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AUDITORS' REPORT TO THE UNCONSOLIDATED FINANCIAL STATEMENTS OF

PETPAK FILMS (PRIVATE) LIMITED

FOR THE YEAR ENDED 30 JUNE 2023

EY Ford Rhodes
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INDEPENDENT AUDITORS' REPORT

To the members of Petpak Films (Private) Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **Petpak Films (Private) Limited** (the Company), which comprises of the unconsolidated statement of financial position as at **30 June 2023**, and the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated 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 unconsolidated statement of financial position, unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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 30 June 2023 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Unconsolidated 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.

Information Other than the Unconsolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the unconsolidated financial statements and our auditors' report thereon.

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

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated 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.

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Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 unconsolidated 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 unconsolidated 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 auditors' report to the related disclosures in the unconsolidated 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 auditors' 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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.

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 unconsolidated statement of financial position, the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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 auditors' report is **Shaikh Ahmed Salman**.

EY Ford Rhodes

Chartered Accountants

Place: Karachi

UDIN Number: AR202310076xtIGPR0MC

Date: 3 October 2023

PETPAK FILMS (PRIVATE) LIMITED
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	June 30, 2023 Rupees	June 30, 2022 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	8,746,024,685	1,033,362,831
		8,746,024,685	1,033,362,831
CURRENT ASSETS			
Investment in subsidiary	6	-	40
Stores, spares and consumables	7	1,955,511	-
Trade deposits and short-term prepayments	8	4,384,874	2,536,680
Advances and other receivables	9	40,503,969	1,487,027
Taxation - net		5,223,382	726,441
Short term investment	10	93,000,000	-
Sales tax refundable		116,906,752	2,539,178
Cash and bank balances	11	18,003,066	14,796,768
		279,977,554	22,086,134
TOTAL ASSETS		9,026,002,239	1,055,448,965
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
650,000,000 (2022: 100,000,000) ordinary shares of Rs. 10/- each		6,500,000,000	1,000,000,000
Issued, subscribed and paid-up capital			
598,026,033 (2022: 52,083,332) ordinary shares of the Rs. 10/- each fully paid in cash	12	5,980,260,330	520,833,320
Revenue reserve			
Accumulated losses		(619,264,288)	(14,561,774)
		5,360,996,042	506,271,546
Advance against future issue of shares	13	623,408,067	456,657,806
NON CURRENT LIABILITIES			
Deferred staff benefit liability	14	3,605,518	-
Supplier's credit	15	2,159,536,759	-
Long-term financing	16	50,563,690	43,068,382
Deferred income	17	30,769,855	28,554,249
		2,244,475,822	71,622,631
CURRENT LIABILITY			
Trade and other payables	18	795,925,560	17,838,366
Contract liability		353,738	-
Current portion of deferred income	17	843,010	3,058,616
		797,122,308	20,896,982
CONTINGENCIES AND COMMITMENTS	19		
TOTAL EQUITY AND LIABILITIES		9,026,002,239	1,055,448,965

The annexed notes from 1 to 29 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE

DIRECTOR

PETPAK FILMS (PRIVATE) LIMITED
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023

	Note	June 30, 2023 Rupees	June 30, 2022 Rupees
Administrative expenses	20	**(57,858,695)**	(12,392,953)
Other income	21	**26,423,477**	3,013,448
Exchange loss - net		**(571,479,642)**	-
Finance costs	22	**(1,787,614)**	(483,142)
Other expenses - Provision for diminution in the value of investment	23	**(40)**	(100,960)
Loss before taxation		**(604,702,514)**	(9,963,607)
Taxation		-	(1,333,468)
Net loss for the year		**(604,702,514)**	(11,297,075)
Other comprehensive income		-	-
Total comprehensive loss for the year		**(604,702,514)**	(11,297,075)

The annexed notes from 1 to 29 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE

DIRECTOR

PETPAK FILMS (PRIVATE) LIMITED
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2023

	Issued, subscribed and paid up capital	Revenue reserve Accumulated losses	Advance against issuance of shares	Total equity
	---Rupees---			
Balance as at June 30, 2021	520,833,320	(3,264,699)	137,100	517,705,721
Net loss for the year	-	(11,297,075)	-	(11,297,075)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	(11,297,075)	-	(11,297,075)
Advance received during the year	-	-	456,520,706	456,520,706
Balance as at June 30, 2022	**520,833,320**	**(14,561,774)**	**456,657,806**	**962,929,352**
Advance received during the year	-	-	5,626,177,271	5,626,177,271
Issuance of 545,942,701 ordinary shares at Rs.10/- each fully paid in cash	5,459,427,010	-	(5,459,427,010)	-
Net loss for the year	-	(604,702,514)	-	(604,702,514)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	(604,702,514)	-	(604,702,514)
Balance as at June 30, 2023	5,980,260,330	(619,264,288)	623,408,067	5,984,404,109

The annexed notes from 1 to 29 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE

DIRECTOR

PETPAK FILMS (PRIVATE) LIMITED
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Note	June 30, 2023 Rupees	June 30, 2022 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(604,702,514)	(9,963,607)
Adjustments for other item:			
Depreciation on operating fixed assets	5.1	2,624,572	1,445,214
Unrealised exchange loss		256,242,367	-
Amortisation of deferred income	17.1	-	(114,392)
Finance costs	22	1,787,614	483,142
Profit on saving accounts	21	(26,423,477)	-
Provision for dimunition in the value of investment		40	100,960
		234,231,116	1,914,924
Increase in current assets			
Stores,spares and consumables		(1,955,511)	-
Trade deposits and short-term prepayments		(1,848,194)	(2,536,680)
Sales tax refundable		(114,367,574)	-
Advances and other receivables		(39,016,942)	(3,759,447)
		(157,188,221)	(6,296,127)
Increase in current liabilities			
Trade and other payables		521,844,827	17,213,786
Contract liability		353,738	-
Cash (used in) / generated from operations		(5,461,054)	2,868,976
Taxes paid		(4,496,941)	(651,473)
Finance costs paid		(1,787,614)	(190,503)
Net cash (used in) / generated from operating activities		(11,745,609)	2,027,000
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure	5	(7,704,185,600)	(534,460,257)
Profit on saving accounts	21	26,423,477	-
Investment in subsidiary	6	-	(1,000)
Net cash used in investing activities		(7,677,762,123)	(534,461,257)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance received against future issue of shares	13	5,626,177,271	456,520,706
Supplier's credit		2,159,536,759	-
Long-term borrowings - obtained		-	74,503,000
Net cash generated from financing activities		7,785,714,030	531,023,706
Net increase / (decrease) in cash and cash equivalents		96,206,298	(1,410,551)
Cash and cash equivalents at the beginning of the year		14,796,768	16,207,319
Cash and cash equivalents at the end of the year		111,003,066	14,796,768
Cash and cash equivalents			
Short term investment	10	93,000,000	-
Cash and bank balances	11	18,003,066	14,796,768
		111,003,066	14,796,768

The annexed notes from 1 to 29 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE

DIRECTOR

PETPAK FILMS (PRIVATE) LIMITED
UNCONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1 THE COMPANY AND ITS OPERATIONS

Petpak Films (Private) Limited (the Company) is incorporated in Pakistan as a Private Limited Company under the Companies Act, 2017 on September 21, 2020. The registered office of the Company is situated at Plot # 40-L-1, P.E.C.H.S, Block 6, Karachi. The Company will be principally engaged in the manufacturing and sale of flexible packaging materials mainly comprising of BO-PET (biaxially-oriented polyethylene terephthalate) film and allied products of PET Packaging.

The Company is the subsidiary of International Packaging Films Limited (the Parent Company), holding 310,973,528 ordinary shares (52%) of Rs.10 each as of the reporting date.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRSs), issued by International Accounting Standard Board (IASB) and Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP), as notified under Companies Act, 2017 (the Act) and, provisions of and directives issued under the Act. Where the provisions of and directives issued under the Act differ from the IFRS standards, the provisions of and directives issued under the Act have been followed.

2.2 Basis of measurement

These unconsolidated financial statements have been prepared under the historical cost convention, except where otherwise specifically stated.

2.3 Functional and presentation currency

These unconsolidated financial statements have been presented in Pakistani rupee, which is the Company's functional and presentation currency.

3 NEW STANDARDS, AMENDMENTS AND IMPROVEMENTS TO APPROVED ACCOUNTING STANDARDS

3.1 Adoption of amendments and improvements to approved accounting standards effective during the year

The Company has adopted the following amendments and improvements to International Financial Reporting Standards (IFRSs) which became effective for the current year:

Amendments to approved accounting standards

IFRS 3	Reference to the Conceptual Framework (Amendments)
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use (Amendments)
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract (Amendments)

Improvements to Accounting Standards Issued by the IASB (2018-2020 cycle)

IFRS 9	Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities
IAS 41	Agriculture – Taxation in fair value measurements
IFRS 16	Leases: Lease incentives

The adoption of above amendments and improvements to the approved accounting standards did not have any material impact on the these unconsolidated financial statements.

3.2 Standards, amendments and improvements to approved accounting standards that are not yet effective

The following amendments and improvements to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective amendment or improvements:

Amendment or Improvement		Effective dates (annual periods beginning on or after)
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2023
IAS 8	Definition of Accounting Estimates - Amendments to IAS 8	January 01, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	January 01, 2023
IAS 12	International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12	January 01, 2023
IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	January 01, 2024
IAS 7 and IFRS 7	Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	January 01, 2024
IFRS 16	Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	January 01, 2024
IFRS 10 / IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalised

The above amendments and improvements are not expected to have any material impact on these unconsolidated financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan and are not expected to have any material impact on these unconsolidated financial statements in the period of initial application.

Standard or Interpretation		IASB Effective dates (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2004
IFRS 17	Insurance Contracts	January 01, 2023

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

4.1.1 Operating fixed assets

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably. Recognition of the cost in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to statement of profit or loss using straight line method. Depreciation on additions is charged from the date on which the asset is available to use till the date on which asset is disposed off.

Maintenance and normal repairs are charged to statement of profit or loss as and when incurred. Major renewals and improvements, if any, are capitalized when it is probable that respective future economic benefits will flow to the Company.

An item of property, plant and equipment is derecognised 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 statement of profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and method of depreciation are revised, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount.

4.1.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment, if any, and consists of expenditure incurred and advances made in respect of operating fixed assets in the course of their acquisition, erection, construction and installation, including salaries and wages directly attributable to capital work-in-progress, determined by the management. The assets are transferred to relevant category of operating fixed assets when they are available for use.

4.2 Investment in subsidiaries

Investment in subsidiary is initially recognised at cost. At subsequent reporting dates, the Company reviews the carrying amount of the investment to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Such impairment losses or reversal of impairment losses are recognised in the statement of profit or loss. These are classified as 'Investment in subsidiary' in these unconsolidated financial statements.

In assessing value in use, the estimated future cash flows are 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

4.3 Stores and consumables

These are stated at weighted average cost less provision against slow-moving items, if any. For items which are slow moving and / or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over net realizable value. Provision is made for obsolete and slow moving items where necessary and is recognised in the statement of profit or loss.

4.4 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realisable value. Cost is determined using weighted average method. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

Cost comprises all costs of purchase and other cost incurred in bringing the inventories to their present location and condition.

Stock-in-transit is valued at cost comprising invoice price and charges thereto up to the reporting date.

Provision for obsolescence is made where necessary and recognised in statement of profit or loss.

4.5 Trade debts and other receivables

Trade debts and other receivables are stated at original invoice amount less expected credit loss, if any. Bad debts are written-off when identified and charged to statement of profit or loss.

4.6 Advances, trade deposits and short-term prepayments

These are initially recognised at cost, which is the fair value of the consideration given. Subsequent to initial recognition assessment is made at each reporting date to determine whether there is an indication that a financial asset or group of assets may be impaired. If such indication exists, the estimated recoverable amount of that asset or group of assets is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying value.

4.7 Cash and cash equivalents

Cash and cash equivalents are stated at cost and are defined as cash in hand, cash at banks and short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purpose of statement of cashflow, cash and cash equivalents comprise of bank balances only.

4.8 Taxation

Current

Provision for current taxation is based on taxable income at current rate of taxation after taking into account tax credits and tax rebates available, if any, in accordance with provision of the Income Tax Ordinance, 2001. It also includes any adjustment to tax payable in respect of prior years. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised directly in the other comprehensive income is recognised in the other comprehensive income and not in statement of profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if there is a legally enforceable right to offset current tax assets and liabilities and they relate to the income tax levied by the same tax authority.

4.9 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not invoiced to the Company.

4.10 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, 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 the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.11 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

4.11.1 Financial assets

a) Initial recognition and measurement

The financial assets of the Company include investment, trade debts, deposits, loans, other receivables and cash and bank balances.

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit or Loss (FVTPL).

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a 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 the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- 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.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

a) **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

b) **Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

c) **Derecognition of financial liabilities**

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

4.12 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.13 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates, and sales tax or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Company has concluded that it is acting as a principal in all its revenue arrangements. The following are the specific recognition criteria that must be met before revenue is recognised.

Revenue from sale of goods is recognised at a point in time when control of goods have been transferred to a customer i.e. when the performance obligations are met.

The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Company uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Company then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer.

A contract asset is initially recognised for revenue earned in exchange for goods that the Company has transferred to the customer when the right is conditioned on something other than the passage of time. Upon satisfaction of the condition, the amount recognised as contract asset is reclassified to trade receivables. Contract assets are subject to impairment assessment, if any.

Others

- Profit on bank accounts is recognised on effective interest rate method.
- Dividend income is recognised when the right to receive such payment is established.
- Other revenues are accounted when performance obligations are met.

4.14 Foreign currency translation

Transactions in foreign currencies are recorded at the rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Exchange differences on foreign currency translations are taken to the statement of profit or loss.

4.15 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the these unconsolidated financial statements in the period in which these are approved. Transfer between reserves made subsequent to the statement of financial position date is considered as a non-adjusting event and is recognised in the these unconsolidated financial statements in the period in which such transfers are made.

4.16 Contract liabilities

A contract liability is the obligation to transfer services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

4.17 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 obligation cannot be measured with sufficient reliability.

4.18 Share capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.19 Sales tax

Revenues, expenses and assets are recognised, net of the amount of sales tax except:

- where sales tax incurred on a purchase of asset or service is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- when receivables and payables are stated with the amount of sales tax included the net amount of sales tax recoverable from, or payable to, the taxation authorities is included as part of receivables or payables in the statement of financial position.

4.20 Staff retirement benefit - defined benefit plan (gratuity scheme)

The Company operates defined benefit plan i.e. unapproved and unfunded gratuity schemes for its employees. The gratuity scheme has been introduced with effect from July 1, 2022. The eligible service for the purpose of gratuity benefits shall be calculated from date of appointment or July 01, 2022 whichever is later. Provisions are made in these unconsolidated financial statements in accordance with actuarial valuation carried out annually using the Projected Unit Credit method. Actuarial gains and losses are recognised in full in the period in which they occur in the other comprehensive income. The latest valuation was carried out as at June 30, 2023. The benefit is payable on completion of prescribed qualifying period of the service.

4.21 Significant accounting judgements, estimates and assumptions

The preparation of unconsolidated financial statements in conformity with approved accounting standards requires the management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

5 PROPERTY, PLANT AND EQUIPMENT

	Note	June 30, 2023	June 30, 2022
		Rupees	
Operating fixed assets	5.1	17,648,267	9,763,139
Capital work-in-progress	5.2	8,666,768,099	1,023,599,692
		8,684,416,366	1,033,362,831
In transit		61,608,319	-
		8,746,024,685	1,033,362,831

5.1 Operating fixed assets

	Cost					Accumulated Depreciation				Net Book Value	Depreciation
	As at July 01, 2022	Additions	Transfer from CWIP	Disposals	As at June 30, 2023	As at July 01, 2022	Charge for the year	On Disposal	As at June 30, 2023	As at June 30, 2023	Rate %
	Rupees										
Office equipment	259,650	3,453,360	-	-	3,713,010	20,773	460,924	-	481,697	3,231,313	20%
Vehicle	10,969,476	4,436,340	-	-	15,405,816	1,445,214	1,978,314	-	3,423,528	11,982,288	15%
Furniture and fittings	-	2,620,000	-	-	2,620,000	-	185,334	-	185,334	2,434,666	7%
	11,229,126	10,509,700	-	-	21,738,826	1,465,987	2,624,572	-	4,090,559	17,648,267	

	Cost					Accumulated Depreciation				Net Book Value	Depreciation
	As at July 01, 2021	Additions		Disposals	As at June 30, 2022	As at July 01, 2021	Charge for the year	On Disposal	As at June 30, 2022	As at June 30, 2022	Rate %
	Rupees										
Office equipment	-	259,650	-	-	259,650	-	20,773	-	20,773	238,877	20%
Vehicle	-	-	10,969,476	-	10,969,476	-	1,445,214	-	1,445,214	9,524,262	15%
	-	259,650	10,969,476	-	11,229,126	-	1,465,987	-	1,465,987	9,763,139	

* Represents transfer from capital work-in-progress (note 5.2).

5.2 Capital work-in-progress

	As at July 01, 2022	Additions	Transfers	As at June 30, 2023
	Rupees			
Land	238,185,000	461,909	-	238,646,909
Machinery	500,921,484	6,370,692,569	-	6,871,614,053
Building	281,077,262	765,261,771	-	1,046,339,033
Electrical	3,415,946	506,752,158	-	510,168,104
2023	1,023,599,692	7,643,168,407	-	8,666,768,099
2022	500,347,788	534,221,380	(10,969,476)	1,023,599,692

5.2.1 The Company is preparation of manufacturing facility and construction of the Company's production plant for manufacturing of flexible packaging materials mainly comprising of BO-PET (biaxially-oriented polyethylene terephthalate) film and allied products of PET Packaging.

5.2.2 The amount of Borrowing cost capitalized by the Company during the year ended June 30, 2023 was Rs.7,495,311/- (2022: Nil). The rate used to determine the amount of borrowing cost eligible for capitalization was 6% per annum, which is effective interest rate of the local currency loan.

		Note	June 30, 2023	June 30, 2022
			---- Rupees ----	
6	**INVESTMENT IN SUBSIDIARY**			
	Petpak Plus (Private) Limited (wholly owned subsidiary)			
	9,998 (2022: 9,998) fully paid ordinary shares of Rs. 10/- each.		100,000	100,000
	Advance to Petpak Plus for issuance of shares		1,000	1,000
			101,000	101,000
	Provision for diminution in the value of investment	6.2	(101,000)	(100,960)
			-	40

6.1 The Board of Directors of the subsidiary company have approved to dissolve the Company and filed an application under Companies (Easy Exit) Regulation, 2014 with Securities and Exchange Commission of Pakistan (SECP) to strike off the name of the subsidiary company from the register of the Companies under section 426 of the Companies Act, 2017.

		Note	June 30, 2023	June 30, 2022
6.2	The movement in the provision is as follows:		---- Rupees ----	
	Balance at the beginning of the year		100,960	-
	Charge for the year	23	40	100,960
	Balance at the end of the year		101,000	100,960
7	**STORE,SPARE AND CONSUMABLES**			
	Spare parts and consumables		1,955,511	-
8	**TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**			
	Security deposits		4,125,607	2,447,607
	Prepayments		259,267	89,073
			4,384,874	2,536,680
9	**ADVANCES AND OTHER RECEIVABLES**			
	Advance to suppliers		10,176,847	1,487,027
	Margin against letters of credit		29,683,600	-
	Others		643,522	-
			40,503,969	1,487,027

10 SHORT TERM INVESTMENT

10.1 This represents investment in Term Deposit Receipts (TDR) of Habib Metropolitan Bank Limited amounting to Rs.93,000,000 maturing latest by August 07, 2023. This carry return at 15% per annum (2022: Nil).

		Note	June 30, 2023	June 30, 2022
			---- Rupees ----	
11	**CASH AND BANK BALANCES**			
	Cash in hand		106,882	-
	Bank balances			
	- Current account		16,407,543	2,248,278
	- Saving account	11.1	1,488,641	12,548,490
			17,896,184	14,796,768
			18,003,066	14,796,768

11.1 These carry profit at the rates ranging from 6.5% to 17.5% (2022: 2.92% to 6.84%) per annum.

12 SHARE CAPITAL

June 30, 2023	June 30, 2022		June 30, 2023	June 30, 2022
No. of shares			Rupees	
		Authorised capital		
650,000,000	100,000,000	Ordinary shares of Rs. 10 each	**6,500,000,000**	1,000,000,000
		Issued , subscribed and paid-up		
		Ordinary shares of Rs. 10 each,		
598,026,033	52,083,332	fully paid cash	**5,980,260,330**	520,833,320

12.1 As at June 30, 2023, International Packaging Films Limited (the Parent Company), holds 310,973,528 ordinary shares ordinary shares of Rs. 10/- each, aggregating to Rs. 3,109,735,280/- constituting 52% of ordinary share capital. The voting rights, board selection, rights of first refusal and block voting are in proportion to the shareholding of the shareholders.

13 ADVANCE AGAINST ISSUANCE OF ORDINARY SHARES

This represents amount received from International Packaging Films Limited - the Parent Company and Sponsors / Directors of the Company amounting to Rs. 131,456,142 and Rs. 491,951,924 respectively, for the issuance of ordinary shares in future.

14 DEFERRED STAFF BENEFIT LIABILITY

As mentioned in note 4.22 to these unconsolidated financial statements, the Company operates an unapproved and unfunded gratuity scheme for all its employees. During the year, the Company has carried out valuation under projected credit unit method:

	Note	June 30, 2023 Rupees	June 30, 2022 Rupees
Provision for staff gratuity	14.1	**3,605,518**	-

14.1 Movement in present value of defined benefit obligations

Balance as at July 01	-	-
Current service cost	3,185,957	-
Past service cost	419,561	-
Balance as at June 30	3,605,518	-

14.2 Significant actuarial assumptions

	June 30, 2023
- Discount rate used for period end obligation	16.25%
- Discount rate used for interest cost profit or loss charge	13.25%
- Salary interest rate	15.25%
- Mortality rates	SLIC 2001 - 2005 Setback 1 year
- Average duration of defined benefit obligation	8 years
- Retirement assumption	Age 60

14.3 The discount rate of 16.25% is representative of yields on long-term government bonds.

14.4 Expected benefit payment for next ten years and beyond

	June 30, 2023 Rupees
FY 2024	1,428,231
FY 2025	1,784,150
FY 2026	2,423,159
FY 2027	4,695,527
FY 2028	3,445,735
FY 2029	3,930,500
FY 2030	4,401,333
FY 2031	4,860,223
FY 2032	10,101,058
FY 2033	15,980,162
FY 2034 onwards	3,401,181,343
- Average duration of defined benefit obligation	7 years

14.5 Sensitivity analysis

	2023			
	Discount rate		Salary increase	
	+100bps	+100bps	+100bps	-100bps
	Rupees			
Present value of obligations	3,362,143	3,892,440	3,901,419	3,350,014

14.6 Risks associated with defined benefit plan

Final salary risk (linked to inflation risk)

The risk that final salary at the time of cessation of service is greater than what assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

Demographic risks

Mortality risk

The risk that the actual mortality experience is different than the assumed mortality. This efect is pronounced in schemes where the age and service distribuition is on the higher side.

Withdrawal risk

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with age, service and the entitled benefits of the beneficiary.

15 SUPPLIER'S CREDIT

Represents payable against the purchase of Brückner Maschinenbau Pet film line BOPET films on deferred payment basis and is payable in three installments ending on March 09, 2025. The payable amount has been discounted at a rate of 8.23% per annum to arrive at the present value. The reconciliaiton of the carrying amount is as follows:

	June 30, 2023	June 30, 2022
	Rupees	
Supplier's credit	1,907,329,018	-
Add: Unwinding of discount	54,644,809	-
Exchange loss	197,562,932	-
	2,159,536,759	-
Less: current portion shown under current liabilities	-	-
	2,159,536,759	-

		Note	June 30, 2023	June 30, 2022
			------- Rupees -------	
16	LONG-TERM FINANCING - secured			
	SBP's Financing Scheme for Renewable Energy	16.1	50,563,690	43,068,382
	Less: current portion shown under current liabilities		-	-
			50,563,690	43,068,382

16.1 This is with reference to IH&SMEFD Circular No. 10 dated July 26, 2019 and IH&SMEFD Circular No. 12 dated August 21, 2019 wherein SBP has introduced the Islamic Financing Facility for Renewable Energy to promote the use of renewable energy. Under this facility, the total amount of the facility from Commercial Bank) is Rs. 400 million, out of which the Company has utilized 74.5 million as at June 30, 2023 for installation of solar power system. The facility carry interest rate of 6% for 12 years (inclusive of 2 years grace period) and is repayable in 40 equal quarterly instalments commencing from September 2024 and maturing in June 2034.

- Equity participation by the customer equivalent to 10% of the cost of Diminishing Musharka (DM) Assets;
- registered exclusive hypothecation charge over DM assets and pari passu charge over plant and machinery.
- personal guarantees of all the directors; and
- cross corporate guarantee of International Packaging Films Limited (the Parent Company).

		Note	June 30, 2023	June 30, 2022
			------- Rupees -------	
17	DEFERRED INCOME			
	Deferred income	17.1	31,612,865	31,612,865
	Less: Current portion of deferred income		(843,010)	(3,058,616)
			30,769,855	28,554,249
17.1	Movement - deferred income			
	Balance at the beginning of the year		31,612,865	-
	Recognised during the year		-	31,727,257
	Amortised during the year		-	(114,392)
	Balance at the end of the year		31,612,865	31,612,865
18	TRADE AND OTHER PAYABLES			
	Creditors		723,462,750	-
	Accrued liabilities		61,093,925	12,279,286
	Withholding tax payable		10,595,365	5,185,760
	Other payables		773,520	373,320
			795,925,560	17,838,366

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies:

19.1.1 As of the reporting date, there is no contingency to report in these unconsolidated financial statements.

		June 30, 2023	June 30, 2022
		------- Rupees -------	
19.2	Commitments:		
	Outstanding letters of credit	2,772,867,300	3,920,880,476
	Commitments against purchase of land	-	238,125,000
		2,772,867,300	4,159,005,476

19.2.1 Total facilities for letters of credit amount to Rs.4,363,122,000 (2022: Rs.6,446,302,000) out of wich Rs.980,890,000 (2022: Rs.4,394,712,793) was utilised during the year.

		Note	June 30, 2023	June 30, 2022
20	ADMINISTRATIVE EXPENSES		------- Rupees	-------
	Salaries, wages and other benefits		-	-
	Travelling, hotelling and conveyance		3,695,587	1,359,830
	Depreciation on operating fixed assets	5.1	2,624,572	1,465,987
	Legal and professional expenses		31,757,422	3,623,445
	Auditor's remuneration	20.1	345,000	300,000
	Insurance		196,164	105,860
	Utilities		794,301	-
	Donations		643,818	128,200
	Security expenses		5,358,464	1,835,839
	Rent, rates and taxes		1,403,277	247,500
	Repairs and maintenance		943,662	504,005
	Entertainment expense		1,022,986	-
	Telephone and communications		315,604	-
	Computer related expenses		1,295,763	-
	Printing, stationery and periodicals		217,967	-
	Other expenses		7,244,108	2,822,287
			57,858,595	12,392,953
20.1	Auditor's remuneration:			
	Audit fee - statutory audit		345,000	300,000
			345,000	300,000
21	OTHER INCOME			
	Income from financial assets			
	Profit on saving accounts		26,423,477	2,899,056
	Income from non-financial assets			
	Amortisation of deferred income		-	114,392
			26,423,477	3,013,448
22	FINANCE COSTS			
	Bank charges		935,395	190,504
	LC charges		852,219	-
	Markup on long term financing		-	292,638
			1,787,614	483,142
23	OTHER EXPENSE			
	Provision for diminution in the value of investment		40	100,960
			40	100,960

24 TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise of Parent Company, associated companies and key management personnel. Transactions with related parties are carried out in the normal course of business at agreed terms approved by the Board of Directors of the Company. Transactions with related parties, other than those disclosed elsewhere in these unconsolidated financial statements, are as below:

Name of the related party	Relationship	Transactions during the year	June 30, 2023	June 30, 2022
			---------- Rupees ----------	
International Packaging Films Limited	Parent Company	Advance received against future issuance of shares	2,831,100,278	139,257,808
		Share issued	2,838,901,960	-
Pakistan Synthetics Limited	Key management personnel	Advance received against future issuance of shares	1,400,000,000	
		Shares issued	1,400,000,000	-
Noman Yakoob	Key management personnel	Advance received against future issuance of shares	623,647,259	45,460,000
		Shares issued	476,889,420	-

25 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

25.1 No amount has been paid / payable by the Company on account of remuneration to Chief Executive, Directors and Other Executives for the year.

25.2 During the year, group employees have provided certain services free of cost to the Company.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are market risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

The Company's finance department oversees the management of these risks and provides assurance to the Company's senior management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company's policies and risk appetite. No changes were made in the objectives, policies or processes and assumptions during the year ended June 30, 2023.

The Board of Directors review and agree policies for managing each of these risks which are summarised below.

26.1 Market risk

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

26.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company is exposed to foreign currency risk on imports of items of plant and machinery any appreciation in foreign currency has an adverse impact on the Company's operations and cash flows. The Company offsets the said adverse impact by making advance payments when possible.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, on the Company's profit/(loss) before tax (due to changes in the fair value of monetary assets and liabilities):

	Foreign currency denominated monetary liabilities	
	June 30, 2023	June 30, 2022
USD	250,658	-
EURO	8,729,088	-
	Pak Rupees	(Rupees)
2023	+5%	(140,164,315)
	-5%	140,164,315
2022	+5%	-
	-5%	-

26.1.2 **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. As of the reporting, the Company is not exposed to the interest rate risk.

26.1.3 **Other price risk**

Other price risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices such as equity price risk. Equity price risk is the risk arising from uncertainties about future values of investments securities. As at reporting date, the Company is not exposed to equity price risk.

26.2 **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. As of the reporting, the Company has not yet commenced commercial production therefore the Company is not exposed to any credit risk other than the that on balances with banks having a short term credit rating of A1+ issued by Pakistan Credit Rating Agency Limited (PACRA) and VIS Credit Rating Company Limited.

The maximum exposure to credit risk at the reporting date is as follows:	June 30, 2023	June 30, 2022
	Rupees	
Financial assets:		
Trade deposits	4,125,607	2,447,607
Other receivables	30,327,122	-
Bank balances	17,898,184	14,796,768

26.3 **Liquidity risk**

Liquidity risk represents the risk that a Company will encounter difficulties in meeting obligations with the financial liabilities. The Company monitors its risk to a shortage of funds by applying risk management policies and maintaining sufficient cash and bank balances and keeping committed credit lines.

The table below summarizes the maturity profile of the Company's financial liabilities at June 30, 2023 and 2022 based on contractual undiscounted payment dates and present market interest rates:

	On demand	Less than 3 months	3 to 12 months	More than 12 months	Total
	Rupees				
Long-term financing	-	-	-	50,563,690	50,563,690
Supplier credit	-	-	-	2,159,536,759	2,159,536,759
Trade and other payables	784,556,675	-	11,368,885	-	795,925,560
June 30, 2023	784,556,675	-	11,368,885	2,210,100,449	3,006,026,009
June 30, 2022	12,279,286	-	5,559,080	43,068,382	60,906,748

26.4 **Fair value of financial instruments**

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
  Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in these unconsolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

26.4.1 The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	June 30, 2023		
	Carrying amount		
	Financial assets	Financial liabilities	Total
	Rupees		
Financial assets not measured at fair value			
Investment in subsidiary	-	-	-
Trade deposits	**4,125,607**	-	**4,125,607**
Other receivables	**30,327,122**	-	**30,327,122**
Bank balances	**17,896,184**	-	**17,896,184**
Financial liabilities not measured at fair value			
Trade and other payables	-	**795,925,560**	**795,925,560**

	June 30, 2022		
	Carrying amount		
	Financial assets	Financial liabilities	Total
	Rupees		
Financial assets not measured at fair value			
Investment in subsidiary	40	-	40
Trade deposits	2,447,607	-	2,447,607
Other receivables	-	-	-
Bank balances	14,796,768	-	14,796,768
Financial liabilities not measured at fair value			
Trade and other payables	-	17,838,366	17,838,366

26.5 Capital risk management

The Company finances its operations through equity, borrowings and management of working capital with a view of maintaining an appropriate mix between various sources of finance to minimise risk. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business, sustain future development of the business and maximise shareholders value. The Company calculates its gearing ratio as follows:

	June 30, 2023	June 30, 2022
	-----------------Rupees	----------------
Long term financing	**3,605,518**	43,068,382
Bank balances	**(18,003,066)**	(14,796,768)
Net debt	**(14,397,548)**	28,271,614
Shareholders' equity	**5,980,260,330**	520,833,320
Advance against future issue of shares	**623,408,067**	456,657,806
	6,603,668,397	977,491,126
Total debt and equity	**6,589,270,849**	1,005,762,740
Gearing ratio	N/A	3%

27 NUMBER OF EMPLOYEES

Total number of employees as of the reporting date is 85 (2022: 12).and average number of employees during the year is 40 (2022: 12).

28 DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue on 12 SEP 2023 by the Board of Directors of the Company.

29 GENERAL

29.1 Amounts have been rounded off to the nearest Rupee, unless otherwise stated.

29.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison. However, there has been no material reclassification to report.

CHIEF EXECUTIVE

DIRECTOR