

**ACCOUNTS FOR
THE HALF YEAR ENDED
DECEMBER 31, 2022
(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

| | |
|---------------------------|----------|
| Ahmed Jalali | Chairman |
| Dr. Muhammad Shoaib Ahmed | 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 Ltd
MCB Limited
Habib Metropolitan Bank Ltd
Habib Bank Limited
Industrial Development Bank Ltd
Faysal Bank Limited
Soneri Bank Ltd
Bank Alfalah Ltd
Bank of Khyber
Meezan Bank Ltd
Askari Bank Ltd
BankIslami Pakistan Ltd

EXTERNAL AUDITORS

RSM Avais Hyder Liaquat Nauman
Chartered Accountants
Lahore

REGISTERED OFFICE

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

LEGAL ADVISOR

Hassan Arif
Advocate, Sindh High Court

SHARE REGISTRAR

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



Pak Leather Crafts Limited

DIRECTORS' REVIEW

The directors of your Company are pleased to present the condensed interim financial statements of the Company for the six month period ended December 31, 2022 duly reviewed by the auditors of the Company.

Financial Results:

| | December 31, 2022 | December 31, 2021 |
|---|----------------------|----------------------|
| | Rupees | |
| Profit/ (Loss) before taxation | 1,309,157 | (212,226) |
| Taxation | <u>(709,362)</u> | <u>(636,713)</u> |
| Profit/ (loss) after tax | 599,795 | (848,939) |
| Accumulated loss B/F | <u>(359,296,681)</u> | <u>(356,396,606)</u> |
| Accumulated loss C/F | <u>(358,696,886)</u> | <u>(357,245,545)</u> |
| Profit/ (loss) per share after tax (Rupees) | <u>0.18</u> | <u>(0.25)</u> |

Company Performance:

Out of the best efforts made by the management, the Company was able to improve the growth in sales. During the period ended December 31, 2022, the gross exports of the company reached Rs. 55.416 million as compared to Rs. 35.172 million for the last corresponding period. Management was successful to improve the sales volume despite the recession in the international market. Period under review ended at after tax profit of Rs.0.599 million comparing with the Loss of Rs.(0.849) million for the same period last year.

Comments on Auditor's Review report:

- 1) Auditors in their review report have given an emphasis of matter on the accumulated losses etc. The attention of the reader is drawn to Note # 1.2 to the financial statements where in the management has give its view point. Your Company has start improving in results as indicated in the prior para that the bottom line has turned into profit contrary to loss for the same period last year. In previous years, despite heavy losses and negative working capital, more than the present figures, the Company has kept on as going concern. Now there is improvement in results and assurance of continues financial support by the directors, the Company will be able to continue as going concern.
- 2) Auditors have also emphasized on the law suites of banks/ financial institutions. The management is trying to settle these cases out of the court. Major portion of banks liabilities have already been settled. The management is taking care for the remaining disputes and trying to settle with other banks/financial institution.

Restoration of trading of Company's shares:

Your directors are pleased to inform you that trading of the Company's shares have been started from October 11, 2022.



Pak Leather Crafts Limited

Future Outlook:

The management is aware of the challenges ahead and is continuously evolving strategies and adopting measures to meet future challenges and maintain business growth. Potential challenges can include increase in the cost of production caused by high inflation, increasing prices, hike in electricity and gas rates.

Acknowledgement:

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

On behalf of the Board

Muhammad Saleem Ahmed
Chief Executive Officer

Karachi: February 27, 2023



RSM Avais Hyder Liaquat Nauman
Chartered Accountants

Avais Chambers, 1/ C-5
Sikander Malhi Road, Canal Park
Gulberg II, Lahore, Pakistan

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF PAK LEATHER CRAFTS LIMITED
REPORT ON REVIEW OF CONDENSED 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, 2022 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows, and selected explanatory notes to the condensed interim financial statements for the six month 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 the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

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 quarters ended December 31, 2022 and 2021 have not been reviewed, as we are required to review only the cumulative figures for the six-month period then ended.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

Other Offices at:
Karachi : 92 (21) 3565 5975-6
Faisalabad : 92 (41) 854 1165/854 1965
Islamabad : 92 (51) 234 0490 & 93
Peshawar : 92 (91) 527 8310/527 7205
Kabul : 93 (799) 058 155

Conclusion

Based on our review, 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 qualifying our conclusion, we draw attention towards the following matters;

- a) Note 1.2 to the condensed interim financial statements states that the Company incurred losses in prior periods. As at the reporting date, its equity is negative by Rs. 196.58 million (June 30, 2022: Rs. 202.28 million) and its current liabilities exceed its current assets by Rs. 215.03 million (June 30, 2022: Rs. 220.25 million). These events and conditions, along with other matters as set forth in Note 1.2, indicates the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.
- b) We draw attention towards Note 6 to condensed interim financial statements which indicates that no provision is made in respect of any cost of funds since initiation of cases, as the same depends on the ultimate decision by the relevant forums and the quantum of cost of funds cannot be determined at this stage.

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



RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Place : Lahore

Date :

UDIN: RR202210226MNIVxyhUO



Pak Leather Crafts Limited

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT DECEMBER 31, 2022

| | Note | Unaudited Dec. 31, 2022 | Audited June 30, 2022 |
|--|------|-------------------------------|-----------------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 4 | 34,418,556 | 33,943,901 |
| Long term deposits | | 1,409,612 | 1,409,612 |
| | | <u>35,828,168</u> | <u>35,353,513</u> |
| Current assets | | | |
| Loose tools | | 354,887 | 325,386 |
| Stock in trade | | 54,126,953 | 53,303,439 |
| Trade debts | | 21,675,542 | 22,478,764 |
| Advances and other receivable | | 2,776,056 | 3,405,195 |
| Tax refunds due from government | | 3,992,390 | 3,399,219 |
| Cash and bank balances | | 1,521,525 | 2,530,744 |
| | | <u>84,447,353</u> | <u>85,442,747</u> |
| TOTAL ASSETS | | <u>120,275,521</u> | <u>120,796,260</u> |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised share capital | | | |
| 5,000,000 Ordinary shares of Rs. 10/- each. | | 50,000,000 | 50,000,000 |
| Issued, subscribed and paid up capital | | | |
| 3,400,000 Ordinary shares of Rs. 10/- each fully paid in cash | | 34,000,000 | 34,000,000 |
| Loan from Directors | | 128,120,239 | 123,020,039 |
| Accumulated loss | | (358,696,886) | (359,296,681) |
| | | <u>(196,576,647)</u> | <u>(202,276,642)</u> |
| Non-current liabilities | | | |
| Long term loans | | 10,274,172 | 9,672,996 |
| Dererred interest income | | 7,102,718 | 7,703,894 |
| | | <u>17,376,890</u> | <u>17,376,890</u> |
| Current liabilities | | | |
| Short term bank borrowings | | 112,529,905 | 112,529,905 |
| Current portion of long term financing | | 46,903,420 | 46,903,419 |
| Interest / mark up payable | | 89,200,158 | 89,200,158 |
| Trade and other payables | 5 | 49,990,185 | 55,475,705 |
| Provision for taxation - income tax | | 709,362 | 1,444,317 |
| Unclaimed dividend | | 142,248 | 142,508 |
| | | <u>299,475,278</u> | <u>305,696,012</u> |
| CONTINGENCIES | | | |
| | 6 | - | - |
| | | <u>120,275,521</u> | <u>120,796,260</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



Pak Leather Crafts Limited

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2022

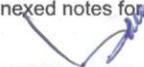
| | | (Un-audited) | | | |
|------|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | | Half Year Ended | | Quarter Ended | |
| Note | | Dec. 31, 2022 | Dec. 31, 2021 | Dec. 31, 2022 | Dec. 31, 2021 |
| | | Rupees | | | |
| | Sales | 7 67,978,260 | 55,731,666 | 45,134,807 | 23,901,331 |
| | Cost of sales | 8 55,443,633 | 51,773,447 | 33,002,358 | 20,189,080 |
| | Gross profit | <u>12,534,627</u> | <u>3,958,219</u> | <u>12,132,449</u> | <u>3,712,252</u> |
| | Other income - Balances | | | | |
| | Written back | - | 2,994,771 | - | 2,821,607 |
| | | <u>12,534,627</u> | <u>6,952,990</u> | <u>12,132,449</u> | <u>6,533,859</u> |
| | Administrative expenses | <u>6,457,190</u> | <u>5,754,442</u> | <u>3,391,848</u> | <u>2,643,457</u> |
| | Selling and distribution - expenses | <u>4,024,268</u> | <u>1,237,955</u> | <u>2,493,313</u> | <u>382,711</u> |
| | Financial cost | <u>744,012</u> | <u>172,820</u> | <u>383,226</u> | <u>54,986</u> |
| | | <u>11,225,470</u> | <u>7,165,217</u> | <u>6,268,387</u> | <u>3,081,154</u> |
| | Profit/(loss) for the period before taxation | <u>1,309,157</u> | <u>(212,227)</u> | <u>5,864,062</u> | <u>3,452,705</u> |
| | Provision for taxation | 9 709,362 | 636,713 | 484,362 | 286,713 |
| | Profit/(loss) for the year | <u>599,795</u> | <u>(848,940)</u> | <u>5,379,700</u> | <u>3,165,992</u> |
| | Earnings per share - basic and diluted (Rupees per share) | <u>0.18</u> | <u>(0.25)</u> | <u>1.58</u> | <u>0.93</u> |

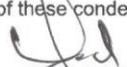
The annexed notes form an integral part of these condensed interim financial statements.

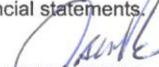
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2022

| | | Half Year Ended | | Quarter Ended | |
|--|---|-----------------------|-------------------------|-------------------------|-------------------------|
| | | Dec. 31, 2022 | Dec. 31, 2021 | Dec. 31, 2022 | Dec. 31, 2021 |
| | | Rupees | | | |
| | Profit/(loss) for the period | 599,795 | (848,940) | 5,379,700 | 3,165,992 |
| | Other comprehensive income | - | - | - | - |
| | Total comprehensive income/(loss) for the period | <u>599,795</u> | <u>(848,940)</u> | <u>5,379,700</u> | <u>3,165,992</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



Pak Leather Crafts Limited

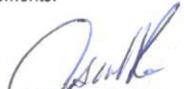
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2022

| | Issued subscribed and paid up capital | Loan from Director | Accumulated loss | Total |
|--|--|--------------------------|----------------------|----------------------|
| | Rupees | | | |
| Balance as at July 1, 2021 - Audited | 34,000,000 | 116,363,594 | (356,396,606) | (206,033,012) |
| Total comprehensive loss for the period | | | | |
| Loss for the period | - | - | (848,940) | (848,940) |
| Other comprehensive income | - | - | - | - |
| Transaction with owners | | | (848,940) | (848,940) |
| Loan obtained from directors | - | 4,185,200 | - | 4,185,200 |
| Balance as at December 31, 2021 - unaudited | 34,000,000 | 120,548,794 | (357,245,546) | (202,696,752) |
| Total comprehensive loss for the period | | | | |
| Loss for the period | - | - | (2,051,135) | (2,051,135) |
| Other comprehensive income | - | - | - | - |
| Transaction with owners | | | (2,051,135) | (2,051,135) |
| Loan obtained from directors | - | 2,471,245 | - | 2,471,245 |
| Balance as at June 30, 2022 - Audited | 34,000,000 | 123,020,039 | (359,296,681) | (202,276,642) |
| Total comprehensive loss for the period | | | | |
| Profit for the period | - | - | 599,795 | 599,795 |
| Other comprehensive income | - | - | - | - |
| Transaction with owners | | | 599,795 | 599,795 |
| Loan obtained from directors | - | 5,100,200 | - | 5,100,200 |
| Balance as at December 31, 2022 - unaudited | 34,000,000 | 128,120,239 | (358,696,886) | (196,576,647) |

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



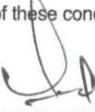
Pak Leather Crafts Limited

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2022

| | Un-audited Half Year Ended | |
|--|-------------------------------|------------------|
| | Dec. 31, 2022 | Dec. 31, 2021 |
| | Rupees | |
| A) Cash generated from operating activities | | |
| Profit/(loss) for the period before taxation | 1,309,157 | (212,226) |
| Adjustment of non-cash items | | |
| Depreciation on Property, plant and equipment | 1,453,737 | 1,402,180 |
| Balance written back - net | - | (2,994,771) |
| Operating cash flows before working capital changes | 2,762,894 | (1,804,817) |
| Changes in working capital | | |
| (Increase)/decrease in current assets | | |
| Loose tools | (29,501) | 51,154 |
| Stock in trade | (823,514) | (8,369,504) |
| Trade debts | 803,222 | (5,954,508) |
| Tax refunds due from Government | (593,171) | 872,227 |
| Advances and other receivables | 629,139 | (1,164,929) |
| Trade and other payables | (5,485,779) | 11,658,122 |
| | (5,499,604) | (2,907,439) |
| Cash flow from operations | (2,736,710) | (4,712,256) |
| Income tax paid | (1,444,317) | (1,263,928) |
| Net cash flow from operating activities | (4,181,027) | (5,976,184) |
| B) Cash flows from investing activities | | |
| Additions in property, plant and equipment | (1,928,392) | (2,007,707) |
| Net cash flow from investing activities | (1,928,392) | (2,007,707) |
| C) Cash flows from financing activities | | |
| Loan obtained from Directors | 5,100,200 | 4,185,200 |
| Short term borrowings repaid - net | - | - |
| Net cash flow from financing activities | 5,100,200 | 4,185,200 |
| Net (decrease) in cash and cash equivalents (A + B + C) | (1,009,219) | (3,798,691) |
| Cash and cash equivalents at the beginning of the period | 2,530,744 | 4,334,710 |
| Cash and cash equivalents at the end of the period | 1,521,525 | 536,019 |

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 SIX MONTH PERIOD ENDED DECEMBER 31, 2022

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 Companies Ordinance, 1984 (repealed by Companies Act, 2017) and is quoted on Pakistan Stock Exchange. The principal activity of the Company is leather tanning and export of leather and leather garments. The registered office and mill of the Company are situated at Plot # 18, Sector 7-A, Korangi Industrial Area, Karachi, in the province of Sindh.

1.2 The Company incurred losses in prior periods. As at the reporting date, its equity is negative by Rs. 196.58 million (June 30, 2022: Rs. 202.28 million) and its current liabilities exceed its current assets by Rs. 215.03 million (June 30, 2022: Rs. 220.25 million). The Company is facing operational and financial problems and has been unable to pay off its liabilities on due dates. The bankers / financial institutions of the Company have filed suits for recovery of outstanding finances and related mark up along with cost of funds. These factors indicate material uncertainty related to events and conditions which may cast significant doubt about the Company's ability to continue as a going concern and, therefore, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

The management has prepared and is implementing its plan to address all these issues. As a result of its efforts, financial performance is improving, however, owing to adverse economic condition world wide, the economic activity remained low in recent period.

The Company is taking measures to increase its revenue and profitability. The management is negotiating with its bankers / financial institutions for rescheduling / out of court settlements. Directors of the Company have injected further funds in the recent periods and have undertaken to continue to support the Company and to inject further funds in future, as may be needed by the Company. The management believes that its plan will improve the financial position and financial performance of the Company and 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;
- Provisions of and directives issued under the Companies Act, 2017.



Pak Leather Crafts Limited

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2022

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.

- 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 the annual audited financial statements of the Company for the year ended June 30, 2022.

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, 2022.

- 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, 2022 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 Rupee which is the Company's functional and presentation currency.

3.4 Significant accounting estimates and Judgements

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 were applied in the preparation of annual audited financial statements of the Company for the year ended June 30, 2022.

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, 2022.



Pak Leather Crafts Limited

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2022

| | Note | Un-audited Dec 31, 22 | Audited Jun 30, 22 |
|--------------------|---|--------------------------|--------------------------|
| Rupees | | | |
| 4 | PROPERTY, PLANT AND EQUIPMENT | | |
| | Opening balance | 33,943,901 | 32,268,006 |
| | Additions | 4.1 1,928,392 | 4,587,567 |
| | Depreciation for the period / year | 1,453,737 | 2,911,672 |
| | Closing balance | <u>34,418,556</u> | <u>33,943,901</u> |
| Half Year ended | | | |
| | | Dec 31, 2022 | Dec 31, 2021 |
| Rupees | | | |
| 4.1 | Additions in property, plant and equipment - at cost | | |
| | Building on leasehold land | 150,000 | 992,350 |
| | Plant and machinery | 1,512,670 | 732,832 |
| | Motor vehicles | 111,072 | 88,000 |
| | Office equipment | 154,650 | 194,525 |
| | | <u>1,928,392</u> | <u>2,007,707</u> |
| | | Note | Un-audited Dec 31, 22 |
| 5 | TRADE AND OTHER PAYABLES | | Audited Jun 30, 22 |
| Rupees | | | |
| | Creditors | 40,922,108 | 43,271,775 |
| | Accrued liabilities | 5.1 4,718,425 | 7,969,174 |
| | Advance from customers | 3,142,450 | 3,046,371 |
| | Withholding Income tax payable | 1,207,202 | 1,188,385 |
| | | <u>49,990,185</u> | <u>55,475,705</u> |

5.1 These include remuneration payable to chief executive officer and directors amounting to Rs. 1.20 million (June 30, 2022: Rs. 4.67, million).

6 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 finances along with related mark up and cost of funds which the Company is defending. The amount of related overdue loans is Rs. 159.433 million (June 30, 2022: Rs. 159.433 million) and related overdue mark up is Rs. 89.2 million (June 30, 2022: Rs. 89.2 million). The Company has fully provided for mark up till the date of filing of suits by the banks / financial institutions. No provision is made in respect of any cost of funds as the same depends on the ultimate decision by the banking courts and 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 SIX MONTH PERIOD ENDED DECEMBER 31, 2022

| Note | Un-audited | | | |
|--|-------------------|--------------------|-------------------|--------------------|
| | Half Year Ended | | Quarter Ended | |
| | Dec. 31, 2022 | Dec. 31, 2021 | Dec. 31, 2022 | Dec. 31, 2021 |
| Rupees | | | | |
| 7 SALES | | | | |
| Export - Leather | 55,415,659 | 35,171,786 | 35,571,310 | 12,756,468 |
| Local sale - Leather Processing | 14,603,727 | 23,360,485 | 10,566,724 | 12,785,890 |
| | <u>70,019,386</u> | <u>58,532,271</u> | <u>46,138,034</u> | <u>25,542,358</u> |
| Less : Commission | (993,984) | - | (124,667) | - |
| Less : Sales Tax | (2,105,375) | (3,369,098) | (1,518,801) | (1,832,618) |
| Add : Rebate / duty draw back | 1,058,233 | 568,493 | 640,241 | 191,591 |
| | <u>67,978,260</u> | <u>55,731,666</u> | <u>45,134,807</u> | <u>23,901,331</u> |
| 8 COST OF SALES | | | | |
| Opening balance - finished goods | 25,057,264 | 43,354,183 | 25,057,264 | 46,996,411 |
| Cost of goods manufactured | 8.1 67,226,228 | 55,635,304 | 44,784,953 | 20,408,709 |
| | <u>92,283,492</u> | <u>98,989,487</u> | <u>69,842,217</u> | <u>67,405,120</u> |
| Less: Closing balance - finished goods | (36,839,859) | (47,216,040) | (36,839,859) | (47,216,040) |
| | <u>55,443,633</u> | <u>51,773,447</u> | <u>33,002,358</u> | <u>20,189,080</u> |
| 8.1 Cost of goods manufactured | | | | |
| Raw material consumed 8.1.1 | 34,763,388 | 35,670,066 | 22,164,382 | 17,893,218 |
| Salaries, wages and benefits | 12,802,775 | 12,430,446 | 6,970,146 | 6,195,113 |
| Power, fuel and water | 5,786,588 | 5,588,147 | 3,311,055 | 3,110,654 |
| Repairs and maintenance | 2,766,238 | 3,456,984 | 2,050,513 | 1,576,594 |
| Carriage and cartage | 136,207 | 162,154 | 49,705 | 77,243 |
| Depreciation | 1,368,072 | 1,318,049 | 698,532 | 675,468 |
| Others | 62,990 | 156,440 | 650 | 36,440 |
| | <u>57,686,258</u> | <u>58,782,286</u> | <u>35,244,983</u> | <u>29,564,730</u> |
| Work in process: | | | | |
| Opening balance | 16,237,521 | 7,269,112 | 16,237,521 | 1,260,073 |
| Closing balance | (6,697,551) | (10,416,094) | (6,697,551) | (10,416,094) |
| | <u>9,539,970</u> | <u>(3,146,982)</u> | <u>9,539,970</u> | <u>(9,156,021)</u> |
| | <u>67,226,228</u> | <u>55,635,304</u> | <u>44,784,953</u> | <u>20,408,709</u> |



Pak Leather Crafts Limited

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2022

| Note | Un-audited | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Half Year Ended | | Quarter Ended | |
| | Dec. 31, 2022 | Dec. 31, 2021 | Dec. 31, 2022 | Dec. 31, 2021 |
| Rupees | | | | |
| 8.1.1 Raw material consumed | | | | |
| Opening balance | 12,008,654 | 9,135,581 | 15,570,830 | 7,213,023 |
| Purchased during the period | 33,344,277 | 37,030,731 | 17,183,095 | 21,176,441 |
| Available for consumption | 45,352,931 | 46,166,312 | 32,753,925 | 28,389,464 |
| Closing balance | (10,589,543) | (10,496,246) | (10,589,543) | (10,496,246) |
| | <u>34,763,388</u> | <u>35,670,066</u> | <u>22,164,382</u> | <u>17,893,218</u> |

9 PROVISION FOR TAXATION

| | | | | | |
|----------------------|-----|----------------|----------------|----------------|----------------|
| Current for the year | | 709,362 | 636,713 | 484,362 | 286,713 |
| Deferred | 9.1 | - | - | - | - |
| | | <u>709,362</u> | <u>636,713</u> | <u>484,362</u> | <u>286,713</u> |

9.1 Deferred tax asset works out to Rs. 7.91 million (December 31, 2021: Rs. 7.47 million) which is not recognized in these condensed interim financial statements in view of un-certain future results.

10 TRANSACTIONS WITH RELATED PARTIES

The Company carries out transactions with related parties in the normal course of business. Related parties comprise of directors and key management personnel. Significant related party transactions carried out during the period are as under:

| Name | Relationship | Nature of Transaction | Half Year Ended December 31 | |
|--------------------|--------------|-----------------------|--------------------------------|-----------|
| | | | 2022 | 2021 |
| Rupees | | | | |
| Mr. Saleem Ahmed | CEO | Loan received - net | 5,650,200 | 3,810,000 |
| | | Remuneration | 1,800,000 | 1,800,000 |
| Mr. Umer Ahmed | Director | Loan received | 4,000,000 | 600,000 |
| | | Loan repaid | 4,550,000 | 224,800 |
| | | Remuneration | 900,000 | 900,000 |



Pak Leather Crafts Limited

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2022

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 27, 2023

12 GENERAL

- 12.1 There is no unusual item included in these condensed interim financial statements which are affecting assets, liabilities, profit, total comprehensive income, equity or cash flows of the Company.
- 12.2 The provision for taxation made 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 Rupees unless otherwise stated.

MUHAMMAD SALEEM AHMED
Chief Executive Officer

UMER AHMED
Director

NASEER AHMED
Chief Financial Officer

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