

**ANNUAL REPORT
2013 - 2014**



Pak Leather Crafts Limited

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CORPORATE PROFILE

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Dr. Muhammad Shoaib Ahmed	Chairman
Azeem Ahmed	Member
Syed Fawad Hussain Rizvi	Member

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Syed Asif Mahmood Rizvi

BANKERS

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

EXTERNAL AUDITORS

S. M. Rehan & Co.
Chartered Accountants

LEGAL ADVISOR

Shakiel Z. Lari Advocate

REGISTERED OFFICE

Plot 18, Sector 7 - A,
Korangi Industrial Area,
Karachi

DIRECTORS' REPORT



The Directors of your company welcome you to the 27th Annual General Meeting and place before you the Annual Report along with Audited Accounts of the company for the year ended June 30, 2014.

FINANCIAL RESULTS

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

	2014 Rupees
Loss before taxation	(20,963,151)
Taxation	<u>(11,218)</u>
Loss after tax	(20,974,369)
Accumulated (Loss) Brought Forward	<u>(346,704,677)</u>
Accumulated (Loss) Carried Forward	<u>(367,679,046)</u>

During the financial year ended June 30, 2014, due to best efforts made by the management, the Company made export sale of Rs 2.50 (M) whereas the job work sales of the company stood at Rs. 6.60(M) Million for the year under review as compared to the net sales of Rs. 15.90 Million for the last year ended June 30, 2013.

Because of best efforts of the management, the Company succeeded in making exports and Job Work sales whereas provision for write down of inventory as well as financial cost of Markup of the Company restricted very limited. The Company incurred reduced and after tax losses of Rs.20.974 Million. These reduced losses are mainly attributable to under utilization of capacity of production. The current liabilities exceeded current assets of the Company by Rs.352.756 Million at the balance sheet date. The company's losses are less than previous year. The management is confident that the export sales of the Company would improve during the year 2014-2015 and the financial results would improve in the current year.

COMMENTS ON AUDITORS' REPORT

As pointed out by the Auditors of the company regarding petitions filed by UBL, Al-Baraka Bank of Pakistan, NIB Bank Ltd, IDBP and HBL against the Company in the High Court of Sindh and Banking Courts Sindh. The management and the Company's legal counsel are of the view that the two petitions of HBL are not sustainable under the law. Regarding going concern, the Management is confident that our exports and job work would boost up for which management is making its best efforts. Improvement in economy of the Country as well as of European countries, we would be able to improve the financial results of the Company.

SALES

Due to best efforts of the management, the company succeeded in making export sales also as compared to Nil exports during last year. Whereas the company also made job work sales reasonably during the year.



DIRECTORS' REPORT

FUTURE OUTLOOK

The management is confident that as a result of serious efforts being made by the management; the Company would be able to make reasonable export sales in addition to heavy local job work sales and to improve its financial result in the current financial year. In order to meet the export orders requirement, the Directors of the Company would also induct the required working capital in the Company as & when required. However during the year 2013-2014 the Directors inducted a sum of Rs. 23,971 Million in the Company as were required to meet the financial crises.

CORPORATE AND FINANCIAL REPORTING

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

- a) The financial statements prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- b) Proper books of account of the listed company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) The Company's ability to continue as a going concern is effective as the management is making its best efforts to heavily increase the export sales and job work of the Company, improvement in global economic conditions and increase in export prices of the company as maximum as possible.
- 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.7

EARNINGS PER SHARE (EPS)

The loss per Share is Rs.(6.17) (2013: loss per share Rs.13.51)

BOARD AUDIT COMMITTEE

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

DIRECTORS' REPORT



NUMBER OF BOARD MEETING

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

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

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2014 is annexed with this report.

AUDITORS

The auditors of the company M/s. S. M. Rehan & Co (Chartered Accountants) have retired and being eligible offered themselves for re-appointment for the year 2014 - 2015. Whereas M/S. Amir Associates,(Chartered Accountants) have also sent request for their appointment for the year 2014-2015. The audit committee has recommended both names for final approval by AGM.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

ACKNOWLEDGEMENT

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

WORKER MANAGEMENT RELATIONSHIP

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

On behalf of the Board

Muhammad Saleem Ahmed
Chief Executive Officer

Karachi: October 10, 2014



STATEMENT OF VALUE ADDED

	2014 (Rupees)	%	2013 (Rupees)
WEALTH GENERATED			
TOTAL REVENUE	9,004,813		15,904,477
BROUGHT IN MATERIAL & SERVICES	(2,881,453)		(9,324,146)
	<u>6,123,360</u>		<u>6,580,331</u>
WEALTH DISTRIBUTED			
TO EMPLOYEES			
SALARIES, BENEFITS & RELATED COST	4,598,518	75.10	4,885,421
TO GOVERNMENT			
INCOME TAX, SALES TAX, IMPORT DUTY AND WORKERS' FUND	69,785	1.14	73,860
RETAINED FOR REINVESTMENT & FUTURE GROWTH			
DEPRECIATION / AMORTISATION	1,455,057	23.76	1,621,050
	<u>6,123,360</u>	100.00	<u>6,580,331</u>

SIX YEARS AT A GLANCE



(Rs in '000)

PARTICULARS	2014	2013	2012	2011	2010	2009
Net Sales	9,005	15,904	12,040	93,142	180,114	377,094
Gross Profit/(loss)	(9,917)	(25,585)	(31,017)	(68,113)	(48,339)	1,148
Net Profit/(loss) before tax	(20,963)	(45,790)	(55,454)	(95,991)	(115,043)	(65,583)
Gross Profit/(loss) (%)	(110.13)	(160.87)	(257.62)	(73.13)	(26.83)	0.30
Net Profit/(loss) (%)	(232.79)	(287.91)	(460.58)	(103.06)	(63.87)	(17.39)
Earning/(loss) per share (after tax)	(6.17)	(13.51)	(16.55)	(28.53)	(34.26)	(20.47)
Current ratio	(0.28)	(0.31)	(0.42)	(0.54)	(0.79)	1.11



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

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

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

- 2- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
- 3- All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4- The Company would prepare a "Code of Conduct" and would ensure that appropriate steps would be taken to disseminate it throughout the company along with its supporting policies and procedures and which would be placed on company's website.
- 5- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 6- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.
- 7- The meetings of the Board were presided over by the Chairman and, in his absence by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 8- The board would arrange training programs for its directors and would attend directors training program.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE



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

Karachi: October 10, 2014

(Muhammad Saleem Ahmed)
Chief Executive Officer



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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **PAK LEATHER CRAFTS LIMITED** ("the Company") for the year ended June 30, 2014 to comply with the requirements of Listing Regulations No. 35 Chapter XI of the Karachi, Lahore and Islamabad Stock Exchanges where the company is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflects the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2014.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in Paragraph 5, 9 and 15 in the Statement of Compliance.

Date: October 10, 2014
Place: Karachi

S.M. REHAN & Co.
Chartered Accountants
S.M. Rehan

AUDITORS' REPORT TO THE MEMBERS



We have audited the annexed balance sheet of **PAK LEATHER CRAFTS LIMITED** ("the Company") as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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, 2014 and of the loss, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



AUDITORS' REPORT TO THE MEMBERS

Without qualifying our opinion, we draw attention to:

- i) note 18.1.1 to these financial statements, which states that, a petition of winding up against the company was filed which was dismissed by Sindh High Court and appeal against the order has not yet been filed;
- ii) note 18.1.2, 18.1.3, 18.1.4, 18.1.5 and 18.1.6 to the financial statements which states that United Bank Limited, Al Baraka Bank (Pakistan) Limited, NIB Bank Limited, Industrial Development Bank Limited and Habib Bank Limited have instituted suits against the company in the High Court of Sindh Karachi for recovery of amounts mentioned in the note 18.1.2, 18.1.3, 18.1.4, 18.1.5 and 18.1.6 to the financial statements. The ultimate liability of the Company is dependent on the decision of the suits; and
- iii) the note 32.2 to the financial statements, which states that the Company incurred a net loss of Rs. 20.974 million (2013: Rs. 45.925 million) during the year ended June 30, 2014, resulting in accumulated losses of Rs. 367.679 million (2013: Rs. 346.704 million) at the close of the year, and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 352.756 million (2013: Rs. 333.229 million). The mitigating factors, however, relating to the above situation, including support from the directors of the Company, as discussed in note 32.2, override the existence of any material uncertainty about the Company's ability to continue as a going concern. Accordingly, the accompanying financial statements have been prepared on a going concern basis.

Date: October 10, 2014
Place: Karachi

S.M. REHAN & Co.
Chartered Accountants
S.M. REHAN

BALANCE SHEET AS AT JUNE 30, 2014



	NOTE	2014 RUPEES	2013 RUPEES
ASSETS			
Non-current assets			
Property, plant and equipment	3	19,322,187	20,777,245
Long term deposits	4	1,409,612	1,409,612
		<u>20,731,799</u>	<u>22,186,857</u>
Current assets			
Stores, spares and loose tools	5	292,487	755,411
Stock - in - trade	6	53,268,019	60,577,903
Trade debts	7	85,127,957	84,121,711
Advances and other receivables	8	43,775	156,884
Tax refunds due from government	9	467,622	859,494
Cash and Bank Balances	10	323,509	236,726
		<u>139,523,369</u>	<u>146,708,129</u>
TOTAL ASSETS		<u><u>160,255,168</u></u>	<u><u>168,894,986</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	11	34,000,000	34,000,000
Accumulated loss		<u>(367,679,046)</u>	<u>(346,704,677)</u>
		<u>(333,679,046)</u>	<u>(312,704,677)</u>
Non-current liabilities			
Long term finance	12	-	-
Deferred liabilities	13	1,655,176	1,661,676
		<u>1,655,176</u>	<u>1,661,676</u>
Current liabilities			
Trade and other payables	14	52,590,327	51,848,988
Short term loans	15	61,226,897	37,256,213
Current portion of long term finance	12	46,903,419	62,571,414
Short term borrowings	16	207,529,092	207,529,092
Accrued markup	17	124,029,303	120,732,280
		<u>492,279,038</u>	<u>479,937,987</u>
CONTINGENCIES AND COMMITMENTS	18		
TOTAL EQUITY AND LIABILITIES		<u><u>160,255,168</u></u>	<u><u>168,894,986</u></u>

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

MUHAMMAD SHOAB AHMED
DIRECTOR



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2014

	NOTE	2014 RUPEES	2013 RUPEES
REVENUE			
Turnover	19	9,004,813	15,904,477
Cost of sales	20	<u>18,921,425</u>	<u>41,489,280</u>
Gross (Loss)		(9,916,612)	(25,584,803)
OPERATING EXPENSES			
Selling and distribution expenses	21	<u>2,081,012</u>	<u>8,505</u>
Administrative expenses	22	<u>4,815,007</u>	<u>4,291,035</u>
Other operating expenses	23	<u>968,202</u>	<u>2,152,833</u>
		<u>7,864,221</u>	<u>6,452,373</u>
Operating Loss		(17,780,833)	(32,037,176)
Other operating income	24	<u>738,083</u>	<u>2,193,617</u>
		(17,042,750)	(29,843,559)
Finance cost	25	<u>3,920,401</u>	<u>15,946,834</u>
Loss before taxation		(20,963,151)	(45,790,393)
Taxation	26	<u>11,218</u>	<u>135,431</u>
Loss after taxation		(20,974,369)	(45,925,824)
Loss per share - Basic and diluted (Rupees)	27	(6.17)	(13.51)

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

MUHAMMAD SHOAB AHMED
DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2014



	2014 RUPEES	2013 RUPEES
Loss after taxation	(20,974,369)	(45,925,824)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(20,974,369)</u>	<u>(45,925,824)</u>

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

MUHAMMAD SHOAIB AHMED
DIRECTOR



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	NOTE	2014 RUPEES	2013 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	28	(7,515,864)	(491,672)
Financial charges paid		(25,688)	(153,166)
Gratuity paid		(6,500)	(36,000)
Income tax paid		(69,785)	(73,860)
Net cash inflow from operating activities		(7,617,837)	(754,698)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceed from sale of fixed assets		-	275,000
Net cash used in investing activities		-	275,000
CASH FLOW FROM FINANCING ACTIVITIES			
Proceed from short term loan		7,704,620	534,000
Net cash used in financing activities		7,704,620	534,000
Net increase in cash and cash equivalents		86,783	54,302
Cash and cash equivalents at the beginning of the year		236,726	182,424
Cash and cash equivalents at the end of the year	10	323,509	236,726

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

MUHAMMAD SHOAB AHMED
DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2014



Particulars	Issued, Subscribed and paid up Capital	Unappropriated (loss)	Total
	<------(all amount in PKR)----->		
Balance at June 30, 2012	34,000,000	(300,778,853)	(266,778,853)
Total comprehensive loss for the year	-	(45,925,824)	(45,925,824)
Balance at June 30, 2013	34,000,000	(346,704,677)	(312,704,677)
Total comprehensive loss for the year	-	(20,974,369)	(20,974,369)
Balance at June 30, 2014	34,000,000	(367,679,046)	(333,679,046)

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

MUHAMMAD SHOAB AHMED
DIRECTOR



Notes to the Financial Statements for the year ended June 30, 2014

1. STATUS AND NATURE OF BUSINESS

The Company is a public limited Company incorporated in Pakistan under the Companies Ordinance, 1984 and is quoted on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Company is leather tanning, and export of leather and leather garments.

The registered office of the Company is situated at Plot 18, Sector 7-A, Korangi Industrial Area, Karachi.

Statement of compliance

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

Basis of Preparation

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

Functional and Presentation currency

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

Use of estimates

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

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

- (a) determining the useful lives of property and equipments (Note 2.2)
- (b) stores, spares and loose tools (Note 2.3)
- (c) stock in trade (Note 2.4)
- (d) recognition of taxation (Note 2.10)

1.1 New Standards, Interpretations and amendments to published approved accounting standards.

The accounting standards, amendments and interpretations of approved accounting standards became effective during the year, however, these standards are either not relevant or do not have a significant impact on the Company's financial statements.

The Standards, amendments and interpretations to existing accounting standards that are not yet effective and have not been early adopted by the Company are as follows:

Notes to the Financial Statements for the year ended June 30, 2014



	Effective date (annual periods beginning on or after)
IAS 16 Property, Plant and Equipment	July 01, 2014
IAS 16 Property, Plant and Equipment	January 01, 2016
IAS 19 Employee Benefits	July 01, 2014
IAS 27 Separate Financial Statements	January 01, 2014
IAS 32 Financial Instruments: Presentation	January 01, 2014
IAS 36 Impairment Assets	January 01, 2014
IAS 38 Intangible Assets	July 01, 2014
IAS 38 Intangible Assets	January 01, 2016
IAS 39 Financial Instruments: Recognition and Measurement	January 01, 2014
IAS 40 Investments Property	July 01, 2014
IFRS 2 Share Based Payment	July 01, 2014
IFRS 3 Business Combination	July 01, 2014
IFRS 7 Financial Instruments: Disclosures	January 01, 2015
IFRS 8 Operating Segments	July 01, 2014
IFRS 9 Financial Instruments	January 01, 2015
IFRS 10 Consolidated Financial Statements	January 01, 2014
IFRS 12 Disclosure of Interest in Other Entities	January 01, 2014
IFRIC 13 Fair Value Measurement	July 01, 2014

Further the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan for the purpose of their applicability in Pakistan:

	Effective date (annual periods beginning on or after)
IFRS 1 First time Adoption of International Financial Reporting Standards	July 01, 2009
IFRS 9 Financial Instruments	January 01, 2015
IFRS 10 Consolidated Financial Statements	January 01, 2013
IFRS 12 Disclosure of Interest in Other Entities	January 01, 2013
IFRIC 13 Fair Value Measurement	January 01, 2013
IFRS 14 Regulatory Deferred Accounts	January 01, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Property, plant and equipment

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

Depreciation on additions is charged from the month the asset is available for use and in case of disposal up to the month preceding the month of disposal.

Residual values, useful lives and methods of depreciation are reviewed at each balance sheet date and adjusted if expectations differ significantly from previous estimates. An asset's carrying amount is written down immediately to its recoverable amount if asset's carrying amount is greater than its estimates recoverable amount.



Notes to the Financial Statements for the year ended June 30, 2014

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

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

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

2.2 Stores, spares and loose tools

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

2.3 Stock-in-trade

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

Raw material and components	- Weighted average
Work -in- process	- NRV
Finished goods	- Cost
Scrap	- At NRV'

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

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

2.4 Trade debts and other receivables

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

2.5 Borrowing costs

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

2.6 Provisions

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



2.7 Trade and other payables

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

2.8 Taxation

Current

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

Deferred

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

Sales Tax

Revenue, expenses and the assets are recognized net off amount of sales tax except:

- Where the sales tax incurred on purchase of asset or service is not recoverable from the taxation authority, in that case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables or payables are stated including the amounts of sales tax.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.9 Dividend and other appropriation

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

2.10 Revenue recognition

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



Notes to the Financial Statements for the year ended June 30, 2014

2.11 Financial instruments

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

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

2.12 Long and Short Term Borrowings

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

2.13 Staff retirement benefits

The company operates non-funded gratuity scheme for all permanent workers drawing salary not exceeding Rs. 10,000 per month who have completed the minimum qualifying period of service. During the year there was no provision of gratuity has been made because there is no permanent worker drawing salary not exceeding Rs. 10,000 per month.

2.14 Compensated Absences

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

2.15 Foreign currency translation

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

2.16 Impairment

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

2.17 Cash and cash equivalents

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

Notes to the Financial Statements for the year ended June 30, 2014



2.18 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 legally enforceable right to offset the recognized amounts and the Company intends either to settle on a net basis, or realize the assets or to settle the liabilities simultaneously.

2.19 Related party transactions

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

3. PROPERTY, PLANT AND EQUIPMENT

(Amount in Rupees)

PARTICULARS	Cost			Rate	Depreciation			W.D.V
	As at July 01, 2013	Additions (Deletion)	As at June 30, 2014		As at July 01, 2013	For the year/ Adjustments	As at June 30, 2014	As at June 30, 2014
Owned Assets								
Leasehold land	6,382,167	-	6,382,167	-	-	-	-	6,382,167
Building on leasehold land	15,175,666	-	15,175,666	10%	13,947,119	122,855	14,069,974	1,105,692
Plant and Machinery	77,914,236	-	77,914,236	10%	66,049,620	1,186,462	67,236,082	10,678,154
Furniture and fixture	5,103,287	-	5,103,287	10%	4,625,918	47,737	4,673,655	429,632
Motor vehicles	10,115,404	-	10,115,404	20%	9,959,911	31,099	9,991,010	124,394
Office Equipments	6,864,007	-	6,864,007	10%	6,235,549	62,845	6,298,394	565,613
Books	75,000	-	75,000	10%	34,405	4,060	38,465	36,535
June 30, 2014	121,629,767	-	121,629,767		100,852,522	1,455,058	102,307,580	19,322,187

PARTICULARS	Cost			Rate	Depreciation			W.D.V
	As at July 01, 2012	Additions (Deletion)	As at June 30, 2013		As at July 01, 2012	For the year/ Adjustments	As at June 30, 2013	As at June 30, 2013
Owned Assets								
Leasehold land	6,382,167	-	6,382,167	-	-	-	-	6,382,167
Building on leasehold land	15,175,666	-	15,175,666	10%	13,810,614	136,505	13,947,119	1,228,547
Plant and Machinery	77,914,236	-	77,914,236	10%	64,731,329	1,318,291	66,049,620	11,864,616
Furniture and fixture	5,103,287	-	5,103,287	10%	4,572,877	53,041	4,625,918	477,369
Motor vehicles	10,741,904	(626,500)	10,115,404	20%	10,420,687	38,874 (499,650)	9,959,911	155,493
Office Equipments	6,864,007	-	6,864,007	10%	6,165,720	69,829	6,235,549	628,458
Books	75,000	-	75,000	10%	29,894	4,511	34,405	40,595
June 30, 2013	122,256,267	(626,500)	121,629,767		99,731,121	1,621,051 (499,650)	100,852,522	20,777,245



Notes to the Financial Statements for the year ended June 30, 2014

	2014 RUPEES	2013 RUPEES
3.1 Depreciation charged to		
Cost of Sales	1,367,755	1,523,788
Administrative Expense	87,303	97,263
	<u>1,455,058</u>	<u>1,621,051</u>
4. LONG TERM DEPOSITS		
Utilities	1,303,112	1,303,112
Clubs	42,000	42,000
Petrol pump	60,000	60,000
Others	4,500	4,500
	<u>1,409,612</u>	<u>1,409,612</u>
5. STORES, SPARES AND LOOSE TOOLS		
Stores	-	303,906
Spare parts	-	159,018
Loose tools	292,487	292,487
	<u>292,487</u>	<u>755,411</u>
6. STOCK-IN-TRADE		
Raw material	8,870,553	8,870,553
Work in process	40,304,189	41,259,799
Finished goods (6.1)	64,873,711	66,447,051
	114,048,453	116,577,403
Provision for write down of inventory (6.2)	(60,780,434)	(55,999,500)
	<u>53,268,019</u>	<u>60,577,903</u>
6.1 This includes stock of Rs. 42,803,921 (2013: Rs. 42,803,921) pledged with bank against export refinance facility. Provision of Rs. 25,854,358 (2013: Rs. 25,854,358) has been made against this pledged stock.		
6.2 PROVISION FOR WRITE DOWN OF INVENTORY		
Provision as at 1 July	55,999,500	53,643,738
Charge for the year	5,918,914	12,246,433
	61,918,414	65,890,171
Reversal of provision due to sale of inventory	(1,137,980)	(9,890,671)
Provision as at 30 June	<u>60,780,434</u>	<u>55,999,500</u>
7. TRADE DEBTS		
Unsecured		
Considered good	85,127,957	84,121,711
Considered doubtful	9,375,890	7,793,088
Provision for doubtful debts (7.1)	(9,375,890)	(7,793,088)
	<u>85,127,957</u>	<u>84,121,711</u>

Notes to the Financial Statements for the year ended June 30, 2014



	2014 RUPEES	2013 RUPEES
7.1 PROVISION FOR DOUBTFUL DEBTS		
Provision as at 1 July	7,793,088	7,793,088
Charge for the year	1,968,610	-
	<u>9,761,698</u>	<u>7,793,088</u>
Reversal of provision due to payment received	(385,808)	-
Provision as at 30 June	<u>9,375,890</u>	<u>7,793,088</u>
8. ADVANCES AND OTHER RECEIVABLES		
Advance to staff - considered good	21,500	39,500
Advance to suppliers - unsecured	-	117,384
Other receivables - unsecured, considered good		
- Duty draw back	1,688,538	1,666,263
- Provision for duty draw back	(1,666,263)	(1,666,263)
	<u>22,275</u>	<u>-</u>
	<u>43,775</u>	<u>156,884</u>
9. TAX REFUNDS DUE FROM GOVERNMENT		
Taxation- net		
Advance tax prior year	409,055	470,626
(Refundable) / deduction/adjustments current year	148,567	97,474
	<u>557,622</u>	<u>568,100</u>
Less: provision for the year	(90,000)	(159,045)
	<u>467,622</u>	<u>409,055</u>
Sale tax refundable	1,602,810	1,602,810
Less: Provision for sales tax refundable (9.1)	(1,602,810)	(1,152,371)
	<u>-</u>	<u>450,439</u>
	<u>467,622</u>	<u>859,494</u>
9.1 Provision for sales tax refundable		
Opening balance	1,152,371	2,106,599
Provision made during the year	450,439	-
	<u>1,602,810</u>	<u>2,106,599</u>
Reversal of provision due to refund of sale tax	-	954,228
Closing balance	<u>1,602,810</u>	<u>1,152,371</u>
10. CASH AND BANK BALANCES		
Cash:		
In hand	32,834	1,633
In bank - current accounts	290,675	235,093
	<u>323,509</u>	<u>236,726</u>



Notes to the Financial Statements for the year ended June 30, 2014

	2014 RUPEES	2013 RUPEES
11. SHARE CAPITAL		
Authorized capital		
5,000,000 (2013: 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 (2013: 3,400,000) Ordinary shares of Rs. 10 / = each fully paid, issued for cash.	<u>34,000,000</u>	<u>34,000,000</u>
11.1 There were no movements during the reporting period.		
11.2 The Company has one class of ordinary shares which carries no right to fixed income.		
11.3 The Company has no reserved shares for issuance under options and sales contracts.		
12. LONG TERM FINANCE		
From Banking Companies:		
Demand/Term finance (Note no. 12.1)	46,903,419	62,571,414
Current portion of demand/term finance	<u>(46,903,419)</u>	<u>(62,571,414)</u>
	<u>-</u>	<u>-</u>
12.1 This demand/term finance is obtained by the company from commercial banks at a markup rate based on 6 months KIBOR plus 2% to 4% payable quarterly. The total limit of the loan 68.00 millions (2013 : 68.00 millions). The installments are payable on monthly and quarterly basis which have become overdue. The period of loan is 3 to 5 years and is secured against first equitable mortgage and 1st charge over factory's land and building at plot No.18 Sector 7-A, Korangi Industrial Area Karachi and pari passu hypothecation charge over stock & book debts and lien on TDR of director and other for Rs. 15 million under pledge (which has been adjusted by bank against the bank's outstanding amount) and personal guarantee of the directors of the Company.		
13. DEFERRED LIABILITY - Staff gratuity	2014 RUPEES	2013 RUPEES
a) Movement in the liability recognized in the balance sheet		
Balance sheet liability / (asset) as on June 30	1,661,676	1,697,676
Benefit payments made directly by the Company	<u>(6,500)</u>	<u>(36,000)</u>
Balance sheet liability / (asset) as on June 30	<u>1,655,176</u>	<u>1,661,676</u>
b) Balance sheet liability as on June 30		
Present value of defined obligations as on June 30,	1,655,176	1,661,676
Actuarial gains/(losses) recognized	<u>-</u>	<u>-</u>
Total Balance Sheet Liability as on June 30	<u>1,655,176</u>	<u>1,661,676</u>

Notes to the Financial Statements for the year ended June 30, 2014



13.1 Historical information

	2014	2013	2012	2011	2010
Present value of the defined benefits obligation as at 30 June	1,655,176	1,661,676	1,697,676	1,652,642	2,141,019

Experience adjustments

Gain/(loss) on obligations as percentage of plan assets	0%	0%	0%	13%	(30)%
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14. TRADE AND OTHER PAYABLES

Creditors			45,903,535	47,176,031
Accrued liabilities			5,307,503	3,342,795
Tax deducted at source			9,624	1,492
Workers' welfare Fund			907,066	907,066
Compensated absences			320,091	279,096
Unclaimed dividend			142,508	142,508
			52,590,327	51,848,988

15. SHORT TERM LOANS

Unsecured

From Directors (Note no. 15.1)			43,850,007	28,012,165
From Others - Related party (Note no. 15.1)			17,376,890	9,244,048
			61,226,897	37,256,213

15.1 These represent non-interest bearing loans from directors and others. These were subordinated to banking liabilities. However due to filing of recovery of suits by the banks these are no more subordinated loans. This includes amount of Rs. 50,122,898 (2013 : Rs. 33,857,213) which were created as a result of adjustment (of personal deposits of directors) made by the banks against export refinance loans and other dues of the Company. These personal deposits of directors were held by the banks as collateral against financial facilities allowed to the Company.

16. SHORT TERM BORROWINGS

From banking companies: Secured

Export re-finance (Note no.16.1 & 16.3)			202,850,004	202,850,004
Running Finance (Note no. 16.2 & 16.3)			4,679,088	4,679,088
			207,529,092	207,529,092

16.1 The Company had arranged export re-finance facilities from various commercial banks on mark-up rates prescribed by State Bank of Pakistan from time to time. These loans have not been renewed by banks and have become overdue for payment. Except Habib Bank Limited Rs. 7.850 million (2013: Rs. 7.850 million) other banks have filed suits for recovery as more elaborately explained in Note Nos. 18.1.2, 18.1.3, 18.1.4 and 18.1.5 of these financial statements.

16.2 The running finance facility was provided by Habib Bank Limited at markup rate equivalent to 6 months KIBOR plus 2%. The limit has not been renewed by bank.



Notes to the Financial Statements for the year ended June 30, 2014

16.3 These arrangements are secured by first pari passu hypothecation charge over stocks & book debts, 1st Mortgage charge on building, Plant and Machinery installed at Plot # 18, Sector 7/A, Korangi Industrial Area, Karachi, personal guarantee of directors, Pledge over stocks and hypothecation on Machinery, lien over import and export documents, lien on TDR of Directors of Rs. 15.00M under Pledge (which has been adjusted by bank against the bank's outstanding amount) and Lien over export bill under Lcs.

17. ACCRUED INTEREST	2014 RUPEES	2013 RUPEES
Finance cost accrued on:		
- long term borrowings	43,205,833	41,105,815
- short term borrowings	80,823,470	79,626,465
	<u>124,029,303</u>	<u>120,732,280</u>

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

18.1.1 United Bank Limited had filed a winding up petition before Sindh High Court against the Company under Section 305 of the Companies Ordinance, 1984 on the basis of non compliance of Section 234 and 408 of the said Ordinance in the above stated transaction. The petition has been dismissed by Sindh High Court vide Order dated 03.04.2014. UBL has not yet filed appeal against the order.

18.1.2 United Bank Limited has filed a suit No. B-141 under the Provision of the Financial Institutions (Recovery of Finances) Ordinance, 2001 and seeks the recovery of Rs. 135.54 million plus cost of funds (2013: 135.54 million) from the company and its Directors / Shareholders in their capacity as guarantors of the Company's liability. The liability is booked by the Company and the case is pending before the High Court of Sindh. According to the legal counsel of the Company evidences provided by the bank are not sufficient to establish the bank's entitlement to the amount claimed. Therefore, bank's case against the Company and its Directors / Shareholders will be difficult to establish. The total markup on outstanding balance of United Bank Limited Rs. 34.829 (2013: Rs. 34.829) million is booked by the company and no further markup is being provided as the case is filed in the Court by the bank.

18.1.3 Al Baraka Bank (Pakistan) Limited has filed a suit No. B-26 under the Provision of the Financial Institutions (Recovery of Finances) Ordinance, 2001 and seeks the recovery of Rs. 50.543 (2013: Rs. 50.543) million along with profit, cost of fund and charity from the company and its Directors / Shareholders in their capacity as guarantors of the Company's liability. The liability is booked by the Company and the case is pending before the High Court of Sindh. The company has filed an application for leave to defend and the grounds taken by the company could not be addressed by the Bank in their reply. Accordingly, according to legal counsel, leave to defend should be granted in the circumstances. Total profit and charity of Rs. 7.234 (2013: Rs. 7.234) million is provided by the company and no further profit and charity is being provided as the bank has filed case in the Court against the Company.

18.1.4 NIB Bank Limited has filed a suit No. B-86 under Financial Institutions (Recovery of Finances) Ordinance, 2001 for recovery of Rs. 114.287 million plus markup and cost of funds from the company and its Directors and financial institutions. The liability is booked by the Company and no further markup is being provided and the case is pending before the High Court of Sindh. Application seeking leave to defend has been filed by the company. In the opinion of company's legal counsel leave to defend should be granted in the circumstances.

Notes to the Financial Statements for the year ended June 30, 2014



18.1.5 Industrial Development Bank Limited has filed a suit No. 43 under Financial Institutions (Recovery of Finances) Ordinance, 2001 for recovery of Rs. 28.936 million from the company and its Directors/Shareholders in their capacity as alleged guarantors of the Company's liabilities. The above amount has been claimed in respect of an ERF Facility of Rs. 40 million extended to the Company in the year 2001. The liability is booked by the Company and no further markup is being provided. An application for leave to defend the suit has been filed by the Company. On the basis of grounds raised in the leave to defend application the entire suit amount is disputed by the Company whereas amounts of Rs. 15,987,395 are time barred. The Plaintiff has yet to file its replication to the Company's application for leave to defend.

18.1.6 Habib Bank Limited has filed a suit No. 54 under Financial Institutions (Recovery of Finances) Ordinance, 2001 for recovery of Rs. 8.054 million from the company and its Directors/Shareholders in their capacity as alleged guarantors of the Company's liabilities. The above amount has been claimed in respect of Demand Finance Facility of Rs. 10 million. The liability is booked by the Company and no further markup is being provided. An application for leave to defend the suit has been filed by the Company. The Plaintiff has yet to file its reply to the Company's application. As per opinion of legal advisor this suit will eventually be dismissed as against the Company.

18.1.7 The Securities and Exchange Commission of Pakistan has initiated investigation u/s. 263 of the Companies Ordinance 1984, relating to the affairs of the company vide order dated April 24, 2012. The outcome of the proceedings is still awaited till date.

18.2 Commitments

There are no commitments as at Balance Sheet date.

	2014 RUPEES	2013 RUPEES
19. TURNOVER		
Export:		
Leather	2,520,176	-
Less: Commission	(129,597)	-
	2,390,579	-
Local sales:		
Leather	-	8,010,794
Job work income	6,746,518	7,893,683
	6,746,518	15,904,477
Sales tax	(132,284)	-
	6,614,234	15,904,477
	9,004,813	15,904,477
20. COST OF SALES		
Opening stock finished goods	66,447,051	87,015,108
Cost of goods manufactured (20.1)	18,091,016	26,496,783
	84,538,067	113,511,891
Reversal of provision due to sale of inventory	(742,931)	(5,575,560)
Closing stock finished goods	(64,873,711)	(66,447,051)
	18,921,425	41,489,280



Notes to the Financial Statements for the year ended June 30, 2014

	2014 RUPEES	2013 RUPEES
20.1 COST OF GOODS MANUFACTURED		
Raw material consumed (20.1.1)	-	4,038,093
Stores, spares and loose tools consumed (20.1.2)	462,924	32,813
Provision for write down of inventory	5,918,914	12,246,433
Power, fuel and water	7,433,330	9,136,594
Salaries, wages, allowances and benefits	1,450,334	1,502,089
Rent, rate and taxes	-	76,061
Repair and maintenance	884,800	-
Reversal of provision for raw material	-	(3,648,630)
Depreciation (3)	1,367,754	1,523,787
Other factory over heads	12,399	280,680
	<u>17,530,455</u>	<u>25,187,920</u>
Opening stock work- in- process	41,259,799	43,235,143
Closing stock work- in- process	(40,304,189)	(41,259,799)
	955,610	1,975,344
Reversal of provision due to sale of inventory	(395,049)	(666,481)
	<u>560,561</u>	<u>1,308,863</u>
	<u>18,091,016</u>	<u>26,496,783</u>
20.1.1 Raw material consumed		
Opening stock	8,870,553	12,908,646
Purchases	-	-
Available for consumption	8,870,553	12,908,646
Closing stock	(8,870,553)	(8,870,553)
	<u>-</u>	<u>4,038,093</u>
20.1.2 Stores, spares and loose tools consumed		
Opening stock	755,411	788,224
Purchases	-	-
Available for consumption	755,411	788,224
Closing stock	(292,487)	(755,411)
	<u>462,924</u>	<u>32,813</u>
21. SELLING AND DISTRIBUTION EXPENSES		
Freight	105,140	-
Bad debts expenses	1,968,610	-
Others	7,262	8,505
	<u>2,081,012</u>	<u>8,505</u>
22. ADMINISTRATIVE EXPENSES		
Directors remuneration	2,245,253	2,140,784
Salaries and other benefits (22.1)	902,930	1,242,548
Printing and stationary	58,761	113,637
Telephone, fax and postage	94,235	245,994
Repairs and maintenance	-	5,200
Vehicles running expenses	1,120	-
Fees and subscriptions	85,405	27,000
Legal and professional charges	1,325,000	375,000
Advertisement	15,000	26,400
Depreciation (3)	87,303	97,263
Others	-	17,209
	<u>4,815,007</u>	<u>4,291,035</u>
22.1 Salaries and other benefits include Rs. 40, 995 (2013: Rs 13,848) in respect of staff retirement benefits.		

Notes to the Financial Statements for the year ended June 30, 2014



	2014 RUPEES	2013 RUPEES
23. OTHER OPERATING EXPENSE		
Auditors' remuneration (23.1)	400,000	400,000
Write off of loan to employees	-	86,570
Advance to suppliers written off	117,763	-
Provision for sales tax refundable	450,439	-
Provision for duty draw back	-	1,666,263
	<u>968,202</u>	<u>2,152,833</u>
23.1 Auditor's remuneration		
Half year review	140,000	140,000
Audit fee	250,000	250,000
Out of pocket expenses	10,000	10,000
	<u>400,000</u>	<u>400,000</u>
24. OTHER OPERATING INCOME		
Gain on disposal of fixed assets	-	148,150
Sales Tax refundable reversal of provision	-	954,228
Liability no longer payable written back	-	1,091,195
Bank profit	-	44
Duty draw back	22,275	-
Rental income	330,000	-
Reversal of provision for doubtful debts	385,808	-
	<u>738,083</u>	<u>2,193,617</u>
25. FINANCE COST		
Interest on		
- long term borrowing	866,817	8,113,641
- short term borrowing	3,027,894	7,680,028
	<u>3,894,711</u>	<u>15,793,669</u>
Bank charges and commission	25,690	153,165
	<u>3,920,401</u>	<u>15,946,834</u>
26. TAXATION		
Current year	90,000	159,044
Prior year	(78,782)	(23,613)
	<u>11,218</u>	<u>135,431</u>
27. BASIC (LOSS)/EARNINGS PER SHARE		
27.1 Basic		
Basic earnings per share have been computed by dividing the net profit for the year after taxation by the weighted average number of shares outstanding during the year.		
(Loss) after taxation for the year	<u>(20,974,369)</u>	<u>(45,925,824)</u>
Weighted average number of ordinary shares	<u>3,400,000</u>	<u>3,400,000</u>
Basic (loss)/earnings per share	<u>(6.17)</u>	<u>(13.51)</u>



Notes to the Financial Statements for the year ended June 30, 2014

27.2 Diluted

No figure for diluted earnings per share has been presented as the company has not yet issued any instruments which would have an impact on basic earnings/(loss) per share when exercised.

	2014 RUPEES	2013 RUPEES
28. CASH GENERATED FROM OPERATIONS		
Loss before taxation	(20,963,151)	(45,790,393)
Adjustment for non-cash charges and other items:		
Depreciation	1,455,058	1,621,051
Reversal of provision due to sale of inventory	(1,137,980)	-
Reversal of provision of doubtful debts	(385,808)	-
Provision for duty draw back	-	1,666,263
Provision for sales tax refundable	450,439	-
Provision for doubtful debts	1,968,610	-
Provision for write down of inventory	5,918,914	2,355,762
Loan to employees written off	-	86,570
Advance to supplier written off	117,763	-
Liability no longer payable written back	-	(1,091,195)
Financial charges	3,920,401	15,946,834
Gain on sale of fixed assets	-	(148,150)
Working capital changes (28.1)	1,139,890	24,861,586
	(7,515,864)	(491,672)

28.1 Changes in working capital

(Increase) / decrease in current assets		
Store, spares and loose tools	462,924	32,813
Stock in trade	2,528,950	26,581,494
Trade debts	(2,589,048)	(1,709,005)
Advances and other receivables	(4,275)	87,620
	398,551	24,992,922
Increase / (decrease) in current liabilities		
Trade and other payables	741,339	(131,336)
	1,139,890	24,861,586

29. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

The aggregate amounts charged in the accounts for the year for remuneration and benefits to the chief executive, directors and executives of the Company were as follows:

Notes to the Financial Statements for the year ended June 30, 2014



Particulars	Chief Executive		Directors		Total	
	----- (Rupees) -----					
	2014	2013	2014	2013	2014	2013
Managerial remuneration	380,160	380,160	986,880	986,880	1,367,040	1,367,040
Housing						
Rent	171,072	171,072	444,096	444,096	615,168	615,168
Utilities	152,021	42,768	111,024	111,024	263,045	153,792
Clubs subscription fee and other expense	-	4,784	-	-	-	4,784
	<u>703,253</u>	<u>598,784</u>	<u>1,542,000</u>	<u>1,542,000</u>	<u>2,245,253</u>	<u>2,140,784</u>
Number of persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>4</u>	<u>4</u>

In addition to above, the chief executive and working directors are provided with Company maintained cars, telephone facility and partially financed medical facility. Personal security is provided to the chief executive and one director.

There was no executive in the company during the year as defined in fourth schedule to Companies Ordinance, 1984.

30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE

30.1 Financial assets and liabilities

Particulars	2 0 1 4 (all amounts in PKR)						
	Interest bearing			Non - interest bearing			Total
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total	
Financial Assets							
Loans and receivables							
Long term deposits	-	-	-	-	1,409,612	1,409,612	
Trade debts	-	-	-	85,127,957	-	85,127,957	
Advances and other receivables	-	-	-	43,775	-	43,775	
Cash and Bank balances	-	-	-	323,509	-	323,509	
	-	-	-	<u>85,495,241</u>	<u>1,409,612</u>	<u>86,904,853</u>	
Financial Liabilities							
Financial liabilities at amortised cost							
Long term finance	46,903,419	-	46,903,419	-	-	46,903,419	
short term loans	-	-	-	61,226,897	-	61,226,897	
Trade and other payables	-	-	-	52,590,327	-	52,590,327	
Accrued markup	124,029,303	-	124,029,303	-	-	124,029,303	
Short term borrowings	-	-	-	207,529,092	-	207,529,092	
	<u>170,932,722</u>	<u>-</u>	<u>170,932,722</u>	<u>321,346,316</u>	<u>-</u>	<u>321,346,316</u>	
On balance sheet gap 2014 - (a)	<u>(170,932,722)</u>	<u>-</u>	<u>(170,932,722)</u>	<u>(235,851,075)</u>	<u>1,409,612</u>	<u>(234,441,463)</u>	



Notes to the Financial Statements for the year ended June 30, 2014

Particulars	2 0 1 3						Total
	Interest bearing			Non - interest bearing			
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total	
Financial Assets							
Loans and receivables							
Long term deposits	-	-	-	-	1,409,612	1,409,612	1,409,612
Trade debts	-	-	-	84,121,711	-	84,121,711	84,121,711
Advances and other receivables	-	-	-	156,884	-	156,884	156,884
Cash and Bank balances	-	-	-	236,726	-	236,726	236,726
	-	-	-	84,515,321	1,409,612	85,924,933	85,924,933
Financial Liabilities							
Financial liabilities at amortised cost							
Long term finance	62,571,414	-	62,571,414	-	-	-	62,571,414
short term loans	-	-	-	37,256,213	-	37,256,213	37,256,213
Trade and other payables	-	-	-	51,848,988	-	51,848,988	51,848,988
Accrued markup	120,732,280	-	120,732,280	-	-	-	120,732,280
Short term borrowings	207,529,092	-	207,529,092	-	-	-	207,529,092
	390,832,786	-	390,832,786	89,105,201	-	89,105,201	479,937,987
On balance sheet gap - 2013 (a)	(390,832,786)	-	(390,832,786)	(4,589,880)	1,409,612	(3,180,268)	(394,013,054)

(a) On balance sheet gap represents the net amounts of on balance sheet items.

	2014 RUPEES	2013 RUPEES
Off balance sheet items - financial commitments	-	-

30.2 Financial risk management objective and policies

30.2.1 Risk management policies

The Company's objective in managing risks is the creation and protection of share holders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and price risk) arising from the financial instruments it holds.

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

30.2.2 Credit risk exposure and concentration of credit risk

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

Notes to the Financial Statements for the year ended June 30, 2014



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

The Company is mainly exposed to credit risk on trade debts and bank balances. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthiness and obtaining securities where applicable.

The Company's most significant receivables are from three local customers (which are not related parties) aggregating Rs. 80,444,095 (2013 Rs. 80,444,095) constituting 94.50 % (2013: 95.62 %) of the total receivables. These are included in total carrying amount of trade debts as at reporting date. At the balance sheet date these are overdue but not impaired. Furthermore, approximately 72.73% (2013: 92 %) of the company's turnover is attributable to two customers which increase the inherent business risks, although such risk is minimized by taking in custody the stock of goods received for job work from these customers.

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

	2014	2013
	RUPEES	RUPEES
The analysis of trade debts is as follows:		
Neither past due nor impaired	3,059,519	-
Past due but not impaired:		
- Past due 0- 90 days	854,836	-
- Past due 0- 210 days	769,508	-
- Past due 0- 365 days	-	1,709,007
- Past due more than 365 days	82,068,438	82,412,704
	<u>86,752,301</u>	<u>84,121,711</u>

Impaired assets

During the year no assets have been impaired.

30.2.3 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 always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring un acceptable losses or 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 making their effort for recoveries from parties and assure that they provides financial support to Company in meeting their obligations.

The table below analyses the Company's financial liabilities into relevant maturity grouping's based on the remaining period at the balance sheet to the maturity date.



Notes to the Financial Statements for the year ended June 30, 2014

	Carrying Amount	Contractual Cash Flows	Six months or less	Six to twelve months	One to two years	Two to five years	Over five years
	----- (Rupees) -----						
2014							
short term loans	61,226,897	61,226,897	61,226,897	-	-	-	-
Trade and other payables	52,590,327	52,590,327	52,590,327	-	-	-	-
Current portion of long term finance	46,903,419	46,903,419	46,903,419	-	-	-	-
Short term borrowings	207,529,092	207,529,092	207,529,092	-	-	-	-
Accrued markup	124,029,303	124,029,303	124,029,303	-	-	-	-
	492,279,038	492,279,038	492,279,038	-	-	-	-
2013							
short term loans	37,256,213	37,256,213	37,256,213	-	-	-	-
Trade and other payables	51,848,988	51,848,988	51,848,988	-	-	-	-
Current portion of long term finance	62,571,414	62,571,414	62,571,414	-	-	-	-
Short term borrowings	207,529,092	207,529,092	207,529,092	-	-	-	-
Accrued markup	120,732,280	120,732,280	120,732,280	-	-	-	-
	479,937,987	479,937,987	479,937,987	-	-	-	-

30.2.4 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.

a) Currency risk

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

b) Interest rate risk

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

	2014	2013	2014	2013
	Effective rate		Carrying amount	
	----- (In percent) -----		----- (Rupees) -----	
Financial liabilities				
Variable rate instruments				
Long term finance	(Note nos. 16.1 to 16.5)	11.34 - 13.34	11.34 - 13.34	46,903,419
Short term borrowings	(Note nos. 16.1 to 16.5)	9.3 - 11.34	9.3 - 11.34	207,529,092



30.3 Fair value of financial instruments

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

30.4 Capital risk management

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

31. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise related group companies, associated undertakings, directors and key management personnel. Transactions with related parties are made under normal commercial terms and conditions.

The related party status of outstanding balances at June 30, 2014 is included in the respective notes to the financial statements.

Details of transaction with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows.

	2014 RUPEES	2013 RUPEES
Pheonix Leather (Pvt) Ltd.		
Job work Income	-	1,197,752

32. GOING CONCERN ASSUMPTION

32.1 United Bank Limited had filed a winding up petition against the Company under Section 305 of Companies Ordinance, 1984. The petition has been dismissed by Sindh High Court vide Order dated 03.04.2014. UBL has not yet filed appeal against the order.

32.2 During the current year, the Company incurred a net loss of Rs. 20.974 million (2013: Rs. 45.925 million) resulting in accumulated losses of Rs. 367.679 million (2013: Rs. 346.704 million) as of the balance sheet date. Further, as of that date the current liabilities of the Company exceeded its current assets by Rs. 352.756 million (2013: Rs. 333.229 million) resulting in negative equity of Rs. 333.679 million (2013: Rs 312.704 million). The directors have been able to revive export business during the year. They have further increased the volume of job work during the subsequent period. These factors shall reduce liquidity problem substantially. Besides the directors of the company have assured to extend all necessary support and would ensure the going concern status of the Company at all times.

32.3 The above mentioned factors and eroded cash flow position of the Company resulted uncertainties which may casts a significant doubt over the Company's ability to continue as a going concern. However, considering the measures mentioned in note 32.2 along with these uncertainties and the commitment provided by the Directors to financially support the Company as and when needed; the management is quite confident that the Company will be able to continue as a going concern. Accordingly these financial statements are prepared on going concern basis.



Notes to the Financial Statements for the year ended June 30, 2014

33. DEFERRED TAXATION

The deferred tax asset of Rs. 55,212,883 (2013: Rs. 70,834,691) has not been recognized in view of non recovery of such deferred tax asset due to unavailability of sufficient profits of the company and this deferred tax asset relate to deductible temporary differences of provision for sale tax refundable Rs. 528,927 (2013: Rs. 391,806) provision for slow moving and obsolete inventory Rs. 20,050,939 (2013: Rs. 19,039,830) and provision for doubtful debts Rs. 3,094,044 (2013: Rs. 2,649,650) and unused tax losses Rs. 33,452,189 (2013: Rs. 52,963,828) and taxable temporary difference relating to accelerated depreciation of Rs. (1,915,788) (2013: Rs. (4,210,423)).

34. CAPACITY AND PRODUCTION

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

	2014 RUPEES	2013 RUPEES
35. NUMBER OF PERSONS EMPLOYED BY THE COMPANY		
The number of persons as at balance sheet date	18	18
Average number of employees during the year	18	18

36. CORRESPONDING FIGURES

The long term loans Rs. 37,256,213 have been reclassified to short term loan to facilitate comparisons.

37. DATE OF AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been authorized for issue on 10-10-2014 by the Board of Directors of the Company.

38. General

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

MUHAMMAD SALEEM AHMED
CHIEF EXECUTIVE OFFICER

MUHAMMAD SHOAB AHMED
DIRECTOR

PATTERN OF SHARE HOLDING AS AT JUNE 30, 2014



NUMBER OF SHAREHOLDERS	SHARE HOLDINGS FROM	TO	SHARES HELD OF RS. 10/- EACH
105	1	100	10,500
88	101	500	35,900
25	501	1000	23,400
13	1001	5000	28,600
9	85001	90000	810,000
1	100001	105000	104,000
1	275001	280000	280,000
1	310001	315000	311,300
1	325001	330000	330,000
1	330001	335000	334,800
1	1110001	1135000	1,131,500
246			3,400,000

CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	NO. OF SHARES HELD	HOLDING PERCENTAGE
Individuals	243	2,262,800	66.55
Investment Companies	2	5,700	0.17
Joint Stock Companies	1	1,131,500	33.28
	246	3,400,000	100.00

CDC not provided the registered shareholoders position to the Company for the period till June 30, 2014



DETAILS OF PATTERN OF SHAREHOLDING

AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE

	NO. OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Associated Companies	NIL	NIL	-
NBP - Trustee Deptt (NIT)	1	3,900	0.11
Investment Corp. of Pakistan	1	1,800	0.05
Joint Stock Companies (CDC)	1	1,131,500	33.28
Mr. Bilal Ahmed		1,000	0.03
Mr. M. Saleem Ahmed		238,900	7.03
		891,600	26.22
individuals	235	1,000,700	29.43
Mr. M. Saleem Ahmed	1	518,900	15.26
Mr. M. Saleem Ahmed	1	518,900	15.26
Mrs. Rubina Jalali	1	311,300	9.16
Mr. Azeem Ahmed	1	1,000	0.03
Mr. Umer Ahmed	1	3,000	0.09
Mr. M. Shoaib Ahmed	1	330,000	9.71
Mrs. Veronique Ahmed	1	334,800	9.85
Mr. Nayyer Ahmed Jalali	1	1,000	0.03
Mr. Bilal Ahmed	1	1,000	0.03
Syed Fawad Hussain Rizvi	1	1,000	0.03
	246	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 27th Annual General Meeting of the Company to be held
on Friday 31st, October 2014 at 04:00 p.m. or at any adjournment thereof.

Signed this _____ day of _____ 2014

Please affix
Revenue Stamp
of Rs. 5/=

Signature of Witness

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

IMPORTANT :

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

FOR CDC ACCOUNT HOLDERS/CORPORATE ENTITIES:

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

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

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

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

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