

**ANNUAL REPORT
2019 - 2020**



Pak Leather Crafts Limited

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CORPORATE PROFILE

BOARD OF DIRECTORS

Mrs. Rubina Saleem	Chairperson
Muhammad Saleem Ahmed	Director / CEO
Dr.Muhammad Shoaib Ahmed	Director
Nayyer Ahmed	Director
Azeem Ahmed	Director
Umer Ahmed	Director
Ahmed Jalali	Director

AUDIT COMMITTEE

Dr.Muhammad Shoaib Ahmed	Chairman
Ahmed Jalai	Member
Azeem Ahmed	Member

HUMAN RESORCE & REMUNERATION COMMITTEE

Umer Ahmed	Chairman
Nayyer Ahmed	Member
Azeem 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
Bank of Khyber
Meezan Bank LTd
Askari Bank Ltd
BankIslami Pakistan Ltd

EXTERNAL AUDITORS

RSM Avais Hyder Liaquat Nauman
Chartered Accountants
Lahore

REGISTERED OFFICE

Plot 18, Sector 7 - A
Korangi Industrial Area, Karachi
Website: www.pakleather.com
Email: export1@pakleather.com

LEGAL ADVISOR

Hassan Arif
Advocate, Sindh High Court

SHARE REGISTRAR

JWAFFS Registrar Services (Pvt) Ltd
407-408, Al Ameera Centre,
Shahrah-e-Iraq, Karachi.
Tel: 021-35662023-24

NOTICE OF ANNUAL GENERAL MEETING



Notice is hereby given that 33rd Annual General Meeting of Pak Leather Crafts Limited will be held at Plot No. 9, Sector 59, Malir Development Authority, Taiser Town Karachi on October 30th, 2020 at 6.00 PM to transact the following business:

A) Ordinary Business:

1. To confirm minutes of the 32nd Ordinary General Meeting held on October 28, 2019.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2020 together with the Chairman's Review, Directors' and Auditors' Reports thereon.
3. To appoint auditors and fix their remuneration for the year ending June 30, 2021.
4. To transact any other business with the permission of the Chair.

By order of the Board

Naseer Ahmed

Company Secretary

Karachi: October 07, 2020

1. The share transfer books of the Company will remain closed from 22-10-2020 to 30-10-2020 (both days inclusive) and no transfer will be accepted during this period.

Transfers received, complete in all respect by the Shares Registrar, M/s.JWAFFS Registrar Services (Pvt) Ltd 407- 408, Al Ameera Centre, Shahrah-e-Iraq Saddar Karachi- by the close of business on 16.10.2020 will be considered in time for the purpose of payment of final cash dividend and for the purpose of attending and voting at the meeting.

2. A member entitled to attend and vote at this meeting may appoint another person as his/her proxy to attend the meeting and vote for him/her. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting.
3. Members, who have deposited their shares into Central Depository Company of Pakistan will further have to follow the under mentioned guidelines.

A. Attendance of Meeting in Person:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration detail are uploaded as per the regulations shall authenticate his/her identity by showing his/her original Computerized National Identity Card(CNIC)/ original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be produced at the time of meeting.



NOTICE OF ANNUAL GENERAL MEETING

B. Appointment of Proxies:

- i) In case of individuals, 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 submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his/her original CNIC/original passport at the time of the meeting.
- iv) In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form to the Company.

4. Video Conference Facility

As per Companies Act, 2017, if the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the Annual General Meeting (AGM) through video conference at least seven days prior to the date of AGM, the Company will arrange a video conference facility in that city subject to availability of such facility in that city.

The Company will intimate members regarding the video conference facility venue at least 5 days before the date of the AGM along with the complete information needed to access the facility.

If you would like to avail video conferencing facility, as per above, please fill the following and submit to registered office of the Company at least 07 days before AGM.

I / We, _____ of _____ being a member of Pak Leather Crafts Limited holder of _____ Ordinary Share(s) as per Register Folio No / CDC Account No. _____ hereby opt for video conference facility at _____.

5. E-voting

Pursuant to SECP S.R.O No. 254(I)/2018 dated February 22, 2018 members may also exercise their right to vote through e-voting.

The financial statements of the Company for the year ended June 30, 2020 along with reports have been placed at the website of the Company.

6. Transmission of Annual Financial Statements through email

The Securities and Exchange Commission of Pakistan vide SRO 787(1)/2014 dated September 08, 2014 has allowed companies to circulate annual balance sheet, profit & loss account, auditors' and directors' reports along with notice of annual general meeting to its members through e-mail.

Members who wish to avail this facility can give their consent.

DIRECTORS' REPORT



The Directors of the Company are pleased to present the Annual report together with the audited financial statements of the Company for the year ended June 30, 2020.

DISCLOSURE ON IMPACT OF COVID-19 AS REQUIRED BY SECP CIRCULAR NO 26 OF 2020 DATED AUGUST 31, 2020:

By the grace of Allah, there was not the severe impact of COVID-19 on the Company during the period under report. The Government of Sindh, keeping in view the arising alarming situation of the Covid-19, announced a temporary locked down in the entire province from March 23rd, 2020. Operations of the company were therefor closed for some period of fourth quarter as per directives of Government of Sindh.

However, luckily large export consignments for Hong Kong and Cambodia were ready for export during fourth quarter and were consigned accordingly under special arrangements. Therefore there was no major financial impact due to closure of operations.

The Company has taken all necessary steps to ensure smooth and adequate continuation of its business. All necessary Standard Operating Procedures (SOPs) are implemented to ensure safety of employees. The Company continues to keep the health and safety of our employees as its top priority till today and will continue to adopt these safety measures till the pandemic is fully eradicated.

ECONOMIC OVERVIEW

COVID-19 pandemic badly impacted the Country's economy like it is all over the world. Government has introduced many incentive programs to discourage unemployment which was inevitable in such crisis. Interest rate has been reduced from 13% to 7% which is very encouraging enough to combat the uncertain environment facing by our Country. Cost of doing business has been reducing due to slump in the fuel prices worldwide although its impact in Pakistan remained for a shorter period. State Bank of Pakistan introduced a scheme to provide loan at lowest ever markup to all business sector with lenient payback period to avoid deterioration of economy.

COMPANY OVERVIEW

The year 2019-20 is the second consecutive year of earning after tax profit after five consecutive loss making years.

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

	2020 Rupees	2019 Rupees
Profit / Loss before taxation	51,083,869	5,061,354
Taxation	(2,295,737)	(915,627)
Profit / Loss after tax	48,788,132	4,145,727
Accumulated (Loss) Brought Forward	(396,481,430)	(400,627,157)
Accumulate (Loss) Carried Forward	<u>(347,693,298)</u>	<u>(396,481,430)</u>

During the year under review, the company made a sale of Rs. 214.450 (M) comparing to 76.580 (M) last year. This achievement is basically due to record export sales. In the directors report of previous year it was mentioned that directors have plan to make foreign visits which they did and acquired orders from Hong Kong, Cambodia, China, Indonesia and South Korea; same were executed during the year under review. However, due to COVID-19 pandemic, freight cost increased substantially in addition to the material cost.



DIRECTORS' REPORT

The Company registered an after tax net profit of Rs. 48.788(M) for the year under review as compared to after tax profit of Rs4.145 (M) last year.

COMMENTS ON AUDITORS' REPORT

Material Uncertainty relating to Going Concern:

We would like to point out that accumulated loss has reduced by about Rs.50 million. Similarly adverse current ratio has also reduced.

The management is further doing all out efforts to improve the operating performance. Additionally, sponsors are ready to invest further sum as and when needed.

Emphasis of Matter

The company with help of its directors has been able to settle its dispute with UBL. More efforts are being made to settle with other banks & we expect to have further resolution with remaining banks.

The company was also made efforts to settle its dispute with PSX and CDC to return back to normal trading counter. We expect to be normally listed by November 2020.

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 in conformity with the requirements of companies Act. 2017 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 management is of the opinion that the company has sound system of internal control.
- f) The Company's ability to continue as a going concern is effective as discussed in Note 1.2 to the financial statements.
- 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.19.

EARNINGS PER SHARE (EPS)

The profit per Share is Rs.14.35 (2019: Rs. 1.22)

DIRECTORS' REPORT



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.

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.	Mrs. RubinaSaleem	1/4
2.	Mr. M. Saleem Ahmed (CEO)	4/4
3.	Dr. M. Shoaib Ahmed	1/4
4.	Mr. Nayyer Ahmed	4/4
5.	Mr. Azeem Ahmed	4/4
6.	Mr. Umer Ahmed	4/4
7.	Mr. Ahmed Jalali	1/4
8.	Mr. Bilal Ahmed*	1/4

*Mr. Bilal Ahmed resigned on 9th December, 2019.

ELECTION OF DIRECTORS/CHANGE IN BOARD ROOM

Election of directors was held on 21st October 2019 and following were elected:

Mr. M. Saleem Ahmed
Dr. M. Shoaib Ahmed
Mr. Nayyer Ahmed
Mr. Bilal Ahmed
Mr. Azeem Ahmed
Mr. Umer Ahmed
Syed Fawad Husain Rizvi

On December 9th, 2019 Mr. Bilal Ahmed and Syed Fawad Husain Rizvi resigned. On the casual vacancy, Mrs. Rubina Saleem and Mr. Ahmed Jalali were appointed.

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, 2019 is annexed with this report.

AUDITORS

Present auditors RSM Avais Hyder Liaquat Nauman retire and being eligible offer themselves for re-appointment for the year 2019-2020. The audit committee has also recommended their reappointment in the AGM.



DIRECTORS' REPORT

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLICY

Being a conscientious member of the corporate community, the Company contributes generously to various social and charitable causes including towards health and education sectors. In this regard, it has worked with many reputable organizations and associations. Currently our organization pays monthly to Pakistan Tanners Association Southern Zone Environmental Society. We are proudly paying for students studying at National Institute of Leather Technology and have made our unit available for students to visit yearly and examine how leather is prepared. We also provide internship for graduating students to help them enter the market with confidence.

The Company is fully committed for acting in an environmentally responsible manner. To achieve this result, we:

1. Ensure our product and operations comply with relevant environmental legislation and regulations. All our chemicals are (Registration, Evaluation, Authorization and Restriction of Chemicals) REACH certified and our leathers are tested at random in various countries where we pass with exceptional results. We certify our leathers do not contain chrome 6 or AZO Dyes or any other banned substance or hazardous substance.
2. Maintain and continually improve our environmental management systems to conform to the stringent requirements as dictated by specific markets or local regulations. As such we are fully cooperative with Effluent Treatment Plant requirements.
3. Operate in a manner that is committed to continuous improvement in environmental sustainability through recycling, conservation of resources, prevention of pollution, product development, and promotion of environmental responsibility amongst our employees.
4. UNIDO-GEF, in collaboration with PAKISTAN TANNERS' ASSOCIATION has initiated a restoration project for Korangi Sector 7-A which shall improve the overall infrastructure of Sector 7-A. The project involves complete overhauling of sewerage, waste management, roads, and solid waste management.
5. Leather Working Group has become an important part of being sustainable in leather industry. LWG is becoming popular in India and Bangladesh. Its purpose is to provide a clean and efficient working environment for workers. As such, The Company has shown interest in this initiative and will most likely be bronze certified by end of 2022. The cost of this project is estimated at Rs. 5 Million spread over 2 years.
6. An internal septic tank is being built to improve the quality of water outflow from premises. This project is being completed under guidance of Pakistan Tanners' Association. The cost of this project is estimated at Rs. 300,000 and completion is expected in November 2020. The septic tank will manage outflow of 1 million gallons of water monthly before it reaches the effluent treatment plant of PTA.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

FUTURE OUTLOOK

The business environment in the Country remains challenging. The Country is passing through a critical phase due to the corrective measures taken by the government; the macroeconomic indicators of the Country have started to revert to a stable trajectory. We are thankful for our improving economic numbers, special thanks to Mr. Hafeez Sheikh, Finance Advisor to Prime Minister and his team for handling the toughest economy hurdles and keeping business owners confidence.

DIRECTORS' REPORT



With the rising dollar disparity we are now able to cater to more customers. After balance sheet date, we have orders in hand which equals to our production capacity.

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

Umer Ahmed
Director

Karachi: October 7th, 2020



ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز 30 جون 2020ء کو ختم ہونے والے سال کیلئے کمپنی کی سالانہ رپورٹ بمعہ آڈٹ شدہ مالیاتی حسابات پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

ایس ای سی پی کے سرکلر نمبر 26/2020 مورخہ 31 اگست 2020ء کی ضروریات کے مطابق کورونا وباء پر اظہار: اللہ تعالیٰ کے فضل و کرم سے زیر جائزہ رپورٹ کے تحت دوران مدت کمپنی پر کورونا وباء کے کوئی اثرات مرتب نہیں ہوئے۔ حکومت سندھ نے کورونا وباء سے پیدا ہونے والی خطرناک صورتحال کو مد نظر رکھتے ہوئے 23 مارچ 2020ء کو پورے صوبے میں عارضی طور پر لاک ڈاؤن کا اعلان کیا۔ حکومت سندھ کی ہدایات کے مطابق چوتھی سہ ماہی میں کمپنی کے آپریشنز بند کر دیئے گئے تھے۔

تاہم خوش قسمتی سے چوتھی سہ ماہی کے دوران ہانگ کانگ اور کمبوڈیا کے لئے برآمدات کی بڑی کھیپ برآمد ہونے کیلئے تیار تھی اور اسی مناسبت سے خصوصی انتظامات کے تحت تھی۔ لہذا آپریشن بند ہونے کے باعث کوئی بڑا مالیاتی اثر نہیں پڑا۔

کمپنی نے اپنے کاروبار کے مستقل اور مناسب تسلسل کو یقینی بنانے کیلئے تمام ضروری اقدامات کئے ہیں۔ ملازمین کی حفاظت کو یقینی بنانے کیلئے تمام ضروری معیاری آپریٹنگ طریقہ کار (ایس او بییز) لاگو کئے جاتے ہیں۔ کمپنی آج تک اپنے ملازمین کی صحت اور حفاظت کو اپنی اولین ترجیح کے طور پر برقرار رکھے ہوئے ہے اور وبائی بیماری کے مکمل خاتمے تک ان حفاظتی اقدامات کو اپناتی رہے گی۔

اقتصادی جائزہ:

کورونا وباء نے ملک کی معیشت کو بری طرح متاثر کیا جیسا کہ پوری دنیا میں ہے۔ حکومت نے بے روزگاری کی حوصلہ شکنی کیلئے کافی ترغیبی پروگرام متعارف کروائے جو اس طرح کے بحران میں ناگزیر تھے۔ شرح سود 13 فیصد سے کم ہو کر 7 فیصد ہو گیا جو ہمارے ملک کو درپیش غیر یقینی صورتحال سے نمٹنے کیلئے کافی حوصلہ افزاء ہے۔ دنیا بھر میں ایندھن کی قیمتوں میں مندی کے باعث کاروباری لاگت کم ہو رہی ہے حالانکہ اس کا اثر پاکستان میں بہت کم عرصے تک رہا۔ معیشت میں بگاڑ سے بچنے کیلئے اسٹیٹ بینک آف پاکستان نے تمام کاروباری شعبوں کو قرضہ جات کی فراہمی کیلئے ایک اسکیم متعارف کرائی۔

کمپنی کا جائزہ:

سال 2019-20 کمپنی کے لئے لگاتار دوسرا سال تھا جس نے لگاتار پانچ سال نقصان کے بعد منافع بعد از ٹیکس ظاہر کیا۔

کمپنی کے مالیاتی نتائج درج ذیل رپورٹ میں دکھائے گئے ہیں:

2019 روپے	2020 روپے	
5,061,354	51,083,869	قبل از ٹیکس منافع/خسارہ
(915,627)	(2,295,737)	ٹیکسیشن
<u>4,145,727</u>	<u>48,788,132</u>	بعد از ٹیکس منافع/خسارہ
(400,627,157)	(396,481,430)	جمع شدہ (خسارہ) آگے لایا گیا
<u>(396,481,430)</u>	<u>(347,693,298)</u>	جمع شدہ (خسارہ) آگے بڑھایا گیا

زیر جائزہ مدت کے دوران کمپنی نے مبلغ 214,450 ملین روپے کی فروخت کی جس کا موازنہ گذشتہ سال کے 76,580 ملین روپے سے کیا جاسکتا ہے۔ یہ کامیابی بنیادی طور پر ریکارڈ برآمداتی فروخت سے حاصل ہوئی۔ گذشتہ سال کی ڈائریکٹرز رپورٹ میں یہ ذکر کیا گیا تھا کہ ڈائریکٹرز کا غیر ملکی دورے کرنے کا منصوبہ ہے جو انہوں نے کیا اور ہانگ کانگ، کمبوڈیا، چین، انڈونیشیا اور جنوبی کوریا سے آرڈر حاصل کئے اور زیر جائزہ سال کے دوران بھی یہی کیا گیا۔ تاہم کورونا وائرس کے باعث مال کی قیمت کے علاوہ مال برداری میں بھی کافی اضافہ ہوا ہے۔

زیر جائزہ سال کے دوران کمپنی نے بعد از ٹیکس خالص منافع مبلغ 48,788 ملین روپے حاصل کیا جس کا موازنہ گذشتہ سال کے بعد از ٹیکس منافع مبلغ 4,145 ملین روپے سے کیا جاسکتا ہے۔

آڈیٹرز رپورٹ پر اظہار رائے:

حالیہ تشویش سے متعلق میٹرل کی غیر یقینی صورتحال:

آڈیٹرز نے خود بتایا ہے کہ مجموعی خسارہ میں تقریباً 50 ملین روپے کی کمی ہوئی ہے اس طرح موجودہ منفی تناسب بھی کم ہوا ہے۔

انتظامیہ عملی کارکردگی کو بہتر بنانے کیلئے مزید کوششیں کر رہی ہے۔ اضافی طور پر اسپانسرز ضرورت پڑنے پر مزید رقم کی سرمایہ کاری کرنے کیلئے تیار ہیں۔

معاملات کی نشاندہی:

کمپنی اپنے ڈائریکٹرز کی مدد سے UBL سے اپنے تنازعہ کو حل کرنے میں کامیاب رہی ہے۔ دیگر بینکوں کے ساتھ معاملات طے کرنے کیلئے مزید کوششیں کی جارہی ہیں اور ہمیں توقع ہے کہ باقی بینکوں کے ساتھ بھی اس طرح کے معاملات طے کر لئے جائیں گے۔

کمپنی نے PSX اور CDC کے ساتھ اپنے تنازعہ اور عام تجارتی امور حل کرنے کیلئے بھی کوششیں کی ہیں۔ ہم توقع کرتے ہیں کہ نومبر 2020ء تک تمام معاملات حل ہو جائیں گے۔



ڈائریکٹرز رپورٹ

کارپوریٹ اور مالیاتی رپورٹنگ:

ڈائریکٹرز یہ بتاتے ہوئے خوشی محسوس کر رہے ہیں کہ آپ کی کمپنی پاکستان اسٹاک ایکسچینج کے قوانین درج ذیل کو یقینی بنانے کے لئے مستقل طور پر اقدامات کر رہی ہے۔

- ☆ کمپنی کی انتظامیہ کی جانب سے کمینٹری ایکٹ 2017ء کے مطابق اس کے مالیاتی حسابات مرتب کئے ہیں جس میں اس کے آپریشن، نقد کالین دین اور ایکویٹی میں تبدیلیاں شامل ہیں۔
- ☆ قانون کے مطابق کمپنی نے حساب کے کھاتے مناسب طریقے سے مرتب کئے ہیں۔
- ☆ مالیاتی حسابات کی تیاری میں مناسب اکاؤنٹنگ کی پالیسیاں مستقل طور پر لاگو ہوتی ہیں اور اکاؤنٹنگ کا تخمینہ معقول اور محتاط فیصلے پر مبنی ہوتا ہے۔
- ☆ انٹرنیشنل فنانشل رپورٹنگ کا معیار جو کہ پاکستان میں قابل اطلاق ہے کے مطابق مالیاتی حسابات کی تیاری میں عمل کیا جاتا ہے۔
- ☆ داخلی کنٹرول کا سسٹم بے حد مضبوط ہے اور موثر طور پر اس پر عمل درآمد کیا جا رہا ہے۔
- ☆ حالیہ تشویش کی حیثیت سے کمپنی کو جاری رکھنے کی اہلیت موثر ہے جیسا کہ نوٹ 1.2 میں مالی حسابات پر بحث کی گئی ہے۔
- ☆ کوئی بھی مواد کارپوریٹ گورننس کی اعلیٰ پریکٹس سے خالی نہیں ہے جس کی تفصیلات ریگولیشن کی فہرست میں دی گئی ہے۔

اہم امور اور مالیاتی ڈیٹا:

اہم امور اور مالیاتی ڈیٹا صفحہ نمبر 19 پر درج ہیں۔

فی شیئر آمدنی:

منافع فی شیئر مبلغ 14.35 روپے (2019: مبلغ 1.22 روپے) ہے۔

بورڈ آڈٹ کمیٹی:

بورڈ کی آڈٹ کمیٹی ایک انفرادی غیر ایگزیکٹو ڈائریکٹر بطور چیئرمین اور دو غیر ایگزیکٹو ڈائریکٹرز بطور ممبران پر مشتمل ہے۔ حوالہ کی شرائط میں اہم نوعیت کے دیگر امور کے علاوہ، سالانہ اور سہ ماہی مالی حسابات، داخلی آڈٹ رپورٹ، اسٹاک ایکسچینجز تک رسائی سے پہلے کی معلومات اور حصص یافتگان کی منظوری کے لئے بیرونی آڈٹرز کی تقرری کی تجویز شامل ہیں۔ زیر جائزہ مدت کے دوران چار میٹنگ منعقد ہوئیں۔

بورڈ میٹنگ کی تعداد:

دوران سال بورڈ کی چار میٹنگ منعقد ہوئیں جس میں درج ذیل ڈائریکٹرز نے شرکت کی:

ڈائریکٹرز رپورٹ



میںنگز میں شرکت کی تعداد	نام	نمبر شمار
1/4	محترم مروینہ سلیم	۱۔
4/4	جناب ایم سلیم احمد (چیف ایگزیکٹو آفیسر)	۲۔
1/4	ڈاکٹر ایم شعیب احمد	۳۔
4/4	جناب نیر احمد	۴۔
4/4	جناب عظیم احمد	۵۔
4/4	جناب عمر احمد	۶۔
1/4	جناب احمد جلالی	۷۔
1/4	جناب بلال احمد*	۸۔

* جناب بلال احمد نے مورخہ 9 دسمبر 2019ء کو استعفیٰ دے دیا۔

ڈائریکٹرز کے انتخابات:

ڈائریکٹرز کے انتخابات مورخہ 21 اکتوبر 2019ء کو منعقد ہوئے اور ذیل ڈائریکٹرز منتخب ہوئے:

جناب ایم سلیم احمد

ڈاکٹر ایم شعیب احمد

جناب نیر احمد

جناب بلال احمد

جناب عظیم احمد

جناب عمر احمد

سید فواد حسین رضوی

مورخہ 9 دسمبر 2019ء کو جناب بلال احمد اور سید فواد حسین رضوی مستعفی ہو گئے تھے۔

شیئرز کی خرید/فروخت:

زیر جائزہ مدت کے دوران کمپنی کے ڈائریکٹرز، سی ای او، سی ایف او اور ان کی شریک حیات اور نابالغ بچوں نے کمپنی کے شیئرز کی خریداری اور فروخت نہیں کی۔



ڈائریکٹرز رپورٹ

شیر ہولڈنگ کا طریقہ کار:

شیر ہولڈنگ کا طریقہ کار 30 جون 2019ء اس رپورٹ کے ساتھ منسلک ہے۔

آڈیٹرز:

موجودہ آڈیٹرز میسرز آرابیس ایم او ایس حیدر لیاقت نعمان ریٹائر ہو گئے ہیں اور 2019-2020 کیلئے دوبارہ تقرری کیلئے اپنے آپ کو پیش کر سکتے ہیں۔ آڈٹ کمیٹی نے سالانہ جنرل میٹنگ میں ان کی دوبارہ تقرری کی بھی سفارش کی ہے۔

معاشرتی اور ماحولیاتی ذمہ داری کی پالیسی:

کارپوریٹ کمیونٹی کا ایک باضابطہ رکن ہونے کے ناطے، کمپنی صحت اور تعلیم کے شعبوں سمیت متعدد سماجی اور وفاہی وجوہات میں فراخ دلی سے شراکت کرتی ہے۔ اس سلسلے میں اس نے بہت سی معروف آرگنائزیشن اور ایسوسی ایشنز کے ساتھ کام کیا ہے۔ فی الحال ہماری تنظیم پاکستان ٹینرز ایسوسی ایشن ساؤڈرن زون ماحولیاتی سوسائٹی کو ماہانہ ادائیگی کرتی ہے، ہم نیشنل انسٹی ٹیوٹ آف لیڈر ٹیکنالوجی میں تعلیم حاصل کرنے والے طلباء کو فخر کے ساتھ ادائیگی کر رہے ہیں اور ہم نے اپنے یونٹ کو طلباء کو یہ دیکھنے کیلئے کہ چمڑے کی تیاری کیسے ہوتی ہے سالانہ وزٹ کیلئے تیار کیا ہے۔ ہم فارغ التحصیل طلباء کو اعتماد کے ساتھ مارکیٹ میں داخل ہونے میں ان کی مدد کیلئے انٹرن شپ بھی فراہم کرتے ہیں۔

کمپنی ماحولیاتی طور پر ذمہ دارانہ انداز میں کام کرنے کیلئے پوری طرح پرعزم ہے۔ اس نتائج کے حصول کیلئے ہم:

۱۔ یہ یقینی بنائیں گے کہ ہماری پروڈکٹ اور آپریشنز ماحولیاتی قانون سازی اور متعلقہ قوانین کی تعمیل کریں۔ ہمارے تمام کیمیکلز (رجسٹریشن، تشخیص، کیمیکلز کی اجازت اور پابندی) تصدیق شدہ ہیں اور ہمارے لیڈر، جن کا مختلف ممالک میں الگ طریقہ سے تجربہ کیا جاتا ہے جہاں ہم غیر معمولی نتائج سے گزرتے ہیں، ٹیسٹ شدہ ہیں۔ ہم تصدیق کرتے ہیں کہ ہمارے لیڈرز میں کروم 6 یا AZO ڈائریکٹوری کوئی دوسرا ممنوعہ مادہ یا عنصر موجود نہیں ہے۔

۲۔ سخت ضروریات کے مطابق مخصوص مارکیٹوں یا مقامی قواعد و ضوابط کے ذریعہ ہمارے ماحولیاتی انتظام کے نظام کو برقرار اور مستقل طور پر بہتر بنائیں۔ اس طرح ہم ایف لوٹ ٹریٹمنٹ پلانٹ کی ضروریات کے ساتھ مکمل تعاون کرتے ہیں۔

۳۔ اس انداز سے کام کریں جو ہمارے ملازمین میں ری سائیکلنگ، وسائل کے تحفظ، آلودگی کی روک تھام، مصنوعات کی بڑھوتری اور ماحولیاتی ذمہ داری کے فروغ کے ذریعہ ماحولیاتی استحکام میں مستقل بہتری کیلئے پرعزم ہو۔

۴۔ UNIDO-GEF نے پاکستان ٹینرز ایسوسی ایشن کے اشتراک سے کورنگ سیکٹر A-7 کیلئے بحالی کا منصوبہ شروع کیا ہے جس سے سیکٹر A-7 کے مجموعی انفراسٹرکچر میں بہتری آئے گی۔ اس منصوبے میں نکاسی، کوڑے کا انتظام، سڑکوں اور ٹھوس کچرے کے انتظام کی مکمل اور ہالنگ شامل ہے۔

۵۔ لیڈرورکنگ گروپ چمڑے کی صنعت میں ایک خاص مستحکم حصہ بن گیا ہے۔ LWG ہندوستان اور بنگلہ دیش میں مقبول ہو رہا ہے۔ اس کا مقصد مزدوروں کو صاف ستھرا اور موثر کام کا ماحول فراہم کرنا ہے۔ اس طرح کمپنی نے اس اقدام میں دلچسپی ظاہر کی ہے اور زیادہ تر 2022ء کے آخر تک کانسی کی سند حاصل کر لے گی۔ اس منصوبے کی لاگت کا تخمینہ 5 ملین روپے ہے جو کہ دو سال سے زائد عرصہ تک مکمل ہوگا۔

۶۔ احاطے سے پانی کے اخراج کے معیار کو بہتر بنانے کیلئے ایک اندرونی سپنلک ٹینک بنایا جا رہا ہے۔ یہ منصوبہ پاکستان ٹینرز ایسوسی ایشن کی رہنمائی میں مکمل کیا جا رہا ہے۔ اس منصوبے کی لاگت کا تخمینہ مبلغ 300,000 اور تکمیل نومبر 2020ء میں متوقع ہے۔ سپنلک ٹینک PTA کے ایفلوینٹ ٹریٹمنٹ پلانٹ تک پہنچنے سے پہلے ماہانہ 10 لاکھ گیلن پانی کے اخراج کا انتظام کرے گا۔

کوڈ آف کارپوریٹ گورننس پر تعمیل کا اسٹیٹمنٹ:

کوڈ آف کارپوریٹ گورننس کی تعمیل کا اسٹیٹمنٹ اس رپورٹ کے ساتھ منسلک ہے۔

مستقبل کا نظریہ:

ملک میں کاروباری ماحول مشکلات کا شکار ہے۔ حکومت معاشی اصلاحات کے ایجنڈے پر عمل پیرا ہونے کے باعث یہ ملک ایک نازک مرحلے سے گزر رہا ہے۔ ہم معاشی بہتری لانے کیلئے وزیراعظم اور ان کے مشیر خزانہ جناب حفیظ شیخ اور ان کی ٹیم کا خصوصی شکریہ ادا کرتے ہیں جنہوں نے مشکل حالات سے نمٹنے کیلئے اور کاروباری مالکان کے اعتماد کو برقرار رکھا۔

ڈالر کی بڑھتی ہوئی عدم مساوات کے ساتھ اب ہم زیادہ سے زیادہ صارفین کو فراہمی کر سکتے ہیں۔ بیلنس شیٹ کی تاریخ کے بعد، ہمارے پاس آرڈرز ہاتھ میں ہیں جو ہماری پیداواری صلاحیت کے برابر ہیں۔

اظہار تشکر:

بورڈ آف ڈائریکٹرز اپنے تمام پیئرز، ڈیلرز، سپلائرز اور ملازمین کا کمپنی کیلئے ان کی قابل قدر مدد، غیر سمجھوتہ کرنے والے تعاون اور شراکت کیلئے ان کے بے حد مشکور و ممنون ہیں۔

ورکرز کے نظامیہ کے ساتھ تعلقات:

بورڈ آف ڈائریکٹرز اسٹاف اور ورکرز کے تمام ممبران کا ان کی قابل قدر شراکت کو ریکارڈ کرنا چاہیں گے۔ پورے سال ورکرز اور انتظامیہ کے تعلقات خوشگوار رہے جس کے نتیجے میں آپ کی کمپنی کی عملی کارکردگی بہتر رہی۔

از طرف بورڈ

عمر احمد

ڈائریکٹر

محمد سلیم احمد

چیف ایگزیکٹو آفیسر

کراچی؛ مورخہ 07 اکتوبر 2020ء



Chairperson's Review

I am pleased to present to you the financial results of the Company for the year 2019-20. COVID - 19 pandemic as changed the world economy. Its effects on the Company are disclosed in the annexed directors report.

The Code of Corporate Governance requires an annual evaluation of the Board of Directors. The evaluation is aimed to measure the Board's overall performance and conduct of the Company's affairs in accordance with the best practices of corporate governance. For the year under review, based on the evaluation, the overall performance and effectiveness of the Board has been assessed as satisfactory.

We seek blessings of Almighty Allah for success of the Company.

MRS. RUBINA SALEEM
CHAIRPERSON

October 07, 2020

چیمبر پرسن کا جائزہ



میں آپ کو کمپنی کے مالیاتی سال 2019-20 کے مالی نتائج پیش کرتے ہوئے بے حد خوش ہوں۔ کورونا و باء کے باعث عالمی معیشت متاثر ہوئی۔ اس کا اثر کمپنی کی منسلکہ ڈائریکٹرز رپورٹ میں ظاہر کیا گیا ہے۔

کوڈ آف کارپوریٹ گورننس کیلئے بورڈ آف ڈائریکٹرز کی سالانہ تشخیص کی ضرورت ہے۔ اس تشخیص کا مقصد بورڈ کی مجموعی کارکردگی اور کمپنی کے امور کے انعقاد کو کارپوریٹ گورننس کے بہترین طریقہ کار کے مطابق کرنا ہے۔ زیر جائزہ سال کیلئے تشخیص کی بنیاد پر بورڈ کی مجموعی کارکردگی اور تاثیر کو تسلی بخش قرار دیا گیا ہے۔

ہم اللہ تعالیٰ سے کمپنی کی کامیابی کیلئے دعا گو ہیں۔

محترمہ روبینہ سلیم

چیمبر پرسن

7 اکتوبر 2020ء



STATEMENT OF VALUE ADDED

	2020 (Rupees)	%	2019 (Rupees)
WEALTH GENERATED			
TOTAL REVENUE	214,450,551		76,580,537
BROUGHT IN MATERIAL & SERVICES	(176,374,317)		(54,845,645)
	<u>38,076,234</u>		<u>21,734,892</u>
WEALTH DISTRIBUTED			
TO EMPLOYEES			
SALARIES, BENEFITS & RELATED COST	25,671,778	83.77	18,207,114
TO GOVERNMENT			
INCOME TAX, SALES TAX, IMPORT DUTY AND WORKERS' FUND	10,210,540	6.75	1,467,787
RETAINED FOR REINVESTMENT & FUTURE GROWTH			
DEPRECIATION / AMORTISATION	2,193,916	9.48	2,059,991
	<u>38,076,234</u>	100.00	<u>21,734,892</u>

SIX YEARS AT A GLANCE



(Rs in '000)

PARTICULARS	2020	2019	2018	2017	2016	2015
Net Sales	214,450	76,580	51,688	45,286	20,914	17,170
Gross Profit/(loss)	18,912	14,906	1,875	61	(2,312)	(11,631)
Net Profit/(loss) before tax	51,084	5,061	(4,773)	(4,790)	(6,672)	(15,371)
Gross Profit/(loss) (%)	8.82	19.46	3.63	0.13	(11.05)	(67.74)
Net Profit/(loss) (%)	23.82	6.61	(9.23)	(10.58)	(31.90)	(89.52)
Earning/(loss) per share (after tax)	14.35	1.22	(1.56)	(1.54)	(2.02)	(4.57)
Current ratio	(0.26)	(0.32)	(0.30)	2.26	(0.26)	(0.26)



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

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

1. The total number of directors is seven (07) as per following;

- a. Male: 06
- b. Female: 01

2. The composition of board, on the date of this report is as follows:

Category	Number	Names
* Independent Director	01	Mr. Ahmed Jalali
Non-executive Directors	03	Dr. Muhammad Shoaib Ahmed Mr. Azeem Ahmed Mr. Nayyer Ahmed
Executive Directors	02	Mr. Saleem Ahmed Mr. Umer Ahmed
Female Director (Non-executive)	01	Ms. Rubina Saleem

*The requirement of Independent directors will be met in the next election of directors of the Company.

- 3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
- 4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- 5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and the Regulations.
- 7. The meetings of the board were presided over by the Chairperson and, in her absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
- 8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- 9. Directors have been apprised and are well conversant of their duties and responsibilities. Three out of seven directors meet the exemption criteria from Directors' Training requirement as contained in the Regulations. The remaining directors will undertake directors' training program in due course.

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



10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the board.
12. The board has formed following committees comprising of members given below:

a) Audit Committee:

Dr. M. Shoaib Ahmed	Chairman
Azeem Ahmed	Member
Ahmed Jalali	Member

b) HR & Remuneration Committee:

Umer Ahmed	Chairman
Nayyar Ahmed	Member
Azeem Ahmed	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as follow:
 - a) Audit Committee: Quarterly
 - b) HR and Remuneration Committee: Yearly
15. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other material requirements of the Regulations have been complied with.

MRS. RUBINA SALEEM
CHAIRPERSON

Karachi: October 07, 2020



REVIEW REPORT
TO THE MEMBERS OF PAK LEATHER CRAFTS LIMITED
REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED
IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Pak Leather Crafts Limited (the Company) for the year ended June 30, 2020 in accordance with the requirements of Regulation No. 36 of the Regulations.

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

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

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

Following instances of non-compliance with the requirements of the Regulations were observed which are not stated/appropriately stated in the Statement of Compliance:

- i. Election of directors was held in the last annual general meeting held in October 2019, however, the independent directors as required under clause 6 of the Regulations were not appointed.
- ii. No director of the company has obtained certification under the approved directors' training program till June 30, 2020. Three directors meet the criteria of exemption but exemption is not obtained from the Securities and Exchange Commission of Pakistan (SECP) as required. Clause 19(1)(i) of the Regulations encourages that by June 30, 2020 at least half of the directors acquire the said certification.
- iii. CFO and company secretary is the same person. He meets the criteria as defined in regulation 23(c) but the approval of SECP is not obtained as required under this regulation.
- iv. The internal audit department of the company comprise of only one person designated as head of internal audit who is not eligible for appointment as head of internal audit of a listed company as per requirements of the Regulations. Moreover, copies of internal audit reports were not provided to us for our review.
- v. Key elements of director's remuneration policy and other significant policies are not placed on the company's website as required.
- vi. Level of materiality has not been defined by the Board as required.

Based on our review, except for the above instances of non-compliance, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the Regulations as applicable to the Company for the year ended June 30, 2020.

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Place: Lahore
Date: 7 October, 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PAK LEATHER CRAFTS LIMITED



INDEPENDENT AUDITOR'S REPORT

To the members of Pak Leather Crafts Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Pak Leather Crafts Limited** (the company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2020 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan, the ICAP Code of Ethics for Chartered Accountants (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty relating to Going Concern

Note 1.2 to the financial statements states that the company has incurred losses in the prior years. As at the reporting date, its accumulated loss was Rs. 347.69 million (2019: Rs. 396.48 million) as against the issued, subscribed and paid up capital of Rs. 34.00 million (2019: Rs. 34.00 million) and its current liabilities exceed its current assets by Rs. 261.09 million (2019: Rs. 302.20 million). These events and conditions, along with other matters as set forth in Note 1.2, indicates the existence of material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified with respect to this matter.

Emphasis of Matter

We draw attention to Note 17 to the financial statements that indicates that the bankers / financial institutions of the company have filed suits against the company for recovery of overdue short term and long term finances along-with related mark up and cost of funds and that the company has not recorded markup / cost of funds from the date of institution of recovery suits by the banks / financial institutions. It also states that the quantum of cost of funds cannot be determined at this stage. Our opinion is not modified with respect to this matter.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the Basis for Opinion, Material Uncertainty Related to Going Concern and Emphasis of Matter Sections of our report, we have determined following key audit matters:

Sr. No.	Key Audit Matters	How our audit addressed the key audit matter
1)	<p>New standards, amendments to standards and interpretations becoming effective during the year</p> <p>There are new standards, amendments to standards and interpretations that became effective during the current year. As these new standards, amendments to standards and interpretations may have impact on the financial statements of the company. We considered this as a key audit matter.</p>	<p>We identified new standards, amendments to standards and interpretations that became effective during the year. Our audit procedures included the following;</p> <ul style="list-style-type: none"> ● Considered the management's process to identify and assess the impact of new standards, amendments to standards and interpretations on the company's financial statements; ● Reviewed the appropriateness of the disclosures made by the management in the financial statements in respect of new standards, amendments to standards and interpretations becoming effective during the current year along-with its impact on the financial statements of the company; ● We reviewed and assessed the impact and additional disclosures made in the financial statements with regard to the new standards, amendments to standards and interpretations.
2)	<p>Settlement of overdue loan and related markup:</p> <p>During the year, the Company has recorded waiver of Rs. 114.72 million including waiver of markup of Rs 34.83 million in an out of court settlement with a major bank. We considered this as a key audit matter.</p>	<p>We verified the waiver of loan and related markup by performing the following procedures;</p> <ul style="list-style-type: none"> ● Reviewed the settlement agreement signed with the bank; ● Verified the down payment as per terms of the settlement agreement during the year; ● Verified the payment of balance amount subsequent to the year end as per terms of the settlement agreement;

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PAK LEATHER CRAFTS LIMITED



Sr. No.	Key Audit Matters	How our audit addressed the key audit matter
		<ul style="list-style-type: none"> ● Checked the clearance certificate issued by the bank; ● Checked the calculation of waiver of principal and markup.
3)	<p>Old stock carried at written down value:</p> <p>The Company was carrying old stock in trade of Rs. 38.73 million at net realizable value since prior periods. We have been unable to satisfy ourselves with respect to valuation of these old stocks. We considered this as a key audit matter.</p>	<ul style="list-style-type: none"> ● We have checked the further write down recorded by the company during the year on the basis of valuation by an independent expert engaged by the management. ● We have performed the audit procedures to evaluate the work of expert.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work have performed, conclude that there is a material misstatement of this other information; are required to report that fact have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

PAK LEATHER CRAFTS LIMITED

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

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

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

also provide the board of directors with a statement that have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, further report that in our opinion:

- a) proper books of account have been kept by the company as required by the Companies Act, 2017 (XIX of 2017);

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PAK LEATHER CRAFTS LIMITED



- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017). These are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Inam ul Haque.

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Place: Lahore

Date: 07 October, 2020



STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

	NOTE	2020 RUPEES	2019 RUPEES
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	23,526,192	23,894,119
Long term deposits	7	1,409,612	1,409,612
		24,935,804	25,303,731
CURRENT ASSETS			
Loose tools		308,287	294,487
Stock in trade	8	46,323,636	47,638,691
Trade debts	9	23,151,092	86,946,052
Advances and other receivable	10	6,714,852	1,645,536
Tax refunds due from Government-Sales tax		8,025,780	896,600
Cash and bank balances	11	5,836,976	2,292,185
		90,360,623	139,713,551
TOTAL ASSETS		115,296,427	165,017,282
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Authorised share 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 in cash		34,000,000	34,000,000
Loan from Director	12	60,157,444	68,204,444
Accumulated loss		(347,693,298)	(396,481,430)
		(253,535,854)	(294,276,986)
NON CURRENT LIABILITIES			
Long term loans	13	14,601,366	12,987,073
Deferred interest income	13	2,775,524	4,389,817
		17,376,890	17,376,890
CURRENT LIABILITIES			
Short term bank borrowings	14	152,529,905	237,419,981
Current portion of long term financing	15	46,903,419	46,903,419
Interest / mark up payable		89,200,158	124,029,303
Trade and other payables	16	60,526,172	32,684,939
Provision for taxation - income tax		2,295,737	879,736
		351,455,391	441,917,378
CONTINGENCIES	17	-	-
		115,296,427	165,017,282

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

NASEER AHMED
CHIEF FINANCIAL OFFICER

UMER AHMED
DIRECTOR

**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020**



	NOTE	2020 RUPEES	2019 RUPEES
Sales	18	214,450,551	76,580,537
Cost of sales	19	195,538,116	61,674,763
Gross profit		<u>18,912,435</u>	<u>14,905,774</u>
Other income	20	117,299,936	860,783
		<u>136,212,371</u>	<u>15,766,557</u>
Administrative expenses	21	67,737,574	7,207,496
Selling and distribution expenses	22	13,956,939	2,699,502
Bank charges and commission		3,433,989	798,205
		<u>85,128,502</u>	<u>10,705,203</u>
Profit for the year before taxation		<u>51,083,869</u>	<u>5,061,354</u>
Provision for taxation	23	2,295,737	915,627
Profit for the year		<u>48,788,132</u>	<u>4,145,727</u>
Earnings per share - Basic and diluted	24	<u>14.35</u>	<u>1.22</u>

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

NASEER AHMED
CHIEF FINANCIAL OFFICER

UMER AHMED
DIRECTOR



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2020

	2020 RUPEES	2019 RUPEES
Profit for the year	48,788,132	4,145,727
Other comprehensive income	-	-
Total comprehensive income for the year	<u>48,788,132</u>	<u>4,145,727</u>

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

NASEER AHMED
CHIEF FINANCIAL OFFICER

UMER AHMED
DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2020



Particulars	Issued Subscribed and paid up Capital	Loan from Director	Accumulated loss	Total
	<------(all amount in PKR)----->			
Balance as at July 01, 2018	34,000,000	-	(400,627,157)	(366,627,157)
Total comprehensive income for the year				
Profit for the year	-	-	4,145,727	4,145,727
Other comprehensive income	-	-	-	-
	-	-	4,145,727	4,145,727
Transferred from non current liabilities	-	68,204,444	-	68,204,444
Balance as at June 30, 2019	34,000,000	68,204,444	(396,481,430)	(294,276,986)
Total comprehensive income for the year				
Profit for the year	-	-	48,788,132	48,788,132
Other comprehensive income	-	-	-	-
	-	-	48,788,132	48,788,132
Transaction with owners				
Repayment of loan	-	(8,047,000)	-	(8,047,000)
Balance as at June 30, 2020	34,000,000	60,157,444	(347,693,298)	(253,535,854)

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

NASEER AHMED
CHIEF FINANCIAL OFFICER

UMER AHMED
DIRECTOR



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

	NOTE	2020 RUPEES	2019 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year before taxation		51,083,869	5,061,354
Adjustment for non-cash changes and other items:			
Depreciation		2,193,914	2,059,991
Gain on disposal of Property, plant and equipment		(398,333)	-
Balances written off - net		-	2,151,300
Provision for doubtful debts		61,048,321	-
Waiver of loan liability on settlement		(79,890,076)	-
Waiver of mark up on loan on settlement		(34,829,145)	-
		<u>(51,875,319)</u>	<u>4,211,291</u>
Cash flow before working capital changes		(791,450)	9,272,645
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spares and loose tools		(13,800)	23,000
Stock in trade		1,315,056	2,940,500
Trade debts		2,746,639	(16,846,623)
Advances and other receivables		(5,069,316)	953,777
Tax refunds due from government		(7,129,180)	(273,691)
Increase in current liabilities			
Trade and other payables		27,841,233	8,735,647
		<u>19,690,632</u>	<u>(4,467,390)</u>
Cash generated from operations		18,899,182	4,805,255
Income tax paid		(879,736)	(915,627)
Net cash flow from operating activities	(a)	18,019,446	3,889,628
CASH FLOW FROM INVESTING ACTIVITIES			
Additions in property, plant and equipment		(2,752,655)	(1,757,700)
Proceeds from disposal of property, plant and equipment		1,325,000	-
Net cash flow from investing activities	(b)	(1,427,655)	(1,757,700)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of loan from director		(8,047,000)	(228,592)
Repayment of short term bank borrowings		(5,000,000)	-
Net cash flow from financing activities	(c)	<u>(13,047,000)</u>	<u>(228,592)</u>
Net increase in cash and cash equivalents	(a+b+c)	3,544,791	1,903,336
Cash and cash equivalents at the beginning of the year		<u>2,292,185</u>	<u>388,849</u>
Cash and cash equivalents at the end of the year		<u>5,836,976</u>	<u>2,292,185</u>

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

NASEER AHMED
CHIEF FINANCIAL OFFICER

UMER AHMED
DIRECTOR



1. LEGAL ENTITY & NATURE OF BUSINESS

- 1.1 Pak leather crafts limited (the Company) is a public limited company incorporated in Pakistan under the repealed 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 and mill of the Company are situated at Plot # 18, Sector 7-A, Korangi Industrial Area, Karachi, in the province of Sindh.
- 1.2 The Company incurred losses in the prior years. As at the reporting date, its accumulated loss was Rs. 347.69 million (2019: Rs. 396.40 million) as against the issued, subscribed and paid up capital of Rs. 34.00 million (2019: Rs. 34.00 million) and its current liabilities exceed its current assets by Rs. 261.09 million (2019: Rs. 302.20 million). The Company is facing operational and financial problems and has been unable to pay off its liabilities on due dates. The bankers / financial institutions of the Company have filed suits for recovery of outstanding finances and related mark up along with cost of funds. These factors indicate material uncertainty related to events and conditions which may cast significant doubt about the Company's ability to continue as a going concern and, therefore, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

The management has prepared and is implementing its plan to address all these issues and is focusing to enhance its profitability by increasing its revenue and reducing its cost. As a result of its concentrated efforts, the management has been able to increase its revenue and profitability which is evident from the fact that the Company has earned profit during the recent years. Settlement agreement has been executed with a major bank during the year resulting in waiver of Rs. 114.72 million (Refer note 20) The management is negotiating with its other bankers / financial institutions for rescheduling / out of court settlements. Moreover, the directors of the Company have undertaken to continue to support the Company and to inject further funds in the ensuing years, as may be needed by the Company. The management believes that its plan will improve of financial position and financial results of the Company and the Company will be able to continue as a going concern.

1.3 Impact of COVID-19 on the financial statements

The Pandemic of Covid 19 rapidly spread all across the world badly and has not only endangered human lives but has also impacted the world economy. In March 2020, the Government announced temporary lockdown in the Country as a measure to reduce the spread of Covid 19. As a result, operations of the Company remained suspended for some period of time towards the end of third quarter and in the last quarter. However, by the grace of Almighty Allah, the impact of Covid 19 was not significant/severe. We have been able to meet our export deadlines in the last quarter for the reason that our production plan was ahead of the timeline.

2. STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS Standards) 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 IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.



Notes to the Financial Statements for the year ended June 30, 2020

3. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

3.1 Standards, amendments to standards and interpretations becoming effective in current year

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2019 and therefore, have been applied in preparing these financial statements. Application of these standards, amendments to standards and interpretations have no impact on these financial statements of the Company except as otherwise disclosed in the relevant section.

i. IFRS 16 – Leases

The Company has adopted IFRS 16 from July 01, 2019. The standard replaces IAS 17 'Leases' and for lessees, eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets and an interest expense on the recognised lease liabilities. In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

ii. Annual Improvements to IFRS Standards 2015–2017 Cycle

In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs. These amendments are applicable for annual reporting periods beginning on or after January 01, 2019:

- **IFRS 3 – Business Combinations and IFRS 11 - Joint Arrangements**— The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 - Income Taxes** — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
- **IAS 23 - Borrowing Costs** — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

iii. IAS 19 – Employee Benefits

Amendments, applicable for annual reporting periods beginning on or after January 01, 2019, relate to plan amendment, curtailment or settlement are detailed below:



- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

iv. IAS 28 – Investments in Associates and Joint Ventures

Amendments resulting from Annual Improvements 2014–2016 Cycle (clarifying certain fair value measurements), applicable for periods beginning on or after January 01, 2018, clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Further, amendments applicable for periods beginning on or after January 01, 2019 have been added to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

v. IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual reporting periods beginning on or after January 01, 2019.

3.2 Standards, amendments to standards and interpretations becoming effective in the current year but not relevant

There are certain new standards, amendments to standards and interpretations that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2019 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

3.3 Standards, amendments to standards and interpretations becoming effective in future periods

The following standards, amendments to standards and interpretations have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates. Application of these standards, amendments to standards and interpretations do not have any impact on the Company's financial statements.

i. IFRS 7 — Financial Instruments: Disclosures, IFRS 9 — Financial Instruments and IAS 39 — Financial Instruments: Recognition and Measurement

The amendments deal with 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as IASB's first reaction to the potential effects the IBOR reform on financial reporting. It deals with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements. The amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.



Notes to the Financial Statements for the year ended June 30, 2020

ii. IFRS 16 - Leases

The IASB has published 'Covid-19-Related Rent Concessions (Amendment to IFRS 16)' amending the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. Concurrently, the IASB also published a proposed Taxonomy Update to reflect this amendment.

The amendments are applicable for annual periods beginning on or after 1 June 2020.

iii. Annual Improvements to IFRS Standards 2018–2020 Cycle

The IASB has issued 'Annual Improvements to IFRS Standards 2018–2020'. The pronouncement contains amendments to the following Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project.

- IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. 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.
- IFRS 16 Leases - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- 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. This will ensure consistency with the requirements in IFRS 13.

The amendments are applicable for annual periods beginning on or after 1 January 2022.

iv. IAS 16 – Property, Plant and Equipment

The IASB has published 'Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)' regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.

The standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are applicable for annual periods beginning on or after 1 January 2022. An entity applies the amendments retrospectively 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.



3.3 Standards, amendments to standards and interpretations becoming effective in future periods

There are certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company's operations, therefore, not disclosed in these financial statements.

3.4 Standards issued by IASB but not applicable in Pakistan

Following new standards have been issued by IASB which are yet to be notified by the SECP for purpose of applicability in Pakistan:

IFRS 1 - First-time adoption of International Financial Reporting Standards
IFRS 17 - Insurance Contracts

4. BASIS OF PREPARATION

These financial statements have been prepared on the basis of 'historical cost convention.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Property, plant and equipment

Property, plant and equipment except leasehold land and capital work in progress are stated at cost/valuation less accumulated depreciation and impairment in value, if any. Leasehold land is stated at cost less accumulated amortization and impairment in value, if any.

Depreciation is charged to income applying the reducing balance method at the rates specified in property, plant and equipment note.

Depreciation on additions during the year is charged from the month in which asset is acquired or capitalised, while no depreciation is charged for the month in which asset is disposed off. The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Repairs and maintenance costs are charged to income during the period in which they are incurred. Major renewals and improvements are capitalised.

Gains or losses on disposal of assets, if any, are recognised as and when incurred.

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when these assets are available for use.

5.2 Impairment

The company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether these are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account, unless the relevant assets are carried at revalued amounts, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.



Notes to the Financial Statements for the year ended June 30, 2020

Where impairment loss subsequently reverses, the carrying amounts of the assets are increased to the revised recoverable amounts but limited to the carrying amounts that would have been determined had no impairment loss been recognised for the assets in prior years. A reversal of an impairment loss is recognised immediately in profit or loss account.

5.3 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5.4 Loose tools

These are valued at moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice value plus other charges incurred thereon.

5.5 Stock in trade

Stock in trade except wastes is valued at lower of cost and net realisable value. Cost is determined as follows:

Raw material	Weighted average cost.
Work in process	Average manufacturing cost.
Finished goods	Average manufacturing cost.

Wastes are valued at net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost necessary to make the sales. Average manufacturing cost includes cost of direct material, labour and appropriate manufacturing overheads.

5.6 Financial Instruments

5.6.1 Measurement of financial asset

Initial measurement

The Company classifies its financial assets into following three categories:

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

A financial asset is initially measured at fair value plus transaction costs that are directly attributable to its acquisition, except FVTPL which is measured at fair value.



Subsequent measurement

The subsequent measurement of financial assets depends on their classification, as follows:

Debt Investments at FVOCI

These assets are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.

Equity Investments at FVOCI

These assets are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income and are never reclassified to the statement of profit or loss. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest markup or dividend income, are recognized in the statement of profit or loss.

Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

Non-derivative financial assets

All non-derivative financial assets are initially recognized on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Non-derivative financial assets comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes trade debts, advances, other receivables and cash and cash equivalents.

Derecognition

The Company derecognizes the financial assets when the contractual rights to the cash flows from the assets expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred assets.

5.6.2 Financial liabilities

Initial recognition

Financial liabilities are classified in the following categories:



Notes to the Financial Statements for the year ended June 30, 2020

- fair value through profit or loss; and
- other financial liabilities.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in case of other financial liabilities also include directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as follows:

Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost using the effective interest rate method. Gain and losses are recognized in statement of profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

Derecognition

The Company derecognizes financial liabilities when and only when the Company's obligations are discharged, cancelled or expire.

5.6.3 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has currently legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the Company or the counter parties.

5.6.4 Impairment of financial assets

The Company recognizes loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortized cost. The Company 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 balance 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.



Loss allowances for receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company 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 Company's historical experience and informed credit assessment and including forward-looking information.

The Company 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 Company is exposed to credit risk. 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 Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company 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 Company 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 Company's procedures for recovery of amounts due.

5.7 Trade debts, Loans, advances and other receivables

These are classified at amortized cost and are initially recognized when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

5.8 Trade and other payables

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

Contract liability represents advances received from customer for subsequent sales of the Company's products.

5.9 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

5.10 Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.



Notes to the Financial Statements for the year ended June 30, 2020

5.11 Provision for taxation

Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits and tax rebates available under the law.

Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effect on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of the Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

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

Deferred tax charged or credited in the income statement, except in case of items charged or credited to equity in which case it is included in equity.

5.12 Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For this purpose, the company:

- identifies the contract with a customer;
- identifies the performance obligations in the contract;
- determines the transaction price which takes into account estimates of variable consideration, if any, and the time value of money;
- allocates the transaction price to the separate performance obligations, if applicable, on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer of control of the goods or services promised to the customer.

Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Company is engaged in leather tanning, export and sale of leather garments, which generally include single performance obligation. Management has concluded that revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer, which is upon the delivery of goods. Delivery occurs when the products have been shipped to the specific location and the risks of loss have been transferred to the customers. The transfer can be either in the form of acceptance by the customer of products as per the sales contract or lapse of acceptance provision or the Company has objective evidence that all criteria for acceptance have been satisfied.



Invoices are generated at the point in time when control of the asset is transferred and revenue is recognised at that point in time. Receivable is also recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5.13 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 consist of cash in hand, balances with banks, books overdrawn and highly liquid short-term investments that are convertible to known amounts of cash and are subject to insignificant risk of change in value.

5.14 Foreign currencies

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in net profit or loss for the period.

5.15 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

5.16 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.

5.17 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IASs / IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.



Notes to the Financial Statements for the year ended June 30, 2020

Significant areas, other than those specifically discussed in these financial statements, requiring the use of management estimates are as follows ;

- Determining the useful lives of Property, plant and equipment.
- Provision for slow moving and obsolete stores and spares.
- Write down of stock in trade.
- Provision for taxation.
- Provision for doubtful receivables.

5.18 Functional and presentation currency

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

6. PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	Right to use asset- Leasehold land	Owned						Total
		Building on leasehold land	Plant and machinery	Furniture and fixture	Office equipment	Books	Motor vehicles	

(Rupees)

As at July 01, 2018

Opening net book value	6,382,167	1,561,288	14,332,040	281,882	371,099	23,971	1,243,963	24,196,410
Additions	-	1,513,850	190,000	-	53,850	-	-	1,757,700
Depreciation charged	-	(294,898)	(1,447,454)	(28,188)	(38,262)	(2,397)	(248,793)	(2,059,992)
Closing net book value	6,382,167	2,780,240	13,074,586	253,694	386,687	21,574	995,170	23,894,118

As at June 30, 2019

Cost	6,382,167	17,612,159	85,383,391	5,103,287	6,917,857	75,000	9,614,404	131,088,265
Accumulated depreciation	-	(14,831,919)	(72,308,805)	(4,849,593)	(6,531,170)	(53,426)	(8,619,234)	(107,194,147)
Net book value	6,382,167	2,780,240	13,074,586	253,694	386,687	21,574	995,170	23,894,118

Year ended June 30, 2020

Opening net book value	6,382,167	2,780,240	13,074,586	253,694	386,687	21,574	995,170	23,894,118
Additions	-	817,425	70,000	-	240,230	-	1,625,000	2,752,655
Disposals	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	(1,390,000)	(1,390,000)
Accumulated Depreciation	-	-	-	-	-	-	463,333	463,333
	-	-	-	-	-	-	(926,667)	(926,667)
Depreciation charged	-	(308,062)	(1,307,459)	(25,369)	(53,916)	(2,157)	(496,951)	(2,193,914)
Closing net book value	6,382,167	3,289,603	11,837,127	228,325	573,001	19,417	1,196,552	23,526,192

As at June 30, 2020

Cost	6,382,167	18,429,584	85,453,391	5,103,287	7,158,087	75,000	9,849,404	132,450,920
Accumulated depreciation	-	(15,139,981)	(73,616,264)	(4,874,962)	(6,585,086)	(55,583)	(8,652,852)	(108,924,728)
Net book value	6,382,167	3,289,603	11,837,127	228,325	573,001	19,417	1,196,552	23,526,192
Annual rate of depreciation	-	10%	10%	10%	10%	10%	20%	

Notes to the Financial Statements for the year ended June 30, 2020



		2020 RUPEES	2019 RUPEES
6.1 Allocation of depreciation for the year is as under ;upees		Rupees	
Cost of sales	19.1	2,062,279	1,936,392
Administrative expenses	21	131,635	123,599
		2,193,914	2,059,991
6.2	Head office and production facility of the Company are located at Plot # 18, Sector 7-A, Korangi Industrial Area, Karachi, Pakistan, measuring 2667 square yards which is held under lease.		
	NOTE	2020 RUPEES	2019 RUPEES
7. LONG TERM DEPOSITS			
Against utilities		843,112	843,112
Others		566,500	566,500
		1,409,612	1,409,612
8. STOCK IN TRADE			
Raw material		9,096,428	6,835,679
Work in process		3,245,483	3,647,581
Finished goods		33,981,725	37,155,431
	8.1	46,323,636	47,638,691
8.1	Stock in trade includes old stock carried at written down value of Rs. 29.26 million (2019: Rs. 38.729 million) since prior periods. Old stock with carrying value of Rs. 16.950 million (2019: Rs. 16.950 million) is pledged with a banking company against cash finance from a financial institution.		
		2020 RUPEES	2019 RUPEES
9. TRADE DEBTS			
Unsecured			
Considered good			
Local		14,844,628	19,472,443
Foreign		8,306,464	4,962,906
		23,151,092	24,435,349
Considered doubtful			
Local		61,048,321	62,510,703
Less: Provision for doubtful debts		(61,048,321)	-
		23,151,092	62,510,703
			86,946,052
10. ADVANCES AND OTHER RECEIVABLE			
Considered good			
Advances			
Employees		159,000	105,000
Suppliers		2,633,784	280,000
Income tax		2,184,760	362,543
Other receivable			
Duty drawback		1,737,308	897,993
		6,714,852	1,645,536



Notes to the Financial Statements for the year ended June 30, 2020

	NOTE	2020 RUPEES	2019 RUPEES
11. CASH AND BANK BALANCES			
Cash in hand		33,293	40,331
Cash at bank - In current accounts		<u>5,803,683</u>	<u>2,251,854</u>
		<u>5,836,976</u>	<u>2,292,185</u>
12. LOAN FROM DIRECTOR		<u>60,157,444</u>	<u>68,204,444</u>
12.1	This is unsecured and interest free and is repayable at the discretion of the Company. The loan is accounted for as part of equity under Technical Release - 32 "Accounting Directors Loan" issued by the Institute of Chartered Accountants of Pakistan.		
13. LONG TERM LOANS			
Un-secured			
From director's associate	13.1	<u>14,601,366</u>	<u>12,987,073</u>
13.1	This is interest free. Terms of repayment have not been decided so far. However, It is confirmed by the lender that repayment will not be demanded within next twelve months from the balance sheet date. The loan is carried at amortized cost, with an estimated repayment term of 2 years. The unearned interest income is recorded as deferred interest income and presented on the face of statement of financial position.		
14. SHORT TERM BANK BORROWINGS			
Secured - under mark up arrangements			
Export refinance	14.1 & 14.2	107,709,928	192,600,004
Cash finance	14.1	10,250,000	10,250,000
Running finance	14.1	4,679,088	4,679,088
Forced finance	14.1	29,890,889	29,890,889
		<u>152,529,905</u>	<u>237,419,981</u>
14.1	The facilities except cash finance facility are expired and renewable. These are secured against first charge over current assets and first charge over fixed assets ranking pari passu with the charge created in respect of long term financing (Refer Note 15.1), lien over import and export documents and personal guarantee of directors of the Company. Cash finance is secured against pledge of stocks. All these borrowings and related mark up are over due and the banks / financial institutions have filed suits for recovery of these finances alongwith related mark up and cost of funds (Refer Note 17).		
14.2	The Company has entered into a settlement agreement with a major bank during the year. As per terms of the settlement agreement, the bank has waived off loan of Rs. 79.89 million alongwith markup of Rs. 34.83 million (Refer Note 20). The Company has paid Rs. 5 million as down payment and balance amount of Rs. 40 million was payable in August 2020, which is subsequently paid.		

Notes to the Financial Statements for the year ended June 30, 2020



	NOTE	2020 RUPEES	2019 RUPEES
15. CURRENT PORTION OF LONG TERM FINANCING			
Secured - under mark up arrangements			
Demand finance		46,903,419	46,903,419
15.1 This is secured against first charge over fixed assets of the Company ranking pari passu with the charge created in respect of short term bank borrowings (Refer Note 14.1) and personal gaurantee of directors of the Company. The principal and related mark up are overdue and the bank has filed suit for recovery of the finance alongwith related mark up and cost of funds (Refer Note 17).			
16. TRADE AND OTHER PAYABLES			
Creditors		49,058,780	22,592,585
Accrued liabilities	16.1	5,084,936	4,494,819
Advance from customers	16.2	6,063,988	5,441,384
Withholding Income tax payable		175,960	13,643
Unclaimed dividend		142,508	142,508
		60,526,172	32,684,939
16.1 These include remuneration payable to chief executive officer and directors amounting to Rs. 0.43 million (2019: Rs. 0.42 million).			
16.2 Advance received from customer is recognized as revenue when the performance obligation in accordance with the policy as described in note 5.12 is satisfied.			
17. CONTINGENCIES			
Bankers / financial instituions of the Company have filed suits in banking courts against the Company under the provisions of Financial Institutions (Recovery of Finances) Ordinance, 2001 for recovery of overdue short term and long term finances alongwith related mark up and cost of funds which the Company is defending. The Company has fully provided for mark up till the date of filing of suits by the banks / financial institutions. The amount of related overdue loans is Rs. 46.9 million (2019: Rs. 46.9 million) and related overdue mark ups is Rs. 89.2 million (2019: Rs. 124.03 million). Mark up from the date of filing of suits amounting to Rs. 27.50 million (2019: Rs. 96.631 million) is not acknolwedged in view of pending cases. No provision is made in respect of any cost of funds as the same depends on the ultimate decision by the banking courts and the quantum of cost of funds cannot be determined at this stage.			
18. SALES			
Export - Leather	18.1	188,163,794	31,008,775
Local sale - Job work income -Leather Processing		27,606,620	45,571,762
		215,770,414	76,580,537
Commission and discount		(1,319,863)	-
		214,450,551	76,580,537
18.1 It includes exchange gain of Rs. 1,339,929 (2019 : Rs 687,999).			



Notes to the Financial Statements for the year ended June 30, 2020

	NOTE	2020 RUPEES	2019 RUPEES
19. COST OF SALES			
Opening stock of finished goods		37,155,431	19,892,666
Cost of goods manufactured	19.1	192,364,410	78,937,528
		<u>229,519,841</u>	<u>98,830,194</u>
Less: Closing stock of finished goods		(33,981,725)	(37,155,431)
		<u>195,538,116</u>	<u>61,674,763</u>
19.1 Cost of goods manufactured			
Raw material consumed	19.1.1	148,965,963	28,790,969
Salaries, wages, and benefits		22,709,202	16,178,257
Power, fuel and water		9,578,964	7,681,385
Repairs and maintenance		7,848,222	5,433,340
Carriage and freight		347,580	150,650
Depreciation	6.1	2,062,279	1,936,392
Others		450,100	316,775
		<u>191,962,310</u>	<u>60,487,769</u>
Work in process:			
Opening		3,647,581	22,097,340
Closing		(3,245,483)	(3,647,581)
		<u>402,098</u>	<u>18,449,759</u>
		<u>192,364,410</u>	<u>78,937,528</u>
19.1.1 Raw material consumed			
Opening		6,835,679	8,589,187
Purchases during the year		151,226,712	27,037,461
Available for consumption		<u>158,062,391</u>	<u>35,626,648</u>
Closing		(9,096,428)	(6,835,679)
		<u>148,965,963</u>	<u>28,790,969</u>
20. OTHER INCOME			
Duty draw back		2,182,382	558,473
Gain on disposal of property, plant and equipment		398,333	-
Sale of scrap		-	302,310
Waiver of loan liability on settlement	14.2	79,890,076	-
Waiver of mark up on loan on settlement	14.2	34,829,145	-
		<u>117,299,936</u>	<u>860,783</u>

Notes to the Financial Statements for the year ended June 30, 2020



	NOTE	2020 RUPEES	2019 RUPEES
21. ADMINISTRATIVE EXPENSES			
Directors' remuneration	25	1,086,000	1,086,000
Salaries and benefits		1,876,576	942,857
Telephone, fax and postage		490,933	316,794
Fees and subscription		569,750	935,150
Printing and stationary		330,708	205,714
Repairs and maintenance		987,771	465,440
Vehicles running and maintenance		269,450	127,860
Legal and professional		255,500	131,525
Auditors' remuneration	21.1	545,000	545,000
Advertisement		7,700	10,638
Balances written off - net		-	2,151,300
Depreciation	6.1	131,635	123,599
Provision for doubtful debts	9	61,048,321	-
Others		138,230	165,619
		<u>67,737,574</u>	<u>7,207,496</u>
21.1 Auditors' remuneration			
Audit fee		350,000	350,000
Half year review		100,000	100,000
Out of pocket expenses		45,000	45,000
Other professional services		50,000	50,000
		<u>545,000</u>	<u>545,000</u>
22. SELLING AND DISTRIBUTION EXPENSES			
Freight charges		11,515,539	1,899,169
Travelling and conveyance		900,980	207,470
Others		1,540,420	592,863
		<u>13,956,939</u>	<u>2,699,502</u>
23. PROVISION FOR TAXATION			
Current			
for the year		2,295,737	879,735
for prior years		-	35,892
Deferred	23.2	-	-
		<u>2,295,737</u>	<u>915,627</u>



Notes to the Financial Statements for the year ended June 30, 2020

23.1 Relationship between tax expense and accounting profit

The relationship between tax expense and accounting profit has not been presented in these financial statements as the local income of the Company is subject to minimum tax/ alternate corporate tax and final tax. The provision for current taxation is made under section 113, 153, 154 and 169 of the Income Tax Ordinance, 2001.

23.2 Deferred tax asset works out to Rs. 11.57 million (2019: Rs. 6.56 million) which is not recognized in these financial statements in view of un-certain future results. It comprises of the following;

	2020 RUPEES	2019 RUPEES
Difference between accounting and tax basis of assets	1,406,095	1,490,900
Tax losses carried forward	(12,663,671)	(6,927,169)
Tax credit under section 113	(316,195)	(1,124,783)
	<u>(11,573,771)</u>	<u>(6,561,052)</u>

24. EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the year	48,788,132	4,145,727
Weighted average number of ordinary shares	3,400,000	3,400,000
Earnings per share - Basic and diluted	14.35	1.22

24.1 There is no dilutive effect on the basic earning per share of the Company.

25. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	Chief Executive		Directors		Total	
	----- (Rupees) -----					
	2020	2019	2020	2019	2020	2019
Remuneration	380,160	380,160	314,880	314,880	695,040	695,040
Housing rent allowance	171,072	171,072	142,680	142,680	313,752	313,752
Utilities	42,768	42,768	34,440	34,440	77,208	77,208
	<u>594,000</u>	<u>594,000</u>	<u>492,000</u>	<u>492,000</u>	<u>1,086,000</u>	<u>1,086,000</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>

25.1 The Company has also provided mobile and company maintained vehicle to a director. The monetary value of these benefits in Rs.360,670 /- (2019: Rs. 191,140/-)

Notes to the Financial Statements for the year ended June 30, 2020



26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE

26.1 Financial assets and liabilities

Particulars	2020			
	Interest bearing		Non - interest bearing	
	Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year
----- (Rupees) -----				
Financial assets at amortized cost				
Long terms deposits	-	-	-	1,409,612
Trade debts	-	-	23,151,092	-
Advances	-	-	159,000	-
Cash and bank balances	-	-	5,836,976	-
	-	-	29,147,068	1,409,612
Financial liabilities at amortised cost				
Long term loans	-	-	-	23,151,092
Short term bank borrowings	152,529,905	-	-	-
Current portion of long term financing	46,903,419	-	-	-
Interest / mark up payable	-	-	89,200,158	-
Trade and other payables	-	-	54,606,315	-
	199,433,324	-	143,806,473	23,151,092
----- (Rupees) -----				
----- (Rupees) -----				
Particulars	2019			
	Interest bearing		Non - interest bearing	
	Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year
----- (Rupees) -----				
Financial assets at amortized cost				
Long terms deposits	-	-	-	1,409,612
Trade debts	-	-	86,946,052	-
Advances and other receivables	-	-	105,000	-
Cash and bank balances	-	-	2,292,185	-
	-	-	8,934,237	1,409,612
Financial liabilities at amortised cost				
Long term loans	-	-	-	12,987,073
Short term bank borrowings	237,419,981	-	-	-
Current portion of long term demand financing	46,903,419	-	-	-
Interest / mark up payable	-	-	124,029,303	-
Trade and other payables	-	-	26,322,846	-
	284,323,400	-	150,352,149	12,987,073



26.2 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 continuation. 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 maintain 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.

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 maximum exposure to credit risk at the reporting date is as follows:

	2020 RUPEES	2019 RUPEES
Financial assets at amortized cost		
Long terms deposits	1,409,612	1,409,612
Trade debts	23,151,092	86,946,052
Advances and other receivables	1,896,308	1,002,993
Bank balances	<u>5,803,683</u>	<u>2,251,854</u>
	<u>32,260,695</u>	<u>91,610,511</u>

Due to Company's long standing relations with counter parties and after giving due consideration to their financial standing, the management does not expect non performance by these counter parties on their obligations to the Company.

For trade debts, credit quality of customers is assessed taking into consideration their financial position and previous dealings and on that basis, individual credit limits are set. Moreover, the management regularly monitors and reviews customers' credit exposure. The credit risk exposure is limited in respect of bank balances as these are placed with the banks having good credit rating from international and local credit rating agencies.

Notes to the Financial Statements for the year ended June 30, 2020



	2020 RUPEES	2019 RUPEES
The analysis of trade debts is as follows:		
Not past due	23,151,092	24,435,350
Past due within one year	512,106	2,713,906
Past due over one year	60,536,215	59,796,797
	61,048,321	62,510,703
	84,199,413	86,946,053

Liquidity risk

Liquidity risk is the risk that the company will encounter 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 unacceptable 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 its obligations.

Following are the contractual maturities of financial liabilities as at June 30, 2020 and June 30, 2019.

	Carrying Amount	Contractual Cash Flows	Within one year	One to five years
----- (Rupees) -----				
2020				
Long term loans	17,376,890	17,376,890	-	17,376,890
Short term bank borrowings	152,529,905	152,529,905	152,529,905	-
Current portion of long term financing	46,903,419	46,903,419	46,903,419	-
Interest / mark up payable	89,200,158	89,200,158	89,200,158	-
Trade and other payables	60,526,172	60,526,172	60,526,172	-
	366,536,544	366,536,544	349,159,654	17,376,890
----- (Rupees) -----				
2019				
Long term loans	12,987,073	12,987,073	-	12,987,073
Short term bank borrowings	237,419,981	237,419,981	237,419,981	-
Current portion of long term financing	46,903,419	46,903,419	46,903,419	-
Interest / mark up payable	124,029,303	124,029,303	124,029,303	-
Trade and other payables	26,322,846	26,322,846	26,322,846	-
	447,662,622	447,662,622	434,675,549	12,987,073



Notes to the Financial Statements for the year ended June 30, 2020

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 is not significantly exposed to currency risk as at the reporting date.

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 interest rate risk arises from long term and short term borrowings from banks. The Company is not providing for markup on these borrowings as referred in Note 17, hence it is not exposed to any significant interest rate risk.

26.3 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.

26.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Debt is calculated as total external borrowings ('long term financing' and 'short term borrowings' as shown in the balance sheet) including related mark up payable. Equity comprises of share capital, loan from director and accumulated loss as shown in the balance sheet under 'share capital and reserves'. The Company is exposed to capital risk and the Company has formulated a revival plan to cope with capital risk as disclosed in note 1.2 .

27. TRANSACTIONS WITH RELATED PARTIES

The Company carried out transactions with related parties in the normal course of business which comprise of staff retirement funds, directors and key management personnel. Transactions with related parties are made under normal commercial terms and conditions. The amounts due to related party is disclosed in Note 12 to the financial statements and remuneration to Chief Executive and Directors is disclosed in Note 25. Detail of transactions with related parties, which are not specifically disclosed elsewhere in these financial statements, are as follows:

Notes to the Financial Statements for the year ended June 30, 2020



Name	Relationship	Nature of transaction	2020 RUPEES	2019 RUPEES
Muhammad Saleem Ahmed	CEO	Repayment of loan	8,047,000	-

28. PLANT CAPACITY AND ACTUAL PRODUCTION

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

2020 RUPEES	2019 RUPEES
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29. NUMBER OF PERSONS EMPLOYED BY THE COMPANY

Number of employees at the year end	48	40
Average number of employees during the year	44	37

30. DATE OF AUTHORIZATION FOR ISSUE

The financial statements have been authorised for issue by the Board of Directors of the Company on 7th October, 2020.

31. GENERAL

Figures have been rounded off to the nearest Rupees.

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

NASEER AHMED
CHIEF FINANCIAL OFFICER

UMER AHMED
DIRECTOR



PATTERN OF SHARE HOLDING AS AT JUNE 30, 2020

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 Officer	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	Director	1	1,000	0.03
Sponsors' associates & friends:		12	1,282,500	37.72
Other Individuals:		533	444,000	13.06
		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 33rd Annual General Meeting of the Company to be held on Friday 30th October 2020 at 06:00 p.m. or at any adjournment thereof.

Signed this _____ day of _____ 2020

Signature of Witness

Please affix
Revenue Stamp
of Rs. 10/=

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 notorially 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 برطابق شیئر رجسٹر فو لیو 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 جمعہ، مورخہ 30 اکتوبر، 2020، بوقت 6:00 بجے میں منعقد یا ملتوی ہونے والے ۳۳واں 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:

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 مؤثر ہونے کے لیے ضروری ہے کہ وہ 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۔