

**ANNUAL REPORT
2018 - 2019**



Pak Leather Crafts Limited

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CORPORATE PROFILE

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

| | |
|--------------------------|----------|
| Syed Fawad Hussain Rizvi | Chairman |
| Bilal Ahmed | Member |
| Umer Ahmed | Member |

HUMAN RESORCE & REMUNERATION COMMITTEE

| | |
|-----------------------|----------|
| Umer Ahmed | Chairman |
| Muhammad Saleem Ahmed | Member |
| Bilal Ahmed | Member |

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Naseer Ahmed

BANKERS

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

EXTERNAL AUDITORS

RSM Avais Hyder Liaquat Nauman
Chartered Accountants
Lahore

LEGAL ADVISOR

Shakiel Z. Lari, Advocate

REGISTERED OFFICE

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

SHARE REGISTRAR

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

NOTICE OF ANNUAL GENERAL MEETING



Notice is hereby given that 32nd 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 28, 2019 at 6.30 PM to transact the following business:

A) Ordinary Business:

1. To confirm minutes of the 31st Ordinary General Meeting held on October 27, 2018.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2019 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, 2020.
4. To elect seven directors of the Company as fixed by the Board in accordance with the provisions of section 159 (1) of the Companies Act 2017 for the term of three years. The retiring directors are Dr. M. Shoaib Ahmed, Mr. M. Saleem Ahmed, Mr. Nayyer Ahmed Jalali, Mr. Azeem Ahmed, Mr. Bilal Ahmed, Mr. Umer Ahmed, Syed Fawad Hussain Rizvi. Retiring directors are eligible for re-election.

B) Special Business

5. To obtain consent of the shareholders in terms of S.R.O. 470(I)/2016 dated 31 May 2016 issued by Securities and Exchange Commission of Pakistan, for the transmission of the annual reports including annual audited accounts, notices of annual general meetings and other information contained therein of the Company either through CD or DVD or USB and to pass the following resolution as an Ordinary Resolution, with or without modification:

"Resolved that consent & approval of the members of Pak Leather Crafts Limited (the "Company") be and is hereby accorded for transmission of annual reports including annual audited accounts, notices of annual general meetings and other information contained therein of the Company to the members for future years commencing from the year ending on 30 June 2020 through CD or DVD or USB instead of transmitting the same in hard copies. Resolved Further that Chief Executive Officer or Company Secretary of the Company be and is hereby authorized to do all acts, deeds and things, take or cause to be taken all necessary actions to comply with all legal formalities and requirements and file necessary documents as may be necessary or incidental for the purposes of implementing this resolution"

C) Other Business

6. To transact any other business with the permission of the Chair.

By order of the Board

Naseer Ahmed
Company Secretary

Karachi: October 07, 2019



NOTICE OF ANNUAL GENERAL MEETING

1. The share transfer books of the Company will remain closed from 21-10-2019 to 28-10-2019 (both days inclusive) and no transfer will be accepted during this period. Transfers received, complete in all respect by the Shares Registrar, M/s. N I Associates (Pvt) Limited, 53, Kokan society, Alamgir Road, Karachi-74800 by the close of business on 15.10.2019 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. Attending 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.

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.
- v) 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. Filing of Consent for Election of Directors

As required u/s 159(3) of Companies Act, 2017, any member who seeks to contest an election to the office of a director, shall whether he/ she is retiring director or otherwise, file with the Company, not later than fourteen days before the date of meeting at which elections are to be held, a notice of his/her intention to offer himself/herself for election as a director along with consent to act as a director in form 28, duly completed as required under section 167(1) of the Companies Act, 2017; and a detailed personal profile along with office address for placement on to the Company's website in accordance with SECP's SRO No.634(I)/2014 dated July 10, 2014.

NOTICE OF ANNUAL GENERAL MEETING



The following declaration should also be furnished as required under the Code of Corporate Governance and Listing Regulations of the Stock Exchange, I hereby declare that:

- a) I am not serving as a director on the Boards of more than five (05) listed companies.
- b) I am a registered tax payer and my National Tax No. is -----.
- c) I have never been declared defaulter in payment of any loan to banking company, a Development Financial Institution or a Non Banking Financial Institution.
- d) Neither I nor my spouse has ever been engaged in the business of "Stock Brokerage" in any Stock Exchange.

5. 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 _____.

6. 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, 2019 along with reports have been placed at the website of the Company.

7. 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.



NOTICE OF ANNUAL GENERAL MEETING

STATEMENT U/S 134(3) OF THE COMPANIES ACT, 2017

Selection of independent directors:

In compliance of Section 166(3) of the Companies Act, 2017 for an independent director, consent paper will be accepted from those persons who are compliant of Section 166(2) of Companies Act, 2017.

Circulations of Annual Reports through CD/DVD/USB:

Securities and Exchange Commission of Pakistan has vide S.R.O 470(I)/2016 dated 31 May 2016 allowed the companies to circulate the annual reports including annual audited accounts, notices of annual general meetings and other information contained therein of the Company to its members through CD/DVD/USB subject to consent of the shareholders in the general meeting. This will save time and expenses incurred on printing of the annual report. The Directors of the Company in their meeting held on September 27, 2018 has recommended the transmission of Annual Audited Accounts to the members at their registered addresses instead of Hard copies, however, the Company shall supply the hard copies of the aforesaid document to the shareholders on demand, free of cost, within one week of such demand. After approval of the shareholders, the Company will place a Standard Request Form on its website to communicate their need of hard copies of the documents along with postal and email address of the Company Secretary/Share Registrar to whom such requests shall be made. The directors are not interested, directly or indirectly, in the above business except to the extent of their investment as has been detailed in the pattern of shareholding annexed to the Directors Report.

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, 2019 and auditor's report thereon.

ECONOMIC OVERVIEW

There was considerable slowdown in the economic activities of the Country during the year 2018-19 as the overall business environment of the country remained challenging. Economic measures taken by the government to correct the fiscal imbalances affected the performance of the industrial sector. Tightening in monetary policy, currency depreciation, and imposition of regulatory measures dampened industrial activities in the Country..

COMPANY OVERVIEW

The year 2018-19 was a landmark year for the Company as the bottom-line of the profit and loss account turned into green after five consecutive loss making years.

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

| | 2019 Rupees | 2018 Rupees |
|------------------------------------|----------------|----------------|
| Profit / Loss before taxation | 5,061,354 | (4,772,726) |
| Taxation | (915,627) | (516,877) |
| Profit / Loss after tax | 4,145,727 | (5,289,603) |
| Accumulated (Loss) Brought Forward | (400,627,157) | (395,337,554) |
| Accumulate (Loss) Carried Forward | (396,481,430) | (400,627,157) |

During the year under review, the company succeeded to record turnover of Rs. 76.580 (M) registering an improvement 48.16% over last year. In the directors report of previous year it was reported that your directors are adamant to bring the Company out from the losses by increasing the turnover and exercising economies of scale in expenses. By the grace of Almighty the goal is achieved.

Resultantly, the Company registered an after tax net profit of Rs. 4.15 (M) for the year under review as compared to after tax loss of Rs 5.29 (M) last year

COMMENTS ON AUDITORS' REPORT OBSERVATIONS

Material Uncertainty relating to Going Concern:

For the last two years the Company has started performing well. Lost share of export market being regained and local revenues are also increasing. It is very well disclosed by the reviewed financials of half year ended 31.12.2018 and under audit annual account year ended 30.6.2019. Management also has large orders in hand from export customers and local customers. Company is turning around in after tax profit of Rs.4.15 million comparing with the after tax loss of (Rs. 5.289) million.

In depth study further reveals that the Company incurred heavy loss of Rs. 20.974 million for the first time in the year 2013-14. However the company survived and managed to reduce the losses at gradual diminishing scale for five years and now the company is reporting the bottom line in green. The management and the sponsors are of the view and confident that when the Company sustained to survive as a going concern when it was making losses, it will InshaAllah, definitely remain as a going concern. Now the company is making profits and reducing its accumulated losses.

The management is further doing all out efforts to improve the operating performance.

1. Last year a sum of Rs. 7.00 million was invested in machinery to improve the productivity in terms of quality and quantity. We are now able to prepare wet leathers and dry leathers separately without delaying production times.
2. Visits to foreign customers in Indonesia, Korea, Cambodia and Thailand and participation in APLF 2019 in Hong Kong has improved the export sales this year, which is our high margin sales segment as depicted below:

Export in 2017: 26.48 million, 2018: 38.88 million, and 2019: 31.01 million. Prior to last three years export was very negligible i.e. in 2016 export was only Rs.0.47 million.



DIRECTORS' REPORT

3. We also succeeded to add two local customers and hence local revenues are also improving.
4. Economies are exercised in cost of production which is depicted from the improvement in gross profit to sale ratio.

Stock in trade:

Old stocks in trade have been appropriately written down and reported at net realizable value. We believe that its sale in future will fetch amount more than its carrying value.

Trade debts:

The company provides for debts considered doubtful and write off the balances considered bad. Bad debts of Rs. 2.151 million have been written off during the year and doubtful trade debts of Rs. 9.376 million against which 100% provision was made in the prior periods have also been written off during the year. We believe that trade debts are good and fully recoverable. We are taking measures for the recovery of these receivables.

Recovery suits filed by banks and non recording of mark up

The auditors have drawn attention to the information disclosed in Note 18 to the financial statements which does not require further explanation.

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. 20

EARNINGS PER SHARE (EPS)

The profit per Share is Rs. 1.22 (2018: loss per share Rs.1.56)

BOARD AUDIT COMMITTEE

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

DIRECTORS' REPORT



NUMBER OF BOARD MEETING

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

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

ELECTION OF DIRECTORS

The term of the present board of directors is expiring and election of fresh board of directors will be held in the forthcoming annual general meeting to be held on October 28th, 2019.

Retiring directors:

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

Retiring directors are eligible for re-election

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 M/s.RSM Avais Hyder Liaquat Nauman retire and being eligible offer themselves for re-appointment for the year 2019-2020.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLIC

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 Tanner's Association Southern Zone Environmental Society also 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 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 VI or AZO Dyes or any other banned substance or hazardous substance.



DIRECTORS' REPORT

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.

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 as the government has embarked on an Economic reform agenda. Due to the corrective measures taken by the government, the macroeconomic indicators of the Country are expected to revert to a stable trajectory in due course. However, the growth rate is likely to be affected in the short term.

With the rising dollar disparity we are now able to cater to more export customers. We have orders in hand which exceed our capacity.

We plan to visit Hong Kong, Cambodia, Thailand and China in near future to extract more business. APLF 2020 will be more beneficial as the company will represent itself second year in a row after a pause of nearly 10 years. We are hopeful this will bring much needed attention to our abilities to perform.

The company is looking forward to settle its liabilities with banking institutions in a respectful manner. In the meantime all financial needs will be taken care of by the directors as and when needed. Currently no financial constraint is on working capital and company is doing well to manage its day to day expenses.

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 07, 2019

کمپنی کے ڈائریکٹرز اختتام سال 30 جون 2019ء کیلئے کمپنی کی سالانہ رپورٹ بمعہ آڈٹ شدہ مالیاتی حسابات پیش کر رہے ہیں۔

اقتصادی جائزہ:

سال 2018-19 کے دوران ملک کی معاشی سرگرمیاں کافی سست رہیں جبکہ ملک کے مجموعی کاروباری حالات کافی دباؤ کا شکار رہے۔ مالی عدم توازن کو درست کرنے کیلئے حکومت کی جانب سے اٹھائے گئے معاشی اقدامات نے صنعتی شعبے کی کارکردگی کو متاثر کیا۔ مالیاتی پالیسی میں سختی، روپے کی قدر میں کمی، اور ریگولیٹری اقدامات کے نفاذ نے ملک میں صنعتی سرگرمیوں کو معدوم کر دیا۔

کمپنی کا جائزہ:

سال 2018-19 کمپنی کے لئے ایک تاریخی سال تھا کیونکہ لگا تار پانچ سال نقصان کے بعد منافع اور خسارہ کا کھاتہ منجلی سطح سے منافع میں بدل گیا۔

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

| 2018 | 2019 | |
|---------------|---------------|--------------------------------|
| روپے | روپے | |
| (4,772,726) | 5,061,354 | قبل از ٹیکس منافع/خسارہ |
| (516,877) | (915,627) | ٹیکسیشن |
| (5,289,603) | 4,145,727 | بعد از ٹیکس منافع/خسارہ |
| (395,337,554) | (400,627,157) | جمع شدہ (خسارہ) آگے لایا گیا |
| (400,627,157) | (396,481,430) | جمع شدہ (خسارہ) آگے بڑھایا گیا |

زیر جائزہ مدت کے دوران کمپنی نے مبلغ 76.580 ملین روپے کا کاروبار ریکارڈ کیا جو کہ پچھلے سال کے مقابلے میں 48.16 فیصد بہتر رہا۔ پچھلے سال کی ڈائریکٹرز رپورٹ میں یہ رپورٹ ہوا تھا کہ آپ کے ڈائریکٹرز کاروبار میں اضافے اور اخراجات میں بڑے پیمانے پر معیشتوں کو استعمال کر کے کمپنی کو خسارے سے نکالنے کے لئے بھند ہیں۔ اللہ تعالیٰ کے فضل و کرم سے ہم اس مقصد کو حاصل کرنے میں کامیاب رہے۔

نتیجہ کے طور پر کمپنی نے زیر جائزہ مدت کے دوران بعد از ٹیکس خالص منافع مبلغ 4.15 ملین روپے حاصل کیا جس کا موازنہ گزشتہ سال کے بعد از ٹیکس خسارہ مبلغ 5.29 ملین روپے سے کیا جاسکتا ہے۔



ڈائریکٹرز رپورٹ

کارکردگی پراڈیٹرز کی رائے:

حالیہ تشویش سے متعلق میٹریل کی غیر یقینی صورتحال:

پچھلے دو سالوں سے کمپنی نے عمدہ کارکردگی کا آغاز کیا ہے۔ برآمداتی مارکیٹ میں کھوئے ہوئے شیئرز کو دوبارہ حاصل کیا جا رہا ہے اور مقامی محصولات میں بھی اضافہ ہو رہا ہے۔ اس کا اظہار 31-12-2018 کو ختم ہونے والی ششماہی کی جائزہ مالیات اور 30-06-2019 کو اختتام پذیر ہونے والے سالانہ آڈٹ اکاؤنٹ کے ذریعہ بہت اچھی طرح سے کیا گیا ہے۔ انتظامیہ کے پاس برآمد کنندگان اور مقامی صارفین کی طرف سے بڑے آڈر بھی موجود ہیں۔ کمپنی بعد از ٹیکس خسارہ مبلغ 5.289 ملین روپے سے بعد از ٹیکس منافع مبلغ 5.289 ملین ڈالر میں تبدیل ہوئی ہے۔

گہرائی سے مطالعہ کرتے ہوئے مزید یہ بات سامنے آئی ہے کہ کمپنی کو سال 2013-14 میں پہلی بار مبلغ 20.974 ملین روپے کا بھاری خسارہ ہوا۔ تاہم کمپنی پانچ سالوں تک بتدریج کم پیمانے پر نقصانات کو کم کرنے میں کامیاب رہی اور اب کمپنی بہتری کی جانب گامزن ہے۔ انتظامیہ اور اسپانسرز کا خیال اور اعتماد ہے کہ جب کمپنی کو نقصان اٹھانا پڑ رہا ہو تو وہ تشویش کی حیثیت سے اپنی بقا کو برقرار رکھے گی۔ انشاء اللہ یقینی طور پر تشویش کا باعث بنی رہے گی۔ اب کمپنی منافع کما رہی ہے اور اپنے جمع شدہ خسارے کو کم کر رہی ہے۔

انتظامیہ عملی کارکردگی کو بہتر بنانے کیلئے پوری کوشش کر رہی ہے۔

- ۱۔ پچھلے سال معیار اور مقدار کے لحاظ سے پیداواری صلاحیت کو بہتر بنانے کے لئے مشینری میں مبلغ 7 ملین روپے لگائے گئے تھے۔ اب ہم پیداوار میں تاخیر کے بغیر گیلے چمڑے اور خشک چمڑوں کو الگ سے تیار کرنے کے اہل ہیں۔
- ۲۔ غیر ملکی گاہکوں کا دورہ انڈونیشیا، کوریا اور کبوڈیا وغیرہ، اور ہانگ کانگ میں APLF 2019 میں شمولیت سے پچھلے تین سالوں کے دوران برآمدات کی فروخت میں بہتری آئی ہے جو کہ ہمارا اعلیٰ مارجن سیلز سیگمنٹ ہے جو درج ذیل ہے:
2017 میں: 26.48 ملین، 2018: 38.88 ملین، اور 2019 م، میں 31.01 ملین برآمدکیں۔ پچھلے تین سالوں سے قبل برآمدات نہ ہونے کے برابر تھیں یعنی 2016ء میں برآمد صرف 0.47 ملین روپے تھی۔
- ۳۔ ہم نے دو مقامی صارفین کو شامل کرنے میں بھی کامیابی حاصل کی اور اسی وجہ سے مقامی آمدنی میں بھی بہتری آرہی ہے۔
- ۴۔ معیشت کو پیداوار کی لاگت میں استعمال کیا جاتا ہے جو مجموعی منافع میں فروخت کے تناسب سے ہونے والی بہتری سے ظاہر ہوتا ہے۔

تجارت میں اسٹاک:

تجارت میں پرانے اسٹاکوں کو مناسب طور پر تحریر کیا گیا ہے اور اسے خالص مناسب قیمت پر رپورٹ کیا گیا ہے۔ ہمیں یقین ہے کہ مستقبل میں اس کی فروخت اس کی مالیت کی قیمت سے زیادہ رقم حاصل ہوگی۔

تجارتی قرضے:

کمپنی مشکوک سمجھے گئے قرضوں کی فراہمی کرتی ہے اور رائٹ آف بقایا جات کو ناقابل وصول قرضے سمجھتی ہے۔ دوران سال مبلغ 2.151 ملین روپے کے ناقابل وصول قرضے اور مبلغ 9.376 ملین روپے کے مشکوک تجارتی قرض تحریر کئے گئے ہیں۔ اس کے برخلاف سابقہ ادوار میں 100 فیصد فراہمی کی گئی تھی جو دوران سال بھی لکھ دی گئی ہے۔ ہم تجارتی قرضوں کو اچھا اور مکمل وصولیاب سمجھتے ہیں۔ ہم ان وصولیوں کے حصول کیلئے اقدامات کر رہے ہیں۔

بینکوں کی جانب سے دائر کردہ ریکوری سوٹ اور مارک اپ کی نان ریکارڈنگ:

آڈیٹرز نے نوٹ 18 میں ان مالی حسابات کے بارے میں ذکر کردہ معلومات کی طرف توجہ مبذول کروائی ہے جس کے لئے مزید وضاحت کی ضرورت نہیں ہے۔

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 کمپنیز 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 تشریح 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 20 پر درج ہیں۔

فی شیئر آمدنی:

منافع فی شیئر مبلغ 1.22 روپے (2018: فی شیئر خسارہ مبلغ 1.56 روپے) ہے۔

بورڈ آڈٹ کمیٹی:

بورڈ کی آڈٹ کمیٹی ایک انفرادی غیر ایگزیکٹو ڈائریکٹر بطور چیئر مین 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 ایکسچینج تک رسائی سے پہلے کی معلومات اور حصص یافتگان کی منظوری کے لئے بیرونی آڈیٹرز کی تقرری کی تجویز شامل ہیں۔ زیر جائزہ مدت کے دوران چار میٹنگ منعقد ہوئیں۔



ڈائریکٹرز رپورٹ

بورڈ میٹنگ کی تعداد:

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

| میتنگز میں شرکت کی تعداد | نام | نمبر شمار |
|--------------------------|---|-----------|
| 4/4 | جناب ایم سلیم احمد (چیف ایگزیکٹو آفیسر) | ۱- |
| 1/4 | ڈاکٹر ایم شعیب احمد | ۲- |
| 3/4 | جناب نیر احمد جلالی | ۳- |
| 3/4 | جناب بلال احمد | ۴- |
| 4/4 | جناب عظیم احمد | ۵- |
| 4/4 | جناب عمر احمد | ۶- |
| 2/4 | سید فواد حسین رضوی | ۷- |

ڈائریکٹرز کے انتخابات:

موجودہ بورڈ آف ڈائریکٹرز کی میعاد ختم ہو رہی ہے اور نئے بورڈ آف ڈائریکٹرز کا انتخاب آئندہ سالانہ جنرل میٹنگ میں 28 اکتوبر 2019ء کو منعقد کی جائے گی۔

ریٹائر ہونے والے ڈائریکٹرز:

جناب ایم سلیم احمد

ڈاکٹر ایم شعیب احمد

جناب نیر احمد جلالی

جناب بلال احمد

جناب عظیم احمد

جناب عمر احمد

سید فواد حسین رضوی

ریٹائر ہونے والے ڈائریکٹرز دوبارہ انتخابات کیلئے اہل ہیں۔

شیرز 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 شیرز کی خریداری اور فروخت نہیں کی۔

شیر ہولڈنگ کا طریقہ کار:

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

موجودہ آڈیٹرز میسرز آرمیس 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 فائدہ مند 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 ٹینز 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 پُر عزم 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 ڈائریکٹوریٹ 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 انفلوئنس ٹریڈنگ 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 پُر عزم ہو۔

بورڈ آف کارپوریٹ گورننس کے قواعد پر عملدرآمد:

قواعد پر عملدرآمد کا بیان بمعہ کوڈ آف کارپوریٹ گورننس 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۔ حکومت کی جانب سے اٹھائے جانے والے اصلاحی اقدامات کے باعث توقع کی جا رہی ہے کہ ملک کے معاشی مسائل مناسب وقت پر مستحکم راستے کی طرف لوٹ آئیں گے۔ تاہم مختصر مدت میں شرح نمو متاثر ہونے کا امکان ہے۔



ڈائریکٹرز رپورٹ

ڈائریکٹی 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۔

ہم مستقبل میں ہانگ کانگ، کمبوڈیا، تھائی لینڈ اور چین کا دورہ کرنے کا ارادہ رکھتے ہیں تاکہ مزید کاروبار حاصل کیا جاسکے۔ اے پی ایل ایف 2020 زیادہ فائدہ مند ہوگا کیونکہ کمپنی لگ بھگ 10 سال کے وقفے کے بعد مسلسل دوسرے سال اس کی نمائندگی کرے گی۔ ہمیں امید ہے کہ اسے انجام دینے کیلئے ہماری صلاحیتوں پر بھرپور توجہ دی جائے گی۔

کمپنی اپنی ذمہ داریوں کو بینکنگ اداروں کے ساتھ بہتر انداز میں نبھانے کیلئے توجہ مرکوز کئے ہوئے ہے۔ اس دوران جب بھی ضرورت ہوئی تو ڈائریکٹرز تمام مالی ضروریات کی دیکھ بھال کریں گے۔ فی الحال کام کرنے والے سرمایہ پر کوئی مالی رکاوٹ نہیں ہے اور کمپنی اپنے یومیہ اخراجات کو سنبھالنے کے لئے بہتر کام کر رہی ہے۔

کمپنی کیمیکلز کے اخراجات کو کم کرنے کیلئے لاگت میں کمی کے طریقوں کے ایک حصے کے طور پر نقد خریداری کا استعمال کر رہی ہے۔ کمپنی کو توقع ہے کہ اس ٹیکنیک کا استعمال کرتے ہوئے ششماہی کا جائزہ لینے کیلئے بہتر مجموعی منافع کا مارجن نظر آئے گا۔

اظہار تشکر:

بورڈ آف ڈائریکٹرز اپنے تمام پیٹرنز، 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 2019ء

Chairman's Review



I am pleased to present you the financial results of the Company for the year 2018-19. It has been a momentous year as it turned around the Company into profit from losses incurred continuously for last five years. Company's achievements are further elaborated in the directors' report.

The Code of Corporate Governance requires an annual evaluation of the Board of Directors. The evaluation is carried out with the aim 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.

Dr. M. Shoaib Ahmed
Chairman

October 07, 2019



چیرمین کا جائزہ

میں آپ کو کمپنی کے مالیاتی سال 2018-19 کے مالی نتائج پیش کرتے ہوئے بے حد خوش ہوں۔ یہ سال ایک اہم سال رہا ہے کیونکہ اس نے پچھلے پانچ سالوں کے نتائج میں ہونے والے نقصانات سے کمپنی کو منافع میں تبدیل کر دیا۔ کمپنی کی کامیابیوں کی مزید تفصیلات ڈائریکٹرز رپورٹ میں پیش کی گئی ہیں۔

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۔

ڈاکٹر محمد شعیب احمد
چیرمین

7 اکتوبر 2019ء

STATEMENT OF VALUE ADDED



| | 2019 (Rupees) | % | 2018 (Rupees) |
|--|------------------|--------|------------------|
| WEALTH GENERATED | | | |
| TOTAL REVENUE | 76,580,537 | | 51,687,730 |
| BROUGHT IN MATERIAL & SERVICES | (54,845,645) | | (38,285,978) |
| | 21,734,892 | | 13,401,752 |
| WEALTH DISTRIBUTED | | | |
| TO EMPLOYEES | | | |
| SALARIES, BENEFITS & RELATED COST | 18,207,114 | 83.77 | 11,398,180 |
| TO GOVERNMENT | | | |
| INCOME TAX, SALES TAX, IMPORT DUTY AND WORKERS' FUND | 1,467,787 | 6.75 | 455,822 |
| RETAINED FOR REINVESTMENT & FUTURE GROWTH | | | |
| DEPRECIATION / AMORTISATION | 2,059,991 | 9.48 | 1,547,750 |
| | 21,734,892 | 100.00 | 13,401,752 |



SIX YEARS AT A GLANCE

(Rs in '000)

| PARTICULARS | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---------------|---------|---------|---------|----------|----------|
| Net Sales | 76,580 | 51,688 | 45,286 | 20,914 | 17,170 | 9,005 |
| Gross Profit/(loss) | 14,906 | 1,875 | 61 | (2,312) | (11,631) | (9,917) |
| Net Profit/(loss) before tax | 5,061 | (4,773) | (4,790) | (6,672) | (15,371) | (20,963) |
| Gross Profit/(loss) (%) | 19.47 | 3.63 | 0.13 | (11.05) | (67.74) | (110.13) |
| Net Profit/(loss) (%) | 6.61 | (9.23) | (10.58) | (31.90) | (89.52) | (232.79) |
| Earning/(loss) per share (after tax) | 1.22 | (1.56) | (1.54) | (2.02) | (4.57) | (6.17) |
| Current ratio | (0.32) | (0.30) | (0.29) | (0.26) | (0.26) | (0.28) |

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017



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 the following:

a. Male: 07

b. Female: None

*Relevant requirement of the regulation is applicable on next election of directors.

2. The composition of board is as follows:

| Category | Number | Names |
|-------------------------|--------|---|
| Independent Director | 01 | - Mr Syed Fawad Hussain Rizvi |
| Non-executive Directors | 04 | - Mr. Umer Ahmed - Mr. Bilal Ahmed - Dr. Muhammad Shoaib Ahmed - Mr. Azeem Ahmed |
| Executive Directors | 02 | - Mr. Saleem Ahmed - Mr. Nayyer Ahmed Jalali |

*Relevant requirement of the regulation is applicable on next election of directors.

3. The directors have confirmed that none of them is serving as a director on more than five 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 Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of 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 of and are well conversant of their duties and responsibilities. Four out of seven directors meet the exemption criteria from Directors' Training requirement as contained in the Regulations.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.



STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

11. CFO and CEO 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 :

| | |
|--------------------------|----------|
| Syed Fawad Hussain Rizvi | Chairman |
| Bilal Ahmed | Member |
| Umer Ahmed | Member |

b) HR& Remuneration Committee:

| | |
|-----------------------|----------|
| Umer Ahmed | Chairman |
| Muhammad Saleem Ahmed | Member |
| Bilal 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 who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they 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.

Karachi: October 07, 2019

(Muhammad Saleem Ahmed)
Chief Executive Officer

**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, 2017**



We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Pak Leather Crafts Limited for the year ended June 30, 2019 in accordance with the requirements of regulation 40 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 part of our audit of 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 control or to form an opinion on 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 the recommendations of the Audit Committee. We have not carried out procedures to assess and determine the company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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

- a) No director of the company has obtained certification under the approved directors training program till June 30, 2019. Four directors meet the criteria of exemption but exemption is not obtained from the Securities and Exchange Commission of Pakistan (SECP) as required.
- b) 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.
- c) 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.
- d) Key elements of director's remuneration policy and other significant policies are not placed on the company's website as required.
- e) 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 best practices contained in the Regulations as applicable to the company for the year ended June 30, 2019.

LAHORE 07 Oct, 2019

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner: Inam ul Haque



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

PAK LEATHER CRAFTS LIMITED

Report on the Audit of the Financial Statements

Qualified 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, 2019, 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, except for the possible effects of the matters described in the Basis for Qualified Opinion Section of our report, 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, 2019 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion:

- (a) Stock in trade includes old outstanding stock in trade with cost of Rs. 100.204 million which is being carried at net realizable value of Rs. 38.729 million since prior periods (Refer Note 8.1). We are unable to satisfy ourselves as to the carrying value of these old stocks as net realizable value is not determinable in the absence of any sale transaction of old stocks or assessment by an independent technical expert. Accordingly, the quantum of any further write down of these old stocks, if any, is not determinable.
- (b) Trade debts of the company include past due trade debts of Rs. 62.511 million. These past due trade debts are impaired in our view, but the management has not made any provision in the books of account in respect of these past due impaired trade debts on the basis of expected credit loss method as required under IFRS-9 Financial Instruments. We are unable to determine the quantum of required provision with reasonable accuracy and, therefore, its impact on the results for the year and equity could not be quantified.

Except for the matters discussed in para (a) and (b) above; 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 qualified opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF



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. 396.481 million as against the issued, subscribed and paid up capital of Rs. 34.000 million and its current liabilities exceed its current assets by Rs. 302.204 million. These events and conditions, along with other matters as set forth in Note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to Note 18 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 mark up / 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.

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 Qualified Opinion section, Material Uncertainty Related to Going Concern section and Emphasis of Matter Section of our report, we have determined following Key audit matters:

| Serial # | 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. |



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

| Serial # | Key Audit Matters | How our audit addressed the key audit matter |
|----------|--|--|
| 2) | <p>Overdue loans and related mark up</p> <p>Over-due loans and related mark-up were classified as non-current liabilities in the prior year. The bankers / financial institutes of the company have filed suits against the company for recovery of these overdue finances along-with mark up and cost of funds. Considering the facts that these loans and related mark-up were overdue and under litigation and were classified as non-current in prior year, we considered this as a key audit matter.</p> | <p>We studied last year's financial statements and auditor's report thereon to gain an understanding of the matter. We performed the following audit procedures;</p> <ul style="list-style-type: none"> - Reviewed the management's financial reporting process. - Reviewed the management's process to identify and disclose the information relevant to the cases filed by or against the company. - Obtained and reviewed the reply of legal counsel of the company in respect of the recovery suits filed by the bankers / financial institutes of the company under the provisions of Financial Institutions (Recovery of Finances) Ordinance, 2001. - Checked the correctness and adequacy of disclosures related to these overdue loans and mark up including the disclosure of contingency involved. |

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 we do not express any form of assurance conclusion thereon.

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

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

PAK LEATHER CRAFTS LIMITED



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.

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

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

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

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



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

PAK LEATHER CRAFTS LIMITED

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

Report on Other Legal and Regulatory Requirements:

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

- a) except for the matters described in para (a) and (b) of Basis for Qualified Opinion section of our report, proper books of account have been kept by the company as required by the Companies Act, 2017 (XIX of 2017);
- b) except for the matters described in para (a) and (b) of Basis for Qualified Opinion section of our report, the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017). 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).

Other Matter

The financial statements of the company for the year ended June 30, 2018 were audited by another firm of chartered accountants who have expressed a qualified opinion in their report dated October 03, 2018.

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

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

LAHORE
DATED: October 07, 2019

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019



| | NOTE | 2019 RUPEES | 2018 RUPEES |
|---|------|----------------------|----------------|
| ASSETS | | | |
| Non current assets | | | |
| Property, plant and equipment | 6 | 23,894,119 | 24,196,410 |
| Long terms deposits | 7 | 1,409,612 | 1,409,612 |
| | | 25,303,731 | 25,606,022 |
| CURRENT ASSETS | | | |
| Loose tools | | 294,487 | 317,487 |
| Stock in trade | 8 | 47,638,691 | 50,579,191 |
| Trade debts | 9 | 86,946,052 | 72,250,729 |
| Advances and other receivable | 10 | 1,645,536 | 2,599,313 |
| Tax refunds due from Government | 11 | 896,600 | 622,909 |
| Cash and bank balances | 12 | 2,292,185 | 388,849 |
| | | 139,713,551 | 126,758,478 |
| TOTAL ASSETS | | 165,017,282 | 152,364,500 |
| 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 | 13 | 68,204,444 | - |
| Accumulated loss | | (396,481,430) | (400,627,157) |
| | | (294,276,986) | (366,627,157) |
| NON CURRENT LIABILITIES | | | |
| Long term loans | 14 | 12,987,073 | 85,352,742 |
| Deferred interest income | 14 | 4,389,817 | - |
| | | 17,376,890 | 85,352,742 |
| CURRENT LIABILITIES | | | |
| Short term bank borrowings | 15 | 237,419,981 | 237,419,981 |
| Current portion of long term financing | 16 | 46,903,419 | 46,903,419 |
| Interest / mark up payable | | 124,029,303 | 124,029,303 |
| Trade and other payables | 17 | 32,684,939 | 25,286,212 |
| Provision for taxation - income tax | | 879,736 | - |
| | | 441,917,378 | 433,638,915 |
| CONTINGENCIES | 18 | - | - |
| | | 165,017,282 | 152,364,500 |

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

UMER AHMED
DIRECTOR

NASEER AHMED
CHIEF FINANCIAL OFFICER



**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019**

| | NOTE | 2019 RUPEES | 2018 RUPEES |
|--|------|-------------------|----------------|
| Sales | 19 | 76,580,537 | 51,687,730 |
| Cost of sales | 20 | 61,674,763 | 49,813,042 |
| Gross profit | | 14,905,774 | 1,874,688 |
| | | | |
| Other income | 23 | 860,783 | 1,866,335 |
| | | 15,766,557 | 3,741,023 |
| | | | |
| Administrative expenses | 21 | 7,207,496 | 5,015,084 |
| Selling and distribution expenses | 22 | 2,699,502 | 2,858,674 |
| Bank charges and commission | | 798,205 | 639,991 |
| | | 10,705,203 | 8,513,749 |
| Profit/(loss) for the year before taxation | | 5,061,354 | (4,772,726) |
| | | | |
| Provision for taxation | 24 | 915,627 | 516,877 |
| Profit/(loss) for the year | | 4,145,727 | (5,289,603) |
| | | | |
| Earnings per share - Basic and diluted | 25 | 1.22 | (1.56) |

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

UMER AHMED
DIRECTOR

NASEER AHMED
CHIEF FINANCIAL OFFICER

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2019



| | 2019 RUPEES | 2018 RUPEES |
|--|------------------|--------------------|
| Profit/(loss) for the year | 4,145,727 | (5,289,603) |
| Other comprehensive income | - | - |
| Total comprehensive income/(loss) for the year | <u>4,145,727</u> | <u>(5,289,603)</u> |

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

UMER AHMED
DIRECTOR

NASEER AHMED
CHIEF FINANCIAL OFFICER



STATEMENT OF CASH FLOWS AS AT JUNE 30, 2019

| | NOTE | 2019 RUPEES | 2018 RUPEES |
|---|---------|--------------------|--------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit/(loss) for the year before taxation | | 5,061,354 | (4,772,726) |
| Adjustment for non-cash changes and other items: | | | |
| Depreciation | | 2,059,991 | 1,547,750 |
| Gain on disposal | | - | (336,706) |
| Balances written off - net | | 2,151,300 | 841,764 |
| | | 4,211,291 | 2,052,808 |
| Cash flow before working capital changes | | 9,272,645 | (2,719,918) |
| Changes in working capital | | | |
| (Increase) / decrease in current assets | | | |
| Stores, spares and loose tools | | 23,000 | - |
| Stock in trade | | 2,940,500 | (12,555,709) |
| Trade debts | | (16,846,623) | 10,463,538 |
| Advances and other receivables | | 953,777 | (905,361) |
| Tax refunds due from government | | (273,691) | (76,032) |
| Increase / (decrease) in current liabilities | | | |
| Trade and other payables | | 8,735,647 | (697,376) |
| | | (4,467,390) | (3,770,940) |
| Cash generated from operations | | 4,805,255 | (6,490,858) |
| Income tax paid | | (915,627) | (516,877) |
| Net cash flow from operating activities | (a) | 3,889,628 | (7,007,735) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Addition in property, plant and equipment | | (1,757,700) | (8,724,253) |
| Proceeds from disposal of property, plant and equipment | | - | 390,000 |
| Net cash flow from investing activities | (b) | (1,757,700) | (8,334,253) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Long term loans | | (228,592) | 14,361,824 |
| Net cash flow from financing activities | (c) | (228,592) | 14,361,824 |
| Net increase/(decrease) in cash and cash equivalents | (a+b+c) | 1,903,336 | (980,164) |
| Cash and cash equivalents at the beginning of the year | | 388,849 | 1,369,013 |
| Cash and cash equivalents at the end of the year | | 2,292,185 | 388,849 |

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

UMER AHMED
DIRECTOR

NASEER AHMED
CHIEF FINANCIAL OFFICER

STATEMENT OF CHANGES IN EQUITY As AT JUNE 30, 2019



| Particulars | Issued Subscribed and paid up Capital | Accumulated loss | Total |
|---|--|----------------------|----------------------|
| | <------(all amount in PKR)-----> | | |
| Balance as at July 01, 2017 | 34,000,000 | (395,337,554) | (361,337,554) |
| Total comprehensive loss for the year | | | |
| Loss for the year | - | (5,289,603) | (5,289,603) |
| Other comprehensive income | - | - | - |
| | - | (5,289,603) | (5,289,603) |
| Balance as at June 30, 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 |
| Balance as at June 30, 2019 | <u>34,000,000</u> | <u>(396,481,430)</u> | <u>(362,481,430)</u> |

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

UMER AHMED
DIRECTOR

NASEER AHMED
CHIEF FINANCIAL OFFICER



Notes to the Financial Statements for the year ended June 30, 2019

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. 396.481 million (2018: Rs. 400.627 million) as against the issued, subscribed and paid up capital of Rs. 34.000 million (2018: Rs. 34.000 million) and its current liabilities exceed its current assets by Rs. 302.204 million (2018: Rs. 306.880 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. The management is focussing on increasing the local sales through toll manufacturing. 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 year. The overdue loans and related mark up are not expected to be paid in next twelve months but are appearing in the current liabilities resulting in negative current ratio. The management is negotiating with its major bankers / financial institutions for rescheduling / out of court settlements. Negotiations with a banker are at advanced stage for re-scheduling of loan with waiver of mark up. 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 is resulting in and will result in the improvement of financial position and financial results of the Company and the Company will be able to continue as a going concern.

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.



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, 2018 and therefore, have been applied in preparing these financial statements.

3.1.1 IFRS 9 – Financial Instruments

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial liabilities. The changes in accounting policies have been applied retrospectively. The nature and effect of the changes to previous accounting policies related to financial assets are set out below:

a. Classification and measurement of financial assets

IFRS 9 eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale. IFRS 9, classifies financial assets in the following three categories:

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

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held; and
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and.

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

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



Notes to the Financial Statements for the year ended June 30, 2019

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An investment in equity instruments, not held for trading, may be measured at FVOCI if an irrevocable election is made at the time of initial application of this IFRS or initial recognition of such investment.

IFRS 9 – Financial Instruments (Continued)

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

For assets measured at fair value, gains and losses will either be recorded in the statement of profit or loss account or other comprehensive income.

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.

The accounting policies that apply to financial instruments are stated in note 5.6 to the financial statements.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at June 30, 2018:

| | Original Classification Under ISA 39 | New Classification Under IFRS 9 | Carrying Amount | New Carrying Amount |
|------------------------------------|---|------------------------------------|--------------------|------------------------|
| | ----- Rupees----- | | | |
| Long terms deposits | Loans and receivables | Amortized cost | 1,409,612 | 1,409,612 |
| Trade debts | Loans and receivables | Amortized cost | 72,250,729 | 72,250,729 |
| Advances and other receivables | Loans and receivables | Amortized cost | 2,599,313 | 2,599,313 |
| Tax refunds due from Government | Loans and receivables | Amortized cost | 622,909 | 622,909 |
| Cash and bank balances | Loans and receivables | Amortized cost | 388,849 | 388,849 |

b. Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward-looking expected credit loss model, rather than the current incurred loss model, when assessing the impairment of financial asset in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The Company applies the IFRS 9 simplified approach for measuring expected credit losses which uses a lifetime expected loss allowance for all trade debts. Impairment losses related to trade debts are presented separately in the statement of profit or loss. Trade debts are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL on adoption of IFRS 9. Given the Company's experience of collection history and historical loss rates / bad debts and normal receivable aging, the move from an incurred loss model to an expected loss model has not had any significant impact on the financial position and / or financial performance of the Company.



Impairment (Continued)

Loss allowance on debt securities are measured at 12 months expected credit losses as those are determined to have low credit risk at the reporting date. Since there is no loss given default, no credit loss is expected on these securities. Loss allowance on other securities and bank balances is also measured at 12 months expected credit losses.

3.1.2 IFRS 15 - Revenue from Contracts with Customers

On 28 May 2014, the International Accounting Standards Board (“IASB”) issued International Financial Reporting Standards (“IFRS”) 15 “Revenue From Contracts with Customers” which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue related interpretations.

The Company has applied the modified retrospective method upon adoption of IFRS 15 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 15 to opening retained earnings. Under this transition method, comparative information for prior periods are not required to be restated and continues to be reported in accordance with the previous standards and related interpretations.

Apart from providing more extensive disclosures, the application of IFRS 15 has not had a significant impact on the financial position and / or financial performance of the Company. Accordingly, there was no adjustment to retained earnings on application of IFRS 15 at 1 July 2018.

3.1.3 IFRIC 22 – Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

The application of these amendments has no impact on the Company’s financial statements.

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, 2018 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.



Notes to the Financial Statements for the year ended June 30, 2019

3.3.1 IFRS 3 – Business Combinations

The IASB has issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

The application of these amendments has no impact on the Company's financial statements.

3.3.2 Amendments to References to the Conceptual Framework in IFRS Standards:

The IASB issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after January 1, 2020. The application of these amendments has no impact on the Company's financial statements.

3.3.3 Annual Improvements to IFRS Standards 2015–2017 Cycle, applicable for annual reporting periods beginning on or after January 01, 2019.

In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

- **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.

Annual Improvements to IFRS Standards 2015–2017 Cycle, applicable for annual reporting periods beginning on or after January 01, 2019. (Continued.)

- **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.

The application of these amendments has no impact on the Company's financial statements.



3.3.4 IAS 1 and IAS 8 – Presentation of Financial Statements

The International Accounting Standards Board (IASB) has issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of and to align the definition used in the Conceptual Framework and the Standards themselves.

'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments, where they actually are updates, are effective for annual periods beginning on or after January 1, 2020. The application of these amendments has no impact on the Company's financial statements.

3.3.5 IFRS 16 – Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 replaces the following standards and interpretations:

- IAS 17 Leases
- IFRIC 4 Determining whether an Arrangement contains a Lease
- SIC-15 Operating Leases - Incentives
- SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019, as notified by S.R.O. 434 (I)/2018 dated April 9, 2018. The management of the Company is reviewing the changes to evaluate the impact of application of standard on the financial statements.

3.3.6 IAS 19 - Employee Benefits

Amendments, applicable for annual reporting periods beginning on or after January 01, 2019, related to plan amendment, curtailment or settlement detailed as 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.

The application of these amendments has no impact on the Company's financial statements.

3.3.7 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.



Notes to the Financial Statements for the year ended June 30, 2019

The application of these amendments has no impact on the Company's financial statements.

3.3.8 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. Earlier application is permitted.

The application of these amendments has no impact on the Company's financial statements.

3.4 Standards, amendments to standards and interpretations becoming effective in future periods but not relevant

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.

3.5 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 14 - Regulatory Deferral Accounts

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 freehold land and capital work in progress are stated at cost/valuation less accumulated depreciation and impairment in value, if any. Freehold land is stated at valuation less accumulated 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.

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.



Notes to the Financial Statements for the year ended June 30, 2019

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.

5.6.1 Measurement of financial asset

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:

- 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:



Notes to the Financial Statements for the year ended June 30, 2019

- 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.

Impairment of financial assets (Continued.)

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.

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.



Notes to the Financial Statements for the year ended June 30, 2019

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.

Revenue recognition (Continue .)

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, 2019



Critical accounting estimates and judgments (Continue.)

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

(Amount in Rupees)

| PARTICULARS | 2019 | | | | | | | | Rate |
|----------------------------|---------------------|-----------------------|---------------------|---------------------------------|------------------------|---------------------|---------------------------------|-------------------|------|
| | Cost | | | Depreciation | | | W.D.V | Rate | |
| | As at July 01, 2018 | Additions / Disposals | As at June 30, 2019 | Accumulated as at July 01, 2018 | Adjustment on disposal | Charge for the year | Accumulated as at June 30, 2019 | | |
| Leasehold land | 6,382,167 | - | 6,382,167 | - | - | - | - | 6,382,167 | - |
| Building on leasehold land | 16,098,309 | 1,513,850 | 17,612,159 | 14,537,021 | - | 294,898 | 14,831,919 | 2,780,240 | 10% |
| Plant and machinery | 85,193,391 | 190,000 | 85,383,391 | 70,861,351 | - | 1,447,454 | 72,308,805 | 13,074,586 | 10% |
| Furniture and fixture | 5,103,287 | - | 5,103,287 | 4,821,405 | - | 28,188 | 4,849,593 | 253,694 | 10% |
| Office equipment | 6,864,007 | 53,850 | 6,917,857 | 6,492,908 | - | 38,262 | 6,531,170 | 386,687 | 10% |
| Books | 75,000 | - | 75,000 | 51,029 | - | 2,397 | 53,426 | 21,574 | 10% |
| Motor vehicles | 9,614,404 | - | 9,614,404 | 8,370,441 | - | 248,793 | 8,619,234 | 995,170 | 20% |
| | 129,330,565 | 1,757,700 | 131,088,265 | 105,134,155 | - | 2,059,991 | 107,194,147 | 23,894,119 | |

(Amount in Rupees)

| PARTICULARS | 2018 | | | | | | | | Rate |
|----------------------------|---------------------|--------------------------|---------------------|---------------------------------|------------------------|---------------------|---------------------------------|-------------------|------|
| | Cost | | | Depreciation | | | W.D.V | Rate | |
| | As at July 01, 2017 | Additions / Disposals | As at June 30, 2018 | Accumulated as at July 01, 2017 | Adjustment on disposal | Charge for the year | Accumulated as at June 30, 2018 | | |
| Leasehold land | 6,382,167 | - | 6,382,167 | - | - | - | - | 6,382,167 | - |
| Building on leasehold land | 15,527,966 | 570,343 | 16,098,309 | 14,412,899 | - | 124,122 | 14,537,021 | 1,561,288 | 10% |
| Plant and machinery | 79,029,481 | 6,763,910 (600,000) | 85,193,391 | 70,269,372 | (558,362) | 1,150,341 | 70,861,351 | 14,332,040 | 10% |
| Furniture and fixture | 5,103,287 | - | 5,103,287 | 4,790,085 | - | 31,320 | 4,821,405 | 281,882 | 10% |
| Office equipment | 6,864,007 | - | 6,864,007 | 6,451,675 | - | 41,233 | 6,492,908 | 371,099 | 10% |
| Books | 75,000 | - | 75,000 | 48,366 | - | 2,663 | 51,029 | 23,971 | 10% |
| Motor vehicles | 10,115,404 | 1,390,000 (1,891,000) | 9,614,404 | 10,051,714 | (1,879,344) | 198,071 | 8,370,441 | 1,243,963 | 20% |
| | 123,097,312 | 6,233,253 | 129,330,565 | 106,024,111 | (2,437,706) | 1,547,750 | 105,134,155 | 24,196,410 | |



Notes to the Financial Statements for the year ended June 30, 2019

| | 2019 RUPEES | 2018 RUPEES |
|---|------------------------|------------------------|
| 6.1 Allocation of depreciation for the year is as under ; | | |
| Cost of sales | 1,936,393 | 1,454,885 |
| Administrative expenses | 123,599 | 92,865 |
| | 2,059,992 | 1,547,750 |
| 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 | |
| | 2019 RUPEES | 2018 RUPEES |
| 7. LONG TERMS DEPOSITS | | |
| Against utilities | 843,112 | 843,112 |
| Others | 566,500 | 566,500 |
| | 1,409,612 | 1,409,612 |
| 8. STOCK IN TRADE | | |
| Raw material | 6,835,679 | 8,589,187 |
| Work in process | 3,647,581 | 22,097,332 |
| Finished goods | 37,155,431 | 19,892,672 |
| | 47,638,691 | 50,579,191 |
| | 8.1 | |
| 8.1 Stock in trade includes old stock with cost of Rs. 100.204 million (2018: Rs. 100.204 million) carried at written down value of Rs. 38.729 million (2018: Rs. 38.729 million) since prior periods. Old stock with carrying value of Rs. 16.950 million (2018: Rs. 16.950 million) is pledged with a banking company against cash finance from a financial institution. | | |
| | 2019 RUPEES | 2018 RUPEES |
| 9. TRADE DEBTS | | |
| Unsecured - Considered good | | |
| Local | 81,983,146 | 68,693,018 |
| Foreign | 4,962,906 | 3,557,711 |
| | 86,946,052 | 72,250,729 |
| 10. ADVANCES AND OTHER RECEIVABLE | | |
| Considered good | | |
| Advances | | |
| Employees | 105,000 | - |
| Suppliers | 280,000 | 1,056,615 |
| Income tax | 362,543 | - |
| Other receivable | | |
| Duty drawback | 897,993 | 1,542,698 |
| | 1,645,536 | 2,599,313 |

Notes to the Financial Statements for the year ended June 30, 2019



| | NOTE | 2019 RUPEES | 2018 RUPEES |
|--|------|--------------------------|----------------|
| 11. TAX REFUNDS DUE FROM GOVERNMENT | | | |
| Considered good | | | |
| Income tax refund | | - | 35,892 |
| Sales tax refund | | 896,600 | 587,017 |
| | | <u>896,600</u> | <u>622,909</u> |
| 12. CASH AND BANK BALANCES | | | |
| Cash in hand | | 40,331 | 46,436 |
| Cash at bank - In current accounts | | 2,251,854 | 342,413 |
| | | <u>2,292,185</u> | <u>388,849</u> |
| 13. LOAN FROM DIRECTOR | | <u>68,204,444</u> | <u>-</u> |

13.1 This is unsecured and interest free and is now repayable at the discretion of the Company. The loan is accounted for as part of equity during the year under Technical Release - 32 "Accounting Directors Loan" issued by the Institute of Chartered Accountants of Pakistan.

14. LONG TERM LOANS

| | | | |
|---------------------------|------|--------------------------|-------------------|
| Un-secured | | | |
| From director | | - | 67,975,852 |
| From director's associate | 14.1 | 12,987,073 | 17,376,890 |
| | | <u>12,987,073</u> | <u>85,352,742</u> |

14.1 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 now carried at amortized cost, with an estimated repayment term of 3 years. The unearned interest income is recorded as deferred interest income and presented on the face of statement of financial position.

15. SHORT TERM BANK BORROWINGS

| | | | |
|--------------------------------------|--|---------------------------|--------------------|
| Secured - under mark up arrangements | | | |
| Export refinance | | 192,600,004 | 192,600,004 |
| Cash finance | | 10,250,000 | 10,250,000 |
| Running finance | | 4,679,088 | 4,679,088 |
| Forced finance | | 29,890,889 | 29,890,889 |
| | | <u>237,419,981</u> | <u>237,419,981</u> |

15.1 These borrowings except cash finance of Rs. 10.250 million (2018: Rs.10.250) are expired and renewable. These are secured against first charge over current and fixed assets of the Company ranking pari passu with the charge created in respect of long term financing (Refer Note 16.1), lien over import and export documents and personal guarantee of the 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 18.



Notes to the Financial Statements for the year ended June 30, 2019

| | NOTE | 2019 RUPEES | 2018 RUPEES |
|---|------|--------------------------|-------------------|
| 16. CURRENT PORTION OF LONG TERM FINANCING | | | |
| Secured - under mark up arrangements | | | |
| Demand finance | | <u>46,903,419</u> | <u>46,903,419</u> |
| 16.1 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 15.1) and personal guarantee 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 18. | | | |
| 17. TRADE AND OTHER PAYABLES | | | |
| Creditors | | 22,592,585 | 16,101,310 |
| Accrued liabilities | 17.1 | 3,267,662 | 2,359,385 |
| Advance from customers | 17.2 | 5,441,384 | 5,444,089 |
| Tax deducted at source | | 13,643 | 11,763 |
| Workers' welfare fund | | 907,066 | 907,066 |
| Compensated absences | | 320,091 | 320,091 |
| Unclaimed dividend | | 142,508 | 142,508 |
| | | <u>32,684,939</u> | <u>25,286,212</u> |
| 17.1 Accrued liabilities included in trade and other payables include remuneration payable to chief executive officer and directors amounting to Rs. 0.425 million (2018: Rs. 0.827 million). | | | |
| 17.2 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. | | | |
| 18. CONTINGENCIES | | | |
| Bankers / financial institutions 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. Mark up from the date of filing of suits amounting to Rs. 96.631 million (2018: Rs. 75.610 million) is not acknowledged 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. The quantum of cost of funds cannot be determined at this stage. | | | |
| 19. SALES | | | |
| Export | | | |
| Leather | 19.1 | 31,008,775 | 38,575,640 |
| Garments | | - | 305,921 |
| | | <u>31,008,775</u> | <u>38,881,561</u> |
| Local sale | | | |
| Job work income -Leather Processing | | 45,571,762 | 13,593,715 |
| | | <u>76,580,537</u> | <u>52,475,276</u> |
| Commission and discount | | - | (787,546) |
| | | <u>76,580,537</u> | <u>51,687,730</u> |
| 19.1 It includes exchange gain of Rs. 687,999 (2018 : Rs 32,644). | | | |

Notes to the Financial Statements for the year ended June 30, 2019



| | NOTE | 2019 RUPEES | 2018 RUPEES |
|--|--------|---------------------|----------------|
| 20. COST OF SALES | | | |
| Opening stock of finished goods | | 19,892,666 | 14,725,338 |
| Cost of goods manufactured | 20.1 | 78,937,528 | 54,980,370 |
| | | 98,830,194 | 69,705,708 |
| Less: Closing stock of finished goods | | (37,155,431) | (19,892,666) |
| | | 61,674,763 | 49,813,042 |
| 20.1 Cost of goods manufactured | | | |
| Raw material consumed | 19.1.1 | 28,790,969 | 33,602,569 |
| Salaries, wages, and benefits | | 16,178,257 | 9,732,111 |
| Power, fuel and water | | 7,681,385 | 7,770,130 |
| Repairs and maintenance | | 5,433,340 | 4,538,332 |
| Cartage and carriage | | 150,650 | 219,320 |
| Depreciation | 6.1 | 1,936,393 | 1,454,885 |
| Others | | 316,775 | 299,929 |
| | | 60,487,769 | 57,617,276 |
| Work in process: | | | |
| Opening | | 22,097,340 | 19,460,432 |
| Closing | | (3,647,581) | (22,097,340) |
| | | 18,449,759 | (2,636,908) |
| | | 78,937,528 | 54,980,370 |
| 19.1.1 Raw material consumed | | | |
| Opening | | 8,589,187 | 3,837,711 |
| Purchased during the year | | 27,037,461 | 38,354,045 |
| Available for consumption | | 35,626,648 | 42,191,756 |
| Closing | | (6,835,679) | (8,589,187) |
| | | 28,790,969 | 33,602,569 |



Notes to the Financial Statements for the year ended June 30, 2019

| | NOTE | 2019 RUPEES | 2018 RUPEES |
|---|------|------------------|------------------|
| 21. ADMINISTRATIVE EXPENSES | | | |
| Directors' remuneration | 26 | 1,086,000 | 1,086,000 |
| Salaries and benefits | | 942,857 | 580,069 |
| Telephone, fax and postage | | 316,794 | 357,505 |
| Fees and subscription | | 935,150 | 143,795 |
| Printing and stationary | | 205,714 | 203,740 |
| Repairs and maintenance | | 465,440 | 753,215 |
| Vehicles running and maintenance | | 127,860 | 60,870 |
| Legal and professional | | 131,525 | 190,800 |
| Auditors' remuneration | 21.1 | 545,000 | 600,000 |
| Advertisement | | 10,638 | 11,820 |
| Balances written off - net | | 2,151,300 | 841,764 |
| Depreciation | 6.1 | 123,599 | 92,865 |
| Others | | 165,619 | 92,641 |
| | | <u>7,207,496</u> | <u>5,015,084</u> |
| 21.1 Auditors' remuneration | | | |
| Half year review | | 100,000 | 100,000 |
| Audit fee | | 350,000 | 350,000 |
| Out of pocket expenses | | 45,000 | 10,000 |
| Other professional services | | 50,000 | 140,000 |
| | | <u>545,000</u> | <u>600,000</u> |
| 22. SELLING AND DISTRIBUTION EXPENSES | | | |
| Freight charges | | 1,899,169 | 1,922,220 |
| Travelling and conveyance | | 207,470 | 313,720 |
| Others | | 592,863 | 622,734 |
| | | <u>2,699,502</u> | <u>2,858,674</u> |
| 23. OTHER INCOME | | | |
| Duty draw back | | 558,473 | 1,529,629 |
| Gain on disposal of property, plant and equipment | | - | 336,706 |
| Sale of scrap | | 302,310 | - |
| | | <u>860,783</u> | <u>1,866,335</u> |
| 24. PROVISION FOR TAXATION | | | |
| Current | | | |
| for the year | | 879,735 | 516,877 |
| for prior years | | 35,892 | - |
| Deferred | 24.2 | - | - |
| | | <u>915,627</u> | <u>516,877</u> |



24.1 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 and export income is subject to final tax. The provision for current taxation is made under section 113, 153, 154 and 169 of the Income Tax Ordinance, 2001.

24.2 Deferred tax asset works out to Rs. 6.547 million (2018: Rs. 4.617 million) which is not recognized in these financial statements in view of un-certain future results. It comprises of the following;

| | 2019 RUPEES | 2018 RUPEES |
|---|---------------------------|--------------------|
| Difference between accounting and tax basis of assets | 1,490,900 | 1,673,818 |
| Tax losses carried forward | (6,927,169) | (5,735,657) |
| tax credit under section 113 - minimum tax | (1,124,783) | (555,136) |
| | <u>(6,561,052)</u> | <u>(4,616,975)</u> |

25. EARNINGS PER SHARE - BASIC AND DILUTED

| | | |
|--|--------------------|---------------|
| Profit / (loss) for the year | 4,145,727 | (5,289,603) |
| Weighted average number of ordinary shares | 3,400,000 | 3,400,000 |
| Earnings per share - Basic and diluted | <u>1.22</u> | <u>(1.56)</u> |

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

26. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

| | Chief Executive | | Directors | | Total | |
|---------------------|-----------------------|-------------|-----------------------|-------------|-------------------------|-------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | ----- (Rupees) ----- | | | | | |
| Remuneration | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Managerial | 380,160 | 380,160 | 314,880 | 314,880 | 695,040 | 695,040 |
| Housing rent | 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> | 594,000 | <u>492,000</u> | 492,000 | <u>1,086,000</u> | 1,086,000 |
| Number of persons | <u>1</u> | 1 | <u>1</u> | 1 | <u>2</u> | 2 |

26.1 The Company has also provided mobile and company maintained vehicle to a director.



Notes to the Financial Statements for the year ended June 30, 2019

27. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE

27.1 Financial assets and liabilities

| 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 | - | - | 1,084,102 | - |
| Cash and bank balances | - | - | 2,292,185 | - |
| | - | - | 90,322,339 | 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 |
| ----- (Rupees) ----- | | | | |
| ----- (Rupees) ----- | | | | |
| ----- (Rupees) ----- | | | | |
| Financial assets at amortized cost | | | | |
| Long terms deposits | - | - | - | 1,409,612 |
| Trade debts | - | - | 72,250,729 | - |
| Advances and other receivables | - | - | 1,542,698 | - |
| Cash and bank balances | - | - | 388,849 | - |
| | - | - | 74,182,276 | 1,409,612 |
| Financial liabilities at amortised cost | | | | |
| Long term loans | - | - | - | 85,352,742 |
| 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 | - | - | 18,923,294 | - |
| | 284,323,400 | - | 142,952,597 | 85,352,742 |



27.2 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:

| | 2019 RUPEES | 2018 RUPEES |
|---|-------------------|-------------------|
| Financial assets at amortized cost | | |
| Long terms deposits | 1,409,612 | 1,409,612 |
| Trade debts | 86,946,052 | 72,250,729 |
| Advances and other receivables | 1,002,993 | 1,542,698 |
| Bank balances | 2,251,854 | 342,413 |
| | <u>91,610,511</u> | <u>75,545,452</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, 2019

| | 2019 RUPEES | 2018 RUPEES |
|--|----------------|----------------|
| The analysis of trade debts is as follows: | | |
| Not past due | 24,435,350 | 7,435,532 |
| Past due within one year | 2,713,906 | 737,100 |
| Past due over one year | 59,796,797 | 64,078,097 |
| | 62,510,703 | 64,815,197 |
| | 86,946,053 | 72,250,729 |

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, 2019 and June 30, 2018.

| | Carrying Amount | Contractual Cash Flows | Within twelve months | More than twelve months |
|---|--------------------|---------------------------|-------------------------|----------------------------|
| ----- (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 |
| ----- (Rupees) ----- | | | | |
| 2018 | | | | |
| Long term loans | 85,352,742 | 85,352,742 | - | 85,352,742 |
| Short term bank borrowings | 237,419,981 | 237,419,981 | 237,419,981 | - |
| Current portion of long term demand 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 | 18,923,294 | 18,923,294 | 18,923,294 | - |
| | 512,628,739 | 512,628,739 | 427,275,997 | 85,352,742 |



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 markup on long term and short term borrowings as referred in Note 18, hence is not exposed to any significant interest rate risk.

27.3 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.

27.4 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 information relating to capital employed by the Company as of June 30, 2016 and 2015 were as follows:

| | 2019 RUPEES | 2018 RUPEES |
|------------------------|----------------------|----------------------|
| Total debt | 421,339,776 | 493,705,445 |
| Total equity | <u>(294,276,986)</u> | <u>(366,627,157)</u> |
| Total capital employed | <u>127,062,790</u> | <u>127,078,288</u> |

28. 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 13 to the financial statements and remuneration to Chief Executive and Directors is disclosed in Note 26. There is no significant related party transactions except receipt of loan of Rs. 0.229 million from a director during the year.

29. 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.



Notes to the Financial Statements for the year ended June 30, 2019

| | 2019 RUPEES | 2018 RUPEES |
|--|----------------|----------------|
| 30. NUMBER OF PERSONS EMPLOYED BY THE COMPANY | | |
| Number of employees at the year end | 40 | 21 |
| Average number of employees during the year | 37 | 21 |

31. DATE OF AUTHORIZATION FOR ISSUE

The financial statements have been authorised for issue by the Board of Directors of the Company on October 07, 2019.

32 GENERAL

32.1 Rearrangements

Prior year figures have been re-arranged / re-grouped wherever considered necessary for the purpose of better presentation and comparison. Significant rearrangements made are as under;

- Short term bank borrowings amounting to Rs. 207.529 million, current portion of long term financing amounting to Rs. 46.903 million and interest / mark up payable amounting to Rs. 124.462 million were included in one line item of 'stagnant liabilities towards banks' on the face of statement of financial position as non current liabilities. These are presented as separate line items respectively on the face of statement of financial position as current liabilities.
- Overdue payables under letters of credits amounting to Rs. 29.891 million were included in creditors under the head of trade and other payables. These are included in short term borrowings as forced finance.
- Old finished / semi finished stock with written down value of Rs. 19.460 million was included in the work in process stock. This is included in the finished stock as no further process will be carried out on this stock.
- Cash finance of Rs. 10.250 million was included in export refinances under the head of stagnant liabilities towards banks. This is disclosed as a separate line item under the head of short term bank borrowings.
- Balances written off amounting to Rs.5.692 million and balances written back amounting to Rs. 4.850 million were included in 'selling and distribution expenses' and 'other operating income' respectively. These are netted off and presented as 'balances written off - net' under the head of 'administrative expenses'.

32.2 Previous nomenclature

- Share capital
- Unappropriated loss
- Other liabilities
- Trade Debtors
- Stores, spares and loose tools
- Administrative
- Selling and distribution
- Finance cost

Current nomenclature

- Issued, subscribed and paid up capital
- Accumulated loss
- Long term loans
- Trade debts
- Loose tools
- Administrative expenses
- Selling and distribution expenses
- Bank charges and commission

32.3 Name of "profit and loss account" has been changed to "statement of profit or loss " to comply with the requirements of Companies Act, 2017.

32.4 Figures have been rounded off to the nearest Rupee unless otherwise stated.

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

UMER AHMED
DIRECTOR

NASEER AHMED
CHIEF FINANCIAL OFFICER

PATTERN OF SHARE HOLDING AS AT JUNE 30, 2019



| 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 | 1 | 518,900 | 15.26 |
| Mrs. Rubina Jalali | 1 | 311,300 | 9.16 |
| Mr. Azeem Ahmed | 1 | 1,000 | 0.03 |
| Mr. Umer Ahmed | 1 | 3,000 | 0.09 |
| Mr. M. Shoaib Ahmed | 1 | 330,000 | 9.71 |
| Mrs. Veronique Ahmed | 1 | 334,800 | 9.85 |
| Mr. Nayyer Ahmed Jalali | 1 | 1,000 | 0.03 |
| Mr. Bilal Ahmed | 1 | 1,000 | 0.03 |
| Syed Fawad Hussain Rizvi | 1 | 1,000 | 0.03 |
| Sponsors' associates & friends: | 12 | 1,282,500 | 37.72 |
| Other Individuals: | 531 | 442,000 | 13.00 |
| | 555 | 3,400,000 | 100.00 |

PROXY FORM



I/We _____
_____ of _____
being member (s) of Pak Leather Crafts Limited and a holder of ordinary shares, hereby
appoint _____ of _____
_____ who is also a member of the company vide Folio No.
_____ as my/our proxy to attend and vote for me/us and on
my/our behalf at the 32nd Annual General Meeting of the Company to be held on Monday 28th
October 2019 at 06:30 p.m. or at any adjournment thereof.

Signed this _____ day of _____ 2019

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

بحیثیت رکن پاک لیڈر کرافٹس لمیٹڈ و حامل
عام حصص برطانیق شیئرز رجسٹرڈ 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 پیر، مورخہ 28 اکتوبر، 2019، بوقت 6:30 بجے میں منعقد یا ملتوی ہونے والے ۳۲واں 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 شیئرز 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۔

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