# Leather Up Limited

**FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED**
**JUNE 30, 2023**

# CONTENT

# *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 Metroplole, Karachi-75530
Phone: (021) 35687839- (021) 35685930

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 32st Annual General Meeting of the shareholders of the Leather Up Limited will be held on Saturday, October 28th, 2023 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 Friday, October 28th, 2022.

2- To receive and adopt the Audited Statements of Accounts for the year ended June 30, 2023 together with the Directors' and Auditors reports thereon.

3- To appoint auditors for the year 2024 and to fix their remuneration.

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

Karachi
October 6th, 2023

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-2023 to 28-OCT-2023 (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 , 2023 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 form 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, 2023 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

I am delighted to present this report to our company's shareholders, providing an overview of the board of directors' performance and their effectiveness in guiding Leather Up Limited towards achieving its goals and objectives.

At Leather Up Limited, we have established a robust governance framework that fosters responsible and effective management of our business affairs. This framework is pivotal in ensuring the continued success of our company. Throughout the fiscal year 2022-23, the board of directors and its sub-committees demonstrated remarkable dedication and expertise in advising and steering the company toward realizing its potential. The board of directors collectively reviewed the annual report and financial statements and are pleased to affirm that, in their assessment, the annual report and financial statements are fair, balanced, and comprehensive.

We conduct an annual self-assessment to evaluate the performance and effectiveness of our board of directors. This assessment encompasses various vital aspects, including strategic planning, board composition, policies and procedures, compensation practices, and the adequacy of information disclosure. The results of this assessment indicate that our directors are actively engaged in strategic decision-making, have established necessary controls, and receive timely and complete information. Furthermore, the independent directors play an equally integral role in all decision-making processes.

Signature
Chairman Jazim Shah
Karachi,

# چیئرمین کا جائزہ

مجھے کمپنی کے حصص یافتگان کو بورڈ آف ڈائریکٹرز کی کارکردگی اور کمپنی کے اہداف اور مقاصد کے حصول میں لیدراپ کو رہنمائی فراہم کرنے میں ان کے موثر کردار سے متعلق رپورٹ کمپنی کے حصص یافتگان کو جائزہ رپورٹ پیش کرنے میں انتہائی مسرت ہو رہی ہے۔

لیدراپ میں ہم نے گورننس کا ایک مضبوط فریم ورک قائم کیا ہے جو ہمارے کاروباری معاملات کے حوالے سے ذمہ دارانہ اور موثر انتظام کو فروغ دیتا ہے۔ یہ فریم ورک کمپنی کی مسلسل کامیابی کو یقینی بنانے میں اہم کردار ادا کرتا ہے۔ مالی سال 23-2022 میں بورڈ آف ڈائریکٹرز اور اس کی ذیلی کمیٹیوں نے کمپنی کو اپنی صلاحیتوں کو بھرپور انداز میں بروئے کار لانے میں انتہائی لگن اور ماہرانہ انداز میں معاونت فراہم کی۔ بورڈ آف ڈائریکٹرز سالانہ رپورٹ اور مالی گوشواروں کا مکمل طور پر جائزہ لیتے ہوئے اس بات کی تصدیق کرنے میں خوشی محسوس کرتے ہیں کہ سالانہ رپورٹ اور مالی گوشوارے شفاف، متوازن اور جامع ہیں۔

ہم بورڈ آف ڈائریکٹرز کی کارکردگی اور موثریت کا ہر سال خود احتسابی بنیادوں پر جائزہ لیتے ہیں۔ یہ جائزہ بہت سارے اہم پہلوؤں پر مشتمل ہے جس میں تذویراتی منصوبہ بندی، بورڈ کی تشکیل، پالیسیاں اور طریقہ کار، معاوضہ ادائیگی کے طریقے اور درست معلومات کی فراہمی شامل ہے۔ اس جائزہ کے نتائج اس بات کی طرف اشارہ کرتے ہیں کہ کمپنی کے ڈائریکٹرز تذویراتی فیصلہ سازی میں بھرپور شریک ہوتے ہیں، ڈائریکٹرز کو تمام معلومات بروقت فراہم کی جاتی ہے۔ اس کے علاوہ آزاد ڈائریکٹرز بھی فیصلہ سازی کے عمل میں انتاہی اہم کردار ادا کرتے ہیں۔

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, 2023.

The financial highlights for the year ended June 30, 2023 along with comparative period are summarized hereunder:

| Particulars | June 30, 2023 (Rupees) | June 30, 2022 (Rupees) |
|---|---|---|
| Profit / (Loss) before taxation | (2,926,039) | (14,256,706) |
| Taxation | (362,224) | (222,503) |
| Profit / (Loss) after taxation | (3,288,263) | (14,479,208) |
| Accumulated profit / (Loss) | (41,582,119) | (38,616,908) |
| Earnings/ (Loss) per share after tax | (0.55) | (2.41) |

**Company Performance**

The operating loss of the company for the year 2023 is Rs 6.464 million as against Rs 2.680 million registered last year. However, the loss before taxation is Rs 2.926 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 are Rs 27.156 million in 2023 as against Rs 26.952 million in 2022 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 as massive inflation both at the local and as well as international markets.

**Earnings per share**

The loss per share of the company is Rs 0.55 as against loss of Rs 2.41 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 2024, the company has secured export orders Rs 19,491 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 summery 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, 2023 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 2022-23 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. Abdus Sami | 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, 2023 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, 2024.

**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, 2023. 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, 2023 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)

J shah

**Jazim Shah**
(Chairman / Director)

Karachi: October 6th, 2023

# ڈائریکٹر رپورٹ

ڈائریکٹرز 30 جون، 2023 کو ختم ہونے والے سال کیلئے پڑتال شدہ مالی گوشواروں کے ہمراہ سالانہ رپورٹ پیش کرنے میں مسرت محسوس کرتے ہیں۔ تقابلی مدت کے ساتھ 30 جون، 2023 کو ختم ہونے والے سال کیلئے مالیاتی خدوخال کا خلاصہ ذیل میں دیا گیا ہے

| تفصیلات | 30 جون، 2021 (روپے) | 30 جون، 2020 (روپے) |
|---|---|---|
| قبل از ٹیکس منافع / (خسارہ) | (2,926,039) | (14,256,706) |
| ٹیکس ادائیگی | (362,224) | (222,503) |
| بعد از ٹیکس منافع / (خسارہ) | (3,288,263) | (14,479,208) |
| جمع شدہ منافع / (خسارہ) | (41,582,119) | (38,616,908) |
| بعد از ٹیکس فی حصص آمدنی / (خسارہ) | (0.55) | (2.41) |

## کمپنی کی کارکردگی

سال 2023 کیلئے کمپنی کا آپریٹنگ خسارہ گزشتہ سال کے 2.680 ملین روپے کے مقابلے میں 6.464 ملین روپے رہا۔تاہم قبل از ٹیکس خسارہ 2.926 ملین روپے ریکارڈ کیا گیا۔

انتظامیہ کی طرف کوششوں کے نتیجہ میں جہاں کمپنی کی برآمدات میں اضافہ ہوا وہیں آپریٹنگ خسارہ بھی بڑھا۔ یورپ اور دیگر مارکیٹ میں افراط زر کی بلندترین شرح کے باعث یورپ میں چمڑے کی اشیاء کی طلب بہت کم رہی جس کے نتیجہ میں کمپنی نے 2022 میں 26.952 ملین روپے کے مقابلے میں 2023 میں 27.156 ملین روپے کی فروخت حاصل کی۔

مختصراً، مقامی اور عالمی منڈیوں میں بہت زیادہ مہنگائی کی وجہ سے پاکستان سے چمڑے کے ملبوسات اور اس سے منسلک مصنوعات کی برآمدات میں گزشتہ ایک دہائی کے دوران مسلسل کمی واقع ہوئی ہے

## فی حصص آمدنی

کمپنی کا گزشتہ سال کے 2.41 روپے فی حصص خسارہ کے مقابلے میں فی حصص خسارہ 0.55 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 گراوٹ اور وہاں کاروباری سرگرمیوں میں کمی کے اثرات سے چمڑے کے ملبوسات اور اس سے متعلقہ مصنوعات برآمد کرنے والے اہم ممالک خودبخود متاثر ہوئے انتظامیہ آرڈرز کے حصول کے لیے تمام تر کوششیں کر رہی ہے۔کمپنی نے کسی بھی نازک صورتحال کو برداشت کرنے کے لیے آپریٹنگ

اخراجات کو کم سے کم کرنے کے لیے اقدامات اٹھائے ہیں۔اس کے بعد مالی سال 2024 کی پہلی ششماہی میں کمپنی نے افراط زر کی بلند شرح کے باوجود 19,491 ملین روپے کے برآمدی آرڈرز حاصل کیے ہیں۔

**ہیومن ریسوس**

ویلیوایڈیشن کمپنی کےطور پر لیدر اپ میں ہم اس بات پر پختہ یقین رکھتے ہیں کہ کامیابی اسی وقت حاصل ہوتی ہے جب ملازمین کمپنی کے وژن کے مطابق کارکردگی کا مظاہرہ کریں۔ کمپنی ملازمین کے ساتھ اچھے 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 کلچر کو فروغ دے کر لوگوں کو بہترین مصنوعات فراہم کرنے کیلئے انہیں توجہ کا مرکز بنائے ہوئے ہے۔

**ہیومن ریسورس اور معاوضہ کمیٹی**

بورڈ آف ڈائریکٹرز نے کارپوریٹ گورننس کے ضابطہ کے تقاضوں کی تعمیل کرتے ہوئے یہ کمیٹی تشکیل دی ہے جو تین اراکین پر مشتمل ہے اور تینوں اراکین نان ایگزیکٹو ڈائریکٹر ہیں (بشمول چیئرمین) جو آزاد ڈائریکٹر ہے۔ بورڈ کی طرف سے کمیٹی کی شرائط وضوابط کی تفصیلات سے اراکین کو واضح طور پر مطلع کر دیا گیا۔

**تربیتی پروگرام:**

بورڈ ڈائریکٹرز کے تربیتی پروگرام کے حوالے سے اس کی مکمل تعمیل کرتا رہا ہے۔ سات میں سے تین ڈائریکٹرز نے ڈائریکٹرز تربیتی پروگرام مکمل کر لیا جبکہ ایک ڈائریکٹر کو ریگولیشن 20، ریگولیشن کے ذیلی قواعد نمبر 2 کے تحت استثنیٰ حاصل ہے تاہم کمیشن سے استثنیٰ کی سند کا حصول ابھی باقی 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 پرعزم ہے اور بہترین طرز عمل پر کاربند ہے۔
ڈائریکٹرز کارپوریٹ گورننس کے ضابطہ کی تعمیل میں یہ بتانے میں مسرت محسوس کرتے ہیں کہ

۱۔ مالیاتی گوشوارے کمپنیز ایکٹ 2017 کے تقاضوں کے مطابق تیار کیے گئے ہیں جو اس کے معاملات، آپریٹنگ نتائج، کیش فلو اور ایکویٹی میں تبدیلیوں کی مناسب حالت کو پیش کرتے ہیں۔

۲۔ اکاؤنٹس کی مناسب کتابوں کمپنیز ایکٹ 2018 کے تحت مطلوبہ طریقے 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 دانشمندانہ فیصلے پر مبنی ہیں۔
۴۔ مالیاتی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق انٹرنیشنل فنانشل 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 خدشات کے تناظر میں کمپنی کی کاروبار کو جاری رکھنے کی اہلیت پر کوئی شک وشبہات نہیں ہے۔
۷۔ لسٹنگ ریگولیشنز کے مطابق کارپوریٹ گورننس کے بہترین طریقوں سے کسی قسم کی مادی روگردانی نہیں کی گئی۔
۸۔ گزشتہ چھ سال کے اہم آپریٹنگ اور مالیاتی ڈیٹا کا خلاصہ اس رپورٹ کے ساتھ لف ہے۔
۹۔ واجب الادا ڈیوٹیز اور ٹیکسز، اگر کوئی ہے، کو مالیاتی گوشواروں میں ظاہر کیا گیا ہے (اگر کوئی ہے)۔

۱۰۔ 30 جون 2023 کوختم 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 2022-23 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۔ ایس فیصل شاہ | 4 |
| ۵۔ محمودہ شاہ | 4 |
| ۶۔ عبدس سمیع | 4 |
| ۷۔ فاروق رضا | 4 |

**نان ایگزیکٹو ڈائریکٹرز کیلئے معاوضہ کی پالیسی**

کمپنی کے بورڈ کے اجلاسوں اور بورڈ آف کمیٹی کے اجلاسوں میں شرکت کے لیے غیر ایگزیکٹو اور آزاد ڈائریکٹرز کی فیس کا تعین بورڈ کی طرف سے وقتاً فوقتاً کیا جاتا ہے۔

جون 30، 2023 کے مطابق شیئر ہولڈنگ کا پیٹرن اس رپورٹ کے ساتھ منسلک ہے۔

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

کارپوریٹ گورننس کے ضابطہ کے ساتھ تعمیلی بیان اس رپورٹ کے ساتھ منسلک ہے۔ موجودہ آڈیٹرز میسرز یو ایچ وائی حسن نعیم اینڈ کو، چارٹرڈ اکاؤنٹنٹس نے

اہلیت کی بنا پر خود کو دوبارہ تقرری کے لیے پیش کیا ہے۔ آڈٹ کمیٹی کی تجویز پر ان کا تقرر 30 جون 2024 کو ختم ہونے والے سال کے لیے کیا جا رہا ہے۔

**بورڈ آڈٹ کمیٹی:**

کارپوریٹ گورننس کے ضابطہ کے نفاذ کے بعد سے بورڈ کی ایک آڈٹ کمیٹی موجود ہے۔ آڈٹ کمیٹی کے پاس اپنے ٹرمز آف ریفرنس موجود ہیں جن کا تعین بورڈ آف ڈائریکٹرز نے لسٹنگ ریگولیشنز اور کارپوریٹ گورننس کے ضابطہ میں فراہم کردہ گائیڈ لائنز کے مطابق کیا ہے۔

کمیٹی ہر سہ ماہی میں کم از کم ایک بار اجلاس کا انعقاد کر کے بورڈ کو ذمہ داریوں کی ادائیگی بالخصوص بنیادی طور پر شیئر ہولڈرز کو مالی اور غیر مالیاتی معلومات کا جائزہ لینے اور رپورٹ کرنے، اندرونی کنٹرول کے نظام اور رسک مینجمنٹ اور بیرونی آڈیٹرز سے براہ راست مشورہ کرنے میں جو بھی مناسب ہو معاونت فراہم کرتی ہے۔ چیف فنانشل آفیسر اکاؤنٹس پیش کرنے کی دعوت پر بورڈ آڈٹ کمیٹی کے اجلاسوں میں باقاعدگی سے شرکت کرتا ہے۔ ہر میٹنگ کے بعد کمیٹی کا چیئرمین بورڈ کو رپورٹ کرتا ہے۔

آڈٹ کمیٹی دو نان ایگزیکٹو ڈائریکٹرز اور ایک آزاد ڈائریکٹر جو چیئرمین بھی ہے پر مشتمل ہے

| اراکین | اجلاس میں شرکت کی تعداد |
|---|---|
| محسن خورشید | 4 |
| محمودہ شاہ | 4 |
| جازم شاہ | 4 |

کمپنی کے بورڈ آف ڈائریکٹرز نے 30 جون، 2023 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 2023 کو شیئر ہولڈنگ کے پیٹرن کو ظاہر کرنے والا بیان اور شیئر ہولڈنگ کے پیٹرن سے متعلق اضافی معلومات کو الگ سے منسلک کیا گیا ہے۔

ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری، ہیڈ آف انٹرنل آڈٹ اور دیگر ایگزیکٹوز اور ان کی شریک حیات اور کمسن بچوں 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 چاہے گی 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 اور 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۔

**اظہار تشکر**

ہم اپنے شیئر ہولڈرز کی طرف سے مشکل وقت میں ہم پر اعتماد اور معاونت پر ان کے شکرگزار ہیں

بحکم بورڈ

**خالد ایچ شاہ**

(چیف ایگزیکٹو)

**جازم شاہ**

**(چیئرمین / ڈائریکٹر)**

کراچی: 6 اکتوبر، 2023

# LEATHER UP LIMITED

## 6 YEARS AT A GLANCE

| PARTICULARS | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|

### 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 | 16,752,711 | 17,697,066 | 17,697,066 | 17,697,066 |
| Accumulated Depreciation | 14,012,082 | 13,827,366 | 13,621,520 | 14,296,368 | 14,036,001 | 13,745,523 |
| Current Assets | 41,372,076 | 40,352,808 | 44,401, 055 | 98,681,207 | 105,696,94 | 171,609,896 |
| Current Liabilities | 24,054,682 | 18,393,824 | 8,624,267 | 3,841,161 | 9,395,814 | 67,757,147 |

### INCOME/REVENUE

| | | | | | | |
|---|---|---|---|---|---|---|
| Sales Revenue | 27,156,582 | 26,952,789 | 16,961,172 | 27,423,826 | 48,015,064 | 51,697,926 |
| Other Income/(Loss) | 3,538,641 | (11,576,018) | (50,223,083) | 2,139,250 | 559,157 | 57,243,338 |
| Pre-Tax Profit/ (Loss) | (2,926,039) | (14,256,705) | (58,506,054) | (1,409,415) | (7,733,022) | 45,665,466 |
| Taxation | (362,224) | (222,503) | (173,598) | (280,870) | (462,075) | (433,517) |

### PERCENTAGE AND RATIO

| | | | | | | |
|---|---|---|---|---|---|---|
| Pre-Tax (Loss)/Profit to sales % | (0.11) | (53.00) | (344.94) | (5.14) | (16.10) | 88.33 |
| Pre-Tax Profit (Loss) to Capital % | (0.15) | (63.00) | (154.00) | (0.01) | (12.88) | 76.11 |
| Current Ratio | 1.72:1 | 2.18:1 | 5.15:1 | 25.69:1 | 11.24:1 | 2.53:1 |
| Paid- Up Value per Share | 10 | 10 | 10 | 10 | 10 | 10 |
| Earnings (Loss) per Share after Tax (Rs) | (0.55) | (2.41) | (9.78) | (0.28) | (1.37) | 7.54 |
| Cash Dividend | Nil | Nil | Nil | Nil | Nil | Nil |
| Retained/ (Loss) Earnings per Share (Rs) | 3.29 | 3.79 | 6.31 | 16.07 | 16.15 | 17.58 |

**LEATHER UP LTD.**
**PATTERN OF SHAREHOLDING**
**FORM "34"**
**AS AT June 30, 2023**

| NO. OF SHARE-HOLDERS | SHAREHOLDING FROM | | TO | NO. OF SHARES HELD |
|---|---|---|---|---|
| 523 | 1 | - | 100 | 34,776 |
| 530 | 101 | - | 500 | 253,322 |
| 84 | 501 | - | 1000 | 80,820 |
| 91 | 1001 | - | 5000 | 229,850 |
| 9 | 5001 | - | 10000 | 72,000 |
| 3 | 10001 | - | 15000 | 39,500 |
| 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 | 80001 | - | 85000 | 81,100 |
| 1 | 85001 | - | 90000 | 89,000 |
| 1 | 90001 | - | 95000 | 92,000 |
| 2 | 95001 | - | 100000 | 198,800 |
| 1 | 115001 | - | 120000 | 117,000 |
| 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 |
| **1272** | **Total** | | | **6,000,000** |

| S.No. | CATAGORIES OF SHARE HOLDERS | NUMBER OF SHARE HOLDERS | TOTAL SHARES HELD | PERCENTAGE % |
|---|---|---|---|---|
| | | | | |
| 1 | INDIVIDUALS | 1266 | 5,960,220 | 99.34 |
| 2 | INVESTMENT COMPANIES | 1 | 3,700 | 0.06 |
| 3 | JOINT STOCK COMPANIES | 5 | 36,080 | 0.60 |
| | | **1,272** | **6,000,000** | **100.00** |

| S.No. | Categories Shareholders | Shareholders | Shares Held | Total |
|---|---|---|---|---|
| 1 | **Directors, Chief Executive Officer and their spouse(s) and minor childern** | | | 3,000,500 |
| | 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 | | | |
| 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 | 1,256 | 2,959,720 | 2,959,720 |
| | Foreign | NIL | NIL | NIL |
| 10 | **Others** | NIL | NIL | NIL |
| | **Total** | 1,272 | | 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 are 7 as per the following

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

2- The composition of board is as follows:

| Category | Names |
|---|---|
| a) Independent Directors: | Mr. Mohsin Khursheed<br>Mr. Shaikh Abdus Sami |
| b) Non-Executive Directors: | Mr.Jazim Shah<br>Mr.S. Faisal Shah<br>Mr.Farooq Raza |
| c) Executive Director: | Mr. Khalid H. Shah |
| d) Female Directors: | Ms. Mahmooda Shah (Non-executive director) |

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 has not complied with the requirement of having all the directors on the board to acquire director's training program certified as prescribed under the sub-clause 1(iii) of regulation no. 19 of the Regulations as out of total seven (7) directors, the total number of certified directors of the Company stands four (4) and one (1) of the director meets the exemption requirement of the DTP. The remaining two (2) director shall obtain certification under the Director's Training Program 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 |

a) HR and Remuneration Committee

| | |
|---|---|
| Mr. MohsinKhursheed | Chairman |
| Mr. S. Faisal Shah | Member |
| Mr.MahmoodaHaroon | Member |

13- The terms of reference of the aforesaid committees have been formed, documented and advisedto 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, 2023. |

b) HR and Remuneration Committee — One meeting was held during the financial year ended June 30, 2023.

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

16- The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with 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- We confirm that all requirements of the regulations no. 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been compiled with, and the requirement of explanation for regulation 6 is mentioned below:

| S. No. | Regulation reference no. | Type of the requirement | Description of non-compliance |
|---|---|---|---|
| (1) | 06 | The explanations required | As per Regulation06 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.<br><br>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, 2023, the number of independent director of the Company has been **2**. Existing independent directors play an effective part within the Board and make valuable contributions. Therefore, the fraction (2.3) has not been rounded up. |

19- Explanation for non-compliance with the requirements, other than regulations 3, 6, 7, 8,27, 32,33and36 asbelow:

| S. No. | Regulation reference no. | Type of the requirement | Description of non-compliance |
|---|---|---|---|
| (1) | 24 | The explanation for non-compliance is required | As per the proviso to Regulation 24 of the Regulations, the Chief Financial Officer and the Company Secretary shall not be the same individual.<br><br>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 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. |

**On behalf of the Board of Directors**

**Khalid H. Shah**
**Chief Executive Officer**

October 06th, 2023
Karachi

UHY Hassan Naeem & Co.
Chartered Accountants

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

Phone +92 21 34322551-3
Web www.uhy-hnco.com

# 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 2023 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.

Following instances of non-compliance with the regulations were observed which are not stated in the Statement of Compliance:

- Auditors were not invited in any meeting of the audit committee.

Based on our review, except for the matters stated above 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 2023.

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 were two (2) independent directors in the company as at 30 June 2023. The Company has adopted an explanation approach to explain why the fraction of 2.33 has not been rounded up as one.

- 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.

- 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 6, 2023**
**UDIN No: CR202310311HjdJ80zf2**

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

Phone +92 21 34322551-3
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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, 2023** 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, 2023 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** | |
| The Company recognized net sales of Rupees 27,156,582 for the year ended 30 June 2023.<br><br>We identified revenue recognition as a key audit matter because revenue is one of the company's key performance indicators and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.<br><br>For further information on revenue, refer to the following:<br><br>- Summary of significant accounting policies, Revenue from contracts with customers note 3.9 to the financial statements.<br><br>- Sales – net note 15 to the financial statements. | Our audit procedures to assess the recognition of revenue, amongst others, include the following:<br><br>• 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;<br><br>• Comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents;<br><br>• 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;<br><br>• Assessing whether the accounting policies for revenue recognition comply with the requirements of IFRS 15 'Revenue from Contracts with Customers';<br><br>• We also considered the appropriateness of disclosures in the financial statements. |
| **Stock-in-trade** | |
| As at 30 June 2023, stock-in-trade is stated at Rupees 33,920,530. Stock-in-trade is measured at the lower of cost and net realizable value.<br><br>We identified the existence and valuation of stock-in-trade as a key audit matter due to its size, representing 77% of the Company's total assets as of 30 June 2023, and the judgment involved in valuation.<br><br>For further information on stock-in-trade, refer to the following:<br><br>• Summary of significant accounting policies, Stock-in-trade note 3.2 to the financial statements. | Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following:<br><br>• Attending inventory counts and reconciling the count results to the inventory listings to test the completeness of data;<br><br>• 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;<br><br>• Comparing the net realizable value to the cost of a sample of stock-in-trade and comparison to the |

| | |
|---|---|
| • Stock-in-trade note 5 to the financial statements. | associated provision to assess whether stock-in-trade provisions are complete;<br><br>• In the context of our testing of the calculation, we analyzed individual cost components and traced them back to the corresponding underlying documents. |

**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);

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).

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

UHY Hassan Naeem & Co.

**KARACHI**
**DATE: October 6, 2023**
**UDIN NUMBER: AR202310311C2tR1ePkD**

**LEATHER UP LIMITED**
**STATEMENT OF FINANCIAL POSITION**
**AS AT JUNE 30, 2023**

| | Note | 2023 | 2022 |
|---|---|---|---|
| **ASSETS** | | Rupees | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | **2,740,629** | 2,925,345 |
| Long term deposits | | **63,072** | 63,072 |
| **Current assets** | | | |
| Stock-in-trade | 5 | **33,920,530** | 20,678,494 |
| Trade debts | 6 | **-** | 7,754,644 |
| Advances, deposits and other receivables | 7 | **2,888,165** | 3,276,135 |
| Tax refunds due from government | 8 | **1,809,133** | 4,235,262 |
| Cash and bank balances | 9 | **2,754,248** | 4,104,144 |
| | | **41,372,076** | 40,048,679 |
| **Total assets** | | **44,175,777** | 43,037,096 |
| **EQUITY AND LIABILITIES** | | | |
| **Share capital and reserves** | | | |
| *Authorized capital* | | | |
| 6,000,000 (2022: 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 |
| *Revenue reserves* | | | |
| General reserve | | **1,369,610** | 1,369,610 |
| Accumulated (losses) / profit | | **(41,582,119)** | (38,616,908) |
| | | **(40,212,509)** | (37,247,298) |
| | | **19,787,491** | 22,752,702 |
| **Non-current liability** | | | |
| Staff retirement benefits - gratuity | 11 | **333,604** | 1,890,572 |
| **Current liabilities** | | | |
| Loan from directors | 12 | **-** | 3,232,084 |
| Trade and other payables | 13 | **22,424,331** | 12,547,747 |
| Unclaimed dividend | | **1,630,351** | 2,613,991 |
| | | **24,054,682** | 18,393,822 |
| **Total equity and liabilities** | | **44,175,777** | 43,037,096 |
| **Contingency and commitments** | 14 | | |

The annexed notes from 1 to 27 forms 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, 2023**

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | Rupees | |
| Sales revenue | 15 | **27,156,582** | 26,952,789 |
| Cost of sales | 16 | **(25,651,257)** | (20,964,295) |
| **Gross (Loss) / Profit** | | **1,505,325** | 5,988,494 |
| Administrative expenses | 17 | **(6,771,033)** | (7,710,629) |
| Distribution expenses | 18 | **(1,198,972)** | (958,552) |
| | | **(7,970,005)** | (8,669,181) |
| **Operating loss** | | **(6,464,680)** | (2,680,687) |
| Other (expense) / income | 19 | **3,538,641** | (11,576,018) |
| **Profit/Loss before taxation** | | **(2,926,039)** | (14,256,705) |
| Taxation | 20 | **(362,224)** | (222,503) |
| **Loss after taxation** | | **(3,288,263)** | **(14,479,208)** |
| **Loss per share - basic and diluted** | 21 | **(0.55)** | (2.41) |

The annexed notes from 1 to 27 forms 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, 2023**

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | Rupees | |
| (Loss) after taxation | | **(3,288,263)** | (14,479,208) |
| **Other comprehensive income** | | | |
| *Items that will not be subsequently reclassified to profit or loss* | | | |
| Actuarial gain/(loss) on defined benefit obligation | *11.3* | **323,052** | (657,297) |
| **Total comprehensive loss for the period** | | **(2,965,211)** | (15,136,505) |

The annexed notes from 1 to 27 forms 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, 2023**

| | Note | 2023 | 2022 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | Rupees | |
| Loss before taxation | | **(2,926,039)** | (14,256,705) |
| *Adjustments for non-cash and other items:* | | | |
| - Raw material written off | 19 | **-** | 8,227,686 |
| - Impairment loss on finished goods | 19 | **-** | 3,472,484 |
| - Reversal of provision on finished goods | 19 | **(2,493,424)** | - |
| - Advances from customers written back | 19 | **(1,378,284)** | - |
| - Profit on saving | 19 | **(99)** | - |
| - Write off of sales tax refundable | | **2,474,832** | - |
| - Provision for doubtful | | **-** | 241,057 |
| - Trade debts and other receivables written off | 17 | **241,058** | 119,042 |
| - Advances to employees written off | | **-** | 840,188 |
| - Depreciation on property, plant and equipment | 4 | **184,716** | 205,846 |
| - Provision for staff gratuity | | **530,628** | 288,183 |
| | | **(1,833,014)** | 13,394,486 |
| **Cash flow before working capital changes** | | **(4,759,053)** | (862,219) |
| **Working capital changes** | | | |
| ***(Increase) / decrease in current assets*** | | | |
| - Stock-in-trade | | **(9,356,072)** | 2,589,289 |
| - Trade debts | | **7,513,586** | (7,574,401) |
| - Advances, deposits, prepayments and other receivables | | **387,970** | (1,220,811) |
| - Sales tax refundable | | **(115,972)** | (126,376) |
| ***Increase / (decrease) in current liabilities*** | | | |
| - Trade and other payables excluding gratuity payable | | **11,328,545** | 7,830,932 |
| | | **9,758,056** | 1,498,633 |
| **Cash generated from operations** | | **4,999,004** | 636,414 |
| Gratuity paid | 11.4 | **(1,838,221)** | (965,054) |
| Taxes paid | | **(294,955)** | (222,503) |
| | | **(2,133,176)** | (1,187,557) |
| **Net cash (used in) / generated from operating activities** | | **2,865,828** | (551,143) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| **Net cash (used in) / generated from investing activities** | | **-** | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net loan obtained from / (repaid to) directors | 12 | **(3,232,084)** | 2,830,000 |
| Unclaimed Dividend Paid | | **(983,640)** | - |
| **Net cash generated from / (used in) financing activities** | | **(4,215,724)** | 2,830,000 |
| Net increase / (decrease) in cash and cash equivalents | | **(1,349,896)** | 2,278,857 |
| Cash and cash equivalents at the beginning of the year | 9 | **4,104,144** | 1,825,288 |
| **Cash and cash equivalents at the end of the year** | 9 | **2,754,248** | 4,104,144 |

The annexed notes from 1 to 27 forms 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, 2023**

| | Issued, subscribed and paid up capital | Revenue reserves | | Total |
|---|---|---|---|---|
| | | General reserve | Accumulated (loss) / profit | |
| | Rupees | | | |
| **Balance as at June 30, 2021** | 60,000,000 | 1,369,610 | (23,480,402) | 37,889,208 |
| *Total comprehensive loss for the period ended June 30, 2022* | | | | |
| - Loss after taxation | - | - | (14,479,208) | (14,479,208) |
| - Other comprehensive loss | - | - | (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)** | **22,752,702** |
| **Balance as at June 30, 2022** | **60,000,000** | **1,369,610** | **(38,616,908)** | **22,752,702** |
| *Total comprehensive loss for the period ended June 30, 2023* | | | | |
| - Loss after taxation | **-** | **-** | **(3,288,263)** | **(3,288,263)** |
| - Other comprehensive income | **-** | **-** | **323,052** | **323,052** |
| | **-** | **-** | **(2,965,211)** | **(2,965,211)** |
| **Balance as at June 30, 2023** | **60,000,000** | **1,369,610** | **(41,582,119)** | **19,787,491** |

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

Fshah

DIRECTOR

## 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. 2.965 million (2022: net loss of Rs 15.137 million) resulting in accumulated losses of Rs. 41.582 million as of June 30, 2023 (2022: accumulated profit of Rs 38.617 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 Changes in accounting standards and interpretations**

**2.5.1** *New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023*

The following standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework.

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use.

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract.

Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41).

**2.5.2** *New accounting standards, amendments and IFRS interpretations that are not yet effective*

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

| | Effective from accounting period beginning on or after: |
|---|---|
| - Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies | January 01, 2023 |
| - Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates | January 01, 2023 |
| - Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction. | January 01, 2023 |
| - Amendments to IAS 12 ' Income taxes' - International Tax Reform - Pillar Two Model Rules | January 01, 2023 |
| - Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current | January 01, 2024 |
| - Amendments to IFRS 16 ' Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback | January 01, 2024 |

transactions

| | | |
|---|---|---|
| - | Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred indefinitely |

Other than the aforesaid amendments, IASB has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

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

## 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 | | | | | |
| **Year ended June 30, 2023** | | | | | | | |
| Opening net book value | **1,100,000** | **430,896** | **762,772** | **21,808** | **197,681** | **412,188** | **2,925,345** |
| Aditions | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - |
| Depreciation for the year | - | (43,090) | (76,277) | (4,362) | (19,768) | (41,219) | (184,716) |
| **Closing net book value** | **1,100,000** | **387,806** | **686,495** | **17,446** | **177,913** | **370,969** | **2,740,629** |
| **As at June 30, 2023** | | | | | | | |
| Cost | **1,100,000** | **6,749,315** | **3,953,132** | **164,365** | **1,295,136** | **3,490,763** | **16,752,711** |
| Accumulated depreciation | - | (6,361,509) | (3,266,637) | (146,919) | (1,117,223) | (3,119,794) | (14,012,082) |
| **Net book value** | **1,100,000** | **387,806** | **686,495** | **17,446** | **177,913** | **370,969** | **2,740,629** |
| **Annual rates of depreciation** | - | **10%** | **10%** | **20%** | **10%** | **10%** | |
| **Year ended June 30, 2022** | | | | | | | |
| Opening net book value | 1,100,000 | 478,773 | 847,525 | 27,260 | 219,646 | 457,987 | 3,131,191 |
| Aditions | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - |
| 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 | 2023 | 2022 |
|---|---|---|---|
| | | Rupees | |
| Cost of sales - Manufacturing expenses | *16* | **110,830** | 123,508 |
| Administration expenses | *17* | **73,886** | 82,338 |
| | | **184,716** | 205,846 |

**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 | 2023 | 2022 |
|---|---|---|---|
| | | Rupees | |

## 5. STOCK-IN-TRADE

| | | | |
|---|---|---|---|
| Raw material and accessories | | **25,320,085** | 7,353,279 |
| Work in process | | **8,600,445** | 2,907,762 |
| Finished goods | | **979,060** | 13,889,937 |
| Less: Provision for obsolete stock | | **(979,060)** | (3,472,484) |
| | | **33,920,530** | 20,678,493 |

**5.1 Provision for obsolete stock**

| | | | |
|---|---|---|---|
| Balance as at the beginning of the year | | **(3,472,484)** | - |
| Add: Provision made during the year | | **-** | (3,472,484) |
| Add: Reversal of provision | | **2,493,424** | - |
| Balance as at the end of the year | | **(979,060)** | (3,472,484) |

**6. TRADE DEBTS**

| | | | |
|---|---|---|---|
| Secured | | | |
| - against irrevocable letter of credit | | **-** | 5,647,851 |
| Unsecured | | | |
| - sale for document against payment | | **-** | 2,347,850 |
| Less: Allowance for expected credit losses | 6.1 | **-** | (241,057) |
| | | **-** | 7,754,644 |

**6.1 Movement in loss allowance**

| | | | |
|---|---|---|---|
| Opening provision | | **241,057** | - |
| Charge for the year | | **-** | 241,057 |
| Written off during the year | | **(241,057)** | - |
| Reversal for the year | | **-** | - |
| Closing Provision | | **-** | 241,057 |

**6.2** During the year the Company has written off amount of Rs. 482,115 receivable from Marco Ceferin.

**7. ADVANCES, DEPOSITS AND OTHER RECEIVABLES**

| | | | |
|---|---|---|---|
| **Advances:** | | | |
| - to employees | | **-** | 3,820 |
| **Other receivables:** | | | |
| - Export rebate receivable | | **2,888,165** | 3,272,315 |
| | | **2,888,165** | 3,276,135 |

**8. TAX REFUNDS DUE FROM THE GOVERNMENT**

| | | | |
|---|---|---|---|
| Income tax refundable | | **1,435,947** | 1,503,216 |
| Sales tax refundable | | **373,186** | 2,732,046 |
| | | **1,809,133** | 4,235,262 |

| | *Note* | **2023** | 2022 |
|---|---|---|---|
| | | **Rupees** | |
| **9. CASH AND BANK BALANCES** | | | |
| Cash in hand | | **265,519** | 8,861 |
| Cash at bank: | | | |

| | | |
|---|---|---|
| - foreign currency deposit accounts | **286,381** | 196,039 |
| - current accounts | **2,202,348** | 3,899,244 |
| | **2,488,729** | 4,095,283 |
| | **2,754,248** | 4,104,144 |

## 10. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| 2023 | 2022 | | 2023 | 2022 |
|---|---|---|---|---|
| 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 |
| **6,000,000** | 6,000,000 | | **60,000,000** | 60,000,000 |

**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, 2023 by using the Projected Unit Credit method.

### 11.1 Movement in defined benefit obligation

| | 2023 | 2022 |
|---|---|---|
| Opening defined benefit obligation | **1,890,572** | 1,018,769 |
| Current service cost | **397,030** | 189,990 |
| Interest cost | **133,600** | 98,193 |
| Benefits paid | **(1,764,546)** | - |
| Remeasurements | **(323,052)** | 657,297 |
| Reclassified to trade and other payables | **-** | (73,677) |
| **Closing defined benefit obligation** | **333,604** | 1,890,572 |

### 11.2 Expense recognized in the statement of profit or loss

| | 2023 | 2022 |
|---|---|---|
| Current service cost | **397,030** | 189,990 |
| Interest cost on defined benefit obligation | **133,600** | 98,193 |
| | **530,630** | 288,183 |

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | Rupees | |
| Allocation in the statement of profit or loss: | | | |
| - Cost of sales - Manufacturing expenses | *16.2* | **163,690** | 135,446 |
| - Administrative expenses | *17.1* | **366,940** | 152,737 |
| | | **530,630** | 288,183 |

### 11.3 Remeasurement losses / (gain) recognised in other comprehensive income

| | 2023 | 2022 |
|---|---|---|
| Actuarial gain on defined benefit obligation | | |
| - Changes in demographic assumptions | **13,652** | - |
| - Changes in financial assumptions | **5,806** | 4,586 |

| | | |
|---|---|---|
| - Experience adjustments | **(342,511)** | 652,711 |
| | **(323,052)** | 657,297 |

**11.4 Changes in net liability**

| | | |
|---|---|---|
| Opening net liability including trade payable | **1,964,249** | 1,983,823 |
| Expense chargeable to P&L | **530,630** | 288,183 |
| Remeasurements charged in other comprehensive income | **(323,052)** | 657,297 |
| Benefits paid | **(1,838,223)** | (965,054) |
| Closing net liability including trade payable | **333,604** | 1,964,249 |
| Benefits payable transferred to short term liability | **-** | (73,677) |
| Closing defined benefit obligation | **333,604** | 1,890,572 |

**11.5 Year end sensitivity analysis on defined benefit obligation**

| | | |
|---|---|---|
| Discount Rate + 100 bps | **329,344** | 1,818,229 |
| Discount Rate - 100 bps | **338,007** | 1,971,621 |
| Salary increment rate + 100 bps | **338,826** | 1,972,386 |
| Salary increment rate -100 bps | **328,461** | 1,816,369 |

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 is 1 year. (4 years in 2022)

**11.7 Principal actuarial assumptions used**

| | | |
|---|---|---|
| Discount rate used for interest cost in profit and loss | **13.25%** | 10.00% |
| Discount rate used for year end obligation | **16.25%** | 13.25% |
| Expected rate of increase in salary level (per annum) | **14.25%** | 11.25% |
| Mortality rates | **SLIC 2001-2005** | SLIC 2001-2005 |

**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.

| | *Note* | **2023** | 2022 |
|---|---|---|---|
| | | **Rupees** | |
| **12. LOANS FROM DIRECTORS** | | | |
| Opening balance | | **3,232,084** | 402,084 |
| Loan obtained during the year | | **250,000** | 4,230,000 |
| Loan repaid during the year | | **(3,482,084)** | (1,400,000) |
| **Closing balance** | | **-** | 3,232,084 |

**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 | | **18,335,249** | 4,727,793 |
| Accrued liabilities | | **502,128** | 1,299,992 |
| Advance from customers | *13.1* | **3,537,409** | 6,396,740 |
| Gratuity payable | | **-** | 73,677 |
| Provision for Workers' Welfare Fund | | **49,545** | 49,545 |
| | | **22,424,331** | 12,547,747 |

**13.1 Advance from customers**

In addition, information regarding the timing of satisfaction of performance obligations underlying the closing contract liability of Rs. 3,537,409 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, 2023.

**14.2 Commitments**

Commitments for export sales as at June 30, 2023 were Rs. 19,491 million (2022: Rs. 4.109 million).

## 15. SALES REVENUE

| | | |
|---|---|---|
| Export sales | **17,658,612** | 24,891,660 |
| Local Sales | **9,497,971** | - |
| | **27,156,582** | 24,891,660 |

| | Note | **2023** | 2022 |
|---|---|---|---|
| | | **Rupees** | |
| **15.1 Disaggregation of sales revenue by products** | | | |
| Bags | | **13,855,386** | 5,493,450 |
| Jackets | | **13,301,196** | 19,398,210 |
| | | **27,156,582** | 24,891,660 |

**15.2 Disaggregation of sales revenue by geographic region**

| | | |
|---|---|---|
| Germany | **944,528** | 807,059 |
| Italy | **-** | 4,685,691 |
| Netherlands | **500,904** | 8,240,126 |
| Portugal | **7,931,384** | - |
| South Africa | **342,139** | - |
| Pakistan | **9,497,940** | - |
| Canada | **3,412,919** | - |
| Spain | **4,526,769** | 11,158,784 |
| | **27,156,582** | **24,891,660** |

## 16. COST OF SALES

| | Note | 2023 | 2022 |
|---|---|---|---|
| Raw and packing materials consumed | *16.1* | **11,821,660** | 15,708,670 |
| **Manufacturing expenses** | | | |
| Salaries, wages and benefits | *16.2* | **1,604,689** | 2,648,160 |
| Cutting and stitching charges | | **3,610,890** | 4,391,501 |
| Fuel and power | | **779,303** | 521,676 |
| Repairs and maintenance | | **187,340** | 121,820 |
| Depreciation on property, plant and equipment | *4.1* | **110,830** | 123,508 |
| Entertainment | | **286,040** | 302,075 |
| Telephone, fax and postage | | **26,681** | 48,620 |
| Printing and stationery | | **5,630** | 6,027 |
| | | **6,611,403** | 8,163,387 |
| **Cost of goods manufactured** | | **18,433,063** | 23,872,057 |
| Opening work in progress | | **2,907,762** | - |
| Closing work in progress | | **(8,600,445)** | (2,907,762) |
| Opening stock of finished goods | | **13,889,937** | 13,889,937 |
| Closing stock of finished goods | | **(979,060)** | (13,889,937) |
| | | **25,651,257** | 20,964,295 |

**16.1 Raw and packing materials consumed**

| | Note | 2023 | 2022 |
|---|---|---|---|
| Opening stock | | **7,353,279** | 21,078,016 |
| Add: Purchases during the year | | **29,788,466** | 17,298,280 |
| | | **37,141,745** | 38,376,296 |
| Less: Stock written off during the year | | | |
| - Disposed off as scrap | *19.1.* | **-** | (15,314,347) |
| | | **37,141,745** | 23,061,949 |
| Less : Closing stock | *5* | **(25,320,085)** | (7,353,279) |
| **Raw materials consumed** | | **11,821,660** | 15,708,670 |

**16.2** This includes an amount of Rs. 163,689 (2022: Rs. 135,464) in respect of staff retirement benefits.

## 17. ADMINISTRATIVE EXPENSES

| | *Note* | **2023** | 2022 |
|---|---|---|---|
| | | **Rupees** | |
| Salaries, allowances and other benefits | *17.1* | **3,597,214** | 3,311,438 |
| Fees and subscription | | **918,895** | 985,613 |
| Auditor's remuneration | *17.2* | **914,760** | 911,520 |
| Entertainment expense | | **222,408** | 319,218 |
| Utilities | | **278,825** | 204,117 |
| Vehicle running and maintenance | | **44,500** | 60,430 |
| Bank charges | | **365,384** | 314,955 |
| Repairs and maintenance | | **97,133** | 113,589 |
| Depreciation | *4.1* | **73,886** | 82,338 |
| Printing and stationery | | **15,670** | 92,399 |
| Communication | | **1,300** | 114,725 |
| Provision for doubtful | | **-** | 241,057 |
| Trade debts and other receivables written off | | **241,058** | 119,042 |
| Advances to employees written off | | **-** | 840,188 |
| | | **6,771,033** | 7,710,629 |

**17.1** This includes an amount of Rs. 366,939 (2022: Rs. 152,737) in respect of staff retirement benefits.

**17.2 Auditors' remuneration**

| | 2023 | 2022 |
|---|---|---|
| Audit fee | **648,000** | 648,000 |
| Half yearly review fee | **183,600** | 183,600 |
| Code of corporate governance fees | **54,000** | 54,000 |

| | | | |
|---|---|---|---|
| Out of pocket expenses | | **29,160** | 25,920 |
| | | **914,760** | 911,520 |

## 18. DISTRIBUTION EXPENSES

| | | | |
|---|---|---|---|
| Postage, telex and telegram | | **30,189** | 211,399 |
| Travelling expense | | **-** | 54,529 |
| Freight, handling and insurance | | **1,151,878** | 687,593 |
| Others | | **16,905** | 5,031 |
| | | **1,198,972** | 958,552 |

## 19. OTHER (EXPENSE) / INCOME

| | | | |
|---|---|---|---|
| Exchange gain - net | | **749,127** | 124,152 |
| Advances from customers written back | | **1,378,284** | - |
| Raw material written off | | **-** | (8,227,686) |
| Provision on finished goods | | **-** | (3,472,484) |
| Reversal of provision on finished goods | | **2,493,424** | - |
| Write off of sales tax refundable | | **(2,474,832)** | - |
| Profit on saving | | **99** | - |
| Export rebate and DLTL | | **1,392,539** | 2,061,129 |
| | | **3,538,641** | (9,514,889) |

## 20. TAXATION

| | | | |
|---|---|---|---|
| Current - for the year | | **362,224** | 222,503 |
| Deferred | *20.1* | **-** | - |
| | | **362,224** | 222,503 |

**20.1** As the Company's usual income is subject to taxation under the Final Tax Regime, therefore no deferred tax aset 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 2022. 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

| | | **2023** | 2022 |
|---|---|---|---|
| **21.1 Basic loss per share** | | **Rupees** | |
| Loss after taxation | | **(3,288,263)** | (14,479,208) |
| | | **Number** | |
| Weighted average number of ordinary shares outstanding during the year | | **6,000,000** | 6,000,000 |
| | | **Rupees** | |
| **Loss per share - basic** | *21.2* | **(0.55)** | (2.41) |

**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, 2023 and June 30, 2022.

## 22. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

| | Chief Executive | | Directors | | Executives | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| | Rupees | | | | | | | |
| Fees | - | - | - | - | - | - | - | - |
| Managerial remuneration | - | - | - | - | - | - | - | - |
| Commission or bonus | - | - | - | - | - | - | - | - |
| Reimbursable expenses | - | - | - | - | - | - | - | - |
| Retirement benefits | - | - | - | - | - | - | - | - |
| Other perquisites and benefits | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - |
| **Number of persons** | - | - | - | - | - | - | | |

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | Rupees | |

## 23. FINANCIAL INSTRUMENTS

### 23.1 Categorization of financial instruments

#### 23.1.1 Financial assets

*At amortised cost*

| | **2023** | 2022 |
|---|---|---|
| Trade debts | - | 7,754,644 |
| Advance to employees | - | 3,820 |
| Other receivables - Others | - | - |
| Cash and bank balances | **2,754,248** | 4,104,144 |
| | **2,754,248** | 11,862,608 |

#### 23.1.2 Financial liabilities

*At amortised cost*

| | **2023** | 2022 |
|---|---|---|
| Loan from directors | - | 3,232,084 |
| Trade and other payables | **18,837,377** | 6,027,785 |
| | **18,837,377** | 9,259,869 |

### 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 |
| Advance to employees | *(b)* | - | 3,820 |
| Bank balances | *(c)* | **2,488,729** | 4,095,283 |
| | | **2,488,729** | 11,853,747 |

**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, 2023** | | June 30, 2022 | |
|---|---|---|---|---|
| | **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 |
| | - | - | 7,995,701 | 241,057 |

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** | **2023** | 2022 |
|---|---|---|---|---|
| | | | **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 | **1,309,943** | 3,074,533 |
| Bank Alfalah Limited | A-1+ | PACRA | **25,000** | 25,000 |
| Faysal Bank Limited | A-1+ | PACRA | **293,455** | 203,114 |
| Meezan Bank Limited | A-1+ | JCR-VIS | **75,843** | 8,148 |
| Summit Bank Limited | - | JCR-VIS | **29,374** | 29,374 |

| | |
|---|---|
| **2,488,729** | 4,095,283 |

*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, 2023** | | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Contractual cash flows** | | | | | |
| | **Carrying amount** | **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 | - | - | - | - | - | - | - |
| Trade and Other Payables | **22,424,331** | - | **49,545** | **502,128** | - | **21,872,658** | - |
| Unclaimed Dividend | **1,630,351** | **1,630,351** | **1,630,351** | - | - | - | - |
| | **24,054,682** | **1,630,351** | **1,679,896** | **502,128** | - | **21,872,658** | - |

| | June 30, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Contractual cash flows | | | | | |
| | Carrying amount | 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 | 3,232,084 | - | - | - | - |
| Trade and Other Payables | 12,547,747 | 12,547,747 | 49,545 | 1,373,669 | - | 11,124,533 | - |
| Unclaimed Dividend | 2,613,991 | 2,613,991 | 2,613,991 | - | - | - | - |
| | 18,393,822 | 18,393,822 | 5,895,620 | 1,373,669 | - | 11,124,533 | - |

### 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 follows:

| | **June 30, 2023** | | | | June 30, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Rupees** | **USD** | **Euro** | **GBP** | Rupees | USD | Euro | GBP |
| Trade debts | **-** | **-** | **-** | **-** | 7,754,644 | 9,079 | 28,481 | - |
| Bank balance | **286,381** | **-** | **460.74** | **388.84** | 196,039 | - | 460.74 | 388.57 |

The following significant exchange rate applied during the year:

| | **Average rate** | | **Reporting date rate** | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | --------------------**Rupees**-------------------- | | | |
| USD to Pak Rupee | **246.05** | 181.65 | **286.60** | 205.50 |
| Euro to Pak Rupee | **264.48** | 201.68 | **313.72** | 215.23 |
| GBP to Pak Rupee | **307.04** | 233.95 | **364.77** | 249.31 |

***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 2022.

| | **Effect on loss before tax** |
|---|---|
| | **— Rupees —** |
| **As at June 30, 2023** | **28,638** |
| As at June 30, 2022 | 19,604 |

*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, reduce capital, or issue new shares.

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

| | *Note* | **2023** | 2022 |
|---|---|---|---|
| | | **Rupees** | |
| **Borrowings:** | | | |
| - Loan from directors | | - | 3,232,084 |
| **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 | | **(41,582,119)** | (38,616,908) |
| | | **19,787,491** | 22,752,702 |
| **Capital managed by the Company** | | **19,787,491** | 25,984,786 |
| Gearing ratio | | **0%** | 14% |

## 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 | 2023 | 2022 |
|---|---|---|---|---|
| | | | Rupees | |
| Mr. Khalid Shah | Director | Loan from Director opening | **3,232,084** | 402,084 |
| | | Add: Loan obtained during the year | **250,000** | 4,230,000 |
| | | Less: Loan payments made during the year | **3,482,084** | 1,400,000 |
| | | Loan payable at year end | - | 3,232,084 |

## 27. GENERAL

| 27.1 Plant capacity and actual production | *Note* | **2023** | 2022 |
|---|---|---|---|
| | | **Number** | |
| Industrial sewing machines installed | | **57** | 57 |
| Percentage of capacity utilized | *27.1.1* | **12%** | 21% |
| *Jackets* | | | |
| Installed capacity - pieces | | **14,459** | 14,459 |
| Actual production - pieces | | **1,550** | 30 |
| *Bags* | | | |
| Installed capacity - pieces | | **17,590** | 17,590 |
| Actual production - pieces | | **211** | 3,687 |

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

| 27.2 Number of employees | **2023** | 2022 |
|---|---|---|
| | **Number** | |
| Total number of employees as at reporting date | **4** | 14 |
| Total number of factory employees as at reporting date | **1** | 1 |
| Average number of employees during the year | **8** | 14 |
| Average number of factory employees during the year | **5** | 8 |

### 27.3 Reclassification of corresponding figures

In these financial statements, certain corresponding figures have been rearranged and reclassified, whereever considered necessary, for the purpose of comparison and better presentation. Following major reclassification have been made:

| Reclassified from component | Reclassified to component | Amount (Rupees) |
|---|---|---|
| **For 2022** | | |
| Export rebate (Sales revenue) | Export rebate and DLTL (Other (expense) / income) | 2,061,129 |

### 27.4 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 6th October 2023.

### 27.5 Level of rounding

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

CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER | DIRECTOR