Riaz Ahmad & Company
Chartered Accountants

A.J. Holdings (Private) Limited And Its Locally Incorporated Subsidiary Companies Opted Under Group Taxation

Consolidated Financial Statements

30 June 2022

A member of
Nexia
International

Riaz Ahmad & Company
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT TO THE CHIEF EXECUTIVE OFFICER

Opinion

We have audited the consolidated financial statements of A.J. Holdings (Private) Limited and its locally incorporated subsidiaries opted under group taxation (the Group), which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group for the year ended 30 June 2022 are prepared in all material respects, in accordance with the accounting policies as stated in Note 2 to the consolidated financial statements.

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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw attention to Note 1 to the consolidated financial statements, which indicates the factors regarding existence of material uncertainty which may cast significant doubt on Leeds Apparel (Private) Limited – subsidiary company's ability to continue as going concern as at the reporting date. Financial statements of Leeds Apparel (Private) Limited – subsidiary company, however, do not include any adjustments relating to the realization of Leeds Apparel (Private) Limited – subsidiary company's assets and liquidation of any liabilities, which may be necessary should Leeds Apparel (Private) Limited – subsidiary company be unable to continue as a going concern, on the basis disclosed in aforesaid note. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and use

We draw attention to Note 1 and Note 2 to the consolidated financial statements, which describe the Group and basis of accounting respectively. The consolidated financial statements are prepared to assist the Group in filling income tax return with the concerned income tax authorities. As a result, the consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the Group and income tax authorities. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with accounting policies as stated in Note 2 to the consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

We communicate with those charged with governance 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.

Riaz Ahmad & Co

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Lahore

Date: 2 2 NOV 2022

A.J. HOLDINGS (PRIVATE) LIMITED AND ITS LOCALLY INCORPORATED SUBSIDIARY COMPANIES OPTED UNDER GROUP TAXATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	2022 Rupees	2021 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 2,000,000 (2021: 2,000,000) ordinary shares of Rupees 10 each		20,000,000	20,000,000
Issued, subscribed and paid-up share capital	3	15,010,000	15,010,000
Reserves	4	31,709,825,274	26,725,797,435
Total equity		31,724,835,274	26,740,807,435
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred liabilities	5	207,815,346	259,560,177
Lease liabilities	6	90,604,006	92,568,482
Security deposits	7	10,163,000	670,250
		308,582,352	352,798,909
CURRENT LIABILITIES			
Trade and other payables	8	11,779,912,393	6,907,107,530
Current maturity of lease liabilities	6	34,354,688	11,471,394
		11,814,267,081	6,918,578,924
Total liabilities		12,122,849,433	7,271,377,833
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		43,847,684,707	34,012,185,268

	Note	2022 Rupees	2021 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	10	11,189,837,812	8,726,191,928
Right-of-use assets	11	116,609,078	109,184,709
Investment properties	12	3,837,994,957	4,791,945,396
Intangible assets	13	17,385,850	3,067,734
Net investment in lease	14	843,933,787	-
Long term investments	15	1,098,065,513	1,536,525,143
Long term deposits	16	8,683,884	2,641,925
Long term loans	17	2,161,668	2,965,827
		17,114,672,549	15,172,522,662
CURRENT ASSETS			
Stores, spare parts and loose tools	18	322,996,663	269,202,082
Stock-in-trade	19	8,200,967,823	5,194,673,411
Trade debts	20	8,439,960,585	4,378,448,966
Due from related parties	21	457,155,914	6,183,943
Current portion of non current assets	22	31,536,513	3,350,004
Advances, deposits and prepayments	23	523,279,370	265,279,191
Other receivables	24	3,007,468,657	3,246,312,363
Profit accrued on bank deposits		28,487,729	14,821,761
Advance income tax - net	25	399,261,040	510,435,367
Short term investments	26	151,142,276	500,797,533
Cash and bank balances	27	5,170,755,588	4,450,157,985
		26,733,012,158	18,839,662,606
TOTAL ASSETS		43,847,684,707	34,012,185,268

The annexed notes form an integral part of these consolidated financial statements.

Statement under section 232 of the Companies Act, 2017

These financial statements have been signed by two directors instead of chief executive and one director as the chief executive is not available for the time being in Pakistan.

DIRECTOR

Mian Umer Sb

DIRECTOR

Saqib Sb

A.J. HOLDINGS (PRIVATE) LIMITED AND ITS LOCALLY INCORPORATED SUBSIDIARY COMPANIES OPTED UNDER GROUP TAXATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 Rupees	2021 Rupees
REVENUE	28	59,617,704,148	42,309,044,821
COST OF SALES AND SERVICES	29	(46,213,291,193)	(33,291,356,149)
GROSS PROFIT		13,404,412,955	9,017,688,672
DISTRIBUTION AND MARKETING EXPENSES	30	(1,651,474,592)	(1,207,615,365)
ADMINISTRATIVE EXPENSES	31	(2,781,852,295)	(2,101,742,543)
OTHER EXPENSES	32	(2,164,738,473)	(2,354,487,579)
		(6,598,065,360)	(5,663,845,487)
		6,806,347,595	3,353,843,185
OTHER INCOME	33	934,684,098	635,406,293
PROFIT FROM OPERATIONS		7,741,031,693	3,989,249,478
FINANCE COST	34	(393,136,629)	(270,631,420)
		7,347,895,064	3,718,618,058
SHARE OF LOSS FROM JOINT VENTURE	15.2.2	(135,746,340)	(14,752,439)
PROFIT BEFORE TAXATION		7,212,148,724	3,703,865,619
TAXATION	35	(782,765,829)	(456,363,180)
PROFIT AFTER TAXATION		6,429,382,895	3,247,502,439
EARNINGS PER SHARE - BASIC AND DILUTED	36	4,283.40	2,163.56

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DIRECTOR
Mian Umer SS

DIRECTOR
Shayis SS

A.J. HOLDINGS (PRIVATE) LIMITED AND ITS LOCALLY INCORPORATED SUBSIDIARY COMPANIES OPTED UNDER GROUP TAXATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	2022 Rupees	2021 Rupees
PROFIT AFTER TAXATION	6,429,382,895	3,247,502,439
OTHER COMPREHENSIVE (LOSS) / INCOME		
Items that will not be reclassified to profit or loss:		
Remeasurement (loss) / gain on defined benefit obligation	(32,413,878)	18,764,382
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive (loss) / income for the year	(32,413,878)	18,764,382
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	6,396,969,017	3,266,266,821

The annexed notes form an integral part of these consolidated financial statements.

Statement under section 232 of the Companies Act, 2017

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DIRECTOR
Mian Umer SS

DIRECTOR
Sajjis SS

A.J. HOLDINGS (PRIVATE) LIMITED AND ITS LOCALLY INCORPORATED SUBSIDIARY COMPANIES OPTED UNDER GROUP TAXATION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	SHARE CAPITAL	RESERVES					TOTAL EQUITY
		CAPITAL			REVENUE		
		SHARE PREMIUM	CAPITAL RESERVE	SUB TOTAL	UNAPPROPRIATED PROFIT	TOTAL	
	Rupees						
Balance as at 30 June 2020	15,010,000	7,665,759,625	8,079,436	7,673,839,061	17,657,835,795	25,331,674,856	25,346,684,856
Transactions with owners:							
Interim cash dividend @ Rupees 195.9478 per share - 01 July 2020	-	-	-	-	(294,117,650)	(294,117,650)	(294,117,650)
Interim cash dividend @ Rupees 117.5687 per share - 01 August 2020	-	-	-	-	(176,470,590)	(176,470,590)	(176,470,590)
Interim cash dividend @ Rupees 156.7582 per share - 01 October 2020	-	-	-	-	(235,294,120)	(235,294,120)	(235,294,120)
Interim cash dividend @ Rupees 329.9154 per share - 10 December 2020	-	-	-	-	(495,203,060)	(495,203,060)	(495,203,060)
Interim cash dividend @ Rupees 258.6511 per share - 04 January 2021	-	-	-	-	(388,235,292)	(388,235,292)	(388,235,292)
Interim cash dividend @ Rupees 39.1896 per share - 01 March 2021	-	-	-	-	(58,823,530)	(58,823,530)	(58,823,530)
Interim cash dividend @ Rupees 149.2338 per share - 12 April 2021	-	-	-	-	(224,000,000)	(224,000,000)	(224,000,000)
Profit for the year	-	-	-	-	3,247,502,439	3,247,502,439	3,247,502,439
Other comprehensive income for the year	-	-	-	-	18,764,382	18,764,382	18,764,382
Total comprehensive income for the year	-	-	-	-	3,266,266,821	3,266,266,821	3,266,266,821
Balance as at 30 June 2021	15,010,000	7,665,759,625	8,079,436	7,673,839,061	19,051,958,374	26,725,797,435	26,740,807,435
Transactions with owners:							
Interim cash dividend @ Rupees 39.1896 per share - 01 July 2021	-	-	-	-	(58,823,530)	(58,823,530)	(58,823,530)
Interim cash dividend @ Rupees 195.9478 per share - 23 July 2021	-	-	-	-	(294,117,647)	(294,117,647)	(294,117,647)
Interim cash dividend @ Rupees 235.1374 per share - 12 October 2021	-	-	-	-	(352,941,176)	(352,941,176)	(352,941,176)
Interim cash dividend @ Rupees 39.1896 per share - 07 January 2022	-	-	-	-	(58,823,529)	(58,823,529)	(58,823,529)
Interim cash dividend @ Rupees 243.7591 per share - 10 January 2022	-	-	-	-	(365,882,355)	(365,882,355)	(365,882,355)
Interim cash dividend @ Rupees 188.1099 per share - 13 April 2022	-	-	-	-	(282,352,941)	(282,352,941)	(282,352,941)
Profit for the year	-	-	-	-	6,429,382,895	6,429,382,895	6,429,382,895
Other comprehensive loss for the year	-	-	-	-	(32,413,878)	(32,413,878)	(32,413,878)
Total comprehensive income for the year	-	-	-	-	6,396,969,017	6,396,969,017	6,396,969,017
Balance as at 30 June 2022	15,010,000	7,665,759,625	8,079,436	7,673,839,061	24,035,986,213	31,709,825,274	31,724,835,274

The annexed notes form an integral part of these consolidated financial statements.

Statement under section 232 of the Companies Act, 2017

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DIRECTOR Mian Umer S.b

DIRECTOR Saqib Sb

A.J. HOLDINGS (PRIVATE) LIMITED AND ITS LOCALLY INCORPORATED SUBSIDIARY COMPANIES OPTED UNDER GROUP TAXATION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	2022 Rupees	2021 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations (Note 37)	6,957,657,293	4,126,005,995
Finance cost paid	(393,136,629)	(270,631,420)
Income tax paid	(671,591,502)	(437,285,072)
Profit received on bank deposits	226,110,091	200,260,920
Long term loans-net	3,325,004	2,820,837
Long term deposit-net	(6,041,959)	-
Workers' profit participation fund paid	(223,320,880)	(136,197,039)
Employee retirement and other long term benefits paid	(438,230,773)	(535,652,759)
Net increase in security deposits	9,492,750	584,000
Net cash generated from operating activities	5,464,263,395	2,949,905,462
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on operating fixed asset	(3,472,692,468)	(1,097,320,646)
Capital expenditure on investment properties	(135,721,534)	(558,980,798)
Proceeds from sale of operating fixed assets	78,430,397	118,320,501
Intangible asset acquired	(16,800,537)	-
Loan repaid by joint venture	-	1,943,800
Loan to joint venture	(377,014,000)	-
Loan repaid by associated company	-	742,567,261
Loan to subsidiary company	(16,061,779)	(5,817,098)
Investment in joint venture	-	(488,595,000)
Investment in subsidiary company not opted under group taxation	(1,000,000)	-
Net impact of subsidiary company opted under group taxation during the year	245,817,098	-
Investment in subsidiary company	-	(240,000,000)
Dividend received	32,544,399	10,379,850
Investment in mutual funds	-	(500,000,000)
Investment in mutual funds redeemed	350,000,000	-
Net cash used in investing activities	(3,312,498,424)	(2,017,502,130)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(1,412,941,178)	(1,872,144,242)
Lease rentals paid	(18,226,190)	(21,942,481)
Net cash used in financing activities	(1,431,167,368)	(1,894,086,723)
Net increase / (decrease) in cash and cash equivalents	720,597,603	(961,683,391)
Cash and cash equivalents at the beginning of the year	4,450,157,985	5,411,841,376
Cash and cash equivalents at the end of the year	5,170,755,588	4,450,157,985

The annexed notes form an integral part of these consolidated financial statements.

Statement under section 232 of the Companies Act, 2017

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DIRECTOR

DIRECTOR

A.J. HOLDINGS (PRIVATE) LIMITED AND ITS LOCALLY INCORPORATED SUBSIDIARY COMPANIES OPTED UNDER GROUP TAXATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. THE GROUP AND ITS OPERATIONS

For the purpose of group taxation under section 59AA "Group Taxation" of Income Tax Ordinance, 2001, the Group consists of:

Holding company

- A.J. Holdings (Private) Limited

Locally incorporated subsidiary companies opted under group taxation

- US Denim Mills (Private) Limited
- U.S. Apparel and Textiles (Private) Limited
- United Apparel (Private) Limited
- Leeds Apparel (Private) Limited
- Leeds Logistics (Private) Limited

The Group has opted for taxation under Section 59AA "Group taxation" of Income Tax Ordinance, 2001 as one fiscal unit. Under Income Tax Ordinance, 2001 the group taxation is restricted to companies locally incorporated under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and opted for group taxation under Section 59AA of The Income Tax Ordinance, 2001. Therefore, these consolidated financial statements represent A.J. Holdings (Private) Limited and its locally incorporated subsidiary companies opted under group taxation. Subsidiary companies incorporated outside Pakistan and locally incorporated companies not opted under group taxation have not been consolidated in these financial statements and are presented as long term investments.

A.J. Holdings (Private) Limited

A.J. Holdings (Private) Limited ("the Company") is a private limited company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) on 27 December 2013. The registered office of the Company is situated at 3-KM, Defence – Raiwind Road, Lahore. The principal object of the Company is to act as holding company of US Group Companies and to invest in real estate, immovable property, listed and unlisted securities and deal with the moneys of the Group not immediately required.

US Denim Mills (Private) Limited

US Denim Mills (Private) Limited, a wholly owned subsidiary of A.J. Holdings (Private) Limited, is a private limited company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017), on 18 January 2005. The principal activity of US Denim Mills (Private) Limited – subsidiary company is manufacturing and sale of denim fabric. The registered office of US Denim Mills (Private) Limited – subsidiary company is situated at 26 - M, Gulberg III, Lahore and the manufacturing facility is situated at 3 Km, Defence Raiwind Road, Lahore.

U.S. Apparel and Textiles (Private) Limited

U.S. Apparel and Textiles (Private) Limited, a wholly owned subsidiary of A.J. Holdings (Private) Limited, having its registered office at 3-KM, Off Defence / Raiwind Road, Lahore, was incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) on 18 February 1987. It is principally engaged in the manufacturing and export of ready-made garments.

Geographical locations and addresses of all business units of U.S. Apparel and Textile (Private) Limited are as follows:

Business units	Address
Apparel Unit – 1	26-M, Gulberg-III, Lahore
Apparel Unit – 1 R	253-A, Sundar Industrial Estate, Lahore
Apparel Unit – 2 and Unit – 5	3-KM, off Defence / Raiwind Road, Lahore
Apparel Unit – 3 and Unit – 4	20-KM, Ferozepur Road, Glaxo Town, Lahore

United Apparel (Private) Limited

United Apparel (Private) Limited, a wholly owned subsidiary of A.J. Holdings (Private) Limited, was incorporated in Pakistan as a Private Limited Company on 05 July 2006 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is principally engaged in trading of ready-made garments. The registered office of United Apparel (Private) Limited is located at 20-KM, Ferozepur Road, Galaxo Town, Lahore and business unit is located at 26-M, Gulberg III, Lahore.

Leeds Apparels (Private) Limited

Leeds Apparel (Private) Limited, a wholly owned subsidiary of A.J. Holdings (Private) Limited, was incorporated in Pakistan as a Private Limited Company on 01 November 2006 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The principal activity of Leeds Apparel (Private) Limited is to deal in all kind of readymade garments. The registered office of Leeds Apparel (Private) Limited is located at 26-M, Gulberg-III, Lahore.

Going concern assumption

Leeds Apparel (Private) Limited – subsidiary company has suspended its operations since 2020 and has reported loss after tax of Rupees 0.671 million. Whereas, accumulated loss stood at Rupees 10.093 million (2021: Rupees 9.422 million) which has fully eroded its paid-up capital of Rupees 20,000. Further, the current liabilities exceeded its current assets amounting to Rupees 10.073 million (2021: Rupees 9.402 million).

As of reporting date, the A.J. Holdings (Private) Limited – holding company has expressed its commitment to provide financial support to Leeds Apparel (Private) Limited – subsidiary company. Additionally, the management of Leeds Apparel (Private) Limited – subsidiary company has decided to revive Leeds Apparel (Private) Limited – subsidiary company in near future.

On the basis of these factors, the management is confident that Leeds Apparel (Private) Limited – subsidiary company shall achieve improved profitability in the near future. Accordingly, these financial statements have been prepared on going concern basis and do not include any adjustment relating to the realization of its assets and liquidation of any liabilities that might be necessary should Leeds Apparel (Private) Limited – subsidiary company be unable to continue as going concern.

Leeds Logistics (Private) Limited

Leeds Logistics (Private) Limited, a wholly owned subsidiary of A.J. Holdings (Private) Limited, was incorporated in Pakistan as a Private Limited Company on 17 March 2021 under the Companies Act, 2017. The principal activities of Leeds Logistics (Private) Limited – subsidiary company are to provide full air, sea and land cargo services, warehousing facilities and all other services incidental to the business of the logistics. The registered office of Leeds Logistics (Private) Limited – subsidiary company is located at 3-KM, Off Defence / Raiwind Road, Lahore.

Geographical location and addresses of all business units are as follows:

Business units	Address
Head Office	8-A, Leeds House, Izmir Town, Lahore
Regional Office	Agri Mall Petrol Pump, Near Noreen Nishat Welfare Hospital, Khanewal
Karachi Office	Plot No. C3, Block No. 7&8, Ground Floor, Zeeshan Center, Sultan Ahmad Shah Road, Karachi

In the first period of operations, Leeds Logistics (Private) Limited – subsidiary company has incurred loss after taxation of Rupees 89.208 million. The issued, subscribed and paid up share capital of the Company is Rupees 1.000 million. The A.J. Holdings (Private) Limited – holding company being the sponsor of the Company has injected share deposit money of Rupees 837.131 million and is committed to convert share deposit money into share capital. The management of Leeds Logistics (Private) Limited – subsidiary company is confident that operations of Leeds Logistics (Private) Limited – subsidiary company in forthcoming financial years will contribute good profits to the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

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

b) Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except for as otherwise stated in respective accounting policies.

c) Critical accounting estimates and judgments

The preparation of these consolidated 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 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 consolidated financial statements or where judgments were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairments

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

Taxation

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

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling price less estimated expenditures to make sales.

Provision for slow moving and obsolete inventory

Provision for slow moving and obsolete inventories is made on the basis of management's estimate of net realizable value and ageing analysis.

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.

Revenue from contracts with customers involving sale of goods and services

When recognizing revenue in relation to the sale of goods to customers and provision of services, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer or delivery of goods to the customer's desired location, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access or the time that the goods are delivered to client, respectively.

Impairment of investments in subsidiary companies and equity method accounted for joint venture

In making an estimate of recoverable amount of the Group's investment in subsidiary companies and equity method accounted for joint venture, the management considers future cash flows.

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 recognised provision is recognised in the consolidated statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

Contingencies

The Group reviews the status of all pending litigations and claims against the Group. 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 consolidated statement of financial position date.

d) **Amendments to published approved accounting standards that are effective in current year and are relevant to the Group**

Following amendments to published approved accounting standards are mandatory for the Group's accounting periods beginning on or after 01 July 2021:

- Amendments to IFRS 16 'Leases' – Covid-19 related rent concessions extended beyond 30 June 2021
- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 4 'Insurance Contracts', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases'

The above-mentioned amendments to approved accounting standards did not have any impact on the amounts recognized in prior period and are not expected to significantly affect the current or future periods.

e) **Amendments to published approved accounting standards that are effective in current year but not relevant to the Group**

There are amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2021 but are considered not to be relevant or do not have any significant impact on the Group's financial statements and are therefore not detailed in these consolidated financial statements.

f) **Amendments to published approved accounting standards that are not yet effective but relevant to the Group**

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2022 or later periods:

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets') effective for the annual period beginning on or after 01 January 2022 amends IAS 1 'Presentation of Financial Statements' by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 'Property, Plant and Equipment') effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2 'Inventories'. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 01 January 2022:

- IFRS 9 'Financial Instruments' – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 'Leases' – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 'Leases' by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IAS 41 'Agriculture' – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgement') effective for annual periods beginning on or after 01 January 2023. These amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Earlier, IAS 1 states that an entity shall disclose its 'significant accounting policies' in their financial statements. These amendments shall assist the entities to disclose their 'material accounting policies' in their consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 'Income taxes') effective for annual periods beginning on or after 01 January 2023. These amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

Change in definition of Accounting Estimate (Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors') effective for annual periods beginning on or after 1 January 2023. This change replaced the definition of Accounting Estimate with a new definition, intended to help entities to distinguish between accounting policies and accounting estimates.

The International Accounting Standards Board (IASB) has published 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. Effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2022. The amendments also add to IFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The standard is effective for transactions in the future and therefore would not have an impact on past consolidated financial statements.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' (deferred indefinitely) to clarify the treatment of the sale or contribution of assets from an investor to its associates or joint venture, as follows: require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations'); require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occur by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The above amendments and improvements are likely to have no significant impact on the consolidated financial statements.

g) Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Group

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2022 but are considered not to be relevant or do not have any significant impact on the Group's financial statements and are therefore not detailed in these consolidated financial statements.

2.2 Consolidation

a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and carrying value of investments held by the holding company is eliminated against holding company's share in paid up capital of the subsidiary companies.

Intragroup balances and transactions have been eliminated.

Non-controlling interests are that part of net results of the operations and of net assets of subsidiary companies attributable to interest which are not owned by the holding company. Non-controlling interests are presented as separate item in the consolidated financial statements.

b) Joint venture

A Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint venture is accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associate are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its equity method accounted for joint venture are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investments in equity method accounted for joint venture are tested for impairment in accordance with the provision of IAS 36 \`Impairment of Assets\`.

2.3 Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. Goodwill is not amortised but is reviewed for impairment at least annually.

2.4 Functional and presentation currency

Item included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the functional currency). These consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

2.5 Foreign currency transactions and translations

All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the consolidated statement of profit or loss.

2.6 Fixed assets

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition. Freehold land is stated at cost less any recognized impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to consolidated statement of profit or loss during the period in which they are incurred.

Depreciation on property, plant and equipment is charged to consolidated statement of profit or loss applying the straight line method, except in case of United Apparel (Private) Limited – subsidiary company where depreciation is charged applying reducing balance method, so as to write off the cost / depreciable amount of the assets over their estimated useful lives. Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed of, except in case of United Apparel (Private) Limited – subsidiary company where depreciation on additions is charged from the date asset is available for use up to the date on which an asset is disposed off.

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

Capital work in progress

Capital work-in-progress is stated at cost less identified impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

2.7 Investment properties

Land and buildings held for capital appreciation or to earn rental income are classified as investment properties. Investment properties except land, are stated at cost less accumulated depreciation and any recognized impairment loss. Land is stated at cost less any recognized impairment loss (if any). Depreciation is charged to consolidated statement of profit or loss applying the straight line method so as to write off the cost of buildings over its estimated useful lives. Depreciation on additions is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed of.

Property under construction or development for future use as an investment property is included in investment properties at cost.

Change in accounting estimate

On 01 July 2021, the holding company reassessed the remaining useful lives of investment property – buildings to twenty years. Further, the Company also changed its accounting estimate to charge depreciation from reducing balance method to straight line method. Previously, depreciation on investment property - buildings was charged applying reducing balance method. These changes in accounting estimates have been applied prospectively in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and has no financial impact on these consolidated financial statements.

2.8 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

The Group applies a single recognition and measurement approach for all leases. There are several lease contracts that include extension and termination options and variable lease payments. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a) Right-of-use assets

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is charged over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Group has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are charged to income as incurred.

b) Lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are re-measured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right-of-use asset, or to consolidated statement of profit or loss if the carrying amount of the right-of-use asset is fully written down.

Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property whether it retains or not substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases or finance leases.

a) Net investment in lease

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of the assets to the lessee are classified as finance leases. Net investment in lease finance is stated at an amount equal to the aggregate of the minimum lease payments receivable, including any guaranteed residual value and excluding any unearned income, write-offs and provision for potential lease tosses, if any.

b) Operating leases

Leases where the Group does not transfer substantially all the risks and rewards incidental to ownership of the assets to the lease are classified as operating leases.

2.9 Intangibles

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprise purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition an intangible asset is carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight line basis over a period of five years.

Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed of. The useful life and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each consolidated statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Reversals of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if impairment losses had not been recognized. An impairment loss or reversal of impairment loss is recognized in the consolidated statement of profit or loss.

2.11 Investments and other financial assets

a) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

b) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognised in profit or loss. 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 and recognised in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income / (other expenses) and impairment losses are presented as separate line item in the consolidated statement of profit or loss.

Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other income / (other expenses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

Fair value through other comprehensive income (FVTOCI)

Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Fair value through profit or loss

Changes in the fair value of equity investments at fair value through profit or loss are recognised in other income / (other expenses) in the consolidated statement of profit or loss as applicable.

Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

2.12 Financial liabilities – classification and measurement

Financial liabilities are classified as measured at amortized cost or 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 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 consolidated statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

2.13 Impairment of financial assets

The Group recognizes loss allowances for ECLs on:

- Financial assets measured at amortized cost;
- Debt investments measured at FVTOCI; and
- Contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and

- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.
The Group has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a matrix that is based on the Group 's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

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

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVTOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

2.14 De-recognition of financial assets and financial liabilities

a) Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

b) Financial liabilities

The Group derecognizes a financial liability (or a part of financial liability) from its consolidated statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

2.15 Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the consolidated financial statements when there is a legal enforceable right to set off and the Group intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

2.16 Investments in subsidiaries

Investments in subsidiary companies incorporated outside Pakistan and locally incorporated subsidiary companies not opted under group taxation are stated at cost less impairment loss, if any.

2.17 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.
For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment.

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.

- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognized in the statement of profit or loss as other expense or income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of profit or loss as other expense / other income.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss.

2.18 Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

2.19 Inventories

Inventories, except for stock in transit and waste stock / rags are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores, spare parts and loose tools

Stores, spare parts and loose tools, except for those in transit, are principally valued at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Stock in trade

Cost of raw materials, except for those in transit, work in process and finished goods is determined using weighted average cost.

Cost of work in process and finished goods comprise cost of direct materials, labor and appropriate manufacturing overheads.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon. Waste stock / rags are valued at net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and the estimated costs necessarily to be incurred to make the sale.

2.20 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.21 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, if any.

2.22 Employees retirement and other long term benefits

Defined benefit plan - Gratuity scheme

The holding company and its subsidiary companies US Denim Mills (Private) Limited and U.S. Apparel and Textiles (Private) Limited operate approved funded gratuity schemes for eligible employees subject to completion of minimum period of service. The Group's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods, discounting that amount and deducting the fair value of any plan assets. Provisions are made in the consolidated financial statements to cover obligations on the basis of actuarial valuation carried out annually by an independent actuary.

Actuarial gains and losses arising from experience adjustment and changes in actuarial assumption are charged or credited to equity through consolidated other comprehensive income in the period in which they arise. Current and past service costs are recognized immediately in consolidated statement of profit or loss. The latest actuarial valuation was carried out as at 30 June 2022 using the 'Projected Unit Credit Method'.

Leeds Logistics (Private) Limited – subsidiary company maintains an unfunded and unapproved gratuity scheme for eligible employees. Provision is recorded at the rate of thirty days salaries of eligible employees for the completed year of service. No actuarial valuation has been carried out as management of Leeds Logistics (Private) Limited – subsidiary company considers that adequate provision has been made in the financial statements to cover the liability and in management's opinion the recorded liability will not be significantly different from the liability to be determined by actuary in view of the number of employees and their respective period of employment left with Leeds Logistics (Private) Limited – subsidiary company and their entitlement to the benefit.

Other long term benefits - Accumulating compensated absences

US Denim Mills (Private) Limited – subsidiary company and U.S. Apparel and Textiles (Private) Limited – subsidiary company provide for compensated absences for all eligible employees in accordance with rules. US Denim Mills (Private) Limited and U.S. Apparel and Textiles (Private) Limited – subsidiary companies account for these benefits in the period in which the absences are earned.

Provisions are made annually to cover the obligation for accumulating compensated absences on the basis of actuarial valuation and are charged to consolidated statement of profit or loss. The amount recognized in the consolidated statement of financial position represents the present value of the benefit obligation. Actuarial gains and losses are charged to consolidated statement of profit or loss immediately in the period when these occur.

The latest actuarial valuation was carried out as at 30 June 2022 using 'Projected Unit Credit Method'.

2.23 Borrowings

Financing and borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

2.24 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.25 Contingent assets

Contingent assets are disclosed when the Group has a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognized until their realization becomes certain.

2.26 Contingent liabilities

Contingent liability is disclosed when the Group has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent liabilities are not recognized, only disclosed, unless the possibility of a future outflow of resources is considered remote. In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognized in the consolidated financial statements.

2.27 Taxation

a) Current

Securities and Exchange Commission of Pakistan (SECP) has designated the holding company and its wholly owned locally incorporated subsidiaries, US Denim Mills (Private) Limited, U.S. Apparel and Textiles (Private) Limited, United Apparel (Private) Limited, Leeds Logistics (Private) Limited and Leeds Apparel (Private) Limited as a "Group" for the purpose of group taxation under Section 59AA of the Income Tax Ordinance, 2001. Provision of current taxation is made accordingly.

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

b) Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the consolidated statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.28 Revenue from contracts with customers

Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services other than logistics services

Revenue from a contract to provide services other than logistics services is recognised over time as the services are rendered.

Logistics revenue

Logistics revenue comprises of transportation services. Logistics revenue is recognized at the point in time when the services are rendered to the customer.

Interest

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rent

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Dividend

Dividend on equity investments is recognized when right to receive the dividend is established.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

2.29 Contract assets

Contract assets arise when the Group performs its performance obligations by transferring goods / services to a customer before the customer pays its consideration or before payment is due. Contract assets are treated as financial assets for impairment purposes.

2.30 Contract liabilities

Contract liability is the obligation of the Group to transfer goods / provide services to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Group performs its performance obligations under the contract.

2.31 Ijara contracts

Under the Ijarah contracts the Group obtains usufruct of an asset for an agreed period for an agreed consideration. The Group accounts for its Ijarah contracts in accordance with the requirements of IFAS 2 'Ijarah'. Accordingly, the Group as a Mustaj'ir (lessee) in the Ijarah contract recognises the Ujrah (lease) payments as an expense in the profit and loss on straight line basis over the Ijarah term.

2.32 Borrowing cost

Interest, mark-up and other charges on borrowings are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such finances. All other interest, mark-up and other charges are recognized in consolidated statement of profit or loss.

2.33 Provisions

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

2.34 Dividend and other appropriations

Dividend distribution to the shareholders is recognized as a liability in the consolidated financial statements in the periods in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

2.35 Earnings per share

Earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the holding company by the weighted average number of ordinary shares outstanding during the year.

3 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2022	2021		2022	2021
(Number of shares)			Rupees	Rupees
1,000	1,000	Ordinary shares of Rupees 10 each fully paid-up in cash	10,000	10,000
1,500,000	1,500,000	Ordinary shares of Rupees 10 each issued under the scheme of Compromises, Arrangements and Reconstruction among U.S. Apparel and Textiles (Private) Limited, US Apparel (Private) Limited, US Denim Mills (Private) Limited and A.J. Holdings (Private) Limited.	15,000,000	15,000,000
1,501,000	1,501,000		15,010,000	15,010,000

3.1 300,198 (2021: 300,198) ordinary shares of the Company are held by Naimat Saleem Trust - related party. On order of Naimat Saleem Trust, under Section 242 of the Companies Act, 2017, dividend on these shares have been paid to Mr. Javed Arshad Bhatti and Mian Muhammad Ahsan.

4 RESERVES

Composition of reserves is as follows:

	2022	2021
Capital reserves		
Share premium (Note 4.1)	7,665,759,625	7,665,759,625
Capital reserve	8,079,436	8,079,436
	7,673,839,061	7,673,839,061
Revenue reserve		
Unappropriated profit	24,035,986,213	19,051,958,374
	31,709,825,274	26,725,797,435

4.1 This reserve can be utilized by the Group only for the purposes specified in section 81 of the Companies Act, 2017.

5. DEFERRED LIABILITIES

	2022	2021
	Rupees	Rupees
Deferred income tax liability (Note 5.1)	12,828,235	-
Employees retirement and other long term benefits (Note 5.2)	194,987,111	259,560,177
	207,815,346	259,560,177

	2022	2021
	Rupees	Rupees

5.1 Deferred income tax liability

Deferred income tax liability comprised of temporary difference relating to:

Taxable temporary difference on:

Accelerated tax depreciation	12,828,235	-

5.1.1 Movement in deferred tax balance is as follows:

	2022		
	Opening balance	Recognised in consolidated statement of profit or loss	Closing balance
	----Rupees----		
Accelerated tax depreciation	-	12,828,235	12,828,235

	2022	2021
	Rupees	Rupees

5.2 Employees retirement and other long term benefits

Defined benefit plan:		
Gratuity - funded (Note 5.3)	136,928,181	147,858,062
Gratuity - unfunded (Note 5.4)	2,558,547	-
Other long term benefit:		
Accumulated compensated absences (Note 5.5)	55,500,383	111,702,115
	194,987,111	259,560,177

5.3 Gratuity - funded

Liability recognized in the statement of financial position

Present value of defined benefit obligation (Note 5.3.3)	1,638,270,334	1,337,474,111
Fair value of plan assets (Note 5.3.4)	(1,501,342,153)	(1,189,616,049)
	136,928,181	147,858,062

5.3.1 The Group operates funded gratuity scheme for all permanent employees of A.J. Holdings (Private) Limited - holding company, US Denim Mills (Private) Limited - subsidiary company and U.S. Apparel and Textiles (Private) Limited - subsidiary company. Provision has been made in these consolidated financial statements to cover obligation of gratuity in accordance with the actuarial recommendations. Latest actuarial valuation has been carried out as at 30 June 2022.

	2022 Rupees	2021 Rupees

5.3.2 Movement in liability recognized in statement of financial position

	2022 Rupees	2021 Rupees
Net obligation as at 01 July	147,858,062	290,139,631
Expense for the year	400,635,326	385,479,902
Re-measurement recognized in other comprehensive income	32,413,878	(18,764,382)
Payments to fund	(443,979,085)	(508,997,089)
	(10,929,881)	(142,281,569)
Net obligation as at 30 June	136,928,181	147,858,062

5.3.3 Movement in present value of defined benefit obligation

	2022 Rupees	2021 Rupees
Present value of obligation as at 01 July	1,337,474,111	1,039,926,218
Current service cost	406,734,033	340,242,605
Past service cost	-	43,016,356
Interest cost	123,819,404	78,748,730
Benefits paid	(217,087,444)	(206,199,182)
Liability transferred to other group company	(2,164,476)	-
Liability transferred from other group company	9,169,200	-
Re-measurement (gain) / loss on obligation	(19,921,418)	41,739,384
Actuarial losses from changes in financial assumptions	77,126	-
Experience adjustments	169,798	-
Present value of obligation as at 30 June	1,638,270,334	1,337,474,111

5.3.4 Movement in the fair value of plan assets

	2022 Rupees	2021 Rupees
Fair value as at 01 July	1,189,616,049	749,786,587
Expected return on plan assets	129,918,111	76,527,789
Group's contribution	443,979,085	508,997,089
Benefits paid	(217,087,444)	(206,199,182)
Funds transferred from other group company	10,176,547	-
Funds transferred to other group company	(3,171,823)	-
Re-measurement (loss) / gain on plan assets	(52,088,372)	60,503,766
Fair value of plan assets as at 30 June	1,501,342,153	1,189,616,049

5.3.5 Plan assets comprise as follows:

	2022 Rupees	2021 Rupees
Term deposit receipts	-	-
Mutual funds	176,698,529	609,166,164
Cash at bank	124,320,712	55,621,719
Term deposit receipt and accrued profit thereon	1,200,322,912	480,828,166
Others	-	44,000,000
	1,501,342,153	1,189,616,049

	2022 Rupees	2021 Rupees
5.3.6 Charge for the year		
Consolidated statement of profit or loss		
Current service cost	406,734,033	340,242,605
Past service cost	-	43,016,356
Interest cost on defined benefit obligation	123,819,404	78,748,730
Expected return on plan assets	(129,918,111)	(76,527,789)
	400,635,326	385,479,902
Consolidated statement of comprehensive income		
Re-measurement (gain) / loss on obligation	19,921,418	(41,739,384)
Actuarial losses from changes in financial assumptions	(77,126)	-
Experience adjustments	(169,798)	-
Re-measurement (loss) / gain on plan assets	(52,088,372)	60,503,766
	(32,413,878)	18,764,382
	368,221,448	404,244,284
5.3.7 The charge for the year has been allocated as follows:		
Salaries, wages and other benefits		
Cost of sales	329,013,203	300,345,683
Distribution and marketing expenses	22,998,009	21,442,673
Administrative expenses	48,624,114	63,691,546
	400,635,326	385,479,902
5.3.8 Actual return on plan assets	77,829,739	137,031,555

5.3.9 The expected charge to consolidated statement of profit or loss for the year ending on 30 June 2023 will be Rupees 475.325 million.

	2022 Rupees	2021 Rupees	2020 Rupees	2019 Rupees
5.3.10 Historical information for gratuity fund				
Present value of defined benefit obligation	1,638,270,334	1,337,474,111	1,039,926,218	822,765,547
Fair value of plan assets	(1,501,342,153)	(1,189,616,049)	(749,786,587)	(629,457,516)
Deficit	136,928,181	147,858,062	290,139,631	193,308,031
Experience adjustments arising on plan liabilities	19,674,494	(41,739,384)	(24,922,977)	(40,662,032)
Experience adjustments arising on plan assets	(52,088,372)	60,503,766	(36,178,866)	(93,697,203)

5.3.11 Sensitivity analysis for actuarial assumptions:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions at the reporting date:

	Present value of defined benefit obligation		
	Change in assumptions	Increase in assumptions Rupees	Decrease in assumption Rupees
Discount rate	1%	1,516,373,254	1,779,964,130
Salary increase	1%	1,781,078,925	1,513,382,089

The above sensitivity analysis are based on a change in an assumption 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 the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The latest actuarial valuation was carried out at 30 June 2022 using the 'Projected Unit Credit Method' with following significant assumptions:

	A.J. Holdings (Private) Limited - holding company		**US Denim Mills (Private) Limited - subsidiary company**		**U.S. Apparel and Textiles (Private) Limited - subsidiary company**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Discount rate	13.25%	10.00%	13.50%	10.25%	13.25%	10.00%
Expected rate of increase in salary	12.00%	8.75%	12.50%	9.25%	12.00%	8.75%
Expected mortality	Expected mortality rate SLIC (2001-05) Mortality table Setback 1 Year					

5.4 Gratuity - unfunded

5.4.1 Leeds Logistics (Private) Limited - subsidiary company has an unfunded and unapproved gratuity scheme for eligible employees. Provision is made at the rate of thirty days salaries of eligible employees for the completed years of services.

	2022 Rupees	**2021 Rupees**
5.5 Other long term benefit - accumulated compensated absences		
Present value of accumulated compensated absences	55,500,383	111,702,115

5.5.1 The Group provides for compensated absences for all eligible employees of US Denim Mills (Private) Limited - subsidiary company and U.S. Apparel and Textiles (Private) Limited - subsidiary company in accordance with rules. Provision has been made in these consolidated financial statements to cover obligation on the basis of actuarial recommendations. Latest actuarial valuation has been carried out as at 30 June 2022.

	2022 Rupees	**2021 Rupees**
5.5.2 The movement in the present value of other long term benefit is as follows:		
Balance as at 01 July	111,702,115	102,478,649
Current service cost	27,816,705	29,193,769
Interest cost	7,884,767	6,059,555
Benefit paid	(9,638,470)	(26,655,670)
Re-measurement - experience adjustments	(10,558,662)	(929,236)
Loss arising on plan settlements	(41,215,692)	-
Actuarial (gains) / losses from changes in financial assumption	(1,160,927)	1,555,048
Benefit curtailment	(29,329,453)	-
Balance as at 30 June	55,500,383	111,702,115

5.5.3 Charge for the year

Current service cost	27,816,705	29,193,769
Interest cost	7,884,767	6,059,555
Re-measurement loss on obligation	(10,558,662)	(929,236)
Loss arising on settlements	(41,215,692)	-
Actuarial (gains) / losses from changes in financial assumption	(1,160,927)	1,555,048
Benefit curtailment	(29,329,453)	-
	(46,563,262)	35,879,136

Charge for the year has been allocated to cost of sales, distribution and marketing expenses and administrative expenses under head salaries, wages and other benefits.

The latest actuarial valuation was carried out at 30 June 2022 using the 'Projected Unit Credit Method' with following significant assumptions:

	US Denim Mills (Private) Limited - subsidiary company		U.S. Apparel and Textiles (Private) Limited - subsidiary company	
	2022	2021	2022	2021
Discount rate	13.50%	10.25%	13.25%	10.00%
Expected rate of increase in salary	12.50%	9.25%	12.00%	8.75%
Expected mortality rate	Expected mortality rate SLIC (2001 -05) Mortality table Setback 1 Year			

5.5.4 Sensitivity analysis for actuarial assumptions:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions at the reporting date:

	Present value of defined benefit obligation		
	Change in assumptions	Increase in assumptions	Decrease in assumption
		Rupees	Rupees
Discount rate	1%	52,161,430	59,357,653
Salary increase	1%	59,197,439	52,258,996

The above sensitivity analysis are based on a change in an assumption 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 the defined benefit obligation to significant actuarial assumptions the same method has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

	2022 Rupees	2021 Rupees
6 LEASE LIABILITIES		
Lease liabilities (Note 6.2)	124,958,694	104,039,876
Less: Current maturity shown under current liabilities	(34,354,688)	(11,471,394)
	90,604,006	92,568,482

6.1 The effective interest rate used as the discounting factor (i.e. implicit in the lease) for current year is 12.52% (2021: 9.69%).

	2022 Rupees	2021 Rupees
6.2 Set out below are the carrying amounts of lease liabilities and the movement during the year:		
Opening balance	104,039,876	-
Add: Additions during the year	39,145,008	125,982,357
Add: Interest cost on lease liabilities (Note 34)	10,241,155	5,684,636
	153,426,039	131,666,993
Less: Lease rentals paid	(28,467,345)	(27,627,117)
Closing balance	124,958,694	104,039,876

6.3 Lease liabilities represent premises acquired on lease by the group for its operations. The lease term varies from 3 to 5 years (2021: 5 years).

	2022 Rupees	2021 Rupees
7 SECURITY DEPOSITS		
Security deposits (Note 7.1)	10,456,250	963,500
Less: Current portion shown under current liabilities (Note 8)	(293,250)	(293,250)
	10,163,000	670,250

7.1 These represent amounts received from tenants as security deposit and are repayable at the end of lease term. These include amounts due to following related parties:

	2022 Rupees	2021 Rupees
Naimat Saleem Trust	504,000	86,250
Recep Tayyip Erdogan Hospital Trust	86,250	86,250
The Indus Hospital Trust	207,000	207,000

8. TRADE AND OTHER PAYABLES

	2022 Rupees	2021 Rupees
Trade creditors (Note 8.1)	9,843,727,176	5,441,967,461
Accrued liabilities (Note 8.2)	1,253,771,795	1,048,514,009
Contract liabilities (Note 8.3)	421,432,329	153,441,856
Security deposits:		
- short term (Note 8.4)	7,233,006	2,548,006
- current portion of long term security deposit (Note 7)	293,250	293,250
	7,526,256	2,841,256
Retention money payable	24,856,441	32,200,749
Workers' welfare fund	40,944,275	14,530,360
Fair value of forward exchange contracts:		
- designated as hedging instrument (Note 8.5)	59,786,958	56,448,509
- not designated as hedging instrument (Note 8.6)	27,494,362	8,604,908
Rent received in advance	12,543,291	3,936,026
Payable against purchase of land	35,000,000	80,296,500
Advance against sale of vehicle	23,000,000	-
Income tax deducted at source	22,895,431	25,535,389
Withholding sale tax payable	-	18,750
Payable to Naimat Saleem Trust - related party (Note 8.7)	1,826,500	-
Other payables	5,107,579	38,771,757
	11,779,912,393	6,907,107,530

8.1 These include balances payable to following related parties.

	2022 Rupees	2021 Rupees
Stylers International Limited - associated company	132,956,355	29,573,543
US & Dynamo Mills (Private) Limited - joint venture	2,942,842	729,255
	135,899,197	30,302,798

8.2 These include provision amounting to Rupees 61.800 million (2021: Rupees 56.400 million) in respect of Sindh Infrastructure Development Cess.

8.3 Revenue recognized in the reporting year that was included in the contract liabilities balance at the beginning of the year amounts to Rupees 153.439 million (2021: Rupees 153.227 million).

8.4 These deposits are interest free and repayable on completion of contracts. These deposits have been utilized for the purpose of business in accordance with the terms of written agreements with contractors.

8.5 This reflects the negative change in fair value of foreign exchange forward contracts, designated as fair value hedges to hedge foreign currency trade debts and highly probable forecast sales in US dollars, EU (USD).

8.6 The Group had entered into a derivate foreign exchange arrangement to hedge for the possible adverse movements in foreign currency arising on receipts due from its export customers. This derivative arrangement have been marked to market and the resulting loss has been recognized in the statement of profit or loss.

8.7 This is in respect of expenses incurred on behalf of the Group.

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

9.1.1 Guarantees of Rupees 203.835 million (2021: Rupees 207.130 million) and Rupees 14.911 million (2021: Rupees 8.94 million) have been issued by the banks of the Group to Sui Northern Gas Pipeline Limited and Lahore Electric Supply Company Limited against gas and electricity connections.

9.1.2 Guarantees of Rupees 150.000 million (2021: Rupees 115.00 million) have been issued by the Banks of the Group to Director, Excise and Taxation, Government of Sindh against the levy of Infrastructure Sindh Development Surcharge.

9.1.3 Guarantee of Rupees 6.000 million (2021: 6.000 million) has been issued by the Bank of the Group to Total Parco against procurement of oil.

9.1.4 Guarantee of Rupees 6.00 million (2021: Rupees 6.00 million) has been issued by the Bank of the Group to Attock Petroleum against procurement of oil.

9.1.5 Guarantee of Rupees 29.00 million (2021: Rupees 17.00 million) has been issued by the Bank of the Group to Pakistan State Oil Company Limited for purchase of POL / fuel.

9.1.6 Standby letter of credit of Rupees 107.72 million (2021: Rupees 107.72 million) has been issued by the Bank of the Group in favour of SNGPL.

9.1.7 Guarantee of Rupees 50.87 million (2021: Rupees 50.87 million) has been issued by the Bank of the Group in favour of State Bank of Pakistan for Technology Upgradation Fund.

9.1.8 Section 7E of Income Tax Ordinance, 2001 has been inserted through the Finance Act, 2022. This section has imposed a new tax, from tax year 2022 and onwards, at the rate of 20% on the deemed income specified under this section. Tax imposed under this section is final tax and is not adjustable against any tax credits allowed under the Income Tax Ordinance, 2001. Deemed income chargeable to tax under this section is an amount equal to five percent of the fair market value of capital assets situated in Pakistan on the last day of tax year subject to certain exclusions. The Group has filed a writ petition challenging the vires of the aforesaid section in Lahore High Court, Lahore under Article 199 of the Constitution of Islamic Republic of Pakistan, 1973 and has further applied for stay order for acceptance of income tax return of the Group for the tax year 2022 without payment of tax under section 7E of the Income Tax Ordinance, 2001. The case is at the stage of hearing. The charge for the tax year 2022 amounts to Rupees 79.052 million. The management, based on legal advice, is confident that the ultimate decision will be in favour of the Group, hence no provision has been made in respect of the aforesaid litigation.

9.1.9 For tax year 2008, the Additional Commissioner Inland Revenue (ADCIR) passed an order under section 122(1)/122(5A) of the Income Tax Ordinance, 2001 and made additions on account of provision for employee benefits and donations of Rupees 13.09 million to the declared taxable income of US Denim Mills (Private) Limited – subsidiary company. Being aggrieved with the order, US Denim Mills (Private) Limited – subsidiary company filed an appeal before Commissioner Inland Revenue (CIR) (Appeals II) who upheld both the additions. US Denim Mills (Private) Limited – subsidiary company challenged the order of the CIR (Appeals II) before the Appellate Tribunal Inland Revenue which is pending adjudication.

9.1.10 For tax year 2010, the Additional Commissioner Inland Revenue (ADCIR) passed an order against US Denim Mills (Private) Limited – subsidiary company under section 122(1)/122(5/A) of the Income Tax Ordinance, 2001 and created a tax demand of Rupees 37.40 million. However, the learned ADCIR, vide order dated 16 August 2016, rectified the said order under section 221 of the Income Tax Ordinance, 2001 and adjusted the tax demand against brought forward losses of US Denim Mills (Private) Limited – subsidiary company for the tax year 2010. Being aggrieved with the order, US Denim Mills (Private) Limited – subsidiary company filed an appeal before Commissioner Inland Revenue (CIR) (Appeals-I) which is a pending adjudication.

9.1.11 For the tax year 2012, the Additional Commissioner Inland Revenue (ADCIR) passed an order under section 122(5A) of the Income Tax Ordinance, 2001 ("the Ordinance") by rejecting the claim of US Denim Mills (Private) Limited – subsidiary company that sales amounting Rupees 2,577.75 million made to manufacturers-cum-exporters is considered as indirect exports in accordance with section 154 (3) of the Ordinance read with circular No. 24 dated 17 September 1999. The learned ADCIR observed that sales can only be considered as indirect exports if same state goods are exported hence concluding that US Denim Mills (Private) Limited – subsidiary company does not fulfil conditions of indirect exporter as provided in section 154(3) of the Ordinance. Accordingly, the ADCIR assessed local sales made to manufacturers-cum-exporters as chargeable under normal tax regime instead of the Final Tax Regime and allocated expenses between the two tax streams thereby determining total taxable income to Rupees 260.93 million. The taxable income determined had been adjusted against brought forward losses of US Denim Mills (Private) Limited – subsidiary company. Being aggrieved with the order of the ADCIR, US Denim Mills (Private) Limited – subsidiary company has filed an appeal before Commissioner Inland Revenue (CIR) (Appeals-I) which is a pending adjudication.

9.1.12 The Additional Commissioner Inland Revenue (ADCIR) in respect of tax year 2014 passed an order dated 28 September 2019 under section 122(5A) of the Income Tax Ordinance, 2001 ("the Ordinance") by rejecting the claim of US Denim Mills (Private) Limited – subsidiary company that sales amounting to Rupees 3,899.64 million made to manufacturers-cum-exporters is considered as indirect exports in accordance with section 154 (3) of the Ordinance read with circular No. 24 dated 17 September 1999. The learned ADCIR observed that sales can only be considered as indirect exports if same state goods are exported hence concluding that US Denim Mills (Private) Limited – subsidiary company does not fulfil conditions of indirect exporter as provided in section 154 (3) of the Ordinance. Accordingly, the ADCIR assessed local sales made to manufacturers-cum-exporters as chargeable under Normal Tax Regime instead of the Final Tax Regime and allocated expenses between the two tax streams thus creating an income tax demand of Rupees 137.85 million. Being aggrieved with the order of the ADCIR, US Denim Mills (Private) Limited – subsidiary company filed an appeal before Commissioner Inland Revenue (CIR) (Appeals-I), Lahore who, vide order dated 06 April 2020, upheld the rejection of indirect exports of Rupees 3,899.64 million; whereas, export realizations of Rupees 814.77 million already offered for tax in the tax year 2013 added to income, the incorrect levy of WWF and tax credit not allowed on donations of Rupees 28.50 million made to the approved institutions were decided in favour of the US Denim Mills (Private) Limited – subsidiary company. Being aggrieved with the order of the CIR (Appeals), the US Denim Mills (Private) Limited – subsidiary company filed an appeal before the Appellate Tribunal Inland Revenue, who vide appellate order dated 08 September 2021 has decided the appeal in favour of US Denim Mills (Private) Limited – subsidiary company, The tax department filed reference application before the honourable Lahore High Court, Lahore against the said appellate order, which is pending adjudication.

9.1.13 For the tax year 2015, the Additional Commissioner Inland Revenue (ADCIR) passed an order under section 122(5A) of the Income Tax Ordinance, 2001 ("the Ordinance") by rejecting the claim of US Denim Mills (Private) Limited – subsidiary company that sales amounting to Rupees 3,518.41 million made to manufacturers-cum-exporters is considered as indirect exports in accordance with Section 154 (3) of the Ordinance read with circular No. 24 dated 17 September 1999. The learned ADCIR observed that sales can only be considered as indirect exports if same state goods are exported hence concluding that US Denim Mills (Private) Limited – subsidiary company does not fulfil conditions of indirect exporter as provided in section 154 (3) of the Ordinance. Accordingly, the ADCIR assessed local sales made to manufacturers-cum-exporters as chargeable under Normal Tax Regime ("NTR") instead of Final Tax Regime ("FTR"). Further, the ADCIR incorrectly calculated tax on direct exports under FTR on accrual basis instead of export proceeds. Consequently, the ADCIR assessed total taxable income under NTR of Rupees 518.59 million and created tax demand of Rupees 84.13 million. Being aggrieved with the order of the ADCIR, US Denim Mills (Private) Limited – subsidiary company filed an appeal before Commissioner Inland Revenue (CIR) (Appeals) who, vide order dated 06 April 2020, upheld the rejection of indirect exports of Rupees 3,518.41 million; whereas, tax on direct exports under FTR calculated on accrual basis instead of on export proceeds and the levy of WWF and tax credit not allowed on donation made to approved institutions were decided in favour of US Denim Mills (Private) Limited – subsidiary company. Being aggrieved with the order of the CIR (Appeals), the US Denim Mills (Private) Limited – subsidiary company filed an appeal before the Appellate Tribunal Inland Revenue who vide appellate order dated 25 August 2021 has decided the appeal in favour of US Denim Mills (Private) Limited – subsidiary company. The tax department filed reference application before the honourable Lahore High Court against the said appellate order, which is pending adjudication.

9.1.14 For the tax year 2016, the Additional Commissioner Inland Revenue (ADCIR) passed an order under Section 122(5A) of the Income Tax Ordinance, 2001 ("the Ordinance") by rejecting the claim of US Denim Mills (Private) Limited – subsidiary company that sales amounting to Rupees 4,864.26 million made to manufacturers-cum-exporter is considered as indirect exports in accordance with section 154 (3) of the Ordinance read with circular no.24 dated 17 September 1999. The learned ADCIR observed that local sales can only be considered as indirect exports if same state goods are exported hence concluding that US Denim Mills (Private) Limited – subsidiary company does not fulfil conditions of indirect exporter as provided in section 154 (3) of the Ordinance. Accordingly, the ADCIR assessed local sales made to manufacturers-cum-exporters as chargeable under Normal Tax Regime instead of Final Tax Regime and allocated expenses between the two tax streams thus creating a income tax demand of Rupees 36.78 million (after adjustment of brought forward losses). Being aggrieved with the order of the ADCIR, US Denim Mills (Private) Limited – subsidiary company filed an appeal before Commissioner Inland Revenue (CIR) (Appeals I), which is pending adjudication.

9.1.15 For the tax year 2018, the Additional Commissioner Inland Revenue (ALDCIR) passed an order under section 122(5A) of the Income Tax Ordinance, 2001 by rejecting the claim of US Denim Mills (Private) Limited – subsidiary company that sales amounting to Rupees 6,304.32 million made to manufacturers-cum-exporters is considered as indirect exports in accordance with section 154 (3) of the Ordinance read with circular No. 24 dated 17 September 1999. The learned ADCIR observed that sales can only be considered as indirect exports if same state goods are exported hence concluding that US Denim Mills (Private) Limited – subsidiary company does not fulfil conditions of indirect exporter as provided in section 154 (3) of the Ordinance. Accordingly, the ADCIR assessed local sales made to manufacturers-cum-exporters as chargeable under Normal Tax Regime ("NTR") Instead of Final Tax Regime. Further, the ADCIR curtailed the tax credit under section 65B of the Ordinance to Rupees 114.84 million instead of Rupees 130.50 million and assessed total taxable income under NTR to Rupees 3.17 million determining the income tax refund of Rupees 71.50 million theron. Being aggrieved with the order of the ADCIR, US Denim Mills (Private) Limited – subsidiary company filed an appeal before the learned CIR (Appeals I), which is pending adjudication.

9.1.16 The learned Deputy Commissioner Inland Revenue (DCIR), vide order No. 56/2022 and 57/2022 dated 09 May 2022 and 12 May 2022 respectively passed under section 11 of the Sales Tax Act ,1990, rejected input tax claimed by US Denim Mills (Private) Limited – subsidiary company for violation of section 8(1) of the Sales Tax Act, 1990, and created sales tax demand of Rupees 9.84 million and Rupees 8.81 million including penalty of Rupees 0.50 million and Rupees 0.44 million and default surcharge thereon for the tax periods from July 2020 to June 2021 and July 2021 to November 2021 respectively. Being aggrieved, US Denim Mills (Private) Limited – subsidiary company filed an appeal before Commissioner Inland Revenue CIR(A), who vide appellate order No. 07/A.V and 08/A.V both dated 18 July 2022 confirmed the action of the DCIR. Being aggrieved with the orders passed by the CIR(A), US Denim Mills (Private) Limited – subsidiary company filed appeals before the honourable ATIR, who vide appellate order No. STA 1456/LB/2022 and STA 145S/LB/2022 dated 30 August 2022 for the tax periods July 2020 to June 2021 and July 2021 to November 2022, set aside the orders of both the authorities below and remanded the case back to the DCIR with direction to re-examine the record. The remand back proceedings have not yet been initiated.

9.1.17 US Denim Mills (Private) Limited – subsidiary company received notice No. C.NO.LTU/ST/PRA/UNIT-IS/AUDIT-2/24 dated 5 July 2021, through which proceedings of post refund audit were initiated and required US Denim Mills (Private) Limited – subsidiary company to submit data relating to the sales tax refunds claimed during the December 2015 Tax Period. US Denim Mills (Private) Limited – subsidiary company objected that the post refund audit of the aforementioned period was time barred as the time specified by the statue has lapsed. DCIR didn't accept the legal stance presented before him and issued an assessment order No.19/2021 dated 30 December 2021 and has ordered US Denim Mills (Private) Limited – subsidiary company to pay sales tax penalty amounting to Rupees 30.73 million and Rupees 0.92 million against the said assessment order, an appeal was filed by US Denim Mills (Private) Limited – subsidiary company before the commissioner Inland revenue Appeal (CIR-A). CIR-A issued vide order No. 16/A-V dated 15 April 2022, in which he upheld the order of DCIR. Being aggrieved with the order US Denim Mills (Private) Limited – subsidiary company has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) on the same stance that the proceeding for the mentioned period was time-barred and the hearing against which has been fixed for 12 September 2022. The stay against the recovery of the said demand has been granted by the ATIR.

9.1.18 US Denim Mills (Private) Limited – subsidiary company received notice No. C.No.9293 dated 12 December 2021, through which DCIR initiated the proceedings of post refund audit and required US Denim Mills (Private) Limited – subsidiary company to submit data relating to the sales tax refunds claimed during the above mentioned tax-periods. Subsequently, DCIR issued Show Cause notice No. 12144 dated 23 February 2022, showing an intention to recover sales tax and penalty amounting to Rupees 338.58 million and Rupees 16.93 million respectively. In response to it, US Denim Mills (Private) Limited – subsidiary company submitted comprehensive replies and made multiple discussions with DCIR against the said show cause notice. DCIR issued assessment order No. 06/2022 dated 20 April 2022 against which he has ordered US Denim Mills (Private) Limited – subsidiary company to pay sales tax and penalty amounting to Rupees 289.30 million and Rupees 14.46 million against which US Denim Mills (Private) Limited – subsidiary company has filled an appeal before the CIR-A. The appeal has been heard on 23 August 2022 against which decision is pending. The stay against the recovery of the said demand has been granted by the CIR-A. As the order has not been issued by the CIR-A, so the management of US Denim Mills (Private) Limited – subsidiary company is not in the position to identify any potential tax liability which may rise to the completion of such proceedings.

9.1.19 The Assistant Commissioner Inland Revenue (ACIR) vide notice no. 32/ST disallowed the sales tax refund amounting to Rupees 290.91 million on the grounds that the sales tax refund for the tax period September 2016 to October 2016 and January 2017 to April 2018 was sanctioned without documentary verifications. In response to the said notice, U.S. Apparel and Textiles (Private) Limited - subsidiary company submitted all the supporting documents. However, ACIR passed an ex-parte order no U-06/01/2020 dated 06 August 2020 raising a sales tax demand of the said amount along with default surcharge to be calculated at the time of payment and a penalty of Rupees 14.55 million. Being aggrieved by the said order, U.S. Apparel and Textiles (Private) Limited - subsidiary company has filed an appeal before Commissioner Inland Revenue Appeals CIR(A) on 10 September 2020 contesting the alleged demand. Resultantly CIR (A) decided the appeal in favor of U.S. Apparel and Textiles (Private) Limited - subsidiary company against which the department has filed an appeal before the appellate tribunal which is pending adjudication.

9.1.20 U.S. Apparel and Textiles (Private) Limited - subsidiary company received show-cause notice no. PRA/WH/4784 date 07 December 2017 and PRA/WH/10/18/19 dated 14 April 2018 under section 52 of the Punjab Sales Tax on Service Act, 2012 read with Punjab Sales Tax on Service (Withholding) Rules, 2015 through with the Additional Commissioner (AC) has alleged that U.S. Apparel and Textiles (Private) Limited - subsidiary company has made short payment of sales tax withheld amounting to Rupees 445.68 million and Rupees 690.75 million respectively. In response to the said notice U.S. Apparel and Textiles (Private) Limited - subsidiary company submitted all legal and factual details and multiple hearings were conducted with the AC. The proceedings were concluded through orders no. PRA/ST/WH/02/2020 and PRA/ST/WH/20/01 both dated 5 June 2020 reducing the alleged demands to Rupees 129.91 million and Rupees 559.54 million respectively. Being aggrieved by the said order, U.S. Apparel and Textiles (Private) Limited - subsidiary company has filed an appeal before Commissioner Appeals, PRA on 17 September 2020 for contesting the alleged demand which is pending adjudication.

9.1.21 Additional Commissioner Inland Revenue (ADCIR) passed amended order dated 30 June 2021 under section 122(5A) of the Ordinance for the tax year 2015, whereby refund was reduced to Rupees 4.931 million mainly on account of disallowance of tax credit under section 65B of the Ordinance to the extent of Rupees 29.445 million and reduction in the credit of exports under section 154 amounting to Rupees 11.954 million. Being aggrieved with the said order, U.S. Apparel and Textiles (Private) Limited - subsidiary company preferred an appeal before CIR(A), who vide order dated 26 May 2022 has annulled the impugned order for denovo consideration.

9.1.22 DCIR issued an order dated 12 May 2022 for the tax periods from July 2020 to November 2021 under section 11(2) and 11(4) of the Sales Tax Act, 1990 (the Act): whereby a demand of Rupees 47.577 million was created along with default surcharge and penalty amounting to Rupees 2.379 million on account of claim of inadmissible sales tax under section 8 of the Act. Being aggrieved with the said order, U.S. Apparel and Textiles (Private) Limited - subsidiary company filed an appeal before CIR (A) who vide order bearing No. 06/A.J dated 18 July 2022 has confirmed the order passed by the DCIR. Against the said order, U.S. Apparel and Textiles (Private) Limited - subsidiary company filed an appeal before Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication.

9.1.23 Based on the opinion of the Group's legal council, management is expecting the favourable outcome of the above cases. Therefore, no provision has been recognized in the consolidated financial statements.

9.1.24 Holding company's share in contingencies of joint venture accounted for under equity method is Rupees 151.527 million (2021: Rupees 6.235 million).

	2022 Rupees	2021 Rupees
9.2 Commitments		
Contracts for capital expenditure	157,600,000	405,360,000
Letters of credit other than for capital expenditure	8,464,950,000	5,528,630,000

9.2.1 Banks of the Group have first pari passu charge / joint pari passu charge over present and future current assets of US Denim Mills (Private) Limited – subsidiary company and U.S. Apparel and Textiles (Private) Limited - subsidiary company in respect of letters of credit and other banking facilities.

9.2.2 Habib Metropolitan Bank Limited has a ranking charge of Rupees 293.00 million (2021: Rupees 293.00 million) on current assets of U.S. Apparel and Textiles (Private) Limited - subsidiary company in respect of non-funded facilities issued in favour of US & Dynamo Mills (Private) Limited - joint venture.

9.2.3 BankIslami Pakistan Limited has a ranking charge of Rupees 266.67 million (2021: Rupees 266.67 million) on current assets of U.S. Apparel and Textiles (Private) Limited - subsidiary company in respect of non-funded facilities issued in favour of US & Dynamo Mills (Private) Limited - joint venture.

9.2.4 Cross corporate guarantee of Rupees 800.00 million (2021: Rupees 800.00 million) has been issued by U.S. Apparel and Textiles (Private) Limited - subsidiary company in favor of Habib Metropolitan Bank Limited and BankIslami Pakistan Limited on behalf of US & Dynamo Mills (Private) Limited - joint venture, for obtaining non-funded banking facility for issue of letters of credit of Rupees 800 million for import of plant and machinery.

	2022 Rupees	2021 Rupees
10. FIXED ASSETS		
Property, plant and equipment:		
Operating fixed assets (Note 10.1)	9,568,941,117	8,565,596,987
Capital work-in-progress (Note 10.3)	1,620,896,695	160,594,941
	11,189,837,812	8,726,191,928

10.1 Reconciliations of carrying amounts of operating fixed assets at the beginning and at the end of the year are as follows:

Description	Freehold land	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Computers	Electric equipment	Furniture and fixtures	Office equipment	Vehicles	Factory equipment	Transport fleet	Lease hold improvements	Total
	Rupees												
As at 30 June 2020													
Cost	1,889,430,319	3,060,173,699	29,228,586	7,736,232,156	86,555,374	123,416,227	105,253,569	64,764,815	177,582,876	279,835,480	-	-	13,552,473,101
Accumulated depreciation	-	(1,033,273,329)	(19,402,271)	(3,920,264,968)	(69,893,249)	(82,570,124)	(89,502,331)	(46,995,420)	(124,822,532)	(139,215,510)	-	-	(5,525,939,734)
Net book value	1,889,430,319	2,026,900,370	9,826,315	3,815,967,188	16,662,125	40,846,103	15,751,238	17,769,395	52,760,344	140,619,970	-	-	8,026,533,367
Year ended 30 June 2021													
Opening net book value	1,889,430,319	2,026,900,370	9,826,315	3,815,967,188	16,662,125	40,846,103	15,751,238	17,769,395	52,760,344	140,619,970	-	-	8,026,533,367
Additions	391,084,019	179,205,039	-	732,134,779	23,773,056	36,375,458	9,868,570	8,032,935	14,308,733	16,675,047	-	-	1,411,457,636
Disposals:													
Cost	(3,702,704)	-	-	(176,909,891)	(7,583,272)	-	(619,896)	(3,992,285)	(11,893,663)	(69,000)	-	-	(204,770,711)
Accumulated depreciation	-	-	-	167,966,634	6,666,481	-	377,146	3,992,285	11,893,663	69,000	-	-	190,965,209
	(3,702,704)	-	-	(8,943,257)	(916,791)	-	(242,750)	-	-	-	-	-	(13,805,502)
Written off:													
Cost	-	-	-	-	(117,000)	-	(2,414,773)	-	-	-	-	-	(2,531,773)
Accumulated depreciation	-	-	-	-	117,000	-	2,270,181	-	-	-	-	-	2,387,181
	-	-	-	-	-	-	(144,592)	-	-	-	-	-	(144,592)
Depreciation charged	-	(142,817,207)	(1,461,429)	(618,185,969)	(13,593,247)	(16,064,717)	(6,447,376)	(11,938,328)	(26,771,276)	(21,164,373)	-	-	(858,443,922)
Closing net book value	2,276,811,634	2,063,288,202	8,364,886	3,920,972,741	25,925,143	61,156,844	18,785,090	13,864,002	40,297,801	136,130,644	-	-	8,565,596,987
At 30 June 2021													
Cost	2,276,811,634	3,239,378,738	29,228,586	8,291,457,044	102,628,158	159,791,685	112,087,470	68,805,465	179,997,946	296,441,527	-	-	14,756,628,253
Accumulated depreciation	-	(1,176,090,536)	(20,863,700)	(4,370,484,303)	(76,703,015)	(98,634,841)	(93,302,380)	(54,941,463)	(139,700,145)	(160,310,883)	-	-	(6,191,031,266)
Net book value	2,276,811,634	2,063,288,202	8,364,886	3,920,972,741	25,925,143	61,156,844	18,785,090	13,864,002	40,297,801	136,130,644	-	-	8,565,596,987
Year ended 30 June 2022													
Opening net book value	2,276,811,634	2,063,288,202	8,364,886	3,920,972,741	25,925,143	61,156,844	18,785,090	13,864,002	40,297,801	136,130,644	-	-	8,565,596,987
Additions	204,851,311	189,767,636	-	908,685,018	40,755,888	67,370,314	53,549,999	5,749,127	27,290,085	30,743,555	480,349,924	3,277,857	2,012,390,714
Disposals (Note 10.1.1)													
Cost	(43,444,110)	-	-	(105,123,861)	(2,824,430)	(531,003)	-	(728,006)	(19,118,101)	-	-	-	(171,769,511)
Accumulated depreciation	-	-	-	102,762,697	2,765,946	531,003	-	728,006	19,170,346	-	-	-	125,957,998
	(43,444,110)	-	-	(2,361,164)	(58,484)	-	-	-	52,245	-	-	-	(45,811,513)
Written off (Note 10.1.2)													
Cost	-	(5,955,008)	-	(3,351,819)	(980,535)	-	-	-	-	-	-	-	(10,287,362)
Accumulated depreciation	-	1,265,428	-	1,256,932	904,003	-	-	-	-	-	-	-	3,426,363
	-	(4,689,580)	-	(2,094,887)	(76,532)	-	-	-	-	-	-	-	(6,860,999)
Transfer to investment properties (Note 12.1.3)													
Cost	-	(11,925,133)	-	-	-	-	-	-	-	-	-	-	(11,925,133)
Accumulated depreciation	-	11,925,133	-	-	-	-	-	-	-	-	-	-	11,925,133
	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charged	-	(161,470,293)	-	(674,496,137)	(20,606,263)	(24,521,920)	(11,178,950)	(8,871,231)	(21,273,545)	(22,230,239)	(11,324,863)	(400,631)	(956,374,072)
Closing net book value	2,438,218,835	2,086,895,965	8,364,886	4,150,705,571	45,939,752	104,005,238	61,156,139	10,741,898	46,366,586	144,643,960	469,025,061	2,877,226	9,568,941,117
At 30 June 2022													
Cost	2,438,218,835	3,411,266,233	29,228,586	9,091,666,382	139,579,081	226,630,996	165,637,469	73,826,586	188,169,930	327,185,082	480,349,924	3,277,857	16,575,036,961
Accumulated depreciation	-	(1,324,370,268)	(20,863,700)	(4,940,960,811)	(93,639,329)	(122,625,758)	(104,481,330)	(63,084,688)	(141,803,344)	(182,541,122)	(11,324,863)	(400,631)	(7,006,095,844)
Net book value	2,438,218,835	2,086,895,965	8,364,886	4,150,705,571	45,939,752	104,005,238	61,156,139	10,741,898	46,366,586	144,643,960	469,025,061	2,877,226	9,568,941,117
Annual rate of depreciation (%)		5	5	10	25 - 33	16.67 - 20	16.67 - 20	16.67 - 20	16.67 - 20	10	16.67	16.67	

10.1.1 Detail of operating fixed assets disposed of during the year is as follows:

Particulars of assets	Cost	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Relationship
	Rupees						
Freehold land							
Land 2 kanals 5 marlas (Moza Dolu Khurd)	26,165,965	26,165,965	25,425,000	(740,965)	Negotiation	Mr. Muhammad Hanif	Third party
Land 2 kanals 3 marlas (Moza Dolu Khurd)	17,278,145	17,278,145	15,880,075	(1,398,070)	Negotiation	Yaqoob and Khan Brothers	Third party
	43,444,110	43,444,110	41,305,075	(2,139,035)			
Plant and machinery							
Tupesa Washing Machine Stone 550	3,328,000	766,332	1,291,666	525,334	Negotiation	Sattar Trading	Third party
	3,328,000	766,332	1,291,666	525,334			
Vehicles							
Toyota Land Cruiser	16,604,236	-	24,000,000	24,000,000	Negotiation	City Car Center	Third party
	16,604,236	-	24,000,000	24,000,000			
Various items of operating fixed assets having net book value below Rupees 500,000	108,393,165	1,601,071	11,833,656	10,232,585			
	171,769,511	45,811,513	78,430,397	32,618,884			

10.1.2 Detail of operating fixed assets written off during the year is as follows:

Particulars of assets	Cost	Net book value	Loss
	Rupees		
Buildings on freehold land	5,955,008	4,689,580	4,689,580
Plant and machinery	3,351,819	2,094,887	2,094,887
Computers	980,535	76,532	76,532
	10,287,362	6,860,999	6,860,999

10.1.3 Cost of fully depreciated assets as at 30 June 2022 amounts to Rupees 2,549.670 million (2021: Rupees 2,632.606 million).

		2022 Rupees	2021 Rupees
10.2	Depreciation charge for the year has been allocated as follows:		
	Cost of sales (Note 29.1)	916,181,442	827,592,308
	Cost of services (Note 29.2)	11,324,863	-
	Distribution and marketing expenses (Note 30)	3,523,182	3,056,794
	Administrative expenses (Note 31)	25,344,585	27,794,820
		956,374,072	858,443,922
10.3	**Capital work in progress**		
	Buildings on freehold land	1,323,508,932	123,215,996
	Plant and machinery (including factory equipment)	291,742,556	21,316,649
	Furniture	-	1,795,332
	Electric Installations	2,104,602	-
	Stores and spares held for capitalization	1,785,605	325,964
	Advances to suppliers - considered good (Note 10.3.2 and Note 10.3.3)	1,755,000	13,941,000
		1,620,896,695	160,594,941
10.3.1	**Movement in capital work in progress**		
	Balance as on 01 July	160,594,941	474,731,931
	Add: Additions	2,073,345,740	436,564,649
	Less: Transferred to operating fixed assets	(613,043,986)	(750,701,639)
	Balance as on 30 June	1,620,896,695	160,594,941
10.3.2	**Advances to suppliers**		
	Considered good	1,755,000	13,941,000
	Considered doubtful	5,299,000	5,299,000
		7,054,000	19,240,000
	Less: Provision against doubtful advances	(5,299,000)	(5,299,000)
		1,755,000	13,941,000

10.3.3 These interest free advances are given in the normal course of business for purchase of plant and machinery.

		2022 Rupees	2021 Rupees
11	**RIGHT-OF-USE ASSETS**		
	Rented premises		
	Cost		
	As at 1 July	125,982,357	-
	Additions during the year	39,145,008	125,982,357
	As at 30 June	165,127,365	125,982,357
	Depreciation		
	As at 1 July	16,797,648	-
	Charged for the year	31,720,639	16,797,648
	As at 30 June	48,518,287	16,797,648
	Net Book Value	116,609,078	109,184,709
	Depreciation rate (Percentage)	20%	20%
	Depreciation charge has been allocated as follow:		
	Cost of sales (Note 29)	29,857,578	15,811,065
	Distribution and marketing expenses (Note 30)	621,020	328,861
	Administrative expenses (Note 31)	1,242,041	657,722
		31,720,639	16,797,648

	2022 Rupees	2021 Rupees
12 INVESTMENT PROPERTIES		
Investment properties (Note 12.1)	3,836,594,957	3,946,346,504
Capital work in progress against investment properties (Note 12.2)	1,400,000	845,598,892
	3,837,994,957	4,791,945,396

12.1

	Land Rupees	Buildings Rupees	Total Rupees
At 30 June 2020			
Cost	3,409,299,150	71,903,003	3,481,202,153
Accumulated depreciation	-	(40,161,711)	(40,161,711)
Net book value	3,409,299,150	31,741,292	3,441,040,442
Year ended 30 June 2021			
Opening net book value	3,409,299,150	31,741,292	3,441,040,442
Additions	469,172,767	39,485,000	508,657,767
Depreciation charged (Note 31)	-	(3,351,705)	(3,351,705)
Closing net book value	3,878,471,917	67,874,587	3,946,346,504
At 30 June 2021			
Cost	3,878,471,917	111,388,003	3,989,859,920
Accumulated depreciation	-	(43,513,416)	(43,513,416)
Net book value	3,878,471,917	67,874,587	3,946,346,504
Year ended 30 June 2022			
Opening net book value	3,878,471,917	67,874,587	3,946,346,504
Additions	87,286,178	892,634,248	979,920,426
Transfer from operating fixed assets (Note 12.1.3 and Note 10.1)			
Cost	-	11,925,133	11,925,133
Accumulated depreciation	-	(11,925,133)	(11,925,133)
	-	-	-
Disposal (Note 12.1.2):			
Cost	(187,566,800)	(5,200,000)	(192,766,800)
Accumulated depreciation	-	214,852	214,852
	(187,566,800)	(4,985,148)	(192,551,948)
Transfer to net investment in lease	-	(892,634,248)	(892,634,248)
Depreciation charged (Note 32)	-	(4,485,777)	(4,485,777)
Closing net book value	3,778,191,295	58,403,662	3,836,594,957
At 30 June 2022			
Cost	3,778,191,295	118,113,136	3,896,304,431
Accumulated depreciation	-	(59,709,474)	(59,709,474)
Net book value	3,778,191,295	58,403,662	3,836,594,957

12.1.1 Depreciation at the rate of 5 percent per annum on buildings amounting to Rupees 4.486 million (2021: Rupees 3.352 million) charged during the year is allocated to other expenses (Note 32). The market value of land and buildings is estimated at Rupees 9,931.297 million (2021: Rupees 9,216.723 million) and Rupees 124.724 million (2021: 135.483 million) respectively. Force sale value of investment properties as on the reporting date is Rupees 8,147.492 million (2021: 8,176.513 million). The valuation has been carried out by an independent valuer and for certain properties internally using comparable market rates.

12.1.2 This represents land and building donated to Naimat Saleem Trust - related party during the year (Note 32). Previously this land and building was rented to Naimat Saleem Trust - related party.

12.1.3 This relates to foreign property given to AJ Investments Limited - related party on lease purpose which consist of building at 4 the Brambles Beardwood, Black Burn. Lancashire, United Kingdom (Post Code BB27QX) having area of 1.5 kanal (8.150 Sa. Ft.). The property was purchased in 1998, amount was paid by the Group for its purchase and the Group shall receive all the monies on the disposal of such property in the future. This property is legally in the name of the two Directors of the Company jointly (Mr. Javed Arshad Bhatti and Mian Mohammed Ahsan), whereas, the beneficial owner of the said property and all the pecuniary and usability right rest with the Group and the Directors are acting in the capacity of the agent of the Group with regards to its legal titie. The cost and net book value of this investment property as at year end is Rupees 11.925 million and Rupees nil respectively.

12.1.4 Expenses directly related to investment properties incurred during the year are disciosed in note 32.

	2022 Rupees	2021 Rupees
12.2 Capital work in progress against investment properties		
Advance for purchase of land	1,400,000	1,382,500
Buildings on freehold land (Note 12.2.1)	-	844,216,392
	1,400,000	845,598,892

12.2.1 This represent construction of building at Sundar Industrial Estate, Lahore.

12.2.2 Movement of capital work in progress	2022 Rupees	2021 Rupees
Opening balance	845,598,892	795,275,861
Addition for the year	135,721,534	518,321,134
Transfer to buildings during the year	(979,920,426)	(467,998,103)
Closing balance	1,400,000	845,598,892

	2022 Rupees	2021 Rupees
13. INTANGIBLE ASSETS		
Software licenses	79,680,727	62,880,190
Software development cost	6,666,598	6,666,598
	86,347,325	69,546,788
Accumulated amortization	(68,961,475)	(66,479,054)
	17,385,850	3,067,734

	2022 Rupees	2021 Rupees
13.1 Intangible assets		
As at 30 June		
Cost	69,546,788	69,546,788
Less: Accumulated amortization	(66,479,054)	(54,909,000)
Net book value	3,067,734	14,637,788
Year ended 30 June		
Opening net book value	3,067,734	14,637,788
Add: Additions	16,800,537	-
Less: Amortization during the year (Note 31)	(2,482,421)	(11,570,054)
Closing net book value	17,385,850	3,067,734
As at 30 June		
Cost	86,347,325	69,546,788
Less: Accumulated amortization	(68,961,475)	(66,479,054)
Net book value	17,385,850	3,067,734

13.2 Intangible assets have been amortized at the rate of 20% per annum.

13.3 Cost of fully amortized assets as at 30 June 2022 amounts to Rupees 11.697 million (2021: Rupees 11.697 million).

14 NET INVESTMENT IN LEASE

	2022 Rupees	2021 Rupees
Lease rentals receivable	1,016,853,788	-
Add: Guaranteed residual value of leased asset	-	-
Gross investment in lease	1,016,853,788	-
Less: Unearned finance income	(142,212,647)	-
Net investment in lease	874,641,141	-
Less: Current portion	(30,707,354)	-
	843,933,787	-

	Gross investment in lease		Net investment in lease	
	2022 Rupees	2021 Rupees	2022 Rupees	2021 Rupees
Not later than one year	41,504,236	-	30,707,354	-
Later than one year but not later than five years	166,016,945	-	126,737,339	-
More than five years	809,332,606	-	717,196,448	-
	1,016,853,787	-	874,641,141	-

14.1 The lease term of contract is 25 years i.e. estimated economic life of building. The Group has made assessment that major risk and reward are transferred to lessee which is mainly based on lease period. Implicit rate of return on lease is 1.26% per annum.

15 LONG TERM INVESTMENTS

	2022 Rupees	2021 Rupees
Subsidiary companies - at cost (Note 15.1)	2,491,575	241,491,575
Joint venture - under equity method (Note 15.2)	1,095,573,938	1,295,033,568
	1,098,065,513	1,536,525,143

15.1 Subsidiary companies
At cost
Incorporated outside Pakistan

	2022 Rupees	2021 Rupees
US Apparel (UK) Limited - unquoted 100 (2021: 100) fully paid ordinary shares of GBP 1 each Equity held 100% (2021: 100%)	13,505	13,505
US Fashion Turkey Tekstil Ticaret Anonim Sirket - unquoted (Note 15.1.1) 50 (2021: 50) fully paid ordinary shares of TL 1,000 each Equity Held: 100% (2021: 100%)	1,478,070	1,478,070
US Apparel and Textile (BD) Limited - unquoted 34,980 (2021: 34,980) fully paid ordinary shares of Taka 100 each Equity held 99.99% (2021: 99.99%)	4,068,524	4,068,524
Less: Impairment loss	(4,068,524)	(4,068,524)
	-	-
Incorporated in Pakistan		
Leeds Logistics (Private) Limited (Note 15.1.2) 100,000 (2021: 100,000) fully paid ordinary shares of Rupees 10 each Equity held 100% (2021: 100%) 2 shares are held in the name of nominee directors	-	1,000,000
Advance for purchase of shares	-	239,000,000
	-	240,000,000
US Footwear (Private) Limited - unquoted (Note 15.1.3) 100,000 (2021: Nil) fully paid ordinary shares of Rupees 10 each Equity held 100% (2021: Nil) 2 share are held in the name of nominee directors.	1,000,000	-
	2,491,575	241,491,575

15.1.1 These shares are held by US Denim (Private) Limited -subsidiary company.

15.1.2 Leeds Logistics (Private) Limited - subsidiary company has opted for Group Taxation for the year ended 30 June 2022 under Section 59AA of Income Tax Ordinance, 2001, hence, has been consolidated in the consolidated financial statements.

15.1.3 US Footwear (Private) Limited - subsidiary company is incorporated during the year and has not opted for Group Taxation under Section 59AA of Income Tax Ordinance, 2001.

15.1.4 Investments are made in accordance with the requirements of the Companies Act, 2017.

	2022 Rupees	2021 Rupees

15.2 Joint venture

Under equity method

	2022 Rupees	2021 Rupees
US & Dynamo Mills (Private) Limited - unquoted (Note 15.2.1 and Note 15.2.2) 24,924,632 (2021: 16,476,998) fully paid ordinary shares of class A of Rupees 10 each and 99,498,537 (2021: 65,708,000) fully paid ordinary shares of class B of Rupees 10 each Equity held 49.92% (2021: 49.88%)	1,095,573,938	1,295,033,568

15.2.1 This represents investment in US & Dynamo Mills (Private) Limited which is a Joint Venture (JV Company) of Pakistani partner A.J. Holdings (Private) Limited - holding company and Turkish partner Denim Kumaşcılık (under the JV Agreement). The share capital of the JV Company is comprising of Class "A" shares and Class "B" shares with respective rights, benefits, privileges and obligations as conferred to each class, except for the Class "B" shares which shall not carry voting rights. The ratio of subscription of fully paid-up shares of both classes between US Apperal Group (the Company and US Apperal Group sponsors) and Denim Kumaşcılık shall always be equal. Further, the ratio of 20% and 80% between Class "A" and Class "B" shares, respectively, shall be maintained at all times.

15.2.2 Reconciliation of investment in joint venture under equity method

	2022 Rupees	2021 Rupees
Cost	1,244,231,690	821,849,980
Add: Advance for purchase of shares	2,500,000	488,595,000
Share of post acquisition reserves:		
As at 01 July	(15,411,412)	(658,973)
Share of loss	(135,746,340)	(14,752,439)
As at 30 June	(151,157,752)	(15,411,412)
	1,095,573,938	1,295,033,568

15.2.3 Summarized statement of financial position

	2022 Rupees	2021 Rupees
Current assets	1,604,654,069	532,452,584
Non-current assets	2,448,701,507	1,969,755,752
Current liabilities	(1,494,479,799)	(65,630,795)
Non-current liabilities	(461,180,070)	(3,186,294)
Share deposit money	(5,000,000)	(913,476,710)
Net assets	2,092,695,707	1,519,914,537

15.2.4 Reconciliation of carrying amounts:

	2022 Rupees	2021 Rupees
As at 01 July	1,519,914,537	(1,596,329)
Share capital issued	844,763,420	1,642,700,000
Less: Loss after tax	(271,982,250)	(121,189,134)
As at 30 June	2,092,695,707	1,519,914,537
Group share (Percentage)	49.92%	49.88%
Group share	1,044,673,697	758,112,358
Share deposit money	2,500,000	488,595,000
Goodwill	48,400,241	48,326,210
	1,095,573,938	1,295,033,568

15.2.5 Summarized statement of comprehensive income

	2022 Rupees	2021 Rupees
Revenue	1,526,572,948	60,223,772
Loss profit for the period	(271,982,250)	(121,189,134)
Other comprehensive income	-	-
Total comprehensive loss	(271,982,250)	(121,189,134)

15.2.6 US & Dynamo Mills (Private) Limited is engaged in weaving, manufacturing and sale of fibres, fabrics, garments and processing services.

Country of incorporation	Pakistan
% of ownership	49.92%
Measurement method	Equity method

15.3 Investment made in joint venture is in accordance with the requirements of the Companies, Act, 2017.

16 LONG TERM DEPOSITS

	2022 Rupees	2021 Rupees
Security deposits	9,034,884	2,641,925
Less: Current portion (Note 23.1)	(351,000)	-
	8,683,884	2,641,925

16.1 These represent unsecured and non-interest bearing long term security deposits paid to utility companies for supply of electricity and are refundable upon cessation of underlying facility. The fair value adjustment in accordance with the requirements of IFRS 9 'Financial Instruments' arising in respect of these deposits is not considered material and hence not recognized.

17 LONG TERM LOANS

	2022 Rupees	2021 Rupees
Loans to executives	2,990,827	6,315,831
Less: Current portion (Note 22)	(829,159)	(3,350,004)
	2,161,668	2,965,827

17.1 These represent house building loans given to executives of the holding company as per holding company's policy. These are interest free, unsecured and are repayable in monthly equal instalments.

17.2 The fair value adjustment in accordance with the requirements of IFRS 9 'Financial Instruments' arising in respect of these loans is not considered material and hence not recognized.

17.3 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 6.062 million (2021: Rupees 9.112 million).

18. STORES, SPARES AND LOOSE TOOLS

	2022 Rupees	2021 Rupees
Stores and spares	328,848,015	263,797,763
Loose tools	19,146,519	16,862,589
	347,994,534	280,660,352
Less: Provision for slow moving items (Note 18.1)	(24,997,871)	(11,458,270)
	322,996,663	269,202,082

18.1 Provision for slow moving items

	2022 Rupees	2021 Rupees
Balance as at 01 July	11,458,270	29,987,667
Add / (less): Provision / (reversal) for the year	13,539,601	(18,529,397)
Balance as at 30 June	24,997,871	11,458,270

18.2 Provision / (reversal) for the year has been adjusted against cost of sales under stores, spare parts and loose tools

	2022 Rupees	2021 Rupees
19. STOCK-IN-TRADE		
Raw materials (Note 19.1)	3,007,270,220	1,919,448,189
Work in process	3,468,627,565	2,364,467,732
Finished goods	1,875,152,064	1,032,593,713
	8,351,049,849	5,316,509,634
Less: Provision for slow moving raw materials (Note 19.2)	(150,082,026)	(121,836,223)
	8,200,967,823	5,194,673,411

19.1 These include fabric material amounting to Rupees Nil (2021: 0.700 million) held with US & Dynamo Mills (Private) Limited - joint venture in the normal course of business.

	2022 Rupees	2021 Rupees
19.2 Provision for slow moving raw materials		
Balance as at 01 July	121,836,223	176,123,309
Add / (less): Provision / (reversal) for the year	28,245,803	(54,287,086)
Balance as at 30 June	150,082,026	121,836,223

19.3 Provision / (reversal) for the year has been adjusted against cost of sales under material consumed.

	2022 Rupees	2021 Rupees
20. TRADE DEBTS		
Considered good:		
Local debtors		
Stylers International Limited - associated company (Note 20.1 and Note 20.2)	166,254,963	481,665,555
Others		
-Secured	810,166,977	476,039,887
-Unsecured	165,064,562	65,857,640
	975,231,539	541,897,527
	1,141,486,502	1,023,563,082
Foreign debtors		
US Fashion Turkey Tekstil Ticaret Anonim Sirket - subsidiary company (Note 20.1 and Note 20.2)	1,111,748,272	672,434,250
Others		
-Secured (Note 20.3)	1,364,573,233	2,247,087,969
-Unsecured	4,824,152,025	435,363,665
	8,441,960,032	4,378,448,966
Considered doubtful:		
Unsecured		
Other than related parties	-	469,005,705
Written off against allowance for expected credit losses	-	(147,905,705)
Written off against insurance claimed	-	(321,100,000)
	-	-
Less: Allowance for expected credit loss (Note 20.4)	(1,999,447)	-
	8,439,960,585	4,378,448,966

20.1 Ageing of related parties balances

	2022			
	Not yet due	Less than 3 months	3 to 6 months	Total
	Rupees			
Local debtor				
Stylers International Limited - associated company	165,874,051	327,888	53,024	166,254,963
Foreign debtor				
US Fashion Turkey Tekstil Ticaret Anonim Sirket - subsidiary company	1,111,640,776	107,496	-	1,111,748,272
	1,277,514,827	435,384	53,024	1,278,003,235

	2021			
	Not yet due	Less than 3 months	3 to 6 months	Total
	Rupees			
Local debtor				
Stylers International Limited - associated company	466,189,834	13,541,895	1,933,826	481,665,555
Foreign debtor				
US Fashion Turkey Tekstil Ticaret Anonim Sirket - subsidiary company	672,434,250	-	-	672,434,250
	1,138,624,084	13,541,895	1,933,826	1,154,099,805

20.2 Maximum outstanding balance with reference to month end balances:

	2022 Rupees	2021 Rupees
Stylers International Limited - associated company	726,383,060	586,611,119
US Fashion Turkey Tekstil Ticaret Anonim Sirket - subsidiary company	1,616,528,858	672,434,250

20.3 These are secured against letter of credit and insurance.

20.4 Allowance for expected credit losses

	2022	2021
Balance as at 01 July	-	74,405,705
Add: Recognized during the year (Note 32)	1,999,447	73,500,000
Less: Written off during the year	-	(147,905,705)
Balance as at 30 June	1,999,447	-

21 DUE FROM RELATED PARTIES

	2022	2021
Considered good:		
Subsidiary companies		
US Fashion Turkey Tekstil Ticaret Anonim Sirket	366,845	366,845
Leeds Logistics (Private) Limited	-	5,817,098
US Footwear (Private) Limited	16,061,779	-
	16,428,624	6,183,943
Joint venture		
US & Dynamo Mills (Private) Limited	440,727,290	-
	457,155,914	6,183,943

21.1 These represent interest free, unsecured loans given to subsidiary companies and joint venture. These are receivable on demand. These are neither past due nor impaired. The maximum aggregate amount receivable at the end of any month during the year was as follows:

	2022 Rupees	2021 Rupees
Subsidiary companies		
US Footwear (Private) Limited	16,070,779	-
Leeds Logistics (Private) Limited	24,835,000	-
US Fashion Turkey Tekstil Ticaret Anonim Sirket	366,845	366,845
Joint venture		
US & Dynamo Mills (Private) Limited	440,727,290	-

22 CURRENT PORTION OF NON CURRENT ASSETS

Current portion of long term loans (Note 17)	829,159	3,350,004
Current portion of net investment in lease (Note 14)	30,707,354	-
	31,536,513	3,350,004

23 ADVANCES, DEPOSITS AND PREPAYMENTS

Considered good

Advances - unsecured:		
Suppliers	367,120,789	206,917,575
Employees	29,117,949	18,516,392
Advance against imports	88,177,770	15,665,949
Security deposit and bank guarantee margin (Note 23.1)	25,270,392	11,117,668
Prepayments	13,592,470	13,061,607
	523,279,370	265,279,191

23.1 This includes current portion of long term security deposits of Rupees 0.351 million (2021: Rupees nil).

24. OTHER RECEIVABLES

	2022 Rupees	2021 Rupees
Duty draw back and export rebate receivable	518,485,863	1,144,536,145
Sales tax refundable	2,416,483,873	1,767,182,853
Rent receivable (Note 24.1)	4,759,920	238,000
Workers' profit participation fund (Note 24.2)	4,906,654	5,738,304
Technology Upgradation Fund (Note 24.3)	47,341,642	47,341,642
Others - unsecured (Note 24.4)	15,490,705	281,275,419
	3,007,468,657	3,246,312,363

24.1 This includes rent receivable from the following related parties:

Stylers International Limited - associated company	-	168,000
AJ Investments Limited - associated company	3,755,920	-
	3,755,920	168,000

		2022 Rupees	2021 Rupees
24.2	**Worker's profit participation fund**		
	Balance as on 01 July	5,738,304	9,763,261
	Less: Provision for the year (Note 32)	(224,152,530)	(140,221,996)
	Add: Payments made during the year	223,320,880	136,197,039
	Balance as on 30 June	4,906,654	5,738,304

24.3 This relates to the amount due from State Bank of Pakistan vide circular no. 03 of 2012.

24.4 These include insurance claim against secured debtors amounting to Rupees Nil (2021: Rupees 250.00 million) receivable from IGI General Insurance Limited.

		2022 Rupees	2021 Rupees
25.	**ADVANCE INCOME TAX - NET**		
	Advance income tax	1,239,144,111	1,032,658,638
	Provision for taxation	(839,883,071)	(522,223,271)
		399,261,040	510,435,367
26.	**SHORT TERM INVESTMENTS**		
	Fair value through profit or loss		
	Mutual Fund		
	Meezan Rozana Amdani Fund - S - plan		
	3,022,135.6990 (2021:10,014,640.2650) units	151,106,786	500,732,013
	Modaraba certificates		
	Trust modaraba - quoted		
	18,200 (2021: 18,200) fully paid modaraba certificates of Rupees 10 each (Note 26.1)	35,490	65,520
		151,142,276	500,797,533
26.1	Carrying value as at 01 July	65,520	38,220
	Unrealized (loss) / gain on re-measurement at fair value through profit or loss investment (Note 32 and Note 33)	(30,030)	27,300
	Carrying value as at 30 June	35,490	65,520
27.	**CASH AND BANK BALANCES**		
	Cash in hand (Note 27.1)	23,474,418	54,763,555
	Cash with banks on:		
	Current accounts (Note 27.1)	1,711,545,009	1,615,414,198
	Saving accounts (Note 27.2)	825,779,918	279,952,795
	Deposit accounts (Note 27.1 and Note 27.2)	249,956,243	235,027,437
	Term deposit receipts / certificates (Note 27.3)	2,360,000,000	2,265,000,000
		5,147,281,170	4,395,394,430
		5,170,755,588	4,450,157,985

27.1 These include foreign currencies disclosed in note 41.1(a)(i) to these consolidated financial statements.

27.2 Rate of profit on deposit accounts ranges from 2.21% to 13.25% (2021: 2.00% to 6.90%) per annum.

27.3 These carry profit at the rates ranging from 11.82% to 14.92% per annum (2021: 6.70% to 7.10% per annum). Maturity period of these deposits / certificates ranges from one month to three months (2021: one to three month).

	2022 Rupees	2021 Rupees

28. REVENUE FROM CONTRACT WITH CUSTOMER

	2022 Rupees	2021 Rupees
Export sales (Note 28.1)	52,944,951,828	37,462,418,544
Indirect export sales (Note 28.2)	5,600,100,357	4,117,775,671
Local sales (Note 28.3)	887,228,109	728,850,606
Processing income	513,800	-
Logistics revenue and detention charges (Note 28.4)	184,910,054	-
	59,617,704,148	42,309,044,821

28.1 Export sales

	2022 Rupees	2021 Rupees
Export sales	53,131,291,957	37,618,708,483
Less: Claims	(60,760,647)	-
Less: Discount	(116,170,168)	(103,612,497)
Less: Commission	(9,409,314)	(52,677,442)
	52,944,951,828	37,462,418,544

28.2 Indirect export sales

	2022 Rupees	2021 Rupees
Sales	7,955,446,379	5,791,824,762
Less: sales tax	(2,355,346,022)	(1,674,049,091)
	5,600,100,357	4,117,775,671

28.2.1 These represents sales made to direct exporters against standard purchase orders (SPOs).

28.3 Local sales

	2022 Rupees	2021 Rupees
Sales	815,443,535	691,776,042
Waste sales	225,060,660	175,047,112
Less: Sales tax	(153,276,086)	(137,972,548)
	887,228,109	728,850,606

28.4 Logistics revenue and detention charges

	2022 Rupees	2021 Rupees
Services income	208,102,654	-
Detention charges	1,970,000	-
Less: Sales tax	(25,162,600)	-
	184,910,054	-

28.5 Disaggregation of revenue from contract with customer

28.5.1 Disaggregation by primary geographical market

	2022 Rupees	2021 Rupees
North America	22,205,451,779	16,581,775,625
Europe	22,359,955,522	14,016,853,006
Asia	13,160,338,034	10,781,140,840
Africa	1,862,845,447	819,146,993
Other	215,453,495	266,418,296
	59,804,044,277	42,465,334,760
Less: Commission, discount and claims	(186,340,129)	(156,289,939)
	59,617,704,148	42,309,044,821

	2022 Rupees	2021 Rupees

28.5.2 Disaggregation by major product and service lines

	2022 Rupees	2021 Rupees
Fabric and clothing items	59,432,280,294	42,309,044,821
Processing income	513,800	-
Logistic revenue and detention charges	184,910,054	-
	59,617,704,148	42,309,044,821

28.5.3 Disaggregation by timing of revenue recognition

	2022 Rupees	2021 Rupees
Products and services transferred at a point in time	59,617,704,148	42,309,044,821
Products and services transferred over time	-	-
	59,617,704,148	42,309,044,821

28.6 Revenue is mainly recognized at the point of time.

29. COST OF SALES AND SERVICES

	2022 Rupees	2021 Rupees
Cost of sale (Note 29.1)	46,012,285,563	33,291,356,149
Cost of services (Note 29.2)	201,005,630	-
	46,213,291,193	33,291,356,149

29.1 Cost of sale

	2022 Rupees	2021 Rupees
Material consumed (Note 29.1.1)	37,190,885,138	25,611,811,696
Processing cost	496,678,711	488,112,617
Salaries, wages and other benefits	7,096,298,173	5,643,892,492
Stores, spare parts and loose tools consumed	486,436,099	319,791,003
Fuel and power	2,037,682,392	1,504,038,373
Insurance	94,280,755	72,780,750
Repair and maintenance	314,594,604	161,426,803
Rent, rates and taxes	6,969,864	6,092,381
Depreciation (Note 10.2)	916,181,442	827,592,308
Depreciation on right-of-use asset (Note 11)	29,857,578	15,811,065
Other factory overheads	13,651,356	3,758,457
	48,683,516,112	34,655,107,945
Work-in-process		
Opening stock	2,364,467,732	1,754,784,454
Closing stock	(3,468,627,565)	(2,364,467,732)
	(1,104,159,833)	(609,683,278)
Cost of goods manufactured	47,579,356,279	34,045,424,667
Finished goods		
Opening stock	1,032,593,713	1,422,978,493
Closing stock	(1,875,152,064)	(1,032,593,713)
	(842,558,351)	390,384,780
	46,736,797,928	34,435,809,447
Less: Export rebate and duty draw back	(724,512,365)	(1,144,453,298)
	46,012,285,563	33,291,356,149

		2022 Rupees	2021 Rupees
29.1.1	**Materials consumed:**		
	Opening stock	1,919,448,189	1,385,960,286
	Add: Purchases	38,278,707,169	26,145,299,599
		40,198,155,358	27,531,259,885
	Less: Closing stock	(3,007,270,220)	(1,919,448,189)
		37,190,885,138	25,611,811,696
29.2	**Cost of services**		
	Salaries and other benefits	12,108,550	-
	Cost of outsourced services	17,156,553	-
	Cost of tyres	26,030,087	-
	Repair and maintenance	4,253,558	-
	Fuel cost	97,846,704	-
	Insurance expense	2,368,687	-
	Shortages and damages	446,686	-
	Depreciation (Note 10.2)	11,324,863	-
	Other operating costs	29,469,942	-
		201,005,630	-
30.	**DISTRIBUTION AND MARKETING EXPENSES**		
	Salaries, wages and other benefits	280,743,485	257,339,077
	Outward freight and octroi	948,815,127	604,655,063
	Postage and telegram	56,000,589	50,236,337
	Export development surcharge	129,230,311	83,138,152
	Advertisement and business development	199,225,609	185,320,879
	Traveling and conveyance	29,109,296	8,427,347
	Printing and stationery	650,504	395,767
	Entertainment	835,975	606,043
	Repairs and maintenance	-	5,800
	Clearing and forwarding charges	778,141	460,806
	Depreciation (Note10.2)	3,523,182	3,056,794
	Depreciation on right-of-use asset (Note 11)	621,020	328,861
	Miscellaneous expenses	1,941,353	13,644,439
		1,651,474,592	1,207,615,365
31.	**ADMINISTRATIVE EXPENSES**		
	Salaries, wages and other benefits	2,158,062,213	1,594,090,495
	Travelling and conveyance	159,044,048	75,596,096
	Vehicle running and maintenance	32,032,315	22,846,339
	Consultancy fee	6,254,667	100,000
	Rent, rates and taxes	30,722,994	16,186,662
	Utilities expenses	3,939,388	2,325,012
	Repair and maintenance	113,215,906	80,555,349
	Telephone and postage	19,494,324	17,221,739
	Printing and stationery	30,557,428	25,261,362
	Fees and subscriptions	51,391,137	49,443,240
	Legal and professional	60,545,744	48,310,678
	Insurance	2,447,223	718,151
	Auditor's remuneration (Note 31.1)	5,684,315	4,637,625
	Depreciation (Note10.2)	25,344,585	27,794,820
	Depreciation on right-of-use asset (Note 11)	1,242,041	657,722
	Amortization (Note 13.1)	2,482,421	11,570,054
	Mess expenses	55,002,994	31,339,423
	Entertainment	1,557,391	1,273,934
	Other expenses	22,831,161	91,813,842
		2,781,852,295	2,101,742,543

	2022 Rupees	2021 Rupees

31.1 Auditor's remuneration

Audit fee	5,159,560	4,325,525
Reimbursable expenses	524,755	312,100
	5,684,315	4,637,625

32. OTHER EXPENSES

Net exchange loss on forward contracts:		
- designated as hedging instrument	27,635,217	51,944,198
- not designated as hedging instrument	334,318,926	37,148,854
Exchange loss on currency translation	-	32,653,797
Workers' profit participation fund (Note 24.2)	224,152,530	140,221,996
Workers' Welfare fund	152,725,341	73,538,925
Donations (Note 32.1)	1,306,618,019	2,013,910,100
Depreciation on investment properties (Note 12.1)	4,485,777	3,351,705
Property taxes	470,904	883,309
Repair and maintenance of investment properties	921,980	690,103
Allowance for expected credit loss (Note 20.4)	1,999,447	-
Provision for doubtful receivables	104,519,303	-
Unrealized loss on re-measurement of investment at fair value through profit or loss (Note 26.1)	30,030	-
Operating fixed assets written off (Note 10.1.2)	6,860,999	144,592
	2,164,738,473	2,354,487,579

32.1 These include following donations given to Naimat Saleem Trust - related party:

	2022 Rupees	2021 Rupees
Monetary donation	1,071,304,203	1,989,322,768
Donation in kind	192,551,948	-
	1,263,856,151	1,989,322,768

32.1.1 Following directors of the Group have interest in Naimat Saleem Trust:

Mr. Javed Arshad Bhatti	Chairman
Mian Muhammad Ahsan	Vice Chairman
Mr. Muhammad Umer	General Secretary
Mr. Sohaib Javed	Finance Secretary
Mr. Muhammad Siddique Bhatti	Trustee
Mr. Ali Ahsan	Trustee
Mr. Muhammad Saqib	Trustee
Mr. Usman Ahsan	Trustee
Mian Salman Ahsan	Trustee
Mrs. Ayesha Haroon	Trustee

		2022 Rupees	2021 Rupees
33.	**OTHER INCOME**		
	Income from financial assets:		
	Profit on bank deposits	239,776,059	204,844,262
	Net foreign exchange gain	139,633,393	124,321,305
	Exchange gain on currency translation	205,314,045	-
	Dividend income-Meezan Rozana Amdani Fund	32,919,172	11,111;863
	Unrealized gain on re-measurement of investment at fair value through profit or loss (Note 26.1)	-	27,300
	Finance lease income	2,759,011	-
	Income from non - financial assets:		
	Rental income	33,291,709	13,652,192
	Scrap sales	211,416,402	129,592,730
	Gain on sale of operating fixed assets (Note 10.1.1)	32,618,884	104,514,999
	Technology upgradation fund (Note 24.3)	-	47,341,642
	Prior year's reversal of workers profit participation fund	12,931,431	-
	Long outstanding liabilities written back	20,156,398	-
	Miscellaneous	3,867,594	-
		934,684,098	635,406,293

		2022 Rupees	2021 Rupees
34.	**FINANCE COST**		
	Bank charges	382,895,474	264,946,784
	Interest cost on lease liabilities (Note 6.2)	10,241,155	5,684,636
		393,136,629	270,631,420

		2022 Rupees	2021 Rupees
35.	**TAXATION**		
	Current	803,199,812	486,806,114
	Prior year adjustment	(33,262,218)	(30,442,934)
	Deferred taxation	12,828,235	-
		782,765,829	456,363,180

35.1 Except for the business of logistic services, the Group falls under the ambit of final tax regime under section 169 and section 154 of the Income Tax Ordinance, 2001. Provision for current tax is made accordingly. Further, provision against income from other sources is made under the relevant provisions of the Income Tax Ordinance, 2001. As the Group's textile business is chargeable to final tax under section 169 of the Income Tax Ordinance, 2001, hence, no temporary differences are expected to arise in foreseeable future except deferred tax liability as disclosed in note 5.1 to these consolidated financial statements which relates to logistic business carried by Leeds Logistics (Private) Limited - subsidiary company.

			2022	2021
36.	**EARNINGS PER SHARE - BASIC AND DILUTED**			
	Profit after taxation attributable to shareholders of the holding company	(Rupees)	6,429,382,895	3,247,502,439
	Weighted average number of ordinary shares outstanding during the year	(Number)	1,501,000	1,501,000
	Basic earnings per share	(Rupees)	4,283.40	2,163.56

36.1 There is no dilutive effect on the basic earnings per share of the Group.

	2022 Rupees	2021 Rupees
37. CASH GENERATED FROM OPERATIONS		
Profit before taxation	7,212,148,724	3,703,865,619
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	956,374,072	858,443,922
Depreciation on right-of-use asset	31,720,639	16,797,648
Depreciation on investment properties	4,485,777	3,351,705
Amortization of intangible assets	2,482,421	11,570,054
Operating fixed assets written off	6,860,999	144,592
Net exchange gain	(139,633,393)	(124,321,305)
Gain on sale of operating fixed assets	(32,618,884)	(104,514,999)
Profit on bank deposits	(239,776,059)	(204,844,262)
Dividend income	(32,919,172)	(11,111,863)
Unrealized loss / (gain) on re-measurement of investment at fair value through profit or loss	30,030	(27,300)
Workers' profit participation fund	224,152,530	140,221,996
Share of loss from joint venture	135,746,340	14,752,439
Long outstanding liabilities written back	(20,156,398)	-
Provision for employees retirement benefits	354,072,064	421,359,038
Provision / (reversal) for slow moving raw materials	28,245,803	(54,287,086)
Provision / (reversal) of provision for slow moving stores, spares and loose tools	13,539,601	(18,529,397)
Allowance for expected credit loss	1,999,447	-
Provision for doubtful receivables	104,519,303	-
Investment property donated	192,551,948	-
Net exchange loss on forward contracts	361,954,143	89,093,052
Finance cost	393,136,629	270,631,420
Finance lease income	(2,759,011)	-
Working capital changes (Note 36.1)	(2,598,500,260)	(886,589,278)
	6,957,657,293	4,126,005,995

	2022 Rupees	2021 Rupees
37.1 Working capital changes		
(Increase) / decrease in current assets:		
- Stores, spare parts and loose tools	(67,334,182)	(34,668,511)
- Stock in trade	(3,034,540,215)	(676,020,028)
- Trade debts	(4,028,396,976)	(196,609,905)
- Advances, deposits and prepayments	(258,000,179)	315,626,406
- Other receivables	258,764,174	(1,537,584,141)
Increase in trade and other payables	4,531,007,118	1,242,666,901
	(2,598,500,260)	(886,589,278)

38 CASH FLOWS FROM FINANCING ACTIVITIES

Reconciliation of movement of liabilities to cash flows arising from financing activities:

	Liabilities from financing activities		
	Lease liabilities	Dividend	Total
Balance as at 01 July 2020	-	-	-
Lease liabilities recognized during the year - non cash item	125,982,357	-	125,982,357
Lease liabilities paid	(21,942,481)	-	(21,942,481)
Dividend declared	-	1,872,144,242	1,872,144,242
Dividend paid	-	(1,872,144,242)	(1,872,144,242)
Balance as at 30 June 2021	104,039,876	-	104,039,876
Balance as at 01 July 2021	104,039,876	-	104,039,876
Lease liabilities recognized during the year - non cash item	39,145,008	-	39,145,008
Lease liabilities paid	(18,226,190)	-	(18,226,190)
Dividend declared	-	1,412,941,178	1,412,941,178
Dividend paid	-	(1,412,941,178)	(1,412,941,178)
Balance as at 30 June 2022	124,958,694	-	124,958,694

39 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, joint venture, subsidiary company not opted under Group Taxation, subsidiary companies incorporated outside Pakistan and key management personnel. The Group in the normal course of business carries out transactions with related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these consolidated financial statements, are as follows:

Transactions	Relation with the Holding Company	2022	2021
		Rupees	Rupees
Purchase of fabric / garments			
US & Dynamo Mills (Private) Limited	Joint venture	189,027,446	1,972,429
Purchase of machinery			
Stylers International Limited	Associated company	-	29,000,000
Services obtained from			
Stylers International Limited	Associated company	376,278,002	416,918,916
US & Dynamo Mills (Private) Limited	Joint venture	1,386,382	171,042

Transactions	Relation with the Holding Company	2022	2021
		Rupees	Rupees
Sale of fabric			
Stylers International Limited	Associated company	1,654,722,385	1,734,980,085
US Fashion Turkey Tekstil Ticaret Anonim Sirket	Subsidiary company	2,059,741,996	1,291,756,595
Sale of electricity			
Stylers International Limited	Associated company	3,278,477	1,496,459
Sale of operating fixed assets			
Stylers International Limited	Associated company	-	82,500,000
Expense incurred on behalf of			
US Apparel (UK) Limited	Subsidiary company	91,070,832	92,208,802
US & Dynamo Mills (Private) Limited	Joint venture	-	-
Advances / loans / funds given			
Stylers International Limited	Associated company	-	114,000,000
US & Dynamo Mills (Private) Limited	Joint venture	377,014,000	74,280
Leeds Logistics (Private) Limited	Subsidiary company	-	5,817,128
US Footwear (Private) Limited	Subsidiary company	16,061,779	-
Loans obtained / received back			
US & Dynamo Mills (Private) Limited	Joint venture	-	2,043,800
Stylers International Limited	Associated company	-	148,462,098
Repayment of loan / advance			
Stylers International Limited	Associated company	-	900,000,000
Rental Income			
AJ Investments Limited	Associated company	3,755,920	-
Shares deposit money converted into loan			
US & Dynamo Mills (Private) Limited	Joint venture	63,713,290	-
Shares issued			
US & Dynamo Mills (Private) Limited	Joint venture	422,381,710	-
US Footwear (Private) Limited	Subsidiary company	1,000,000	-
Donation			
Naimat Saleem Trust	Related party	1,263,856,151	1,989,322,768
Directors			
Dividend paid		1,412,941,178	1,872,144,242

	2022 Rupees	2021 Rupees
Recep Tayyip Erdogan Hospital Trust, Naimat Saleem Trust and The Indus Hospital Trust - Related parties		
Rent received	1,260,556	1,189,316
Rent income	1,260,556	1,357,316

39.1 Following are the related parties with whom the Group had entered into transactions or have arrangements / agreements in place:

Name of the related party	Basis of relationship	Transactions entered or agreements and / or arrangements in place during the financial year		Percentage of shareholding of the holding company
		2022	2021	
US Apparel and Textiles (BD) Limited	Wholly owned subsidiary company	No	No	99.99
US Apparel (UK) Limited	Wholly owned subsidiary company	Yes	Yes	100
US Footwear (Private) Limited	Wholly owned subsidiary company	Yes	-	100
US Fashion Turkey Tekstil Ticaret Anonim Sirket	Sub-subsidiary	Yes	Yes	100
US & Dynamo Mills (Private) Limited	Joint venture	Yes	Yes	49.88
Denim Kumaşcılık	Joint venturer	No	No	-
AJ Investments Limited	Common directorship	Yes	No	-
Stylers International Limited	Common directorship	Yes	Yes	-
Nexus Fashion (Private) Limited	Common directorship	No	No	-
AJ Apparel (USA) Inc.	Common directorship	No	No	-
Ravi Sundar Plastics Innovation (Private) Limited	Common directorship	No	No	-
Sands Holding Limited	Common directorship	No	No	-
The Indus Hospital Trust	Directors appointed as trustee	No	No	-
Naimat Saleem Trust	Directors appointed as trustee	Yes	Yes	-
Recep Tayyip Erdogan Hospital Trust	Directors appointed as trustee	No	Yes	-
A.J. Holdings (Private) Limited-Employees Gratuity Fund Trust	Directors appointed as trustee	Yes	No	-
U.S. Apparel and Textiles (Private) Limited-Employees Gratuity Fund	Directors appointed as trustee	Yes	Yes	-
US Denim (Private) Mills Limited-Employees Gratuity Fund	Directors appointed as trustee	Yes	Yes	-
AJ Foundation	Directors appointed as members	No	No	-

39.2 Particulars of companies incorporated outside Pakistan with whom the Group had entered into transactions or had agreements and / or arrangements in place are as follows:

Name of the undertaking	Registered address	Country of incorporation
US Apparel (UK) Limited	20 Trident Park, Trident Way, Black Burn, Lancashire, BB13NU	United Kingdom
AJ Apparel (USA) Inc.	1385 Broadway, Room No. 414 & 415, New York	United States of America
US Apparel and Textiles (BD) Limited	H. No. 48, Second Floor, Road No. 2, Block B, Niketan, Gulshan, Dhaka, 1212	Bangladesh
US Fashion Turkey Tekstil Ticaret Anonim Sirket	Merkez Mahallesi 29 Ekim Caddesi V.Park Sitesi D Blok Ofis-B2 Ap.9/201-202 YENİBOSNA	Turkey
Sands Holding Limited	Office 102, Commercial Bank of Dubai Building, Deira,	United Arab Emirates
Denim Kumaşcılık	KIMIZ SOKAK No. 18, Istanbul, Turkey	Turkey
AJ Investments Limited	183 - 185, North Road, Preston, Lancashire, PR1 IYQ	United Kingdom

39.3 As on 30 June 2022, disclosures relating to investments made in foreign companies are as follows:

Name of the company	Country of incorporation
US Apparel and Textiles (BD) Limited	Bangladesh
US Apparel (UK) Limited	United Kingdom
US Fashion Turkey Tekstil Ticaret Anonim Sirket	Turkey

39.4 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES OF THE HOLDING COMPANY

The aggregate amount charged in the financial statements of the holding company for remuneration including all benefits to executives of the holding company is as follows:

	Executives	
	2022	2021
	Rupees	Rupees
Managerial remuneration	62,979,748	49,313,423
Allowances		
Car allowance	3,163,400	2,273,800
Utilities and medical allowance	6,297,959	4,931,342
Other allowances	2,765,568	3,037,752
Bonus	20,716,651	4,320,374
	95,923,326	63,876,691
Number of Persons	9	7

39.4.1 No remuneration is paid by the holding company to chief executive and directors of the holding company.

39.4.2 One of the executive of the holding company is provided with maintained vehicle.

		2022	2021
40	**Capacity and production**		
a)	**Weaving**		
	Number of looms installed:		
	Air jet	229	229
	Power looms	28	28
	Number of looms worked:		
	Air jet	229	229
	Power looms	20	20
	Number of shift per day	3	3
	Capacity after conversion into 50 picks - square yards	36,000,000	36,000,000
	Actual production (meters)		
	In house (variable pics)	37,604,874	36,953,779
	Outsourced processing	4,388,809	4,688,221

The actual production is according to market demand.

b)	**Garments**		
	Capacity (number of pieces)	25,500,000	21,057,600
	Actual production (number of pieces)	25,337,228	20,531,947
c)	**Logistic services**		
	18 wheelers trucks - capacity 40 tons each (numbers)	40	-

41 FINANCIAL RISK MANAGEMENT

41.1 Financial risk factors

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

Risk management is carried out by the Board of Directors of the Holding Company and Subsidiary Companies. The Board of each Group Company provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

(a) Market risk

(i) 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. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the USD, Euro, GBP, AED, SAR, TRY Lira, PLN, HKD and LKR. Currently, the Group's foreign exchange risk exposure is restricted to bank balances and the amounts receivable from / payable to the foreign entities. The Group's exposure to currency risk was as follows:

	2022	2021
Financial assets		
Cash in hand - USD	41,944	212,821
Cash in hand - Euro	9,277	9,213
Cash in hand - GBP	12,091	31,700
Cash in hand - AED	6,922	4,398
Cash in hand - TRY Lira	663	2,148
Cash in hand - PLN	220	-
Cash in hand - HKD	1,140	1,140
Cash in hand - SAR	25,285	25,285
Cash in hand - LKR	1,500	1,500
Cash at banks - USD	3,741,007	3,743,235
Cash at banks - Euro	1,063,020	1,085,520
Cash at banks - GBP	201,374	210,374
Trade debts - USD	34,947,631	20,798,148
Trade debts - Euro	601,588	186,745
Trade debts - GBP	-	98,086
Financial liabilities		
Trade and other payables - USD	(1,931,853)	(5,301,060)
Trade and other payables - Euro	(2,823,146)	(30,380)
Trade and other payables - GBP	(219)	(219)
Net exposure		
Net exposure - USD	36,798,729	19,453,144
Net exposure - Euro	(1,149,261)	1,251,098
Net exposure - GBP	213,246	339,941
Net exposure - AED	6,922	4,398
Net exposure - TRY Lira	663	2,148
Net exposure - HKD	1,140	1,140
Net exposure - PLN	220	-
Net exposure - SAR	25,285	25,285
Net exposure - LKR	1,500	1,500

US Denim Mills (Private) Limited - subsidiary company U.S. Apparel and Textiles (Private) Limited - subsidiary company has entered into forward contracts to cover currency risk against certain portion of its foreign trade debts.

The following significant exchange rates were applied during the year:

	2022 Rupees	2021 Rupees
Rupees per US Dollar		
Average rate	179.29	159.81
Reporting date rate	202.50	157.80
Rupees per Euro		
Average rate	199.13	191.29
Reporting date rate	212.00	188.12
Rupees per GBP		
Average rate	235.07	216.28
Reporting date rate	246.00	218.58
Rupees per HKD		
Average rate	21.56	19.17
Reporting date rate	26.46	16.65

	2022 Rupees	2021 Rupees
Rupees per AED		
Average rate	48.85	43.53
Reporting date rate	55.10	43.27
Rupees per SAR		
Average rate	47.82	42.62
Reporting date rate	54.00	42.12
Rupees per TRY Lira		
Average rate	14.89	29.76
Reporting date rate	12.31	35.01
Rupees per PLN		
Average rate	43.72	42.00
Reporting date rate	45.85	41.59
Rupees per LKR		
Average rate	0.68	0.85
Reporting date rate	0.57	0.79

Sensitivity Analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro, GBP, AED, TRY Lira, SAR, PLN, HKD and LKR with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 297.757 million (2021: 155.513 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) 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 market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is not exposed to commodity price risk.

Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Pakistan Stock Exchange (PSX) Index on the Group's profit after taxation for the year. The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index:

Index	Impact on profit / loss after tax	2022 Rupees	2021 Rupees
PSX (5% increase)	Increase in profit after tax	1,375	3,276
PSX (5% decrease)	Decrease in profit after tax	1,375	3,276

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group has no significant interest-bearing assets except for deposits / saving accounts. Financial instruments with variable rates expose the Group to cash flow interest rate risk. Financial instruments with fixed rate expose the Group to fair value interest rate risk.

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	2022 Rupees	2021 Rupees
Fixed rate instruments	-	-
Financial assets		
Floating rate		
Term deposit receipts	2,360,000,000	2,265,000,000
Bank balances	1,075,736,161	514,980,232

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Group.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuate by 1% higher / lower with all other variables held constant, profit for the year would have been Rupees 20.958 million (2021: Rupees 19.738 million) higher / lower, mainly as a result of higher / lower interest income on floating rate financial assets. This analysis is prepared assuming the amounts of term deposits and bank balances in saving accounts at the reporting dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2022 Rupees	2021 Rupees
Loans	2,990,827	6,315,831
Trade debts	8,439,960,585	4,378,448,966
Due from related parties	457,155,914	6,183,943
Net investment in lease	874,641,141	-
Advances and deposits	54,388,341	29,634,060
Deposits	8,683,884	2,641,925
Other receivables	20,250,625	281,513,419
Profit accrued on bank deposits	28,487,729	14,821,761
Short term investments	151,142,276	500,797,533
Bank balances	5,147,281,170	4,395,394,430
	15,184,982,492	9,615,751,868

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2022	2021
	Long term	Short term	Agency	Rupees	Rupees
Banks					
Meezan Bank Limited	AAA	A-1+	VIS	2,338,914,350	1,501,651,502
Bank Al Habib Limited	AAA	A-1+	PACRA	5,057,132	23,829,982
BankIslami Pakistan Limited	A+	A-1	PACRA	824,618,835	1,324,925,208
Habib Metropolitan Bank Limited	AA+	A-1+	PACRA	7,793,481	2,483,073
Summit Bank Limited	A-3	A-3	VIS	264,090	264,090
Habib Bank Limited	AAA	A-1+	VIS	73,029,811	14,385,562
United Bank Limited	AAA	A-1+	VIS	1,617	-
Bank Alfalah Limited	AA+	A1+	PACRA	445,448,406	485,891,391
Telenor Microfinance Bank Limited	A+	A-1	PACRA	2,784,305	10,108,459
Mobilink Microfinance Bank Limited	A	A-1	PACRA	3,510,620	1,000
National Bank of Pakistan	AAA	A1+	PACRA	273,380	562,343
Faysal Bank Limited	AA	A1+	PACRA	263,719,253	301,811,873
Dubai Islamic Bank Pakistan Limited	AA	A1+	VIS	1,181,865,890	729,479,947
				5,147,281,170	4,395,394,430
Short term investments					
Trust Modaraba	BBB+	A-2	VIS	35,490	65,520
Meezan Rozana Amdani fund	--------AM1---------		VIS	151,106,786	500,732,013
				151,142,276	500,797,533
				5,298,423,446	4,896,191,963

Due to the Group's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the management does not expect non-performance by these counterparties on their obligations to the Group. Accordingly, the credit risk is minimal.

Hedging activities

Fair value hedge

As at reporting date, the Group has forward agreements in place with a notional amount of USD 7,900,000 (2021: USD 30,826,032 and GBP 550,000). The forward agreements are being used to hedge the exposure to changes in the fair value of its foreign currency trade debts.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the forward agreements match the terms of the foreign currency trade receivables. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the forward agreement is identical to the hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk. The hedged item remains effective at year end and no ineffective hedge has been recognized in profit or loss.

The Group measures the fair value of hedging instruments, which are non-exchange-traded, based in price quotes obtained from the counter parties / broker dealers. The counter party quotes reflects the amounts that the Group expects to receive or pay to terminate the contract at the reporting date, taking into account the current market conditions.

Bank	2022			
	Forward contracts	Fair values	Notional amounts	Notional amounts
	Nos.	Rupees	USD	GBP
Meezan Bank Limited	13	1,613,575,000	7,900,000	-
Balance as at 30 June 2022	13	1,613,575,000	7,900,000	-

Bank	2021			
	Forward contracts	Fair values	Notional amounts	Notional amounts
	Nos.	Rupees	USD	GBP
Meezan Bank Limited	39	4,280,214,341	26,107,324	550,000
Bank Alfalah Limited	6	752,208,511	4,718,708	-
Balance as at 30 June 2021	45	5,032,422,852	30,826,032	550,000

Trade debts

An impairment analysis is performed at each reporting date using an allowance matrix to measure expected credit losses. The rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of the financial asset.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Following are the contractual maturities of financial liabilities, including interest payments, if any. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2022:

	Carrying amount	Contractual cash flows	Less than one year	More than one year
	----------------Rupees----------------			
Non-derivative financial liabilities:				
Security deposits	17,689,256	17,689,256	7,526,256	10,163,000
Trade and other payables	11,164,289,491	11,164,289,491	11,164,289,491	-
Lease liabilities	124,958,694	145,498,135	63,497,071	82,001,064
Derivative financial liabilities				
Forward exchange contracts	87,281,320	87,281,320	87,281,320	-
	11,394,218,761	11,414,758,202	11,322,594,138	92,164,064

Contractual maturities of financial liabilities as at 30 June 2021:

	Carrying amount	Contractual cash flows	Less than one year	More than one year
	----------------	Rupees	----------------	
Non-derivative financial liabilities:				
Security deposits	3,511,506	3,511,506	2,841,256	670,250
Trade and other payables	6,673,993,566	6,673,993,566	6,673,993,566	-
Lease liabilities	104,039,876	128,351,209	20,666,678	107,684,531
Derivative financial liabilities				
Forward exchange contracts	65,053,417	65,053,417	65,053,417	-
	6,846,598,365	6,870,909,698	6,762,554,917	108,354,781

41.2 Financial instruments by categories

	At amortized cost	At fair value through profit or loss	Total
	----------	Rupees	----------
As at 30 June 2022			
Assets as per consolidated statement of financial position			
Long term loans	2,990,827	-	2,990,827
Trade debts	8,439,960,585	-	8,439,960,585
Net investment in lease	874,641,141	-	874,641,141
Due from related parties	457,155,914	-	457,155,914
Advances and deposits	54,388,341	-	54,388,341
Long term deposits	8,683,884	-	8,683,884
Other receivables	20,250,625	-	20,250,625
Profit accrued on bank deposits	28,487,729	-	28,487,729
Short term investments	-	151,142,276	151,142,276
Cash and bank balances	5,170,755,588	-	5,170,755,588
	15,057,314,634	151,142,276	15,208,456,910

Liabilities as per consolidated statement of financial position

	At fair value through profit or loss	At amortized cost	Total
	----------	Rupees	----------
Security deposits	-	17,689,256	17,689,256
Trade and other payables	87,281,320	11,164,289,491	11,251,570,811
Lease liabilities	-	124,958,694	124,958,694
	87,281,320	11,306,937,441	11,394,218,761

	At amortized cost	At fair value through profit or loss	Total
	----------Rupees----------		
As at 30 June 2021			
Assets as per consolidated statement of financial position			
Long term loans	6,315,831	-	6,315,831
Trade debts	4,378,448,966	-	4,378,448,966
Due from related parties	6,183,943	-	6,183,943
Advances and deposits	29,634,060	-	29,634,060
Long term deposits	2,641,925	-	2,641,925
Other receivables	281,513,419	-	281,513,419
Profit accrued on bank deposits	14,821,761	-	14,821,761
Short term investments	-	500,797,533	500,797,533
Cash and bank balances	4,450,157,985	-	4,450,157,985
	9,169,717,890	500,797,533	9,670,515,423

Liabilities as per consolidated statement of financial position

	At fair value through profit or loss	At amortized cost	Total
	----------Rupees----------		
Security deposits	-	3,511,506	3,511,506
Trade and other payables	65,053,417	6,673,993,566	6,739,046,983
Lease liabilities	-	104,039,876	104,039,876
	65,053,417	6,781,544,948	6,846,598,365

Reconciliation of financial assets and financial liabilities to the line items presented in the consolidated statement of financial position is as follows:

	2022		
	Financial assets	Non-financial assets	Assets as per consolidated statement of financial position
	---------------Rupees--------------		
Assets			
Long term loans	2,990,827	-	2,990,827
Trade debts	8,439,960,585	-	8,439,960,585
Due from related parties	457,155,914	-	457,155,914
Net investment in lease	874,641,141	-	874,641,141
Advances, deposits and prepayments	54,388,341	468,891,029	523,279,370
Long term deposits	8,683,884	-	8,683,884
Other receivables	20,250,625	2,987,218,032	3,007,468,657
Profit accrued on bank deposits	28,487,729	-	28,487,729
Short term investments	151,142,276	-	151,142,276
Cash and bank balances	5,170,755,588	-	5,170,755,588
	15,208,456,910	3,456,109,061	18,664,565,971

	Financial liabilities	Non-financial liabilities	Liabilities as per consolidated statement of financial position
	---------------Rupees---------------		
Liabilities			
Security deposits	17,689,256	-	17,689,256
Trade and other payables	11,251,570,811	520,815,326	11,772,386,137
Lease liabilities	124,958,694	-	124,958,694
	11,394,218,761	520,815,326	11,915,034,087

	2021		
	Financial assets	Non-financial assets	Assets as per consolidated statement of financial position
	---------------Rupees---------------		
Assets			
Long term loans	6,315,831	-	6,315,831
Trade debts	4,378,448,966	-	4,378,448,966
Due from related parties	6,183,943	-	6,183,943
Advances, deposits and prepayments	29,634,060	235,645,131	265,279,191
Long term deposits	2,641,925	-	2,641,925
Other receivables	281,513,419	2,964,798,944	3,246,312,363
Profit accrued on bank deposits	14,821,761	-	14,821,761
Short term investments	500,797,533	-	500,797,533
Cash and bank balances	4,450,157,985	-	4,450,157,985
	9,670,515,423	3,200,444,075	12,870,959,498

	Financial liabilities	Non-financial liabilities	Liabilities as per consolidated statement of financial position
	---------------Rupees---------------		
Liabilities			
Security deposits	3,511,506	-	3,511,506
Trade and other payables	6,739,046,983	165,219,291	6,904,266,274
Lease liabilities	104,039,876	-	104,039,876
	6,846,598,365	165,219,291	7,011,817,656

41.3 Offsetting financial assets and financial liabilities

As at the reporting date, recognized financial instruments are not subject to off setting as there are no enforceable master netting arrangements and similar agreements.

41.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain as optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

42 RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

i) Fair value hierarchy

Judgments and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

Recurring fair value measurements as at 30 June 2022	Level 1	Level 2	Level 3
	----------	Rupees	----------
Financial asset			
Investment at fair value through profit or loss	151,142,276	-	-

Recurring fair value measurements as at 30 June 2021	Level 1	Level 2	Level 3
	----------	Rupees	----------
Financial asset			
Investment at fair value through profit or loss	500,797,533	-	-

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further there was no transfer in and out of level 3 measurements.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include the use of quoted market prices or dealer quotes for similar instruments.

43 FAIR VALUE MEASUREMENTS - NON-FINANCIAL ASSETS

i) Fair value hierarchy

Judgements and estimates are made for non-financial assets not measured at fair value in these consolidated financial statements but for which the fair value is described in these consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets into the following three levels.

As at 30 June 2022	Level 1	Level 2	Level 3	Total
		---------------------- Rupees	----------------------	
Investment properties				
- Land	-	-	9,931,297,000	-
- Buildings	-	-	124,724,000	-
	-	-	10,056,021,000	-

As at 30 June 2021	Level 1	Level 2	Level 3	Total
		---------------------- Rupees	----------------------	
Investment properties				
- Land	-	-	9,216,723,000	-
- Buildings	-	-	135,483,000	-
	-	-	9,352,206,000	-

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

(ii) Valuation techniques used to determine level 2 fair values

The Group obtains independent valuations for its investment properties at least annually. At the end of each reporting period, the management updates the assessment of the fair value of each property, taking into account the most recent independent valuations. The management determines a property's value within a range of reasonable fair value estimates. The best evidence of fair value is current prices in an active market for similar properties.

Valuation processes

The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties at the end of every financial year. As at 30 June 2020, the fair values of the investment properties have been determined by Messers Surval.

Changes in fair values are analysed at the end of each year during the valuation discussion between the Chief Financial Officer and the valuers. As part of this discussion the team presents a report that explains the reason for the fair value movements.

44 NUMBER OF EMPLOYEES

	2022	2021
Number of employees as on reporting date	18,044	16,290
Average number of employees	17,174	14,782

45 CORRESPONDING FIGURES

45.1 Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant rearrangements have been made.

45.2 Leeds Logistics (Private) Limited - subsidiary company was incorporated on 17 March 2021 and opted for group taxation during the current year. Further, Leeds Logistics (Private) Limited - subsidiary company has prepared its financial statements as at 30 June 2022 for the first time since incorporation date. Therefore, figures relating to Leeds Logistics (Private) Limited consolidated in consolidated statement of changes in equity, consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows pertain to the period from 17 March 2021 to 30 June

46 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of A.J. Holdings (Private) Limited - holding company has proposed a cash dividend for the year ended 30 June 2022 of Rupees NIL per share (2021: Rupees Nil per share) at their meeting held on 01 NOV 2022. However, this event has been considered as non-adjusting event under IAS 10 'Events after the Reporting Period' and has not been recognized in these consolidated financial statements.

47 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 22 NOV 2022 by the Board of Directors of the Group.

48 GENERAL

Figures have been rounded off to nearest of Rupee.

49 STATEMENT UNDER SECTION 232 OF THE COMPANIES ACT, 2017

These financial statements have been signed by two directors instead of chief executive and one director as the chief executive is not available for the time being in Pakistan.

DIRECTOR	DIRECTOR
Mian Umer Sb	[illegible] Sb