

**ANNUAL REPORT  
2022 - 2023**



*Pak Leather Crafts Limited*

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## CORPORATE PROFILE

### BOARD OF DIRECTORS

Mrs. Rubina Saleem  
Muhammad Saleem Ahmed  
Qaiser Jamal  
Nayyer Ahmed  
Azeem Ahmed  
Umer Ahmed  
Ahmed Jalali

Chairperson  
Director / CEO  
Director  
Director  
Director  
Director  
Director

### AUDIT COMMITTEE

Qaiser Jamal  
Nayyer Ahmed  
Azeem Ahmed

Chairman  
Member  
Member

### HUMAN RESORCE & REMUNERATION COMMITTEE

Ahmed Jalali  
Nayyer Ahmed  
Azeem Ahmed

Chairman  
Member  
Member

### CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Naseer Ahmed

### BANKERS

Albaraka Bank Pakistan Ltd  
MCB Limited  
Habib Metropolitan Bank Ltd  
Habib Bank Limited  
Industrial Development Bank Ltd  
Faysal Bank Limited  
Soneri Bank Ltd  
Bank Alfalah Ltd  
Bank of Khyber  
Meezan Bank Ltd  
Askari Bank Ltd  
BankIslami Pakistan Ltd

### EXTERNAL AUDITORS

RSM Avais Hyder Liaquat Nauman  
Chartered Accountants  
Lahore

### LEGAL ADVISOR

Hassan Arif  
Advocate, Sindh High Court

### REGISTERED OFFICE

Plot 18, Sector 7 - A  
Korangi Industrial Area, Karachi  
Website: [www.pakleather.com](http://www.pakleather.com)

### SHARE REGISTRAR

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

## NOTICE OF ANNUAL GENERAL MEETING



Notice is hereby given that 36th Annual General Meeting of Pak Leather Crafts Limited will be held on October 28, 2023 at 6.00 PM at Plot No. 9, Sector 59, Malir Development Authority, Taiser Town Karachi to transact the following business:

### ORDINARY BUSINESS:

1. To confirm minutes of the 35th Annual General Meeting held on October 29, 2022.
2. To receive, consider and adopt the audited financial statements of the Company for the yearended June 30, 2023 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, 2024.

### SPECIAL BUSINESS:

4. To obtain approval of the members to meet the requirement of S.R.O. 389(1)/2023 dated March 21, 2023 issued by the Securities and Exchange Commission of Pakistan, for circulation of Company's annual audited financial statements through QR enabled code and weblink.

The Statement of Material Facts as required under Section 134(3) and 166(3) of the Companies Act, 2017 is annexed to the notice of meeting circulated to the members of the Company.

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

By order of the Board

**Naseer Ahmed**  
Company Secretary

Karachi: October 05, 2023

### NOTES:

- A. The share transfer books of the Company will remain closed from 20-10-2023 to 28-10-2023 (both days inclusive) and no transfer will be accepted during this period.
- B. Transfers received, complete in all respect by the Shares Registrar, M/s. JWAFFS Registrar Services (Pvt) Ltd, 407-408, Al Ameera Centre, Shahrah-e-Iraq, Karachi by the close of business on 19-10-2023 will be considered in time for the purpose of attending and voting at the meeting.
- C. 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.
- D. Shareholders of the Company whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original CNIC along with account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders the guidelines laid down in Circular No. 1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan shall be followed.





## NOTICE OF ANNUAL GENERAL MEETING

### E. 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.

### F. 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.

### G. Transmission of Annual Financial Statements through email

The financial statements of the Company for the year ended June 30, 2022 along with reports have been placed at the website of the Company.

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.

H. Members are requested to provide their International Banking Account Number (IBAN) together with a copy of the Computerized National Identity Card (CNIC) to update our records. In case of non-submission all future dividend payments may be withheld.

I. As per section 72 of the Companies Act, 2017 every Company is required to replace its physical shares with book entry form within a period not exceeding four years from the commencement of the Companies Act, 2017 i.e May 30, 2017.

J. The Securities & Exchange Commission of Pakistan through its circular # CSD/ED/Misc./2016-639-640 dated March 26, 2021 has advised the listed Companies to pursue their such members who still hold shares in physical form, to convert their shares into book-entry form.

The shareholder having physical shareholding are accordingly encouraged to open their account with Investor Accounts Services of CDC or sub-account with any of the brokers and convert their physical shares into scrip less form. This will facilitate the shareholders in many ways, including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulation of the Pakistan Stock Exchange Limited.

K. Members can exercise their right to demand a poll subject to meeting requirements of Section 143 to Section 145 of the Companies Act, 2017 and applicable clauses of the Pakistan Stock Exchange Regulation, 2018.

## NOTICE OF ANNUAL GENERAL MEETING



- L. Shareholders who have not yet collected their dividend/physical shares are advised to contact our Share Registrar to collect/enquire about their unclaimed dividend or shares. Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all dividends unclaimed for a period of three (3) years from the date due and payable shall be deposited to the credit of the Federal Government and in case of Shares, shall be delivered to the Securities & Exchange Commission of Pakistan.

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

Pursuant to the provisions of above SRO No. 389(1)2023 dated March 21, 2023 issued by SECP, the Company is required to obtain the approval of its shareholders for circulation of its annual financial statements through QR enabled code and weblink instead of circulating the same through CD/DVD/USB. Accordingly, the following draft resolution with or without amendments has been proposed for approval of the shareholders in the general meeting.

"RESOLVED that the approval be and is hereby given to allow the Company to circulate the annual audited financial statements including notice of meeting to its members through QR enabled code and weblink."

The Directors of the Company have no direct or indirect interest in the special business. The special business is only proposed to comply with the relevant provisions of the SRO issued by the SECP.





## 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, 2023.

### COMPANY OVERVIEW

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

	2023 Rupees	2022 Rupees
Profit / Loss before taxation	(10,204,832)	(1,320,929)
Taxation	(1,002,006)	(1,579,146)
Profit / Loss after tax	(11,206,838)	(2,900,075)
Accumulated (Loss) Brought Forward	(359,296,681)	(356,396,606)
Accumulate (Loss) Carried Forward	(370,503,519)	(359,296,681)

During the year under review, the company made a sale of Rs. 90.691 (M) comparing to 132.935 (M) last year. Sales has decreased by 31.77 % over previous year. This is the outcome of the world over economic recession in general and particularly in Pakistan. Double digit inflation in the country due to the high rate of interest, hike in energy cost, deteriorating USD/ PKR parity is the main reason of economic slowdown. Social unrest and uncertain political environment prevailed and hampered the Country's economy. The Company registered an after tax net loss of Rs. 11.206 (M) for the year under review as compared to after tax net loss of Rs 2.900 (M) last year.

### COMMENTS ON AUDITORS' REPORT

#### Material Uncertainty relating to Going Concern:

Company's directors have injected funds as and when required by the company and it is evident from financial statement. The management is regularly working according to its business plan and improving year on year basis to continue as a going concern. Management is confident in this regard.

### 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:

- 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.
- Proper books of account of the listed company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The management is of the opinion that the company has sound system of internal control.

## DIRECTORS' REPORT



- 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. 18.

### EARNINGS PER SHARE (EPS)

The (loss)/earnings per Share is (Rs.3.30) 2022; (Rs. 0.85)

### 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 Exchange and proposal for appointment of external auditors for approval of the shareholders, apart from other matters of significant nature. Four meeting were held during the period under review.

### NUMBER OF BOARD MEETING

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

S. No.	Names	No. of Meetings Attended / held
1.	Mrs. Rubina Saleem	4/4
2.	Mr. M. Saleem Ahmed (CEO)	4/4
3.	Dr. M. Shoaib Ahmed	4/4
4.	Mr. Nayyer Ahmed	4/4
5.	Mr. Azeem Ahmed	4/4
6.	Mr. Umer Ahmed	4/4
7.	Mr. Ahmed Jalali	4/4
8.	Mr. Qaiser Jamal	¼

### CHANGE IN BOARD ROOM

Dr. M. Shoaib Ahmed resigned on 31-05-2023. Casual vacancy was filled by appointment of Mr. Qaiser Jamal from the same date.

### 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, 2023 is annexed with this report.





## DIRECTORS' REPORT

### AUDITORS

Present auditors RSM Avas Hyder Liaquat Nauman retire and being eligible offer themselves for re-appointment for the year 2023-24. The audit committee has also recommended their reappointment in the forthcoming AGM.

### SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLICY

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

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

1. Ensure our product and operations comply with relevant environmental legislation and regulations. All our chemicals are (Registration, Evaluation, Authorization and Restriction of Chemicals) **REACH** certified and our leathers are tested at random in various countries where we pass with exceptional results. We certify our leathers do not contain chrome 6 or AZO Dyes or any other banned substance or hazardous substance.
2. Maintain and continually improve our environmental management systems to conform to the stringent requirements as dictated by specific markets or local regulations. As such we are fully cooperative with Effluent Treatment Plant requirements.
3. Operate in a manner that is committed to continuous improvement in environmental sustainability through recycling, conservation of resources, prevention of pollution, product development, and promotion of environmental responsibility amongst our employees.
4. UNIDO-GEF, in collaboration with PAKISTAN TANNERS' ASSOCIATION has initiated a restoration project for Korangi Sector 7-A which shall improve the overall infrastructure of Sector 7-A. The project involves complete overhauling of sewerage, waste management, roads, and solid waste management.
5. Leather Working Group has become an important part of being sustainable in leather industry. LWG is becoming popular in India and Bangladesh. Its purpose is to provide a clean and efficient working environment for workers. As such, The Company has shown interest in this initiative and will most likely be gold certify by June 2024. The cost of this project is estimated at Rs. 9 Million spread over 6 months.

### STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

### FUTURE OUTLOOK

The business environment in the Country remains challenging. The Country is passing through a critical phase due to political and economic uncertainties.

## DIRECTORS' REPORT




With the rising dollar disparity we are now able to cater to more customers. We can also expect further orders in subsequent year as a result of business trip to Indonesia, done during the year under review.


Company also succeeded to get a firm order from a local customer which may generate a sizeable sale volume.

### ACKNOWLEDGEMENT

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

On behalf of the Board

  
**Muhammad Saleem Ahmed**  
Chief Executive Officer

  
**Umer Ahmed**  
Director

Karachi: October 05, 2023



## ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز اختتام سال 30 جون 2023ء کیلئے کمپنی کی سالانہ رپورٹ بعد آڈٹ شدہ مالیاتی حسابات پیش کر رہے ہیں۔

کمپنی کا جائزہ:

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

2022 روپے	2023 روپے	
(1,320,929)	(10,204,832)	قبل از ٹیکس منافع/خسارہ
(1,579,146)	(1,002,006)	ٹیکسیشن
(2,900,075)	(11,206,838)	بعد از ٹیکس منافع/خسارہ
(356,396,606)	(359,296,681)	جمع شدہ (خسارہ) آگے لایا گیا
(359,296,681)	(370,503,519)	جمع شدہ (خسارہ) آگے بڑھایا گیا

زیر جائزہ مدت کے دوران کمپنی نے مبلغ 90.691 ملین روپے کی فروخت کیں جس کا موازنہ گذشتہ سال کی فروخت مبلغ 132.935 ملین روپے سے کیا جاسکتا ہے۔ گذشتہ سال کے مقابلے میں فروخت میں 31.77 فیصد کمی ہوئی۔ یہ عام طور پر عالمی اور بالخصوص پاکستان میں معاشی کساد بازاری کا نتیجہ ہے۔ سود کی بلند شرح، توانائی کی لاگت میں اضافہ، پاکستانی روپے کی امریکی ڈالر کے مقابلے میں گزرتی ہوئی صورتحال کے باعث ملک میں دو ہراہندہ مہنگائی معاشی ست روی کی بنیادی وجہ ہے۔ سماجی بے چینی اور غیر یقینی سیاسی ماحول نے ملک کی معیشت کو نقصان پہنچایا۔ زیر جائزہ سال کے دوران کمپنی کو مبلغ 2.900 ملین روپے کا بعد از ٹیکس خالص خسارہ ہوا جس کا موازنہ گذشتہ سال کے بعد از ٹیکس خالص خسارہ مبلغ 11.206 ملین روپے سے کیا جاسکتا ہے۔

آڈیٹرز کی رپورٹ پر تبصرہ:

حالیہ تشریحات سے متعلق میٹرل کی غیر یقینی صورتحال:

کمپنی کے ڈائریکٹرز نے جب بھی کمپنی کو ضرورت پڑی فنڈز لگائے ہیں اور یہ مالی بیانات سے ظاہر ہوتا ہے۔ انتظامیہ باقاعدگی سے اپنے کاروباری منصوبے کے مطابق کام کر رہی ہے اور سالانہ بنیادوں پر بہتر بناتی جا رہی ہے۔ انتظامیہ اس حوالے سے پر اعتماد 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 سیکینز 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 - 48 - پر درج ہیں۔

فی شیئر آمدنی:

آمدنی / (خسارہ) فی شیئر مبلغ (3.30) روپے 2022: (مبلغ 0.85 روپے) ہے۔

بورڈ آؤٹ کمیٹی:

بورڈ کی آؤٹ کمیٹی ایک انفرادی غیر ایگزیکٹو ڈائریکٹر بطور چیئرمین اور دو غیر ایگزیکٹو ڈائریکٹرز بطور ممبران پر مشتمل ہے۔ حوالہ کی شرائط میں اہم نوعیت کے دیگر امور کے علاوہ، سالانہ اور سدہ ماہی مالی حسابات، داخلی آؤٹ 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۔

بورڈ میٹنگ کی تعداد:

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



## ڈائریکٹرز رپورٹ

نمبر شمار	نام	مینگلز میں شرکت کی تعداد
۱۔	محترمہ روبینہ سلیم	4/4
۲۔	جناب ایم سلیم احمد (چیف ایگزیکٹو آفیسر)	4/4
۳۔	ڈاکٹر ایم شعیب احمد	4/4
۴۔	جناب نیر احمد	4/4
۵۔	جناب عظیم احمد	4/4
۶۔	جناب عمر احمد	4/4
۷۔	جناب احمد جلالی	4/4
۸۔	جناب قیصر جمال	1/4

بورڈ روم میں تبدیلی:

ڈاکٹر ایم شعیب احمد نے مورخہ 31-05-2023 کو اپنے عہدے سے مستعفی ہو گئے، اسی تاریخ کو خالی آسامی پر جناب قیصر جمال کا تقرر کیا گیا۔

شیئرز کی خرید/فروخت:

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

شیئر ہولڈنگ کا طریقہ کار:

شیئر ہولڈنگ کا طریقہ کار 30 جون 2023ء اس رپورٹ کے ساتھ منسلک ہے۔

آڈیٹرز:

موجودہ آڈیٹرز میسرز آر ایس ایم او ایس حیدر لیاقت نعمان ریٹائر ہو گئے ہیں اور 2023-24 کیلئے دوبارہ تقرری کیلئے خود کو پیش کیا ہے۔ آڈٹ کمیٹی نے سالانہ جنرل مینگ 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 ثقافتی وجوہات میں فراہم کنندہ سے

شرکت کرتی ہے۔ اس سلسلے میں اس نے بہت سی معروف آرگنائزیشن اور ایسوسی ایشنز کے ساتھ کام کیا ہے۔ فی الحال ہماری تنظیم پاکستان میگزائیسوسی ایشن ساؤڈرن زون ماحولیاتی سوسائٹی کو ماہانہ ادائیگی کرتی ہے، ہم نیشنل انسٹی ٹیوٹ آف لیڈر ٹیکنالوجی میں تعلیم حاصل کرنے والے طلباء کو فنڈز کے ساتھ ادائیگی کر رہے ہیں اور ہم نے اپنے یونٹ کو طلباء کو یہ دیکھنے کیلئے کہ چڑے 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 (ریسیپیشن، 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، نمیت شدہ ہیں۔ ہم تصدیق کرتے ہیں کہ ہمارے لیڈرز میں کروم 6 یا AZO ڈائریکٹوری کوئی دوسرا ممنوعہ مادہ یا عنصر موجود نہیں ہے۔
- ۲۔ سخت ضروریات کے مطابق مخصوص مارکیٹوں یا مقامی قواعد و ضوابط کے ذریعہ ہمارے ماحولیاتی انتظام کے نظام کو برقرار اور مستقل طور پر بہتر بنائیں۔ اس طرح ہم انفلوئنس ٹریڈنٹ 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 میں اضافہ اور ماحولیاتی ذمہ داری کے فروغ کے ذریعہ ماحولیاتی استحکام میں مستقل بہتری کیلئے پُر عزم ہو۔
- ۴۔ UNIDO-GEF نے پاکستان میگزائیسوسی ایشن کے اشتراک سے کوریگی ٹیکنر 7-A کی بحالی کا منصوبہ شروع کیا ہے جس سے ٹیکنر 7-A کے مجموعی انفراسٹرکچر میں بہتری آئے گی۔ اس منصوبے میں نکاسی آب، ویسٹ مینجمنٹ، سڑکوں اور سائلڈ ویسٹ مینجمنٹ کی مکمل اور ہائیک شامل ہے۔
- ۵۔ لیڈر ورکنگ گروپ لیڈر صنعت میں مستحکم ہونے کا ایک اہم حصہ بن گیا ہے۔ لیڈر ورکنگ گروپ بھارت اور بنگلہ دیش میں مقبولیت حاصل کر رہا ہے۔ اس کا مقصد ورکرز کے لیے صاف اور موثر کام کا ماحول فراہم کرنا ہے۔ اس طرح، کمپنی نے اس اقدام میں دلچسپی ظاہر کی ہے اور زیادہ تر امکان ہے کہ وہ جون 2024 تک گولڈ سرٹیفیکیشنڈ ہو جائے گا۔ اس پروجیکٹ کی لاگت کا تخمینہ 9 ملین روپے ہے جو کہ 6 ماہ کی مدت پر محیط ہے۔

بورڈ آف کارپوریٹ گورننس کے قواعد پر عملدرآمد:

قواعد پر عملدرآمد کا بیان بعد کو ڈ آف کارپوریٹ گورننس اس رپورٹ کے ساتھ منسلک ہے۔

مستقبل کا نظریہ:

ملک میں کاروباری ماحول بدستور چیلنجنگ ہے۔ سیاسی اور معاشی بے یقینی صورتحال کی باعث ملک اس وقت نازک دور سے گزر رہا ہے۔





## ڈائریکٹر رپورٹ

ڈالر کی بڑھتی ہوئی عدم مساوات کے ساتھ اب ہم زیادہ سے زیادہ صارفین کو فراہمی کر سکتے ہیں۔ انڈونیشیا کے ساتھ کاروباری روابط کے نتیجے میں ہم آئندہ سال مزید آرڈرز کی بھی توقع کر سکتے ہیں جو زیر جائزہ سال کے دوران کئے گئے تھے۔

کمپنی ایک مقامی صارف سے ایک مضبوط آرڈر حاصل کرنے میں بھی کامیاب رہی جس سے فروخت کا ایک بڑا حجم پیدا ہو سکتا ہے۔

اظہار تشکر:

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

از طرف بورڈ

ڈائریکٹر

چیف ایگزیکٹو آفیسر

کراچی، مورخہ 05 اکتوبر 2023ء

## Chairperson's Review



I am pleased to welcome you all in the 36th annual general meeting of the Company and present you a review of the Company for the year ended June 30, 2023.

### Performance of the Board of Directors:

As the chairperson of the board, it's my responsibility to monitor and strength the Company's governance. For the year under review, based on the evaluation, the overall performance and effectiveness of the Board has been assessed as Satisfactory

### General Review:

Year under review was challenging on all fronts. Political uncertainty, financial crises and high rate of inflation has slowed down the overall economic activity.

### Industry:

Leather industry is facing slump not only in Pakistan but all over the world due to the competition with artificial leather.

### Company Performance:

Company sales during the year under review reduced to Rs.90,691 Million from Rs.132,935 Million during the corresponding last year.

Audited financial statements and the audit report and the directors' report is are enclosed for members information.

A handwritten signature in black ink, appearing to read 'Rubina Saleem'.

Rubina Saleem  
Chairperson of the Board

Karachi: October 05, 2023



## چیئر پرسن کا جائزہ

میں کمپنی کی 36 ویں سالانہ جنرل میٹنگ میں آپ سب کا خیر مقدم کرتا ہوں اور 30 جون 2023 کو ختم ہونے والے سال کے لیے کمپنی کا جائزہ پیش کرتے ہوئے بے حد خوش ہوں۔

بورڈ آف ڈائریکٹرز کی کارکردگی:

بلور بورڈ چیئر پرسن، یہ میری ذمہ داری ہے کہ میں کمپنی کی گورننس کی نگرانی کروں اور اسے مضبوط بناؤں۔ زیر جائزہ سال کے لیے، تشخیص کی بنیاد پر، بورڈ کی مجموعی کارکردگی اور تاثیر کو تسلی بخش قرار دیا گیا ہے۔

زیر جائزہ سال کے دوران بورڈ نے کمپنی کے مجموعی انتظام، اہم پالیسیوں کی تشکیل، اپنی کارکردگی کا جائزہ لینے اور اپنی کمیٹیوں کے کاموں کی نگرانی کے حوالے سے اپنی ذمہ داریاں پوری کیں۔

عام جائزہ:

زیر جائزہ سال تمام محاذوں پر چیلنجنگ رہا۔ سیاسی غیر یقینی صورتحال، مالیاتی بحران اور بڑھتی ہوئی مہنگائی کے باعث مجموعی اقتصادی سرگرمیاں ست روی کا شکار رہیں۔

صنعت:

مصنوعی چمڑے کے مقابلے کی وجہ سے چمڑے کی صنعت کو نہ صرف پاکستان بلکہ پوری دنیا میں مندی کا سامنا ہے۔

کمپنی کی کارکردگی:

زیر جائزہ سال کے دوران کمپنی کی فروخت 132.935 ملین روپے سے کم ہو کر 90.691 ملین روپے ہو گئی۔

ممبران کی معلومات کے لیے آڈٹ شدہ مالی بیانات کے ساتھ آڈٹ رپورٹ اور بورڈ کی رپورٹ منسلک ہیں۔

Rubina Saleem

روبینہ سلیم

چیئر پرسن بورڈ

کراچی: 5 اکتوبر 2023ء



## STATEMENT OF VALUE ADDED



	2023 (Rupees)	%	2022 (Rupees)
<b>WEALTH GENERATED</b>			
TOTAL REVENUE	90,691,318		132,935,018
BROUGHT IN MATERIAL & SERVICES	(57,200,344)		(92,228,326)
	<u>33,490,974</u>		<u>40,706,692</u>
<b>WEALTH DISTRIBUTED</b>			
<b>TO EMPLOYEES</b>			
SALARIES, BENEFITS & RELATED COST	27,546,427	82.25	32,940,104
<b>TO GOVERNMENT</b>			
INCOME TAX, SALES TAX, IMPORT DUTY AND WORKERS' FUND	2,931,098	8.75	4,854,916
<b>RETAINED FOR REINVESTMENT &amp; FUTURE GROWTH</b>			
DEPRECIATION / AMORTISATION	3,013,449	9.00	2,911,672
	<u>33,490,974</u>	100.00	<u>40,706,692</u>



## SIX YEARS AT A GLANCE

(Rs in '000)

PARTICULARS	2023	2022	2021	2020	2019	2018
Net Sales	90,691	132,935	108,363	216,633	76,580	51,688
Gross Profit/(loss)	9,600	13,407	3,773	21,095	14,906	1,875
Net Profit/(loss) before tax	(10,205)	(1,321)	(7,940)	51,084	5,061	(4,773)
Gross Profit/(loss) ( % )	10.58	10.08	3.48	9.74	19.46	3.63
Net Profit/(loss) ( % )	(11.25)	(0.99)	(7.33)	23.58	6.61	(9.23)
Earning/(loss) per share (after tax)	(3.30)	(0.85)	(2.56)	14.35	1.22	(1.56)
Current ratio	(0.17)	(0.28)	(0.28)	(0.26)	(0.32)	(0.30)

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



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

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

a. Male: 06

b. Female: 01

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

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

*\* The fraction of one third is not rounded up as the total no of directors are limited, hence two independent directors are significant and, in our view, serve the purposes of the regulation.*

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
4. A casual vacancy occurred on the Board during the period which was filled up within the defined time period.
5. 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.
6. 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.
7. 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 Companies Act, 2017 (the Act) and the Regulations.
8. The meetings of the Board were presided over by the Chairperson and, in her absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
9. The Board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.





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

10. All directors of the Company are well conversant of their duties and responsibilities. Six out of seven directors are exempt from the training requirement.
11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
12. Chief financial officer and chief executive officer duly endorse the financial statements before approval of the Board
13. The Board has formed following committees comprising of members given below:

**a) Audit Committee:**

Kaiser Jamal	Chairman
Nayyer Ahmed	Member
Azeem Ahmed	Member

**b) HR & Remuneration Committee:**

Ahmed Jalali	Chairman
Nayyer Ahmed	Member
Azeem Ahmed	Member

14. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
15. The frequency of meetings of the committee is as follow:
- a) Audit Committee: Quarterly
- b) HR and Remuneration Committee: Yearly
16. The Board has set up an effective internal audit function and the staff is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
17. 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.
18. 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.
19. We confirm that mandatory requirements of the Regulations 3,6,7,8,27,32,33 and 36 have been complied with.

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



20. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are given below;

- CFO and the Company Secretary is one and the same person due to small size of the Company;
- Six directors are exempt from training requirement as they have minimum of 14 years of educations and 15 years of experience on the Board of listed Company. Remaining director will complete his training in due course; and
- In view of the size of the Company and size of its operation, the management believes that internal audit function is being effectively performed by a single person being the head of internal audit;

*Rubina Saleem.*  
**RUBINA SALEEM**  
CHAIRPERSON

Karachi: October 05, 2023

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF PAK LEATHER CRAFTS LIMITED (THE COMPANY)**

**REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED  
IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of the Company for the year ended June 30, 2023 in accordance with the requirements of Regulation 36 of the Regulations.

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

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

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

Based on our review, 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2023.

Further, we highlight below instances of non-compliance with certain requirements of the Regulations, other than Regulations 3,6,7,8,27,32,33 and 36 as reflected in the paragraph references mentioned below where these are stated in the Statement of Compliance.

Sr. No.	Paragraph reference	Description
1	20	Non compliances with certain Regulations other than Regulation 3,6,7,8, 27,32,33 and 36 as detailed in the said paragraph.



**RSM AVAIS HYDER LIAQUAT NAUMAN  
CHARTERED ACCOUNTANTS**

Place: Lahore

Date: 05-10-2023

UDIN: CR202310226hTpZFJj3m

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PAK LEATHER CRAFTS LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the annexed financial statements of Pak Leather Crafts Limited (the Company), which comprise the statement of financial position as at June 30, 2023, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2023 and of the loss, the comprehensive loss, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

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

### Material Uncertainty relating to Going Concern

Note 1.2 to the financial statements states that the Company incurred loss of Rs. 11.2 million (2022: Rs. 2.90 million) during the year. As at the reporting date, its equity is negative by Rs. 336.5 million (2022: Rs. 202.27 million) and current liabilities exceeds its current assets by Rs. 354.72 million (2022: Rs. 220.25 million). These events and conditions, along with other matters as set forth in Note 1.2, indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified with respect to this matter.



### **Emphasis of Matter**

We draw attention towards Note 19 to the financial statements which indicates that no provision is made in respect of any cost of funds since initiation of recovery cases against the Company, as the same depends on the ultimate decision by the relevant forums and 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.

We have determined that there are no key audit matters to communicate in our report except those discussed in material uncertainty related to going concern and emphasis of matter sections of the report.

### **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 have performed, 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.

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

A handwritten signature in dark ink, appearing to be 'RSM', is located in the bottom right corner of the page.



## 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.

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

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

A handwritten signature in black ink, appearing to read "Inam", is located to the right of the engagement partner's name.

**RSM AVAIS HYDER LIAQUAT NAUMAN**  
**CHARTERED ACCOUNTANTS**

**Place:** Lahore

**Date:**

**UDIN:** AR20231022631Lh0M8mc

# STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2023



	NOTE	2023 RUPEES	2022 RUPEES
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	6	34,183,594	33,943,901
Long term deposits	7	1,409,612	1,409,612
		<u>35,593,206</u>	<u>35,353,513</u>
<b>CURRENT ASSETS</b>			
Loose tools		362,387	325,386
Stock in trade	8	48,403,105	53,303,439
Trade debts	9	10,132,311	22,478,764
Advances and other receivable	10	2,233,356	3,405,195
Tax refunds due from Government	11	1,571,264	3,399,219
Cash and bank balances	12	8,650,856	2,530,744
		<u>71,353,279</u>	<u>85,442,747</u>
<b>TOTAL ASSETS</b>		<u><b>106,946,485</b></u>	<u><b>120,796,260</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVE</b>			
Authorised share capital			
5,000,000 ordinary shares of Rs. 10/- each.		<u>50,000,000</u>	<u>50,000,000</u>
Issued, subscribed and paid up capital			
3,400,000 ordinary shares of			
Rs. 10/- each fully paid in cash		<u>34,000,000</u>	<u>34,000,000</u>
Loan from directors	13	-	123,020,039
Accumulated loss		<u>(370,503,519)</u>	<u>(359,296,681)</u>
		<u>(336,503,519)</u>	<u>(202,276,642)</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term loan	14	10,875,350	9,672,996
Deferred interest income	15	6,501,540	7,703,894
		<u>17,376,891</u>	<u>17,376,890</u>
<b>CURRENT LIABILITIES</b>			
Short term bank borrowings	16	247,515,014	112,529,905
Current portion of long term financing	17	46,903,419	46,903,419
Interest / mark up payable		89,200,158	89,200,158
Trade and other payables	18	41,272,216	55,475,705
Provision for taxation - income tax		1,040,055	1,444,317
Unclaimed dividend		142,248	142,508
		<u>426,073,111</u>	<u>305,696,012</u>
<b>CONTINGENCIES</b>	19	-	-
		<u><b>106,946,485</b></u>	<u><b>120,796,260</b></u>

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

**MUHAMMAD SALEEM AHMED**  
CHIEF EXECUTIVE OFFICER

**NASEER AHMED**  
CHIEF FINANCIAL OFFICER


**UMER AHMED**  
DIRECTOR




**STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED JUNE 30, 2023**

	NOTE	2023 RUPEES	2022 RUPEES
Sales	20	90,691,318	132,935,018
Cost of sales	21	81,091,695	119,527,959
Gross profit		9,599,623	13,407,059
Other income	22	113,795	2,679,817
		9,713,418	16,086,876
Administrative expenses	23	13,377,498	12,689,981
Selling and distribution expenses	24	5,708,698	4,068,597
Finance cost	25	832,053	649,227
		19,918,249	17,407,805
(Loss) for the year before taxation		(10,204,832)	(1,320,929)
Provision for taxation	26	1,002,006	1,579,146
(Loss) for the year		(11,206,838)	(2,900,075)
(Loss) per share - Basic and diluted (Rupees per Share)	27	(3.30)	(0.85)

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

  
**MUHAMMAD SALEEM AHMED**  
CHIEF EXECUTIVE OFFICER

  
**NASEER AHMED**  
CHIEF FINANCIAL OFFICER

  
**UMER AHMED**  
DIRECTOR



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2023



	2023 RUPEES	2022 RUPEES
(Loss) for the year	(11,206,838)	(2,900,075)
Other comprehensive income	-	-
Total comprehensive (loss) for the year	<u>(11,206,838)</u>	<u>(2,900,075)</u>

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

  
MUHAMMAD SALEEM AHMED  
CHIEF EXECUTIVE OFFICER


  
NASEER AHMED  
CHIEF FINANCIAL OFFICER


  
UMER AHMED  
DIRECTOR




## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2023

	Issued Subscribed and paid up Capital	Loan from Directors	Accumulated loss	Total
	(Rupees)			
Balance as at July 01, 2021	34,000,000	116,363,594	(356,396,606)	(206,033,012)
Total comprehensive loss for the year	-	-	(2,900,075)	(2,900,075)
(Loss) for the year	-	-	-	-
Other comprehensive income	-	-	(2,900,075)	(2,900,075)
Transaction with owners				
Loan obtained	-	6,656,445	-	6,656,445
Balance as at June 30, 2022	34,000,000	123,020,039	(359,296,681)	(202,276,642)
Total comprehensive loss for the year	-	-	(11,206,838)	(11,206,838)
(Loss) for the year	-	-	-	-
Other comprehensive income	-	-	(11,206,838)	(11,206,838)
Transaction with owners				
Loan obtained	-	11,965,070	-	11,965,070
Transferred to short term borrowing	-	(134,985,109)	-	(134,985,109)
Balance as at June 30, 2023	34,000,000	-	(370,503,519)	(336,503,519)

  
**MUHAMMAD SALEEM AHMED**  
 CHIEF EXECUTIVE OFFICER

  
**NASEER AHMED**  
 CHIEF FINANCIAL OFFICER


  
**UMER AHMED**  
 DIRECTOR


# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2023



	NOTE	2023 RUPEES	2022 RUPEES
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>			
(Loss) for the year before taxation		(10,204,832)	(1,320,929)
<b>Adjustment for non-cash changes and other items:</b>			
Depreciation		3,013,449	2,911,672
Balances written back - net		-	(2,506,653)
		3,013,449	405,019
Cash flow before working capital changes		(7,191,383)	(915,910)
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spares and loose tools		(37,001)	46,055
Stock in trade		4,900,334	6,455,437
Trade debts		12,346,453	(7,307,635)
Advances and other receivables		1,075,976	398,640
Tax refunds due from government		1,877,386	791,462
Increase / (decrease) in current liabilities			
Trade and other payables		(14,203,489)	(1,885,195)
		5,959,658	(1,501,236)
Cash flow from operations		(1,231,724)	(2,417,146)
Income tax paid		(1,359,834)	(1,455,698)
Net cash flow from operating activities		(2,591,558)	(3,872,844)
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>			
Additions in property, plant and equipment		(3,253,142)	(4,587,567)
Net cash flow from investing activities		(3,253,142)	(4,587,567)
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loan from director obtained - net		11,965,070	6,656,445
Dividend paid		(258)	
Net cash flow from financing activities		11,964,812	6,656,445
Net increase / (decrease) in cash and cash equivalents	(A+B+C)	6,120,112	(1,803,966)
Cash and cash equivalents at the beginning of the year		2,530,744	4,334,710
Cash and cash equivalents at the end of the year		8,650,856	2,530,744

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

  
**MUHAMMAD SALEEM AHMED**  
 CHIEF EXECUTIVE OFFICER

  
**NASEER AHMED**  
 CHIEF FINANCIAL OFFICER

  
**UMER AHMED**  
 DIRECTOR





## Notes to the Financial Statements for the year ended June 30, 2023

### 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 loss of Rs. 11.2 million (2022: Rs. 2.90 million) during the year. As at the reporting date, its equity is negative by Rs. 336.5 million (2022: Rs. 202.27 million) and current liabilities exceed its current assets by Rs. 354.72 million (2022: Rs. 220.25 million). The Company is facing operational and financial problems and has been unable to pay off its liabilities on due dates. The bank / 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 Company is taking measures to increase its revenue and profitability. The management is negotiating with its bankers / financial institutions for rescheduling / out of court settlements. Directors of the Company have injected further funds during the year and have undertaken to continue to support the Company and to inject further funds in the ensuing years, as and when needed. The management believes that its plan will improve the 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, 2022 and therefore, have been applied in preparing these financial statements.



**i. Annual Improvements to IFRS Standards 2018–2020 Cycle**

The IASB has issued 'Annual Improvements to IFRS Standards 2018–2020'. The pronouncement contains amendments to the following Financial Reporting Standards (IFRSs).

- IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IAS 41 Agriculture - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

The amendments are applicable for annual periods beginning on or after 1 January 2022. IAS 41 is not relevant to the operations to the company.

**ii. IAS 16 – Property, Plant and Equipment**

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

The standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The amendments are applicable for annual periods beginning on or after 1 January 2022. Application of these amendments is not expected to have any significant impact on the Company's financial statements.

**iii. IAS 37 – Provisions, Contingent Liabilities and Contingent Assets**

The IASB has published 'Onerous Contracts — Cost of Fulfilling a Contract' amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

The changes in Onerous Contracts — Cost of Fulfilling a Contract specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).





## Notes to the Financial Statements for the year ended June 30, 2023

The amendments published today are effective for annual periods beginning on or after 1 January 2022. These amendments do not have any significant impact on the Company's financial statements.

### iv. IAS 12 – Income Taxes

The IASB has issued amendments to provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes. The amendments introduce an exception to the requirements in the standard that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes.

An entity applies the exception and the requirement to disclose that it has applied the exception immediately upon issuance of the amendments. These amendments do not have any significant 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, 2022 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 the effective dates specified therein.

#### i. IAS 1 – Presentation of Financial Statements

- (i) The IASB has issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments in Classification of Liabilities as Current or Non-current affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:
- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
  - clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
  - make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.





The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023.

- (ii) The IASB has published 'Non-Current Liabilities with Covenants' to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments in Non-current Liabilities with Covenants modify the requirements introduced by Classification of Liabilities as Current or Non-current on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances: Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2024.

- (iii) The IASB has issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements in the following ways:
- an entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
  - several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
  - the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
  - the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
  - the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. The amendments are expected to affect disclosure of policies in the financial statements.



## Notes to the Financial Statements for the year ended June 30, 2023

### ii. IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

The IASB has published 'Definition of Accounting Estimates' to help entities to distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The IASB clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual periods beginning on or after 1 January 2023. Application of these amendments is not expected to have any significant impact on the Company's financial statements.

### iii. IAS 12 – Income Taxes

- (i) The IASB has published 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)' that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. Accordingly, the initial recognition exemption, provided in IAS 12.15(b) and IAS 12.24, does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

- (ii) The IASB has issued amendments to provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes. The amendments introduce an exception to the requirements in the standard that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes.

An entity applies the exception and the requirement to disclose that it has applied the exception immediately upon issuance of the amendments; the remaining disclosure requirements are required for annual reporting periods beginning on or after 1 January 2023.

These amendments do not have any significant impact on the Company's financial statements.

### iv. IAS 7 – Statement of Cash Flows and IFRS 7 - Financials Instruments: Disclosures

The IASB has published 'Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)' to add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. The amendments in Supplier Finance Arrangements:





- Do not define supplier finance arrangements. Instead, the amendments describe the characteristics of an arrangement for which an entity is required to provide the information. The amendments note that arrangements that are solely credit enhancements for the entity or instruments used by the entity to settle directly with a supplier the amounts owed are not supplier finance arrangements.
- Add two disclosure objectives. Entities will have to disclose in the notes information that enables users of financial statements:
  - (i) to assess how supplier finance arrangements affect an entity's liabilities and cash flows and
  - (ii) to understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.
- Complement current requirements in IFRSs by adding to IAS 7 additional disclosure requirements about:
  - (i) the terms and conditions of the supplier finance arrangements;
  - (ii) for the arrangements, as at the beginning and end of the reporting period:
    - (a) the carrying amounts of financial liabilities that are part of the arrangement and the associated line item presented;
    - (b) the carrying amount of financial liabilities disclosed under a) for which suppliers have already received payment from the finance providers;
    - (c) the range of payment due dates (for example, 30 to 40 days after the invoice date) of financial liabilities disclosed under a) and comparable trade payables that are not part of a supplier finance arrangement; and
  - (i) the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of the arrangement.

The IASB decided that, in most cases, aggregated information about an entity's supplier finance arrangements will satisfy the information needs of users of financial statements.

Add supplier finance arrangements as an example within the liquidity risk disclosure requirements in IFRS 7.

An entity applies these amendments for annual reporting periods beginning on or after 1 January 2024. The Company is in process of evaluating the impact of application of these amendments on the Company's financial statements.

#### v. IFRS 16 – Leases

The IASB has issued amendments for 'Lease Liability in Sale and Leaseback' that clarify how a seller-lessee subsequently measure sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for sale.





## Notes to the Financial Statements for the year ended June 30, 2023

'Lease Liability in a Sale and Leaseback Amendments' requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments also include one amended and one new illustrative example.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. There are no leases hence the amendments are not relevant to the operations of the Company.

### 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 the purpose of applicability in Pakistan:

IFRS 1 - First-time adoption of International Financial Reporting Standards

IFRS 17 - Insurance Contracts

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S2 Climate-related Disclosures

## 4. BASIS OF PREPARATION

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

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Property, plant and equipment

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

Depreciation is charged to statement of profit or loss 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 statement of profit or loss 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.





## 5.6 Financial Instruments

### 5.6.1 Measurement of financial asset

#### Initial measurement

The Company classifies its financial assets into following three categories:

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

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

#### Subsequent measurement

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

##### Debt Investments at FVOCI

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

##### Equity Investments at FVOCI

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

##### Financial assets at FVTPL

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

##### Financial assets measured at amortized cost

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

##### Non-derivative financial assets

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





### **Derecognition**

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

## **5.6.2 Financial liabilities**

### **Initial recognition**

Financial liabilities are classified in the following categories:

- 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.



## Notes to the Financial Statements for the year ended June 30, 2023

### 5.6.4 Impairment of financial assets

The Company recognizes loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortized cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

### 5.7 Trade debts, Loans, advances and other receivables

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

### 5.8 Trade and other payables

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

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





#### 5.9 Dividend and other appropriations

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

#### 5.10 Provisions

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

#### 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;





## Notes to the Financial Statements for the year ended June 30, 2023

- allocates the transaction price to the separate performance obligations, if applicable, on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer of control of the goods or services promised to the customer.

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

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

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

### 5.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, books overdrawn and highly liquid short-term investments that are convertible to known amounts of cash and are subject to insignificant risk of change in value.

### 5.14 Foreign currencies

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

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

### 5.15 Related party transactions

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



#### 5.16 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.

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

- (a) Determining the useful lives of property, plant and equipment.
- (b) Provision for slow moving and obsolete stores and spares.
- (c) Write down of stock in trade.
- (d) Provision for taxation.
- (e) Provision for doubtful receivables.

#### 5.17 Functional and presentation currency

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



## Notes to the Financial Statements for the year ended June 30, 2023

### 6. PROPERTY, PLANT AND EQUIPMENT

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

(Rupees)

As at Jul 01, 2021

Cost	6,382,167	21,854,914	92,589,542	5,140,087	7,295,587	75,000	9,849,404	143,186,701
Accumulated depreciation	-	(15,531,268)	(74,890,997)	(4,898,337)	(6,648,406)	(57,525)	(8,892,162)	(110,918,695)
Net book value	6,382,167	6,323,646	17,698,545	241,750	647,181	17,475	957,242	32,268,006

Year ended June 30, 2022

Opening net book value	6,382,167	6,323,646	17,698,545	241,750	647,181	17,475	957,242	32,268,006
Additions	-	1,669,450	2,406,592	23,000	300,525	-	188,000	4,587,567
Depreciation charged	-	(740,518)	(1,848,899)	(24,558)	(80,034)	(1,748)	(215,915)	(2,911,672)
Closing net book value	6,382,167	7,252,578	18,256,238	240,192	867,672	15,727	929,327	33,943,901

As at July 01, 2022

Cost	6,382,167	23,524,364	94,996,134	5,163,087	7,596,112	75,000	10,037,404	147,774,268
Accumulated depreciation	-	(16,271,786)	(76,739,896)	(4,922,896)	(6,728,440)	(59,273)	(9,108,077)	(113,830,367)
Net book value	6,382,167	7,252,578	18,256,238	240,192	867,672	15,727	929,327	33,943,901

Year ended June 30, 2023

Opening net book value	6,382,167	7,252,578	18,256,238	240,192	867,672	15,727	929,327	33,943,901
Additions	-	150,000	2,796,770	30,000	165,300	-	111,072	3,253,142
Depreciation charged	-	(736,508)	(1,953,596)	(25,019)	(98,630)	(1,573)	(198,123)	(3,013,449)
Closing net book value	6,382,167	6,666,070	19,099,412	245,173	934,342	14,154	842,276	34,183,594

As at June 30, 2023

Cost	6,382,167	23,674,364	97,792,904	5,193,087	7,761,412	75,000	10,148,476	151,027,410
Accumulated depreciation	-	(17,008,294)	(78,693,492)	(4,947,914)	(6,827,070)	(60,846)	(9,306,200)	(116,843,816)
Net book value	6,382,167	6,666,070	19,099,412	245,173	934,342	14,154	842,276	34,183,594

Annual rate of depreciation

-	10%	10%	10%	10%	10%	20%
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		2023 RUPEES	2022 RUPEES
<b>6.1 Allocation of depreciation for the year is as under ;</b>			
Cost of sales	21.1	2,832,642	2,736,972
Administrative expenses	23	180,807	174,700
		<u>3,013,449</u>	<u>2,911,672</u>
<b>6.2</b>	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	2023 RUPEES	2022 RUPEES
<b>7. LONG TERM DEPOSITS</b>			
Against utilities		843,112	843,112
Others		566,500	566,500
		<u>1,409,612</u>	<u>1,409,612</u>
<b>8. STOCK IN TRADE</b>			
Raw material		9,375,116	12,008,654
Work in process		1,552,570	16,237,521
Finished goods	8.1	37,475,419	25,057,264
		<u>48,403,105</u>	<u>53,303,439</u>
<b>8.1</b>	Stock in trade includes old stock carried at written down value of Rs. 14.98 million (2022: Rs. 21.45 million) since prior periods		
<b>9. TRADE DEBTS</b>			
<b>Unsecured</b>			
Considered good			
Local		4,047,821	7,685,316
Foreign		6,084,490	14,793,448
		<u>10,132,311</u>	<u>22,478,764</u>
<b>10. ADVANCES AND OTHER RECEIVABLE</b>			
Considered good			
Advances			
Employees		252,720	129,000
Suppliers		482,746	1,060,600
Income tax		1,359,834	1,455,698
Other receivable			
Duty drawback		138,056	759,897
		<u>2,233,356</u>	<u>3,405,195</u>
<b>11. TAX REFUNDS DUE FROM GOVERNMENT</b>			
Sales tax		1,068,822	2,946,207
Income tax		502,442	453,012
		<u>1,571,264</u>	<u>3,399,219</u>



# Notes to the Financial Statements for the year ended June 30, 2023

	NOTE	2023 RUPEES	2022 RUPEES
<b>12. CASH AND BANK BALANCES</b>			
Cash in hand		62,878	89,009
Cash at bank - In current accounts		<u>8,587,978</u>	<u>2,441,735</u>
		<u>8,650,856</u>	<u>2,530,744</u>
<b>13. LOAN FROM DIRECTORS</b>			
Loan from directors	13.1	134,985,109	123,020,039
Less: transferred to short term borrowing		<u>(134,985,109)</u>	<u>-</u>
		<u>-</u>	<u>123,020,039</u>
13.1 These are unsecured and interest free. Terms of the loan have been changed during the year and these are now payable on demand, hence transferred to short term borrowings.			
<b>14. LONG TERM LOAN</b>			
Unsecured			
From director's associate		9,672,996	12,227,155
Interest markup on long term loan	25.1	<u>1,202,354</u>	<u>1,519,835</u>
		<u>10,875,350</u>	<u>13,746,990</u>
Transferred to deferred interest income	14.1	<u>-</u>	<u>(4,073,994)</u>
		<u>10,875,350</u>	<u>9,672,996</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 5 years. The loan is carried at amortized cost, with estimated repayment term of 5 years. The unearned interest income is recorded as deferred interest income (Refer Note 15).			
<b>15. DEFERRED INTEREST INCOME</b>			
Deferred Interest Income		7,703,894	5,149,735
Unwinding of deferred interest income	25.1	<u>(1,202,354)</u>	<u>(1,519,835)</u>
		<u>6,501,540</u>	<u>3,629,900</u>
Transferred from long term loan		<u>-</u>	<u>4,073,994</u>
		<u>6,501,540</u>	<u>7,703,894</u>
<b>16. SHORT TERM BANK BORROWINGS</b>			
From banking companies - Under mark up arrangement			
Secured			
Export refinance		67,709,928	67,709,928
Cash finance		10,250,000	10,250,000
Running finance		4,679,088	4,679,088
Forced finance		<u>29,890,889</u>	<u>29,890,889</u>
	16.1	<u>112,529,905</u>	<u>112,529,905</u>
From Directors - Unsecured		<u>134,985,109</u>	<u>-</u>
		<u>247,515,014</u>	<u>112,529,905</u>
16.1 The facilities are expired. These are secured against first charge over current assets and first charge over fixed assets ranking pari passu with the charge created in respect of long term financing (Refer Note 17.1), lien over import and export documents and personal guarantee of directors of the Company. Cash finance is secured against pledge of old stock (Refer Note 8.1). All these borrowings and related mark up are overdue and the banks / financial institutions have filed suits for recovery of these finances along with related mark up and cost of funds (Refer Note 19).			



	NOTE	2023 RUPEES	2022 RUPEES
<b>17. CURRENT PORTION OF LONG TERM FINANCING</b>			
Secured Demand finance		<u>46,903,419</u>	<u>46,903,419</u>
<b>17.1</b>	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 16.1) 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 19).		
<b>18. TRADE AND OTHER PAYABLES</b>			
Creditors		<u>32,750,723</u>	<u>43,271,775</u>
Accrued liabilities	18.1	<u>5,318,532</u>	<u>7,969,174</u>
Advance from customers	18.2	<u>3,142,450</u>	<u>3,046,371</u>
Withholding Income tax payable		<u>60,511</u>	<u>1,188,385</u>
		<u>41,272,216</u>	<u>55,475,705</u>
<b>18.1</b>	These include remuneration payable to chief executive officer and directors amounting to Rs. 3.06 million (2022: Rs. 4.67 million).		
<b>18.2</b>	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.		
<b>19. CONTINGENCIES</b>			
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 along with related mark up and cost of funds which the Company is defending. The Company has fully provided for mark up till the date of filing of suits by the banks / financial institutions. The amount of related overdue loans is Rs. 159.4 million (2022: Rs. 159.4 million) and related overdue mark up is Rs. 89.2 million (2022: Rs. 89.2 million). No provision is made in respect of any cost of funds since initiation of cases, as the same depends on the ultimate decision by the relevant forums and the quantum of cost of funds cannot be determined at this stage.			
<b>20. SALES</b>			
Export - Leather	20.1	<u>70,319,466</u>	<u>93,647,582</u>
Local sale - Job work income -Leather Processing		<u>23,530,023</u>	<u>47,533,915</u>
		<u>93,849,489</u>	<u>141,181,497</u>
Less : Sales Tax		<u>(3,484,372)</u>	<u>(6,906,638)</u>
Commission and discount		<u>(989,859)</u>	<u>(2,923,808)</u>
Add : Rebate / duty draw back		<u>1,316,060</u>	<u>1,583,967</u>
		<u>90,691,318</u>	<u>132,935,018</u>
<b>20.1</b>	It includes exchange gain of Rs. 1,301,172/- ( 2022 : exchange gain of Rs 2,074,471/).		





# Notes to the Financial Statements for the year ended June 30, 2023

	NOTE	2023 RUPEES	2022 RUPEES
<b>21. COST OF SALES</b>			
Opening stock of finished goods		25,057,264	43,354,183
Cost of goods manufactured	21.1	93,509,850	101,231,040
		<u>118,567,114</u>	<u>144,585,223</u>
Less: Closing stock of finished goods		(37,475,419)	(25,057,264)
		<u>81,091,695</u>	<u>119,527,959</u>
<b>21.1 Cost of goods manufactured</b>			
Raw material consumed	21.1.1	38,118,700	64,812,323
Salaries, wages, and benefits		19,974,742	25,138,410
Power, fuel and water		10,963,879	11,517,672
Repairs and maintenance		5,068,251	5,514,708
Carriage and freight		181,376	283,924
Rent, rates and taxes		-	9,000
Depreciation	6.1	2,832,642	2,736,972
Others		1,685,309	186,440
		<u>78,824,899</u>	<u>110,199,449</u>
Work in process:			
Opening		16,237,521	7,269,112
Closing		(1,552,570)	(16,237,521)
		<u>14,684,951</u>	<u>(8,968,409)</u>
		<u>93,509,850</u>	<u>101,231,040</u>
<b>21.1.1 Raw material consumed</b>			
Opening balance		12,008,654	9,135,581
Purchases during the year		35,485,162	87,685,396
Available for consumption		47,493,816	76,820,977
Closing balance		(9,375,116)	(12,008,654)
		<u>38,118,700</u>	<u>64,812,323</u>
<b>22. OTHER INCOME</b>			
Balances written back - net		-	2,506,653
Other		113,795	173,164
		<u>113,795</u>	<u>2,679,817</u>



	NOTE	2023 RUPEES	2022 RUPEES
<b>23. ADMINISTRATIVE EXPENSES</b>			
Directors' remuneration	28	5,400,000	5,400,000
Salaries and benefits		2,171,685	2,401,694
Telephone, fax and postage		491,603	433,278
Fees and subscription		1,146,210	1,689,953
Printing and stationary		199,568	196,096
Repairs and maintenance		909,505	587,630
Vehicles running and maintenance		310,870	249,020
Legal and professional		1,048,185	695,000
Auditors' remuneration	23.1	763,325	640,575
Advertisement		18,000	3,000
Depreciation	6.1	180,807	174,700
Others		737,740	219,035
		<u>13,377,498</u>	<u>12,689,981</u>
<b>23.1 Auditors' remuneration</b>			
Audit fee		420,000	420,000
Half year review		115,500	115,500
Other professional services		174,825	64,575
Out of pocket expenses		53,000	40,500
		<u>763,325</u>	<u>640,575</u>
<b>24. SELLING AND DISTRIBUTION EXPENSES</b>			
Freight and forwarding charges		2,767,911	2,272,719
Travelling and conveyance		1,478,764	467,706
Others		1,462,023	1,328,172
		<u>5,708,698</u>	<u>4,068,597</u>
<b>25. FINANCE COST</b>			
Bank Charges and Commission		832,053	649,227
Interest markup on long term loan - net	25.1	-	-
		<u>832,053</u>	<u>649,227</u>
<b>25.1 Interest markup on loan</b>	14	1,202,354	1,519,835
Unwinding of related deferred income	15	(1,202,354)	(1,519,835)
		<u>-</u>	<u>-</u>
<b>26. PROVISION FOR TAXATION</b>			
Current			
for the year		1,040,055	1,444,317
for prior years		(38,049)	134,829
		<u>1,002,006</u>	<u>1,579,146</u>
Deferred	26.2	-	-
		<u>1,002,006</u>	<u>1,579,146</u>



## Notes to the Financial Statements for the year ended June 30, 2023

### 26.1 Relationship between accounting loss and tax expense

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

### 26.2 Deferred tax asset works out to Rs. 3.87 million (2022: Rs. 8.17 million) which is not recognized in these financial statements in view of un-certain future results. It comprises of the following:

	2023 RUPEES	2022 RUPEES
Difference between accounting and tax basis of assets	726,126	504,049
Tax losses carried forward	(4,596,264)	(8,674,052)
Minimum tax credits under section 113	-	-
	<u>(3,870,138)</u>	<u>(8,170,003)</u>

### 27. (LOSS) PER SHARE - BASIC AND DILUTED (RUPEES PER SHARE)

(Loss) for the year (Rupees)	(11,206,838)	(2,900,075)
Weighted average number of ordinary shares (number)	<u>3,400,000</u>	<u>3,400,000</u>
(Loss) per share - Basic and diluted (Rupees per Share)	<u>(3.30)</u>	<u>(0.85)</u>

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

### 28. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	Chief Executive		Directors		Total	
			(Rupees)			
	2023	2022	2023	2022	2023	2022
Remuneration	2,304,000	2,304,000	1,152,000	1,152,000	3,456,000	3,456,000
Housing rent allowance	1,036,800	1,036,800	522,000	522,000	1,558,800	1,558,800
Utilities	259,200	259,200	126,000	126,000	385,200	385,200
	<u>3,600,000</u>	<u>3,600,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>5,400,000</u>	<u>5,400,000</u>
Number of persons	1	1	1	1	2	2

28.1 The Company has also provided mobile and the Company maintained vehicle to a director. The monetary value of these benefits is Rs. 583,670 /- ( 2022: Rs. 306,300/-)





## 29. Financial risk management objectives and 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.

	2023 RUPEES	2022 RUPEES
<b>29.1 Financial instruments by category</b>		
<b>Financial assets at amortized cost:</b>		
Long term deposits	1,409,612	1,409,612
Trade debts	10,132,311	22,478,764
Cash and bank balances	8,650,856	2,530,744
	<u>20,192,779</u>	<u>26,419,120</u>
<b>Financial liabilities at amortized cost:</b>		
Long term loan	10,875,350	9,672,996
Short term bank borrowings (Refer Note 19)	247,515,014	112,529,905
Long term financing (Refer Note 19)	46,903,419	46,903,419
Interest / mark up payable (Refer Note 19)	89,200,158	89,200,158
Trade and other payables	38,069,255	51,240,949
	<u>432,563,197</u>	<u>309,547,427</u>

### 29.1.1 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 and concentration of 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:



## Notes to the Financial Statements for the year ended June 30, 2023

	2023 RUPEES	2022 RUPEES
<b>Financial assets at amortized cost</b>		
Long term deposits	1,409,612	1,409,612
Trade debts	10,132,311	22,478,764
Bank balances	8,587,978	2,441,735
	<u>20,129,901</u>	<u>26,330,111</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. Trade debts considered good are not past due.

### 29.1.2 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, 2023 and 2022.

2023	Carrying Amount	Contractual Cash Flows	Within one year	One to five years
----- (Rupees) -----				
Long term loan	10,875,350	17,376,891	-	17,376,891
Long term financing	46,903,419	46,903,419	46,903,419	-
Short term bank borrowings	247,515,014	247,515,014	247,515,014	-
Interest / mark up payable	89,200,158	89,200,158	89,200,158	-
Trade and other payables	38,069,255	38,069,255	38,069,255	-
	<u>432,563,197</u>	<u>439,064,737</u>	<u>421,687,847</u>	<u>17,376,891</u>



2022	Carrying Amount	Contractual Cash Flows	Within one year	One to five years
(Rupees)				
Long term loan	9,672,996	17,376,890	-	17,376,890
Long term financing	46,903,419	46,903,419	46,903,419	-
Short term bank borrowings	112,529,905	112,529,905	112,529,905	-
Interest / mark up payable	89,200,158	89,200,158	89,200,158	-
Trade and other payables	51,240,949	51,240,949	51,240,949	-
	<b>309,547,427</b>	<b>317,251,321</b>	<b>299,874,431</b>	<b>17,376,890</b>

**29.1.2.1** Contractual cash flows of long term financing and short term borrowings do not include any interest / mark up for the reasons explained in Note 19.

#### **29.1.3 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. The Company is not significantly exposed to market risk as at reporting date.

#### **29.1.4 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 exposed to currency risk in respect of net amount of foreign trade debts and advance from foreign customers amounting to Rs. 6.08 million (2022: 14.76 million). Change of 100 basis points in exchange rate will not have any significant impact on the results of the Company.

#### **29.1.5 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 from bank arises from long term and short term "&" borrowings from banks. The Company is not exposed to any significant interest rate "&" risk as markup on these borrowings is not being made for (Refer Note 19).

#### **29.2 Fair value of financial instruments**

The carrying value of all the financial assets and financial liabilities reflected in the financial statements approximate their fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.





## Notes to the Financial Statements for the year ended June 30, 2023

### 29.3 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 statement of financial position) including related mark up payable. Equity comprises of share capital, loan from director and accumulated loss as shown in the statement of financial position under 'share capital and reserves'. The Company is exposed to capital risk and has formulated a plan to address the same as disclosed in Note 1.2.

### 30. TRANSACTIONS WITH RELATED PARTIES

The Company carries out transactions with related parties in the normal course of business which comprise of directors and key management personnel. The amounts due to related party are disclosed in Note 13 and 14 to the financial statements and remuneration to Chief Executive and Directors is disclosed in Note 28. Detail of transactions with related parties, which are not specifically disclosed elsewhere in these financial statements, are as follows:

Name of related party	Basis of Relationship	Transactions carried out during the year	2023 RUPEES	2022 RUPEES
Mr. Muhammad Saleem Ahmed	CEO ( 15.26 % shareholding)	Long term loan Obtained	12,765,200	5,670,200
		Short term loan obtained and repaid	8,000,000	9,057,500
Mr. Umer Ahmed	Director ( 0.09 % shareholding)	Long term loan Obtained	300,000	986,245
		Repaid	1,100,000	-
		Short term loan obtained and repaid	5,000,000	613,755



### 31. 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.

	2023	2022
<b>32. NUMBER OF PERSONS EMPLOYED BY THE COMPANY</b>		
Number of employees at the year end	<u>31</u>	<u>40</u>
Average number of employees during the year	<u>33</u>	<u>41</u>

### 33. DATE OF AUTHORIZATION FOR ISSUE

The financial statements have been authorised for issue by the Board of Directors of the Company on October 05, 2023.

### 34. GENERAL

Figures have been rounded off to the nearest Rupees.

**MUHAMMAD SALEEM AHMED**  
CHIEF EXECUTIVE OFFICER

**NASEER AHMED**  
CHIEF FINANCIAL OFFICER

**UMER AHMED**  
DIRECTOR



## PATTERN OF SHARE HOLDING AS AT JUNE 30, 2023

NUMBER OF SHAREHOLDERS	SHARE HOLDINGS FROM	TO	SHARES HELD OF RS. 10/- EACH
240	1	100	13,142
160	101	500	61,679
53	501	1,000	49,002
42	1,001	5,000	89,852
4	5,001	10,000	25,500
2	15,001	20,000	35,000
1	20,001	25,000	22,000
1	25,001	30,000	26,000
1	50,001	55,000	54,525
1	75,001	80,000	78,000
9	85,001	90,000	810,000
1	100,001	105,000	104,000
1	165,001	170,000	167,800
1	235,001	240,000	238,900
1	115,001	120,000	280,000
1	310,001	315,000	311,300
1	325,001	330,000	330,000
1	330,001	335,000	334,800
1	365,001	370,000	368,500
<b>522</b>			<b>3,400,000</b>

### BREAK-DOWN OF PATTERN OF SHARE HOLDINGS

CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	NO. OF SHARES HELD	HOLDING PERCENTAGE
Individuals	514	2,778,700	81.73
Insurance Companies	1	167,800	4.94
Joint Stock Companies	4	369,800	10.88
Financial Institutions	3	83,700	2.46
	<b>522</b>	<b>3,400,000</b>	<b>100.00</b>



## DETAILS OF PATTERN OF SHAREHOLDING



AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE

		NO. OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Associated Companies	NIL	NIL	-	
<b>Mutual Funds:</b>				
NBP - Trustee Deptt	(NIT)	1	3,900	0.11
Investment Corp. of Pakistan		1	1,800	0.05
Banks, financial institutions & insurance companies		6	615,600	18.11
<b>Directors, their spouses &amp; Minor children:</b>				
Mr. M. Saleem Ahmed	Chief Executive	1	518,900	15.26
Mrs. Rubina Ahmed	W/O M. Saleem Ahmed	1	311,300	9.16
Mr. Azeem Ahmed	Director S/O M. Saleem Ahmed	1	1,000	0.03
Mr. Umer Ahmed	Director S/O M. Saleem Ahmed	1	3,000	0.09
Mr. Nayyer Ahmed	Director	1	1,000	0.03
Mr. Ahmed Jalali	Director	1	1,000	0.03
Mr. Qaiser Jamal	Director	1	1,000	0.03
Sponsors' asspcoates & friends:		13	1,633,325	48.04
Other Individuals:		494	308,175	9.06
		<b>522</b>	<b>3,400,000</b>	<b>100.00</b>

## 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 36th Annual General Meeting of the Company to be held on Saturday 28th  
October 2023 at 06:00 p.m. or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2023

\_\_\_\_\_  
Signature of Witness

Please affix  
Revenue Stamp  
& Signature

Shareholder's Folio No. \_\_\_\_\_ Number of Shares held \_\_\_\_\_

### IMPORTANT :

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

#### FOR CDC ACCOUNT HOLDERS/CORPORATE ENTITIES:

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

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

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

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

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



## پراکسی فارم

سالانہ اجلاس عام

میں/میں

بجائیت رکن پاک لیدر کرافٹس لمیٹڈ و حامل

عام حصص برطانیق شیئرز رجسٹرڈ فو لوب 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 ہفتہ مورخہ 28 اکتوبر، 2023، بوقت 6:00 بجے میں منعقد یا ملتوی ہونے والے 36 واں سالانہ اجلاس عام میں شرکت، رائے دہندگی کے لیے اپنا نام سندہ مقرر کرتا/کرتی/کرتے ہوں/ہیں۔

دستخط مورخہ \_\_\_\_\_ برائے ماہ و سال \_\_\_\_\_ شہت ہیں۔

گواہ:

دستخط \_\_\_\_\_

نام \_\_\_\_\_

پتہ \_\_\_\_\_

شناختی کارڈ نمبر: \_\_\_\_\_

شیئرز ہولڈر کا فو لوب نمبر \_\_\_\_\_ حامل شیئرز کی تعداد \_\_\_\_\_

نوٹ:

- 1۔ اگر کوئی ممبر عام اجلاس میں شرکت کرنے سے قاصر ہو تو وہ کسی دوسرے ممبر کو اپنا پراکسی مقرر کر سکتا ہے۔ جو شخص کھتی کا ممبر نہ ہو وہ بطور پراکسی کام نہیں کر سکتا سوائے اس کے کہ کھتی کسی ایسے شخص کا تقرر کرے جو ممبر نہ ہو۔
- 2۔ پراکسی دستاویز تصدیق شدہ ہونے چاہئیں اور اس کے ساتھ پاور آف اٹارنی یا دیگر اتھارٹی (اگر کوئی ہو) کی مصدقہ کاپی کھتی کی مینٹلک کے وقت سے کم از کم 48 گھنٹے قبل رجسٹرڈ آفس میں جمع کرانا ضروری ہے۔
- 3۔ دستخط کھتی کے پاس رجسٹرڈ شدہ نمونہ کے مطابق ہونے چاہئیں۔
- 4۔ اگر کوئی ممبر ایک سے زیادہ پراکسی کا تقرر کرتا ہے ساور پراکسی کے اک سے زیادہ انسٹرمنٹ کھتی کے پاس جمع کرائے جاتے ہیں تو پراکسی کے ایسے تمام انسٹرمنٹ کو ملحد قرار دیا جائے گا۔

سی ڈی سی اکاؤنٹ ہولڈر کا رجسٹرڈ ادارہ کیلئے:

مندرجہ بالا کے علاوہ رجسٹرڈ ذیل ضروریات کو پورا کرنا ضروری ہے۔

پراکسی فارم پر دو گواہان کے نام، پتے اور شناختی کارڈ نمبرز درج ہوں گے۔

پراکسی کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپیاں پراکسی فارم کے ساتھ جمع کرائی جائیں گی۔

اجلاس کے وقت پراکسی اپنا اصل شناختی کارڈ یا اصل پاسپورٹ پیش کرے گا۔

کارپوریٹ ادارے کی صورت میں، بورڈ آف ڈائریکٹرز کا ریولیوشن/پاور آف اٹارنی نمونہ دستخط کے ساتھ کھتی کے پراکسی فارم کے ساتھ جمع کرایا جائے گا (اگر یہ پہلے فراہم نہ کیا گیا ہو)۔

(گھٹ یہاں چسپاں کریں)  
اور دستخط کریں