



Leather Up Limited

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2022**



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Vision

An internationally recognized manufacturer and exporter, providing quality leather products and maintaining an excellent level of ethical and professional standards.

Mission Statement

The company since inception has endeavored towards maximizing value addition and obtaining maximum value for each unit exported and to become a leading manufacturer/exporter of leather products in international markets.

Code of ethics and business practices

- 1. Maintaining integrity and scrupulous dealings*
- 2. Maintaining correct books and records of the Company*
- 3. Avoiding conflicts of interest*
- 4. Strictly follows the rules of leather techniques*
- 5. Treating chemical as per specification and testing criteria*
- 6. This is prime priority of the company to formulate, implement and monitor the objectives and overall business plan.*
- 7. Check and oversee the affairs of the company carried out within the existing laws/regulations and to re-arrange prudently*
- 8. Make sure legal and regulatory requirements of the statutory authorities*
- 9. Encourage and initiate motivation among members of the company*
- 10. Safeguard and protect the interest and asset of the company*

A detailed policy for actual and perceived conflict of interest and its resolution relating to the members of the Board of Directors and employees is in place.

**COMPANY PROFILE****Board of Directors**

Khalid H. Shah	Chief Executive/ Director	Mahmooda Shah	Director
Jazim Shah	Director / Chairman	S. Faisal Shah	Director
Mohsin Khursheed	Director	Farooq Raza	Director
Shaikh Abdus Sami	Director		

Board Audit Committee

Mohsin Khursheed	Chairman
Jazim Shah	Member
Mahmooda Shah	Member

Human Resource Committee

Mohsin Khursheed	Chairman
S. Faisal Shah	Member
Mahmooda Shah	Member

Chief Financial Officer / Company Secretary

Ali Ahmar

Auditors

UHY Hassan Naeem & Co.

Legal Advisor

Maqsood Ahmad Bullo & Company
Advocate

Bankers

MCB Bank Ltd	United Bank Ltd	Faysal Bank Ltd
Summit Bank Ltd	Askari Bank Ltd	Meezan Bank Ltd
Bank Al-falah Ltd	Bank Al Habib Ltd	

Registered Office/Factory

Plot # 23/C, 15th Commercial Street Phase II Extension, Defence Housing Authority, Karachi.
Phone: (021) 35880771-2 Fax: (021) 35880773
E-mail: Inquiry@leatherupltd.com
Website: www.leatherupltd.com

Share Registrar Office

M/s C&K Management Associates (Pvt) Limited
404, Trade Tower, Abdullah Haroon Road, Near Hotel Metroplote, Karachi-75530
Phone: (021) 35687839- (021) 35685930



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 31st Annual General Meeting of the shareholders of the Leather Up Limited will be held on Friday October 28th, 2022 at 10:00am at 23/C ground floor 15th commercial street DHA Phase II Ext. Karachi, to transact the following business:

- 1- To read and confirm minutes of the Annual General Meeting of the shareholders of the Company held on Tuesday, March 8th, 2022.
- 2- To receive and adopt the Audited Statements of Accounts for the year ended June 30, 2022 together with the Directors' and Auditors reports thereon.
- 3- To appoint auditors for the year 2023 and to fix their remuneration.
- 4- To transact any other business with the permission of the Chair.

Karachi
October 3rd, 2022

By Order of the Board

Ali Ahmar
(Company Secretary)

NOTES:

1. Closure of Share Transfer Books

The share transfer books of the Company shall remain closed from 21-OCT-2022 to 28-OCT-2022 (both days inclusive). Transfers received in order at the office of Share Registrar M/s. C&K Associates (Pvt) Ltd, 404, Trade Tower, Abdullah Haroon Road, Near Hotel Metropole, Karachi-75530 by the close of business on October 20th, 2022 will be considered in time to attend and vote at the meeting.

2. Participation in General Meeting

An individual beneficial owner of shares must bring his/her original CNIC or Passport, Account and Participant's I.D. numbers to prove his/her identity. A representative of corporate members, must bring the Board of Directors' Resolution and/or Power of Attorney and the specimen signature of the nominee, CDC account holders will further have to follow the guidelines as laid down in Circular 1 dated January 28, 2000, issued by the Securities and Exchange Commission of Pakistan.

A member entitled to attend and vote at the meeting may appoint another member as his/her proxy in writing to attend the meeting and vote on the member's behalf. Proxies in order to be effective must be received at the Company's Registered Office, C-38, Shalimar Garden, Darussalam Housing Society, Near Indus Hospital, Korangi, Karachi, not later than 48 hours before the time of holding the meeting and no account shall be taken of any part of the day that is not a working day. A member shall not be entitled to appoint more than one proxy.

Members are requested to notify their change of address, Zakat declaration (CZ-50) and tax exemption certificate (if any) immediately to Company's Share Registrar CDC Share Registrar Services Limited.

3. Submission of the CNIC/NTN details (Mandatory)

In accordance with the notification of the Securities and Exchange Commission of Pakistan (SECP) vide SRO 779(1)/2011 dated 18 August 2011 and SRO 83(1)/2012 dated 5 July 2012, dividend counters in electronic form should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members. Accordingly, Members who have not yet submitted photocopy of their valid CNIC or NTN in case of corporate entities are requested to submit the same to the Companies' Share Registrar in case of non-compliance, the Company shall withhold credit of dividend as per law.

4. Electronic Transmission of Audited Financial Statements & Notices

The Securities and Exchange Commission of Pakistan (SECP) through its Notification S.R.O. 787(I)/2014 dated 8th September 2014 has permitted companies to circulate Audited Financial Statements along with Notice of Annual General Meeting to its Members through e-mail. Accordingly, Members are hereby requested to convey their consent and e-mail address for receiving Audited Financial Statements and Notice through e-mail.

Please note that giving email address for receiving of Annual Financial Statements instead of receiving the same by post is optional, in case you do not wish to avail this facility please ignore this notice. Annual Financial Statements will be sent at your registered address, as per normal practice.

5. Deposit of Physical Shares in CDC Accounts:

As per Section 72 of the Companies Act, 2017 every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the SECP, within a period not exceeding four years from the commencement of the Companies Act, 2017.

The shareholders having physical shareholding may please open CDC sub-account with any of the brokers or investors account directly with CDC to place their physical shares into scrip less form.

Availability of audited financial statements:

The audited financial statements of the Company for the year ended June 30, 2022 have been made available on the Company's website (<http://www.leatherupltd.com>). The Directors of the Company have no direct or indirect interest in this agenda.

CHAIRMAN REVIEW

It is my pleasure to present this report to the shareholders of the company pertaining to the overall performance of the board of director and their effectiveness in guiding the company towards accomplishing its aims and objectives.

Leather Up Limited has implemented a strong governance framework that supports an effective & prudent management of business matters, which is regarded as instrumental in achieving the long success of the company. during the course of the financial year 2021-22 the board of directors and its sub-committees worked with a marked level of diligence and proficiency to best advice and guide the company towards achieving its potential. The board of directors as a whole has reviewed the annual report and financial statement and are pleased to confirm that in their view the annual report and the financial statement taken as a whole, are, fair, balanced and comprehensive.

An annual self-assessment is carried out to determine the effectiveness and performance of the board of directors, the integral components of which include, strategic planning, composition, policies & procedures, compensation procedures and completeness of information provision. The outcome of this assessment is that the directors feel that the board of directors are engaged in strategic matters, has put in place the required controls and gets all the necessary information in a timely manner. The directors further feel that the independent directors are equally involved in all decision.



Signature
Chairman Jazim Shah
Karachi,

چیئرمین کا جائزہ

یہ رپورٹ مجھے اس بورڈ کوڈائریکٹرز کی مجموعی کارکردگی اور کمپنی کے مقاصد اور مقاصد کو پورا کرنے کی رہنمائی میں ان کی تاثیر سے متعلق کمپنی کے حصول داروں کو پیش کرنے کی خوشی میں لیدر اپ لمیٹڈ نے ایک مضبوط حکومتی فریم ورک کو عملدرآمد کیا ہے جو کاروباری معاملات کے موثر اور قابل انتظام کی حمایت کرتا ہے، جس کی کمپنی کو طویل کامیابی حاصل کرنے میں اہم کردار ادا کیا جاتا ہے۔

2021-22 کے دوران، بورڈ آف ڈائریکٹرز اور اس کے سب کمیٹیوں نے اس کی صلاحیت کو حاصل کرنے کی کمپنی کو بہتر مشورہ اور رہنمائی کرنے کے لئے ایک واضح سطح کی محنت اور مہارت کے ساتھ کام کیا۔ مجموعی طور پر ڈائریکٹر بورڈ کل سالانہ رپورٹ اور مالی بیانات کا جائزہ لیتے ہیں اور اس بات کی تصدیق کرتے ہیں کہ ان کی ڈائریکٹرز، جس میں لازمی اجزاء شامل ہیں، اسٹریٹجک منصوبہ بندی، ساخت، پالیسیوں اور طریقہ کار، معاوضہ کے طریقہ کار اور معلومات کی فراہمی کی تکمیل اس تشخیص کا نتیجہ یہ ہے کہ ڈائریکٹروں کو محسوس ہوتا ہے کہ بورڈ آف ڈائریکٹر اسٹریٹجک معاملات میں مصروف ہیں، اس نے مناسب کنٹرول کو کنٹرول کرنے اور بروقت انداز میں تمام ضروری معلومات حاصل کی ہیں۔ ڈائریکٹروں کو مزید محسوس ہوتا ہے کہ خود مختار ڈائریکٹر ہر فیصلہ میں بھی شامل ہے۔

جازم شاہ



چیئرمین

DIRECTORS' REPORT

The Directors have pleasure to present the Annual Report together with the audited financial statements of the company for the year ended June 30, 2022.

The financial highlights for the year ended June 30, 2022 along with comparative period are summarized hereunder:

Particulars	June 30, 2022 (Rupees)	June 30, 2021 (Rupees)
Profit / (Loss) before taxation	(14,256,706)	(58,506,054)
Taxation	(222,503)	(173,598)
Profit / (Loss) after taxation	(14,479,208)	(58,679,652)
Accumulated profit / (Loss)	(38,616,908)	(23,480,402)
Earnings/ (Loss) per share after tax	(2.41)	(9.78)

Company Performance

The operating loss of the company for the year 2022 is Rs. 2.680 million as against Rs. Rs.8.282 million registered last year. However, the loss before taxation is Rs.14.256 million.

Due to the best efforts made by the management, the company increased its export as well as deterioration in operating loss. The sales of the company increased to Rs.26.952 million in 2022 as against Rs.16.961 million in 2021 although the demand is very low in Europe for leather goods as a result of highest ever inflation in Europe and other markets.

In nutshell, there has been a continuous fall over the past decade in the exports of leather garments and its allied products from Pakistan and this has worsened due to effect of COVID-19 pandemics & massive inflation both at the local and as well as international markets.

Earnings per share

The loss per share of the company is Rs.2.41 as against loss of Rs. 9.78 per share in the preceding year.

Dividend

Due to loss, the Board of Directors has skipped the dividend.

Future Out look

The recession grips in Europe in recent period and the impact of low business activity there, automatically affected the main exporting countries of leather garments and allied products.

The management is making all out efforts to secure orders and has taken steps to cut operating expenses to minimum to withstand any lean period. Subsequently, in the first quarter of the financial year 2023, the company has secured export orders Rs. 4.1 million despite significant inflation.

Human Resource:

At Leather Up, as we are value addition Company, strongly believe that success comes when employees are engaged and aligned with the Company's vision. The Company having good relation with the employees and continues to make people its focal point by providing the most supportive and conducive environment to all its employees and by promoting a culture of high performance, learning, trust and confidence to deliver its products to the international markets.

Human Resource and Remuneration Committee:

In compliance with the requirements of code of corporate governance, the Board of Directors has established this Committee comprising three members' and all of three are a non-executive director (including Chairman) who is independent director. Detailed terms of reference of the Committee were duly communicated to the members, by the Board.

Training Program:

The Board remained fully compliant with the provision with regard to their directors' training program. Out of total of seven directors, four directors have completed the Directors Training Program and one director is exempt from training program as mentioned in regulation no. 20, sub-regulation 2 of the Regulation; however, exemption from the Commission is yet to be obtained.

Corporate and Financial Report Framework:

The Board members are pleased to state that the management of the Company is committed to good corporate governance and are complying with best practices.

In compliance with the Code of Corporate Governance, the Directors are pleased to state that:

- 1- The financial statements have been drawn up in conformity with the requirements of the Companies Act, 2017 and present fairly state of its affairs, operating results, cash flow and changes in equity.
- 2- Proper books of accounts have been maintained in the manner required under Companies Act, 2018.
- 3- Appropriate accounting policies have been applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 4- International Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of the financial statements.
- 5- The internal control system is being implemented and monitored.
- 6- There are no significant doubts about the Company's ability to continue as a going concern.
- 7- There has been no material departure from the best practices of corporate governance as required by the listing regulations.

- 8- The summary of key operating and financial data of the past six years is annexed to this report.
- 9- Outstanding duties and taxes, if any, have been disclosed in the financial statements.(if any)
- 10- The Chief Executive Review dealing with the performance of the Company during the year ended June 30, 2022 future prospects and other matters of concern to the Company forms part of this report.

Board of directors Meeting:

The number of board meetings held during the year 2021-22 was four. The attendance of the directors is as under:

1.	Mr. Khalid H. Shah	4
2.	Mr. Mohsin Khurshid	4
3.	Mr. Jazim Shah	4
4.	Mr. S. Faisal Shah	4
5.	Ms. Mahmooda Shah	4
6.	Mr. Ali Kausar Khan	4
7.	Mr. Farooq Raza	4

Remuneration Policy of non-Executive Directors.

The fee of the Non-Executive and Independent Directors for attending the Board meetings and Board of Committee meetings of the Company is determined by the Board from time to time.

Pattern of shareholding as at June 30, 2022 is annexed to this report.

We confirm that Directors and CFO and their spouse and minor children have made no transactions of the Company's shares during the year.

The Statement of Compliance with the Code of Corporate Governance is annexed to this report. The present Auditors M/s. UHY Hassan Naeem & Co, Chartered Accountants, being eligible, they have offered themselves for the re-appointment. On suggestion of Audit committee, they are being appointed for year ending June 30, 2023.

Board Audit Committee:

An audit committee of the Board has been in existence since the enforcement of the Code of Corporate Governance. The audit committee has its terms of reference which were determined by the Board of Directors in accordance with the guidelines provided in the listing regulations and code of corporate governance.

The committee meets at least once every quarter and assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to shareholders, systems of internal control and risk management and to consult directly with the external auditors as considered appropriate. The Chief Financial Officer regularly attends the Board Audit Committee meetings by invitation to present the accounts. After each meeting, the Chairman of the Committee reports to the Board.

The audit committee comprises of two non-executive directors and one independent director who is also Chairman.

Members	Number of Meeting Attended
Mohsin Khurshid	4
Ms. Mahmooda Shah	4
Mr. Jazim Shah	4

The Board of Directors of the Company has decided not to accrue directors' remuneration for the year ended June 30, 2022. The one executive director has agreed to forgo his part of the remuneration for the year under review in the interest of the company.

The statement showing the pattern of shareholding at June 30, 2022 required under the Companies Act, 2017 and Code of corporate Governance and additional information regarding pattern of shareholding is annexed separately.

No trading in company's shares was carried out by its directors, CEO, CFO, Company Secretary, and Head of Internal Audit, other Executives and their spouse(s) and minor children.

Workers Management Relation:

The management will like to put on the record valued contribution of all members of the staff, workers towards achieving results in general and we wish to place on record our gratitude to the shareholders for their continued support in difficult times and hope to continue the same in the coming years. The worker management relation remained excellent throughout the year, which resulted in the smooth operation of your company. This is team work and we hope it shall continue in the same spirit during the coming years.

Thanks and Appreciation

Thanks to our shareholders for their trust and support now as well as in difficult times.

By order of the Board



Khalid H. Shah
(Chief Executive)



Jazim Shah
(Chairman / Director)

Karachi: October 3rd, 2022

ڈائریکٹرز رپورٹ

ڈائریکٹرز 30 جون، 2022 کو ختم ہونے والے سال کیلئے کمپنی کے آڈٹ شدہ مالیاتی گوشواروں کے حوالہ دہ سالانہ رپورٹ پیش کرنے میں مسرت محسوس کرتے ہیں۔

تفصیلی مدت کے ساتھ 30 جون، 2022 کو ختم ہونے والے سال کیلئے مالیاتی حدود خالص کا خلاصہ ذیل میں دیا گیا ہے

تفصیلات	30 جون، 2022 (روپے)	30 جون، 2021 (روپے)
قبل از ٹیکس منافع / (خسارة)	(14,256,706)	(58,506,054)
ٹیکس اور جوائی	(222,503)	(173,598)
بعد از ٹیکس منافع / (خسارة)	(14,479,208)	(58,679,652)
جمع شدہ منافع / (خسارة)	(38,616,908)	(23,480,402)
بعد از ٹیکس فی حصص آمدنی / (خسارة)	(2.41)	(9.78)

کمپنی کا کردار

کمپنی کا آپریٹنگ نقصان گزشتہ سال کے 8.282 ملین روپے کے مقابلے میں 2.439 ملین روپے رہا۔ تاہم قبل از ٹیکس نقصان 14.256 ملین روپے ہو گیا۔

انتظامیہ کی جانب سے بہترین کوششوں کے باوجود کمپنی کو زیر جائزہ مدت کے دوران برآمدات کے ساتھ ساتھ آپریٹنگ منافع اور نتیجتاً پیداوار میں نمایاں کمی کا سامنا کرنا پڑا۔ جس کی وجہ سے یورپ اور دیگر ماریکیوں میں لاک ڈاؤن کے نتیجے میں چھڑے کے سامان کی مانگ کم رہی۔ 2021 میں کمپنی کی فروخت 16.961 ملین روپے رہی جو 2022 میں ہو کر 26.952 ملین روپے پر آگئی

منحصر الپاکستان سے چھڑے کے ملبورس اور اس سے شملک مصنوعات کی برآمدات میں گزشتہ ایک دہائی کے دوران مسلسل کمی واقع ہوئی ہے اور گزشتہ دو سالوں میں مقامی اور بین الاقوامی سطح پر کوویڈ-19 وبائی امراض کے اثرات کی وجہ سے یہ مزید خراب ہوئی ہے۔

فی حصص آمدنی

کمپنی کا گزشتہ سال کے 9.78 روپے فی حصص خسارہ کے مقابلے میں فی حصص خسارہ 2.37 روپے رہا

منافع

خسارے کی وجہ سے بورڈ آف ڈائریکٹرز نے منافع کا اعلان نہیں کیا

مستقبل کا کاروباری جائزہ

حالیہ عرصہ میں یورپ میں معاشی گراؤ اور وہاں کا روبا ری سرگرمیوں میں کمی کے اثرات سے چھڑے کے ملبورس اور اس سے متعلق مصنوعات برآمد کرنے والے اہم ممالک کو خوبصورت ہوا ہے۔

انتظامیہ آرڈرز کے حصول کے لیے تمام کوششیں کر رہی ہے۔ کمپنی نے کسی بھی مازک صورتحال کو برداشت کرنے کے لیے ہر بینگ اخراجات کو کم سے کم کرنے کے لیے اقدامات اٹھائے ہیں کیے ہیں۔

بیرون رسوس

ویلیو ایڈیشن کمپنی کے طور پر لیدر اپ میں ہم اس بات پر پختہ یقین رکھتے ہیں کہ کامیابی اسی وقت حاصل ہوتی ہے جب ملازمین کمپنی کے یوٹھن کے مطابق کارکردگی کا مظاہرہ کریں۔ کمپنی ملازمین کے ساتھ جتنے تعلقات رکھتی ہے اور اپنے تمام ملازمین کو سب سے زیادہ معاون اور سازگار ماحول فراہم کر کے اور اپنی مصنوعات کو بین الاقوامی منڈیوں تک پہنچانے کے لیے اعلیٰ کارکردگی، سیکھنے اور اعتماد کے پیکر کو فروغ دے کر لوگوں کو بہترین مصنوعات فراہم کرنے کے لیے انہیں توجہ کا مرکز بنائے ہوئے ہے۔

بیومن ریسورس اور معاوضہ کمیشن

بورڈ آف ڈائریکٹرز نے کارپوریٹ گورننس کے ضابطہ کے تقاضوں کی تعمیل کرتے ہوئے یہ کمیشن تشکیل دی ہے جو بین اراکین پر مشتمل ہے اراکین بان ایگزیکٹو ڈائریکٹر ہیں (بشمول چیئرمین) جو آزاد ڈائریکٹر ہے۔ بورڈ کی طرف سے کمیشن کی شرائط و ضوابط کی تفصیلات سے اراکین کو واضح طور پر مطلع کر دیا گیا

ترقی پروگرام

بورڈ آف ڈائریکٹرز کے ترقیاتی پروگرام کے حوالے سے اس کی مکمل تعمیل کرتا رہا ہے۔ سات میں سے تین ڈائریکٹرز نے ڈائریکٹر ترقیاتی پروگرام مکمل کر لیا جبکہ ایک ڈائریکٹر ریمویشن 20، ریمویشن کے ذیلی قواعد نمبر 2 کے تحت استثنیٰ حاصل ہے۔

آئینہ ذی تقرری

میسرز رحمان سرفراز جہاں رقیق چارڈا کاؤنٹنس سال کے دوران ریکارڈ ہو گئے جبکہ بورڈ آف ڈائریکٹرز نے AGM میں طے پایا کر ان کی جگہ میسرز یو ایچ وائے حسن نعیم اینڈ کو چارڈا کاؤنٹنس کو سال 2021-2022 کے لیے بطور آئینہ ذی تقرری کی توثیق کی ہے۔

- کارپوریٹ اور مالیاتی رپورٹ فریم ورک
- بورڈ کے اراکین کو یہ بتانے میں خوشی محسوس ہو رہی ہے کہ کمپنی کی انتظامیہ بہتر کارپوریٹ گورننس کے حوالے سے پوزیشن پر بہترین طریقہ عمل پر کاربند ہے۔
- ڈائریکٹرز کارپوریٹ گورننس کے ضابطہ کی تعمیل میں یہ بتانے میں مسرت محسوس کرتے ہیں کہ
- ۱۔ مالیاتی گوشوارہ کمپنیز ایکٹ 2017 کے تقاضوں کے مطابق تیار کیے گئے ہیں جو اس کے معاملات، آپریٹنگ نتائج، کیش فلو اور انکوبیٹی میں تبدیلیوں کی مناسب حالت کو پیش کرتے ہیں۔
- ۲۔ کارپوریٹ کی مناسب کتابوں کمپنیز ایکٹ 2018 کے تحت مطلوب طریقہ کے مطابق برقرار رکھا گیا ہے۔
- ۳۔ مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے اور اکاؤنٹنگ کے تخمینے معقول اور آئینہ ذی تقرری کے ذیلی قواعد پر مبنی ہیں۔
- ۴۔ مالیاتی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق انٹرنیشنل فنانس رپورٹنگ سٹینڈرڈز کو ملحوظ خاطر رکھا گیا۔
- ۵۔ داخلی کنٹرول سسٹم نافذ کیا جا رہا ہے اور اس کی نگرانی کی جا رہی ہے۔
- ۶۔ جاری خدمات کے تناظر میں کمپنی کی کاروبار کو جاری رکھنے کی اہلیت پر کوئی شک و شبہات نہیں ہے۔
- ۷۔ لینڈ ریسٹریکٹڈ کے مطابق کارپوریٹ گورننس کے بہترین طریقوں سے کسی قسم کی مادی و گروہانی نہیں کی گئی۔
- ۸۔ گزشتہ چھ سال کے ہم آپریٹنگ اور مالیاتی ڈیٹا کا خلاصہ اس رپورٹ کے ساتھ ملے ہوئے ہے۔
- ۹۔ جب الاداء ڈیویڈنڈ ڈسٹریبیوٹ ہوئے، اگر کوئی ہے، کو مالیاتی گوشواروں میں ظاہر کیا گیا ہے (اگر کوئی ہے)۔
- ۱۰۔ 30 جون 2022 کو ختم ہونے والے سال کے دوران کمپنی کی کارکردگی سے متعلق چیف ایگزیکٹو کا جائزہ، مستقبل کے امکانات اور کمپنی کے لیے باعث تشویش دیگر معاملات اس رپورٹ کا حصہ ہیں۔

بورڈ آف ڈائریکٹرز کا اجلاس

سال 2021-22 کے دوران بورڈ کے چار اجلاس منعقد ہوئے جن میں ڈائریکٹرز کی شمولیت درج ذیل ہے:

۱۔ خالد ایچ شاہ	4
۲۔ محسن خورشید	4
۳۔ جازم شاہ	4
۴۔ فیصل شاہ	4
۵۔ محمود جٹا	4
۶۔ علی کوثر خان	4
۷۔ فاروق رضا	4

بان ایگزیکٹو ڈائریکٹر کیلئے معاوضہ کی پالیسی

کمپنی کے بورڈ کے اجلاسوں اور بورڈ آف کمپنی کے اجلاسوں میں شرکت کے لیے غیر ایگزیکٹو رازڈائریکٹرز کی فیس کا تین بورڈ کی طرف سے وقتاً فوقتاً کیا جاتا ہے۔
جون 30، 2022 کے مطابق شیئر ہولڈنگ کا پیٹرن اس رپورٹ کے ساتھ منسلک ہے۔

ہم اس بات کی تصدیق کرتے ہیں کہ ڈائریکٹرز زوری ایف او اور ان کی شریک حیات اور باغیچوں نے سال کے دوران کمپنی کے حصص میں کوئی لین دین نہیں کیا۔

کارپوریٹ گورننس کے ضابطہ کے ساتھ فیملی بیان اس رپورٹ کے ساتھ منسلک ہے۔ موجودہ ڈائریکٹرز یو ایچ وائے حسن فہم ایڈ کو چارٹرڈ اکاؤنٹنٹس، سالانہ اجلاس عام کے اختتام پر سکدوش ہو گئے۔
ماہیت کی بنا پر انہوں نے خود کو دوبارہ ترقی کے لیے پیش کیا ہے۔ ڈٹ کمپنی کی تجویز پان کا تقرر 30 جون 2023 کو ختم ہونے والے سال کے لیے کیا جا رہا ہے۔

بورڈ آف کمپنی

کارپوریٹ گورننس کے ضابطہ کے نفاذ کے بعد سے بورڈ کی ایک ڈٹ کمپنی موجود ہے۔ ڈٹ کمپنی کے پاس اپنے ٹرمز آف ریفرنسز میں ہیں جن کا تین بورڈ آف ڈائریکٹرز نے لسنک ریگولیشن اور کارپوریٹ گورننس کے ضابطہ میں فراہم کردہ گائیڈ لائنز کے مطابق کیا ہے۔

کمپنی ہر سال میں کم از کم ایک بار اجلاس کا انعقاد کر کے بورڈ کو ذمہ داریوں کی ادائیگی ملے۔ جنیوی طور پر شیئر ہولڈرز کو مالی اور غیر مالیاتی معلومات کا جائزہ لینے اور رپورٹ کرنے، اندرونی کنٹرول کے نظام اور ریسک مینجمنٹ اور بیرونی ڈائریکٹرز سے براہ راست مشورہ کرنے میں جو بھی مناسب ہو معاوضہ فراہم کرتی ہے۔ چیف فنانشل آفیسر کا فنانس پیش کرنے کی وجہ پر بورڈ آف کمپنی کے اجلاسوں میں باقاعدگی سے شرکت کرتا ہے۔ ہر میٹنگ کے بعد کمپنی کا چیئر مین بورڈ کو رپورٹ کرتا ہے۔

ڈٹ کمپنی دو نام ایگزیکٹو ڈائریکٹرز اور ایک رازڈائریکٹر جو چیئر مین بھی ہے پر مشتمل ہے

اراکین	اجلاس میں شرکت کی تعداد
محسن خورشید	4
محمود شاہ	4
چانم شاہ	4

کمپنی کے بورڈ آف ڈائریکٹرز نے 30 جون، 2022 کو ختم ہونے والے سال کیلئے ڈائریکٹرز کے معاوضہ جمع نہ کرنے کا فیصلہ کیا ہے۔ ایک ایگزیکٹو ڈائریکٹر نے کمپنی کے مفاد میں زیر جائزہ سال کیلئے اپنے حصہ کا معاوضہ چھوڑنے پر اتفاق کیا ہے۔

کمپنیز ایکٹ 2017 اور کارپوریٹ گورننس کے ضابطہ کے تحت 30 جون 2022 کو شیئر ہولڈنگ کے پیٹرن کو نظر کرنے والا بیان اور شیئر ہولڈنگ کے پیٹرن سے متعلق اضافی معلومات کا الگ سے منسلک کیا گیا ہے۔

ڈائریکٹرز سی ای او، ایف او، کمپنی سیکرٹری، ہیڈ آف انٹرل ڈٹ اور دیگر ایگزیکٹو ز اور ان کی شریک حیات اور باغیچوں نے کمپنی کے حصص کی ٹریڈنگ نہیں کی۔

ورکرز مینجمنٹ تعلقات:

انتظامیہ عمومی طور پر نتائج کے حصول کے لیے عملے کے تمام اراکین، کارکنوں کے قابل قدر کردار کا برملا اظہار کرنا چاہتی ہے اور ہم مشکل وقت میں حصص یافتگان کے مسلسل تعاون کے لیے ان کا شکریہ ادا کرنا چاہتے ہیں اور امید کرتے ہیں کہ آنے والے سالوں میں یہ سلسلہ جاری رہے گا۔ ورکرز مینجمنٹ کے درمیان سال بھر میں بہترین تعلقات استوار رہے جس کے نتیجے میں آپ کی کمپنی نے ہموار طریقے سے اپنا آپریشن جاری رکھا۔ یہ ٹیم ورک ہے اور ہمیں امید ہے کہ یہ ٹیم ورک آنے والے سالوں میں اسی جذبے کے ساتھ جاری رہے گا۔

اعمال و فنکار

ہم اپنے شیئرز ہولڈرز کی طرف سے مشکل وقت میں ہم پر اعتماد و معاونت پر ان کے شکر گزار ہیں

بھگت پورڈ

خالد ایچ شاہ

(چیف ایگزیکٹو)

(ڈائریکٹر)

کراچی: 03 اکتوبر 2022



LEATHER UP LIMITED

6 YEARS AT A GLANCE

PARTICULARS	2022	2021	2020	2019	2018	2017
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FINANCIAL POSITION

Paid up Capital	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000
General Reserves	1,369,610	1,369,610	1,369,610	1,369,610	1,369,610	1,369,610
Fixed Assets at Cost	16,752,711	16,752,711	17,697,066	17,697,066	17,697,066	31,288,586
Accumulated Depreciation	13,827,366	13,621,520	14,296,368	14,036,001	13,745,521	13,421,288
Current Assets	40,352,808	44,401,055	98,681,207	105,696,942	171,609,891	114,279,386
Current Liabilities	18,393,824	8,624,267	3,841,161	9,395,814	67,757,147	69,853,605

INCOME/REVENUE

Sales Revenue	26,952,789	16,961,172	27,423,826	48,015,064	51,697,926	133,215,713
Other Income/(Loss)	(11,576,018)	(50,223,083)	2,139,250	559,157	57,243,338	(69,615)
Pre-Tax Profit/ (Loss)	(14,256,705)	(58,506,054)	(1,409,415)	(7,733,022)	45,665,466	14,376,720
Taxation	(222,503)	(173,598)	(280,870)	(462,075)	(433,517)	(1,076,299)

PERCENTAGE AND RATIO

Pre-Tax (Loss) Profit to sales %	(53.00)	(344.94)	(5.14)	(16.10)	88.33	10.79
Pre-Tax Profit (Loss) to Capital %	(63.00)	(154.00)	(0.01)	(12.88)	76.11	23.96
Current Ratio	2.18:1	5.15:1	25.69:1	11.24:1	2.53:1	1.64:1
Paid- Up Value per Share	10	10	10	10	10	10
Earnings (Loss) per Share after Tax (Rs)	(2.41)	(9.78)	(0.28)	(1.37)	7.54	2.22
Cash Dividend	Nil	Nil	Nil	Nil	Nil	Nil
Retained/ (Loss) Earnings per Share (Rs)	3.79	6.31	16.07	16.15	17.58	9.85

PATTERN OF SHAREHOLDING FORM "34" AS AT June 30, 2022				
NO. OF SHARE- HOLDERS	SHAREHOLDING		NO. OF SHARES HELD	
	FROM	TO		
534	1	- 100	37,161	
538	101	- 500	256,363	
90	501	- 1000	86,820	
95	1001	- 5000	242,881	
11	5001	- 10000	86,043	
3	10001	- 15000	40,000	
2	15001	- 20000	36,000	
2	20001	- 25000	47,500	
3	25001	- 30000	84,000	
2	30001	- 35000	67,000	
1	35001	- 40000	36,000	
1	45001	- 50000	50,000	
1	50001	- 55000	54,000	
1	55001	- 60000	55,500	
2	60001	- 65000	123,208	
1	65001	- 70000	65,524	
2	70001	- 75000	147,700	
1	75001	- 80000	78,000	
1	80001	- 85000	81,100	
1	85001	- 90000	89,000	
1	90001	- 95000	92,000	
2	95001	- 100000	198,800	
1	135001	- 140000	137,000	
1	185001	- 190000	188,500	
1	270001	- 275000	275,000	
2	295001	- 300000	600,000	
1	345001	- 350000	345,400	
1	760001	- 765000	760,100	
1	1635001	- 1640000	1,639,400	
1303	Total		6,000,000	
S.No.	CATAGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARES HELD	PERCENTAGE %
1	INDIVIDUALS	1297	5,960,220	99.34
2	INVESTMENT COMPANIES	1	3,700	0.06
3	JOINT STOCK COMPANIES	5	36,080	0.6
		1,303	6,000,000	100.00

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022



S.No.	Categories Shareholders	Shareholders	Shares Held	Total
1	Directors, Chief Executive Officer and their spouse(s) and minor children			3,061,208
	Mr. Khalid H. Shah	1	1,639,400	
	Mr. Syed Raza Shah	1	300,000	
	Mr. Farooq Raza	1	100	
	Ms. Mehmooda Shah	1	100	
	Mr. Jazim Shah	1	100	
	Mr. S. Faisal Shah	1	100	
	Mr. Nazeer Shah	1	760,100	
	Mr. Zain Shah	1	300,000	
	Mrs. Naheed Parveen Fayyaz	1	100	
	Mr. Mohsin Khursheed	1	500	
	Mr. Ali Kausar Khan	1	60,708	
2	Associated Companies, Undertakings and related parties	NIL	NIL	NIL
3	NIT and ICP			3,700
	Investment Corporation of Pakistan	1	3,700	
5	Banks, Development Finance Institutions, Non-Banking Financial institutions	NIL	NIL	NIL
6	Insurance Companies	NIL	NIL	NIL
7	Modarabas and Mutual Funds	NIL	NIL	NIL
8	Investment Companies	5	36,080	36,080
9	General Public			
	Local	1,297	2,899,012	2,899,012
	Foreign	NIL	NIL	NIL
10	Others	NIL	NIL	NIL
	Total	1,314		6,000,000
Shareholders Holding 5% or More in the Company			Number of shares	Percentage
Mr. Khalid H. Shah			1,639,400	27.32
Mr. Syed Raza Shah			300,000	5.00
Mr. Nazeer Shah			760,100	12.67
Mr. Zain Shah			300,000	5.00

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

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

1- The total number of directors is 7 as per the following

- a) Male: 6 members
- b) Female: 1 member

2- The composition of the board is as follows:

Category	Names
a) Independent Directors:	Mr. Mohsin Khursheed
b) Non-Executive Directors:	Mr. Jazim Shah Mr. S. Faisal Shah Mr. Farooq Raza Mr. Ali Kausar Khan
c) Executive Director:	Mr. Khalid H. Shah
d) Female Directors:	Ms. Mahmooda Shah

- 3- The directors have confirmed that none of them is serving as a director on more than seven listed Companies, including this Company.
- 4- The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- 5- The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or updated / amended has been maintained by the company.
- 6- All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
- 7- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the board.
- 8- The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- 9- Company is in process of complying with the requirement of having all the directors on the board, Director's Training Program (DTP) certified as prescribed under the sub-clause I (iii) of the regulation No. 19 as out of total of seven (7) directors, the total number of certified director of the Company stands four (4) and one (1) of the director meets the exemption requirement of the DTP. The remaining two (2) directors shall obtain certification under the DTP in due course of time.
- 10- The board has approved appointment of CFO and Company Secretary, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11- CFO and CEO duly endorsed the financial statements before approval of the board.

12- The board has formed committees comprising of members given below:

a) Audit Committee

Mr. Mohsin Khursheed	Chairman
Mr. Jazim Shah	Member
Ms. Mahmooda Shah	Member

b) HR and Remuneration Committee

Mr. Mohsin Khursheed	Chairman
Mr. S. Faisal Shah	Member
Ms. Mahmooda Shah	Member

13- The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14- The frequency of meetings of the committee were as per following

a) Audit Committee Four quarterly meetings were held during the financial year ended June 30, 2022.

b) HR and Remuneration Committee One meeting was held during the financial year ended June 30, 2022.

15- The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.

16- The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with the Audit Oversight Board of Pakistan, that they and all their partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;

17- The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18- Except for the non-compliance noted below, we confirm that all requirements of the regulation no. 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with:

S. No.	Regulation reference no.	Type of the requirement	Description of non-compliance
(1)	06	Mandatory	As per Regulation 06 of the Regulations, a listed company shall have at least two or one-third members of the Board, whichever is higher, as independent directors. Further, it requires a listed company to explain the reasons, in its Statement of Compliance, if any fraction contained in such one-third number is not rounded up as one.

			<p>Since the total number of directors of the Company is 7, its one-third fraction comes to 2.33. In contrast, during the year ended June 30, 2022, the number of independent directors of the Company has been 1. However, the Company appointed Mr. Shaikh Abdus Sami as an independent director on 24 August 2022 and has complied with the requirement.</p>
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19- Explanation for non-compliance with the requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 as below:

S. No.	Regulation reference no.	Type of the requirement	Description of non-compliance
(1)	24	An explanation for non-compliance is required	<p>As per the proviso to Regulation 24 of the Regulations, the Chief Financial Officer and the Company Secretary shall not be the same individual.</p> <p>Presently, both the aforesaid positions are held by the same person, Mr. Ali Ahmar. The Listed Companies (Code of Corporate Governance) Regulations, 2019 ('Regulations') allowed the Companies to either comply or explain the reason otherwise. Therefore, the Company has adopted an explanation approach as the management is of the view, that considering the current volume of transactions and nature of business, it is practically not cost-effective to appoint two separate individuals as CFO and Company Secretary.</p>

On behalf of the Board of Directors



Syed Khalid Hussain Shah
Chief Executive Officer

October 3, 2022
Karachi



402 Progressive Center
Sharah-e-Faisal,
Karachi, Pakistan.

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INDEPENDENT AUDITORS' REVIEW REPORT TO MEMBERS OF LEATHER UP LIMITED

Review report on the statement of compliance contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (here-in-after referred to as 'the Regulations'), prepared by the Board of Directors of **Leather Up Limited** (the Company) for the year ended 30 June 2022 in accordance with the requirements of the Regulation 36 of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2022.

Further, we highlight below instances of non-compliance with the requirements of Regulations reflected in the paragraph reference where it is stated in the compliance report.

- Paragraph 2 and 18, There was only one (1) independent director in the company as at 30 June 2022. However, the Company has appointed Mr. Shaikh Abdus Sami as independent director on 24 August 2022.
- Paragraph 9, All the directors have not acquired the prescribed Directors' Training Program certificate as 5 out of 7 directors meet the Directors' Training Program certification requirement.



UHY Hassan Naeem & Co.
Chartered Accountants

- Paragraph 19, The position of Chief Financial Officer and the Company Secretary is held by the same person.

UHY Hassan Naeem & Co.

Chartered Accountants

Place: Karachi

Date: October 4, 2022

UDIN No: CR2022102150AcXBmdP



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Karachi, Pakistan.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEATHER UP LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statement of **Leather Up Limited (the Company)**, which comprise the statement of financial position as at **June 30, 2022** and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, Statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2022 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (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 Matters:

Key audit matters are those that, in our professional judgment were of most significance in our audit of 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:

Following are the Key Audit Matters:

Key audit matter	How our audit addressed the key audit matter
Revenue	
<p>The Company recognized net sales of Rupees 26,952,789 for the year ended 30 June 2022.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.</p> <p>For further information on revenue, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, Revenue from contracts with customers note 3.9 to the financial statements. - Sales – net note 15 to the financial statements. 	<p>Our audit procedures to assess the recognition of revenue, amongst others, include the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process relating to the recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; • Comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents; • Comparing a sample of revenue transactions recorded around the year-end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting year; • Assessing whether the accounting policies for revenue recognition comply with the requirements of IFRS 15 'Revenue from Contracts with Customers'; • We also considered the appropriateness of disclosures in the financial statements.
Stock-in-trade	
<p>As at 30 June 2022, stock-in-trade is stated at Rupees 20,678,493. Stock-in-trade is measured at the lower of cost and net realizable value.</p> <p>We identified existence and valuation of stock-in-trade as a key audit matter due to its size, representing 48% of total assets of the Company as at 30 June 2022, and the judgement involved in valuation.</p> <p>For further information on stock-in-trade, refer to the following:</p> <ul style="list-style-type: none"> • Summary of significant accounting policies, Stock-in-trade note 3.2 to the financial statements. • Stock-in-trade note 5 to the financial statements. 	<p>Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following:</p> <ul style="list-style-type: none"> • Reviewing the working paper file of the predecessor auditor to verify the opening balance, and inquired and checked the procedures performed by them. • Attending inventory counts and reconciling the count results to the inventory listings to test the completeness of data; • Assessing the net realizable value of stock-in-trade by comparing, on a sample basis, management's estimation of future selling prices for the products;

	<ul style="list-style-type: none"> • Comparing the net realizable value to the cost of a sample of stock-in-trade and comparison to the associated provision to assess whether stock-in-trade provisions are complete; • In the context of our testing of the calculation, we analyzed individual cost components and traced them back to the corresponding underlying documents.
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Information other than financial statements and Auditor's report thereon:

Management is responsible for 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 statement 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 requirement 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 operation, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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 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);



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Chartered Accountants

- b) the statement of financial position, 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 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 financial statements of the Company for the year ended June 30, 2021, were audited by another auditor who, vide their report dated February 11, 2022, expressed an unmodified opinion on those financial statements.

The engagement partner on the audit resulting in this independent auditor's report is **Imran Iqbal**.

UHY Hassan Naeem & Co.

KARACHI

DATE: October 4, 2022

UDIN NUMBER: AR202210215Ft3JxQN2

LEATHER UP LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

ASSETS	Note	2022 ————— Rupees —————	2021 —————
Non-current assets			
Property, plant and equipment	4	2,925,345	3,131,191
Current assets			
Stock-in-trade	5	20,678,494	34,967,953
Trade debts	6	7,754,644	430,342
Advances, deposits and other receivables	7	3,339,207	3,068,584
Tax refunds due from government	8	4,235,262	4,108,886
Cash and bank balances	9	4,104,144	1,825,288
		40,111,751	44,401,053
Total assets		43,037,096	47,532,244
EQUITY AND LIABILITIES			
Share capital and reserves			
<i>Authorized capital</i>			
6,000,000 (2020: 6,000,000) ordinary shares of Rs. 10/- each		60,000,000	60,000,000
Issued, subscribed and paid up capital	10	60,000,000	60,000,000
<i>Revenue reserves</i>			
General reserve		1,369,610	1,369,610
Accumulated (losses) / profit		(38,616,908)	(23,480,402)
		(37,247,298)	(22,110,792)
		22,752,702	37,889,208
Non-current liability			
Staff retirement benefits - gratuity	11	1,890,572	1,018,769
Current liabilities			
Loan from directors	12	3,232,084	402,084
Trade and other payables	13	12,547,747	5,608,192
Unclaimed dividend		2,613,991	2,613,991
		18,393,822	8,624,267
Contingency and commitments	14		
Total equity and liabilities		43,037,096	47,532,244

The annexed notes from 1 to 27 form an integral part of these financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

LEATHER UP LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2022

		2022	2021
	<i>Note</i>	<u>Rupees</u>	
Sales revenue	15	26,952,789	16,961,172
Cost of sales	16	<u>(20,964,295)</u>	<u>(16,953,247)</u>
Gross (loss) / profit		5,988,494	7,925
Administrative expenses	17	<u>(7,710,629)</u>	<u>(7,333,490)</u>
Distribution expenses	18	<u>(958,552)</u>	<u>(957,406)</u>
		<u>(8,669,181)</u>	<u>(8,290,896)</u>
Operating loss		(2,680,687)	(8,282,971)
Other expense / (income)	19	(11,576,018)	(50,223,083)
Loss before taxation		<u>(14,256,705)</u>	<u>(58,506,054)</u>
Taxation	20	(222,503)	(173,598)
Loss after taxation		<u>(14,479,208)</u>	<u>(58,679,652)</u>
Loss per share - basic and diluted	21	<u>(2.41)</u>	<u>(9.78)</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

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

	2022	2021
	————— Rupees —————	
Loss after taxation	(14,479,208)	(58,679,652)
Other comprehensive income		
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Actuarial gain on defined benefit obligation	(657,297)	968,854
Total comprehensive loss	<u><u>(15,136,505)</u></u>	<u><u>(57,710,798)</u></u>

The annexed notes from 1 to 27 form an integral part of these financial statements.



 CHIEF EXECUTIVE



 CHIEF FINANCIAL OFFICER



 DIRECTOR

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

		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES	<i>Note</i>	————— Rupees —————	
Loss before taxation		(14,256,705)	(58,506,054)
<i>Adjustments for non-cash and other items:</i>			
- Raw material written off	19	8,227,686	50,862,767
- Impairment loss on finished goods	19	3,472,484	-
- Provision for doubtful	17	241,057	-
- Trade debts and other receivables written off	17	119,042	-
- Advances to employees written off	17	840,188	-
- Gain on disposal of Plant and machinery		-	73,971
- Depreciation on property, plant and equipment	4	205,846	233,478
- Provision for staff gratuity	11.2	288,183	405,746
		<u>13,394,486</u>	<u>51,575,962</u>
Cash flow before working capital changes		(862,219)	(6,930,092)
Working capital changes			
<i>(Increase) / decrease in current assets</i>			
- Stock-in-trade		2,589,289	-
- Trade debts		(7,574,401)	(382,575)
- Advances, deposits, prepayments and other receivables		(1,220,811)	4,145,886
- Income/Sales tax refundable		(126,376)	(103,489)
<i>Increase / (decrease) in current liabilities</i>			
- Trade and other payables excluding gratuity payable		7,830,932	3,418,051
		<u>1,498,633</u>	<u>7,077,873</u>
Cash generated from operations		636,414	147,781
Taxes paid		(222,503)	(228,411)
Gratuity paid	11.4	(965,054)	(93,805)
		<u>(1,187,557)</u>	<u>(322,216)</u>
Net cash (used in) / generated from operating activities		(551,143)	(174,435)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net loan obtained from directors	12	2,830,000	400,000
Short term borrowings - net		-	-
Net cash generated from / (used in) financing activities		2,830,000	400,000
Net increase / (decrease) in cash and cash equivalents		<u>2,278,857</u>	<u>225,565</u>
Cash and cash equivalents at the beginning of the year		<u>1,825,288</u>	<u>1,599,723</u>
Cash and cash equivalents at the end of the year	9	<u><u>4,104,145</u></u>	<u><u>1,825,288</u></u>

The annexed notes from 1 to 27 form an integral part of these financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

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

	Issued, subscribed and paid up capital	Revenue reserves		Total
		General reserve	Accumulated (loss) / profit	
	————— Rupees —————			
Balance as at June 30, 2020 - restated	60,000,000	1,369,610	34,230,397	95,600,007
<i>Total comprehensive loss for the year ended June 30, 2021</i>				
- Loss after taxation	-	-	(58,679,652)	(58,679,652)
- Other comprehensive income	-	-	968,854	968,854
	-	-	(57,710,798)	(57,710,798)
Balance as at June 30, 2021	60,000,000	1,369,610	(23,480,402)	37,889,208
Balance as at June 30, 2021	60,000,000	1,369,610	(23,480,402)	37,889,208
<i>Total comprehensive loss for the period ended June 30, 2022</i>				
- Loss after taxation	-	-	(14,479,208)	(14,479,208)
- Other comprehensive income	-	-	(657,297)	(657,297)
	-	-	(15,136,505)	(15,136,505)
Balance as at June 30, 2022	60,000,000	1,369,610	(38,616,908)	22,752,701

The annexed notes from 1 to 27 form an integral part of these financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

LEATHER UP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. STATUS AND NATURE OF BUSINESS

Leather Up Limited ('the Company') was incorporated in Pakistan as a private limited company on December 2, 1990 (vide registration no. K-02440 of 1990-91) under the Companies Ordinance, 1984 (now repealed with the enactment of the Companies Act, 2017 in May 2017). Subsequently, the Company was converted into a public limited company on May 15, 1993. The Company is listed on Pakistan Stock Exchange since 1994.

The Company is engaged in the manufacture and export of leather garment products.

The Head Office and the manufacturing facility of the Company are located at Plot # 23/C, 15th Commercial Street, Phase II Extension, Defence Housing Authority, Karachi.

- 1.1** During the year, the Company has incurred a net loss of Rs.15.137 million (2021: net loss of Rs 57.711 million) resulting in accumulated losses of Rs. 38.617 million as of June 30, 2022 (2021: accumulated profit of Rs 23.48 million). In view of the said situation, material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business. However, directors of the Company, has been agreed to provide maximum support to the Company to meet the capital expenditure and working capital requirements of the Company by providing loans and subscribing to the shares of the Company. In view of the above, these financial statements have been prepared using going concern assumption.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement of items in these financial statements

In these financial statements, all items have been measured at their historical cost.

2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

2.4 Use of judgments and estimates

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

(a) Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of operating fixed assets, with a corresponding effect on the depreciation charge and impairment.

(b) Inventories

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made on each reporting date on inventories for excess inventories, obsolescence and declines in net realisable value and an allowance is recorded against the inventory balances for any such declines.

(c) Income tax

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

(d) Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

(e) Revenue from contracts with customers involving sale of goods

Whether control of the promised goods is transferred to the customer when the goods are loaded onto the shipping vessel and, as an acknowledgement thereof, a bill of lading is issued by the shipping company.

(f) Provisions

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognized provision is recognized in the statement of profit or loss unless the provision was originally recognized as part of cost of an asset.

(g) *Contingencies*

The Company reviews the status of all pending litigations and claims against the Company. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the statement of financial position date.

(h) *Assumptions and other major sources of estimation uncertainty*

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Area of estimation uncertainty	Brief description of the assumption or the source of estimation uncertainty
Staff retirement benefits	Estimation of the present value of staff retirement benefits payable and recognition of the provision.

2.5 New accounting pronouncements

2.5.1 *Amendments to approved accounting standards and interpretations which became effective during the year ended June 30, 2022*

During the year, certain new accounting and reporting standards / amendments / interpretations became effective and applicable to the Company. However, since such updates were not considered to be relevant to these financial statements, the same have not been disclosed.

2.5.2 *New / revised accounting standards, amendments to published accounting standards and interpretations that are not yet effective*

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after the dates specified below:

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after January 01, 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an ‘economically equivalent’ basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. The application of the amendment is not likely to have an impact on the Company's financial statements.
- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for

periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications.

The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

- a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b. any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- c. there is no substantive change to the other terms and conditions of the lease.

The above amendments are not likely to affect the financial statements of the Company.

- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are not likely to affect the financial statements of the Company.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after January 01, 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are not likely to affect the financial statements of the Company.

beginning of that earliest period presented. The amendments are not likely to affect the financial statements of the Company.

- Amendments to IFRS 3 'Business Combinations' - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 01, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018. The amendments are not likely to affect the financial statements of the Company.
- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current amendments apply retrospectively for the annual periods beginning on or after January 01, 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The management of the Company is currently in the process of assessing the impacts of these amendments to its prospective financial statements.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
 - a. requiring entities to disclose their material accounting policies rather than their significant accounting policies;
 - b. clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - c. clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a entity's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after January 01, 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after January 01, 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which an entity applies the amendments. The amendments are not likely to affect the financial statements of the Company.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after January 01, 2023 with earlier application permitted. The amendments are not likely to affect the financial statements of the Company.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

- The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 2022:
 - a. IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B 3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
 - b. IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
 - c. IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments are not likely to affect the financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant and equipment - operating assets

Items of property, plant and equipment are stated at cost amount less accumulated depreciation and impairment losses except for leasehold land which is stated at cost. Cost include expenditures that are directly attributable to the acquisition of an asset.

Subsequent costs are included in the carrying amount as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss during the year in which they are incurred.

Depreciation is charged to the statement of profit or loss applying the reducing balance method at the rates specified in note 4 to these financial statements. Depreciation is charged when the asset is available for use till the time the asset is disposed off.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year in which the asset is derecognized.

The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any changes in estimate is accounted for on a prospective basis.

3.2 Stock-in-trade

Basis of valuation

All items of stock-in-trade are valued at the lower of cost and their net realizable value as of the reporting date.

Determination of cost

The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The costs of purchase of inventories comprise the purchase price, duties and other taxes (other than those subsequently recoverable by the Company from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of materials and services. Trade discounts and other similar items are deducted in determining the costs of purchase.

The costs of conversion of inventories include costs directly related to the quantity of production, such as direct labour. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed production overheads to the costs of conversion is based on the normal operating capacity of the production facilities (which is the production expected to be achieved on average over a number of days under normal circumstances, taking into account the loss of capacity resulting from planned maintenance).

The cost of the items consumed or sold and those held in stock at the reporting date is determined using FIFO.

3.3 Trade debts

These are carried at their transaction price less any allowance for lifetime expected credit losses. A receivable is recognized when customers obtain control of the goods sold as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

3.4 Cash and cash equivalents

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

3.5 Financial assets

3.5.1 *Initial recognition, classification and measurement*

The Company recognizes a financial asset when and only when it becomes a party to the contractual provisions of the instrument evidencing investment. The Company classifies its financial assets into either of following three categories:

- (a) financial assets measured at amortized cost;
- (b) fair value through other comprehensive income (FVOCI);and
- (c) fair value through profit or loss (FVTPL).

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it is held within business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

(b) Financial assets at FVOCI

A financial asset is classified as at fair value through other comprehensive income when it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

(c) Financial assets at FVTPL

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, as aforesaid. However, for an investment in equity instrument which is not held for trading, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the investment.

Such financial assets are initially measured at fair value.

3.5.2 Subsequent measurement

(a) Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost (determined using the effective interest method) less accumulated impairment losses.

Interest / markup income, foreign exchange gains and losses and impairment losses arising from such financial assets are recognized in the statement of profit or loss.

(b) Financial assets at FVOCI

These are subsequently measured at fair value less accumulated impairment losses.

A gain or loss on a financial asset measured at fair value through other comprehensive income in accordance is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified.

When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Interest is calculated using the effective interest method and is recognised in profit or loss.

(c) Financial assets at FVTPL

These assets are subsequently measured at fair value.

Net gains or losses arising from remeasurement of such financial assets as well as any interest income accruing thereon are recognized in the statement of profit or loss. However, for an investment in equity instrument which is not held for trading and for which the Company has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the investment, such gains or losses are recognized in other comprehensive income. Further, when such investment is disposed off, the cumulative gain or loss previously recognised in other comprehensive income is not reclassified from equity to profit or loss.

3.5.3 *Impairment*

The Company recognises a loss allowance for expected credit losses in respect of financial assets measured at amortised cost.

For trade receivables, the Company applies the IFRS 9 'Simplified Approach' to measuring expected credit losses which uses a lifetime expected loss allowance.

For other financial assets, the Company applies the IFRS 9 'General Approach' to measuring expected credit losses whereby the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. However, if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Company measures expected credit losses on financial assets in a way that reflects an unbiased and probability-weighted amount, time value of money and reasonable and supportable information at the reporting date about the past events, current conditions and forecast of future economic conditions. The Company recognises in profit or loss, as an impairment loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

3.5.4 *De-recognition*

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

The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

3.6 *Financial liabilities*

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss (FVTPL)'. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a

derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the cash flows of the financial liability have been substantially modified.

3.7 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle liability simultaneously.

3.8 Provisions and contingent liabilities

Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

3.9 Revenue

Revenue from sales of goods is recognized when the customer obtains control of the goods being when the goods are delivered to the customer and there remains no other unfulfilled obligation to be satisfied by the Company. Delivery occurs when the goods have been dispatched from the Company's premises and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have elapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered to customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company does not expect to have contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

3.10 Employee benefits

Staff retirement benefits - Defined benefit plan

A defined benefit plan is a post-employment benefit plan under which an entity regularly pays contributions into a separate fund but will continue to have legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. As a consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets will be insufficient to meet expected benefits) fall, in substance, on the entity.

The Company operates an unfunded gratuity scheme for its employees which is classified as a defined benefit plan.

The Company's obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligation is performed annually by using the Projected Unit Credit Method.

Remeasurements of the defined benefit liability (i.e. the actuarial gains or losses) are recognised immediately in other comprehensive income. The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate to the defined benefit liability at the beginning of the annual reporting period, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to the defined benefit plan are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Compensated absences

Provision for accumulating compensated absences, whether vesting or non-vesting, is recognized as the

employees render services that increase their entitlement to future paid absences. Such provision is measured as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Non-accumulating compensated absences are recognized as expense in the period in which they occur.

3.11 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of impairment loss for a cash generating unit is allocated to the assets of the unit pro rata with the carrying amounts of those assets. The increase in the carrying amounts shall be treated as reversals of impairment losses for individual assets and recognized in profit or loss unless the asset is measured at revalued amount. Any reversal of impairment loss of a revalued asset shall be treated as a revaluation increase.

3.12 Translation of foreign currency transactions and balances

On initial recognition, a foreign currency transaction is recognized, in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period, foreign currency monetary items are translated using the closing rate (i.e. the spot exchange rate at the end of the reporting period).

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

3.13 Other income

Interest income

Returns on saving accounts and investments at amortised cost are recognised using effective interest rate method.

3.14 Taxation

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items

recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

A deferred tax asset is recognized only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that the sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the entity. Deferred tax assets are reviewed at each reporting date and reduced to the extent that is no longer probable that the related tax benefit will be realised.

Judgement and estimates

Significant judgement is required in determining the income tax expenses and corresponding provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain as these matters are being contested at various legal forums. The Company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Further, the carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. If required, carrying amount of deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits to allow the benefit of part or all of that recognised deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.15 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

4. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land	Building on leasehold land	Plant and machinery	Vehicles	Furniture and fixtures	Office equipment	Total
	Rupees						
As at June 30, 2020							
Cost	1,100,000	6,749,315	4,897,487	164,365	1,295,136	3,490,763	17,697,066
Accumulated depreciation	-	(6,217,345)	(3,915,760)	(130,290)	(1,051,085)	(2,981,888)	(14,296,368)
Net book value	1,100,000	531,970	981,727	34,075	244,051	508,875	3,400,698
<i>Movement during the year ended June 30, 2021</i>							
Opening net book value	1,100,000	531,970	981,727	34,075	244,051	508,875	3,400,698
Diposals made during the year							
Cost	-	-	(944,355)	-	-	-	(944,355)
Accumulated depreciation	-	-	908,326	-	-	-	908,326
	-	-	(36,029)	-	-	-	(36,029)
Depreciation for the year	-	(53,197)	(98,173)	(6,815)	(24,405)	(50,888)	(233,478)
Closing net book value	1,100,000	478,773	847,525	27,260	219,646	457,987	3,131,191
As at June 30, 2021							
Cost	1,100,000	6,749,315	3,953,132	164,365	1,295,136	3,490,763	16,752,711
Accumulated depreciation	-	(6,270,542)	(3,105,607)	(137,105)	(1,075,490)	(3,032,776)	(13,621,520)
Net book value	1,100,000	478,773	847,525	27,260	219,646	457,987	3,131,191
<i>Movement during the year ended June 30, 2022</i>							
Opening net book value	1,100,000	478,773	847,525	27,260	219,646	457,987	3,131,191
Diposals made during the year							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Depreciation for the year	-	(47,877)	(84,753)	(5,452)	(21,965)	(45,799)	(205,846)
Closing net book value	1,100,000	430,896	762,772	21,808	197,681	412,188	2,925,345
As at June 30, 2022							
Cost	1,100,000	6,749,315	3,953,132	164,365	1,295,136	3,490,763	16,752,711
Accumulated depreciation	-	(6,318,419)	(3,190,360)	(142,557)	(1,097,455)	(3,078,575)	(13,827,366)
Net book value	1,100,000	430,896	762,772	21,808	197,681	412,188	2,925,345
Annual rates of depreciation	-	10%	10%	20%	10%	10%	

4.1 Allocation of the depreciation charge:

	Note	2022 Rupees	2021
Cost of sales - Manufacturing expenses	16	123,508	140,087
Administration expenses	17	82,338	93,391
		205,846	233,478

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

Location	Usage of Immovable Property	Area
Plot # 23/C, 15th Commercial Street Phase II Extension Defence Housing Authority, Karachi.	Head Office & Production Facility	Ground plus three floors built on 200 sq. yards

	Note	2022	2021
		<u>Rupees</u>	<u>Rupees</u>
5. STOCK-IN-TRADE			
Raw material and accessories		7,353,279	21,078,016
WORK IN PROCESS	5.2	2,907,762	
Finished goods		13,889,937	13,889,937
Less: Provision for obsolete stock		(3,472,484)	-
		<u>20,678,494</u>	<u>34,967,953</u>
5.1 Provision for obsolete stock			
Balance as at the beginning of the year		-	(2,412,321)
Less: Stock written off during the year	16.1	-	2,412,321
Add: Provision made during the year		(3,472,484)	-
Balance as at the end of the year		<u>(3,472,484)</u>	<u>-</u>
5.2 Work in process			
Work in process includes amount of Rs.169,100 in respect of stitching charges paid to staff.			
6. TRADE DEBTS			
Secured			
- against irrevocable letter of credit		5,647,851	-
Unsecured			
- sale for document against payment		2,347,850	430,342
Less: Allowance for expected credit losses		(241,057)	-
		<u>7,754,644</u>	<u>430,342</u>
7. ADVANCES, DEPOSITS AND OTHER RECEIVABLES			
Advances:			
- to employees		1,195,065	1,246,824
- advances written off during the year		(1,191,245)	(488,316)
		3,820	758,508
- to suppliers		-	2,045,607
- provision for doubtful advances		-	(2,038,565)
		-	7,042

	<u>3,820</u>	<u>765,550</u>
Deposits	63,072	54,167
Other receivables:		
- Export rebate receivable	<u>3,272,315</u>	<u>2,138,867</u>
- Others	<u>-</u>	<u>110,000</u>
	<u>3,272,315</u>	2,248,867
	<u>3,339,207</u>	<u>3,068,584</u>
	<u>2022</u>	<u>2021</u>

Note ————— Rupees —————

8. TAX REFUNDS DUE FROM THE GOVERNMENT

Income tax refundable	1,503,216	1,461,415
Sales tax refundable	<u>2,732,046</u>	<u>2,647,471</u>
	<u>4,235,262</u>	<u>4,108,886</u>

9. CASH AND BANK BALANCES

Cash in hand	8,861	199,431
Cash at bank:		
- foreign currency deposit accounts	<u>196,039</u>	<u>171,460</u>
- current accounts	<u>3,899,244</u>	<u>1,454,397</u>
	<u>4,095,283</u>	<u>1,625,857</u>
	<u>4,104,144</u>	<u>1,825,288</u>

10. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2022	2021		2022	2021
———— No. of shares ————			———— Rupees ————	
		Ordinary shares of Rs. 10/- each issued:		
5,759,100	5,759,100	- for cash	57,591,000	57,591,000
		- for consideration other than cash		
125,000	125,000	(cars and furnitures & fixtures)	1,250,000	1,250,000
115,900	115,900	- as bonus shares	1,159,000	1,159,000
<u>6,000,000</u>	<u>6,000,000</u>		<u>60,000,000</u>	<u>60,000,000</u>

- 10.1** There are no agreements among shareholders in respect of voting rights, board selection, rights of first refusal and block voting.

11. STAFF RETIREMENT BENEFITS - GRATUITY

The Company operates a unfunded gratuity scheme for its employees. The latest actuarial valuation of the plan was carried out as at June 30, 2022 by using the Projected Unit Credit method.

11.1 Movement in defined benefit obligation

Opening defined benefit obligation	1,018,769	2,640,736
Current service cost	189,990	226,285
Interest cost	98,193	179,461
Benefits paid	-	(93,805)
Remeasurements	657,297	(968,854)
Reclassified to trade and other payables	(73,677)	(965,054)
Closing defined benefit obligation	1,890,572	1,018,769

		2022	2021
	Note	Rupees	
11.2 Expense recognized in the statement of profit or loss			
Current service cost		189,990	226,285
Interest cost on defined benefit obligation		98,193	179,461
		<u>288,183</u>	<u>405,746</u>
Allocation in the statement of profit or loss:			
- Cost of sales - Manufacturing expenses	16.2	135,446	296,195
- Administrative expenses	17.1	152,737	109,551
		<u>288,183</u>	<u>405,746</u>
11.3 Remeasurement losses / (gain) recognised in other comprehensive income			
Actuarial gain on defined benefit obligation			
- Changes in financial assumptions		4,586	1,321
- Experience adjustments		652,711	(970,175)
		<u>657,297</u>	<u>(968,854)</u>
11.4 Changes in net liability			
Opening net liability including trade payable		1,983,823	2,640,736
Expense chargeable to P&L		288,183	405,746
Remeasurements charged in other comprehensive income		657,297	(968,854)
Benefits paid		(965,054)	(93,805)
Closing net liability including trade payable		1,964,249	1,983,823
Benefits payable transferred to short term liability		(73,677)	(965,054)
Closing defined benefit obligation		<u>1,890,572</u>	<u>1,018,769</u>
11.5 Year end sensitivity analysis on defined benefit obligation			
Discount Rate + 100 bps		1,818,229	974,189
Discount Rate - 100 bps		1,971,621	1,068,371
Salary increment rate + 100 bps		1,972,386	1,068,852
Salary increment rate -100 bps		1,816,369	973,004

The above sensitivity analyses are based on the changes in assumptions while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of defined benefit obligation to significant assumptions the same method (present value of the defined benefit obligation calculated with the projected credit unit method at the end of the reporting period) has been applied when calculating the liability recognized within the statement of financial position.

- 11.6** As of the reporting date, the weighted-average duration of the defined benefit obligation was 4 years. (5 years in 2021)

11.7 Principal actuarial assumptions used

Discount rate used for interest cost in profit and loss	<u>10.00%</u>	<u>7.00%</u>
Discount rate used for year end obligation	<u>13.25%</u>	<u>7.00%</u>
Expected rate of increase in salary level (per annum)	<u>11.25%</u>	<u>0.00%</u>
Mortality rates	<u>SLIC 2001-2005</u>	<u>SLIC 2001-2005</u>

- 11.8** The defined benefit obligation exposes the Company to the following risks:

Final salary risks:

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Mortality risks:

The risk that the actual mortality experience is different. Similar to the withdrawal risk, the effect depends on the beneficiaries' service / age distribution and the benefit.

Withdrawal risks:

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

		<u>2022</u>	<u>2021</u>
	<i>Note</i>	<u>Rupees</u>	<u></u>
12. LOANS FROM DIRECTORS			
Opening balance		402,084	2,084
Loan obtained during the year		4,230,000	400,000
Loan repaid during the year		(1,400,000)	-
Closing balance		<u>3,232,084</u>	<u>402,084</u>

- 12.1** These represent short-term interest-free loans obtained by the Company from its directors in order to meet its working capital requirements. The loans are repayable on demand.

13. TRADE AND OTHER PAYABLES

Creditors		4,727,793	2,949,882
Accrued liabilities		1,299,992	701,942
Advance from customers	13.1	6,396,740	941,769
Gratuity payable		73,677	965,054
Provision for Workers' Welfare Fund		49,545	49,545
		<u>12,547,747</u>	<u>5,608,192</u>

13.1 Advance from customers

During the year, the performance obligations underlying the opening contract liability of Rs. 941,769

were not satisfied as the customers has requested to hold the production since they does not require the items any more.

In addition, information regarding the timing of satisfaction of performance obligations underlying the closing contract liability of Rs. 6,396,741 is not presented since the expected duration of all the contracts entered into with the customers is less than one year.

14. CONTINGENCY AND COMMITMENTS

14.1 Contingency

The are no contingencies as at June 30, 2022.

14.2 Commitments

Commitments for export sales as at June 30, 2022 were Rs. 4.109 million (2021: Rs. 1.139 million).

		2022	2021
	Note	Rupees	
15. SALES REVENUE			
Export sales		24,891,660	16,062,452
Export rebate		2,061,129	898,720
		<u>26,952,789</u>	<u>16,961,172</u>
15.1 Disaggregation of sales revenue by products			
Bags		5,493,450	15,903,743
Jackets		19,398,210	158,709
		<u>24,891,660</u>	<u>16,062,452</u>
15.2 Disaggregation of sales revenue by geographic region			
Germany		807,059	8,670,709
Italy		4,685,691	7,391,743
Netherlands		8,240,126	-
Spain		11,158,784	-
		<u>24,891,660</u>	<u>16,062,452</u>
16. COST OF SALES			
Raw and packing materials consumed	16.1	12,970,008	14,252,092
Manufacturing expenses			
Salaries, wages and benefits	16.2	2,648,160	3,779,751
Cutting and stitching charges		4,222,401	3,431,628
Fuel and power		521,676	475,436
Repairs and maintenance		121,820	406,954
Depreciation on property, plant and equipment	4.1	123,508	140,087
Entertainment		302,075	109,403
Telephone, fax and postage		48,620	80,249
Rent, rates and taxes		-	24,000
Printing and stationery		6,027	11,100
		<u>7,994,287</u>	<u>8,458,608</u>

Cost of goods manufactured		20,964,295	22,710,700
Finished goods - opening stock		13,889,937	8,132,484
		34,854,232	30,843,184
Cost of goods available for sale			
Finished goods - closing stock		(13,889,937)	(13,889,937)
		20,964,295	16,953,247
16.1	Raw and packing materials consumed		
	Opening stock	21,078,016	80,110,557
	Add: Purchases during the year	17,298,280	8,494,639
		38,376,296	88,605,196
	Less: Stock written off during the year		
	- Write-off through provision previously recognize 5.1	-	(2,412,321)
	- Direct write-off 19.1.	(15,314,347)	(50,862,767)
		(15,314,347)	(53,275,088)
		23,061,949	35,330,108
	Less : Closing stock 5	(10,091,941)	(21,078,016)
	Raw materials consumed	12,970,008	14,252,092
16.2	This includes an amount of Rs. 135,464 (2021: Rs. 296,195) in respect of staff retirement benefits.		
		2022	2021
	<i>Note</i>	———— Rupees ————	
17.	ADMINISTRATIVE EXPENSES		
	Salaries, allowances and other benefits 17.1	3,311,438	1,686,651
	Fees and subscription	985,613	741,779
	Auditor's remuneration 17.2	911,520	762,000
	Entertainment expense	319,218	365,846
	Utilities	204,117	298,189
	Vehicle running and maintenance	60,430	225,000
	Bank charges	314,955	148,798
	Repairs and maintenance	113,589	116,195
	Depreciation 4.1	82,338	93,391
	Donations 17.3	-	22,000
	Printing and stationery	92,399	14,660
	Communication	114,725	15,100
	Legal and professional	-	317,000
	Provision for doubtful	241,057	2,038,565
	Trade debts and other receivables written off	119,042	
	Advances to employees written off	840,188	488,316
		7,710,629	7,333,490
17.1	This includes an amount of Rs. 152,737 (2020: Rs. 109,551) in respect of staff retirement benefits.		
17.2	Auditors' remuneration		
	Audit fee	648,000	550,000
	Half yearly review fee	183,600	162,000
	Code of corporate governance fees	54,000	50,000
	Out of pocket expenses	25,920	-
		911,520	762,000
17.3	None of the directors or their spouses have any interest in the donees.		
18.	DISTRIBUTION EXPENSES		

Advertising and sales promotion	-	600
Postage, telex and telegram	211,399	76,695
Travelling expense	54,529	20,210
Freight, handling and insurance	687,593	781,876
Others	5,031	78,025
	<u>958,552</u>	<u>957,406</u>

19. OTHER (EXPENSE) / INCOME

Exchange gain - net	124,152	542,740
PM Package for Business Community	-	-
Reimbursement of Penalty	-	-
Raw material written off	19.1 (8,227,686)	(50,862,767)
Impairment loss on finished goods	(3,472,484)	-
Gain on disposal of Plant and machinery	-	73,971
Others	-	22,973
	<u>(11,576,018)</u>	<u>(50,223,083)</u>

- 19.1 During the year, the Company has written off raw materials which was due to the fact that the raw materials in stock were provided to one of its suppliers in lieu of cash to pay for the outstanding balance at less than its cost price.

	Note	2022 Rupees	2021
20. TAXATION			
Current - for the year		222,503	173,598
Deferred	20.1	-	-
		<u>222,503</u>	<u>173,598</u>

- 20.1 As the Company's income is subject to taxation under the Final Tax Regime, therefore no deferred tax asset or liability arises.

- 20.2 The reconciliation between tax expense and accounting profit is not prepared as the income falls under final tax regime.

- 20.3 The income tax assessments of the Company have been finalized up to, and including, the tax year 2021. Tax returns filed by the Company are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 unless selected for re-assessment or audit by the taxation authorities. However, at any time during a period of five years from the date of filing of a return, the taxation authorities may select an income tax return filed by the Company for the purpose of re-assessment.

21. LOSS PER SHARE

21.1 Basic loss per share

Loss after taxation	<u>(14,479,208)</u>	<u>(58,679,652)</u>
Weighted average number of ordinary shares outstanding during the year	<u>6,000,000</u>	<u>6,000,000</u>

Loss per share - basic	21.2 <u>(2.41)</u>	<u>(9.78)</u>
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21.2 Diluted loss per share

There is no dilutive effect on the basic loss per share of the Company, since there were no potential ordinary shares in issue as at June 30, 2022 and June 30, 2021.

22. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	Rupees							
Fees	-	-	-	-	-	-	-	-
Managerial remuneration	-	-	-	-	-	-	-	-
Commission or bonus	-	-	-	-	-	-	-	-
Reimbursable expenses	-	-	-	-	-	-	-	-
Retirement benefits	-	-	-	-	-	-	-	-
Other perquisites and benefits	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Number of persons	-	-	-	-	-	-	-	-

Note **2022** **2021**
Rupees

23. FINANCIAL INSTRUMENTS

23.1 Categorization of financial instruments

23.1.1 Financial assets

At amortised cost

Trade debts	7,754,644	430,342
Advance to employees	3,820	758,508
Short term deposits	63,072	54,167
Other receivables - Others	-	110,000
Cash and bank balances	4,104,144	1,825,288
	11,925,680	3,178,305

23.1.2 Financial liabilities

At amortised cost

Loan from directors	3,232,084	402,084
Trade and other payables	6,027,785	3,651,824
	9,259,869	4,053,908

23.2 Financial risk analysis

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

23.2.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other

party by failing to discharge an obligation.

A financial asset is regarded as credit impaired as and when it falls under the definition of a 'defaulted' financial asset. For the Company's internal credit management purposes, a financial asset is considered as defaulted when it is **past due for 90 days or more**.

The Company writes off a defaulted financial asset when there remains no reasonable probability of recovering the carrying amount of the asset through available means. Written off financial assets are not subject to any enforcement activity.

Maximum exposure to credit risk

As of the reporting date, the maximum exposure to credit risk was as follows :

Trade debts	(a)	7,754,644	430,342
Advance to employees	(b)	3,820	758,508
Short term deposits		63,072	54,167
Other receivables - Others		-	110,000
Bank balances	(c)	4,095,283	1,625,857
		11,916,819	2,978,874

Note (a) - Credit risk exposure on trade debts

To reduce the exposure to credit risk arising from trade debts, the Company has developed its own risk management policies and guidelines whereby each customer is assigned a credit limit and, in the event that the outstanding balance due from the customer exceeds its credit limit, further sales are suspended.

As of the reporting date, the ageing analysis of trade debts was as follows:

	June 30, 2022		June 30, 2021	
	Gross carrying amount	Provision for expected credit losses	Gross carrying amount	Provision for expected credit losses
	Rupees			
Not past due	-	-	-	-
Past due 1-30 days	7,513,586	-	-	-
Past due 31-60 days	-	-	-	-
Past due 61-90 days	-	-	-	-
Past due over 90 days	482,115	241,057	430,342	-
	7,995,701	241,057	430,342	-

Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors considered good do not require any impairment. None of the other financial assets are either past due or impaired.

Note (b) - Credit risk exposure on advance to employees

The advances are secured with gratuity fund balances maintained by the Company.

Note (c) - Credit risk exposure on bank balances

The Company's credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. As of the reporting date, the external credit ratings of the Company's bankers were as follows:

Bank	Short- term rating	Rating agency	2022	2021
			Rupees	

	rating	agency	Rupees	
United Bank Limited	A-1+	JCR-VIS	752,797	752,797
Askari Bank Limited	A-1+	PACRA	2,317	2,317
Bank Al-Habib Limited	A-1+	PACRA	3,074,533	190,383
Bank Alfalah Limited	A-1+	PACRA	25,000	25,000
Faysal Bank Limited	A-1+	PACRA	203,114	178,535
Meezan Bank Limited	A-1+	JCR-VIS	8,148	447,451
Summit Bank Limited	-	JCR-VIS	29,374	29,374
			4,095,283	1,625,857

Concentration of credit risk

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. As of the reporting date, the Company was not exposed to any major concentrations of credit risk.

23.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Following are the contractual maturities of financial liabilities:

June 30, 2022						
Carrying amount	Contractual cash flows					
	Total contractual cash flows	Repayable on demand	Not later than one month	Later than one month and not later than 3 months	Later than three months and not later than 1 year	Later than one year and not later than five years
	Rupees					
Loan from directors	3,232,084	3,232,084	-	-	-	-
Trade and other payables	6,027,785	-	1,342,887	4,215,537	428,681	40,680
	9,259,869	3,232,084	1,342,887	4,215,537	428,681	40,680

June 30, 2021						
Carrying amount	Contractual cash flows					
	Total contractual cash flows	Repayable on demand	Not later than one month	Later than one month and not later than 3 months	Later than three months and not later than 1 year	Later than one year and not later than five years
	Rupees					
Loan from directors	402,084	402,084	-	-	-	-

Trade and other payables	3,651,824	3,651,824	-	-	-	3,651,824	-
	4,053,908	4,053,908	402,084	-	-	3,651,824	-

23.2.3 *Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

i) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to a change in a foreign exchange rate. It arises mainly where receivables and payables exist due to transactions in foreign currency. As of the reporting date, the Company was exposed to currency risk on trade debts that is denominated in Euros and Great Britain Pounds as

	June 30, 2022				June 30, 2021			
	Rupees	USD	Euro	GBP	Rupees	USD	Euro	GBP
Trade debts	7,754,644	9,079.00	28,481.00	-	430,342	-	2,542.00	-
Bank balance	196,039	-	460.29	388.28	171,460	-	460.29	388.28

The following significant exchange rate applied during the year:

	Average rate		Reporting date rate	
	2022	2021	2022	2021
	-----Rupees-----			
USD to Pak Rupee	181.65	163.025	205.50	157.80
Euro to Pak Rupee	201.68	188.41	215.23	188.12
GBP to Pak Rupee	233.95	213.41	249.31	218.58

Sensitivity analysis

As of the reporting date, 10% strengthening / (weakening) of the Rupee against the Euro and GBP would have increased / (decreased) loss before taxation by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2021.

	Effect on loss before tax — Rupees —
As at June 30, 2022	19,604
As at June 30, 2021	17,146

ii) Interest rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. As of the reporting date, the Company was not exposed to any material interest rate risk.

iii) *Other price risk*

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up 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 or similar financial instruments traded in the market. As of the reporting date, the Company was not exposed to any other price risk.

24. FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

The Company measures fair value of its assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market.

Level 2: Valuation techniques based on observable inputs.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

The Company does not carry any non-financial assets and liabilities at fair value. Further, as of the reporting date, the fair value of all the financial assets and financial liabilities that not are measured at fair value approximated their carrying amount in these financial statements.

25. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. The management closely monitors the return on capital employed along with the level of distributions to ordinary shareholders. Further, in order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders,

The Company is not subject to any externally imposed capital requirements. Following is the quantitative analysis of what the Company manages as capital:

	2022	2021
	Rupees	
Borrowings:		
- Loan from directors	3,232,084	402,084
Shareholders' equity:		
- Issued, subscribed and paid up capital	60,000,000	60,000,000
- General reserve	1,369,610	1,369,610
- Accumulated (loss) / profit	(38,616,908)	(23,480,402)

	<u>22,752,702</u>	<u>37,889,208</u>
Capital managed by the Company	<u>25,984,786</u>	<u>38,291,292</u>
Gearing ratio	<u>14%</u>	<u>1%</u>

26. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company comprise of its key management personnel (including directors) as well as their close family members. Remuneration of the Chief Executive and Directors is disclosed in note 21 to these financial statements. Transactions entered into during the year, and balances held, with related parties, were as follows:

Name of the related party	Nature of relationship	Particulars	2022	2021
			————— Rupees —————	
		Loan from Director opening	402,084	2,084
		Add: Loan obtained during the year	4,230,000	400,000
		Less: Loan payments made during the year	1,400,000	-
		Loan payable at year end	<u>3,232,084</u>	<u>402,084</u>

27. GENERAL

27.1 Plant capacity and actual production

	2022	2021
	————— Number —————	
Industrial sewing machines installed	<u>57</u>	<u>57</u>
Percentage of capacity utilized	<u>21%</u>	<u>21%</u>
<i>Jackets</i>		
Installed capacity - pieces	<u>14,459</u>	<u>14,459</u>
Actual production - pieces	<u>30</u>	<u>30</u>
<i>Bags</i>		
Installed capacity - pieces	<u>17,590</u>	<u>17,590</u>
Actual production - pieces	<u>3,687</u>	<u>3,687</u>

27.1.1 The production capacity remained under utilized due to decreased orders from main market i.e. Central Europe.

	2022	2021
	————— Number —————	
27.2 Number of employees		
Total number of employees as at the year end	<u>15</u>	<u>12</u>
Average number of employees during the year	<u>14</u>	<u>19</u>

27.3 Date of authorization for issue of the financial statements

These financial statements have been authorized for issue by the Board of Directors of the Company in their meeting held on 03 OCT 2022.

27.4 Level of rounding

Figures in these financial statements have been rounded off to the nearest rupee.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR