

**ANNUAL REPORT
2016 - 2017**



Pak Leather Crafts Limited

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CORPORATE PROFILE

BOARD OF DIRECTORS

Dr.Muhammad Shoaib Ahmed	Chairman / Director
Muhammad Saleem Ahmed	Director
Nayyer Ahmed Jalali	Director
Azeem Ahmed	Director
Bilal Ahmed	Director
Umer Ahmed	Director
Syed Fawad Hussain Rizvi	Director

AUDIT COMMITTEE

Syed Fawad Hussain Rizvi	Chairman
Bilal Ahmed	Member
Umer Ahmed	Member

HUMAN RESORCE & REMUNERATION COMMITTEE

Umer Ahmed	Chairman
Muhammad Saleem Ahmed	Member
Bilal Ahmed	Member

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Naseer Ahmed

BANKERS

Albaraka Bank Pakistan Ltd
NIB Bank Limited
Habib Metropolitan Bank Ltd
Habib Bank Limited
Industrial Development Bank Ltd
Faysal Bank Limited
Soneri Bank Ltd
United Bank Limited
Bank Alfalah Ltd

EXTERNAL AUDITORS

IECnet S.K.S.S.S.
Chartered Accountants

REGISTERED OFFICE

Plot 18, Sector 7 - A
Korangi Industrial Area, Karachi
Website: www.pakleather.com

LEGAL ADVISOR

Shakiel Z. Lari, Advocate

SHARE REGISTRAR

NI Associates (pvt) Ltd
53, Kokan Society, Alamgir Road,
Karachi - 74800
Tel: 021-34937012
021-34945892

NOTICE OF ANNUAL GENERAL MEETING



Notice is hereby given that the 30th Annual General Meeting of the members of Pak Leather Crafts Limited will be held on Tuesday, the 31st October, 2017 at 04.00 P.M. at Plot -9, Sector 59, Malir Development Authority, Taiser Town, Karachi to transact the following business:

1. To confirm the minutes of the 29th Annual General Meeting held on 25th October, 2016.
2. To receive, consider and adopt the audited accounts of the company for the year ended 30th June 2017 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year ending June 30, 2018 and to fix their remuneration.
4. To transact any other business with the permission of the chair.

By order of the Board

Naseer Ahmed
Company Secretary

Karachi: October 06, 2017

Notes:

1. To Share Transfer books of the Company will remain closed from 24-10-2017 to 31-10-2017 (both days inclusive)
2. A Member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote to him/her. No person shall act as a proxy who is not a member of the Company. Proxies in order to be effective must be received duly stamped, signed and witnessed by the company not less then 48 hours before the meeting.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
 - i) In case of individual, the account holder or sub-account holder and/or the person, whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his / her identity showing his / her original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting. The shareholders registered on CDS are also requested to bring their participants I.D. numbers and account numbers in CDS.
 - ii) In case of a corporate entity, the Board of Directors' resolution / Power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.
4. Members are requested to immediately notify the Company of any change in their addresses.



DIRECTORS' REPORT

The Directors of the Company are pleased to present the performance review, the audit report and the financial statements of the Company for the year ended June 30, 2017.

FINANCIAL RESULTS

The financial results of the Company for the year under report are shown below.

	2017 Rupees	2016 Rupees
Loss before taxation	(4,789,983)	(6,672,186)
Taxation	(452,864)	(210,000)
Loss after tax	(5,242,847)	(6,882,186)
Accumulated (Loss) Brought Forward	(390,094,707)	(383,212,521)
Accumulate (Loss) Carried Forward	(395,337,554)	(390,094,707)

During the year under review, the company succeeded to record turnover of Rs. 45.28 (M) registering an improvement 116% over last year. This is the outcome of untiring efforts of the management. Resultantly, after tax net loss for the year under review reduced to Rs 5.24 (M) as compared to after tax loss of Rs 6.88 (M) last year. Your directors are adamant to bring the Company out from the losses by increasing the turnover and exercising economies in expenses.

COMMENTS ON AUDITORS' REPORT

Auditors observation on current ratio is based on the current liabilities inclusive of Rs. 254.432 million on account of 'current portion of long term loans and short term borrowings from banks'. This sum is not payable within twelve months because of pending litigation and therefore the sum of Rs.254.432 be subtracted to workout practical current ratio. Auditors have mentioned this fact of pending litigation themselves in the next para of their audit report. This is one of the major mitigating factors to dilute the threat of going concern.

Moreover, as disclosed in detail Note 33, export business of the Company has now been turned around and the losses are substantially reducing year after year. Additionally the directors are committed to keep the Company going by providing required financial assistance, if needed.

Regarding stock of work in process, details of inventories mentioning quantities and their values were provided during course of audit.

Auditor observation stating balance of work in process is at higher side comparing with the manufacturing cost is based on misconception. Balance of work in process is mostly carried forward from last several years and have no rationale with the current cost of production. In fact this is the balance of slow moving unfinished leather declared at net realizable value.

SALES

Your directors in the annual report of previous year pointed out their expectation about growth in exports. In line with that expectation, we are pleased to report that during the financial year ended June 30, 2017, the management explored export market and accordingly the Company made export sale of Rs 26.48 (M) comparing with Rs 0.47(M) during previous year. Local sales and job work revenue of the company was Rs 18.80 (M) for the year under review whereas corresponding figure is Rs.20.43 Million for the preceding year

DIRECTORS' REPORT



FUTURE OUTLOOK

The future of the company will likely conform to management's efforts. The management have recently reintroduced the Company in international markets and is hopeful of a prosperous upcoming financial year. The management is aggressively pursuing international opportunity using effective marketing campaigns, visits to customers in Far East and Europe and development in leather technology. With hard work and perseverance, the management hopes to increase its international presence and regain market share.

In order to meet the export orders working capital requirement, the Directors of the company would also induct the required working capital in the Company as & when required.

CORPORATE AND FINANCIAL REPORTING

In compliance with the applicable listing regulations of Pakistan Stock Exchange, the directors of the company do hereby declare the following:

- a) The financial statements prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- b) Proper books of account of the listed company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) The Company's ability to continue as a going concern is effective as discussed in the foregoing paras and in Note 33.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulation.

KEY OPERATING & FINANCIAL DATA:

The key operating & financial data is mentioned on Page No. 12.

EARNINGS PER SHARE (EPS)

The loss per Share is Rs. (1.54) (2016: loss per share Rs.2.02)

BOARD AUDIT COMMITTEE

The Board Audit Committee is comprised of one Independent Non-Executive director as Chairman and two Non-Executive Directors as member of audit committee. The terms of reference include reviews of annual and quarterly financial statements, internal audit report, information before dissemination to Stock Exchanges and proposal for appointment of external auditors for approval of the shareholders, apart from other matters of significant nature. Four meeting were held during the period under review.



DIRECTORS' REPORT

NUMBER OF BOARD MEETING

During the year, four board meetings were held, which were attended by the Directors as under:

S. No.	Names	No. of Meetings Attended / held
1.	Mr. M. Saleem Ahmed (CEO)	4 / 4
2.	Dr. M. Shoaib Ahmed	2 / 4
3.	Mr. Nayyer Ahmed Jalali	4 / 4
4.	Mr. Bilal Ahmed	2 / 4
5.	Mr. Azeem Ahmed	4 / 4
6.	Mr. Umer Ahmed	4 / 4
7.	Syed Fawad Husain Rizvi	1 / 4

PURCHASE / SALE OF SHARES

The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not purchase or sale any shares of the Company during the period under review.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2017 is annexed with this report.

AUDITORS

The auditors of the company M/s. H.A.M.D. Chartered Accountants, resigned and the Board of Directors filled the casual vacancy by appointment of M/s. IECnet s.k.s.s.s. Chartered Accountants. Present auditors M/s. IECnet s.k.s.s.s. retire and being eligible offer themselves for re-appointment for the year 2017-2018. The audit committee has also recommended their reappointment in the AGM.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The statement of compliance with the Code of Corporate Governance is annexed with this report.

ACKNOWLEDGEMENT

The Board of Directors would like to place on record its appreciation to all our Patrons, Dealers, Suppliers and Employees for their valuable help, uncompromising support and contribution to the Company.

WORKER MANAGEMENT RELATIONSHIP

The board of Directors would like to place on record the valuable contribution of all members of the staff & workers. The workers management relationship remained cordial throughout the year which resulted in the smooth operation of your company.

On behalf of the Board

Muhammad Saleem Ahmed
Chief Executive Officer

Karachi: October 06, 2017

ڈائریکٹرز رپورٹ



کمپنی کے ختم شدہ سال 30 جون 2017 کیلئے مالیاتی گواشوہرہ پر آڈیٹ رپورٹ اور کارکردگی جائزہ کمیٹی ڈائریکٹران کی جانب سے بمسرت پیش کیا جا رہا ہے۔

مالیاتی نتائج

کمپنی کے مالیاتی نتائج برائے سال رپورٹ کے تحت درج ذیل ظاہر کئے گئے ہیں۔

2017	2016	
روپے	روپے	
(4,789,983)	(6,672,186)	نقصان قبل از ٹیکسیشن
(452,864)	(210,000)	ٹیکسیشن
(5,242,847)	(6,882,186)	نقصان بعد از ٹیکسیشن
(390,094,707)	(383,212,521)	مجموع (نقصان) پرانا
(395,337,554)	(390,094,707)	مجموع (نقصان) جاری

زیر جائزہ رواں سال کے درمیان کمپنی سے پچھلے سال کے مقابلے میں 45.28 ملین ریکارڈ ٹرن اور وکیسا تھ 116 فی صد اضافہ کرنے میں کامیاب رہی ہے یہ کامیابی انتظامیہ کی انتھک کوششوں سے حاصل ہوئی۔ نتیجاً گزشتہ سال کا 6.88 نقصان کے مقابلے میں رواں سال برائے جائزہ سال کم ہو کر 5.24 ہو گیا ہے۔ آپ کی کمپنی کے ڈائریکٹران اخراجات میں کمی اور ٹرن اور میں اضافہ کر کے کمپنی کو نقصان سے نکلنے کیلئے پرعزم ہیں۔

آڈیٹر رپورٹ پر تبصرہ :

آڈیٹر نے اپنے مشاہدے میں کرنٹ ریشو (Current Ratio) میں وہ واجبات شامل کئے ہیں جو کہ آئندہ 12 ماہ میں بوجہ عدالتی کارروائی کے واجب الدا نہیں ہیں۔ یہ مجموعی رقم Rs. 254.432 ملین بنتی ہے۔

اگر اس کو Current Liabilities سے منہا کر دیں تو عملاً Current Ratio بہت بہتر ہو جائے گا۔ آڈیٹر نے عدالتی کارروائی کی بات خود بھی رپورٹ کے اگلے حصے میں بیان کی ہیں۔

یہ بات کئی اور عوامل کے علاوہ ہے جس سے Going Concern نہ ہونے کا خطرہ بڑے پیمانہ پر کم ہو جاتا ہے۔

مذید براں جیسا کہ نوٹ نمبر 33 میں تفصیلاً بتایا گیا ہے کہ کمپنی کی برآمدات میں خاطرخواہ اضافہ ہوا ہے اور آئندہ مذید کا امکان ہے۔ اس کے علاوہ ڈائریکٹرز کمپنی کو Going Concern رکھنے کے لئے کمر بستہ ہیں جس کے لئے وہ مذید ضروری مالی امداد دینے کے لئے تیار ہیں۔

Work in Process کے مطابق عرض ہے کہ آڈیٹرز کو مقدار اور مالیت کا گواشوہرہ مہیا کیا جا چکا ہے۔ آڈیٹر کے مشاہدہ کے مطابق Work in Process کا تناسب گل پیداواری لاگت سے بہت زیادہ ہے یہ غلط فہمی پر مبنی ہے کیونکہ یہ Work in Porcess کئی سال



ڈائریکٹرز رپورٹ

پرانا ہے اور اس کا موجودہ پیداوار سے کوئی تعلق نہیں ہے۔ حقیقتاً یہ Unfinished Leather کا اسٹاک ہے اور اس کو موجودہ قیمت پر ظاہر کیا گیا ہے۔

سیلز

آپ کی کمپنی ڈائریکٹران میں گزشتہ سال کی سالانہ رپورٹ میں براآمد میں اضافہ کی توقع کا اظہار کیا تھا۔ ان توقعات کے مطابق بمسرت اعلان کرتے ہیں کہ گزشتہ سال کے دوران 0.47 ملین درآمد اس کے مقابلے میں رواں سال ختم شدہ 30 جون 2017 کے دوران ہماری برآمدات سیل نمایاں اضافہ 26.48 ملین پر پہنچ گئی۔ رواں سال میں مقامی سیل اور جاب ورک سے حاصل شدہ کمپنی ریونیو/آمدنی 20.43 ملین کے مقابلے کے اضافہ 18.80 ملین ہو گئی۔

مستقبل کا خاکہ

انتظامیہ کی کوششوں کے نتیجے میں توقع ہے کہ کمپنی کا مستقبل مستحکم ہوگا۔ ڈائریکٹران نے حالیہ دنوں میں بین الاقوامی منڈیوں میں متعارف کرایا ہے جس کے باعث امید ہے کہ آئندہ مالی سال کمپنی کیلئے معاشی اعتبار سے بہترین ہوگا۔ بین الاقوامی منڈیوں تک رسائی اور مواقع حاصل کرنے کیساتھ موثر مارکیٹنگ، تشہیری مہم، مشرق بعید اور یورپ کے صارفین کا روبرو ملاقاتیں اور دورے، لیڈر ٹیکنالوجی ہونے والی ڈیولپمنٹ کو بھرپور طریقے سے بروئے کار لایا جا رہا ہے۔ سخت محنت اور مستقل مزاجی سے کیے جانے والے عملی اقدامات کے نتیجے میں کمپنی ڈائریکٹران پر امید ہے کہ بین الاقوامی منڈیوں اپنا شیئر دوبارہ حاصل کرنے کیساتھ اپنی موجودگی میں بھی اضافہ کریں گی۔ ایکسپورٹ ورکنگ سرمایہ کی ضرورت کو پورا کرنے کیلئے حسب ضرورت جب اور جیسے ضروری ہوگا کمپنی ڈائریکٹران ورکنگ سرمایہ فراہم کریں گے۔

کارپوریٹ اور فنانشل رپورٹنگ

- پاکستان اسٹاک ایکسچینج کے لاگوسٹنگ قوانین کی تعمیل میں کمپنی ڈائریکٹران بذریعہ ذیل اعلان کرتے ہیں۔
- (a) کمپنی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشواروں میں کمپنی کے حالات کار/معاملات آپریشنز کے نتائج، کیش فلوا اور ایکویٹی میں تبدیلی سے متعلق تمام چیزوں کا واضح طور پر ظاہر کر دیا ہے۔
 - (b) لسٹڈ کمپنی کے کھاتہ کتب باقاعدہ میٹریٹڈ کی گئی ہے۔
 - (c) مالیاتی گوشوارے کی تیاری میں موزوں اکاؤنٹنگ پالیسیز باقاعدگی سے زیر استعمال ہے۔ اکاؤنٹنگ تخمیه جات مناسب اور دانشمندانہ فیصلہ کی بنیاد پر کئے گئے ہیں۔
 - (d) مالیاتی گوشوارے کی تیاری میں بین الاقوامی اکاؤنٹنگ معیارات کو مد نظر رکھا گیا ہے جیسا کہ پاکستان میں رائج ہیں اور معیارات سے ہٹ کر کوئی عمل انجام دیا گیا ہے تو اس کو رپورٹ میں ظاہر کر دیا گیا ہے۔
 - (e) انٹرنل کنٹرول کا انتظام اپنے ڈیزائن میں مستحکم ہے اور اس پر سے موثر انداز میں نہ صرف عمل درآمد ہو رہا ہے بلکہ اس کی نگرانی بھی ہو رہی ہے۔
 - (f) کمپنی حیثیت بطور Going Concern برقرار رکھی جا رہی ہے۔ یہ بات نوٹ 33 اور اوپر بھی سراجت کے ساتھ بیان کی گئی ہے۔
 - (g) لسٹنگ قوانین کے متعین کردہ کارپوریٹ گورننس کے بہترین رہنما اصولوں سے کسی بھی قسم کی مادی روگردانی نہیں کی گئی ہے۔

اہم آپریٹنگ اینڈ فنانشل ڈیٹا

صفحہ نمبر- 12 پر اہم آپریٹنگ اینڈ فنانشل ڈیٹا مندرج ہے۔

فی شیئر آمدنی (EPS)

فی شیئر نقصان (1.54 روپے) (2016) میں نقصان فی شیئر (2.02 روپے)

بورڈ آڈیٹ کمیٹی

بورڈ آڈیٹ کمیٹی ایک خود مختار نان ایگزیکٹو ڈائریکٹرز بطور چیئرمین اور 2 نان-ایگزیکٹو ڈائریکٹرز آڈیٹ کمیٹی کے ممبر پر مشتمل ہے۔ ٹرمز اور ریلینڈس میں سالانہ اور سہ ماہی اور مالیاتی حسابات کا جائزہ انٹرنل آڈٹ رپورٹ اسٹاک ایکسچینج کو دی جانے سے پہلے معلومات اور شیئر ہولڈر کی منظوری کیلئے تجویز برائے تقرری انٹرنل آڈیٹر اور اس کے علاوہ دیگر اہم نوعیت کے معاملات شامل ہیں۔
زیر جائزہ عرصے کے درمیان 4 میننگز منعقد ہوئی ہیں۔

بورڈ اجلاس کی تعداد

رواں سال کے دوران 4 بورڈ اجلاس منعقد ہوئے جس میں درج ذیل ڈائریکٹران نے شرکت کی

نام	اجلاس کی تعداد	شرکت کی گئی / منعقدہ
-----	----------------	----------------------

1- جناب ایم سلیم احمد (CEO)	4/4	
2- جناب ایم شعیب احمد	2/4	
3- جناب نیر احمد جلالی	4/4	
4- جناب بلال احمد	2/4	
5- جناب عظیم احمد	4/4	
6- جناب عمر احمد	4/4	
7- سید نواز حسین رضوی	1/4	

شیئرز کی خرید / فروخت

زیر جائزہ عرصے کے دوران کمپنی کے ڈائریکٹران، CEO، CFO، کمپنی سیکریٹری اور ان کی اہلیہ، نابالغ بچوں کی جانب سے کمپنی شیئرز کی خرید و فروخت نہیں کی گئی۔

شیئرز ہولڈنگ کا پیٹرن

30 جون 2017 کی مدت تک کا شیئرز ہولڈنگ پیٹرن رپورٹ ہذا کیساتھ منسلک ہے۔

آڈیٹرز

کمپنی آڈیٹرز میسرز H.A.M.D. چارٹرڈ اکاؤنٹینٹس نے استعفی دے دیا تھا اور بورڈ آف ڈائریکٹرز نے میسرز IECnet sk.s.s. چارٹرڈ اکاؤنٹینٹس کی تقرری کر کے



ڈائریکٹرز رپورٹ

اتفاقی اساسی کو پرکریا ہے۔

موجودہ آڈیٹر میسرز IECnet sk.s.s.s چارٹرڈ اکاؤنٹینٹس سگلدوش ہو رہے ہیں اور خود کو اہل ہونے کی بناء پر سال 2017 کیلئے دوبارہ تقرری کیلئے پیش کیا ہے۔ آڈیٹ کمپنی کے سالانہ اجلاس عام کے موقع پر ان کی دوبارہ تقرری کی سفارش کی ہے۔

کوڈ آف کارپوریٹ گورننس کیساتھ کمپلائنس کا گوشوارہ
کمپلائنس کا گوشوارہ بحمد کوڈ آف کارپوریٹ گورننس رپورٹ ہذا کیساتھ منسلک ہے۔

اظہار تشکر

بورڈ ڈائریکٹران اپنی تمام ڈبلرز، پیٹرنرز، سپلائرز اور ملازمین کی کمپنی کیلئے گراں مایہ خدمات تعاون اور مدد کیلئے کی جانے والی کوششوں کو تہ دل سے اُن ریکارڈ سراہتے ہیں۔

ورکر مینجمنٹ تعلقات

بورڈ آف اپنے تمام اسٹاف ممبران اور ملازمین کی کمپنی کیلئے گراں قدر خدمات کو اُن ریکارڈ سراہتے ہیں۔
ملازمین اور انتظامیہ کے تعلقات اس عرصے کے درمیان نہایت خوش گوار رہے جس کے نتیجے میں آپ کے کمپنی کے معاملات بہ حسن خوبی انجام پائے۔

از طرف بورڈ

محمد سلیم

کراچی 6 اکتوبر 2017

چیف ایگزیکٹو آفیسر

STATEMENT OF VALUE ADDED



	2017 (Rupees)	%	2016 (Rupees)
WEALTH GENERATED			
TOTAL REVENUE	45,286,416		20,914,199
BROUGHT IN MATERIAL & SERVICES	(32,991,120)		(8,408,009)
	12,295,296		12,506,190
WEALTH DISTRIBUTED			
TO EMPLOYEES			
SALARIES, BENEFITS & RELATED COST	10,328,076	84.00	11,197,220
TO GOVERNMENT			
INCOME TAX, SALES TAX, IMPORT DUTY AND WORKERS' FUND	777,149	6.32	88,951
RETAINED FOR REINVESTMENT & FUTURE GROWTH			
DEPRECIATION, AMORTISATION	1,190,071	9.68	1,220,019
	12,295,296	100.00	12,506,190



SIX YEARS AT A GLANCE

(Rs in '000)

PARTICULARS	2017	2016	2015	2014	2013	2012
Net Sales	45,286	20,914	17,170	9,005	15,904	12,040
Gross Profit/(loss)	61	(2,312)	(11,631)	(9,917)	(25,585)	(31,017)
Net Profit/(loss) before tax	(4,790)	(6,672)	(15,371)	(20,963)	(45,790)	(55,454)
Gross Profit/(loss) (%)	0.13	(11.05)	(67.74)	(110.13)	(160.87)	(257.62)
Net Profit/(loss) (%)	(10.58)	(31.90)	(89.52)	(232.79)	(287.91)	(460.58)
Earning/(loss) per share (after tax)	(1.54)	(2.02)	(4.57)	(6.17)	(13.51)	(16.55)
Current ratio	(0.25)	(0.26)	(0.26)	(0.28)	(0.31)	(0.42)

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE



This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the Rule Book of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

- 1- The Company encourages representation of independent non-executive directors and representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Non-Executive Director	1. Syed Fawad Hussain Rizvi
Executive Directors	1. Mr. M.Saleem Ahmed 2. Mr.Nayyer Ahmed Jalali
Non-Executive Director	1.Dr. M.Shoaib Ahmed 2.Mr.Azeem Ahmed 3. Mr. Bilal Ahmed 4. Mr. Umer Ahmed

The independent Director meets the criteria of independence as contained in CCG.

- 2- The directors have confirmed that none of them is serving as a director in more than Seven listed companies, including this Company.
- 3- All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4- The Company would prepare a 'Code of Conduct' and would ensure that appropriate steps would be taken to disseminate it throughout the company along with its supporting policies and procedures and which would be placed on company's website.
- 5- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 6- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and none executive directors, have been taken by the Board/share holders.
- 7- The meetings of the Board were presided over by the Chairman and, in his absence by a director elected by the board for this purpose and the board meet at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 8- The directors have been made aware of the Listing regulations of Stock Exchanges, the Company's Memorandum and Articles of Association and the CCG during various Board meetings. The directors are therefore well conversant with their duties and responsibilities. Four out of seven Directors meet the exemption requirement of the directors' training program. The Company plans to arrange Director's Training Programs for the remaining three directors at the earliest.



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

- 9- The Board has approved appointment of CFO & Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
- 10- The directors' report for this year has been prepared in compliance with requirements of the Code and fully describes the salient matters required to be disclosed.
- 11- The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- 12- The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- 13- The Company has complied with all the corporate and financial reporting requirements of the CCG.
- 14- The Board had formed an audit committee. It comprises of three members having an independent director as chairman and two members are non-executive directors.
- 15- The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee had been formed and advised to the committee for compliance.
- 16- The board has formed Human Resource & Remuneration Committee. It comprises three members including the chairman and a member of the committee as non-executive director and the other member is an executive director.
- 17- The board has set up an effective internal audit function managed by personnel suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
- 18- The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that the firm or their spouses and minor children do not hold shares of the company on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- 19- The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20- The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
- 21- Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
- 22- We confirm that all other material principles enshrined in the CCG have been complied with.

Karachi: October 06, 2017

(Muhammad Saleem Ahmed)
Chief Executive Officer

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE



We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **PAKLEATHER CRAFTS LIMITED** (the "Company") for the year ended June 30, 2017 to comply with the requirements of Rule 5.19 of the Rule Book of the Pakistan Stock Exchanges where the company is listed.

The responsibility for the compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not and to highlight any non-compliance with the requirements of the code. A review is limited primarily to inquiries of the company's personnel and review of various documents prepared by the company to comply with the code.

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

The code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflects the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2017.

Further, we highlight below the instances of non-compliance with the requirements of the code as reflected in paragraphs 9, 15 and 17 in the Statement of Compliance.

IECnet S.K.S.S.S

**Chartered Accountants
Muhammad Ahmad Shahid, FCA
Engagement Partner**

PESHAWAR, October 06, 2017



AUDITORS' REPORT TO THE MEMBERS

We have audited the accompanying Balance Sheet of **PAK LEATHER CRAFTS LIMITED** (the 'Company') as at June 30, 2017 and the related Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity together with the notes forming part thereof for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as evaluating the overall presentation of the above said statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion, we report that:

- (a) As explained in Note # 33 of the financial statements, due to accumulated losses the equity of the company has become negative to the tune of Rs.361.338 M (Rs.356.095 M-2016). Further, the current liabilities of the company far exceeds its current assets by a sum of Rs.378.165 M as at June 30, 2017 (Rs.373.752 M as of June 30, 2016). The mitigating factors relating to aforesaid situation do not override the existence of uncertainty about company's ability to continue as a going concern, and consequently, we do not agree to the explanation offered by the management vide aforementioned note for preparation of financial statements on a going concern basis;

Further, as explained in Notes # 15, 16 & 17 of the financial statements, the company reported short term borrowings, current portion of long term finance and short term loans, respectively at a sum of Rs.207.529 M, Rs.46.903 M and Rs.69.336 M (Rs.207.529 M, Rs.46.903 M and Rs.66.619 M in year 2016) in addition to the accrued mark-up reported vide Note # 18 of the said financial statements amounting to Rs.124.029 M (Rs.124.029 M - 2016). The company is in default regarding repayment obligations towards various Banks on record, while matters for settlement thereof are pending in various Courts including High Court of Sindh at Karachi and the Banking Courts since long with no concrete outcome as on the date of balance sheet. Although the response of the Legal Advisor engaged by the company was quite encouraging yet we are unable to satisfy ourselves regarding the exactness of liabilities reflected in the financial statements, as fairly stated;

And further, the impact of some of the following observations evidently conclude to be the misstatements, individually or in aggregate, hence viewed to be material as well as pervasive to the financial statements:

- i. Closing stock of Work in Process as of June 30, 2017 stood at a sum of Rs.40,398,160/- as opposed to Rs.39,505,100/- on June 30, 2016 and Rs.40,147,353/- on June 30, 2015. No details have been furnished as to the volume of inventory of WIP (work in process) on June 30, 2017, their physical availability together with the basis of valuation thereof. The stocks of WIP appears to be ridiculously on higher-side compared to the total manufacturing cost of Rs.30.719 M during FY 2016-2017 (Rs.23.226 M during FY 2015-16);
- ii. Trade debts amounting to Rs.82,714,267/- considered good for recovery by the management appears to be doubtful of recovery since the status of trade debts being brought forward from prior years at a sum of Rs.82.714 M (Rs.86.023 M-2016 and Rs.88.493 M -2015) without significant recovery followed by no confirmation from the debtors concerned makes them insecure and distrustful, hence the provisions available against the doubtful debts appears to be under-valued to the same extent;and

AUDITORS' REPORT TO THE MEMBERS



- iii. Trade creditors amounting to Rs.45.471 M as of June 30, 2017 (Rs.46.934 M - 2016) are being brought forward from prior years without change. This attracts provisions of Section 34 (5) of the Income Tax Ordinance, 2001, whereby if a liability remains unpaid for more than three consecutive years shall be liable to tax under the head 'income from business' in the first year following the end of the three years.
- (b) In our opinion, except for the matters as stated in paragraph (a) above, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (c) In our opinion, except for the matters described in paragraph (a) above;
 - i. the Balance Sheet and related Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity together with notes forming part thereof been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account, and are further in accordance with accounting policies consistently applied;
 - ii. the expenditure incurred during the year was for the purposes of company's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (d) Owing to the significance of the matters stated in paragraph (a) above and possible adjustments that may be required but are not determined due to the above stated matters, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof do not conform with approved accounting standards as applicable in Pakistan, and do not give the information required by the Companies Ordinance, 1984, in the manner so required and, respectively do not give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of the loss, its cash flows and changes in equity for the year then ended; and
- (e) In our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other matters:

Financial Statements of the previous year were audited by M/s. H.A.M.D.& Co., Chartered Accountants who gave their qualified audit opinion vide their report dated September 30, 2016.

PESHAWAR, October 06, 2017

IECnet S.K.S.S.S
Chartered Accountants
Muhammad Ahmad Shahid, FCA
Engagement Partner



BALANCE SHEET AS AT JUNE 30, 2017

	NOTE	2017 RUPEES	2016 RUPEES
ASSETS			
Non current assets			
Property, plant and equipment	5	17,073,201	17,903,272
Long terms deposits	6	1,409,612	1,409,612
		<u>18,482,813</u>	<u>19,312,884</u>
Current assets			
Stores, spares and loose tools	7	317,487	317,487
Stock in trade	8	38,023,482	42,903,699
Trade debtors	9	82,714,267	86,023,177
Advances and other receivables	10	1,693,952	176,627
Tax refund due from government	11	546,877	222,593
Cash and bank balances	12	1,369,013	253,227
		<u>124,665,078</u>	129,896,810
TOTAL ASSETS		<u><u>143,147,891</u></u>	<u><u>149,209,694</u></u>
CAPITAL AND LIABILITIES			
Share capital and reserves			
Share capital	13	34,000,000	34,000,000
Unappropriated loss		(395,337,554)	(390,094,707)
		<u>(361,337,554)</u>	<u>(356,094,707)</u>
Non current liabilities			
Deferred liabilities	14	1,655,176	1,655,176
Current liabilities			
Short term borrowings	15	207,529,092	207,529,092
Current portion of long term finance	16	46,903,419	46,903,419
Short term loans	17	69,335,742	66,619,712
Accrued markup	18	124,029,303	124,029,303
Trade and other payables	19	55,032,713	58,567,699
		<u>502,830,269</u>	503,649,225
		<u><u>143,147,891</u></u>	<u><u>149,209,694</u></u>
Contingencies & commitments	20		

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

NAYYER AHMED JALALI
DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2017



	NOTE	2017 RUPEES	2016 RUPEES
Sales	21	45,286,415	20,914,199
Cost of sales	22	45,225,060	23,226,390
Gross profit / (Loss)		61,355	(2,312,191)
Operating expenses			
Selling and distribution	23	1,617,695	631,421
Administrative	24	3,152,938	3,513,550
Others	25	600,000	400,000
		5,370,633	4,544,971
Operating Loss		(5,309,278)	(6,857,162)
Other income	26	1,080,493	243,800
		(4,228,785)	(6,613,362)
Finance cost	27	561,198	58,824
Loss before taxation		(4,789,983)	(6,672,186)
Taxation - Current	28	452,864	210,000
Loss for the year		(5,242,847)	(6,882,186)
Other comprehensive income		-	-
Total comprehensive income		(5,242,847)	(6,882,186)

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

NAYYER AHMED JALALI
DIRECTOR



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	2017 RUPEES	2016 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(4,789,983)	(6,672,186)
Adjustment for non-cash changes and other items:		
Depreciation	1,190,071	1,220,019
Reversal of provision due to sale of inventory	-	(339,656)
	561,198	58,824
	1,751,269	939,187
	(3,038,714)	(5,732,999)
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	-	(25,000)
Stock in trade	4,880,217	(302,843)
Trade debts	3,308,910	2,469,496
Advances and other receivables	(1,517,325)	(144,300)
Tax refunds due from government	(324,284)	164,494
	6,347,518	2,161,847
Increase / (decrease) in current liabilities		
Trade and other payables	(3,534,986)	3,888,624
Short term loan	2,716,030	600,000
	(818,956)	4,488,624
Cash generated from operations	2,489,848	917,472
Financial charges paid	(561,198)	(58,824)
Income tax paid	(452,864)	-
	(1,014,062)	(58,824)
Net cash flow from operating activities	1,475,786	858,648
CASH FLOW FROM INVESTING ACTIVITIES		
Addition in fixed assets	(360,000)	(1,107,545)
Net cash flow from investing activities	(360,000)	(1,107,545)
Net cash and cash equivalents	1,115,786	(248,897)
Cash and cash equivalents at the beginning of the year	253,227	502,124
Cash and cash equivalents at the end of the year	1,369,013	253,227

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

NAYYER AHMED JALALI
DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2017



Particulars	Issued, Subscribed and paid up Capital	Unappropriated (loss)	Total
	<------(all amount in PKR)----->		
Balance as on July 01, 2015	34,000,000	(383,212,521)	(349,212,521)
Total comprehensive income for the year	-	(6,882,186)	(6,882,186)
Balance as on June 30, 2016	<u>34,000,000</u>	<u>(390,094,707)</u>	<u>(356,094,707)</u>
Balance as on July 01, 2016	34,000,000	(390,094,707)	(356,094,707)
Total comprehensive income for the year	-	(5,242,847)	(5,242,847)
Balance as on June 30, 2017	<u>34,000,000</u>	<u>(395,337,554)</u>	<u>(361,337,554)</u>

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

NAYYER AHMED JALALI
DIRECTOR



Notes to the Financial Statements for the year ended June 30, 2017

1. LEGAL ENTITY & NATURE OF BUSINESS

The company is a Public Limited Company incorporated in Pakistan under the Companies Ordinance, 1984 and is quoted on Pakistan Stock Exchange. The principal activity of the Company is leather tanning and export of leather and leather garments. The registered office of the company is situated at Plot # 18, Sector 7-A, Korangi Industrial Area, Karachi.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 and provisions and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions and directives issued under the Companies Ordinance, 1984 shall prevail.

During the year, the Companies Act, 2017 was enacted on May 30, 2017 and came into force at once. Subsequently, Securities and Exchange Commission of Pakistan notified through Circular No. 17 of July 20, 2017 that companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Therefore these financial statements have been prepared under the Companies Ordinance, 1984.

3. BASIS OF PREPARATION

These financial statements have been prepared on the basis of 'historical cost convention' except for recognition of certain employee retirement benefits at present value.

Functional and presentation currency

These financial statements are presented in Pakistani Rupee which is the company's functional and presentation currency.

Use of estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgements which are significant to the financial statements:

- (a) Determining the useful lives of property and equipment
- (b) Stores, spares and loose tools
- (c) Stock in trade
- (d) Recognition of taxation

3.1 New and amended standards and interpretations

Standards, interpretations and amendments to accounting standards that are effective and relevant.

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on January 01, 2016 and are considered to be relevant to the Company's operations:



- a) IAS 1, 'Presentation of financial statements' aims to improve presentation and disclosure in financial reports by emphasising the importance of understandability, comparability and clarity in presentation. The amendments provide clarification on number of issues, including:

Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

Disaggregation and subtotals - line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of entity's financial position or performance. This is also new guidance in the use of subtotals.

Notes - confirmation that the notes do not need to be presented in a particular order.

Other comprehensive income (OCI) - arising from investments accounted for under the equity method - the share of the OCI arising from equity - accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

- b) IAS, 'Property, Plant and Equipment' - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants in to scope of IAS 16.
- c) IAS 38, 'Intangible Assets' - Amendments regarding the clarification of acceptable methods of depreciation and amortisation.

The above amendments / interpretations do not have any significant impact on these financial statements.

Standards, interpretation and amendments to accounting standards that are effective but not relevant.

There are certain other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 01, 2016 which are considered not to be relevant or to have any significant effect on the company's financial reporting and operation and hence have not been detailed here.

Standards, interpretations and amendments to accounting standards that are not yet effective and have not been adopted by the company.

The following are the new standards and amendments to approved accounting standards which are not effective for the financial year beginning on or after July 01, 2016 and have not been early adopted by the company:

- a) IFRS 9, 'Financial Instruments' is applicable on accounting periods beginning on or after January 01, 2018. IASB has published the complete version of IFRS 9, 'Financial Instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. This IFRS is under consideration of SECP and the relevant committee of the company. The company is yet to assess the impact of these changes on its financial statements.



Notes to the Financial Statements for the year ended June 30, 2017

- b) IFRS 15, 'Revenue from Contracts with Customers' is applicable on accounting periods beginning on or after January 01, 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of goods or services transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

There are a number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not yet relevant to the company and, therefore, have not been presented here.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant & equipment

Property, plant & equipment are stated at cost less accumulated depreciation and accumulated impairment losses if any, except freehold land and capital work in progress, which are stated at cost less impairment losses if any. Depreciation is charged to income using the reducing balance method on all assets at the rates reflected in the relevant note of Property, plant & equipment.

Depreciation on additions is charged from the month the asset is available for use and in case of disposal up to the month preceding the month of disposal. Residual values, useful lives and methods of depreciation are reviewed at each balance sheet date and adjusted if expectations differ significantly from previous estimates. An asset's carrying amount is written down immediately to its recoverable amount if asset's carrying amount is greater than its estimated recoverable amount.

Useful lives are determined by the management based on expected usage of asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gains or losses on disposal of assets are included in current income.

Expenditure incurred subsequent to the initial acquisition of assets is capitalized only when it increases the future economic lives embodied in the items of Property, plant & equipment.

4.2. Stores, spares & loose tools

These are principally valued at weighted average cost. Item in transit and in bonded warehouse are valued at cost comprising invoice value and related cost to balance sheet date. Values of items are reviewed at each balance sheet date to record provision for any slow moving and obsolete item.



4.3 Stock in trade

Stock in trade is valued at lower of cost and net realizable value (NRV). Cost signifies in relation to:

Raw material and components	Weighted average method
Work - in - process	Net reliazable value (NRV)
Fiinished goods	Cost
Scrap	Net reliazable value (NRV)

The cost of work in process and finished goods comprises of direct material, direct labour and applicable production overheads. Cost is determined on weighted average method.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessary to make the sale. Provision is made for obsolete and slow moving stock when necessary to make the sale. Provision is made for obsolete and slow moving stock when necessary.

4.4 Trade debts and other receivables

Trade debts and othe receivables are stated at original invoice amount as reduced by appropriate provision for debts/receivables considered to be doubtful. Provision for doubtful debts is based on the management's assessment of customers outstandings and credit worthiness. Bad debts are written off as and when identified.

4.5 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except that those which are directly attributable to the acquisition, construction or production of qualifying asset (i.e. an asset that necessarily takes a sustabtial period of time to get ready for its intended use or sale) are capitalized as part of the cost of that asset, until such time as the asset is substantially ready for their intended use.

4.6 Provisions

Provisions are recognized when the company has legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

4.7 Trade and other payables

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

4.8 Taxation

Current

Provision of 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 the current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for the current tax also includes adjustments, where considered necessary, to provide for tax made in previous years arising from assessments framed during the year for such years.



Notes to the Financial Statements for the year ended June 30, 2017

Deferred

Deferred taxation is provided, proportionate to local sales, using the balance sheet liability method, on all Temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for the financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax relating to items recognized directly in equity is recognized in equity and not in the profit and loss account.

Sales tax

Revenue, expenses and the assets are recognized net off amount of sales tax except (a) where the sales tax incurred on purchase of asset or service is not recoverable from the taxation authority, in that case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and (b) receivables or payables are stated including the amounts of sales tax.

4.9 Dividend and other appropriation

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

4.10 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recorded on dispatch of goods.

4.11 Financial instruments

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instruments. All the financial assets are derecognized at the time when the company loses control of contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on recognition / de-recognition of the financial assets and liabilities is taken to profit and loss account currently.

Financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

4.12 Long and short term borrowings

These are recorded at the amount received. Installments due within one year are shown as current liability and markup on borrowings is charged as an expense on accrual basis.



4.13 Staff retirement benefits

The company operates non-funded gratuity scheme for all permanent workers drawing salary not exceeding Rs. 10,000 per month who have completed the minimum qualifying period of service.

4.14 Compensated absences

The liability for accumulated compensated absences of employees is recognized in the period in which employees render services that increase their entitlement to future compensated absences.

4.15 Foreign currency translation

Foreign currency transactions are translated into rupees at the rates of exchange approximating those prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into rupees at the rates of exchange approximating those prevailing at the balance sheet date. Exchange gains and losses are included in the profit and loss account. Non-monetary foreign currency assets and liabilities, which are carried at historical cost in foreign currencies, are translated into rupees at the rates of exchange existing on the date of transaction.

4.16 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists the asset's recoverable amount is estimated in order to determine the extent of the impairment loss if any. Impairment losses are recognized as expense in profit and loss account.

4.17 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents include cash in hand, deposits held with banks, other short term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.

4.18 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has legally enforceable right to offset the recognized amounts and the Company intends either to settle on a net basis, or realize the assets or to settle the liabilities simultaneously.

4.19 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length of normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.



Notes to the Financial Statements for the year ended June 30, 2017

5. PROPERTY, PLANT AND EQUIPMENT

(Amount in Rupees)

PARTICULARS	Cost			Rate	Depreciation			W.D.V
	As at July 01, 2016	Additions (Deletion)	As at June 30, 2017		As at July 01, 2016	For the year/ Adjustments	As at June 30, 2017	As at June 30, 2017
Leasehold land	6,382,167	-	6,382,167	-	-	-	-	6,382,167
Building on leasehold land	15,527,966	-	15,527,966	10%	14,289,003	123,896	14,412,899	1,115,067
Plant and machinery	78,669,481	360,000	79,029,481	10%	69,302,693	966,679	70,269,372	8,760,109
Furniture and fixture	5,103,287	-	5,103,287	10%	4,755,285	34,800	4,790,085	313,202
Motor vehicles	10,115,404	-	10,115,404	20%	10,035,792	15,922	10,051,714	63,690
Office equipment	6,864,007	-	6,864,007	10%	6,405,860	45,815	6,451,675	412,332
Books	75,000	-	75,000	10%	45,407	2,959	48,366	26,634
June 30, 2017	122,737,312	360,000	123,097,312		104,834,040	1,190,071	106,024,111	17,073,201

PARTICULARS	Cost			Rate	Depreciation			W.D.V
	As at July 01, 2015	Additions (Deletion)	As at June 30, 2016		As at July 01, 2015	For the year/ Adjustments	As at June 30, 2016	As at June 30, 2016
Leasehold land	6,382,167	-	6,382,167	-	-	-	-	6,382,167
Building on leasehold land	15,175,666	352,300	15,527,966	10%	14,180,543	108,460	14,289,003	1,238,963
Plant and machinery	77,914,236	755,245	78,669,481	10%	68,303,897	998,796	69,302,693	9,366,788
Furniture and fixture	5,103,287	-	5,103,287	10%	4,716,618	38,667	4,755,285	348,002
Motor vehicles	10,115,404	-	10,115,404	20%	10,015,889	19,903	10,035,792	79,612
Office equipment	6,864,007	-	6,864,007	10%	6,354,955	50,905	6,405,860	458,147
Books	75,000	-	75,000	10%	42,119	3,288	45,407	29,593
June 30, 2016	121,629,767	1,107,545	122,737,312		103,614,021	1,220,019	104,834,040	17,903,272

	2017 RUPEES	2016 RUPEES
Allocation of depreciation		
Cost of sales	1,118,667	1,146,818
Administrative	<u>71,404</u>	<u>73,201</u>
	<u>1,190,071</u>	<u>1,220,019</u>

Notes to the Financial Statements for the year ended June 30, 2017



	2017 RUPEES	2016 RUPEES
6. LONG TERM DEPOSITS		
Utilities	843,112	843,112
Clubs	42,000	42,000
Petrol pump	60,000	60,000
Others	464,500	464,500
	<u>1,409,612</u>	<u>1,409,612</u>
7. STORES, SPARES AND LOOSE TOOLS		
Loose tools	317,487	317,487
	<u>317,487</u>	<u>317,487</u>
8. STOCK IN TRADE		
Raw material	9,026,378	9,475,993
Work in process	40,398,160	39,505,100
Finished goods (8.1)	50,073,831	64,579,545
	99,498,369	113,560,638
Provision for write down of inventory (8.2)	61,474,887	70,656,939
	<u>38,023,482</u>	<u>42,903,699</u>
8.1	This includes stock of Rs. 42,803,921 (2016 Rs. 42,803,921) pledged with bank against export refinance facility.	
8.2 Provision for write down of inventory		
Provision as at July 01,	70,656,939	70,996,595
Charge for the year	-	-
	<u>70,656,939</u>	70,996,595
Reversal of provision due to sale of inventory	9,182,052	339,656
	<u>61,474,887</u>	<u>70,656,939</u>
9. TRADE DEBTORS - Unsecured		
Considered good	82,714,267	86,023,177
Considered doubtful	9,375,890	9,375,890
	92,090,157	95,399,067
Provision for doubtful debts	9,375,890	9,375,890
	<u>82,714,267</u>	<u>86,023,177</u>
10. ADVANCES AND OTHER RECEIVABLES		
Advance to suppliers - Unsecured	596,832	160,000
Other receivables - Unsecured		
Duty drawback	2,763,383	1,682,890
	<u>3,360,215</u>	1,842,890
Provision for duty drawback	1,666,263	1,666,263
	<u>1,693,952</u>	<u>176,627</u>



Notes to the Financial Statements for the year ended June 30, 2017

	2017 RUPEES	2016 RUPEES
11. TAX REFUND DUE FROM GOVERNMENT		
Advance income tax - Prior year	222,592	343,641
Advance income tax - Current year	372,818	88,952
	<u>595,410</u>	<u>432,593</u>
Provision for the year	452,864	210,000
	<u>142,546</u>	<u>222,593</u>
Sales tax refundable	2,007,141	1,602,810
Provision for sales tax refundable	1,602,810	1,602,810
	<u>404,331</u>	<u>-</u>
	<u>546,877</u>	<u>222,593</u>
12. CASH AND BANK BALANCES		
Cash in hand	459,772	40,660
Cash at bank - Current account	909,241	212,567
	<u>1,369,013</u>	<u>253,227</u>
13. SHARE CAPITAL		
Authorised capital		
5,000,000 Ordinary shares of Rs. 10/- each.	50,000,000	50,000,000
Issued, subscribed and paid up capital		
3,400,000 Ordinary shares of Rs. 10/- each, fully paid.	34,000,000	34,000,000
13.1 There were no movements during the reporting period.		
13.2 The company has one class of ordinary shares which carries no right to fixed income.		
13.3 The company has no reserve shares for issuance under options and sales contracts.		
	2017 RUPEES	2016 RUPEES
14. DEFERRED LIABILITY - Staff gratuity		
Movement in liability recognized in balance sheet		
Balance sheet liability as on July 01,	1,655,176	1,655,176
Amount recognized during the year	-	-
Banefit payments made directly by the company	-	-
Balance sheet liability as at June 30,	<u>1,655,176</u>	<u>1,655,176</u>
Present value of defined benefit obligation		
Present value of defined banefit obligation	1,655,176	1,655,176
Actuarial gains/(losses) recognized	-	-
Net present value of defined benefit obligation as at June 30,	<u>1,655,176</u>	<u>1,655,176</u>

Notes to the Financial Statements for the year ended June 30, 2017



14.1 Historical information	2017	2016	2015	2014	2013
Present value of defined benefit obligation as at June 30:	1,655,176	1,655,176	1,655,176	1,655,176	1,661,676
Experience adjustments					
Gain/(loss) obligations as percentage of plan assets	0%	0%	0%	0%	0%

15. SHORT TERM BORROWINGS	2017 RUPEES	2016 RUPEES
From banking companies - Secured		
Export refinance (Note 15.1 & 15.3)	202,850,004	202,850,004
Running finance (Note 15.2 & 15.3)	4,679,088	4,679,088
	<u>207,529,092</u>	<u>207,529,092</u>

15.1 The company had arranged export refinance facilities from various commercial bank on markup rates prescribed by the State Bank of Pakistan from time to time. These facilities have not been renewed by banks and have become overdue for payment, except Habib Bank Limited Rs. 7.850 Million (2016: 7.850). Other banks have filed suits for recovery as more elaborately explained in note # 20.1, 20.2, 20.3, 20.4, 20.5 and 20.6 and of these financial statements.

15.2 These arrangements are secured by first pari-passu hypothecation charge over stocks and books debts, first mortgage charge of building, plant and machinery installed at Plot # 18, Sector 7-A, Korangi Industrial Area, Karachi, persona guarantee of directors, Pledge over stock and hypothecation on machinery.

15.3 These arrangements are secured by first pari-passu hypothecation charge over stocks and books debts, first mortgage charge of building, plant and machinery installed at Plot # 18, Sector 7-A, Korangi Industrial Area, Karachi, persona guarantee of directors, Pledge over stock and hypothecation on machinery, lien over import and export documents.

16. CURRENT PORTION OF LONG TERM LIABILITIES	2017 RUPEES	2016 RUPEES
Current portion of demand finance	<u>46,903,419</u>	<u>46,903,419</u>
	46,903,419	46,903,419
17. SHORT TERM LOANS - Unsecured		
From directors	51,958,852	49,242,822
From others	17,376,890	17,376,890
	<u>69,335,742</u>	<u>66,619,712</u>



Notes to the Financial Statements for the year ended June 30, 2017

	2017 RUPEES	2016 RUPEES
18. ACCRUED MARKUP		
Finance cost accrued towards:		
Long term borrowing	43,205,833	43,205,833
Short term borrowing	<u>80,823,470</u>	<u>80,823,470</u>
	<u>124,029,303</u>	<u>124,029,303</u>
19. TRADE AND OTHER PAYABLES		
Creditors	45,470,595	46,933,916
Accrued liabilities	3,210,271	7,016,266
Advance from customers	4,966,862	3,235,161
Tax deducted at source	15,320	12,691
Workers' welfare fund	907,066	907,066
Compensated absences	320,091	320,091
Unclaimed dividend	<u>142,508</u>	<u>142,508</u>
	<u>55,032,713</u>	<u>58,567,699</u>
20. CONTINGENCIES AND COMMITMENTS		
Contingencies		
20.1	<p>United Bank Limited has filed a suit No B-141 under the provision of financial Institutions (Recovery of Finances) Ordinance, 2001 and seeks the recovery of Rs. 135.54 million plus cost of funds (2016: 135.54 million) from the company and its directors/shareholders in their capacity as guarantors of the company liability. The liability is booked by the company and the case is pending before the High Court of Sindh. According to the legal council of the Company evidences provided by the bank are not sufficient to establish the bank's entitlement to the amount claimed. Therefore, bank case against the company and its directors/shareholders will be difficult to establish. The total markup on outstanding balance of United Bank Limited Rs. 34.829 (2016: Rs 34.829) million is booked by the company and no further markup is being provided as the case is filed in the court by the bank.</p>	
20.2	<p>Al Baraka Bank Pakistan Limited has filed a suit No B-26 under the provision of the Financial Institutions (Recovery of Finances) Ordinance, 2001 and seeks the recovery of Rs. 50.543 (2016: Rs. 50.543) million along with the profit, cost of fund and charity from the company and its Directors/Shareholders in their capacity as guarantors of the company's liability. The liability is booked by the company and the case is pending before the High Court of Sindh. The company has filed an application for leave to defend and the grounds taken by the company could not be addressed by the bank in thier reply. Accordingly, according to legal counsel, leave to defend should be granted in the circumstances. Total profit and charity of Rs. 7.234 million (2016: Rs. 7.234 million) is provided by the company and no further profit and charity is being provided as the bank has filed the case in the Court against the Company.</p>	
20.3	<p>NIB Bank Limited has filed a suit No B-86 under Financial Institutions (Recovery of Finances) Ordinance, 2001 for recovery of Rs 114.287 million plus markup and cost of funds from the company and its directors and financial institutions. The liability is booked by the company and the case is pending before the High Court of Sindh. Application seeking leave to defend has been filed by the company. In the opinion of company legal counsel leave to defend should be granted in the circumstances.</p>	

Notes to the Financial Statements for the year ended June 30, 2017



- 20.4** Industrial Development Bank Limited has filed a suit No: 43 under Financial Institutions(Recovery of Finances) Ordinance, 2001 for recovery of Rs 28.936 million from the company and its Directors/Shareholders in their capacity as alleged guarantors of the company liabilities. The above amount has been claimed in respect of an ERF Facility of Rs 40 million extended to the company in the year 2001. The liability is booked by the company, an application for leave to defend the suit has been filed by the company, on the basis of grounds raised in the leave to defend applicaion the entire suit amount is disputed by the company whereas amounts of Rs 15,987,395 are time barred. The Plaintiff has yet to file its replication to the company's application for leave to defend.
- 20.5** Habib Bank Limited has filed a suit No. 54 under Financial Institutions (Recovery of Finances) Ordinance, 2001 for recovery of Rs. 8.054 million from the company and its Directors/Shareholders in their capacity as alleged guarantors of the company's liabilities. The above amount has been claimed in respect of Demand Finance Facility of Rs 10 million. The liability is booked by the company. According to the legal counsel, leave to defend applications filed by the company were refused while the company has filed an appeal in the High Court of Sindh (First Appeal No. 19 of 2017).
- 20.6** The Securities and Exchange Commision of Pakistan had inititated investigaton u/s 263 of the Companies Ordinance, 1984 relating to the affairs of the company vide order dated April 24, 2012 followed by responses made by the company from time to time, finally vide company's letter dated July 19, 2012. The outcome of the proceedings is awaited at the SECP's end.

Commitments

There are no commitments as at Balance Sheet date.

	Note	2017 RUPEES	2016 RUPEES
21. SALES			
Export:			
Leather		26,485,566	478,052
Local sale:			
Leather		6,000,000	-
Job work income		12,800,849	21,049,232
		18,800,849	21,049,232
Sales tax		-	613,085
		<u>18,800,849</u>	<u>20,436,147</u>
		<u>45,286,415</u>	<u>20,914,199</u>
22. COST OF SALES			
Opening stock of finished goods		64,579,545	64,579,545
Cost of goods manufactured	22.1	30,719,346	23,226,390
		95,298,891	87,805,935
Less: Closing stock of finished goods		50,073,831	64,579,545
		<u>45,225,060</u>	<u>23,226,390</u>



Notes to the Financial Statements for the year ended June 30, 2017

	Note	2017 RUPEES	2016 RUPEES
22.1 Cost of goods manufactured			
Raw material consumed	22.1.1	19,139,836	32,352
Salaries, wages, allowances and benefits		8,624,076	8,692,690
Power, fuel and water		8,018,288	9,724,243
Repair and maintenance		3,628,594	3,196,114
Cartage and carriage		169,920	46,350
Rent, rates and taxes		95,077	85,226
Depreciation		<u>1,118,667</u>	<u>1,146,818</u>
		40,794,458	22,923,793
Work in process:			
As at July 01,		39,505,100	40,147,353
As at June 30,		40,398,160	39,505,100
		(893,060)	642,253
Reversal of provision due to sale of inventory		<u>9,182,052</u>	<u>339,656</u>
		<u>30,719,346</u>	<u>23,226,390</u>
22.1.1 Raw material consumed			
As at July 01,		9,475,993	8,870,553
Purchased during the year		<u>18,690,221</u>	<u>637,792</u>
Available for consumption		28,166,214	9,508,345
As at June 30,		<u>9,026,378</u>	<u>9,475,993</u>
		<u>19,139,836</u>	<u>32,352</u>
23. SELLING AND DISTRIBUTION			
Freight charges		1,173,670	626,754
Travelling & conveyance		148,210	-
Others		<u>295,815</u>	<u>4,667</u>
		<u>1,617,695</u>	<u>631,421</u>
24. ADMINISTRATIVE			
Directors' remuneration	30	1,314,000	1,839,000
Salaries and other benefits		390,000	665,530
Telephone, fax and postage		366,808	277,888
Fee and subscription		180,985	25,305
Printing and stationary		130,719	132,049
Repair and maintenance		447,391	331,700
Vehicle running expenses		55,345	122,820
Legal and professional charges		120,000	-
Advertisement		30,275	9,900
Rent, rates and taxes		-	3,677
Depreciation		71,404	73,201
Others		<u>46,011</u>	<u>32,480</u>
		<u>3,152,938</u>	<u>3,513,550</u>

Notes to the Financial Statements for the year ended June 30, 2017



	Note	2017 RUPEES	2016 RUPEES
25. OTHERS			
Auditors' remuneration	25.1	<u>600,000</u>	<u>400,000</u>
		<u>600,000</u>	<u>400,000</u>
25.1 Auditors' remuneration			
Half year review		100,000	100,000
Audit fee		350,000	150,000
Out of pocket expenses		10,000	10,000
Other professional services		140,000	140,000
		<u>600,000</u>	<u>400,000</u>
26. OTHER OPERATING INCOME			
Duty draw back		1,080,493	3,800
Rental income		-	240,000
		<u>1,080,493</u>	<u>243,800</u>
27. FINANCE COST			
Bank charges		<u>561,198</u>	<u>58,824</u>
28. TAXATION			
Current year		<u>452,864</u>	<u>210,000</u>
		<u>452,864</u>	<u>210,000</u>
29. BASIC (LOSS)/EARNINGS PER SHARE			
29.1 Basic EPS			
Basic earning per share has been computed by dividing the net profit for the year after taxation by the weighted average number of shares outstanding during the year.			
Loss after taxation for the year		(5,242,847)	(6,882,186)
Weighted average number of ordinary shares		<u>3,400,000</u>	<u>3,400,000</u>
Basic earning per share		<u>(1.54)</u>	<u>(2.02)</u>
29.2 Diluted EPS			
No figure for diluted earning per share has been presented as the company has not yet issued any instruments which would have an impact on basic earnings/(loss) per share when exercised.			



Notes to the Financial Statements for the year ended June 30, 2017

30. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

Particulars	Chief Executive		Directors		Total	
	2017	2016	2017	2016	2017	2016
----- (Rupees) -----						
Remuneration:						
Managerial	380,160	380,160	460,800	796,800	840,960	1,176,960
Housing rent	171,072	171,072	207,360	358,560	378,432	529,632
Utilities	42,768	42,768	51,840	89,640	94,608	132,408
	594,000	594,000	720,000	1,245,000	1,314,000	1,839,000
Number of persons	1	1	1	3	2	4

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE

31.1 Financial assets and liabilities

Particulars	2017 (all amounts in PKR)			
	Interest bearing		Non - interest bearing	
	Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity upto one year
Financial assets				
Long term receivables:				
Long term deposits	-	-	-	1,409,612
Trade debts	-	-	82,714,267	-
Advances and other receivables	-	-	1,693,952	-
Tax refund due from government	-	-	737,441	-
Cash and bank balances	-	-	1,369,012	-
	-	-	86,514,672	1,409,612
Financial liabilities at amortised cost				
Long term finance	46,903,419	-	-	-
Deferred liabilities	-	-	1,655,176	-
Short term loans	-	-	69,335,742	-
Trade and other payables	-	-	55,032,713	-
Accrued markup	124,029,303	-	-	-
Short term borrowings	-	-	207,529,092	-
	170,932,722	-	333,552,723	-
On balance sheet gap	(170,932,722)	-	(247,038,051)	1,409,612

Notes to the Financial Statements for the year ended June 30, 2017



Particulars	2016 (all amounts in PKR)			
	Interest bearing		Non - interest bearing	
	Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity upto one year
Financial assets				
Long term receivables:				
Long term deposits	-	-	-	1,409,612
Trade debts	-	-	86,023,177	-
Advances and other receivables	-	-	176,627	-
Tax refund due from government	-	-	222,593	-
Cash and bank balances	-	-	253,227	-
	-	-	86,675,624	1,409,612
Financial liabilities at amortised cost				
Long term finance	46,903,419	-	-	-
Deferred liabilities	-	-	1,655,176	-
Short term loans	-	-	66,619,712	-
Trade and other payables	-	-	58,567,701	-
Accrued markup	124,029,303	-	-	-
Short term borrowings	-	-	207,529,092	-
	170,932,722	-	334,371,681	-
On balance sheet gap	(170,932,722)	-	(247,696,057)	1,409,612

Off balance sheet items - financial commitments

**2017
RUPEES** **2016
RUPEES**

- -

31.2 Financial risk management objectives and policies

Risk management policies

The company's objectives in managing risks is the creation and protection of shareholders' value. Risk is inherent in the company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the company's continuing profitability. The company is exposed to credit risk, liquidity risk and market risk arising from the financial instruments it holds.

The company finances its operations through equity, borrowing and management of working capital with a view to maintaining an appropriate mix among various sources of finances to minimize risk.

Credit risk exposure and concentration of credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligations and cause the other party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposure, limiting transaction with specific counterparties and continually assessing the credit worthiness of counterparties.



Notes to the Financial Statements for the year ended June 30, 2017

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the company's performance to developments affecting a particular industry.

The company is mainly exposed to credit on trade debts and bank balances. The company seeks to minimize the credit risk on trade debts and bank balances. The company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and by obtaining securities where possible.

The table below provides the analysis of the credit quality of financial assets on the basis of external credit rating of the historical information about counterparty default rates.

	2017 RUPEES	2016 RUPEES
The analysis of trade debts is as follows:		
Neither past due date not impaired	-	3,034,037
Past due date but not impaired:		
- Past due 0 - 90 days	2,762,922	851,629
- Past due 0 - 210 days	-	765,606
- Past due 0 - 365 days	-	-
- Past due more then 365 days	79,951,345	81,371,904
	<u>82,714,267</u>	<u>86,023,176</u>

Liquidity risk

Liquidity risk is the risk that the company will encounter the difficulty in meeting its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions without incurring un acceptable losses of risking damage to the company's reputation. But due to nature of business, unavailability of proper export orders and bad economic conditions, the management of the company is making their effort for recoveries from parties and assure that they provide financial support to company in meeting their obligations.

The table below analyses the companies financial liabilities into relevant maturity groupings based on remaining period at the balance sheet to the maturity date.

Notes to the Financial Statements for the year ended June 30, 2017



	Carrying Amount	Contractual Cash Flows	Six months or less	Six to twelve months
----- (Rupees) -----				
2017				
Short term loans	69,335,742	69,335,742	69,335,742	-
Trade and other payables	55,032,713	55,032,713	55,032,713	-
Long term finance - Current portion	46,903,419	46,903,419	46,903,419	-
Short term borrowings	207,529,092	207,529,092	207,529,092	-
Accrued markup	124,029,303	124,029,303	124,029,303	-
	<u>502,830,269</u>	<u>502,830,269</u>	<u>502,830,269</u>	<u>-</u>
2016				
Short term loans	66,619,712	66,619,712	66,619,712	-
Trade and other payables	58,567,701	58,567,701	58,567,701	-
Long term finance - Current portion	46,903,419	46,903,419	46,903,419	-
Short term borrowings	207,529,092	207,529,092	207,529,092	-
Accrued markup	124,029,303	124,029,303	124,029,303	-
	<u>503,649,227</u>	<u>503,649,227</u>	<u>503,649,227</u>	<u>-</u>

Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the company's income or the value of its holdings of financial instruments.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign currency rates. The company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short term borrowings. At the balance sheet date the interest rate profile of the company's interest bearing financial instruments is:

2017	2016	2017	2016
Effective rate		Carrying amount	
----- (In %) -----		----- (In Rupees) -----	

Financial liabilities

Variable rate instruments

Long term finance	11.34 - 11.34	11.34 - 11.34	46,903,419	46,903,419
Short term borrowings	9.3 - 11.34	9.3 - 11.34	207,529,092	207,529,092



Notes to the Financial Statements for the year ended June 30, 2017

31.3 Fair value of financial instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximating their fair values. Fair value is determined on the basis of objective evidence at each reporting date. It is the amount for which an asset could be exchanged, or a liability settled between knowledgeable and willing parties, in an arm's length transaction.

31.4 Capital risk management

The company's objective when managing capital is to safeguard the company's ability to remain as a going concern and continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

32. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of staff retirement funds, directors and key management personnel. Transactions with related parties are made under normal commercial terms and conditions.

The related party status of outstanding balances at June 30, 2017 is included in the respective notes to the financial statements.

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

	2017	2016
	RUPEES	RUPEES
There is no related party transaction during the year	_____	_____
Job work income	_____	_____
	=====	=====

33. GOING CONCERN ASSUMPTION

33.1 During the current year, the Company incurred a net loss of Rs. 5.243 million (2016: Rs. 6.882 million) resulting in accumulated losses of Rs. 395.338 million (2016: Rs. 390.095 million) as of the balance sheet date. Further, as of that date the current liabilities of the Company exceeded its current assets by Rs. 378.165 million (2016: Rs. 373.752 million) resulting in negative equity of Rs. 361.338 million (2016 : Rs 356.094 million). The directors have been able to turnaround the export business resulting in export sales of Rs. 26.485 million (2016: Rs.0.478million) which has been considered a distinct move towards restructuring. These factors shall improve company's liquidity position noticeably. Besides the directors of the company have assured to extend all necessary support and financial assistance ensuring the going concern status of the Company at all times.

33.2 Due to management's aggressive approach, volume of loss is reducing year after year as evident below:

Year ended	Pak Rupees
2016 - 2017	5.243 million
2015 - 2016	6.882 million
2014 - 2015	15.533 million
2013 - 2014	20.974 million

Notes to the Financial Statements for the year ended June 30, 2017



33.3 Negative equity balance eroded cash flow position of the Company resulted uncertainties which may cast a doubt over the Company's ability to continue as a going concern. However, considering the results and measures mentioned in note 33.1 and 33.2 along with the commitment provided by the Directors to financially support the Company as and when needed; the management is quite confident that the Company will be able to continue as a going concern. Accordingly these financial statements are prepared on going concern basis.

34. CAPACITY AND PRODUCTION

In view of the peculiar nature of the business carried on by the company, the capacity of the tanneries is not determinable.

	2017 RUPEES	2016 RUPEES
35. NUMBER OF PERSONS EMPLOYED BY THE COMPANY		
Number of employees as at balance sheet date	21	21
Average number of employees during the year	22	22

36. DATE OF AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements have been authorised for issue by the Board of Directors of the company after approval thereof on October 06, 2017.

37. GENERAL

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

NAYYER AHMED JALALI
DIRECTOR



PATTERN OF SHARE HOLDING AS AT JUNE 30, 2017

NUMBER OF SHAREHOLDERS	SHARE HOLDINGS FROM	TO	SHARES HELD OF RS. 10/- EACH
252	1	100	12,250
187	101	500	37,650
44	501	1000	32,900
47	1001	5000	56,400
7	5001	10000	36,000
9	85001	90000	810,000
1	100001	105000	104,000
1	165000	170000	167,800
2	185000	190000	368,000
1	275001	280000	280,000
1	310001	315000	311,300
1	325001	330000	330,000
1	330001	335000	334,800
1	515000	520000	518,900
555			3,400,000

CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	NO. OF SHARES HELD	HOLDING PERCENTAGE
Individuals	552	3,392,500	99.78
Investment Companies	2	5,700	0.17
Joint Stock Companies	1	1,800	0.05
	555	3,400,000	100.00

DETAILS OF PATTERN OF SHAREHOLDING



AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE

	NO. OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Associated Companies	NIL	NIL	-
Mutual Funds:			
NBP - Trustee Deptt (NIT)	1	3,900	0.11
Investment Corp. of Pakistan	1	1,800	0.05
Public Sector Companies & Corporations:			
State Life Insurance Corporation	1	167,800	4.94
Directors, their spouses & Miner children:			
Mr. M. Saleem Ahmed Chief Executive	1	518,900	15.26
Mrs. Rubina Jalali W/O M. Saleem Ahmed	1	311,300	9.16
Mr. Azeem Ahmed Director S/O M. Saleem Ahmed	1	1,000	0.03
Mr. Umer Ahmed Director S/O M. Saleem Ahmed	1	3,000	0.09
Mr. M. Shoaib Ahmed Chairman / Director	1	330,000	9.71
Mrs. Veronique Ahmed W/O M. Shoaib Ahmed	1	334,800	9.85
Mr. Nayyer Ahmed Jalali Director	1	1,000	0.03
Mr. Bilal Ahmed Director S/O M. Saleem Ahmed	1	1,000	0.03
Syed Fawad Hussain Rizvi Director	1	1,000	0.03
Sponsors' associates & friends:	12	1,282,500	37.72
Other Individuals:	531	442,000	13.00
	555	3,400,000	100.00

PROXY FORM



I/We _____
_____ of _____

being member (s) of Pak Leather Crafts Limited and a holder of ordinary shares, hereby appoint

_____ of _____

_____ who is also a member of the company vide Folio No. as

my/our proxy to attend and vote for me/us and on my/our behalf at the 30th Annual General Meeting

of the Company to be held on Tuesday 31st October 2017 at 04:00 p.m. or at any adjournment

thereof.

Signed this _____ day of _____ 2017

Please affix
Revenue Stamp
of Rs. 5/=

Signature of Witness

Shareholder's Folio No. _____ Number of Shares held _____

IMPORTANT :

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person shall act as a proxy, who is not a member of the company except that a company may appoint a person who is not a member.
2. An instrument of proxy duly stamped, and witnessed and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, in order to be valid, must be deposited at the registered office of the Company at least 48 hours before the time of the meeting.
3. Signature should agree with the specimen signature registered with the Company.
4. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the company, all such instrument of proxy shall be rendered invalid.

FOR CDC ACCOUNT HOLDERS/CORPORATE ENTITIES:

In addition to the above the following requirements have to be met:

The Proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

The proxy shall produce his original CNIC or original passport at the time of the meeting.

In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form of the Company.



پراکسی فارم

سالانہ اجلاس عام

میں/ہم

بجائیت رکن پاک لیڈر کرافٹس لمیٹڈ و حامل

عام حصص بمطابق شیئر رجسٹر فوئیو نمبر _____ اور/یا سی ڈی سی کے شراکتی آئی ڈی نمبر _____

اور ذیلی کھاتہ نمبر _____ محترم/محترمہ _____ ساکن _____

یا بصورت دیگر _____ ساکن _____

کواپنی/ہماری جگہ بروز منگل، مورخہ 31 اکتوبر، 2017، بوقت 4:00 بجے میں منعقد یا ملتوی ہونے والے 30 واں سالانہ اجلاس عام میں شرکت، رائے دہندگی کے لیے اپنا نمائندہ مقرر کرتا/کرتی/کرتے ہوں/ہیں۔

دستخط مورخہ _____ برائے ماہ و سال _____ ثبت ہیں۔

گواہ:

5 روپے کار سیدی
ٹکٹ یہاں چسپاں کر کے
دستخط کریں

1 دستخط _____

نام _____

پتہ _____

سی این آئی سی نمبر _____

2 دستخط _____

نام _____

پتہ _____

سی این آئی سی نمبر _____

نوٹ:

(1) پراکسی فارم کے موثر ہونے کے لیے ضروری ہے کہ وہ 5 روپے کے رسیدی ٹکٹ پر دستخط کے ساتھ اجلاس شروع ہونے سے

48 گھنٹے قبل کمپنی کو موصول ہو جائے۔

(2) پراکسی کو کمپنی کارکن (ممبر) ہونا ضروری ہے۔

(3) دستخط کمپنی کے پاس رجسٹرڈ کردہ نمونے کے مطابق ہونی چاہیے۔

(4) سی ڈی سی شیئر ہولڈرز اور ان کے پراکسیز سے گزارش ہے کہ وہ اپنے قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ فوٹوکاپی اس

پراکسی فارم کے ساتھ منسلک کریں۔