal of assets		-	(2,721,078)
		<u>19,950,008</u>	<u>12,614,597</u>
Operating profit before working capital changes		60,757,547	57,724,524
Increase/(decrease) in:			
Stock in trade		(59,747,159)	(28,395,499)
Trade debtors		(17,498,358)	-
Advances and other receivables		(36,356,388)	(6,304,025)
Pre-payments		(1,059,524)	296,965
		<u>(114,661,429)</u>	<u>(34,402,559)</u>
		(53,903,882)	23,321,965
Increase /(decrease) in:			
Current liabilities		8,696,195	(13,875,684)
Cash flow from operating activities		(45,207,687)	9,446,281
Tax deducted at source		(9,777,389)	(8,306,752)
Net cash flow from operating activities		(54,985,076)	1,139,529
Cash flow from investing activities			
Fixed capital expenditures		(62,578,152)	(18,058,906)
Capital work in progress		(38,419,172)	-
Sale proceeds and insurance claim against fixed assets		-	4,433,000
Long term deposits		(3,693,730)	1,163,750
Short term investment		(30,000,000)	-
Deposit against vehicles		-	805,334
Net cash flow from investing activities		(134,691,054)	(11,656,822)
Cash flow from financing activities			
Asset subject to finance lease		6,021,721	(1,092,294)
Loan from director		(7,500,000)	(70,110,000)
Share capital		80,000,000	90,000,000
Share premium		107,283,257	-
Allotment of bonus shares		-	(20,000,000)
Running finance facility		343,656	21,876,836
Long term loan		(2,616,115)	(2,617,385)
Provision for gratuity		1,404,158	1,246,150
Net cash flow from financing activities		184,936,677	19,303,307
Net increase/(decrease) in cash and cash equivalents		(4,739,453)	8,786,014
Cash and cash equivalent in the beginning of the year		28,320,186	19,534,172
Cash and cash equivalent at the end of the year	(24)	<u>23,580,733</u>	<u>28,320,186</u>

The annexed notes 1 to 43 form an integral part of these financial statements.


Chief Financial Officer


Chief Executive


Director

Pak Agro Packaging Limited
Notes to the Financial Statements
For the year ended June 30, 2022

1. Company and its operations

The company was incorporated initially with the name and style 'Kohsar Tyres (Private) Limited' under the Companies Ordinance, 1984 (now repealed the Companies Act, 2017) on February 18, 1989. The name of the company was thereafter changed to Mian & Khan Industries (Private) Limited on December 31, 1999 and again changed as 'Pak Agro Packaging (Private) Limited' on August 24, 2000. The status of company was converted from private limited to public limited company on June 19, 2021 and is listed at gem board of the Pakistan Stock Exchange. The main object of the company is manufacturing of net bags and green shades for green houses and to provide services to manufacture the same. The company owns a manufacturing unit in Industrial Estate, Hattar. The registered office of the company is situated at Plot No 23, Phase IV, Haripur, Khyber Pakhtunkhwa, Hattar Industrial Estate, Hattar.

Geographical location and addresses of major business units including mills /plant of the company are as under:

Hattar Plot No. 23, Phase IV, Haripur, Khyber Pakhtunkhwa, Hattar Industrial Estate, Hattar.	Purpose Registered office and Production Plant
Islamabad Office No 302, 3rd Floor, Green Trust Tower, Jinnah Avenue, Islamabad	Head office

2. Statement of compliance and significant accounting estimates

2.1) Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued the Companies Act, 2017 have been followed.

2.2) Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the company's financial currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupee.

2.3) Significant accounting estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. 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 the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

2.4) Property, plant and equipment

The Company reviews the useful lives and residual value of its assets on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge.

2.5) **Impairment**

The Company reviews the value of its assets for possible impairment on an annual basis. Any change in estimate in future years, might effect the carrying amount of the respective asset with the corresponding effect on impairment.

2.6) **New and revised standards and interpretations**

2.6.1) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company:

		Effective date (annual reporting periods beginning on or after)
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2023
IAS 8	Changes in Accounting Estimates and Errors (Amendments)	January 1, 2023
IAS 12	Income Taxes (Amendments)	January 1, 2023
IAS 16	Property, plant and equipment (Amendments)	January 1, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 1, 2022
IFRS 3	Business combinations (Amendments)	January 1, 2022
IFRS 7	Financial instruments: Disclosures (Amendments)	January 1, 2021
IFRS 9	Financial instruments (Amendments)	January 1, 2021
IFRS 16	Leases (Amendments)	January 1, 2021

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentations/ disclosures.

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

IFRS 1 First-time Adoption of International Financial Reporting Standards
IFRS 17 Insurance Contracts

The following interpretation issued by the IASB has been waived off by SECP:
IFRIC 12 Service concession arrangements

3. **Significant accounting policies**

The principle accounting policies which have been adopted in the preparation of these accounts are as follows:

3.1) **Accounting convention**

These accounts have been prepared under the historical cost convention, without any adjustments for the effects of inflation or current values.

3.2) **Property, plant and equipment**

- These are stated at cost less accumulated depreciation and impairment losses, if any, except lease hold land;
- Depreciation is charged on the reducing balance method;
- A full month's depreciation is charged in the month of addition and no depreciation is charged in the month of disposal;
- Gain or loss on disposal of fixed assets, if any, is included in current year's income;
- Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.
- **Leased assets**

The company is the lessee.

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

From July 01, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is re-measured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the company's estimate of the amount expected to be payable under a residual value guarantee, or if the company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustments made to the carrying amount of right-of-use asset, or is recorded in the statement of profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

3.3) Staff retirement benefits

The company operates a non-contributory, unapproved and unfunded gratuity scheme for its permanent employees, who have completed minimum period of one year service. The liability is calculated with reference to the last salary drawn and the length of service of the employee.

3.4) Impairment

The carrying amount of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the profit and loss account. Where an impairment loss subsequently reverse, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the initial cost of the asset. A reversal of the impairment loss is recognized in the profit and loss account.

3.5) Stock and spares

These are valued at moving average cost except for the items in transit which are valued at invoice price and related expenses incurred up to the balance sheet date.

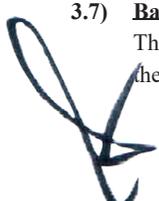
3.6) Stock in trade

These have been valued as under:

- Raw material - At first in first out.
- Work in process - At weighted average cost.
- Finished goods - At lower of cost, calculated on first in first out (FIFO) basis and net realizable value.
- Packing material - At first in first out.

3.7) Bad debts

These are stated at book value. Debts considered bad are provided for or written off and no general provision for the bad and doubtful debt is maintained.



3.8) **Taxation**

3.8.1) **Current tax**

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account available tax rebates and credits.

3.8.2) **Deferred tax**

Deferred tax is recognized in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is not recognized on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3.9) **Revenue recognition**

Revenue from sale is recognized on dispatch of goods to customers, while processing fee on issuance of invoice to customers.

3.10) **Dividend and appropriation to reserves**

Dividend and other appropriation to reserves are recognized in the period in which they are approved.

3.11) **Financial instruments**

Financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument and de-recognized when the company loses control of the contractual rights that comprise the financial assets and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item as shown below:

a) **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 the future for goods and services received.

b) **Provisions**

Provisions are recognized when a company has a legal or constructive obligation as a result of past event if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

c) **Trade and other receivables**

Trade receivables and other receivables are recognized and carried at original invoice amount/cost less an allowance for any uncollectible amounts.

d) **Cash and cash equivalents**

Cash in hand and at banks are carried at fair value. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand and balances at banks.



	2022	2021
	(Rupees)	(Rupees)
4. Share capital		
Authorized capital		
40,000,000 ordinary shares of Rs. 10/= each	<u>400,000,000</u>	<u>400,000,000</u>
Issued, subscribed and paid-up capital		
Shares issued for cash		
17,350,000 ordinary shares of Rs. 10/= each in cash	173,500,000	-
(2021: 9,350,000 ordinary shares of Rs. 10/= each in cash)	-	93,500,000
Issued as fully paid bonus shares		
2,650,000 ordinary shares of Rs. 10/= each	<u>26,500,000</u>	<u>26,500,000</u>
	<u>200,000,000</u>	<u>120,000,000</u>

5. Reserves

Composition of reserves is as follows:

Premium on issuance of shares	118,000,000	-
Less: IPO charges	8,479,343	-
Brokerage commission paid on issuance of shares	<u>2,237,400</u>	<u>-</u>
	<u>107,283,257</u>	<u>-</u>

This reserve can be utilised by the Company only for the purposes specified in Section 81 of The Companies Act, 2017.

6. Loan from directors

Mrs. Kaisera Jabeen Butt	-	3,500,000
Mr. Khalid Butt	-	3,500,000
Mr. Safdar Ali Butt	<u>-</u>	<u>500,000</u>
	<u>-</u>	<u>7,500,000</u>

These were interest free, unsecured, repayable at the convenience of the company and paid back during the year.

7. Obligation under finance lease

Value of assets	3,089,167	7,988,487
Add: Addition during the year	<u>12,277,601</u>	<u>-</u>
	15,366,768	7,988,487
Less: Payments made upto the year	<u>2,184,133</u>	<u>3,306,575</u>
Present value of minimum lease payment	13,182,635	4,681,912
Less: Current maturity	<u>6,052,786</u>	<u>1,592,745</u>
	<u>7,129,849</u>	<u>3,089,167</u>

The amount of future payments and the periods in which they become due are as follows:

June 30, 2021	-	1,841,085
June 30, 2022	-	1,862,444
June 30, 2023	6,930,215	1,239,511
June 30, 2024	3,813,000	-
June 30, 2025	<u>3,704,900</u>	<u>-</u>
	14,448,115	4,943,040
Less: Lease financial charges allocable for future periods	<u>1,265,480</u>	<u>261,128</u>
	13,182,635	4,681,912
Less: Current maturity of finance lease	<u>6,052,786</u>	<u>1,592,745</u>
	<u>7,129,849</u>	<u>3,089,167</u>

The value of minimum lease rental payments has been discounted at 3 months KIBOR + 4% per annum. Liabilities are partly secured against deposit of 35% of the asset value included in long term security deposits (Note 17). Title to the assets acquired under the leasing arrangements are transferrable to the Company upon payment of entire lease obligations.

		2022	2021
		(Rupees)	(Rupees)
8. Long term loan			
The Bank of Khyber - Salary Refinance Facility	(8.1)	-	2,616,115
		<u>-</u>	<u>2,616,115</u>
8.1) Salary Refinance Facility		2,616,115	7,851,108
Current maturity		<u>(2,616,115)</u>	<u>(5,234,993)</u>
		<u>-</u>	<u>2,616,115</u>

This represents the refinance facility announced by the State Bank of Pakistan for the purposes of payment of wages & salaries to the workers for the period from April 2020 to June 2020. This facility has been obtained from The Bank of Khyber and is subject to charge of markup @ 3% (SBP Share 0% + BOK Share 3%). The loan is payable in 08 equal quarterly installments starting from January 2021 with last installment in December, 2022.

This facility is secured by way of:

- Security structure as mentioned in HO's Sanction letter bearing No. BOK/HO/CRBD/P-301(347)2019/2632 dated June 27, 2019 shall remain intact / unchanged.
- Demand promissory note (DP) & personal guarantees (PG's) by all directors of the company.

9. Deposit against vehicles

This represents the amount received from employees against the vehicles owned by company to be transferred to the them after successful completion of five years of service under employee participation scheme.

10. Deferred taxation

The balance of deferred tax is in respect of following temporary differences:

Accelerated depreciation on property plant and equipment	<u>16,381,813</u>	<u>14,685,485</u>
	<u>16,381,813</u>	<u>14,685,485</u>

11. Employees' gratuity fund

Balance at beginning of the year	1,246,150	-
Add: Provision for the year	<u>823,560</u>	<u>1,246,150</u>
	2,069,710	1,246,150
Less: Paid to outgoing members	<u>-</u>	<u>-</u>
	<u>2,069,710</u>	<u>1,246,150</u>

12. Running finance

The Bank of Khyber	(12.1)	<u>65,759,588</u>	<u>65,415,932</u>
		<u>65,759,588</u>	<u>65,415,932</u>

12.1) The Bank of Khyber has renewed and enhanced the running finance facility limit from Rs. 70 million to Rs. 80 million on December 10, 2021 to meet working capital requirements of the company at mark up rate to be recovered on quarterly basis as follows:

- Three months KIBOR plus 300 bps p.a. if markup is paid within 15 days from due date;
- Three months KIBOR plus 500 bps p.a. if markup is paid after 15 days from due date.

The Letter of Credit- DA(Usance LC) - Import facility of 40 million at a cash margin of 20% or as prescribed by SBP whichever is higher (profit free) at a markup rate of three months KIBOR plus 500 bps with no floor and no cap.

These facilities are secured by way of:

- Hypothecation charge of Rs. 107 million duly registered with SECP over Company's stock with 25% margin against running finance facility;
- Against LC's, cash margin of 20% or as prescribed by SBP whichever is higher (profit free) and accepted bills of exchange duly signed/stamped by borrower;

Common Securities against all credit facilities:

- Token registered mortgaged for Rs. 150,000/= & remaining equitable mortgage to cover DP Note amount over Company's present & future fixed assets (land, building, plant & machinery) (existing & new) located at Plot No. 22 & 23, Phase 04, measuring 02 Acres, Situated at Industrial Estate, District Hattar, KPK.
- 1st exclusive charge of Rs. 167 million by way of Memorandum of Deposit of Title (MODTD) & letter of hypothecation over Company's present & future fixed assets (land, building, plant & machinery)(existing & new) located at Plot No. 22 & 23, Phase 04, measuring 02 Acres, Situated at Industrial Estate, District Hattar, Khyber Pakhtunkhwa.
- Personal guarantees of all the directors of the company.

These facilities are valid up to October 31, 2022.

		2022	2021
		(Rupees)	(Rupees)
13. Current maturity of long term liabilities			
This represents current maturity of followings			
- Finance lease	(7)	6,192,662	1,592,745
- Salary Refinance Facility	(8.1)	2,616,115	5,234,993
		<u>8,808,777</u>	<u>6,827,738</u>
14. Accrued and other liabilities			
Salaries payable		7,786,053	-
Sales tax payable		652,270	1,086,195
Workers' profit participation fund		5,849,211	3,471,331
Workers' welfare fund		903,594	1,047,204
Rent payable		-	25,937
Other liabilities		630,000	-
Postal life insurance		202,398	-
Payable to supplier		252,490	3,296,358
Audit fee		500,000	200,000
		<u>16,776,016</u>	<u>9,127,025</u>
15. Taxation - net			
Provision for taxation		12,856,061	11,469,395
Tax deducted at source		<u>(9,777,389)</u>	<u>(10,455,629)</u>
		<u>3,078,672</u>	<u>1,013,766</u>
16. Contingencies and commitments			
a) Contingencies			
Currently there are no contingencies against the company in foreseeable future.			
b) Commitments			
There are no commitments made by the company.			

		2022 (Rupees)	2021 (Rupees)
17. Operating fixed assets			
Property, plant and equipment	(17.1)	174,764,679	132,136,535
Capital work in progress	(17.2)	38,419,172	-
		213,183,851	132,136,535

17.1) Property, plant and equipment

Description	Land leasehold	Factory building on Lease hold land	Motor vehicles	Plant and machinery	Electric Installation	Tools and equipment	Furniture and fixtures	Office equipment	Electrical equipment	Motor cycle	Computers	Right of use asset		Total
												Motor vehicle	Machinery	
As at July 01, 2020														
Cost	1,565,250	42,680,389	5,461,500	237,354,372	5,009,037	876,818	710,464	752,222	1,103,590	175,192	342,920	12,554,234	-	308,585,988
Accumulated depreciation	-	(12,735,187)	(3,574,064)	(149,721,166)	(3,595,706)	(721,838)	(576,897)	(598,986)	(942,105)	(154,224)	(328,528)	(4,512,061)	-	(177,460,763)
Net book value	<u>1,565,250</u>	<u>29,945,203</u>	<u>1,887,436</u>	<u>87,633,206</u>	<u>1,413,331</u>	<u>154,980</u>	<u>133,567</u>	<u>153,236</u>	<u>161,485</u>	<u>20,968</u>	<u>14,392</u>	<u>8,042,173</u>	<u>-</u>	<u>131,125,226</u>
Year ended June 30, 2021														
Opening net book value	1,565,250	29,945,203	1,887,436	87,633,206	1,413,331	154,980	133,567	153,236	161,485	20,968	14,392	8,042,173	-	131,125,226
Additions	-	2,306,766	9,354,940	6,289,400	-	-	107,800	-	-	-	-	-	-	18,058,906
Disposals/adjustment														
Cost	-	-	(2,095,000)	-	-	-	-	-	-	-	-	(1,500,000)	-	(4,395,000)
Adjustment Dr/(Cr)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	1,908,513	-	-	-	-	-	-	-	-	774,565	-	2,683,078
	-	-	(986,487)	-	-	-	-	-	-	-	-	(725,435)	-	(1,711,922)
Depreciation charge	-	(1,443,294)	(294,693)	(12,592,158)	(212,000)	(23,247)	(15,992)	(22,905)	(24,223)	(3,145)	(4,318)	(699,621)	-	(15,335,675)
Closing net book value	<u>1,565,250</u>	<u>30,808,675</u>	<u>9,961,196</u>	<u>81,330,448</u>	<u>1,201,331</u>	<u>131,733</u>	<u>225,375</u>	<u>130,250</u>	<u>137,262</u>	<u>17,823</u>	<u>10,074</u>	<u>6,617,117</u>	<u>-</u>	<u>132,136,535</u>
As at July 01, 2021														
Cost	1,565,250	44,987,155	11,921,440	243,643,772	5,009,037	876,818	818,264	752,222	1,103,590	175,192	342,920	11,054,234	-	322,249,894
Accumulated depreciation	-	(14,178,481)	(1,960,244)	(162,313,324)	(3,807,706)	(745,085)	(592,889)	(621,972)	(966,320)	(157,269)	(332,846)	(4,437,117)	-	(190,113,360)
Net book value	<u>1,565,250</u>	<u>30,808,675</u>	<u>9,961,196</u>	<u>81,330,448</u>	<u>1,201,331</u>	<u>131,733</u>	<u>225,375</u>	<u>130,250</u>	<u>137,262</u>	<u>17,823</u>	<u>10,074</u>	<u>6,617,117</u>	<u>-</u>	<u>132,136,535</u>
Annual rate of depreciation (%)	-	5	15	15	15	15	15	15	15	15	30	15	15	
Year ended June 30, 2022														
Opening net book value	1,565,250	30,808,675	9,961,196	81,330,448	1,201,331	131,733	225,375	130,250	137,262	17,823	10,074	6,617,117	-	132,136,534
Additions	-	10,917,090	3,201,700	34,667,959	-	641,760	340,000	747,000	-	-	-	-	12,072,643	62,578,152
Disposals/adjustment														
Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment Dr/(Cr)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(1,593,188)	(1,694,286)	(13,983,421)	(180,200)	(27,782)	(46,556)	(47,550)	(20,589)	(2,673)	(3,022)	(992,567)	(1,358,172)	(19,950,008)
Closing net book value	<u>1,565,250</u>	<u>40,132,576</u>	<u>11,468,610</u>	<u>102,004,986</u>	<u>1,021,132</u>	<u>745,711</u>	<u>518,818</u>	<u>829,700</u>	<u>116,673</u>	<u>15,150</u>	<u>7,052</u>	<u>5,624,550</u>	<u>10,714,471</u>	<u>174,764,679</u>
As at July 01, 2022														
Cost	1,565,250	55,904,245	15,123,140	278,301,731	5,009,037	1,518,578	1,158,264	1,499,222	1,103,590	175,192	342,920	11,054,234	12,072,643	384,828,046
Accumulated depreciation	-	(15,771,669)	(3,654,530)	(176,296,745)	(3,987,905)	(772,867)	(639,446)	(669,522)	(986,917)	(160,042)	(335,868)	(5,429,684)	(1,358,172)	(210,063,367)
Net book value	<u>1,565,250</u>	<u>40,132,576</u>	<u>11,468,610</u>	<u>102,004,986</u>	<u>1,021,132</u>	<u>745,711</u>	<u>518,818</u>	<u>829,700</u>	<u>116,673</u>	<u>15,150</u>	<u>7,052</u>	<u>5,624,550</u>	<u>10,714,471</u>	<u>174,764,679</u>
Annual rate of depreciation (%)	-	5	15	15	15	15	15	15	15	15	30	15	15	

17.1.1) The charge of depreciation for the year has been allocated as follows:

		2022 (Rupees)	2021 (Rupees)
Cost of sales	(26.4)	18,957,440	14,046,669
Administrative expenses	(27)	992,567	1,289,006
		19,950,008	15,335,675

17.2) Capital work in progress	Factory building	Plant and machinery	Total
Balance as at July 01, 2020	-	-	-
Additions during the year	-	-	-
Transfers during the year	-	-	-
Balance as at June 30, 2021	-	-	-
Balance as at July 01, 2021	-	-	-
Additions during the year	10,917,090	85,149,774	96,066,864
Transfers during the year	(10,917,090)	(46,730,602)	(57,647,692)
Balance as at June 30, 2022	-	38,419,172	38,419,172

18. Long term deposits	2022	2021
	(Rupees)	(Rupees)
Security deposits against:		
Leased assets	5,296,900	2,227,500
Utilities	1,152,836	1,152,836
Office building	654,330	30,000
	7,104,066	3,410,336
19. Stock in trade		
Raw material	(19.1) 74,552,746	36,995,630
Finished goods	55,043,600	22,542,525
Raw material in transit	-	11,478,285
Work-in-process	6,456,895	5,289,642
	136,053,241	76,306,082
19.1) Raw material		
Raw material	66,004,420	32,146,490
Colors	7,443,360	3,700,980
Chemical	1,104,966	1,148,160
	74,552,746	36,995,630
20. Trade debts		
This are unsecured and considered good by the management.		
21. Advances, deposits and other receivables		
Advances to:	(21.1)	
Staff against salaries	1,814,000	2,218,500
Parties against supplies	28,988,672	7,179,725
Parties against services	107,812	1,074,600
	30,910,484	10,472,825
Deposits:		
Margin deposit on letters of credit	11,511,220	-
	11,511,220	-
Other receivables		
Sales tax refundable	4,407,509	-
	46,829,213	10,472,825
21.1) These are unsecured and considered good by the management.		

	2022	2021
	(Rupees)	(Rupees)
22. Prepayments		
Insurance	1,285,711	1,109,532
Office rent	883,345	-
	<u>2,169,056</u>	<u>1,109,532</u>
23. Short term investment		
This represents investments made by the fundin Silk Bank Limited as follows:		
Instrument	Date of deposit	Date of maturity
Term Deposit Receipts	14-04-2022	27-07-2022
	Rs. 30,000,000/=	10% p.a.
24. Cash and bank balances		
Cash in hand	788,481	300,000
Cash at bank - current account	22,792,252	28,020,186
	<u>23,580,733</u>	<u>28,320,186</u>
25. Sales-net		
Gross sales	566,662,884	465,681,350
Sales tax	(63,762,502)	(63,183,395)
	<u>502,900,382</u>	<u>402,497,955</u>
26. Cost of sales		
Raw material consumed	(26.1) 291,718,359	202,289,656
Colors consumed	(26.2) 9,285,328	14,464,403
Chemical consumed	(26.3) 3,413,918	5,656,651
Packing material consumed	9,114,691	7,310,386
Production overhead	(26.4) 153,724,090	104,574,487
	467,256,386	334,295,583
Work in process		
- Opening balance as on July 01,	5,289,642	3,123,652
- Closing balance as at June 30,	(6,456,895)	(5,289,642)
	(1,167,253)	(2,165,990)
Cost of goods manufactured	466,089,133	332,129,593
Finished stocks		
- Opening balance as on July 01,	22,542,525	25,517,045
- Closing balance as at June 30,	(55,043,600)	(22,542,525)
	(32,501,075)	2,974,520
	<u>433,588,058</u>	<u>335,104,113</u>
26.1) Raw material consumed		
Opening stock as on July 01,	32,146,490	5,700,660
Add: Raw material imported	325,576,289	228,735,486
	357,722,779	234,436,146
Closing stock as at June 30,	(66,004,420)	(32,146,490)
	<u>291,718,359</u>	<u>202,289,656</u>

	2022	2021
	(Rupees)	(Rupees)
26.2) Colors consumed		
Opening stock as on July 01	3,700,980	6,401,421
Color purchased	13,027,708	11,763,962
	16,728,688	18,165,383
(Less): Closing stock as at June 30,	(7,443,360)	(3,700,980)
	<u>9,285,328</u>	<u>14,464,403</u>
26.3) Chemical consumed		
Opening stock as on July 01	1,148,160	637,422
Add: Purchases - local	3,370,724	6,167,389
	4,518,884	6,804,811
(Less): Closing stock as at June 30	(1,104,966)	(1,148,160)
	<u>3,413,918</u>	<u>5,656,651</u>
26.4) Production overhead		
Salaries and benefits (26.4.1)	77,231,826	48,013,144
Fuel and power	46,109,185	34,123,799
Repair and maintenance	3,681,615	3,314,182
Sui gas	1,833,624	1,730,730
Insurance	1,217,471	1,009,986
Miscellaneous	1,206,740	384,528
Lubricants	1,041,430	824,965
Vehicle running and maintenance	800,354	336,700
Entertainment	639,384	298,378
Telephone and internet	440,398	175,559
Travelling and conveyance	196,760	131,713
Printing and stationary	166,832	86,231
Rent, rates and taxes	131,363	53,200
Postage and courier	23,620	8,982
Newspaper and periodicals	17,180	7,600
Security charges	28,868	28,121
Depreciation (17.1.1)	18,957,440	14,046,669
	<u>153,724,090</u>	<u>104,574,487</u>
26.4.1) Salaries and benefits		
Salaries to staff	61,617,287	39,499,709
Overtime	7,196,010	6,187,629
Bonus	5,307,353	-
Gratuity	1,210,500	1,100,150
Social security	928,920	387,909
E.O.B.I	668,293	420,562
Financial assistance	277,000	265,000
Medical	26,463	34,101
Leave encashment	-	118,084
	<u>77,231,826</u>	<u>48,013,144</u>

		2022	2021
		(Rupees)	(Rupees)
27. Administrative expenses			
Director's remuneration		12,450,000	4,440,000
Salaries and benefits	(27.1)	2,880,733	2,375,720
Rent, rates and taxes		1,909,640	851,537
Travelling and conveyance		110,740	83,755
Fees and subscriptions		532,194	1,734,930
Telephone, mobile and internet		437,180	319,562
Audit remuneration		500,000	200,000
Utilities		372,180	273,940
Miscellaneous		365,729	124,900
Postage and courier		312,216	146,318
Repair and maintenance		252,811	25,255
Entertainment		247,219	89,500
Printing and stationary		182,820	86,002
Director's meeting		100,000	-
News papers and periodicals		16,192	15,680
Legal and professional		15,000	169,000
Depreciation	(17.1.1)	992,567	1,289,006
		<u>21,677,221</u>	<u>12,225,105</u>
27.1) Salaries and benefits			
Salaries to staff		2,277,500	1,914,000
Medical		154,032	135,642
Bonus		128,938	-
Insurance		126,605	180,078
Gratuity		193,658	146,000
		<u>2,880,733</u>	<u>2,375,720</u>
28. Selling and distribution expenses			
Carriage outward		77,510	52,720
		<u>77,510</u>	<u>52,720</u>
29. Financial expenses			
Mark-up		3,391,304	8,241,547
Lease financial charges		1,187,561	502,304
Bank charges		460,291	180,312
Share Registrar Services		302,163	-
		<u>5,341,319</u>	<u>8,924,163</u>
30. Other charges			
Workers' profit participation fund		2,377,880	2,755,801
Workers' welfare fund		903,594	1,047,204
		<u>3,281,474</u>	<u>3,803,005</u>

	2022	2021
	(Rupees)	(Rupees)
31. Other income		
Profit on TDR	1,872,740	-
Gain on sale of assets	-	2,721,078
	<u>1,872,740</u>	<u>2,721,078</u>
32. Taxation		
Current year		
- Normal tax	12,856,061	11,469,395
- Deferred taxation	1,696,328	(85,534)
Prior year	<u>(2,060,970)</u>	<u>126,624</u>
	<u>12,491,419</u>	<u>11,510,485</u>
32.1) Reconciliation of tax charge for the year		
Accounting profit - before taxation	41,711,134	45,109,927
Inadmissible expenditure for tax purposes	21,137,567	16,885,183
Admissible expenditure for tax purposes	<u>(18,517,457)</u>	<u>(22,445,473)</u>
	44,331,244	39,549,637
Tax charge at applicable tax rate of 29% (2021: 29%)	<u>12,856,061</u>	<u>11,469,395</u>

33. Remuneration of Chief Executive, Directors and Executives

Description	2022			2021		
	Chief Executive	Director	Executive	Chief Executive	Director	Executive
Managerial remuneration	5,400,000	7,050,000	2,366,150	2,640,000	1,800,000	1,800,000
	<u>5,400,000</u>	<u>7,050,000</u>	<u>2,366,150</u>	<u>2,640,000</u>	<u>1,800,000</u>	<u>1,800,000</u>
Number of persons	1	2	1	1	1	1

In addition to remuneration, the Chief Executive, directors and certain executives were provided with use of the Company's cars and residential telephone facilities. The Company also provides medical facilities to its Chief Executive, directors and staff.

The aggregate amount charged in these financial statements in respect of fee to 4 non-executive directors was Rs 100,000/- (2021: Nil).

34. Earnings per share - Basic and Diluted

Profit after tax	28,316,120	33,599,442
Weighted average number of ordinary shares at the end of the year (Numbers)	<u>20,000,000</u>	<u>12,000,000</u>
Basic and diluted earnings per share (Rupee)	<u>1.42</u>	<u>2.80</u>

35. Related party transaction

The related party comprises of subsidiary, associated companies, director of the company and key management personals, details of transactions with related parties other than those which have been specifically disclosed elsewhere in these financial statements.

Transactions and contracts with related parties are carried out at arm's length prices determined in accordance with comparable uncontrolled prices method except in circumstances where it is in the interest of the group to do so with the prior approval of the Board of Directors.

	2022	2021
	(Rupees)	(Rupees)
Due to Director - Mr. Khalid Butt		
Loan		
Balance (payable) at opening of the year	(3,500,000)	(3,500,000)
Disbursement during the year	3,500,000	-
Balance (payable) at the end of the year	<u>-</u>	<u>(3,500,000)</u>
Due to Director - Mr. Safdar Ali Butt		
Balance (payable) at opening of the year	(500,000)	(10,000,000)
Disbursement during the year	500,000	9,500,000
Balance (payable) at the end of the year	<u>-</u>	<u>(500,000)</u>
Due to Director - Mrs. Kaisra Jabeen Butt		
Balance (payable) at opening of the year	(3,500,000)	(36,500,000)
Disbursement during the year	3,500,000	33,000,000
Balance (payable) at the end of the year	<u>-</u>	<u>(3,500,000)</u>

36. Financial instruments and related disclosures**36.1) Financial assets and liabilities**

	2022			2021		
	Amortized Cost	FVTPL	Total	Amortized Cost	FVTPL	Total
	(Rupees)			(Rupees)		
Financial assets						
Maturity up to one year						
Stock in trade	-	136,053,241	136,053,241	-	76,306,082	76,306,082
Trade debts	17,498,358	-	17,498,358	-	-	-
Advances and other receivables	46,829,213	-	46,829,213	10,472,825	-	10,472,825
Short term investment	30,000,000	-	30,000,000	-	-	-
Cash and bank balances	23,580,733	-	23,580,733	28,320,186	-	28,320,186
Maturity after more than one year						
Long term deposits	7,104,066	-	7,104,066	3,410,336	-	3,410,336
	<u>125,012,370</u>	<u>136,053,241</u>	<u>261,065,611</u>	<u>42,203,347</u>	<u>76,306,082</u>	<u>118,509,429</u>
Financial liabilities						
Recognized						
Maturity up to one year						
Running finance	65,759,588	-	65,759,588	65,415,932	-	65,415,932
Current maturity of long term liabilities	8,808,777	-	8,808,777	6,827,738	-	6,827,738
Accrued and other liabilities	16,776,016	-	16,776,016	9,127,025	-	9,127,025
Maturity after more than one year						
Obligation against assets subject to finance lease	7,129,849	-	7,129,849	3,089,167	-	3,089,167
Long term loan	-	-	-	2,616,115	-	2,616,115
Deposits against vehicles	2,427,789	-	2,427,789	2,427,789	-	2,427,789
	<u>100,902,019</u>	<u>-</u>	<u>100,902,019</u>	<u>89,503,766</u>	<u>-</u>	<u>89,503,766</u>

36.2) **Financial Risk management**

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

Risk management framework

The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees compliance by management with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

a) **Credit risk**

Credit risk represents the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation.

As of June 30, 2022, trade debts of Rs. 17,498,358/= (2021: Rs Nil) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2022 (Rupees)	2021 (Rupees)
Up to 3 months	<u>17,498,358</u>	<u>-</u>
	<u>17,498,358</u>	<u>-</u>

b) **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/financial assets. At June 30, 2022, the Company had financial assets of Rs 124,523,889/- (2021: Rs. 42,203,347/-).

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the maturity date. The amounts disclosed in the table are undiscounted cash flows which have been inflated using appropriate inflation rate, where applicable.

	Less than 1 year	Between 1 to 5 years	Over 5 years
At June 30, 2022			
Maturity up to one year			
Running finance	65,759,588	-	-
Current maturity of long term liabilities	9,900,777	-	-
Accrued and other liabilities	16,776,016	-	-
Maturity after more than one year			
Obligation against assets subject to finance lease	-	7,129,849	-
Deposits against vehicles	-	2,427,789	-
At June 30, 2022			
Running finance	65,415,932	-	-
Current maturity of long term liabilities	6,827,738	-	-
Accrued and other liabilities	9,127,025	-	-
Maturity after more than one year			
Obligation against assets subject to finance lease	-	3,089,167	-
Long term loan	-	2,616,115	-
Deposits against vehicles	-	2,427,789	-

c) **Market risk**

i) **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. In case of the Company this risk mainly relates to outstanding import payments. The company is in the process of obtaining exchange risk coverage on these liabilities. Company is not exposed to currency risk.

ii) **Interest mark-up rate risk**

Interest rate risk 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 financial assets and liabilities whose fair value or future cash flows will fluctuate because of changes in market interest rates. Financial assets include Rs 30,000,000/- (2021: 'Nil') that is invested in TDR at fixed interest rate. Applicable interest rates for financial assets have been indicated in respective note.

iii) **Price risk**

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 instruments traded in the market.

At the year end the Company is not exposed to price risk since there are no financial instruments, whose fair value or future cash flows will fluctuate because of changes in market price.

d) **Capital risk management**

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to achieve the above objectives, the Company may adjust the amount of dividends paid to shareholders, issue new shares through bonus or right issue or sell assets to reduce debts or raise debts, if required.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. The gearing ratio of the Company has always been low and the Company has mostly financed its projects and business expansions through equity financing. Further, the Company is not subject to externally imposed capital requirements.

e) **Fair value of financial assets and liabilities**

Fair value is the amount for which an asset can be exchanged, or liability can be settled, between knowledgeable willing parties in an arm's length transaction. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair value.

37. **Staff retirement benefits**

The details of actuarial valuation of defined benefit funded plans carried out as at year end are as

	2022	2021
	(Rupees)	(Rupees)
37.1) The amounts recognized in the statement of financial position are as follows:		
Present value of defined benefit obligations	2,069,710	-
Fair value of plan assets	-	-
Payables	-	-
	2,069,710	-



	2022 (Rupees)	2021 (Rupees)
37.2) Changes in the present value of defined benefit obligation are as follows:		
Opening defined benefit obligation	1,246,150	-
Service Cost		
Current service cost	1,279,543	-
Past service cost	-	-
Interest expense	124,615	-
Cash Flows		
Benefit payments from Plan	-	-
Benefit payments from employer	-	-
Payables	-	-
Re-measurements		
Effect of changes in Demographic assumptions	-	-
Effect of changes in Financial assumptions	-	-
Effect of Experience adjustments	(580,598)	-
Closing defined benefit obligation	2,069,710	1,246,150

37.3) Components of defined benefit cost are as follows:

Service Cost		
Current Service Cost	1,279,543	-
Reimbursement Service Cost	-	-
Past Service Cost	-	-
(Gain) / loss on settlements	-	-
Net Interest Cost		
Interest Expense on Defined Benefit Obligation	124,615	-
Interest (income) on Plan Assets	-	-
Re-measurement of Other Long Term Benefits	-	-
Defined benefit cost included in P&L	1,404,158	-
Re-measurement (recognized in other comprehensive income)		
Effect of changes in Demographic assumptions	-	-
Effect of changes in Financial assumptions	-	-
Effect of Experience adjustments	(580,598)	-
(Return) on Plan Assets (excluding interest income)	-	-
Total re-measurements included in OCI	(580,598)	-
Total Defined Benefit Cost recognized in P&L and OCI	823,560	-

37.4) Net Defined Benefit Liability (Asset) reconciliation	FY ending June 30, 2022	FY ending June 30, 2021
Net Defined Benefit Liability (Asset) at end of previous year	1,246,150	-
Defined Benefit Cost included in P&L	1,404,158	-
Total Re-measurements included in OCI	(580,598)	-
Employer Direct Benefit payments	-	-
Net Defined Benefit Liability (Asset) as of end of year	2,069,710	-

37.5) Assumptions used to determine Defined Benefit Obligation	FY ending June 30, 2022	FY ending June 30, 2021
Discount Rate	13.25%	-
Rate of Salary increase (Long Term)	12.25%	-

37.6)	Assumptions used to determine Defined Benefit Cost	FY ending June 30, 2022	FY ending June 30, 2021
	Discount Rate	10.00%	-
	Rate of Salary increase (Long Term)	9.00%	-

37.7)	Expected Defined Benefit Cost recognized in P&L	FY ending June 30, 2023	FY ending June 30, 2022
	Service cost	1,449,083	-
	Current Service Cost	-	-
	Past Service Cost	-	-
	(Gain) / loss on settlements	-	-
	Net interest cost	-	-
	Interest expense on Defined Benefit Obligation	244,922	-
	Interest (income) on Plan Assets	-	-
	Total Defined Benefit Cost recognized in P&L as at 30.06.2023	1,694,005	-

37.8) Principal actuarial assumptions

The principal assumptions used in the actuarial valuation are as follows:

	2022	2021
	%	%
Discount rate	13.50%	-
Expected rate of salary increase	12.50%	-

37.9) The Mortality Table SLIC (2001-05) with 1 year setback, based on the experience of the lives insured with State Life Insurance Corporation of Pakistan, has been used in determining the liability in respect of the Benefits payable under the Plan.

37.10) Sensitivity analysis

	FY ending June 30, 2022	Percentage Change in DBO
Defined Benefit Obligation (DBO)	2,069,710	-
1% Increase in Discount rate	1,908,348	-7.80%
1% Decrease in Discount rate	2,270,989	9.72%
1% Increase in Salary Increase rate	2,277,392	10.03%
1% Decrease in Salary Increase rate	1,899,155	-8.24%

38. **Number of employees**

Number of employees as on June 30,

	2022	2021
Factory	217	188
Other	5	5
	222	193

Average number of employees during the year

	2022	2021
Factory	180	180
Other	5	5
	185	185

39. Production capacity

Plant has a maximum production capacity of 1,450,000 kgs. Actual production during the period was 1,078,137 Kgs (2021: 864,503 Kgs).

Company is not utilizing its maximum production capacity considering competitive market environment and demand potential of its product. Therefore, production is carried out keeping in eye of demand.

40. Corresponding figures

Reclassifications:

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and for better presentation. Following figures for the year ended June 30, 2021 have been reclassified:

Reclassification From	Reclassification to	2021 (Rupees)
Statement of Profit or Loss	Statement of Profit or Loss	
Administrative expenses	Production overhead	
Security charges	Security charges	28,121

41. General

41.1) Impact of COVID-19 on the financial statements

The Company has taken appropriate measures to keep its human resource and assets safe and secure. Further, the Company is continuously monitoring the situation to counter act the changed environment.

The management believes that there is no significant financial impact of COVID-19 on the carrying amounts of assets and liabilities or items of income or expenses, as disclosed in these financial statements. The management has evaluated and concluded that there are no material implications of COVID-19 that require specific disclosures in these financial statements.

41.2) Payments out of IPO Funds

Purchase of Machinery, installation and commissioning thereof
Construction of production hall and storage
Purchase of delivery truck
IPO related expenses
Investment in stocks / Repayment of Current Liabilities

Total Payments

Held in TDR

Total

IPO proceeds

**2022
(Rupees)**

73,971,557
10,200,000
3,111,700
10,716,743
70,000,000
168,000,000
30,000,000
30,000,000
198,000,000

42. Subsequent events

HDPE monofilament extruding line machinery for manufacturing of round yarn to be used in knitting of Anti-Insect and Fishing Nets arrived in the last week of June 2022, and was installed and commission in July 2022.

43. Date of authorization for issue

These financial statements have been authorized for issue on

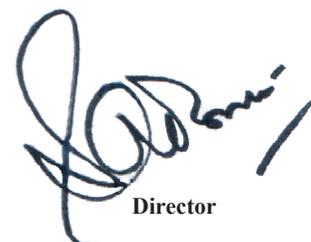
by the board of directors of the company.



Chief Financial Officer



Chief Executive



Director