

**ACCOUNTS FOR  
THE HALF YEAR ENDED  
DECEMBER 31, 2016  
(UNAUDITED)**



*Pak Leather Crafts Limited*



## *Pak Leather Crafts Limited*

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### **CORPORATE PROFILE**

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#### **BOARD OF DIRECTORS**

Dr.Muhammad Shoaib Ahmed	Chairman / Director
Muhammad Saleem Ahmed	Chief Executive / Director
Nayyer 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**

Al Baraka 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

#### **REGISTERED OFFICE**

Plot No.18, Sector 7-A,  
Korangi Industrial Area,  
Karachi.

#### **SHARE REGISTRAR**

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

#### **EXTERNAL AUDITORS**

H.A.M.D & Co.  
Chartered Accountants

#### **LEGAL ADVISOR**

Shakiel Z. Lari Advocate



## Dak Leather Crafts Limited

### DIRECTORS' REVIEW

The directors of your company are pleased to present herewith the review report along with the condensed interim unaudited accounts of the company for the half year ended December 31, 2016.

<b>The financial results:</b>	<b>December 31, 2016</b>	December 31, 2015
	(Rs. In '000')	
Loss before taxation	<b>(1,643)</b>	(3,088)
Taxation	<b>(262)</b>	(100)
Loss after tax	<b>(1,905)</b>	(3,188)
Accumulated loss B/F	<b>(390,095)</b>	(383,212)
Accumulated loss C/F	<b>(392,000)</b>	(386,400)
Loss per share after tax (Rupees)	<b>(0.56)</b>	(0.94)

#### **Company Overview:**

Directors are pleased to mention that your company has depicted improvement in financial results compared with the same period last year. Net sales for the half year ended December 31, 2016 reached to Rs.23.868 million while it was Rs.9.770 million for the same period last year. The improvement in sales resulted reduction in net loss for the period under review. Net loss after taxation for the period ended December 31, 2016 restricted to Rs.1.905 million comparing to Rs.3.188 million for the same period last year.

#### **Future outlook:**

Due to their best efforts put by the executive directors, above results were achieved but the board of directors is of the opinion that under the current circumstances of the leather industry, it would be difficult for the company to maintain the above pace. However, some export orders are in hand and the management is making efforts for improvement in Company's performance.

#### **Industry Overview:**

Leather industry in domestic market as well as internationally is in slump and the demand of leather and leather products over the years has declined drastically due to multiple reasons like cost of production, consumers buying power and competition with cheap synthetic leather. These circumstance are not restricted only to your Company but to all companies engaged in leather business within the country or internationally.

#### **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

Karachi: February 23, 2017

**MUHAMMAD SALEEM AHMED**  
Chief Executive



**H.A.M.D & Co.**  
CHARTERED ACCOUNTANTS



## **AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION**

### **INTRODUCTION**

We have reviewed the accompanying condensed interim balance sheet of Pak Leather Crafts Limited as at December 31, 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the interim financial information for the six months then ended (here-in-after referred to as the "interim financial information").

Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for three months ended December 31, 2016 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the six months ended December 31, 2016.

### **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 information 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.

### **MATTER AFFECTING OPINION**

As disclosed in note 32 to the financial statements, which state that the company incurred loss of Rs 1,905,339 during the half year ended December 30, 2015 resulting in accumulated losses of Rs 392,000,049 at the close of the half year, and the companies current liabilities exceed its current assets by Rs 373,752,415 (2015: Rs 370,319m). The mitigating factors relating above situation do not override the existence of uncertainty about companies ability to continue as going concern. The financial statements do not disclose this fact and have been prepared on going concern basis.

As disclosed in Note 12 to the financial statements, the Company reported a total borrowing of 46,903,419 (2015 Rs 46,903,419) and the relevant interest accrued of Rs 124,029,303(2015 – Rs 124,029,303). As disclosed in Note 17 to the financial statements, the Company provided corporate guarantees to licensed banks in respect of the bank borrowings facilities granted to it. The company has defaulted their repayment obligation and therefore the Company is required to reimburse the licensed banks in respect of the banks' losses suffered. Furthermore Note 15 company includes overdue balance of Rs 29,890,889 pertaining LC's

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## AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

established with banks. Suits have been filed by banks in this regard and ultimate liability of company is dependent on decision of the suits.

The financial statements of the current year and of the previous year did not include any provision for penalty interest and financial guarantees due by the Company to the licensed banks because of pending cases in courts and management is of the expecting waiver of interest and additional penalties. This is not in compliance with the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets which require such provision for penalty interest and financial guarantees to be recognized in the financial statements of the Company.

We are therefore unable to satisfy ourselves that the total bank borrowings and the relevant liabilities reflected in the financial statements are fairly stated.

### OPINION

Based on our review except for paragraph above nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

**Place: Islamabad**

**Date: February 23, 2017**



H.A.M.D. & Co.

**HAMD and Co**

**Chartered Accountants**

*Engagement Partner*

Muhammad Asif Raza



## Pak Leather Crafts Limited

### CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT DECEMBER 31, 2016

	Note	Unaudited Dec.31, 2016	Audited June 30, 2016
(Rs. in '000')			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	17,671	17,903
Long term deposits		1,410	1,410
		19,081	19,313
<b>Current assets</b>			
Stores, spare and loose tools		317	317
Stock-in-trade	5	36,975	42,904
Trade debts		87,437	86,023
Loan, advances and other receivables		135	177
Tax refunds due from Government		406	223
Cash and bank balances		836	253
		126,106	129,897
<b>TOTAL ASSETS</b>		<b>145,187</b>	<b>149,210</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
<b>Authorized share capital</b>			
5,000,000 (June 30, 2016: 5,000,000) ordinary shares of Rs.10 each.		50,000	50,000
Issued, subscribed and paid-up capital		34,000	34,000
Accumulated loss		(392,000)	(390,095)
		(358,000)	(356,095)
<b>Non-current liabilities</b>			
Long term finance	6	-	-
Deferred liabilities		1,655	1,655
		1,655	1,655
<b>Current liabilities</b>			
Trade and other payables		56,450	58,568
Current portion of long term finance	6	46,904	46,904
Short term loans	7	66,620	66,620
Short term borrowings	8	207,529	207,529
Accrued markup		124,029	124,029
		501,532	503,650
		503,187	505,305
<b>Contingencies and Commitments</b>	9	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>145,187</b>	<b>149,210</b>

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

**MUHAMMAD SALEEM AHMED**  
Chief Executive

**NAYYER AHMED JALALI**  
Director



## Dak Leather Crafts Limited

### CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Half Year Ended		Quarter Ended	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
------(Rs. In '000')-----				
Net sales	23,868	9,770	13,543	4,862
Cost of sales	22,949	10,876	13,227	6,086
<b>Gross profit / (loss)</b>	<b>919</b>	<b>(1,106)</b>	<b>316</b>	<b>(1,224)</b>
Distribution cost	534	3	271	3
Administrative expenses	1,887	2,199	951	1,266
	2,421	2,202	1,222	1,269
<b>Operating (loss)</b>	<b>(1,502)</b>	<b>(3,308)</b>	<b>(906)</b>	<b>(2,493)</b>
Other operating income	114	240	114	120
	(1,388)	(3,068)	(792)	(2,373)
Finance cost	255	20	118	6
<b>(Loss) before taxation</b>	<b>(1,643)</b>	<b>(3,088)</b>	<b>(910)</b>	<b>(2,379)</b>
Taxation	(262)	(100)	(204)	(50)
<b>Net (loss) after taxation</b>	<b>(1,905)</b>	<b>(3,188)</b>	<b>(1,114)</b>	<b>(2,429)</b>
(Loss) per share - Basic and Diluted	<b>(0.56)</b>	<b>(0.94)</b>	<b>(0.33)</b>	<b>(0.71)</b>

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, 2016

	Half Year Ended		Quarter Ended	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
------(Rs. In '000')-----				
Net(loss) after taxation	(1,905)	(3,188)	(1,114)	(2,429)
Other comprehensive income	-	-	-	-
Total comprehensive (loss) for the period	(1,905)	(3,188)	(1,114)	(2,429)

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

**MUHAMMAD SALEEM AHMED**  
Chief Executive

**NAYYER AHMED JALALI**  
Director



## Dak Leather Crafts Limited

### CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Dec. 31, 2016	Dec. 31, 2015
	(Rs. in '000')	
<b>CASH GENERATED FROM OPERATIONS</b>		
Loss before taxation	(1,643)	(3,088)
<b>Adjustment for non-cash charges and other items:</b>		
Depreciation	592	625
Finance cost	255	19
	847	644
	(796)	(2,444)
<b>Changes in working capital (Increase)/decrease in current assets</b>		
Stores , spares and loose tools	-	(25)
Stock in trade	5,929	(414)
Trade debts	(1,414)	1,349
Tax Refundable from Government	(17)	(303)
Loans, advances and other receivables	(183)	352
	4,315	959
<b>Increase/(decrease) in current liabilities</b>		
Trade and other payables	(2,118)	2,280
<b>Cash generated from operations</b>	1,401	795
Finance cost paid	(255)	(20)
Income tax paid	(203)	(100)
	(458)	(120)
<b>Net cash flows from operating activities</b>	943	675
<b>Net cash flows used in investing activities</b>		
Addition in fixed Assets	(360)	(772)
	(360)	(772)
<b>Cash flows from financing activities</b>		
Short term loan	-	-
Net cash used in financing activities	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	583	(97)
<b>Cash and cash equivalents at the beginning of the period</b>	253	502
<b>Cash and cash equivalents at the end of the period</b>	836	405

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

**MUHAMMAD SALEEM AHMED**  
Chief Executive

**NAYYER AHMED JALALI**  
Director





## Dak Leather Crafts Limited

### CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	(Rs. in '000')		
	Issued subscribed and paid up capital	Unappropriated Profit/ (Loss)	Total
<b>Balance as at June 30, 2015</b>	<b>34,000</b>	<b>(383,212)</b>	<b>(349,212)</b>
Loss for the period	-	(3,188)	(3,188)
Other comprehensive (loss)	-	-	-
Total comprehensive (loss)	-	(3,188)	(3,188)
<b>Balance as at December 31, 2015</b>	<b>34,000</b>	<b>(386,400)</b>	<b>(352,400)</b>
<b>Balance as at June 30, 2016</b>	<b>34,000</b>	<b>(390,095)</b>	<b>(356,095)</b>
Loss for the period	-	(1,905)	(1,905)
Other comprehensive (loss)	-	-	-
Total comprehensive (loss)	-	(1,905)	(1,905)
<b>Balance as at December 31, 2016</b>	<b>34,000</b>	<b>(392,000)</b>	<b>(358,000)</b>

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

**MUHAMMAD SALEEM AHMED**  
Chief Executive

**NAYYER AHMED JALALI**  
Director



## *Pak Leather Crafts Limited*

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### **SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2016**

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#### **1. STATUS AND NATURE OF BUSINESS**

The Company is a public limited Company incorporated in Pakistan under the Companies Ordinance, 1984 and is quoted on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Company is leather tanning, manufacturing of leather garments and export of leather and leather garments. The registered office of the Company is situated at Plot 18, Sector 7-A, Korangi Industrial Area, Karachi.

#### **2. BASIS OF PREPARATION**

**2.1** This condensed interim financial report of the Company for the six months period ended December 31, 2016 has been prepared in accordance with the requirements of the International Accounting Standards 34- "Interim financial Reporting" and provisions of and directives issued under the Company Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the companies Ordinance, 1984 have been followed.

**2.2** The figures of the condensed interim profit and loss account for the quarters ended December 31, 2016 and 2015 have not been reviewed by the auditors of the Company as they have reviewed the cumulative figures for the half years ended December 31, 2016 and 2015. These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2016.

**2.3** These condensed interim financial information is presented in Pakistan Rupees which is also the company's functional currency.

#### **2.4 ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT**

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policy and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgments made by the management in applying the companies accounting policy and the key source of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended June 30, 2016.

#### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2016.



## Dak Leather Crafts Limited

### SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2016

#### 4 PROPERTY, PLANT AND EQUIPMENT

4.1 There is an addition in Plant and Machinery of Rs.360,000/- while no deletion of any asset during the period.

**Unaudited**                      **Audited**  
**Dec 31, 2016**                      **Jun 30, 2016**  
**(Rs. in '000')**

#### 5 STOCK-IN-TRADE

Raw material	8,871	9,476
Work in process	39,505	39,505
Finished goods (5.1)	50,074	64,580
	98,450	113,561
Provision for write down of inventory (5.2)	(61,475)	(70,657)
	36,975	42,904

5.1 This includes stock of Rs. 42.803 million (2015: Rs. 42.803 million) pledged with bank against export refinance facility. Provision of Rs. 25.854 million (2015: Rs. 25.854 million) has been made against this pledged stock.

#### 5.2 PROVISION FOR WRITE DOWN OF INVENTORY

Opening balance	70,657	70,997
Charge for the period	-	-
	70,657	70,997
Reversal of provision due to sale of inventory	(9,182)	(340)
Ending balance	61,475	70,657

#### 6. LONG TERM FINANCE

From Banking Companies:		
Demand/Term finance (Note no. 6.1)	46,904	46,904
Current portion of demand/term finance	(46,904)	(46,904)
	-	-

6.1 This demand/term finance was obtained by the company from commercial banks at a markup rate based on 6 months KIBOR plus 2% to 4% payable quarterly. The total limit of the loan was 68.00 millions (June 30, 2016 : 68.00 millions). The installments are payable on monthly and quarterly basis which have become overdue. The period of loan is 3 to 5 years and is secured against first equitable mortgage and 1st charge over factory's land and building at plot No.18 Sector 7-A, Korangi Industrial Area Karachi and pari passu hypothecation charge over stock & book debts and lien on TDR of director and other for Rs. 15 million under pledge and personal guarantee of the directors of the Company.



## Pak Leather Crafts Limited

### SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Unaudited Dec 31, 2016	Audited Jun 30, 2016
<b>7. SHORT TERM LOANS</b>		
	(Rs. in '000')	
Unsecured (note 7.1)		
From Directors	49,243	49,243
From Others	17,377	17,377
	<u>66,620</u>	<u>66,620</u>

- 7.1 These represent non-interest bearing subordinated loans from directors and others. This include amount of Rs. 33,857 million (June 30, 2016, Rs. 33,857 million) which were created during the years ending 2002 and 2003 as a result of adjustment of personal deposits of directors made by the banks against export refinance loans and other dues of the Company. These personal deposits of directors were held by the banks as collateral against financial facilities allowed to the Company. These loans are subordinated to all banking loans.

#### 8. SHORT TERM BORROWINGS

From banking companies: Secured		
Export re-finance (Note no. 8.1 & 8.3)	202,850	202,850
Running Finance (Note no. 8.2 & 8.3)	4,679	4,679
	<u>207,529</u>	<u>207,529</u>

- 8.1 The Company had arranged export re-finance facilities from various commercial banks on mark-up rates prescribed by State Bank of Pakistan from time to time, which remained 9.3% ( June 30, 2016: 9.3%) per annum payable on quarterly basis. Except Habib Bank Limited and IDBP Rs. 7.850 million (June 30, 2016: Rs. 7.850 million) and Rs. 10.250 million (June 30, 2016: Rs. 10.250 million) other banks have filed suits for recovery as more elaborately explained in Note Nos. 9.1.1, 9.1.3 and 9.1.4 of these financial statements.

- 8.2 The running finance facility was provided by Habib Bank Limited at markup rate equivalent to 6 months KIBOR plus 2%. The utilized limit was Rs. 4.679 million (June 30, 2015: 4.679 million).

- 8.3 These arrangements are secured by first pari passu hypothecation charge over stocks & book debts, 1st Mortgage charge on building, Plant and Machinery installed at Plot # 18, Sector 7/A, Korangi Industrial Area, Karachi, personal guarantee of directors, Pledge over stocks and hypothecation on Machinery, lien over import and export documents, lien on TDR of Directors of Rs. 15.00 million under Pledge and Lien over export bill under Lcs. These loans have not been renewed by banks and have become overdue for payment.



## *Pak Leather Crafts Limited*

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### SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2016

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#### 9. CONTINGENCIES AND COMMITMENTS

##### 9.1 Contingencies

**9.1.1** United Bank Limited has filed a suit under the Provision of the Financial Institutes (Recovery of Finances) Ordinance, 2001 and seeks the recovery of Rs. 135.54 million plus cost of funds (June 30, 2016: 135.54 million) from the company and its Directors / Shareholders in their capacity as guarantors of the Company's liability. The liability is booked by the Company and the case is pending before the High Court of Sindh. According to the legal counsel of the Company evidences provided by the bank are not sufficient to establish the bank's entitlement to the amount claimed. Therefore, bank's case against the Company and its Directors / Shareholders will be difficult to establish.

The total markup on outstanding balance of United bank limited Rs. 34.829 million (June 30, 2016: Rs. 34.829 million) is booked by the company and no further markup is provided as the case is pending before the High Court of Sindh.

**9.1.2** United Bank Limited has filed a winding up petition against the Company under Section 305 of the Companies Ordinance, 1984 on the basis of non compliance of Section 234 and 408 of the said Ordinance in the above stated transaction. NIB Bank Limited filed an application to be joined as party to the proceedings on the basis of the recovery proceedings as stated in note no. 9.1.4 below. The application of NIB Bank Limited granted by the Hon'ble Court. The legal counsel of the Company has filed a robust defence to this winding up petition and is confident that the petition is not sustainable in fact or in law.

**9.1.3** Al Baraka Bank (Pakistan) Limited has filed a suit under the Provision of the Financial Institutes (Recovery of Finances) Ordinance, 2001 and seeks the recovery of Rs. 50.543 million along with profit, cost of fund and charity (June 30, 2016: Rs. 50.543 million) from the company and its Directors / Shareholders in their capacity as guarantors of the Company's liability. The liability is booked by the Company and the case is pending before the High Court of Sindh. Legal Counsel of the Company is of the opinion that this suit will eventually be dismissed as against the Company.

Total profit and charity of Rs. 7.234 million (June 30, 2016: Rs. 7.234) on Al Baraka Bank loans is booked by the company and no further profit and charity is provided as the case is pending before the High Court of Sindh.

**9.1.4** NIB Bank Limited has filed a suit under Financial Institutions (Recovery of Finances) Ordinance, 2001 for recovery of Rs. 114.287 million (June 30, 2016 Rs. 114.287 million) plus markup and cost of funds from the company and its Directors and financial institutions. The company has booked Rs. 115.244 million (June 30, 2016 Rs. 115.244 million) Principal plus markup. No further markup is being provided as case is pending before the High Court of Sindh. Application seeking leave to defend has been filed by the company. In the opinion of company's legal counsel leave to defend should be granted in the circumstances.

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



## Pak Leather Crafts Limited

### SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2016

#### 9.2 Commitments

There was no commitment as at balance sheet date.

#### 10. RELATED PARTY TRANSACTIONS

The related parties comprise of staff retirement benefits plans, directors and key management personnel. Transactions with related parties are made under normal commercial terms and conditions. Details of transactions with related parties are as follows.

	Half Year Ended	
	Dec. 31, 2016	Dec. 31, 2015
	(Rs. in '000')	
<b>Staff Retirement Benefit Plans</b>		
Contribution to staff retirement benefits	-	-
Payable to provident fund	-	-
Gratuity paid	-	-
<b>Key Management Personnel</b>		
Loan from director	-	-
Other benefits	-	-
<b>Pheonix Leather (Pvt) Ltd.</b>		
Sale of Garments	-	-
Job work Income	-	-
Advance from customer	-	-

#### 11. OPERATING SEGMENT

11.1 These condensed interim financial information have been prepared on the basis of a single reportable segment.

11.2 Revenue from job order processing represents 100% of the total revenue. The company does not consider job order processing as a separate reportable segment as the plant of Company is installed primarily for the manufacturing of leather products.

11.3 All non current assets of the Company as at December 31, 2016 are located in Pakistan.

11.4 100% job work income of the Company are local.



## *Pak Leather Crafts Limited*

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### SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2016

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#### 12. GOING CONCERN ASSUMPTION

12.1 United Bank Limited has filed a winding up petition against the Company for the sale of plot under mortgage of a financial institution to settle its liability, under Section 305, 234 and 408 of the Companies Ordinance, 1984. On the basis of which the petitioner has alleged that it is just and equitable to windup the Company. However, the legal counsel of the Company has filed a robust defence to this winding up petition and in view of legal counsel, it is not sustainable in fact or in law.

12.2 During the six months period, the Company incurred a net loss of Rs. 1.905 million (2015: Rs. 3.188 million) resulting in accumulated losses of Rs. 392.000 million (2015: Rs. 386.400 million) as of the balance sheet date. Further, as of that date the current liabilities of the Company exceeded its current assets by Rs. 375.426 million (2015: Rs. 370.319 million) resulting in negative equity of Rs. 358.000 million (2015: Rs 352.400 million). The directors of the company would extend all necessary support and would assure the going concern status of the Company at all times. The directors of the company have deposited 12.509 million during the year 2014 to the company to finance all liquidity problems. Besides, negotiations with foreign customers have also been started and it is expected that in near future export sales will be started.

12.3 The above mentioned factors and eroded cash flow position of the Company resulted uncertainties which may casts a significant doubt over the Company's ability to continue as a going concern. However, considering the measures mentioned in note 12.2 along with these uncertainties and the commitment provided by the Directors to financially support the Company as and when needed; the management is quite confident that the Company will be able to continue as a going concern. Accordingly these interim financial statements are prepared on going concern basis.

#### 13 DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements have been authorised for issue by the Board of Directors of the company on February 23, 2017.

#### 14 GENERAL

Figures have been rounded off to the nearest thousand rupees.

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