

ANNUAL REPORT 2023 - 2024



Pak Leather Crafts Limited

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CORPORATE PROFILE

BOARD OF DIRECTORS

Mrs. Rubina Saleem	Chairperson
Muhammad Saleem Ahmed	Director / CEO
Qaiser Jamal	Director
Nayyer Ahmed	Director
Azeem Ahmed	Director
Umer Ahmed	Director
Ahmed Jalali	Director

AUDIT COMMITTEE

Qaiser Jamal	Chairman
Nayyer Ahmed	Member
Azeem Ahmed	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Ahmed Jalali	Chairman
Nayyer Ahmed	Member
Azeem Ahmed	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
Bank AL Habib Ltd

EXTERNAL AUDITORS

RSM Avais Hyder Liaquat Nauman
Chartered Accountants
Lahore

REGISTERED OFFICE

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

LEGAL ADVISOR

Hassan Arif
Advocate, Sindh High Court

SHARE REGISTRAR

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

NOTICE OF ANNUAL GENERAL MEETING



Notice is hereby given that 37th Annual General Meeting of Pak Leather Crafts Limited will be held on October 28, 2024 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 36th Annual General Meeting held on October 28, 2023.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2024 together with the Chairman's Review, Directors' and Auditors' Reports thereon.

In accordance with Section 223 of the Companies Act, 2017, and pursuant to S.R.O. 389(I)/2023 dated March 21, 2023, the financial statements of the Company have been uploaded on the website of the Company which can be downloaded from the following web link and QR enabled code:

Weblink:
www.pakleather.com



3. To appoint auditors and fix their remuneration for the year ending June 30, 2025. Retiring auditors being eligible have offered for reappointment.

SPECIAL BUSINESS:

4. **To consider and approve the strategic decision for revival of the Company by diversification of business and / or by disposal of land and building etc to generate sufficient working capital for uninterrupted business operations in the rented premises.**

Following resolution(s) to be passed, if thought fit as special resolution(s) with or without any modification, under section 183 (3) of the Companies Act, 2017:

"Resolved that business revival strategy, including but not limited to downsizing the operations, diversifying to other manufacturing line of business, warehousing and supply chain management etc. be and is hereby approved.

Further resolved that the Company's assets located at Plot 18, Sector 7-A, Korangi Industrial Area, Karachi, comprising of leasehold land, building on leasehold land and Plant and Machinery("Assets") be disposed of and approval is hereby granted.

Further resolved that simultaneously with the disposal of "Assets", enter into a Lease/Rental Agreement with the prospective Purchaser of the said property for a portion of the factory building on such terms and conditions as the management may consider appropriate for the continuation of uninterrupted business/manufacturing activities of the Company or get some other appropriate place on rent . This will be a shift from its business model for manufacturing on owned factory facility to a lease/rental model manufacturing facility.

Further resolved that necessary alterations in the Memorandum and Articles of Association be and are hereby approved for the above said purposes.



NOTICE OF ANNUAL GENERAL MEETING

Further resolved that Mr. Saleem Ahmed, Chief Executive Officer of the Company, be and is hereby singly authorized to negotiate the deals, appoint the valuator, advisors and to execute the documents for regulatory approvals, for the purposes as resolved above."

The statement of material facts under section 134(3) concerning the special business, is being circulated to the shareholders along with this notice of annual general meeting.

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

By order of the Board

Naseer Ahmed
Company Secretary

October 04, 2024

NOTES:

- A. The share transfer books of the Company will remain closed from 20-10-2024 to 28-10-2024 (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 19-10-2024 will be considered in time for the purpose of attending and voting at the meeting.
- C. Participation in the AGM proceeding via video conferencing facility shall be made available by the Company. All Shareholders/Members interested in attending the AGM, either physically or through video-conferencing facility are requested to register their Name, Folio Number, Cell Number, CNIC / Passport number at export1@pakleather.com. Video link and login credentials will be shared with only those shareholders whose registration are received at least 48 hours before the time of AGM.
- D. 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.
- E. 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.

F. Consent for 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.

NOTICE OF ANNUAL GENERAL MEETING



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.

G. Transmission of Annual Financial Statements through email

The financial statements of the Company for the year ended June 30, 2024 along with reports and notice of meeting 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. 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 UNDER SECTION 134 (3) OF THE COMPANIES ACT , 2017

In view of the current status of the Company, the board of directors in its meeting held on October 04, 2024 concluded the opinion that the leather industry having Company's line of production has not remained a viable business. Company's exports are declining year after year and accordingly, production is curtailed. Present size of operations are not advisable on the current fixed cost in this large factory building of 72,000 sq feet constructed on 2,666.66 sq yards of land. Resultantly, the Company is continuously incurring losses. Following strategic decisions for the revival of the company was approved by the board subject to compliance of corporate formalities, regulatory and shareholders' approval under section 134 and 183 (3) of the Companies Act, 2017.



NOTICE OF ANNUAL GENERAL MEETING

- (i) Down size the present operations, diversify to other manufacturing business, warehousing, supply chain management or any other line of business deemed appropriate by the board of the directors of the company.
- (ii) On approval of the revival strategy, The Board also analyzed an option of disposal of the Company's assets located at Plot 18, Sector 7-A, Korangi Industrial Area, Karachi, comprising of leasehold land, building on leasehold land and Plant and Machinery (Assets). Accordingly, the Board unanimously approved the disposal of Assets under the powers conferred to the Board subject to the relevant provisions of section 183 (3) (a) of the Act.
- (iii) The Board of Directors in the same meeting also authorized to simultaneously enter into a Lease/Rental Agreement with the prospective Purchaser of the said property, for a portion of the factory building for the continuation of uninterrupted business/manufacturing activities of the Company. This will be a shift from its business model for manufacturing on owned factory facility to a lease/rental model manufacturing facility.
- (iv) Appropriate alterations in the principle line of business, including amendment in Memorandum & Articles of Association of the Company, to be made.
- (v) The Board of Directors authorized singly Mr. M. Saleem Ahmed CEO/ Director of the Company to appoint legal advisor, valutors and to fulfill the legal formalities and the execution of documents with the concerned authorities to complete the transactions as described above.

The Board also authorized the CEO / Director to negotiate the price (s), keeping in view fair market value to be estimated by any one of leading valuation firms in Pakistan. The transaction shall be subject to final approval of sale price and other terms and conditions of the transaction, by the Board.

- (vi) The Board accordingly directed to put the above business as Special Business in the forthcoming annual general meeting of the Company to seek approval of members for the (i) approval of the revival strategy, (ii) disposal of Assets,(iii) amendment in Memorandum and Articles of Association, as the case maybe.

Benefits expected to accrue to the company and shareholders:

- 1) Company's operation may become viable and profitable, resulting capital gain on shareholding.
- 2) Consideration of disposal of the surplus assets will be used to pay off the long term outstanding loans, including the sponsors' and associates' loans and to overcome shortage of working capital.
- 3) Gain on disposal of immovable assets will be available to offset the accumulated losses. This will facilitate payment of dividend to shareholders, in future as per decision of the board of directors.

Interest of directors directly or indirectly:

No director is interested, directly or indirectly in the above business except to the extent to his shareholding.

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, 2024.

COMPANY OVERVIEW

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

	2024 Rupees	2023 Rupees
Profit / Loss before taxation	10,939,990	(10,204,832)
Taxation	(2,813,270)	(1,002,006)
Profit / Loss after tax	8,126,720	(11,206,838)
Accumulated (Loss) Brought Forward	(370,503,519)	(359,296,681)
Accumulate (Loss) Carried Forward	(362,376,799)	(370,503,519)

During the year under review, the company made a sale of Rs. 89.395 (M) comparing to 90.691 (M) last year. Export sales squeezed to Rs. 56.036 (M) comparing with Rs. 70.319 (M) for the same period last year, hence decreased by more than 20%. This is the outcome of the world over economic recession in general and decline in demand of our product. Double digit inflation in the country, high rate of interest, hike in energy cost resulted the increased cost of production, thus it was difficult to compete in the international market. To overcome this situation, the management put its efforts to get local orders of leather processing job work. Resultantly local sales reached to Rs. 37.884 (M) against Rs. 23.530 (M) for the same period of last year.

The management succeeded an out of court settlement with Albaraka Bank and got waiver of financial liabilities of Rs. 13.985 (M). After accounting for the waiver, the Company registered an after tax profit of Rs.8.126 (M) for the year under review as compared to after tax net loss of Rs.11.206 (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. Moreover, accumulated loss and the negative current ratio have reduced comparing with the previous year. The management is regularly putting its efforts, so the Company may 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.



DIRECTORS' REPORT

- c) Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) The management is of the opinion that the company has sound system of internal control.
- f) The Company's ability to continue as a going concern is effective as discussed in Note 1.2 to the financial statements.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulation.

KEY OPERATING & FINANCIAL DATA:

The key operating & financial data is mentioned on Page No. 19

EARNINGS PER SHARE (EPS)

The earnings / (loss) per Share is Rs.2.39 : 2023: (Rs. 3.30)

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	4/4
3.	Mr. Nayyer Ahmed	4/4
4.	Mr. Azeem Ahmed	4/4
5.	Mr. Umer Ahmed	4/4
6.	Mr. Ahmed Jalali	4/4
7.	Mr. Qaiser Jamal	4/4

PURCHASE / SALE OF SHARES

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

DIRECTORS' REPORT



PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2024 is annexed with this report.

AUDITORS

Present auditors RSM Avais Hyder Liaquat Nauman retire and being eligible offer themselves for re-appointment for the year 2024-25. The audit committee has also recommended their reappointment in the forthcoming AGM.

Mr. umer to revise and concise the below

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. We have made our unit available for students of National Institute of Leather Technology 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.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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



DIRECTORS' 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.

Due to unviable operating results, the management is considering some revival plan.

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 04, 2024

کمپنی کے ڈائریکٹرز اختتام سال 30 جون 2024ء کیلئے کمپنی کی سالانہ رپورٹ بمعہ آڈٹ شدہ مالیاتی حسابات پیش کر رہے ہیں۔

کمپنی کا جائزہ:

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

2023	2024	
روپے	روپے	
(10,204,832)	10,939,990	قبل از ٹیکس منافع / خسارہ
<u>(1,002,006)</u>	<u>(2,813,270)</u>	ٹیکسیشن
(11,206,838)	8,126,720	بعد از ٹیکس منافع / خسارہ
<u>(359,296,681)</u>	<u>(370,503,519)</u>	جمع شدہ (خسارہ) آگے لایا گیا
<u>(370,503,519)</u>	<u>(362,376,799)</u>	جمع شدہ (خسارہ) آگے بڑھایا گیا

زیر جائزہ سال کے دوران، کمپنی کی فروخت 89.395 ملین روپے رہی جو کہ گذشتہ سال 90.691 ملین روپے تھی۔ برآمدات میں کمی واقع ہوئی، جو گذشتہ سال کے اسی عرصے میں 70.319 ملین روپے کے مقابلے میں 56.036 ملین روپے رہی، جو کہ 20 فیصد سے زیادہ کی کمی ہے۔ یہ کمی عمومی عالمی اقتصادی کساد بازاری اور ہماری مصنوعات کی طلب میں کمی کا نتیجہ ہے۔ ملک میں دوہرے ہندسے کی افراط زر، بلند شرح سود، اور توانائی کی قیمتوں میں اضافے کی وجہ سے پیداواری لاگت میں اضافہ ہوا، جس سے بین الاقوامی مارکیٹ میں مسابقت کرنا مشکل ہو گیا۔ اس صورتحال سے نمٹنے کے لیے انتظامیہ نے مقامی چھڑے کی تیاری کے کام کے آرڈرز حاصل کرنے کی کوششیں کیں۔ نتیجتاً مقامی فروخت گذشتہ سال کے اسی عرصے میں 23.530 ملین روپے کے مقابلے میں بڑھ کر 37.884 ملین روپے تک پہنچ گئی۔

انتظامیہ نے الیر کہ بینک کے ساتھ عدالت سے باہر تصفیہ کرنے میں کامیابی حاصل کی اور 13.985 ملین روپے کی مالی ادائیگیوں کی رعایت حاصل کی۔ اس رعایت کو حساب میں شامل کرنے کے بعد، کمپنی نے زیر جائزہ سال کے لیے 8.126 ملین روپے بعد از ٹیکس منافع درج کیا، جو کہ گذشتہ سال 11.206 ملین روپے بعد از ٹیکس خسارہ تھا۔



ڈائریکٹرز رپورٹ

آڈیٹرز کی رپورٹ پر تبصرہ:

حالیہ تشویش سے متعلق میٹرل کی غیر یقینی صورتحال:

کمپنی کے ڈائریکٹرز نے ضرورت کے مطابق فنڈز فراہم کیے ہیں، جیسا کہ مالیاتی بیانات سے واضح ہے۔ مزید برآں، گذشتہ سال کے مقابلے میں جمع شدہ خسارے اور منفی موجودہ تناسب میں کمی آئی ہے۔ انتظامیہ مسلسل کوششیں کر رہی ہے تاکہ کمپنی اپنے آپ کو ایک جاری کاروبار کے طور پر برقرار رکھ سکے۔ اس حوالے سے انتظامیہ 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 سیکمینز ایکٹ 2017ء کے مطابق اس کے مالیاتی حسابات مرتب کئے ہیں جس میں اس کے آپریشن، نقد کالین دین اور ایکویٹی میں تبدیلیاں شامل ہیں۔
- ☆ قانون کے مطابق کمپنی نے حساب کے کھاتے مناسب طریقے سے مرتب کئے ہیں۔
- ☆ مالیاتی حسابات کی تیاری میں مناسب اکاؤنٹنگ کی پالیسیاں مستقل طور پر لاگو ہوتی ہیں اور اکاؤنٹنگ کا تخمینہ معقول اور محتاط فیصلے پر مبنی ہوتا ہے۔
- ☆ انٹرنیشنل فنانشل رپورٹنگ کا معیار جو کہ پاکستان میں قابل اطلاق ہے کے مطابق مالیاتی حسابات کی تیاری میں عمل کیا جاتا ہے۔
- ☆ داخلی کنٹرول کا سسٹم بے حد مضبوط ہے اور موثر طور پر اس پر عمل درآمد کیا جا رہا ہے۔
- ☆ حالیہ تشویش کی حیثیت سے کمپنی کو جاری رکھنے کی اہلیت موثر ہے جیسا کہ نوٹ 1.2 میں مالی حسابات پر بحث کی گئی ہے۔
- ☆ کوئی بھی مواد کارپوریٹ گورننس کی اعلیٰ پریکٹس سے خالی نہیں ہے جس کی تفصیلات ریگولیشن کی فہرست میں دی گئی ہے۔

اہم امور اور مالیاتی ڈیٹا:

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

فی شیئر آمدنی:

آمدنی / (خسارہ) فی شیئر مبلغ (2.39) روپے 2023: (مبلغ 3.30 روپے) ہے۔

بورڈ آڈٹ کمیٹی:

بورڈ کی آڈٹ کمیٹی ایک انفرادی غیر ایگزیکٹو ڈائریکٹر بطور چیئرمین اور دو غیر ایگزیکٹو ڈائریکٹرز بطور ممبران پر مشتمل ہے۔ حوالہ کی شرائط میں اہم نوعیت کے دیگر امور کے علاوہ، سالانہ اور سہ ماہی مالی حسابات، داخلی آڈٹ رپورٹ، اسٹاک ایکسچینجز تک رسائی سے پہلے کی معلومات اور حصص یافتگان کی منظوری کے لئے بیرونی 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:

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

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 2024ء اس رپورٹ کے ساتھ منسلک ہے۔



ڈائریکٹرز رپورٹ

آڈیٹرز:

موجودہ آڈیٹرز میسرز آرابیس ایم اولیس حیدر لیاقت نعمان ریٹائر ہو گئے ہیں اور 2024-25 کیلئے دوبارہ تقرری کیلئے خود کو پیش کیا ہے۔ آڈٹ کمیٹی نے سالانہ جنرل میٹنگ میں ان کی دوبارہ تقرری کی بھی سفارش کی ہے۔

معاشرتی اور ماحولیاتی ذمہ داری کی پالیسی:

کارپوریٹ کمیونٹی کا ایک باضابطہ رکن ہونے کے ناطے، کمپنی مختلف سماجی ورفاجی مقاصد کے لیے بشمول صحت اور تعلیم کے شعبوں میں فراخ دلی سے شراکت کرتی ہے۔ ہم نے اپنے یونٹ کے 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 (رجسٹریشن، تشخیص، کیمیکلز کی اجازت اور پابندی) تصدیق شدہ ہیں اور ہمارے لیڈر، جن کا مختلف ممالک میں الگ طریقہ سے تجربہ کیا جاتا ہے جہاں ہم غیر معمولی نتائج سے گزرتے ہیں، ٹیسٹ شدہ ہیں۔ ہم تصدیق کرتے ہیں کہ ہمارے لیڈرز میں کروم 6 AZO ڈائریکٹوریٹ دو سر ا ممتنع مادہ یا عنصر موجود نہیں ہے۔
- ۲۔ سخت ضروریات کے مطابق مخصوص مارکیٹوں یا مقامی قواعد و ضوابط کے ذریعہ ہمارے ماحولیاتی انتظام کے نظام کو برقرار اور مستقل طور پر بہتر بنائیں۔ اس طرح ہم ایف لو سنٹ ٹریٹمنٹ پلانٹ کی ضروریات کے ساتھ مکمل تعاون کرتے ہیں۔
- ۳۔ اس انداز سے کام کریں جو ہمارے ملازمین میں ری سائیکلنگ، وسائل کے تحفظ، آلودگی کی روک تھام، مصنوعات میں اضافہ اور ماحولیاتی ذمہ داری کے فروغ کے ذریعہ ماحولیاتی استحکام میں مستقل بہتری کیلئے پُر عزم ہو۔
- ۴۔ UNIDO-GEF نے پاکستان ٹینرز ایسوسی ایشن کے اشتراک سے کورنگی سیکٹر 7-A کی بحالی کا منصوبہ شروع کیا ہے جس سے سیکٹر 7-A کے مجموعی انفراسٹرکچر میں بہتری آئے گی۔ اس منصوبے میں نکاسی آب، ویسٹ مینجمنٹ، سڑکوں اور سائلڈ ویسٹ مینجمنٹ کی مکمل اوور ہالنگ شامل ہے۔

بورڈ آف کارپوریٹ گورننس کے قواعد پر عملدرآمد:
قواعد پر عملدرآمد کا بیان بمعہ کوڈ آف کارپوریٹ گورننس اس رپورٹ کے ساتھ منسلک ہے۔

مستقبل کا نظریہ:

ملک میں کاروباری ماحول بدستور چیلنجنگ ہے۔ سیاسی اور معاشی بے یقینی صورتحال کی باعث ملک اس وقت نازک دور سے گزر رہا ہے۔
غیر مستحکم عملی نتائج کی وجہ سے، انتظامیہ بحالی کے کسی منصوبے پر غور کر رہی ہے۔

اظہار تشکر:

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

از طرف بورڈ

عمر احمد
ڈائریکٹر

محمد سلیم احمد
چیف ایگزیکٹو آفیسر

کراچی؛ مورخہ 04 اکتوبر 2024ء



Chairperson's Review

I am pleased to welcome you all in the 37th annual general meeting of the Company and present you a review of the Company for the year ended June 30, 2024.

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 of the Human Resource Committee, the overall performance and effectiveness of the Board has been assessed as Satisfactory

General Review:

Year under review was challenging like the previous year. Political uncertainty, financial crises and high rate of inflation has slowed down the overall economic activity.

Director's efforts for the out of court settlement with the Albaraka Bank fruited a waiver financial liabilities of Rs. 13.985 million.

Company Performance:

Company sales during the year under review reduced to Rs.89.395 Million from Rs.90.691 Million during the corresponding last year.

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

Rubina Saleem
Chairperson of the Board

Karachi: October 04, 2024

چیمبر پرسن کا جائزہ



میں کمپنی کی 37 ویں سالانہ جنرل میٹنگ میں آپ سب کا خیر مقدم کرتا ہوں اور 30 جون 2024 کو ختم ہونے والے سال کے لیے کمپنی کا جائزہ پیش کرتے ہوئے بے حد خوش ہوں۔

بورڈ آف ڈائریکٹرز کی کارکردگی:

بورڈ کی چیمبر پرسن کی حیثیت سے، کمپنی کی گورننس کی نگرانی اور اسے مضبوط بنانا میری ذمہ داری ہے۔ زیر جائزہ سال کے دوران، ہیومن ریسورس کمیٹی کی تشخیص کی بنیاد پر بورڈ کی مجموعی کارکردگی اور افادیت کو اطمینان بخش قرار دیا گیا ہے۔

عام جائزہ:

زیر جائزہ سال گزشتہ سال کی طرح مشکلات کا شکار رہا۔ سیاسی غیر یقینی صورتحال، مالی بحران اور بلند افراط زر کی شرح کے باعث مجموعی اقتصادی سرگرمیاں سست روی کا شکار ہیں۔ ڈائریکٹرز کی البرکہ بینک کے ساتھ عدالت سے باہر تصفیہ کی کوششوں کے نتیجے میں 13.985 ملین روپے کی مالی ادائیگیوں میں رعایت حاصل ہوئی۔

کمپنی کی کارکردگی:

زیر جائزہ سال کے دوران کمپنی کی فروخت 90.691 ملین روپے سے کم ہو کر 89.395 ملین روپے ہو گئی۔

آڈٹ شدہ مالیاتی گوشواروں، آڈٹ رپورٹ اور ڈائریکٹرز کی رپورٹ ممبران کی معلومات کے لیے منسلک ہیں۔

روبینہ سلیم

چیمبر پرسن بورڈ

کراچی: 4 اکتوبر 2024ء



STATEMENT OF VALUE ADDED

	2024 (Rupees)	%	2023 (Rupees)
WEALTH GENERATED			
TOTAL REVENUE	89,394,744		90,691,318
BROUGHT IN MATERIAL & SERVICES	(62,903,113)		(57,200,344)
	<u>26,491,631</u>		<u>33,490,974</u>
WEALTH DISTRIBUTED			
TO EMPLOYEES			
SALARIES, BENEFITS & RELATED COST	18,063,382	68.19	27,546,427
TO GOVERNMENT			
INCOME TAX, SALES TAX, IMPORT DUTY AND WORKERS' FUND	5,471,002	20.65	2,931,098
RETAINED FOR REINVESTMENT & FUTURE GROWTH			
DEPRECIATION / AMORTISATION	2,957,247	11.16	3,013,449
	<u>26,491,631</u>	100.00	<u>33,490,974</u>

SIX YEARS AT A GLANCE



(Rs in '000)

PARTICULARS	2024	2023	2022	2021	2020	2019
Net Sales	89,395	90,691	132,935	108,363	216,633	76,580
Gross Profit/(loss)	12,954	9,600	13,407	3,773	21,095	14,906
Net Profit/(loss) before tax	10,940	(10,205)	(1,321)	(7,940)	51,084	5,061
Gross Profit/(loss) (%)	14.49	10.58	10.08	3.48	9.74	19.46
Net Profit/(loss) (%)	12.24	(11.25)	(0.99)	(7.33)	23.58	6.61
Earning/(loss) per share (after tax)	2.39	(3.30)	(0.85)	(2.56)	14.35	1.22
Current ratio	(0.16)	(0.17)	(0.28)	(0.28)	(0.26)	(0.32)



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. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- 5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017(the Act) and the Regulations.
- 7. The meetings of the Board were presided over by the Chairperson and, in her absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
- 8. The Board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- 9. All directors of the Company are well conversant of their duties and responsibilities. Six out of seven directors are exempt from the training requirement.

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



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

a) Audit Committee:

Qaiser Jamal	Chairman
Nayyer Ahmed	Member
Azeem Ahmed	Member

b) HR & Remuneration Committee:

Ahmed Jalali	Chairman
Nayyer Ahmed	Member
Azeem Ahmed	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee is as follow:
 - a) Audit Committee: Quarterly
 - b) HR and Remuneration Committee: Yearly
15. 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.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not holdshares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that 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

19. 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 one 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.
- Regulation 10A has been inserted in the Listed Companies (Code of Corporate Governance) Regulations, 2019 vide SRO 920 (1) / 2024 dated 12.06.2024 whereas company's financial year ended on 30.06.2024.

The requirement is non-mandatory and the Board has not constituted a separate Sustainability Committee. Its functions will be performed by the Board Audit Committee for the compliance of the Regulation 10A from the financial year started from 01.07.2024.

RUBINA SALEEM
CHAIRPERSON

Karachi: October 04, 2024

**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, 2024 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. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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, 2024.

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	19	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: October 04, 2024
UDIN: CR2024101937kD4u5FQP



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, 2024, 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 material accounting policy information 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, 2024 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan, (the 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

We draw attention to note 1.2 to the financial statements which states that the Company incurred profit of Rs. 8.126 million including waiver of financial liabilities of Rs.13.985 million (2023: Rs. 11.21 million) during the year. As at the reporting date, its equity is negative by Rs. 328.38 million (2023: Rs. 336.5 million) and current liabilities exceed its current assets by Rs. 337.1 million (2023: Rs. 354.72 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 18 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.

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



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 we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

PAK LEATHER CRAFTS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

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;

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



- 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 Syed Ali Adnan Tirmizey.

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Place: Lahore

Date: October 04, 2024
UDIN: AR2024101933F2rXeQ4w



STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2024

	NOTE	2024 RUPEES	2023 RUPEES
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	32,692,954	34,183,594
Long term deposits	7	1,409,612	1,409,612
		<u>34,102,566</u>	<u>35,593,206</u>
CURRENT ASSETS			
Loose tools		476,387	362,383
Stock in trade	8	44,034,867	48,403,105
Trade debts	9	13,623,360	10,132,311
Advances and other receivable	10	3,379,140	2,233,356
Tax refunds due from Government	11	2,999,720	1,571,264
Cash and bank balances	12	942,422	8,650,856
		<u>65,455,896</u>	<u>71,353,275</u>
TOTAL ASSETS		<u><u>99,558,462</u></u>	<u><u>106,946,481</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
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		34,000,000	34,000,000
Accumulated loss		<u>(362,376,799)</u>	<u>(370,503,519)</u>
		<u>(328,376,799)</u>	<u>(336,503,519)</u>
NON-CURRENT LIABILITIES			
Long term loans	13	18,254,742	10,875,350
Deferred interest income	14	7,122,148	6,501,540
		<u>25,376,890</u>	<u>17,376,890</u>
CURRENT LIABILITIES			
Short term bank borrowings	15	219,989,717	247,515,014
Current portion of long term financing	16	54,903,419	46,903,419
Interest / mark up payable		81,965,162	89,200,158
Trade and other payables	17	42,816,612	41,272,216
Provision for taxation - income tax		2,741,213	1,040,055
Unclaimed dividend		142,248	142,248
		<u>402,558,371</u>	<u>426,073,110</u>
CONTINGENCIES	18	<u>-</u>	<u>-</u>
		<u><u>99,558,462</u></u>	<u><u>106,946,481</u></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, 2024**



	NOTE	2024 RUPEES	2023 RUPEES
Sales	19	89,394,744	90,691,318
Cost of sales	20	76,440,759	81,091,695
Gross profit		<u>12,953,985</u>	<u>9,599,623</u>
Other income	21	13,985,813	113,795
		<u>26,939,798</u>	<u>9,713,418</u>
Administrative expenses	22	12,314,683	13,377,498
Selling and distribution expenses	23	2,088,720	5,708,699
Finance cost	24	785,600	832,053
		<u>15,189,003</u>	<u>19,918,250</u>
Operating profit		<u>11,750,795</u>	<u>(10,204,832)</u>
Other operating expenses	25	810,805	-
Profit/(loss) for the year before levies and taxation		<u>10,939,990</u>	<u>(10,204,832)</u>
Provision for levies and taxation	26	2,813,270	1,002,006
Profit/(loss) for the year		<u><u>8,126,720</u></u>	<u><u>(11,206,838)</u></u>
Profit/(loss) per share - Basic and diluted (Rupees per Share)	27	<u><u>2.39</u></u>	<u><u>(3.30)</u></u>

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

NASEER AHMED
CHIEF FINANCIAL OFFICER

UMER AHMED
DIRECTOR



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2024

	2024 RUPEES	2023 RUPEES
Profit/(loss) for the year	8,126,720	(11,206,838)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the year	<u>8,126,720</u>	<u>(11,206,838)</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, 2024



	Issued Subscribed and paid up Capital	Loan from Directors	Accumulated loss	Total
	----- (Rupees) -----			
Balance as at July 01, 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)
	-	(123,020,039)	-	(123,020,039)
Balance as at June 30, 2023	34,000,000	-	(370,503,519)	(336,503,519)
Total comprehensive profit for the year	-	-	8,126,720	8,126,720
Profit for the year	-	-	-	-
Other comprehensive income	-	-	8,126,720	8,126,720
	-	-	8,126,720	8,126,720
Balance as at June 30, 2024	34,000,000	-	(362,376,799)	(328,376,799)

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

NASEER AHMED
CHIEF FINANCIAL OFFICER

UMER AHMED
DIRECTOR



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2024

	NOTE	2024 RUPEES	2023 RUPEES
A) CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(loss) for the year before levies and taxation		10,939,990	(10,204,832)
Adjustment for non-cash changes and other items:			
Depreciation		2,957,245	3,013,449
Waiver of loan liability on settlement		(6,750,817)	-
Waiver of markup on loan on settlement		(7,234,996)	-
		<u>(11,028,568)</u>	<u>3,013,449</u>
Cash flow before working capital changes		<u>(88,578)</u>	<u>(7,191,383)</u>
Changes in working capital			
(Increase) / decrease in current assets			
Loose tools		(114,004)	(37,001)
Stock in trade		4,368,238	4,900,334
Trade debts		(3,491,049)	12,346,453
Advances and other receivable		(917,198)	1,075,976
Tax refunds due from government		(1,180,734)	1,877,386
Increase / (decrease) in current liabilities			
Trade and other payables		1,544,396	(14,203,489)
		<u>209,649</u>	<u>5,959,659</u>
Cash flow from operations		<u>121,071</u>	<u>(1,231,724)</u>
Income tax paid		<u>(1,588,420)</u>	<u>(1,359,834)</u>
Net cash flow from operating activities		<u>(1,467,349)</u>	<u>(2,591,558)</u>
B) CASH FLOW FROM INVESTING ACTIVITIES			
Additions in property, plant and equipment		<u>(1,466,605)</u>	<u>(3,253,142)</u>
Net cash flow from investing activities		<u>(1,466,605)</u>	<u>(3,253,142)</u>
C) CASH FLOW FROM FINANCING ACTIVITIES			
Loan from director obtained - net	30	7,225,520	11,965,070
Repayment of borrowings from financial institutions		(12,000,000)	-
Dividend paid		-	(258)
Net cash flow from financing activities		<u>(4,774,480)</u>	<u>11,964,812</u>
Net increase / (decrease) in cash and cash equivalents	(A+B+C)	<u>(7,708,434)</u>	6,120,112
Cash and cash equivalents at the beginning of the year		<u>8,650,856</u>	<u>2,530,744</u>
Cash and cash equivalents at the end of the year		<u>942,422</u>	<u>8,650,856</u>

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

NASEER AHMED
CHIEF FINANCIAL OFFICER

UMER AHMED
DIRECTOR



1 LEGAL ENTITY & NATURE OF BUSINESS

- 1.1 Pak Leather Crafts Limited (the Company) is a public limited company incorporated in Pakistan under the repealed Companies Ordinance, 1984 and is quoted on Pakistan Stock Exchange. The principal activity of the Company is leather tanning and export of leather and leather garments. The registered office and mill of the Company are situated at Plot # 18, Sector 7-A, Korangi Industrial Area, Karachi, in the province of Sindh.
- 1.2 The Company incurred profit of Rs. 8.13 million [including income on waiver of financial liabilities of Rs. 13.99 million] (2023: Rs. 11.21 million) during the year. As at the reporting date, Its equity is negative by Rs. 328.38 million (2023: Rs. 336.5 million) and current liabilities exceed its current assets by Rs. 337.1 million (2023: Rs. 354.72 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. During the year, out of court settlement was done with Albarak Bank Ltd which resulted waiver of Rs. 13.99 million. 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, 2023 and therefore, have been applied in preparing these financial statements.



Notes to the Financial Statements for the year ended June 30, 2024

• **IAS 1 – Presentation of Financial Statements**

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. Application of these amendments do not have any significant impact on the Company's financial statements.

• **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 do not have any significant impact on the Company's financial statements.



- **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.

Application of 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, 2023 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.

- **IAS 1 – Presentation of Financial Statements**

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 (Amendments to IAS 1) 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:



Notes to the Financial Statements for the year ended June 30, 2024

- 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 IASB has further modified 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. The amendments are to be applied retrospectively in accordance with IAS 8. Application of these amendments is not expected to have any significant impact on the Company's financial statements.

- **IAS 7 – Statement of Cash Flows and IFRS 7 – Financial 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:
 - to assess how supplier finance arrangements affect an entity's liabilities and cash flows and
 - 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:
 - the terms and conditions of the supplier finance arrangements;
 - 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
- 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. Application of these amendments is not expected to have any significant impact on the Company's financial statements.

- **IFRS 16 Leases**

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

'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. Application of these amendments is not expected to have any significant impact on the Company's financial statements.

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

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

3.5 Standards issued by IASB but not applicable in Pakistan

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



Notes to the Financial Statements for the year ended June 30, 2024

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

IFRS 18 - Presentation and Disclosures in Financial Statements

IFRS 19 - Subsidiaries without Public Accountability: Disclosures

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.



Notes to the Financial Statements for the year ended June 30, 2024

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.

5.6.4 Impairment of financial assets

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



Notes to the Financial Statements for the year ended June 30, 2024

- 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

If, in accordance with the requirements of IAS 37 and Income Tax Ordinance, 2001 (ITO, 2001), an obligating event giving rise to charge-ability of levy (as per IFRIC 21/IAS 37) [which is a final tax or minimum tax as per provisions of ITO, 2001] has occurred, then the amount calculated on taxable income using the notified tax rate is designated as an income tax within the scope of IAS 12 'Income Taxes' and recognised as current income tax expense. Any excess over the amount designated as income tax, is then recognised as a levy falling under the scope of IFRIC 21/IAS 37 and recognized as 'levy (expense)' in the statement of profit or loss.

Deferred

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

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

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

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

5.12 Revenue recognition

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

- identifies the contract with a customer;
- identifies the performance obligations in the contract;
- determines the transaction price which takes into account estimates of variable consideration, if any, and the time value of money;
- allocates the transaction price to the separate performance obligations, if applicable, on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and



Notes to the Financial Statements for the year ended June 30, 2024

- 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.

Notes to the Financial Statements for the year ended June 30, 2024



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, 2024

6. PROPERTY, PLANT AND EQUIPMENT

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

(Rupees)

As at July 01, 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)	(4,922,895)	(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

Year ended June 30, 2024

Opening net book value	6,382,167	6,666,070	19,099,412	245,173	934,342	14,154	842,276	34,183,594
Additions	-	408,700	1,010,905	47,000	-	-	-	1,466,605
Depreciation charged	-	(697,260)	(1,970,597)	(26,084)	(93,434)	(1,415)	(168,455)	(2,957,245)
Closing net book value	6,382,167	6,377,510	18,139,720	266,089	840,908	12,739	673,821	32,692,954

As at June 30, 2024

Cost	6,382,167	24,083,064	98,803,809	5,240,087	7,761,412	75,000	10,148,476	152,494,015
Accumulated depreciation	-	(17,705,554)	(80,664,089)	(4,973,998)	(6,920,504)	(62,261)	(9,474,655)	(119,801,061)
Net book value	6,382,167	6,377,510	18,139,720	266,089	840,908	12,739	673,821	32,692,954

Annual rate of depreciation	-	10%	10%	10%	10%	10%	20%	
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Notes to the Financial Statements for the year ended June 30, 2024



	NOTE	2024 RUPEES	2023 RUPEES
6.1	Allocation of depreciation for the year is as under ;		
	Cost of sales	20.1 2,779,810	2,832,642
	Administrative expenses	22 177,435	180,807
		<u>2,957,245</u>	<u>3,013,449</u>
6.2	Head office and production facility of the Company are located at Plot # 18, Sector 7-A, Korangi Industrial Area, Karachi, Pakistan, measuring 2667 square yards which is held under lease.		
		2024 RUPEES	2023 RUPEES
7.	LONG TERM DEPOSITS		
	Against utilities	843,112	843,112
	Others	566,500	566,500
		<u>1,409,612</u>	<u>1,409,612</u>
8.	STOCK IN TRADE		
	Raw material	16,355,829	9,375,116
	Work in process	-	1,552,570
	Finished goods	8.1 27,679,038	37,475,419
		<u>44,034,867</u>	<u>48,403,105</u>
8.1	Stock in trade includes old stock carried at written down value of Rs. 14.98 million (2023: Rs. 14.98 million) since prior periods		
9.	TRADE DEBTS		
	Unsecured		
	Considered good		
	Local	4,403,052	4,047,821
	Foreign	9,220,308	6,084,490
		<u>13,623,360</u>	<u>10,132,311</u>
10.	ADVANCES AND OTHER RECEIVABLE		
	Considered good		
	Advances		
	Employees	167,160	252,720
	Suppliers	219,650	482,746
	Income tax	1,588,420	1,359,834
	Other receivable		
	Duty drawback	1,403,910	138,056
		<u>3,379,140</u>	<u>2,233,356</u>
11.	TAX REFUNDS DUE FROM GOVERNMENT		
	Sales tax	2,249,556	1,068,822
	Income tax	750,164	502,442
		<u>2,999,720</u>	<u>1,571,264</u>



Notes to the Financial Statements for the year ended June 30, 2024

	NOTE	2024 RUPEES	2023 RUPEES
12. CASH AND BANK BALANCES			
Cash in hand		28,497	62,878
Cash at bank - In current accounts		913,925	8,587,978
		<u>942,422</u>	<u>8,650,856</u>
13. LONG TERM LOANS			
From director's associates			
From director's associate		10,875,350	9,672,996
Adjustment for change in incremental borrowing rate		(1,972,414)	-
Interest markup on long term loan	24.1	1,351,806	1,202,354
		<u>10,254,742</u>	<u>10,875,350</u>
From banking companies			
Export refinance - rescheduled	13.2	16,000,000	-
Less: current portion		(8,000,000)	-
		<u>8,000,000</u>	<u>-</u>
		<u>18,254,742</u>	<u>10,875,350</u>
13.1	This is unsecured and 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 4 (2023: 5) years. The loan is carried at amortized cost, with estimated repayment term of 5 years at an effective interest rate of 19.22% (2023: 12.43%) per annum. The unearned interest income is recorded as deferred interest income (Refer Note 14).		
13.2	The Company entered into a loan settlement agreement with a financial institution, approved by the banking court, for an original outstanding liability of Rs. 41.9 million. Under the terms of the agreement, Rs. 28 million was rescheduled for repayment over a period of 2.5 years through quarterly installments of Rs. 2 million each, while the remaining Rs. 13.9 million was waived off , this waiver has been recognized in the financial statements as other income in Note 21. Loan is secured by post date cheques of outstanding amount.		
14. DEFERRED INTEREST INCOME			
Deferred Interest Income		6,501,540	7,703,894
Adjustment for change in incremental borrowing rate		1,972,414	-
Unwinding of deferred interest income	24.1	(1,351,806)	(1,202,354)
		<u>7,122,148</u>	<u>6,501,540</u>
15. SHORT TERM BANK BORROWINGS			
From Directors	15.1	142,210,629	134,985,109
From banking companies			
Export refinance	15.2	62,850,000	97,600,817
Cash finance		10,250,000	10,250,000
Running finance		4,679,088	4,679,088
	15.3	77,779,088	112,529,905
		<u>219,989,717</u>	<u>247,515,014</u>
15.1	These are unsecured, interest free and repayable on demand.		

Notes to the Financial Statements for the year ended June 30, 2024



	NOTE	2024 RUPEES	2023 RUPEES
15.2 Export refinance			
Balance at the beginning of the year		97,600,817	97,600,817
Payments made during the year		(12,000,000)	-
Waiver of loan liability on settlement		(6,750,817)	-
Transferred to long term finance on rescheduling		(16,000,000)	-
Balance at the end of the year		<u>62,850,000</u>	<u>97,600,817</u>
15.3 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 16.1), lien over import and export documents and personal guarantee of directors of the Company. Cash finance is secured against pledge of old stock in trade with carrying value of Rs. 16.95 million (2023: Rs. 16.95 million). 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 18).			
16. CURRENT PORTION OF LONG TERM FINANCING			
Secured			
Export finance	13.2	8,000,000	-
Demand finance	16.1	46,903,419	46,903,419
		<u>54,903,419</u>	<u>46,903,419</u>
16.1 This is secured against first charge over fixed assets of the Company ranking pari passu with the charge created in respect of short term bank borrowings (Refer Note 15.2) and personal guarantee of directors of the Company. The principal and related mark up are overdue and the bank has filed suit for recovery of the finance alongwith related mark up and cost of funds (Refer Note 18).			
17. TRADE AND OTHER PAYABLES			
Creditors		28,889,966	32,750,723
Accrued liabilities	17.1	9,421,828	5,318,532
Advance from customers	17.2	3,142,450	3,142,450
Withholding Income tax payable		551,563	60,511
Payable against other operating expenses	25	810,805	-
		<u>42,816,612</u>	<u>41,272,216</u>
17.1 These include remuneration payable to chief executive officer and directors amounting to Rs. 6.75 million (2023: Rs. 3.06 million).			
17.2 Advance received from customer is recognized as revenue when the performance obligation, in accordance with the policy as described in Note 5.12, is satisfied.			
18. CONTINGENCIES			
Bankers / financial institutions of the Company have filed suits in banking courts against the Company under the provisions of Financial Institutions (Recovery of Finances) Ordinance, 2001 for recovery of overdue short term and long term finances 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.124.68 million (2023: Rs. 159.43 million) and related overdue mark up is Rs. 81.97 million (2023: 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.			



Notes to the Financial Statements for the year ended June 30, 2024

	NOTE	2024 RUPEES	2023 RUPEES
19. SALES			
Export - Leather	19.1	56,036,308	70,319,466
Local sale - Job work income - Leather Processing		<u>37,884,448</u>	<u>23,530,023</u>
		93,920,756	93,849,489
Less : Sales Tax		(5,891,502)	(3,484,372)
Commission and discount		-	(989,859)
Add : Rebate / duty draw back		<u>1,365,490</u>	<u>1,316,060</u>
		89,394,744	90,691,318
19.1 It includes exchange gain of Rs. 220,166/- (2023 : exchange gain of Rs 1,301,172/-).			
20. COST OF SALES			
Opening stock of finished goods		37,475,419	25,057,264
Cost of goods manufactured	20.1	<u>66,644,378</u>	<u>93,509,850</u>
		104,119,797	118,567,114
Less: Closing stock of finished goods		<u>(27,679,038)</u>	<u>(37,475,419)</u>
		76,440,759	81,091,695
20.1 Cost of goods manufactured			
Raw material consumed	20.1.1	22,523,772	38,118,700
Salaries, wages, and benefits		20,488,775	19,974,742
Power, fuel and water		14,530,442	10,963,879
Repairs and maintenance		4,369,383	5,068,251
Carriage and freight		354,626	181,376
Depreciation	6.1	2,779,810	2,832,642
Others		<u>45,000</u>	<u>1,685,309</u>
		65,091,808	78,824,899
Work in process:			
Opening		1,552,570	16,237,521
Closing		-	(1,552,570)
		<u>1,552,570</u>	<u>14,684,951</u>
		66,644,378	93,509,850
20.1.1 Raw material consumed			
Opening balance		9,375,116	12,008,654
Purchases during the year		29,504,485	35,485,162
Available for consumption		<u>38,879,601</u>	<u>47,493,816</u>
Closing balance		<u>(16,355,829)</u>	<u>(9,375,116)</u>
		22,523,772	38,118,700
21. OTHER INCOME			
Waiver of loan liability on settlement		6,750,817	-
Waiver of markup on loan on settlement		7,234,996	-
Other		-	113,795
		<u>13,985,813</u>	<u>113,795</u>

Notes to the Financial Statements for the year ended June 30, 2024



	NOTE	2024 RUPEES	2023 RUPEES
22. ADMINISTRATIVE EXPENSES			
Directors' remuneration	28	5,400,000	5,400,000
Salaries and benefits		2,031,445	2,171,685
Telephone, fax and postage		371,367	491,603
Fees and subscription		1,441,755	1,146,210
Printing and stationary		203,105	199,568
Repairs and maintenance		567,560	909,505
Vehicles running and maintenance		250,090	310,870
Legal and professional		894,951	1,048,185
Auditors' remuneration	22.1	760,825	763,325
Advertisement		50,400	18,000
Depreciation	6.1	177,435	180,807
Others		165,750	737,740
		<u>12,314,683</u>	<u>13,377,498</u>
22.1 Auditors' remuneration			
Audit fee		420,000	420,000
Half year review		115,500	115,500
Other professional services		172,325	174,825
Out of pocket expenses		53,000	53,000
		<u>760,825</u>	<u>763,325</u>
23. SELLING AND DISTRIBUTION EXPENSES			
Freight and forwarding charges		1,286,007	2,767,911
Travelling and conveyance		65,000	1,478,764
Others		737,713	1,462,024
		<u>2,088,720</u>	<u>5,708,699</u>
24. FINANCE COST			
Bank Charges and Commission		785,600	832,053
Interest markup on long term loan - net	24.1	-	-
		<u>785,600</u>	<u>832,053</u>
24.1 Interest markup on loan	13	1,351,806	1,202,354
Unwinding of related deferred income	14	(1,351,806)	(1,202,354)
		<u>-</u>	<u>-</u>
25. OTHER OPERATING EXPENSES			
Worker's Welfare Fund		235,016	-
Worker's Profit Participation Fund		575,789	-
		<u>810,805</u>	<u>-</u>



Notes to the Financial Statements for the year ended June 30, 2024

	NOTE	2024 RUPEES	2023 RUPEES
26. PROVISION FOR LEVIES AND TAXATION			
Current			
for the year			
Levies		-	1,040,055
tax expense		<u>2,741,213</u>	<u>-</u>
		<u>2,741,213</u>	<u>1,040,055</u>
for prior years		<u>72,057</u>	<u>(38,049)</u>
		<u>2,813,270</u>	<u>1,002,006</u>
Deferred	26.2	<u>-</u>	<u>-</u>
		<u>2,813,270</u>	<u>1,002,006</u>

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.

26.2 Deferred tax asset works out to Rs. 0.85 million (2023: Rs. 3.87 million) which is not recognized in these financial statements in view of un-certain future results. It comprises of the following;

	2024 RUPEES	2023 RUPEES
Difference between accounting and tax basis of assets	1,500,226	726,126
Tax losses carried forward	(452,956)	(4,596,264)
Minimum tax credits under section 113 & 113C	<u>(1,897,459)</u>	<u>-</u>
	<u>(850,189)</u>	<u>(3,870,138)</u>

27. PROFIT/(LOSS) PER SHARE -

Profit/(loss) for the year – Rupees	<u>8,126,720</u>	<u>(11,206,838)</u>
Weighted average number of ordinary shares (number)	<u>3,400,000</u>	<u>3,400,000</u>
Profit/(loss) per share -	<u>2.39</u>	<u>(3.30)</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	
	2024	2023	2024	2023	2024	2023
	----- (Rupees) -----					
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	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>



28.1 The Company has also provided mobile and the Company maintained vehicle to a director. The monetary value of these benefits is Rs. 304,967 /- (2023: Rs. 583,670/-)

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.

	2024 RUPEES	2023 RUPEES
29.1 Financial instruments by category		
Financial assets at amortized cost:		
Long term deposits	1,409,612	1,409,612
Trade debts	13,623,360	10,132,311
Cash and bank balances	942,422	8,650,856
	<u>15,975,394</u>	<u>20,192,779</u>
Financial liabilities at amortized cost:		
Long term loan	18,254,742	10,875,350
Short term bank borrowings	219,989,717	247,515,014
Long term financing	54,903,419	46,903,419
Interest / mark up payable	81,965,162	89,200,158
Trade and other payables	38,311,794	38,069,255
	<u>413,424,834</u>	<u>432,563,195</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, 2024

	2024 RUPEES	2023 RUPEES
Financial assets at amortized cost		
Long term deposits	1,409,612	1,409,612
Trade debts	13,623,360	10,132,311
Bank balances	913,925	8,587,978
	<u>15,946,897</u>	<u>20,129,901</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.

All financial liabilities of the Company are due to mature within one year from the reporting date, except for 'Long term loans'. Contractual maturities of these liabilities are discussed in their respective notes.

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 amounting to Rs. 9.22 million (2023: 6.08 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 18).

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.

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. 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	2024 RUPEES	2023 RUPEES
Mr. Muhammad Saleem Ahmed	CEO (15.26 % shareholding)	Long term loan		
		Obtained	-	12,765,200
		Short term loan		
		Obtained	23,295,000	8,000,000
		Repaid	16,043,790	8,000,000
Mr. Umer Ahmed	Director (0.09 % shareholding)	Long term loan		
		Obtained	-	300,000
		Repaid	-	1,100,000
		Short term loan		
		Obtained	-	5,000,000
		Repaid	25,690	5,000,000



Notes to the Financial Statements for the year ended June 30, 2024

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.

	2024	2023
32. NUMBER OF PERSONS EMPLOYED BY THE COMPANY		
Number of employees at the year end	<u>22</u>	<u>31</u>
Average number of employees during the year	<u>29</u>	<u>33</u>

33. DATE OF AUTHORIZATION FOR ISSUE

The financial statements have been authorised for issue by the Board of Directors of the Company on 4th October 2024.

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, 2024



NUMBER OF SHAREHOLDERS	SHARE HOLDINGS FROM	TO	SHARES HELD OF RS. 10/- EACH
229	1	100	12,693
150	101	500	58,967
52	501	1,000	47,602
46	1,001	5,000	102,951
4	5,001	10,000	25,958
3	15,001	20,000	41,500
1	25,001	30,000	25,500
1	60,001	75,000	61,529
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	240,001	310,000	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
504			3,400,000

BREAK-DOWN OF PATTERN OF SHARE HOLDINGS

CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	NO. OF SHARES HELD	HOLDING PERCENTAGE
Individuals	496	2,778,440	81.72
Insurance Companies	1	167,800	4.94
Joint Stock Companies	4	370,060	10.88
Financial Institutions	3	83,700	2.46
	504	3,400,000	100.00



DETAILS OF PATTERN OF SHAREHOLDING

AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE

		NO. OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Associated Companies		NIL	NIL	-
Mutual Funds:				
NBP - Trustee Deptt	(NIT)	1	3,900	0.11
Investment Corp. of Pakistan		1	1,800	0.05
Banks, financial institutions & insurance companies				
		6	615,860	18.11
Directors, their spouses & Miner children:				
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' associates & friends:		13	1,633,325	48.04
Other Individuals:		476	307,915	9.06
		504	3,400,000	100.00

PROXY FORM



I/We _____
_____ of _____
being member (s) of Pak Leather Crafts Limited and a holder of ordinary shares, hereby
appoint _____ of _____
_____ who is also a member of the company vide Folio No.
_____ as my/our proxy to attend and vote for me/us and on
my/our behalf at the 37th Annual General Meeting of the Company to be held on Monday 28th
October 2024 at 06:00 p.m.or at any adjournment thereof.

Signed this _____ day of _____ 2024

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 notorially certified copy of such power or authority, in order to be valid, must be deposited at the registered office of the Company at least 48 hours before the time of the meeting.
3. Signature should agree with the specimen signature registered with the Company.
4. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the company, all such instrument of proxy shall be rendered invalid

FOR CDC ACCOUNT HOLDERS/CORPORATE ENTITIES:

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

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

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

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

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



پراکسی فارم

سالانہ اجلاس عام

میں/ہم

بجائیت رکن پاک لیڈر کرافٹس لمیٹڈ و حامل
عام حصص برطابق شیئرز رجسٹر فوئیو نمبر _____ اور/یا سی ڈی سی کے شراکتی آئی ڈی نمبر _____
اور ذیلی کھاتہ نمبر _____ محترم/محترمہ _____ ساکن _____
یا بصورت دیگر _____ ساکن _____

کو اپنی/ہماری جگہ بروز پیر، مورخہ 28 اکتوبر، 2024، بوقت 6:00 بجے میں منعقد یا ملتوی ہونے والے 37 واں سالانہ اجلاس عام میں شرکت،
رائے دہندگی کے لیے اپنا نمائندہ مقرر کرتا/کرتی/کرتے ہوں/ہیں۔

دستخط مورخہ _____ برائے ماہ و سال _____ ثبت ہیں۔

گواہ:

(ٹکٹ یہاں چسپاں کریں)
اور دستخط کریں

دستخط _____

نام _____

پتہ _____

شناختی کارڈ نمبر: _____

شیئرز ہولڈر کا فوئیو 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 کمپنی کا ممبر نہ ہو وہ بطور پراکسی کام نہیں کر سکتا سوائے اس کے کہ کمپنی 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 کمپنی کی میٹنگ کے وقت سے کم از کم 48 گھنٹے قبل رجسٹرڈ آفس میں جمع کرنا ضروری ہے۔
- 3- دستخط کمپنی 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 انسٹرومنٹ کمپنی کے پاس جمع کرائے جاتے ہیں تو پراکسی کے ایسے تمام انسٹرومنٹ کو غلط قرار دیا جائے گا۔

سی ڈی سی اکاؤنٹ ہولڈرز کا رپورٹ اداروں کیلئے:

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

پراکسی فارم پر دو گواہان کے نام، پتے اور شناختی کارڈ نمبر 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 کارپوریٹ وولیشن/پاور آف اٹارنی نمونہ دستخط کے ساتھ کمپنی کے پراکسی فارم کے ساتھ جمع کرایا جائے گا (اگر یہ پہلے فراہم نہ کیا گیا ہو)۔