Annual Report

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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 CHAIRPERSON

The year ended 30 June 2023 was very sadly eventful. Mr. Khalid Butt, our former Chief Executive, left this earthly abode for a place in heaven, on 27 Dec 2022. He was a founder member of the Company and had virtually built it, brick by brick. It was his hard work, acumen and dedication that brought Pak Agro Packaging Ltd from a tiny start up to a listed company status, leading in the field of agro-based textile products. His departure led to certain changes in the Board. Dr Safdar A Butt, hitherto the Chairman of the Board, was appointed the Company's CEO while the undersigned was elected the Chairperson of the Board with effect from 4 January 2023. Mr Nazeer Ahmed Shaheen, a prominent legal consultant, trainer and an experienced executive, joined the board as an Independent Director to fill the vacancy created by our former CEO's sad demise.

While the economic conditions of the country remained uncertain and non-conducive to real development, your Company was able to steer its affairs in a prudent, careful and non-adventurous manner to remain in a profitable state. The changes in the political leadership, absence of judicious economic policies, persistent fall in value of Pak Rupee, lack of forex for imported raw material, impact of IMF's pressure, poor climatic conditions and a general lack of direction has led the country to dire straits. Unfortunately, it is still not clear as to what course will be taken by the economy over the coming months. However, we are optimistic that your Company will continue its journey on the path of progress with diligence and caution, to not only stay viable in financial terms but also to help the agricultural sector of the country attain greater self-sufficiency through reduction in reliance on imported agricultural support products.

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

Kaisra J. Butt

Mrs Kaisra Jabeen Butt
Chairperson

MESSAGE FROM CHIEF EXECUTIVE OFFICER

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

Following the successful initial public offering in Nov 2021, 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 had planned. For example, the major machinery import was delayed for considerable period and the machines arrived only during the last month of the previous financial year (June 2022).

While many items of equipment were commissioned in the year under review, certain machines are still awaited. A good part of the delay was caused by difficulties in opening the letters of credit while the ongoing process of balancing, modernization and rehabilitation also necessitated certain changes. Currently, we are also in the process of awarding a construction contract for a new double storeyed production and storage hall that will meet our growing operational and warehousing needs. I am pleased to add that all necessary steps have since been taken, our operational capacity and efficiency have been stream-lined and we are confident that your Company will be able to meet all its production and marketing targets in the coming financial years.

Production of fishing nets, the focus of our expansion program, started in the year under review 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. In turn, this has created a need for enhancing our back-process to keep feeding the machines manufacturing fishing nets, green shades, anti-insect nets, etc.

The year under review saw unprecedented increase in prices of our raw materials (which are petroleum based) due to changes in oil prices as well as an equally alarming drop in the value of Pak currency. At the same time, our main customers, namely farmers, were severely hit by climatic disruptions, preventing them from investing in our products. While we were unable to fully pass the increases in raw material and energy costs to our clients, we tried to achieve stability in products' pricing by improving our operational efficiency, labour usage rationalization and effecting economies in the scale of 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.

Dr Safdar Ali 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 Khyber Pakhtunkhwa 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 KPK provinces, and indeed all the parts of the country.

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 commenced its commercial production towards the end of 2000, with only two machines: a stretch bags making machine 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 9 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 got 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.

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, KPK. 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 KPK provinces, and indeed all the country. 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 90,000 square feet. In addition to the main production hall (that also houses the warehouse), there is an office block and workers' quarters. The premises also have a mosque for employees, and ample area for 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
- 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 PAPL and few other smaller firms. Its only alternative is jute bags that are 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 p.a. Hence, the sponsors envisage no difficulty in marketing the product since the market is gradually getting well informed of the benefits of using appropriate packaging material.

Similarly, the size of the market for greenhouse and other related shades like anti-insect nets, anti-hail nets, anti-birds nets, bale nets, etc. 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, this line of products has gained awareness in the market, leading to a virtual stop to its imports.

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.

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:	**Mrs Kaisra Jabeen Butt** *Chairperson / Non-executive Director*
	Dr. Safdar Ali Butt *Executive Director / CEO*
	Dr. Tariq Javed *Executive Director / CFO & Company Secretary*
	Dr. Mubarak Hussain Haider *Independent Director*
	Mohammad Javed *Independent Director*
	Mr Iftkhar Mahmood *Independent Director*
	Mr Nazir Ahmed Shaheen *Independent Director*
External Auditor	**Masoom Akhtar & Co**. *Chartered Accountants* 6th Floor, ISE Building, Jinnah Avenue, Islamabad Phone: 051-2894652 Fax: 051-2894653
Share Registrar	**CDC Share Registrar Services Limited**, CDC House, 99-B, Block 'B', SMCHS Main Shahra-e-Faisal, Karachi-74400 Phone: +92 21 111 111 500; Fax: +92 21 34326053 Website: www.cddcsrsl.com
Legal Advisor	**Mr Abid Hussain Mirza** Islamabad]
Registered Office & Factory	Plot # 22-23 Phase – IV Hattar Industrial Estate, Hattar KPK. Phone: +92 995 352547
Corporate Head Office	Third Floor, Green Trust Tower Jinnah Avenue, Blue Area, Islamabad.
Contact us:	Phone: +92 51 8311645 www.pakagro.com info@pakagro.com

DIRECTORS REPORT

The Directors of Pak Agro Packaging Limited (the "Company") are pleased to present Annual Report along with audited financial statements for the year ended June 30, 2023.

Significant Events

Some of the more important events that took place in the year are enumerated below:

a. Mr Khalid Butt, our Chief Executive, passed away in December 2022. This necessitated certain changes in the Board which have been covered in Chairperson's Message.

b. The Company entered into production of fishing nets, with a variety of products to suit the specific requirements of the local market. We have succeeded in significantly reducing the import of these nets in the country, saving forex for the country and providing need-based product variations to local users.

c. We continued with our expansion plans initiated in January 2022. Most of the machines have arrived and have been installed and commissioned. Some further increase in products' variety and quantity was sought by designing a prudent BMR program. As a result, new machinery to strengthen our back process for most product lines has been ordered which will Inshallah arrive in the financial year starting July 2023. Also, a contract for construction of additional production hall is in the process of being awarded. Due to economic disturbances prevailing in the country, the pace of developmental work is slower than what we would have desired; however, we are confident that our financial and operational forecasts for the year ending 30 June 2024 will be met.

d. The Plant as a whole has now been rationalized to ensure smooth and efficient production processes and to maximize total output.

Pakistan's Economic Review

Pakistan's economy still faces pressures from an uncertain global security situation, higher inflation driven by a spike in food prices, the bewildering stock market, perceptible contraction in large-scale manufacturing, lower than anticipated foreign inflows, and burgeoning absolute financing requirements. The severe macroeconomic imbalances, flood damages, domestic supply shocks, and international economic slowdown have dampened the economic growth to just 0.29 percent in FY 2023.

The geopolitical situation, difficult financial environment, and high inflationary pressures have all had a substantial impact on the prospects for global growth. All these factors posed significant economic risks for Pakistan's economy as well. Devastating floods and political unrest further aggravated the situation. Thus, FY 2023 has been a challenging year for Pakistan's economy. Pakistan received an unprecedented episode of torrential rains followed by flash flooding in July - August 2022 that affected 33 million people.

Agricultural Sector

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 several 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.

The total damage in the agriculture sector in the year ended June 2023 amounted to approximately Rs 800 billion. Restoring the livelihoods of smallholder farmers and livestock keepers is urgent and time-sensitive for arresting the decline in growth in agriculture that has shrunk to 1.55%. The fishing sector, having a share of 1.39% in agriculture value addition and 0.32% in GDP, grew at 1.44% compared to 0.35% during last year.

Fiscal Situation
With flood basins saturated with water, the natural drainage system was overwhelmed, and a vast area of rich farmland and human settlements was flooded, and the consequences were disastrous. The losses amounted to 4.8% of GDP. The recovery and reconstruction needs are projected at 1.6 times the budgeted national development expenditure for FY 2023. The current account deficit is likely to decelerate from as high as US$ 17.5 billion in FY 2022 to around US$ 3.7 billion by the end of the out-going fiscal year. Tax collection by the Federal Board of Revenue recorded only a minimal growth rate due to the geopolitical uncertainty, our macroeconomic imbalances and increase in global commodity prices, bringing pressure on forex reserves. Further, CPI inflation rose to 11.3% that led the State Bank of Pakistan (SBP) to gradually raise the policy rate to 22 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.

Financial Performance
Due to the economic upheaval in the country, coupled by delays in arrival and commissioning of our new plant, there has been a less than projected growth in the sales volume and revenues in the year under review. While sales showed a modest growth of 17.1%, from PKR 502.9 million to PKR 589.1 million, the gross profit margin improved only marginally from 13.8% to 13.9% due to exchange rate fluctuations and our inability to fully transfer the cost increases to the customers keeping in mind 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. Despite a marginal increase in our administration overheads, our Operating Profit recorded an increase of 22.76% from Rs 47.55m in last year to Rs 58.38m in 2022-23.

Another factor that has significantly affected our net earnings was the increase in need of borrowings to build up and sustain higher stock levels to cope with the erratic supply situation arising out of country's forex shortage. On the one hand, stock levels had to be increased in quantitative terms and on the other hand persistent drop in Pak rupee value necessitated higher rupee investment in raw materials and finished goods stocks. In addition, another economy related factor that added to our financial woes was interest rate that went up drastically during the financial year. While average interest cost in 2021-22 was in the region of 13% p.a., it rose to 22.8% p.a. in June 2023. These two factors (higher borrowings at higher interest rate) led to a substantial increase in financial overheads, propelling them by 325% from Rs. 5.34 million in previous year to over Rs 17.35 million in the financial year ended 30 June 2023. This brought down our profit before tax by 6.5% and profit after tax by 31.2%. 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 (51.1%) for the year.

Highlights of our financial performance are as follows:

	Year ended 30 June		Variance Positive/ (Negative)
	2023	2022	
	PKR'000		% age
Net Sales	589,119	502,900	17.14%
Gross Profit	81,925	69,312	18.20%
GP % of sales	13.9%	13.78%	0.87%
Operating Profit	58,381	47,557	22.75%
Net Profit before Tax	38,173	40,807	(6.45%)
Net profit after Tax	19,494	28,316	(31.15%
Earnings Per Share	*0.97*	*1.42*	*(31.15%)*

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 18% of our total quantitative turnover but for more than 22% 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 previous FY, the real plant that includes back-process as well as finishing unit arrived only in June 2022. Sales of fish nets have shown a great promise; however due to a deluge of imported fish nets, just prior to commencement of production of this line, and also because of heavy depreciation charge on machinery, we were not able to maintain a healthy gross profit rate. However, we strongly believe that this segment will soon become the principal contributor to our overall sales revenue. We have the capacity to produce a large percentage 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. While our interest cost has certainly gone up in line with rest of the country, 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 50.5 million (including transfer from Capital WIP) was incurred on import/local purchase and installation of production machinery.

Contribution to National Exchequer

Your Company has contributed PKR 148.1 million during the year under review to the national exchequer on account of import duties, sales and income taxes.

Appropriation of Profits

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 it needs to conserve its liquid resources in the coming year to invest in a meaningful ongoing BMR program that carries a promise of sustainable growth in revenues and cash flows. Again, the prevailing interest rates do not bode well for notional dividend payouts.

It has therefore been decided by the Board at its meeting held on 05 October 2023 not to recommend the payment of any cash or scrip dividends for the year under review.

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, 2023.
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 external auditors, M/s Rafaqat Mansha Mohsin Dossani Masoom & Co., Chartered Accountants, resigned on 20 April 2023, due to absence from the country of their signing partner. This casual vacancy was fulfilled by the Board on 31 May 2023 by appointing Masoom Akhtar & Co., Chartered Accountants. This firm has 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.

Masoom Akhtar & Co., being eligible have offered themselves for reappointment for the next financial year. 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, 2024, 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, 2023, 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 started a process of documenting all its policies and procedures in the previous financial year 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. Considerable work has been complete in this regard and it is hoped that the exercise will be completed in the next fiscal year.

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. 321,000.

Sustainability and Corporate Social Responsibility (CSR)
At PAPL, 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. Ms. Kaisra Jabeen Butt (Non-Executive Director; Chairman since 4 Jan 23);
2. Dr. Safdar Ali Butt (Chairman & ED till 4.1.23 and CEO thereafter);
3. Mr Khalid Butt (CEO & Executive Director till 27 Dec 23)
4. Dr Tariq Javed (CFO & Executive Director);
5. Mr. Mohammad Javed (Non-Executive, Independent Director);
6. Mr. Iftikhar Mahmood (Non-Executive, Independent Director);
7. Dr. Mubarak Hussain (Non-Executive, Independent Director);
8. Mr. Nazir Ahmed Shaheen (Non-Executive, Independent Director since 4.1.23);

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 members
Female: 01 member

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

a) Independent Non-executive Directors: 04
b) Non-executive Director: 01 (female director)
c) Executive Directors: 02

Directors Trainings
During the fiscal year two directors attended / qualified the directors training program conducted by the Pakistan Institute of Corporate Governance, while two more will be going through this program in Sept 2023. Out of seven, six directors have undergone this training program.

Evaluation of Board Members' Performances

The Company has instituted a process of evaluating the performance of its Board Members and Board Committees internally. The results were satisfactory, with an average score of 4.2/5.0 in all areas of individual directors' performance, 4.4/5.0 in committees' performance and 4.5/5.0 in overall board performance.

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 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 28, 2022 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

Dr Safdar Ali Butt	**Dr Tariq Javed**
(Chief Executive)	(Director)

Islamabad, 5 October, 2023

DIRECTORS' PROFILES

Mrs Kaisra Jabeen Butt.
Chairperson / 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 the Company as a Non-Executive Director since 2003 and was elected as Chairperson of the Board on 4 Jan 2023.

Dr. Safdar Ali Butt
Chief Executive / 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, and of Unity Foods Ltd., one of the largest FMCG companies of Pakistan. Dr. Butt is also engaged in Ujala Education Foundation.

He was a non-executive director and Chairman of the Board till 4 Jan 2023 and was appointed the Company's CEO on that date.

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.

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 over 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.

Mr Nazir Ahmed Shaheen
Independent Director

Mr Shaheen holds MA, LLB and FCMA qualifications and over three decades of governance and regulatory experience. He is considered an authority on Company Law in Pakistan, having written several books on various aspects of this subject. He has completed his DTP from ICMA and currently runs a consultancy firm, offering professional services in company law, taxation, financial management and related areas. He as elected to the Board upon demise of Mr Khalid Butt.

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.	Mr Nazeer A Shaheen	Non-Executive Director / Member since 4.1.2023
3.	Mr Iftikhar Mahmood	Independent Director / Member

Significant Deliberations During the Year

- Review and formulations of recommendations on quarterly accounts.
- Liaison with external auditors to ensure prompt and proper compliance with all reporting and disclosure requirements.
- Review of Reporting Dash Board developed by the Finance Division.
- Advising the Board on remuneration and appointment of external auditors, particularly in light of a need to change the auditors during the year.

The Committee had four meeting in current year to consider quarterly financial statements and to make appropriate recommendations to the Board thereof.

Human Resources Committee

The HRRC is governed by the mandate given to it vide Listed Companies (Code of Corporate Governance) Regulations 2019 and its Board of Directors.

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.	Mr Iftikhar Mahmood	Non-Executive Director / Member since 4.1.23
3.	Mrs Kaisra Jabeen Butt	Non-Executive Director / Member

Significant Deliberations during the year

1. Dealing with the reorganization of top management cadres necessitated by the demise of our former chief executive officer, Mr Khalid Butt. A new CEO was appointed by the Board on recommendations of HRRC, the Board Chairman was also changed while a new independent director was appointed for the remaining tenure of the Board.

2. The management structure at the plant site was reviewed and significant changes were made to cope with the newly commenced expansion plan and change in management.

3. Annual increments for all staff members were deliberated upon and recommendations made to the Board.

4. Management and Board trainings were overseen. Four board members were nominated for Directors Training Program conducted by Pakistan Institute of Corporate Governance.

5. Various staff training programs, including the following were conducted:
    a. Fire Fighting Drills
    b. EHS training for senior plant employees.
    c. Emergency Evacuation Plan for fire or other such threats/disasters.
    d. Two supervisors were nominated by the Company for external trainings.
    e. A special training program was held for Programmable Logic Ccontroller for the new plant imported for fishing nets manufacturing.

6. Two students from NUST and CUST were provided a month long management trainee and internship program

Key Performance Indicators

▪ Number of Employees (Head Count)	208
▪ Rate of Employees Turnover (overall)	2.4%
▪ Training Programs conducted (internal / external)	8
▪ Number of personnel trained	62
▪ Employee Satisfaction Level attained	over 84%

HRRC Meetings

HR Committee held two meeting during 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:

Category	*No of Directors*	*Names*
Independent Directors	04	Dr Mubarak Hussain Haider Mr. Mohammad Javed Mr. Iftikhar Mahmood Mr Nazeer A Shaheen since 4.1.23
Non-Executive Directors	01	Mrs Kaisra Jabeen Butt
Executive Directors	02	Dr Safdar A Butt since 4.1.23 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
  - Mr Nazeer A Shaheen — Non-executive Director / Member since 4.1.23
  - Mr Iftikhar Mahmood — Independent Director / Member

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

  - Mr Mohammad Javed — Independent Director / Chairman
  - Mr Iftikhar Mahmood — Non-Executive Director / Member since 4.1.23
  - Mrs Kaisra Jabeen Butt — Non-Executive Director / Member

- The frequency of meetings of the committee were as follows:
  - Board meetings (05)
  - Audit committee (04)
  - 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

MASOOM AKHTAR & 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, 2023, and the statement of profit or loss, the statement of profit or loss and 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 profit or loss and 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, 2023 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 No. 611, 6th Floor, ISE Towers, Jinnah Avenue, Islamabad
Tel: +92-51-2894652 2894653
Fax. Tel. +92-51-2894651
E-mail: masoomakhtarca@gmail.com

Following is the Key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our report
1.	**Capital expenditure** (Refer note 17 to the annexed financial statements) 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.	**Our audit procedures included the following**: 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. Assessed whether the costs capitalized met the relevant criteria for capitalization as per the applicable accounting and reporting framework. 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. Checked the date of transferring capital work-in progress to operating fixed assets by examining the completion certificates, on a sample basis. Assessed whether the disclosures are made in accordance with the financial reporting framework.
2.	**Inventories** Refer notes 3.5, 3.6 and 10 to the financial statements, the Company has inventories i.e. stock in trade Rs. 186,335,863/- as compared to preceding year Rs. 136,053,241/-. We identified this area as a key audit matter because inventories increased by 36.96% as compared to the previous year & constitute 35.83% of the total assets of the Company as at June 30, 2023, and determining an appropriate write down as a result of net realizable value (NRV).	**Our audit procedures in respect of this area included:** Assessed whether the Company's accounting policy for inventories valuations is in line with the applicable financial reporting standards; 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; Compared on a sample basis specific purchases and directly attributable cost with underlying supporting documents; 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

		Considered the adequacy of the related disclosures and assessed these are in accordance with the applicable financial reporting standards and the Companies Act, 2017.
3.	**Revenue and trade debts** (Refer notes 3.70, 3.9, 20 and 25 to the annexed financial statements) As disclosed in above mentioned notes to the accompanying financial statements, the Company has reported net sales of Rs. 589,119,038/- and related trade debts balances as at the reporting date amounting to Rs. 83,439,432/-. During the year, the Company has reported an increase in revenue with the significant increase in trade debts of 17.14% and 376.84% respectively. The revenue and related trade debts are largely susceptible to the risk of completeness / accuracy and existence / valuation respectively, which may mis-state the Company's reported financial performance and position as at the reporting date. Moreover, trade debts balances are also subject to management estimates to ascertain expected credit losses, if any, as at the reporting date. Therefore, given the risks involved, we identified revenue recognition along with related increase in trade debts a key audit matter.	**Our audit procedures included the following:** We performed a range of audit procedures including the following: • We obtained an understanding of the process relating to recording of revenue from contract with customers and testing the design and operating effectiveness of relevant Key internal controls implemented around sales and trade receivables cycle. • We performed test of details on revenue recognized during the year, on a sample basis, including review of order receipt, invoicing and dispatched; • We performed cut-off procedures on transactions occurring either immediately before or after the year end to assess the recording of revenue in correct accounting period; and • We performed analytical procedures to ascertain the reasoning of major fluctuations. • We scanned for any manual journal entries relating to revenue recorded during the year, particularly at year-end, which were considered to be material or met other specific risk-based criteria for inspecting underlying documentation. • We circularized confirmation to the sample of debtors with the outstanding balance at the year end. • We considered the appropriateness for expected credit losses (ECL) against trade receivables as per the Company's policy.

MASOOM AKHTAR & CO.
Chartered Accountants

		• We considered the adequacy of the related disclosures presented in the financial statements and assessed these in accordance with applicable accounting standards and requirements of the Companies Act, 2017.

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.

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:

- 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 in adequate, to modify our opinion. Our conclusions are based on the audit evidence obtained upto 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.

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

The financials statements of **Pak Agro Packaging Limited** for the year ended June 30, 2022 were audited by another auditor who expressed unqualified opinion on those statements on October 05, 2022.

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

Place: **Islamabad**
Dated:

MASOOM AKHTAR & CO.
CHARTERED ACCOUNTANTS

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
6	501	1,000	5,325
16	1,001	5,000	55,087
13	5,001	10,000	101,912
8	10,001	20,000	125,592
4	20,001	30,000	102,759
4	30,001	40,000	148,300
2	40,001	50,000	98,904
12	50,001	100,000	991,451
5	100,001	150,000	606,530
2	150,001	200,000	393,000
3	200,001	300,000	810,000
4	300,001	400,000	1,439,970
1	400,001	500,000	498,500
4	500,001	1,000,000	2,618,948
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	4,000,001	8,000,000	7,200,000

CATEGORIES OF SHAREHOLDERS

Classification of Shareholders by Categories			
Categories Of Shareholders	Numbers	Shares Held	Percentage
Directors and Executives	7	12,881,500	64.41%
Employees Provident Fund	1	50,500	0.25%
Financial Institutions	2	16,500	0.08%
Individuals	78	3,800,633	19.00%
Investment Companies	1	147,000	0.74%
Joint Stock Companies	9	1,702,897	8.51%
Modarabas	1	101,000	0.51%
Mutual Fund	2	665,970	3.33%
Takaful Company	2	634,000	3.17%
Totals	103	20,000,000	100.00%

Shareholders Holding 5% or above	Shares Held	Percentage
Safdar Ali Butt	8,082,000	40.41%
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 15:00 pm on October 27, 2023 to transact the following business at company's registered office at Plot 22-23, Phase – IV, Hattar Industrial Estate, Hattar. KPK.

Shareholders may 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, 2023 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 Masoom Akhtar & 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 September 26, 2023 to October 29, 2023 (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 September 25, 2023 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, 2023 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, 2023 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 15, 2023. 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 (CDCSRSL) 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 15, 2023.

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)

C.4

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 27, 2023 at 15.00 hours and at any adjournment thereof.

As witness my / our hand this ________ day of October 2023 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.

D

FINANCIAL

STATEMENTS

Pak Agro Packaging Limited
Statement of Financial Position as at June 30, 2023

Equity and liabilities	Note	2023 (Rupees)	2022 (Rupees)
Share capital and reserves			
Share capital	6	200,000,000	200,000,000
Reserves	7	107,283,257	107,283,257
Revenue reserves			
Unappropriated profit		65,147,370	46,703,047
		372,430,627	353,986,304
Non-current liabilities			
Obligation against assets subject to finance lease	8	30,793,518	7,129,849
Deposit against vehicles	9	-	2,427,789
Deferred taxation	10	24,285,667	16,381,813
Employees' gratuity fund	11	2,735,478	2,069,710
		57,814,663	28,009,161
Current liabilities			
Running finance	12	60,531,204	65,759,588
Current maturity of long term liabilities	13	8,320,043	8,808,777
Accrued and other liabilities	14	18,426,137	16,776,016
Taxation - net	15	2,512,923	3,078,672
		89,790,307	94,423,053
Contingencies and commitments	16	-	-
		520,035,597	**476,418,518**
Property and assets			
Non-current assets			
Operating fixed assets	17	209,891,646	213,183,851
Long term deposits	18	11,162,947	7,104,066
Current assets			
Stock in trade	19	186,335,863	136,053,241
Trade debts	20	83,439,432	17,498,358
Advances, deposits and other receivables	21	5,761,969	46,829,213
Prepayments	22	2,750,973	2,169,056
Short term investment	23	-	30,000,000
Cash and bank balances	24	20,692,767	23,580,733
		298,981,004	256,130,601
		520,035,597	**476,418,518**

The annexed notes 1 to 42 form an integral part of these financial statements.

Kaisra J. Butt

Chief Financial Officer	Chief Executive	Director

Pak Agro Packaging Limited
Statement of Profit or Loss
For the year ended June 30, 2023

	Note	2023 (Rupees)	2022 (Rupees)
Sales	25	589,119,038	502,900,382
Cost of sales	26	507,193,580	433,588,058
Gross profit		81,925,458	69,312,324
Operating expenses			
Administrative	27	23,396,075	21,677,221
Selling and distribution	28	148,250	77,510
		23,544,325	21,754,731
Profit from operations		58,381,133	47,557,593
Financial expenses	29	17,346,853	5,341,319
Other charges	30	4,028,298	3,281,474
		21,375,151	8,622,793
		37,005,982	38,934,799
Other income	31	1,167,731	1,872,740
Profit for the year before taxation		38,173,713	40,807,539
Taxation	32	18,679,298	12,491,419
Profit for the year		**19,494,414**	**28,316,120**
Basic and diluted earnings per share (PKR)		**0.97**	**1.42**

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Financial Officer	**Chief Executive**	Kaisra J. Butt **Director**

Pak Agro Packaging Limited
Statement of Comprehensive Income
For the year ended June 30, 2023

	2023 (Rupees)	2022 (Rupees)
Profit for the year after taxation	19,494,414	28,316,120
Other comprehensive income		
Items that will nor classified to profit or loss		
Remeasurement (loss)/gain on staff retirement benefit plan	(1,050,092)	580,598
Total comprehensive income for the year	**18,444,322**	**28,896,718**

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Financial Officer　　Chief Executive　　Kaiāra J. Butt
Director

Pak Agro Packaging Limited
Statement of Changes in Equity
For the year ended June 30, 2023

	Share capital	Capital reserves	Interest free loan from directors	Accumulated profit	Total
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
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 7)	-	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**
Total comprehensive income for the year	-	-	-	18,444,322	**18,444,322**
Balance as at June 30, 2023	**200,000,000**	**107,283,257**	-	**65,147,370**	**372,430,627**

The annexed notes 1 to 42 form an integral part of these financial statements.

Kaisra J. Butt

Chief Financial Officer **Chief Executive** **Director**

Pak Agro Packaging Limited
Statement of Cash Flows
For the year ended June 30, 2023

	Note	2023 (Rupees)	2022 (Rupees)
Cash flow from operating activities			
Profit for the year before taxation		38,173,713	40,807,539
Adjustments for:			
Depreciation	(17.2.1)	28,687,823	19,950,008
Gain on disposal of assets		(358,349)	-
		28,329,474	19,950,008
Operating profit before working capital changes		**66,503,187**	**60,757,547**
Increase/(decrease) in:			
Stock in trade		(50,282,622)	(59,747,159)
Trade debtors		(65,941,074)	(17,498,358)
Advances, deposits and other receivables		41,067,244	(36,356,388)
Pre-payments		(581,917)	(1,059,524)
		(75,738,369)	(114,661,429)
		(9,235,182)	(53,903,882)
Increase /(decrease) in:			
Current liabilities		1,650,121	8,696,195
Cash flow from operating activities		**(7,585,061)**	**(45,207,687)**
Tax deducted at source		(11,341,193)	(9,777,389)
Net cash flow from operating activities		**(18,926,254)**	**(54,985,076)**
Cash flow from investing activities			
Fixed capital expenditures		(13,891,660)	(62,578,152)
Capital work in progress		(12,140,398)	(38,419,172)
Sale proceeds of fixed assets		994,789	-
Long term deposits		(4,058,881)	(3,693,730)
Short term investment		30,000,000	(30,000,000)
Deposit against vehicles		(2,427,789)	-
Net cash flow from investing activities		**(1,523,939)**	**(134,691,054)**
Cash flow from financing activities			
Asset subject to finance lease		23,174,935	6,021,721
Loan from director		-	(7,500,000)
Share capital		-	80,000,000
Share premium		-	107,283,257
Running finance facility		(5,228,384)	343,656
Long term loan		-	(2,616,115)
Provision for gratuity		(384,324)	1,404,158
Net cash flow from financing activities		**17,562,227**	**184,936,677**
Net increase/(decrease) in cash and cash equivalents		**(2,887,966)**	**(4,739,453)**
Cash and cash equivalent in the beginning of the year		23,580,733	28,320,186
Cash and cash equivalent at the end of the year	(24)	**20,692,767**	**23,580,733**

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive** Kaisra J. Butt **Director**

Pak Agro Packaging Limited
Notes to the Financial Statements
For the year ended June 30, 2023

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, 2022 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:

	Purpose
Hattar Plot No. 23, Phase IV, Haripur, Khyber Pakhtunkhwa, Hattar Industrial Estate, Hattar.	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 and 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) Standards, interpretations and amendments to the approved accounting standards

- There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2022. However, these do not have any significant impact on the Company's financial statements.
- 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	Accounting Policies, Changing in Accounting Estimates and Errors (Amendments)	January 1, 2023
IAS 12	Income Taxes (Amendments)	January 1, 2023
IFRS 4	Insurance Contracts (Amendments)	January 1, 2023
IAS 7	Statement of Cash Flows (Amendments)	January 1, 2023
IFRS 7	Financial Instruments	January 1, 2023
IFRS 16	Leases (Amendments)	January 1, 2024

- The above standards, amendments to approved accounting standards and interpretations are not likely to have any material impact on the Company's financial statements.

- Other than the aforesaid standards, interpretations and amendments, International Accounting Standards Board (IASB) has also issued the following standards and interpretation, which have not been notified locally or declared exempt by the Securities and Exchange Commission of Pakistan (SECP) as at June 30, 2023;

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

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.

4. Dividend and appropriation to reserves

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

5. 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.

6. Share capital	2023 (Rupees)	2022 (Rupees)
Authorized capital		
40,000,000 ordinary shares of Rs... 10/= each	400,000,000	400,000,000
Issued, subscribed and paid-up capital		
Shares issued for cash		
17,350,000 ordinary shares of Rs... 10/= each in cash	173,500,000	173,500,000
Issued as fully paid bonus shares		
2,650,000 ordinary shares of Rs... 10/= each	26,500,000	26,500,000
	200,000,000	200,000,000

		2023 (Rupees)	2022 (Rupees)
7.	**Reserves**		
	Composition of reserves is as follows:		
	Premium on issuance of shares	107,283,257	118,000,000
	Less: IPO charges	-	8,479,343
	Brokerage commission paid on issuance of shares	-	2,237,400
		107,283,257	**107,283,257**

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

		2023 (Rupees)	2022 (Rupees)
8.	**Obligation under finance lease**		
	Value of assets	7,129,849	3,089,167
	Add: Addition during the year	35,843,181	12,277,601
		42,973,030	15,366,768
	Less: Payments made upto the year	3,859,469	2,184,133
	Present value of minimum lease payment	39,113,561	13,182,635
	Less: Current maturity	8,320,043	6,052,786
		30,793,518	**7,129,849**

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

	2023 (Rupees)	2022 (Rupees)
June 30, 2023	-	6,930,215
June 30, 2024	13,474,272	3,813,000
June 30, 2025	13,683,648	3,704,900
June 30, 2026	9,567,017	-
June 30, 2027	14,307,041	-
	51,031,978	14,448,115
Less: Lease financial charges allocable for future periods	11,918,417	1,265,480
	39,113,561	13,182,635
Less: Current maturity of finance lease	8,320,043	6,052,786
	30,793,518	**7,129,849**

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.

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.

		2023 (Rupees)	2022 (Rupees)
10	**Deferred taxation**		
	The balance of deferred tax is in respect of following temporary differences:		
	Accelerated depreciation on property plant and equipment	24,285,667	16,381,813
		24,285,667	**16,381,813**
11.	**Employees' gratuity fund**		
	Balance at beginning of the year	2,069,710	1,246,150
	Add: Provision for the year	2,642,456	823,560
		4,712,166	2,069,710
	Less: Paid to outgoing members	(1,976,688)	-
		2,735,478	**2,069,710**

		2023 (Rupees)	2022 (Rupees)
12. Running finance			
The Bank of Khyber	(12.1)	60,531,204	65,759,588
		60,531,204	**65,759,588**

12.1) The Bank of Khyber has renewed and enhanced the running finance facility limit from Rs.. 40 million to Rs.. 50 million on November 01, 2022 to meet working capital requirements of the company at mark up rate to be recovered on quarterly basis as follows:

- Rebated: Three months KIBOR plus 300 bps p.a. if markup is paid within 15 days from due date;
- Un-rebated: 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 50 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:

- 1st Exclusive 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, Khyber Pakhtunkhwa.
- 1st exclusive charge of Rs. 194 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, 2023.

		2023	2022
13. Current maturity of long term liabilities			
This represents current maturity of followings			
- Finance lease	(7)	8,320,043	6,192,662
- Salary refinance facility	(8.1)	-	2,616,115
		8,320,043	**8,808,777**
14. Accrued and other liabilities			
Workers' profit participation fund		8,768,268	5,849,211
Salaries payable		3,338,090	7,786,053
Workers' welfare fund		2,012,836	903,594
Mark up payable		1,812,415	-
Sales tax payable		1,145,797	652,270
Audit fee		700,000	500,000
Postal life insurance		546,680	202,398
Lease finance payable		102,051	-
Other liabilities		-	630,000
Payable to supplier		-	252,490
		18,426,137	**16,776,016**
15. Taxation - net			
Provision for taxation		13,075,444	12,856,061
Tax deducted at source		(10,562,521)	(9,777,389)
		2,512,923	**3,078,672**

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.

		2023 (Rupees)	2022 (Rupees)
17. Operating fixed assets			
Property, plant and equipment	(17.1)	197,751,248	174,764,679
Capital work in progress	(17.2)	12,140,398	38,419,172
		209,891,646	213,183,851

17.1) Property, plant and equipment

Description	Land lease hold	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, 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)	(966,328)	(157,369)	(332,846)	(4,437,117)	-	(190,113,360)
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	-	132,136,535
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	34,657,959	-	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	1,565,250	40,132,576	11,468,610	102,004,986	1,021,132	745,711	518,818	829,700	116,673	15,150	7,052	5,624,549	10,714,471	174,764,678
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	1,565,250	40,132,576	11,468,610	102,004,986	1,021,132	745,711	518,818	829,700	116,673	15,150	7,052	5,624,550	10,714,471	174,764,679
Annual rate of depreciation (%)	-	5	15	15	15	15	15	15	15	15	30	15	15	
Year ended June 30, 2023														
Opening net book value	1,565,250	40,132,576	11,468,610	102,004,986	1,021,132	745,711	518,818	829,700	116,673	15,150	7,052	5,624,550	10,714,471	174,764,679
Additions	-	1,941,000	3,267,797	4,416,265	401,100	411,198	-	176,300	35,000	-	293,000	2,950,000	38,419,172	52,310,832
Disposals/adjustment												-		
Cost	-	-	(1,875,000)	-	-	-	-	-	-	-	-	-	-	(1,875,000)
Adjustment Dr/(Cr)	-	-	11,054,234	-	-	-	-	-	-	-	-	(11,054,234)	-	-
Depreciation	-	-	(4,191,124)	-	-	-	-	-	-	-	-	5,429,684	-	1,238,560
	-	-	4,988,110	-	-	-	-	-	-	-	-	(5,624,550)	-	(636,440)
Depreciation charge	-	(2,079,416)	(2,686,517)	(15,567,502)	(172,947)	(159,064)	(77,823)	(135,474)	(19,688)	(2,272)	(46,066)	(184,375)	(7,370,046)	(28,687,823)
Closing net book value	1,565,250	39,994,160	17,038,000	90,853,749	1,249,284	997,845	440,996	870,526	131,985	12,877	253,986	2,765,625	41,763,596	197,751,248
As at July 01, 2023														
Cost	1,565,250	57,845,245	27,570,171	282,717,996	5,410,137	1,929,776	1,158,264	1,675,522	1,138,590	175,192	635,920	2,950,000	50,491,815	435,263,878
Accumulated depreciation	-	(17,851,085)	(10,532,171)	(191,864,247)	(4,160,853)	(931,931)	(717,268)	(804,996)	(1,006,605)	(162,315)	(381,934)	(184,375)	(8,728,219)	(237,512,631)
Net book value	1,565,250	39,994,160	17,038,000	90,853,749	1,249,284	997,845	440,996	870,526	131,985	12,877	253,986	2,765,625	41,763,596	197,751,248
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:

		2023	2022
Cost of sales	(26.4)	28,503,448	18,957,440
Administrative expenses	(27)	184,375	992,567
		28,687,823	19,950,008

17.2) Capital work in progress		2023 (Rupees)	2022 (Rupees)
	Factory building	**Plant and machinery**	**Total**
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**
Balance as at July 01, 2022	-	38,419,172	38,419,172
Additions during the year	-	12,140,398	12,140,398
Transfers during the year	-	(38,419,172)	(38,419,172)
Balance as at June 30, 2023	-	**12,140,398**	**12,140,398**

		2023 (Rupees)	2022 (Rupees)
18. Long term deposits			
Security deposits against:			
Leased assets		9,355,781	5,296,900
Utilities		1,152,836	1,152,836
Office building		654,330	654,330
		11,162,947	**7,104,066**
19. Stock in trade			
Raw material	(19.1)	87,954,439	74,552,746
Finished goods		88,536,190	55,043,600
Work-in-process		9,845,234	6,456,895
		186,335,863	**136,053,241**
19.1) Raw material			
Raw material		73,716,500	66,004,420
Colors		11,645,919	7,443,360
Chemical		2,592,020	1,104,966
		87,954,439	**74,552,746**

20. Trade debts

This are unsecured and considered good by the management.

		2023 (Rupees)	2022 (Rupees)
21. Advances, deposits and other receivables			
Advances to:	(21.1)		
Staff against salaries		880,000	1,814,000
Parties against supplies		4,792,728	28,988,672
Parties against services		-	107,812
		5,672,728	30,910,484
Deposits:			
Margin deposit on letters of credit		-	11,511,220
		-	11,511,220
Other receivables			
Sales tax refundable		89,241	4,407,509
		89,241	4,407,509
		5,761,969	**46,829,213**

21.1) These are unsecured and considered good by the management.

		2023 (Rupees)	2022 (Rupees)
22. Prepayments			
Insurance		2,750,973	1,285,711
Office rent		-	883,345
		2,750,973	**2,169,056**

23. Short term investment

This represents investments made in TDR at a fixed interest rate.

		2023 (Rupees)	2022 (Rupees)
24. Cash and bank balances			
Cash in hand		650,000	788,481
Cash at bank - current account		20,042,767	22,792,252
		20,692,767	**23,580,733**

		2023 (Rupees)	2022 (Rupees)
25. Sales-net			
Gross sales		691,853,585	566,662,884
Sales tax		(102,734,547)	(63,762,502)
		589,119,038	**502,900,382**

		2023 (Rupees)	2022 (Rupees)
26. Cost of sales			
Raw material consumed	(26.1)	324,498,951	291,718,359
Colors consumed	(26.2)	13,055,268	9,285,328
Chemical consumed	(26.3)	13,052,457	3,413,918
Packing material consumed		9,826,219	9,114,691
Production overhead	(26.4)	183,641,614	153,724,090
		544,074,509	467,256,386
Work in process			
- Opening balance as on July, 01		6,456,895	5,289,642
- Closing balance as at June, 30		(9,845,234)	(6,456,895)
		(3,388,339)	(1,167,253)
Cost of goods manufactured		540,686,170	466,089,133
Finished stocks			
- Opening balance as on July, 01		55,043,600	22,542,525
- Closing balance as at June, 30		(88,536,190)	(55,043,600)
		(33,492,590)	(32,501,075)
		507,193,580	**433,588,058**

	2023 (Rupees)	2022 (Rupees)
26.1) Raw material consumed		
Opening stock as on July, 01	66,004,420	32,146,490
Add: Raw material imported	332,211,031	325,576,289
	398,215,451	357,722,779
Closing stock as at June, 30	(73,716,500)	(66,004,420)
	324,498,951	**291,718,359**

	2023 (Rupees)	2022 (Rupees)
26.2) Colors consumed		
Opening stock as on July, 01	7,443,360	3,700,980
Color purchased	17,257,827	13,027,708
	24,701,187	16,728,688
Closing stock as at June, 30	(11,645,919)	(7,443,360)
	13,055,268	**9,285,328**

	2023 (Rupees)	2022 (Rupees)
26.3) Chemical consumed		
Opening stock as on July, 01	1,104,966	1,148,160
Add: Purchases	14,539,511	3,370,724
	15,644,477	4,518,884
Closing stock as at June, 30	(2,592,020)	(1,104,966)
	13,052,457	**3,413,918**

		2023 (Rupees)	2022 (Rupees)
26.4) Production overhead			
Salaries and benefits	(26.4.1)	81,123,017	77,231,826
Fuel and power		63,319,268	46,109,185
Repair and maintenance		3,570,595	3,681,615
Sui gas		2,563,896	1,833,624
Insurance		1,507,791	1,217,471
Lubricants		652,200	1,041,430
Vehicle running and maintenance		604,855	800,354
Entertainment		516,110	639,384
Miscellaneous		445,096	1,206,740
Travelling and conveyance		292,095	196,760
Telephone and internet		185,840	440,398
Printing and stationary		170,140	166,832
Security charges		77,954	28,868
Rent, rates and taxes		75,600	131,363
Postage and courier		24,319	23,620
Newspaper and periodicals		9,390	17,180
Depreciation	(17.1.1)	28,503,448	18,957,440
		183,641,614	**153,724,090**

		2023 (Rupees)	2022 (Rupees)
26.4.1) Salaries and benefits			
Salaries to staff		64,481,702	61,617,287
Overtime		7,164,517	7,196,010
Bonus		5,496,342	5,307,353
Gratuity		1,385,357	1,210,500
Social security		1,290,010	928,920
E.O.B.I		887,068	668,293
Financial assistance		209,500	277,000
Leave encashment		169,437	-
Medical		39,084	26,463
		81,123,017	**77,231,826**

27. Administrative expenses

		2023 (Rupees)	2022 (Rupees)
Director's remuneration	(27.1)	12,669,051	12,704,032
Salaries and benefits	(27.2)	3,063,050	2,726,701
Rent, rates and taxes		4,024,130	1,909,640
Audit remuneration		700,000	500,000
Telephone, mobile and internet		482,529	437,180
Fees and subscriptions		441,147	532,194
Entertainment		364,812	247,219
Printing and stationary		360,947	182,820
Repair and maintenance		274,887	252,811
Utilities		249,528	372,180
Miscellaneous		239,366	365,729
Postage and courier		132,248	312,216
Travelling and conveyance		112,665	110,740
Legal and professional		75,800	15,000
News papers and periodicals		21,540	16,192
Depreciation	(17.1.1)	184,375	992,567
		23,396,075	**21,677,221**

		2023 (Rupees)	2022 (Rupees)
27.1) Director's remuneration			
Remuneration		10,800,000	12,450,000
Bonus		1,225,000	-
Medical		299,051	154,032
Director's meeting		345,000	100,000
		12,669,051	**12,704,032**

		2023 (Rupees)	2022 (Rupees)
27.2) Salaries and benefits			
Salaries to staff		2,522,129	2,277,500
Gratuity		207,007	193,658
Bonus		201,646	128,938
Insurance		132,268	126,605
		3,063,050	**2,726,701**
28. Selling and distribution expenses			
Carriage outward		148,250	77,510
		148,250	**77,510**
29. Financial expenses			
Mark-up		10,024,080	3,391,304
Lease financial charges		6,868,726	1,187,561
Bank charges		250,322	460,291
Share Registrar Services		203,725	302,163
		17,346,853	**5,341,319**
30. Other charges			
Workers' profit participation fund		2,919,057	2,377,880
Workers' welfare fund		1,109,242	903,594
		4,028,298	**3,281,474**
31. Other income			
Profit on TDR		809,382	1,872,740
Gain on sale of assets		358,349	-
		1,167,731	**1,872,740**
32. Taxation			
Current year			
- Normal tax	(32.1)	13,075,444	12,856,061
- Prior year		(2,300,000)	(2,060,970)
Deferred taxation		7,903,854	1,696,328
		18,679,298	**12,491,419**
32.1) Reconciliation of tax charge for the year			
Accounting profit - before taxation		39,282,954	41,711,133
Inadmissible expenditure for tax purposes		35,556,549	21,137,567
Admissible expenditure for tax purposes		(31,038,745)	(18,517,457)
		43,800,759	44,331,243
Tax charge at applicable tax rate of 29% (2022: 29%)		12,702,220	12,856,061
Tax effect of difference of minimum tax chargeable		373,224	-
		13,075,444	**12,856,061**

33. Remuneration of Chief Executive, Directors and Executives

Description	2023 Chief Executive	2023 Director	2023 Executive	2022 Chief Executive	2022 Director	2022 Executive
Managerial remuneration	5,400,000	5,400,000	2,105,250	5,400,000	7,050,000	2,366,150
Bonus	661,771	563,229	270,438	-	-	-
	6,061,771	5,963,229	2,375,688	5,400,000	7,050,000	2,366,150
Number of persons	2	2	1	1	2	1

In addition to remuneration, the chief executive, directors and 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 is Rs. 345,000/= (2022: Rs. 100,000/=).

34. Earnings per share - Basic and Diluted

	2023 (Rupees)	2022 (Rupees)
Profit after tax	19,494,414	28,316,120
Weighted average number of ordinary shares at the end of the year (Numbers)	20,000,000	20,000,000
Basic and diluted earnings per share (Rupee)	0.97	1.42

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. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of that company. Details of transactions with related parties, except for remuneration to key management personnel as discussed in note 33, are as follows:

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.

- **Following are the associated companies/undertakings and related parties with whom the Company had entered into transactions during the year:**

Related party	Basis of relationship	Number of shares held in the company	Aggregate %age shareholding in the Company
Employees' Gratuity Fund	Employees' Gratuity Fund	-	0.00%

36. Financial instruments and related disclosures

36.1) Financial assets and liabilities

	2023			2022		
	Amortized Cost	FVTPL	Total	Amortized Cost	FVTPL	Total
	(Rupees)			(Rupees)		
Financial assets						
Maturity up to one year						
Stock in trade	-	186,335,863	**186,335,863**	-	136,053,241	**136,053,241**
Trade debts	83,439,432	-	**83,439,432**	17,498,358	-	**17,498,358**
Advances, deposits and other receivables	5,761,969	-	**5,761,969**	46,829,213	-	**46,829,213**
Short term investment	-	-	-	30,000,000	-	**30,000,000**
Cash and bank balances	20,692,767	-	**20,692,767**	23,580,733	-	**23,580,733**
Maturity after more then one year						
Long term deposits	11,162,947	-	**11,162,947**	7,104,066	-	**7,104,066**
	121,057,115	**186,335,863**	**307,392,978**	**125,012,370**	**136,053,241**	**261,065,611**
Financial liabilities						
Recognized						
Maturity up to one year						
Running finance	60,531,204	-	**60,531,204**	65,759,588	-	**65,759,588**
Current maturity of long term liabilities	8,320,043	-	**8,320,043**	8,808,777	-	**8,808,777**
Accrued and other liabilities	18,426,137	-	**18,426,137**	16,776,016	-	**16,776,016**
Maturity after more then one year						
Obligation against assets subject to finance lease	30,793,518	-	**30,793,518**	7,129,849	-	**7,129,849**
Deposits against vehicles	-	-	-	2,427,789	-	**2,427,789**
	118,070,902	-	**118,070,902**	**100,902,019**	-	**100,902,019**

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, 2023, trade debts of Rs. 83,331,520/= (2022: Rs. 17,498,358/=) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2023 (Rupees)	2022 (Rupees)
Up to 3 months	83,439,432	17,498,358
	83,439,432	**17,498,358**

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, 2023, the Company had financial assets of Rs. 133,197,513.17/= (2022: Rs. 124,523,889/=).

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	60,531,204	-	-
Current maturity of long term liabilities	8,808,777	-	-
Accrued and other liabilities	16,776,016	-	-
Maturity after more then one year			
Obligation against assets subject to finance lease	-	7,129,849	-
Deposits against vehicles	-	2,427,789	-
At June 30, 2023			
Running finance	60,531,204	-	-
Current maturity of long term liabilities	8,320,043	-	-
Accrued and other liabilities	18,426,137	-	-
Maturity after more then one year			
Obligation against assets subject to finance lease	-	30,793,518	-

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 (2023: 'Nil') (2022: 30,000,000/-) 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 stake holders 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 follows:

	2023 (Rupees)	2022 (Rupees)
37.1) The amounts recognized in the statement of financial position are as follows:		
Present value of defined benefit obligations	2,735,478	2,069,710
Fair value of plan assets	-	-
Payables	-	-
	2,735,478	**2,069,710**
37.2) Changes in the present value of defined benefit obligation are as follows:		
Opening defined benefit obligation	2,069,710	1,246,150
Service cost		
Current service cost	1,449,083	1,279,543
Past service cost	-	-
Interest expense	143,281	124,615
Cash Flows		
Benefit payments from Plan	-	-
Benefit payments from employer	(1,976,688)	-
Payables	-	-
Re-measurements		
Effect of changes in Demographic assumptions	-	-
Effect of changes in Financial assumptions	-	-
Effect of Experience adjustments	1,050,092	(580,598)
Closing defined benefit obligation	**2,735,478**	**2,069,710**
37.3) Components of defined benefit cost are as follows:		
Service Cost		
Current Service Cost	1,449,083	1,279,543
Reimbursement Service Cost	-	-
Past Service Cost	-	-
(Gain) / loss on settlements	-	-
Net Interest Cost		
Interest Expense on Defined Benefit Obligation	143,281	124,615
Interest (income) on Plan Assets	-	-
Re-measurement of Other Long Term Benefits	-	-
Defined benefit cost included in P&L	**1,592,364**	**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	1,050,092	(580,598)
(Return) on Plan Assets (excluding interest income)	-	-
Total re-measurements included in OCI	**1,050,092**	**(580,598)**
Total Defined Benefit Cost recognized in P&L and OCI	**2,642,456**	**823,560**

38. Number of employees

	2023	2022
Number of employees as on June 30,		
Factory	197	217
Other	7	5
	204	222
Average number of employees during the year		
Factory	199	180
Other	6	5
	205	185

39. Production capacity

Plant has a maximum production capacity of 1,450,000 kgs. Actual production during the period was 1,225,000 Kgs (2022: 1,078,137 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:

Following subheads are rearranged wherever necessary for the purposes of comparison and better presentation for the year ended June 30, 2023: In Administrative expenses following heads are rearranged : Director's Remuneration is separately presented in accounts, meeting expenses being separately presented are included in director's remuneration.

41. General

	2023 (Rupees)	2022 (Rupees)
- **Payments out of IPO Funds**		
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
Total	-	30,000,000
IPO proceeds	-	**198,000,000**

42. Date of authorization for issue

These financial statements have been authorized for issue on 05-oct-23 by the board of directors of the company.

Kaiser T. Butt

Chief Financial Officer **Chief Executive** **Director**