

**ACCOUNTS FOR
THE HALF YEAR ENDED
DECEMBER 31, 2019
(UNAUDITED)**



Pak Leather Crafts Limited



Pak Leather Crafts Limited

CORPORATE PROFILE

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

Umer Ahmed	Chairman
Nayyer Ahmed	Member
Azeem Ahmed	Member

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Naseer Ahmed

BANKERS

AlBaraka Bank Pakistan Limited
Habib Bank Limited
Industrial Development Bank Ltd
NIB Bank Limited
United Bank Limited
Habib Metropolitan Bank Ltd
Faysal Bank Limited
Soneri Bank Ltd
Bank Alfalah Ltd
Bank of Khyber
Meezan Bank Ltd
Askari Bank Ltd

REGISTERED OFFICE

Plot No.18, Sector 7-A,
Korangi Industrial Area,
Karachi.Website:www.pakleather.com

SHARE REGISTRAR

M/S.NI Associates (Pvt) Ltd
53, Kokan Society, Alamgir Road,
Karachi - 74800
Tel: 021-34937012
021-34945892

EXTERNAL AUDITORS

RSM Avais Hyder Liaquat Nauman
Chartered Accountants
Lahore

LEGAL ADVISOR

Shakiel Z. Lari Advocate



Pak Leather Crafts Limited

DIRECTORS' REVIEW

Your directors are pleased to present you the brief report together with the condensed interim financial statements for the half year ended December 31, 2019 duly reviewed by the statutory auditors of the Company.

Financial Results:

	December 31, 2019 (Rs.in'000')	December 31, 2018 (Rs.in'000')
Profit/(loss) before taxation	7,181	1,325
Taxation	(1,115)	(378)
Profit/(loss) after tax	6,066	947
Accumulated loss B/F	(396,481)	(400,628)
Accumulated loss C/F	(390,415)	(399,681)
Profit/(loss) per share after tax (Rupees)	1.78	0.28

Economic Overview

Pakistan GDP growth plunged from 5.8 per cent in the FY18 to 2.8 per cent in the FY19 and projected to remain subdued. Contrary to the target of 3.5 per cent set by the government for the FY20, GDP is likely to settle at 2.6 per cent this year, due to the lackluster performance of large scale Manufacturing Industries, as well lack of agricultural output in the first quarter of FY20. Nevertheless, some progress in the overall economic activity is expected in the second half of FY20, as a result of stability in exchange rates and improvement in business confidence. Pakistan trade deficit shrunk by 31 per cent in the first half of the current year, mainly because of slump in imports. Exports improved 3.2 per cent while imports decreased by 17 per cent, signaling towards improving balance of payment position down the line. Current account deficit narrowed 75 per cent in the first half of the current fiscal year, as imports of goods decline sharply and 3.3 per cent improvement in remittances. Foreign Direct Investment jumped 68 per cent to US \$ 1.34 billion during the first half of current fiscal year compared to US \$ 0.797 billion in the same period last year. Country Foreign Exchange reserves improved to US \$ 18 billion as on 5th January 2020.

Industry Overview:

Our industry is passing through the toughest time and 40 percent factories of the industry are already closed their business operation and remaining are functioning @ 50 percent out of their total production capacity, which is reflected in the export figure for the financial year from July 18 to June 2019, which is recorded (-11 percent) based on PBS, which could be expanded in negative in the subsequent period.

Pakistan Tanners Association has urged prime minister for immediate redressal of leather industry issues on war footing basis for providing level playing field in comparison with neighbour competing countries so this productive Industry of the country would continue to play its due role for strengthening the country's economy.

Resolution of core issues pending since long confronting by the leather industry of Pakistan, which is 2nd biggest export oriented Industry of the country, are as follows :-

1. To reinstate the SRO 1125 with 'Zero Rated Status' for Leather Sector of Pakistan as this specific Industry is purely 95 percent export oriented Sector of the country.
2. Duty free import of all basic raw materials, chemicals and machineries for necessary value addition/ upgrade of the industry.
3. To include specified H.S. Codes of 'Dyed / Finished Leather' in the DLT Scheme announced vide SRO 711(I)/2018 dated 08.06.2018



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4. To issue revised SRO without further delay by notifying 24-Tanning Machines in pursuance of the SRO No 578(1)/2017 dated 01.07.2016 for the Government subsidy. Detailed clarification/amendment has already been submitted to MOC.
5. To declare officially raw hides & skins as agricultural produce item and sale of raw hides & skins should be considered as 'Agriculture Income' under Section 41 of ITO 2001 and be exempted from levy of withholding tax. It is clarified here that raw hides/ hides and skins (dry and wet) are already included in the definition of agriculture produce as per the Punjab Agricultural Produce markets Ordinance, 1978.

Advisor to the Prime Minister on Commerce & Textile in the meeting held on 18.09.2019 with the PTA's representatives assured that above issues are under consideration.

Company Overview:

Members may recall that financial results for the first half of year 2018-19 depicted the bottom-line in green after a long time and thereafter again for the second half and full year 2018-19 declared the net profit. Now accounts for the first half of year 2019-20 are similarly reflecting after tax profit of Rs. 6.06 (M) Thus the Company is consecutively showing half yearly profits for the third time.

Net sales for the half year ended December 31, 2019 exceeded the 100 million mark by recording it at Rs. 106.82 million while it was Rs.32.003 million for the same period last year. Net profit after taxation arose to Rs. 6.06 million for the period under review comparing to Rs.0.95 million for the same period last year.

The management has adopted a novel idea for improvement in profit margin by exporting export leftover. The rejection of drum dyed goat skins were exported by developing a new article. This proved very beneficial after closing of half year accounts and this result will show in full year accounts.

The management is making full efforts to capitalize all its resources and the results are evidence of it.

Comments on Auditor's Review report:

The new incoming auditors RSM Awais Hyder Liaquat Nauman, Chartered Accountants have expressed qualified conclusion on two matters. These are discussed as under;

1. The cost of old stocks is Rs. 100.204 million which is written down to Rs. 38.729 million only. The management has written down these stocks by Rs. 61.475 million which is 61.35% of the cost of these stocks. The management believes that the sale of these stocks in future will fetch more revenue as compared to their written down value, therefore, there is no need of any further write down. The old stocks are being carried at their net realizable value.
2. The Company is actively perusing the recovery of its past due trade debts. The management has concluded that these debts are recoverable. However, in the forthcoming period the management will reassess the position and may consider to provide for bad debts, if found necessary.

The Auditors have also drawn attention towards a couple of matters without qualifying their conclusion in respect of those matters which have been adequately disclosed / explained in the relevant notes to the interim financial statements. Note 1.2 to the financial statements explains about the improvement over the previous corresponding period by showing reduction in accumulated losses and reduction in gap of current liabilities over current assets.

Future Outlook:

The Company aggressively marketed its gloving leather expertise and on December 31st, the company had enough orders on hand to cover production until March 31st 2020.

Acknowledgement:

The management is pleased to put on record its appreciation of cooperation of employees, customers, suppliers and the banks.

On behalf of the Board

Muhammad Saleem Ahmed
Chief Executive Officer

Karachi: February 26, 2020



Pak Leather Crafts Limited

ڈائریکٹرز کا جائزہ

آپ کے ڈائریکٹرز 31 دسمبر 2019ء کو ختم ہونے والی ششماہی کیلئے کمپنی کے آڈیٹرز کی جانب سے نظر ثانی شدہ تفصیلی رپورٹ بمعہ عبوری مالیاتی حسابات پیش کر رہے ہیں۔

مالیاتی نتائج درج ذیل ہیں:

31 دسمبر 2018ء (روپے '000' میں)	31 دسمبر 2019ء (روپے '000' میں)	
1,325	7,181	قبل از ٹیکس منافع/ خسارہ
(378)	(1,115)	ٹیکسیشن
947	6,066	بعد از ٹیکس منافع/ خسارہ
(400,628)	(396,481)	جمع شدہ (خسارہ) آگے لایا گیا
(399,681)	(390,415)	جمع شدہ (خسارہ) آگے بڑھایا گیا
0.28	1.78	بعد از ٹیکس فی شیئر آمدنی (روپے)

پاکستان GDP کی شرح نمو، مالی سال 2018 میں 5.8 فیصد سے کم ہو کر مالی سال 2019ء میں 2.8 فیصد رہ گئی ہے اور اس کا دباؤ برقرار رہنے کا امکان ہے۔ حکومت کی جانب سے مالی سال 2020ء کیلئے رکھے گئے 3.5 فیصد کے ہدف کے برخلاف رواں سال GDP کی شرح مالی سال 2020ء کی پہلی سہ ماہی میں بڑے پیمانے پر پیداواری صنعتوں کی ناقص کارکردگی، نیز زرعی پیداواری کمی کے باعث 2.6 فیصد رہ جانے کی۔ تاہم زرمبادلہ کی شرح میں استحکام اور کاروباری اعتماد میں بہتری کے نتیجے میں مالی سال 2020ء کی ششماہی میں مجموعی معاشی سرگرمی میں کچھ پیشرفت متوقع ہے۔ رواں سال کی پہلی ششماہی میں پاکستان کا تجارتی خسارہ 31 فیصد تک محدود ہو گیا جس کی بنیادی وجہ درآمدات میں کمی ہے۔ برآمدات میں 3.2 فیصد بہتری آئی ہے جبکہ درآمدات میں 17 فیصد کمی ہوئی ہے جس سے ادائیگی کے توازن میں بہتری آئے گی۔ رواں مالی سال کی پہلی ششماہی میں کرنٹ اکاؤنٹ خسارہ 75 فیصد کم ہوا، چونکہ خام مال کی درآمد میں تیزی سے کمی ہوئی اور ترسیلات زر میں 3.3 فیصد بہتری ہوئی ہے۔ رواں مالی سال کی پہلی ششماہی کے دوران غیر ملکی سرمایہ کاری براہ راست 68 فیصد اضافے کے ساتھ 1.34 بلین امریکی ڈالر تک پہنچ گئی جو کہ گزشتہ سال کے اسی عرصے میں 0.797 بلین امریکی ڈالر تھی۔ مورخہ 5 جنوری 2020ء کو ملکی زرمبادلہ ذخائر بہتر ہو کر 18 بلین امریکی ڈالر ہو گئے۔

صنعت کا جائزہ:

ہماری صنعت مشکل وقت سے گزر رہی ہے اور صنعت کی 40 فیصد فیکٹریاں پہلے ہی اپنا کاروبار بند کر چکی ہیں اور باقی اپنی مجموعی پیداواری صلاحیت میں سے 50 فیصد کام کر رہی ہیں جیسا کہ 18 جولائی سے جون 2019ء تک کے مالی سال کے برآمدی اعداد و شمار میں ظاہر ہے جیسا کہ ریکارڈ میں (مئی 11 فیصد) BPS پر مبنی ہے، جو بعد کی مدت میں مئی میں بڑھایا جاسکتا ہے۔ پاکستان ٹیکسٹائل اینڈ ایپریٹس نے وزیراعظم سے ہمسایہ ممالک کے مقابلے میں برابری کا میدان فراہم کرنے کیلئے چھوٹے کی صنعت کے معاملات کو جنگلی بنیادوں پر فوری حل کرنے کی اپیل کی ہے تاکہ ملک کی یہ پیداواری صنعت ملکی معیشت کو مستحکم کرنے کے لئے اپنا بھرپور کردار ادا کرتی رہے۔

- 1- پاکستان کی چھوٹے کی صنعت جو ملک کی سب سے بڑی درآمدی صنعت ہے کے بنیادی مسائل طویل عرصہ سے زیر التوا ہیں جو مندرجہ ذیل ہیں:-
- 2- پاکستان کی چھوٹے کی صنعت کیلئے "زیرو ریٹریڈیٹیشن" کے ساتھ SRO 1125 کو بحال کرنا کیونکہ یہ مخصوص صنعت ملک کی خالصتاً 95 فیصد برآمدی شعبے کی حیثیت رکھتی ہے۔
- 3- صنعت کی ضروری قیمت میں اضافے/ اسپرڈ کیلئے تمام بنیادی خام مال، کیمیکلز اور مشینری کی ڈیوٹی فری درآمد۔
- 4- DLTL اسکیم جاری کردہ SRO 711(I)/2018 مورخہ 8 جون 2018ء میں "رنگا ہوا/ تیار چھڑا" کیلئے HS کوڈ شامل کرنا۔
- 5- حکومتی سبسڈی کیلئے SRO نمبر 578(I)/2017 مورخہ 8 جولائی 2016ء کی بیرونی میں 24 ٹینگ مشینوں کو مزید تاجیر کے بغیر نظر ثانی شدہ SRO جاری کرنا۔ تفصیلی وضاحت/ ترمیم پہلے ہی MOC کو پیش کی جا چکی ہے۔



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۵۔ سرکاری سطح پر چمڑا اور کھالوں کا زرعی پیداواری اشیاء کے طور پر اعلان کیا جائے اور خام چمڑا اور کھالوں کی فروخت کا ITO 200 کے سیکشن 41 کے تحت 'زرعی آمدنی' سمجھا جائے اور وہ ہولڈنگ ٹیکس عائد کرنے سے مستثنیٰ قرار دیا جائے۔ یہاں واضح کیا گیا ہے کہ پنجاب ایگریکلچرل پروڈیوس مارکیٹس آرڈیننس 1978 کے مطابق خام چمڑا/چمڑے اور کھالیں (ختک اور گیلے) پہلے ہی زرعی پیداواری تعریف میں شامل ہیں۔

مشیر برائے تجارت برائے تجارت و ٹیکسٹائل 18-09-2019 کو PTA کے نمائندگان کے ساتھ ہونے والی میٹنگ میں یقین دلایا کہ مذکورہ بالا امور زیر غور ہیں۔

کمپنی کا جائزہ:

ممبران یاد کر سکتے ہیں کہ سال 2018-19 کی پہلی ششماہی کے مالی نتائج میں طویل عرصہ بعد بہتری آئی ہے اور اس کے بعد دوبارہ دوسری ششماہی اور پورے سال 2018-19 کے لئے منافع کا اعلان کیا گیا۔ اب اس سال 2019-20 کی پہلی ششماہی کے کھاتے بعد از ٹیکس منافع مبلغ 6.06 ملین روپے بھی اسی طرح کی عکاسی کر رہے ہیں، اس طرح کمپنی مسلسل تیسری مرتبہ ششماہی منافع ظاہر کر رہی ہے۔

31 دسمبر 2019ء کو ختم ہونے والی ششماہی کی خالص فروخت 100 ملین سے تجاوز کر کے 106.8 ملین روپے ریکارڈ کی جا رہی ہے جو کہ گذشتہ سال اسی عرصہ کیلئے 32.00 ملین روپے تھی۔ زبرد جائزہ مدت کے دوران بعد از ٹیکس خالص منافع 6.06 ملین روپے ہوا جس کا موازنہ گذشتہ سال کی اسی مدت کے منافع مبلغ 0.95 ملین روپے سے کیا جاسکتا ہے۔

انتظامیہ نے باقی بچ جانے والی برآمدات کو برآمد کر کے مارجن میں بہتری لانے کیلئے نیا نظریہ اپنایا ہے۔ رنگ کئے ہوئے مسٹر دسہدہ بکرے کی رنگی کھالوں سے ایک نیا آرٹیکل تیار کر کے برآمد کیا گیا۔ یہ ششماہی فائدہ مند ثابت ہوا اور اس کا نتیجہ پورے سال کے کھاتوں میں نظر آئے گا۔

انتظامیہ اپنے تمام وسائل کو فائدہ پہنچانے کیلئے پوری کوشش کر رہی ہے اور نتائج اس کا ثبوت ہیں۔

آڈیٹرز کی جائزہ رپورٹ پر تبصرہ:

نئے آنے والے آڈیٹرز RSM اویس حیدر ریاضت نعمان، چارٹرڈ اکاؤنٹنٹس نے دو معاملات پر شکوک و شبہات کا اظہار کیا ہے ان پر بحث کی جاتی ہے:

۱۔ پرانے اسٹاکس کی قیمت لاگت مبلغ 100.20 ملین روپے ہے جو کہ مبلغ 38.72 ملین روپے منتقل کبھی ہوئی ہے۔ انتظامیہ نے ان اسٹاکس کو مبلغ 61.47 ملین روپے لکھ دیا ہے جبکہ ان اسٹاکس کی لاگت 61.35 فیصد ہے۔ انتظامیہ کا خیال ہے کہ مستقبل میں ان اسٹاکس کی فروخت سے ان کی لکھی گئی قیمت کے مقابلے میں زیادہ آمدنی ہوگی، لہذا اب مزید لکھنے کی ضرورت نہیں ہے۔ پرانے اسٹاکس کو ان کی خالص قابل قدر قیمت پر لے جایا جا رہا ہے۔

۲۔ کمپنی اپنے ماضی کے واجب الادا تجارتی قرضوں کے حصول کیلئے سرگرم عمل ہے۔ انتظامیہ نے یہ نتیجہ اخذ کیا ہے کہ یہ قرضے قابل وصول ہیں۔ تاہم آنے والی مدت میں انتظامیہ ان حالات کا از سر نو جائزہ لے لے گی اور اگر ضرورت پڑی تو ناقابل وصول قرضہ جات کی فراہمی پر غور کر سکتی ہے۔

عبوری مالی حسابات میں متعاقد نوٹس میں مناسب طور پر انکشاف/وضاحت کئے گئے معاملات کے سلسلے میں آڈیٹرز نے بھی متنازعہ معاملات کی طرف توجہ مبذول کروائی ہے۔ مالی حسابات کے نوٹ 1.2 میں موجودہ اثاثوں کے مقابلے میں جمع ہونے والے نقصانات میں کمی اور موجودہ ذمہ داریوں کے فرق میں کمی کو ظاہر کر کے گذشتہ اسی عرصے کی نسبت بہتری کے بارے میں وضاحت کی گئی ہے۔

مستقبل کا نظریہ: کمپنی نے اپنے چمڑے کے نئے آرٹیکل gloving کی بہتر انداز میں مارکیٹنگ کی اور 31 دسمبر کو کمپنی کے پاس 31 مارچ 2020ء تک پیداوار کو دور کرنے کیلئے کافی آرڈرز تھے۔

اظہار تشکر: انتظامیہ اپنے ملازمین، صارفین، سپلائرز اور بینکس کے تعاون پر ان کی بے حد شکر گزار ہے۔

بتوسط بورڈ

محمد سلیم احمد
چیف ایگزیکٹو آفیسر

کراچی: 26 فروری 2020



Pak Leather Crafts Limited

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PAK LEATHER CRAFTS LIMITED

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Pak Leather Crafts Limited (the company) as at December 31, 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows, and selected explanatory notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

Except for the matters described in the Basis for Qualified Conclusion section below, we conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three months period ended December 31, 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2019.

Basis for Qualified Conclusion

- (a) Stock in trade includes old outstanding stock of raw material and finished goods carried at written down value of Rs. 38.729 million since prior periods. We are unable to satisfy ourselves as to the written down value of these stocks as net realizable value is not determinable in the absence of any recent sale transaction of old stocks and are, therefore, unable to determine whether any adjustment would have been required for further write down of these stocks.



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- (b) Trade debts of the company include past due trade debts of Rs. 62.511 million. The past due trade debts are impaired but no provision has been made against these past due trade debts. We are unable to determine the quantum of required provision with reasonable accuracy and, therefore, its impact on the trade debts, equity and results for the period could not be quantified.

Qualified Conclusion

Based on our review, with the exception of the matters described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matters

Without further qualifying our conclusion, we draw attention towards the following matters;

- a) Note 1.2 to the condensed interim financial statements indicates that the company has incurred loss in prior periods. As at the balance sheet date its accumulated loss was Rs. 390.415 million and its current liabilities exceed its current assets by Rs. 300.681 million as against the issued, subscribed and paid up capital of Rs. 34 million. These conditions, along with other matters, as set forth in Note 1.2 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.
- b) Note 8 to the condensed interim financial statements indicates that the company has fully provided for mark up till the date of filing of suits by the banks / financial institutions against the company for recovery of outstanding principal and markup along with cost of funds. Mark up from the date of filing of suits amounting to Rs. 108.503 million is not acknowledged in view of pending cases. No provision is made in respect of any cost of funds as the same depends on the ultimate decision by the banking courts. The quantum of cost of funds cannot be determined at this stage.

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

**RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS**

Lahore : February 26, 2020



Pak Leather Crafts Limited

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT DECEMBER 31, 2019

ASSETS	Note	Unaudited Dec. 31, 2019	Audited June 30, 2019
(Rs. in '000')			
NON-CURRENT ASSETS			
Property, plant and equipment	4	23,267	23,894
Long term deposits		1,410	1,410
		24,677	25,304
CURRENT ASSETS			
Loose tools		308	294
Stock in trade		61,424	47,639
Trade debts	5	98,068	86,946
Advances and other receivables		2,674	1,646
Tax refunds due from Government		2,233	897
Cash and bank balances		8,395	2,292
		173,102	139,713
TOTAL ASSETS		197,779	165,017
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
5,000,000 ordinary shares of Rs.10 each		50,000	50,000
Issued, subscribed and paid up capital			
3,400,000 ordinary shares of			
Rs. 10 each fully paid in cash.		34,000	34,000
Loan from Director		63,034	68,204
Accumulated loss		(390,415)	(396,481)
		(293,381)	(294,277)
NON-CURRENT LIABILITIES			
Long term loans	6	13,841	12,987
Dererred interest income	6	3,536	4,390
		17,377	17,377
CURRENT LIABILITIES			
Short term bank borrowings		237,420	237,420
Current portion of long term financing		46,903	46,903
Interest / mark up payable		124,029	124,029
Trade and other payables	7	64,315	32,685
Provision for taxation - income tax		1,115	880
		473,783	441,917
CONTINGENCIES	8	-	-
		197,779	165,017

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

MUHAMMAD SALEEM AHMED
Chief Executive Officer

UMER AHMED
Director

NASEER AHMED
Chief Financial Officer



Dak Leather Crafts Limited

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

Note	(Un-audited)			
	Half Year Ended		Quarter Ended	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
------(Rs. In '000')-----				
Sales	106,820	32,003	66,061	19,402
Cost of sales	90,555	25,199	57,385	12,999
Gross profit	<u>16,265</u>	<u>6,804</u>	<u>8,676</u>	<u>6,403</u>
Other income	<u>830</u>	<u>264</u>	<u>500</u>	<u>264</u>
	17,095	7,068	9,176	6,667
Administrative expenses	<u>2,893</u>	<u>4,511</u>	<u>1,518</u>	<u>3,538</u>
Selling and distribution expenses	<u>5,343</u>	<u>861</u>	<u>3,558</u>	<u>307</u>
Bank charges and commission	<u>1,678</u>	<u>371</u>	<u>1,128</u>	<u>63</u>
	9,914	5,743	6,204	3,908
Profit for the period before taxation	<u>7,181</u>	<u>1,325</u>	<u>2,972</u>	<u>2,759</u>
Provision for taxation	<u>1,115</u>	<u>378</u>	<u>670</u>	<u>252</u>
Profit for the period	<u>6,066</u>	<u>947</u>	<u>2,302</u>	<u>2,507</u>
Earnings per share - basic (Rupees)	<u>1.78</u>	<u>0.28</u>	<u>0.68</u>	<u>0.74</u>

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

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Half Year Ended		Quarter Ended	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
	------(Rs. In '000')-----			
Profit for the period	6,066	947	2,302	2,507
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>6,066</u>	<u>947</u>	<u>2,302</u>	<u>2,507</u>

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

MUHAMMAD SALEEM AHMED
Chief Executive Officer

UMER AHMED
Director

NASEER AHMED
Chief Financial Officer



Dak Leather Crafts Limited

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Un-audited Half Year Ended	
	Dec. 31, 2019	Dec. 31, 2018
	(Rs. in '000')	
Cash generated from operations		
Profit for the period before taxation	7,181	1,349
Adjustment for depreciation	<u>930</u>	<u>1,024</u>
Operating cash flows before working capital changes	8,111	2,373
Changes in working capital		
(Increase)/decrease in current assets		
Loose tools	(14)	-
Stock in trade	(13,785)	5,793
Trade debts	(11,122)	(7,295)
Tax refunds due from Government	(1,336)	87
Advances and other receivables	(1,029)	332
Increase/(decrease) in current liabilities		
Trade and other payables	<u>31,852</u>	<u>(1,560)</u>
	4,566	(2,643)
Cash generated from/ (used in) operations	<u>12,677</u>	<u>(270)</u>
Income tax paid	(1,100)	(375)
Net cash generated from/ (used in) operating activities (A)	<u>11,577</u>	<u>(645)</u>
Cash flows from investing activities		
Addition in property, plant and equipment	(304)	(2,053)
Net cash (used in) investing activities (B)	<u>(304)</u>	<u>(2,053)</u>
Cash flows from financing activities		
Loan (repaid)/ received from directors	(5,170)	2,586
Net cash (used in)/ generated from financing activities (C)	<u>(5,170)</u>	<u>2,586</u>
Net increase/(decrease) in cash and cash equivalents (A + B + C)	6,103	(112)
Cash and cash equivalents at the beginning of the period	2,292	389
Cash and cash equivalents at the end of the period	<u>8,395</u>	<u>277</u>

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

MUHAMMAD SALEEM AHMED
Chief Executive Officer

UMER AHMED
Director

NASEER AHMED
Chief Financial Officer



Dak Leather Crafts Limited

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	(Rs. in '000')		
	Issued subscribed and paid up capital	Accumulated loss	Total
Balance as at July 1, 2018	34,000	(400,627)	(366,627)
Total comprehensive income for the period			
Profit for the period	-	947	947
Other comprehensive income	-	-	-
	-	947	947
Balance as at December 31, 2018	34,000	(399,680)	(365,680)
Total comprehensive income for the period			
Profit for the period	-	3,199	3,199
Other comprehensive income	-	-	-
	-	3,199	3,199
Balance as at June 30, 2019	34,000	(396,481)	(362,481)
Total comprehensive income for the period			
Profit for the period	-	6,066	6,066
Other comprehensive income	-	-	-
	-	6,066	6,066
Balance as at December 31, 2019	34,000	(390,415)	(356,415)

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

MUHAMMAD SALEEM AHMED
Chief Executive Officer

UMER AHMED
Director

NASEER AHMED
Chief Financial Officer



Pak Leather Crafts Limited

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

1 Legal status and 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 has incurred loss in prior periods. As at the balance sheet date its accumulated loss was Rs. 390.415 million (June 30, 2019: Rs. 396.481 million) and its current liabilities exceed its current assets by Rs. 300.681 million (June 30, 2019: Rs. 302.204 million). The Company faced operational and financial problems and was unable to pay off its liabilities on due dates. The bankers of the Company have filed suits for recovery of outstanding finances and related mark up alongwith cost of funds which the company is defending. These factors indicate material uncertainty related to events and conditions which may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

The management has prepared a plan to address all these issues and is focusing to enhance its profitability by increasing its export sales as well local toll manufacturing. As a result of its concentrated efforts, the management has been able to earn profits over the recent past. The management is also negotiating with its bankers for rescheduling / out of court settlements. Moreover, the directors of the Company are committed to fully support the Company and have undertaken to inject further funds in the ensuing years, if required. The management believes that its plan is resulting and will further result in the improvement of financial position and financial results of the Company and, therefore, the Company will be able to continue as a going concern.

2 Statement of compliance

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

- International Accounting Standard (IAS) 34, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provision of and directives issued under the Companies Act, 2017.

Where the provision of and directives issues under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.



Pak Leather Crafts Limited

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

2.2 These condensed interim financial statements have been subjected to limited scope review by the auditors, as required under section 237 of Companies Act, 2017 and should be read in conjunction with annual audited financial statements of the Company for the year ended June 30, 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The significant accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of annual audited financial statements of the Company for the year ended June 30, 2019.

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

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 condensed interim financial statements.

3.3 These condensed interim financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency.

3.4 Estimates, judgments & financial risk management

The preparation of these condensed interim financial statements in conformity with the 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 historical experience and other factors, including the expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During the preparation of these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the preparation of annual audited financial statements of the Company for the year ended June 30, 2019.

3.5 Financial risk management

Risk management policies and procedures are consistent with those disclosed in the annual audited financial statements of the Company for the year ended June 30, 2019.



Dak Leather Crafts Limited

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Note	Un-audited Dec 31, 19 ----- (Rs. In '000') -----	Audited Jun 30, 19 ----- (Rs. In '000') -----
4. Property, plant and equipment			
Written down value	4.1	<u>23,267</u>	<u>23,894</u>
		Half Year ended	
		Dec 31, 2019	Dec 31, 2018
		----- (Rs. In '000') -----	----- (Rs. In '000') -----
4.1 Additions in property, plant and equipment - at cost			
Building on leasehold land		131	1,863
Plant and machinery		-	190
Office equipment		<u>173</u>	<u>-</u>
		<u>304</u>	<u>2,053</u>
		Un-audited	Audited
		Dec 31, 19	Jun 30, 19
		----- (Rs. In '000') -----	----- (Rs. In '000') -----
5. Trade debts			
Unsecured - Considered good			
Local		87,734	81,983
Foreign		<u>10,334</u>	<u>4,963</u>
		<u>98,068</u>	<u>86,946</u>
6. Long term loans			
Un-secured			
From other		17,377	17,377
Difference between gross proceeds and fair value transferred to deferred interest income		<u>3,536</u>	<u>4,390</u>
		<u>13,841</u>	<u>12,987</u>



Dak Leather Crafts Limited

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Note	Un-audited Dec 31, 19	Audited Jun 30, 19
		----- (Rs. In '000')	-----
7. Trade and other payables			
Creditors		53,892	22,593
Accrued liabilities	7.1	3,498	3,268
Advance from customers		5,451	5,441
Tax deducted at source		105	14
Workers' welfare fund		907	907
Compensated absences		320	320
Unclaimed dividend		143	143
		<u>64,315</u>	<u>32,685</u>

7.1 Accrued liabilities included in trade and other payables include remuneration payable to chief executive officer and directors amounting to Rs. 0.289 million (June 30, 2019: Rs. 0.425 million).

8. 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 long term and short 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. Mark up from the date of filing of suits amounting to Rs. 108.503 million (June 30, 2019: Rs. 96.631 million) is not acknowledged in view of pending cases. No provision is made in respect of any cost of funds as the same depends on the ultimate decision by the banking courts. The quantum of cost of funds cannot be determined at this stage.



Pak Leather Crafts Limited

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

Note	Un-audited			
	Half Year Ended		Quarter Ended	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
------(Rs. In '000')-----				
9. Cost of sales				
Opening stock finished goods	37,155	39,353	31,967	38,174
Cost of goods manufactured	9.1 <u>95,721</u>	<u>25,329</u>	<u>67,739</u>	<u>14,308</u>
	132,876	64,682	99,706	52,482
Closing stock finished goods	<u>(42,321)</u>	<u>(39,483)</u>	<u>(42,321)</u>	<u>(39,483)</u>
	<u>90,555</u>	<u>25,199</u>	<u>57,385</u>	<u>12,999</u>
9.1 Cost of goods manufactured				
Raw material consumed	9.1.1 76,542	9,198	57,921	4,669
Salaries, wages and benefits	11,260	6,968	6,283	3,775
Power and fuel	4,650	3,748	2,410	2,062
Repairs and maintenance	4,137	2,386	2,616	1,221
Carriage and cartage	196	32	146	32
Depreciation	875	963	437	515
Others factory over heads	296	23	161	23
	<u>97,956</u>	<u>23,319</u>	<u>69,974</u>	<u>12,298</u>
Opening stock work-in-process	3,648	2,637	3,648	2,637
Closing stock work-in-process	(5,882) <u>(2,235)</u>	<u>(627)</u> 2,010	(5,882) <u>(2,235)</u>	<u>(627)</u> 2,011
	<u>95,721</u>	<u>25,329</u>	<u>67,739</u>	<u>14,308</u>
9.1.1 Raw material consumed				
Opening stock	6,836	8,589	17,700	6,999
Purchases	82,926	5,285	53,441	2,346
	<u>89,762</u>	<u>13,874</u>	<u>71,141</u>	<u>9,345</u>
Available for consumption	89,762	13,874	71,141	9,345
Closing stock	(13,220) <u>76,542</u>	<u>(4,676)</u> 9,198	(13,220) <u>57,921</u>	<u>(4,676)</u> 4,669



Dak Leather Crafts Limited

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

10. 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. There is no significant related party transactions except the following;

Nature of relationship	Nature of transaction	Half Year Ended	
		Un-audited Dec 31, 19 ----- (Rs. In '000') -----	Un-audited Dec 31, 18 -----
Director	Repayment of loan	5,170	-
Director	Remuneration	543	543
		<u>5,713</u>	<u>543</u>

11. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been authorized for issue by the Board of Directors of the Company on February 26, 2020.

12. GENERAL

- 12.1 There is no unusual item included in these condensed interim financial statements which is affecting assets, liabilities, profit, comprehensive income, equity or cash flows of the Company.
- 12.2 The provision for taxation in these condensed interim financial statements is subject to adjustment in annual financial statements.
- 12.3 The figures have been rounded off to the nearest thousands of Rupees.

MUHAMMAD SALEEM AHMED
Chief Executive Officer

UMER AHMED
Director

NASEER AHMED
Chief Financial Officer

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