

**ACCOUNTS FOR
THE HALF YEAR ENDED
DECEMBER 31, 2018
(UNAUDITED)**



Pak Leather Crafts Limited



Pak Leather Crafts Limited

CORPORATE PROFILE

BOARD OF DIRECTORS

Dr.Muhammad Shoaib Ahmed	Chairman / Director
Muhammad Saleem Ahmed	Director / CEO
Nayer Ahmed Jalali	Director
Azeem Ahmed	Director
Bilal Ahmed	Director
Umer Ahmed	Director
Syed Fawad Hussain Rizvi	Director

AUDIT COMMITTEE

Syed Fawad Hussain Rizvi	Chairman
Bilal Ahmed	Member
Umer Ahmed	Member

HUMAN RESORCE & REMUNIRATION COMMITTEE

Umer Ahmed	Chairman
Muhammad Saleem Ahmed	Member
Bilal 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

EXTERNAL AUDITORS

RSM Avais Hyder Liaquat Nauman
Chartered Accountants
Peshawar

LEGAL ADVISOR

Shakiel Z. Lari Advocate

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



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, 2018 duly reviewed by the statutory auditors of the Company.

Financial Results:

	Dec-31 2018 (Rs.in'000')	Dec-31 2017 (Rs.in'000')
Profit/ (Loss) before taxation	1,325	(1,596)
Taxation	(378)	(170)
Profit/ (loss) after tax	947	(1,766)
Accumulated loss B/F	(400,628)	(395,338)
Accumulated loss C/F	(399,681)	(397,104)
Profit/ (loss) per share after tax (Rupees)	0.28	(0.52)

Economic Overview

During the period, the country's economic situation remained fragile. The smooth transition between governments addressed the political uncertainty, but concerns on the economic front continued to persist on the back of rising inflation and persistent twin deficits, that are likely to compromise the sustainability of the high economic growth path. Inflation is climbing and mainly driven by exchange rate pass through to domestic prices.

Recovery from current scenario is conditional upon the restoration of macroeconomic stability and supportive external environment. Positive indicators from the friendly countries and more importantly the recent visit of the crown prince of the Kingdom of Saudi Arabia will definitely contribute in the economic uplift of the Pakistan.

Short term measures for fiscal consolidation need to be complimented with implementation of medium term structural reforms to lift the economy out of frequent boom-and-bust cycles.

Industry Overview:

Leather exports represent 2.5% of Pakistan's total GDP after textile and rice exports. Pakistan experienced a growth of 0.5% last year as reported by Pakistan Tanner's Association in November 2018. Currently there are 800 medium to large sized leather tanneries in Pakistan. It is worth noting that during the first 6 months of new government the perception of Pakistan changed in world markets. This has played a significant role in increase in sales of leather from Pakistan. However, Pakistan lacks leather technology, leather education, and lacks modern tanning machinery. All of these factors increase cost and decrease productivity and efficiency.

Modern tanning machines reduce consumption of chemical and electricity and increase productivity. Most tanneries in Pakistan are still using old machines which were imported in 80's and 90's. It is very expensive to maintain and service these machines. New machines from Italy, France and China require Government subsidy or need to be exempt from duty to make it easier for manufacturer to import.

The most prominent institution National Institute of Leather Technology, in Karachi whose campus is spread across 35,000 sq. yards lacks the faculty and student needed for positive growth. The lack of interest in young students is a major cause of unavailability of youngster in leather industry. As one of the oldest tanning and garment manufacturing houses in Pakistan, members of Pakistan Tanners Association, and Board of Governors of National Institute of Leather Technology we the Company believe that inviting young students to leather field will benefit the industry more than any other factor. NILT is also required for research and development in leather technology.



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Government has announced that duty on chemical for manufacturers will be 16% whereas duty for traders will be 20%. Chemical plays a very important role in cost management of any tannery and with continued support of government we can bring our costs down.

However, the cost of power, water and fuel is driving the costs of manufacturing up. To retain the growth rate or improve the rate of growth in global markets, Pakistan needs to bring its cost of manufacturing down. Any increase in price of fuel, power and heat will only worsen the situation.

We request the government and regulating authorities to provide ease of doing business to manufacturers by subsidizing power, fuel and heat. We further request that more tax benefits be provided. We also request educational institutions to encourage young students to pursue education in sciences, leather and technology to help improve our industry and others.

Company Overview:

Directors are pleased to mention that your Company started improving in the operational results. After a long time, half yearly accounts' bottom-line is in green showing after tax profit of Rs.0.947 million. Sales are improving in dual dimensions both for international market as well as local sales. Net sales for the half year ended December 31, 2018 reached to Rs.32.003 million while it was Rs.17.201 million for the same period last year. Net profit after taxation Rs.0.947 million for the period under review comparing to net loss (Rs.1.766 million) for the same period last year.

Comments on Auditor's Review report:

The new incoming auditors RSM Awais Hyder Liaquat Nauman, Chartered Accountants have expressed qualified conclusion on a couple of 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 conducted an exercise to assess the impairment of its trade debts using historical data and forward looking information. Based on such exercise, the management has concluded that the provision made in the interim financial statements is adequate and fully cover the related credit risk.

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.

Future Outlook:

The company has orders in hand from local and international markets. The Company is also participating in Hong Kong fair 2019 as an exhibitor. We invite everyone to visit our stall in hall 1E of Hong Kong Convention and Exhibition Centre from 13th to 15th March where Mr. Umer Ahmed will be present to showcase company's products. The company is hopeful this investment will bring orders and much needed international presence.

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, 2019



Dak Leather Crafts Limited

ڈاکٹر پورٹ

آپ کی کمپنی کے ڈاکٹر پورٹ پر نظر ثانی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں اس میں اسٹیٹمنٹ 6 ماہ کی دسمبر 31، 2018ء مذكورہ اسٹیٹمنٹ آرڈیٹرز کی نظر ثانی شدہ ہے۔

معاشی نتائج:

31 دسمبر 2017	31 دسمبر 2018	
(Rs.in"000")	(Rs.in"000")	
(1,596)	1,325	منافع / نقصان ٹیکس کی ادائیگی سے پہلے
(170)	(378)	ٹیکس
(1,766)	947	منافع / نقصان ٹیکس کی ادائیگی کے بعد
(395,338)	(400,628)	مجموع نقصان پرانا
(397,104)	(399,681)	مجموع نقصان جاری
(0.52)	0.28	منافع / نقصان کا حصہ ٹیکس کے بعد

معاشی صورتحال:

اس دوران ملک کی معاشی صورتحال کمزور رہی ہے بشمول گورنمنٹ اور سیاسی پارٹیوں کے درمیان غیر یقینی کی وجہ سے اس کی وجہ سے معاشی صورتحال کمزور رہی جس کی وجہ سے افراط زر بڑھا اور بجٹ کے اخراجات امرے سے زیادہ ہے افراط زر کی وجہ سے ایکسیج ریت لوکل منٹائی قیمتیں پر پڑے۔

موجودہ صورتحال سے نکلنے کے لئے یہ ضروری ہے کہ معاشی صورتحال کو مضبوط کیا جائے اور اس سلسلے میں دوسرے ملکوں سے تعلقات دوستانہ رکھے جائیں جس کی مثال سعودی اریبہ کے شہزادہ کا دور ہے جس کی وجہ سے پاکستان کی معاشی صورتحال پر کافی ایتھے اثرات مرتب ہوئے۔

انڈسٹری کی صورتحال:

چمڑے کی ایکسپورٹ برآمد کی شرح 2.5 فیصد پاکستان ٹوٹل GDP نیکسٹل کے بعد اور چاول کی ایکسپورٹ کے بعد ہے پاکستان کو یہ تجربہ ہوا ہے کہ اس کی برہوتی 0.5 گز رے سال میں تھی جیسا کہ پاکستان ٹریڈ اسوسی ایشن کا بیان نومبر 2018ء جس میں تمام بڑی چمڑے کی ٹیکسٹائل (پاکستان) شامل ہیں۔

یہ چیز نوٹ کرنے کے قابل ہے کہ نئی گورنمنٹ کو 6 مہینے ہوئے جس کی وجہ سے پاکستانی مارکیٹ میں تبدیلیاں آئی ہیں جس کی وجہ سے چمڑے کی فروخت بڑھی ہے تاہم چمڑے کی ٹیکسٹائل میں پاکستان پیچھے ہے اور پاکستان کے بعد چمڑے رکنے کی جدید مشینیں بھی نہیں ہے جس کی وجہ سے اخراجات بڑھے اور پیداوار کم ہوئی۔

جدید مشینری سے کمپیکل کم استعمال ہوتا ہے اور کچلی بھی اور پیداوار بڑھتی ہے بہت سی چمڑا انڈسٹریز ابھی تک پرانی مشینیں استعمال کرتے ہیں جو 1980 اور 1990 میں درآمد کی گئی ہیں ان مشینوں کی مشینیں بہت زیادہ ہے نئی مشینری اٹلی، فرانس اور جاپان سے لینے کے لئے گورنمنٹ سے مدد کی ضرورت ہے یا اس کی ڈیوٹی معاف کی جائے تاکہ کامپورٹ آسانی سے مشینیں منگوا سکے۔

سب سے مشہور نیشنل انڈسٹریوٹ لیتھرن ٹیکسٹائل کراچی کا ہے جو تقریباً 3500 مربع گز پر ہے جس میں کوئی سہولت موجود نہیں ہے نوجوان طلبہ میں اس میں دلچسپی نہ ہونے کے برابر ہے لہذا لیتھرن انڈسٹری کو نوجوان کارکن نہیں ملتے جبکہ سب سے پرانی گورنمنٹ میٹو فیکچری جو پاکستان ٹریڈ اسوسی ایشن کے ممبر ہیں اور بورڈ آف گورنرز ہم اس پر یقین رکھتے ہیں کہ نئے طلبہ کو دعوت دی جائے اس فیلڈ میں جس کی وجہ سے انڈسٹری کو فائدہ پہنچے گا اور ریسرچ کے لئے کام مہیا ہوگا تاکہ لیتھرن ٹیکسٹائل میں متعلقہ کر سکے۔



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گورنمنٹ نے یہ اعلان کیا ہے کہ یہ سیکل پر ڈیوٹی 16 فیصد رہے گی جبکہ ٹریڈرز کے لئے یہ ڈیوٹی 20 فیصد ہوگی ٹیئری انڈسٹری کے لئے یہ سیکل بہت ضروری ہے اور اس سلسلے میں گورنمنٹ کی مدد قیمتوں کو کم کرنے کے لئے ضروری ہے۔

تاہم پاور کی قیمت، پانی اور تیل میں فیکچرنگ کے لئے ضروری ہوتا ہے جس سے قیمت بڑھ جاتی ہے بڑھنے کی رفتار قائم رکھنا یا زیادہ مال پیدا کرنے کے لئے پاکستان کو اس کی قیمتیں فیکچرنگ اخراجات کو کم کرنے پر نکلنے تیل کی قیمت بڑھنے کی صورت میں پاور اور گرمی سے حالات زیادہ خراب ہوتے ہیں۔

ہماری گورنمنٹ اور متعلقہ اتھارٹیز سے درخواست ہے کہ وہ میٹو فیکچرنگ کو آسانی پیدا کرے پاور اور تیل کی قیمت کرے یا اس میں مدد کرے ہماری مزید درخواست ہے کہ ٹیکس کے سلسلے میں ہمیں فائدہ پہنچایا جائے ہماری تعلیمی اداروں سے گزارش ہے کہ وہ نوجوان طلبہ کو تعلیم سائنس اور ٹیخنوجینا لوجی کے بارے میں مدد فراہم کرے۔

کمپنی کا نظریہ:

آپ کی کمپنی کے ڈائریکٹر کے کمپنی کے حالات بہتر ہو رہے ہیں کافی عرصے کے بعد 6 مئی 2018 کا انڈیکس یہ ظاہر کرتے ہیں کہ ٹیکس کے بعد منافع Rs.0.947 ملین ہے اور فروخت بڑھی ہے مارکیٹ میں اور مقامی طور پر۔ نیٹ سیل 6 مئی کے لئے اختتام 31 دسمبر 2018 Rs.32.003 ملین تک پہنچی ہے جب کہ پچھلے سال Rs.17.201 ملین تھی نیٹ منافع ٹیکس کے بعد Rs.0.947 ملین ہے متعلقہ وقت کا جس میں نیٹ نقصان Rs.1.766 ملین ہے

آرڈیز کی رپورٹ:

آرڈیز RSM او ایس حیدر، لیاقت نعمان، چارڈا اکاؤنٹ کے نظر یہ ہیں۔

1- اسٹاک کی قیمت Rs.100.204 ملین ہے جس کا ڈکر Rs.38.729 ملین دیا گیا ہے انتظامیہ نے اسٹاک کی قیمت 61.475 ملین لکھی ہے جو کہ 61.35 فیصد ٹوٹل اسٹاک کے برابر ہے انتظامیہ یہ یقین کرتی ہے کہ مستقبل میں زیادہ منافع ہوگا لہذا مزید کم کرنا ٹھیک نہیں ہے۔

2- کمپنی نے یہ طریقہ کار استعمال کیا ہے کہ ماضی کے نقصانات کو پورا کیا جائے اس سلسلے میں انتظامیہ نے یہ اندازہ لگایا ہے کہ ماضی کے مقابلے میں بہتر صورتحال سامنے آئے اس سلسلے میں انتظامیہ نے یہ نتیجہ دیا ہے۔

معاشی صورتحال کافی حد تک بہتر ہوئی ہے آرڈیز نے دوسرے معاملات میں بھی توجہ دوہرائی ہے اور تفریح کی گئی ہے جو کہ اس اسٹیٹمنٹ میں بتائی گئی ہے۔

مستقبل کے لیے نقطہ نظر:

کمپنی کو مقامی مارکیٹ سے آرڈیز ملنے ہیں کمپنی Hong Kong کے سیلے میں شرکت کر رہی ہے ہم تمام لوگوں کو دعوت دیتے ہیں کہ وہ ہمارے اسٹال پر آئیں جس کا نمبر Hong Kong 1E کنونینشل ایکریٹیشن سینٹر جو 13 سے 15 مارچ تک رہے گا۔ عوامی کمپنی کی نمائندگی کریں گے کمپنی کو امید ہے کہ اس سے بین الاقوامی سطح پر آرڈیز ملے گے۔

اظہار تشکر:

کمپنی یہ پیڑریا آرڈیز پر لانا چاہتی ہے اور تمام کسٹمرز، سپلائرز اور بینک کی شکرگزار ہے۔

بورڈ کی طرف سے

کراچی۔ 26 فروری 2019

محمد سلیم احمد

چیف ایگزیکٹو آفیسر



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, 2018 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 notes to the financial statements for the six months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these 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 quarters ended December 31, 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2018.

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 sale transaction of old stocks.
- (b) Trade debts of the company include past due trade debts. In our view, the provision for doubtful debts in respect of these past due trade debts is inadequate. We are unable to determine the quantum of required provision with reasonable accuracy and, therefore, its impact on the equity and results for the period could not be quantified.



Pak Leather Crafts Limited

Qualified Conclusion

Based on our review, with the exception of the matters described in the preceding paragraphs, nothing has come to our attention that causes us to believe that the accompanying 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

We draw attention towards the following matters without qualifying our conclusion with respect to these matters;

- a) Note 1.2 to the interim financial statements indicates that the company is incurring loss since long and as at the balance sheet date its accumulated loss was Rs. 399.681 million and the company's current liabilities exceed its current assets by Rs. 304.377 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 9 to the interim financial statements indicates that the bankers of the company have filed suits against the company under the provision of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for recovery of loans and outstanding mark up along with cost of funds. The company has fully provided for mark up till the date of filing of suits. Cost of funds is not acknowledged due to pending cases. Moreover, the quantum of cost of funds cannot be determined at this stage.

Other matter

The condensed Interim financial statements of the company for the six months period ended December 31, 2017 were reviewed by another firm of chartered accountants who have expressed adverse conclusion in their report dated February 26, 2018.

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**

Peshawar : February 26, 2019



Dak Leather Crafts Limited

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT DECEMBER 31, 2018

ASSETS	Note	Unaudited Dec. 31, 2018	Audited June 30, 2018
(Rs. in '000')			
NON-CURRENT ASSETS			
Property, plant and equipment	3	25,225	24,196
Long term deposits		1,410	1,410
		<u>26,635</u>	<u>25,606</u>
CURRENT ASSETS			
Loose tools		294	317
Stock in trade	4	44,786	50,579
Trade debts	5	79,546	72,251
Advance and other receivables		2,423	2,599
Tax refunds due from Government		754	623
Cash and bank balances		277	389
		<u>128,080</u>	<u>126,758</u>
		<u>154,715</u>	<u>152,364</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Issued, subscribed and paid up capital		34,000	34,000
Loan from Director	6	70,561	-
Accumulated loss		<u>(399,681)</u>	<u>(400,628)</u>
		<u>(295,120)</u>	<u>(366,628)</u>
NON-CURRENT LIABILITIES			
Long term loans	7	12,227	85,353
Deferred interest income	7	5,150	-
		<u>17,377</u>	<u>85,353</u>
CURRENT LIABILITIES			
Short term bank borrowings		237,420	237,420
Current portion of long term demand financing		46,904	46,904
Interest / mark up payable		124,029	124,029
Trade and other payables	8	23,727	25,286
Provision for taxation - income tax		378	-
		<u>432,458</u>	<u>433,639</u>
		<u>154,715</u>	<u>152,364</u>
CONTINGENCIES AND COMMITMENTS			
	9	-	-

The annexed notes form an integral part of these financial statements

MUHAMMAD SALEEM AHMED
Chief Executive

NAYYER AHMED JALALI
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, 2018

	Note	Half Year Ended		Quarter Ended	
		Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
------(Rs. In '000')-----					
Net sales		32,003	17,201	19,402	11,059
Cost of sales	10	25,199	15,831	12,999	7,513
Gross profit		6,804	1,370	6,403	3,546
Selling expenses		861	802	307	476
Administrative expenses	11	4,511	7,589	3,538	6,722
		5,372	8,391	3,845	7,198
Operating profit / (loss)		1,432	(7,021)	2,558	(3,652)
Other income		264	5,633	264	5,458
		1,696	(1,388)	2,822	1,806
Finance cost		371	208	63	90
Profit / (loss) for the period before taxation		1,325	(1,596)	2,759	1,716
Provision for taxation		378	170	252	109
Profit / (loss) for the period		947	(1,766)	2,507	1,607
Earning / (loss) per share - Basic (Rupees)		0.28	(0.52)	0.74	0.47

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

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Half Year Ended		Quarter Ended	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
------(Rs. In '000')-----				
Profit / (loss) for the period	947	(1,766)	2,507	1,607
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	947	(1,766)	2,507	1,607

The annexed notes form an integral part of these financial statements

MUHAMMAD SALEEM AHMED
Chief Executive

NAYYER AHMED JALALI
Director

NASEER AHMED
Chief Financial Officer



Pak Leather Crafts Limited

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Un-audited Half Year Ended	
	Dec. 31, 2018	Dec. 31, 2017
	(Rs. in '000')	
a) CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) for the period before taxation	1,349	(1,596)
Adjustments for non cash and other items:		
Depreciation	1,024	584
Gain on disposal of fixed assets	-	(337)
Liabilities written off	-	(1,655)
Financial charges	371	208
	2,744	(2,796)
Changes in working capital (Increase) / decrease in current assets		
Loose tools	-	-
Stock in trade	5,793	(48,661)
Trade debts	(7,295)	52,130
Advances and other receivables	332	100
Tax refund due from government	87	69
(Decrease) in current liabilities		
Trade and other payables	(1,560)	(4,368)
	(2,643)	(730)
Cash generated from operations	101	(3,526)
Financial charges paid	(371)	(208)
Income tax paid	(375)	(110)
Net cash flow from operating activities	(645)	(3,844)
b) CASH FLOW FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(2,053)	(6,252)
Disposal proceeds - property, plant and equipment	-	330
Net cash flow from investing activities	(2,053)	(5,922)
c) CASH FLOW FROM FINANCING ACTIVITIES		
Directors loan received	2,586	9,075
Net cash flow from financing activities	2,586	9,075
Net (decrease) in cash and cash equivalents	(112)	(691)
Cash and cash equivalents at the beginning of the period	389	1,369
Cash and cash equivalents at the end of the period	277	678

The annexed notes form an integral part of these financial statements

MUHAMMAD SALEEM AHMED
Chief Executive

NAYYER AHMED JALALI
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, 2018

	(Rs. in '000')		
	Issued subscribed and paid up capital	Unappropriated loss	Total
Balance as on July 1, 2017	34,000	(395,338)	(361,338)
Total comprehensive loss for the period			
Loss for the period	-	(1,766)	(1,766)
Other comprehensive income	-	-	-
	-	(1,766)	(1,766)
Balance as on December 31, 2017 - Un-audited	34,000	(397,104)	(363,104)
Total comprehensive loss for the period			
Loss for the period	-	(3,524)	(3,524)
Other comprehensive income	-	-	-
	-	(3,524)	(3,524)
Balance as on June 30, 2018 - Audited	34,000	(400,628)	(366,628)
Total comprehensive income for the period			
Profit for the period	-	947	947
Other comprehensive income	-	-	-
	-	947	947
Balance as on December 31, 2018 - Un-audited	34,000	(399,681)	(365,681)

The annexed notes form an integral part of these financial statements

MUHAMMAD SALEEM AHMED
Chief Executive

NAYYER AHMED JALALI
Director

NASEER AHMED
Chief Financial Officer



Pak Leather Crafts Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 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.

1.2 The Company is incurring loss since long and as at the balance sheet date its accumulated loss was Rs. 399.681 million (June 30, 2018: Rs. 400.628 million) and the Company's current liabilities exceed its current assets by Rs. 304.377 million (June 30, 2018: Rs. 306.881 million). The Company is facing operational and financial problems and has been unable to pay off its liabilities on due dates. The bankers of the Company have filed suits for recovery of outstanding finances, 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 a plan to address all these issues and is focusing to enhance its profitability by increasing its export sales as well local toll manufacturing. The toll manufacturing sales have considerably increased during the period resulting in net profit for the period. As a result of its concentrated efforts, the management has been able to reduce the loss over the last few years and the Company has earned profit during the current period. 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. The management believes that its plan will result in the improvement of financial position and financial results of the Company and the Company will be able to continue as a going concern.

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2018

These condensed interim financial statements are un-audited but subject to limited scope review by the auditors of the Company and are being submitted to the shareholders as required under section 237 of Companies Act, 2017.

- 2.1.1 There are certain standards and amendments to standards that became effective during the period and are mandatory for accounting periods of the Company beginning on or after July 01, 2018 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these condensed interim financial statements except the following;

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with customers' supersedes IAS 11 "Construction Contracts", IAS 18 "Revenue" and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company has assessed that significant performance obligation in contracts with customers are closely related and therefore are discharged over the period of the relationship with relevant customers. Hence, the Company has concluded that it is in compliance with the requirements of the new accounting standard.

IFRS 9 – Financial Instruments

IFRS 9 "Financial Instruments" has replaced IAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Company has applied IFRS 9 retrospectively, with the initial application date of 1 July 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP).

The Company's financial assets mainly include trade debts and advances and other receivables. Considering the nature of the financial assets, the Company has applied the standard's simplified approach and has calculated expected credit loss (ECL) based on life time ECL. For this purpose, the management has conducted an exercise to assess the impairment of its financial assets using historical data and forward looking information. Based on such exercise, the Company has concluded that it is in compliance with the requirements of the new accounting standard and that the impairment has been properly recorded in these condensed interim financial statements.



Pak Leather Crafts Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2018

2.1.2 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.

2.2 Basis of preparation

These condensed interim financial statements have been prepared under the "historical cost convention". These condensed interim financial statements do not include all the information required for full annual financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2018.

2.3 Accounting policies and methods of computation

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 for the year ended June 30, 2018.

2.4 Critical accounting estimates and judgments

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 and uncertainty were the same as those that applied to the annual audited financial statements of the Company for the year ended June 30, 2018.

2.5 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, 2018.



Dak Leather Crafts Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Un-audited Dec 31, 18	Audited Jun 30, 18
	----- (Rs. In '000') -----	-----
3. PROPERTY, PLANT AND EQUIPMENT		
Book value at beginning of the period / year	24,196	17,073
Disposals costing Nil (June 30, 2018: Rs.2,491('000/)) - at book value	-	(53)
Additions during the period / year	2,053	8,724
Depreciation charge for the period / year	<u>(1,024)</u>	<u>(1,548)</u>
Book value at end of the period / year	<u>25,225</u>	<u>24,196</u>

	Un-audited Dec 31, 18	Audited Jun 30, 18
	----- (Rs. In '000') -----	-----
3.1 Additions to operating assets, during the period / year were as follow;		
Building on leasehold land	1,863	570
Plant and machinery	190	6,764
Motor vehicles	-	1,390
	<u>2,053</u>	<u>8,724</u>

4 STOCK IN TRADE		
Raw material	4,676	8,589
Work in process	627	2,637
Finished goods	<u>39,483</u>	<u>39,353</u>
	<u>44,786</u>	<u>50,579</u>

4.1 Stock in trade include old stock with cost of Rs. 100.204 million (June 30, 2018: Rs. 100.204 million) carried at written down value of Rs. 38.729 million (June 30, 2018: Rs. 38.729 million) since prior periods. Old stock with carrying value of Rs. 16.950 million (June 30, 2018: Rs. 16.950 million) is pledged with a banking company against short term borrowing.



Dak Leather Crafts Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2018

		Un-audited Dec 31, 18	Audited Jun 30, 18
5	TRADE DEBTS	Note	----- (Rs. In '000') -----
	Unsecured		
	Considered good		
	Foreign	2,307	2,307
	Local	16,317	69,944
		18,624	72,251
	Considered doubtful - Past due	72,449	9,376
	Provision for doubtful debts	(11,527)	(9,376)
		60,922	-
		79,546	72,251

6 LOAN FROM DIRECTOR

	Un-secured	70,561	-
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6.1 The loan is accounted for under Technical Release - 32 "Accounting Directors Loan" issued by the Institute of Chartered Accountants of Pakistan. This is interest free and repayable at the discretion of the Company.

7 LONG TERM LOANS

	Un-secured		
	From director	-	67,976
	From other	7.1 17,377	17,377
	Difference between gross proceeds and fair value transferred to deferred interest income	5,150	-
		12,227	17,377
		12,227	85,353

7.1 This is interest free. Terms of repayment have not been decided so far. However, It has been confirmed by the lender that repayment will not be demanded within next twelve months from the balance sheet date. The loan is now carried at amortized cost.



Dak Leather Crafts Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2018

		Un-audited Dec 31, 18	Audited Jun 30, 18
8	TRADE AND OTHER PAYABLES	----- (Rs. In '000') -----	-----
	8.1	<u>23,727</u>	<u>25,286</u>

8.1 Accrued liabilities included in trade and other payables include remuneration payable to chief executive officer and directors amounting to Rs. 0.827 million (June 30, 2018: Rs. 0.580 million).

9 CONTINGENCIES AND COMMITMENTS

Contingencies

- The bankers of the Company have filed suits against the Company under the provisions of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for recovery of loans and outstanding mark up along with cost of funds. The Company is defending these suits as explained in detail in Note 17 to the annual audited financial statements for the year ended June 30, 2018. The Company has fully provided for mark up till the date of filing of suits. Cost of funds is not acknowledged due to pending cases. Moreover, the quantum of cost of funds cannot be determined at this stage.
- Other contingencies are same as disclosed in annual audited financial statements for the year ended June 30, 2018 with no significant change therein.

Commitments

There are no commitments as at the balance sheet date (June 30, 2018: Nil).

	Un-audited			
	Half Year Ended		Quarter Ended	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
	----- (Rs. In '000') -----			
10 COST OF SALES				
Opening stock finished goods	39,353	34,186	38,174	14,726
Cost of goods manufactured	<u>25,329</u>	<u>(2,452)</u>	<u>14,308</u>	<u>8,690</u>
	64,682	31,734	52,482	23,416
Closing stock finished goods	<u>(39,483)</u>	<u>(15,903)</u>	<u>(39,483)</u>	<u>(15,903)</u>
	<u>25,199</u>	<u>15,831</u>	<u>12,999</u>	<u>7,513</u>



Pak Leather Crafts Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Un-audited			
	Half Year Ended		Quarter Ended	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
	------(Rs. In '000')-----			
10.1 COST OF GOODS MANUFACTURED				
Raw material consumed	9,198	9,752	4,670	5,162
Salaries, wages and benefits	6,969	4,040	3,775	2,193
Power and fuel	3,748	3,688	2,062	2,100
Repairs and maintenance	2,386	2,224	1,221	2,219
Carriage and cartage	32	84	32	49
Depreciation	963	549	515	296
Other	23	-	23	-
	<u>23,319</u>	<u>20,337</u>	<u>12,298</u>	<u>12,019</u>
Work-in-process				
Opening stock	2,637	-	2,637	19,460
Closing stock	(627)	(22,789)	(627)	(22,789)
	<u>25,329</u>	<u>(2,452)</u>	<u>14,308</u>	<u>8,690</u>
10.1.1 RAW MATERIAL CONSUMED				
Opening stock	8,589	3,837	6,999	4,781
Purchases	5,285	53,907	2,347	48,373
Available for consumption	13,874	57,744	9,346	53,154
Closing stock	(4,676)	(47,992)	(4,676)	(47,992)
	<u>9,198</u>	<u>9,752</u>	<u>4,670</u>	<u>5,162</u>
11 ADMINISTRATIVE EXPENSES				
	<u>4,511</u>	<u>7,589</u>	<u>3,538</u>	<u>6,722</u>

11.1 These include further provision for doubtful debts amounting to Rs. 2.151 million (December 31, 2017: 5.692 million) made during the period.



Dak Leather Crafts Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2018

12 TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of directors and key management personnel. The balances and transactions not disclosed elsewhere in these condensed interim financial statements are as under;

Relationship	Nature of transaction	Half Year Ended	
		Un-audited Dec 31, 18	Un-audited Dec 31, 17
		----- (Rs. In '000') -----	
Director	Loan received	2,585	9,075
CEO and directors	Remuneration	543	987

13 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, 2019.

14 GENERAL

14.1 The provision for taxation made in these condensed interim financial statements is subject to adjustment in annual financial statements. Due to available tax losses and tax credits, the Company has deferred tax asset as at the balance sheet date which has not been recognized in these condensed interim financial statements in view of uncertain future results.

14.2 There is no unusual item included in these condensed interim financial statements which is affecting liabilities, assets, profit, comprehensive income, equity or cash flows of the Company.

14.3 RE-ARRANGEMENTS

Prior period figures have been re-arranged / re-grouped wherever considered necessary for the purpose of better presentation and comparison. Significant rearrangements made are as under;

- Short term bank borrowings amounting to Rs. 207.529 million, current portion of long term financing amounting to Rs. 46.903 million and related interest / mark up payable amounting to Rs. 124.462 million were included in one line item of 'stagnant liabilities towards banks' and were grouped under non current liabilities. These are presented as separate line items under current liabilities.



Pak Leather Crafts Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2018

- Overdue payables under letters of credits amounting to Rs. 29.891 million were included in creditors. These are included in short term borrowings being forced finance in nature.
- Old stocks of raw material with cost of Rs. 8.871 million and written down value of Rs. 3.682 million, old semi finished stock with cost of Rs. 40.398 million and written down value of Rs. 19.460 million and old stock of finished goods with cost of Rs. 50.333 million and written down value of Rs. 15.587 million were included in respective stock categories at gross amount and related provision for write down amounting to Rs. 61.475 million was presented as a deduction from total stocks. These old stocks have been included in the respective categories at their written down values.
- Old finished / semi finished stock with cost of Rs. 40.398 million and written down value of Rs. 19.460 million was included in the work in process stock. This is included in the finished stock as no further process is to be carried out on such stock and it will be sold in the same state.
- Provision for doubtful debts amounting to Rs. 5.692 million was included in the selling expenses. This is included in administrative expenses.

14.2 Nomenclature of following accounts has been changed for better presentation;

Previous nomenclature	Current nomenclature
- Share capital	Issued, subscribed and paid up capital
- Unappropriated loss	Accumulated loss
- Other liabilities	Long term loans
- Trade Debtors	Trade debts

14.3 Names of components of financial statements have been changed to comply with the requirements of Companies Act, 2017.

14.4 Figures have been rounded off to the nearest thousands Rupees except as otherwise specified elsewhere.

MUHAMMAD SALEEM AHMED
Chief Executive

NAYYER AHMED JALALI
Director

NASEER AHMED
Chief Financial Officer

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