

**ACCOUNTS FOR  
THE HALF YEAR ENDED  
DECEMBER 31, 2017  
(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 RESOURCE & REMUNERATION 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

#### **REGISTERED OFFICE**

Plot No.18, Sector 7-A,  
Korangi Industrial Area,  
Karachi.  
Email: [info@pakleather.com](mailto:info@pakleather.com)  
Website: [www.pakleather.com](http://www.pakleather.com)

#### **SHARE REGISTRAR**

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

#### **EXTERNAL AUDITORS**

IECnet S.K.S.S.S.  
Chartered Accountants

#### **LEGAL ADVISOR**

Shakiel Z. Lari Advocate



## Pak Leather Crafts Limited

### DIRECTORS' REVIEW

The Board of Directors feels pleasure to present you the brief report together with the condensed interim financial statements of the Company reviewed by the statutory auditors, for the half year ended December 31, 2017.

<b>Financial Results:</b>	<b>December 31, 2017</b>	December 31, 2016
	( Rs. In '000' )	
Loss before taxation	<b>(1,596)</b>	(1,643)
Taxation	<b>(170)</b>	(262)
Loss after tax	<b>(1,766)</b>	(1,905)
Accumulated loss B/F	<b>(395,338)</b>	(390,095)
Accumulated loss C/F	<b>(397,104)</b>	(392,000)
Loss per share after tax (Rupees)	<b>(0.52)</b>	(0.56)

#### **Company Overview:**

Directors are pleased to mention that your company is running steadily. Net sales for the half year ended December 31, 2017 reached to Rs.17.201 million while it was Rs.23.868 million for the same period last year. Net loss after taxation for the period ended December 31, 2017 restricted to Rs.1.766 million comparing to Rs.1.905 million for the same period last year.

#### **Future Outlook:**

The company has managed to procure export orders and has been able to add more customers to its clientele. Management has also invested in machinery and building repair to be able to manage future orders. The company expects to have a prosperous 2018-2019 fiscal year based on orders in hand.

#### **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. However, we expect that demand for leather substitutes is going down as well and perhaps leather industry will stabilize in coming years. We expect this turnaround in coming few years and are hopeful for a prosperous business in future.

#### **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 27, 2018

**MUHAMMAD SALEEM AHMED**  
Chief Executive



## *Pak Leather Crafts Limited*

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

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#### **Introduction**

We have reviewed the accompanying condensed interim Balance Sheet of Pak Leather Crafts Limited as at December 31, 2017, the related Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity and notes to the financial statements for the six months period then ended (here-in-after referred to as "Interim Financial Information").

Management of the company 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.

#### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed Independent Auditor of the entity. A review of interim financial information consists of making enquiries, 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.

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

#### **IECnet S.K.S.S.S.**

Chartered Accountants

Engagement Partner: **Muhammad Ahmad Shahid**

Date: February 27, 2018



## Pak Leather Crafts Limited

### CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT DECEMBER 31, 2017

	Note	Unaudited Dec.31, 2017	Audited June 30, 2017
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	6	22,687	17,073
Long terms deposits	7	1,410	1,410
		<u>24,097</u>	<u>18,483</u>
<b>Current assets</b>			
Stores, spares and loose tools	8	317	317
Stock in trade	9	86,684	38,023
Trade debtors	10	30,585	82,714
Advances and other receivables		1,594	1,694
Tax refund due from government		478	547
Cash and bank balances		678	1,369
		<u>120,336</u>	<u>124,664</u>
<b>TOTAL ASSETS</b>		<u><b>144,433</b></u>	<u><b>143,147</b></u>
<b>CAPITAL AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital		34,000	34,000
Unappropriated loss		(397,104)	(395,338)
		<u>(363,104)</u>	<u>(361,338)</u>
<b>Non current liabilities</b>			
Deferred liabilities		-	1,655
Bank dues under litigation	11	284,323	284,323
Short term loans		78,411	69,336
Accrued markup	12	124,029	124,029
		<u>486,763</u>	<u>479,343</u>
<b>Current liabilities</b>			
Trade and other payables	13	20,773	25,142
<b>TOTAL LIABILITIES</b>		<u><b>144,433</b></u>	<u><b>143,147</b></u>
<b>Contingencies &amp; commitments</b>	14		

The annexed notes form an integral part of these 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, 2017

	Half Year Ended		Quarter Ended	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
------(Rs. In '000')-----				
Net sales	17,201	23,868	11,059	13,543
Cost of sales	15,831	22,949	7,513	13,227
<b>Gross profit / (loss)</b>	<b>1,370</b>	<b>919</b>	<b>3,546</b>	<b>316</b>
Selling Expenses	6,494	534	6,168	271
Administrative expenses	1,797	1,887	930	951
Others	100	-	100	-
	<b>8,391</b>	<b>2,421</b>	<b>7,198</b>	<b>1,222</b>
<b>Operating (loss)</b>	<b>(7,021)</b>	<b>(1,502)</b>	<b>(3,652)</b>	<b>(906)</b>
Other operating income	5,633	114	5,458	114
	<b>(1,388)</b>	<b>(1,388)</b>	<b>1,806</b>	<b>(792)</b>
Finance cost	208	255	90	118
<b>Profit / (loss) before taxation</b>	<b>(1,596)</b>	<b>(1,643)</b>	<b>1,716</b>	<b>(910)</b>
Taxation	(170)	(262)	(109)	(204)
<b>Net profit / (loss) after taxation</b>	<b>(1,766)</b>	<b>(1,905)</b>	<b>1,607</b>	<b>(1,114)</b>
(Loss) per share - Basic and Diluted	<b>(0.52)</b>	<b>(0.56)</b>	<b>0.47</b>	<b>(0.33)</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, 2017

	Half Year Ended		Quarter Ended	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
------(Rs. In '000')-----				
Net(loss) after taxation	(1,766)	(1,905)	1,607	(1,114)
Other comprehensive income	-	-	-	-
Total comprehensive (loss) for the period	<b>(1,766)</b>	<b>(1,905)</b>	<b>1,607</b>	<b>(1,114)</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

### CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	Dec. 31, 2017	Dec. 31, 2016
	(Rs. in '000')	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(1,596)	(1,643)
<b>Adjustment for non-cash changes and other items:</b>		
Depreciation	584	592
Gain on disposal of fixed assets	(337)	-
Liabilities written off	(1,655)	-
Financial charges	208	255
	(1,200)	847
	(2,796)	(796)
<b>Changes in working capital (Increase) / decrease in current assets</b>		
Stores, spares and loose tools	-	-
Stock in trade	(48,661)	5,929
Trade debts	52,130	(1,414)
Advances and other receivables	100	(183)
Tax refunds due from government	69	(17)
	3,638	4,315
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	(4,368)	(2,118)
Short term loan	-	-
	(4,368)	(2,118)
<b>Cash generated from operations</b>	(3,526)	1,401
Financial charges paid	(208)	(255)
Income tax paid	(110)	(203)
	(318)	(458)
<b>Net cash flow from operating activities</b>	(3,844)	943
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Addition in fixed assets	(6,252)	(360)
Disposal proceeds - fixed assets	330	-
<b>Net cash flow from investing activities</b>	(5,922)	(360)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Directors loan received	9,075	-
<b>Net cash flow from financing activities</b>	9,075	-
Net cash and cash equivalents	(691)	583
<b>Cash and cash equivalents at the beginning of the period</b>	1,369	253
<b>Cash and cash equivalents at the end of the period</b>	678	836

The annexed notes form an integral part of these 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, 2017

			(Rs. in '000')
	Issued subscribed and paid up capital	Unappropriated Profit/ (Loss)	Total
<b>Balance as on July 01, 2015</b>	<b>34,000</b>	<b>(383,213)</b>	<b>(349,213)</b>
Total comprehensive income for the year	-	(6,882)	(6,882)
<b>Balance as on June 30, 2016</b>	<b>34,000</b>	<b>(390,095)</b>	<b>(356,095)</b>
<b>Balance as on July 01, 2016</b>	<b>34,000</b>	<b>(390,095)</b>	<b>(356,095)</b>
Total comprehensive income for the year	-	(5,243)	(5,243)
<b>Balance as on June 30, 2017</b>	<b>34,000</b>	<b>(395,338)</b>	<b>(361,338)</b>
<b>Balance as on July 01, 2017</b>	<b>34,000</b>	<b>(395,338)</b>	<b>(361,338)</b>
Total comprehensive income for the period	-	(1,766)	(1,766)
<b>Balance as on December 31, 2017</b>	<b>34,000</b>	<b>(397,104)</b>	<b>(363,104)</b>

The annexed notes form an integral part of these 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, 2017**

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#### **1. LEGAL ENTITY & NATURE OF BUSINESS**

The company is a Public Limited Company incorporated in Pakistan under the 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 of the company is situated at Plot # 18, Sector 7-A, Korangi Industrial Area, Karachi.

#### **2. STATEMENT OF COMPLIANCE**

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

#### **3. BASIS OF PREPARATION**

This condensed interim financial report of the Company for the six months period ended December 31, 2017 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.

The figures of the condensed interim profit and loss account for the quarters ended December 31, 2017 and 2016 have not been reviewed by the auditors of the Company as they have reviewed the cumulative figures for the half years ended December 31, 2017 and 2016. 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, 2017.

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

#### **4. ESTIMATES, JUDGEMENTS & 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, 2017.



## Dak Leather Crafts Limited

### SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

#### 5. 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, 2017.

#### 6. PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	Cost				Rate	Depreciation				W.D.V December 31, 2017
	As at July 01, 2017	Additions	Deletions	As at December 31, 2017		As at July 01, 2017	Charge for the year	Adjustments	December 31, 2017	
Leasehold land	6,382	-	-	6,382	-	-	-	-	-	6,382
Building	15,528	-	-	15,528	10%	14,413	56	-	14,469	1,059
Plant and machinery	79,029	4,862	(600)	83,291	10%	70,269	438	(558)	70,149	13,142
Furniture and fixture	5,103	-	-	5,103	10%	4,790	16	-	4,806	298
Motor vehicles	10,115	1,390	(1,891)	9,614	20%	10,052	53	(1,879)	8,225	1,389
Office equipment	6,864	-	-	6,864	10%	6,452	21	-	6,472	392
Books	75	-	-	75	10%	48	1	-	50	25
<b>December 31, 2017</b>	<b>123,097</b>	<b>6,252</b>	<b>(2,491)</b>	<b>126,858</b>		<b>106,024</b>	<b>584</b>	<b>(2,438)</b>	<b>104,170</b>	<b>22,687</b>

	Dec 31, 2017	Jun 30, 2017
	(Rs. in '000')	
<b>7. LONG TERM DEPOSITS</b>		
Utilities	843	843
Clubs	42	42
Petrol pump	60	60
Others	465	465
	<b>1,410</b>	<b>1,410</b>
<b>8. STORES, SPARES AND LOOSE TOOLS</b>		
Loose tools	317	317
	<b>317</b>	<b>317</b>
<b>9. STOCK IN TRADE</b>		
Raw material	53,181	9,026
Work in process	43,727	40,398
Finished goods	51,251	50,074
	<b>148,159</b>	<b>99,498</b>
Provision for write down of inventory	(61,475)	(61,475)
	<b>86,684</b>	<b>38,023</b>



## Pak Leather Crafts Limited

### SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

9.1 This includes stock of Rs. 42,803,921 (2016 Rs. 42,803,921) pledged with bank against export refinance facility.

	Dec 31, 2017	Jun 30, 2017
	(Rs. in '000')	
<b>9.2 Provision for write down of inventory</b>		
Provision as at July 01,	61,475	70,657
Charge for the year	-	-
	61,475	70,657
Reversal of provision due to sale of inventory	-	9,182
	61,475	61,475
<b>10. TRADE DEBTORS - Unsecured</b>		
Considered good	30,585	82,714
Considered doubtful	15,068	9,376
	45,653	92,090
Provision for doubtful debts	15,068	9,376
	30,585	82,714
<b>11. BANK DUES UNDER LITIGATION</b>		
From banking companies - Secured		
Export refinance	202,850	202,850
Running finance	4,679	4,679
Overdue long term finance	46,903	46,903
LC's payables	29,891	29,891
	284,323	284,323

Bank dues are under litigation as explained in notes 10 to contingencies and commitments. Resultantly these amount are not payable in near future or with in next 12 months. Therefor they are classified as noncurrent liabilities.

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 were payable on monthly and quarterly basis which have become overdue. The period of loan was 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, 2017

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.

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, 2016: 4.679 million).

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.

This represent matured letters of credit and is outstanding due to pending legal cases explained in notes no. 14 to contingencies.

	Dec 31, 2017	Jun 30, 2017
	(Rs. in '000')	
<b>12. ACCRUED MARKUP</b>		
Finance cost is accrued towards:		
Long term borrowing	43,206	43,206
Short term borrowing	<u>80,823</u>	<u>80,823</u>
	<u>124,029</u>	<u>124,029</u>
Accrued markup on bank dues is also under litigation as explained in note 11. This is not payable with in next 12 months and therefor classified as noncurrent.		
<b>13. TRADE AND OTHER PAYABLES</b>		
Creditors	11,079	15,580
Accrued liabilities	3,225	3,210
Advance from customers	5,084	4,967
Tax deducted at source	15	15
Workers' welfare fund	907	907
Compensated absences	320	320
Unclaimed dividend	143	143
	<u>20,773</u>	<u>25,142</u>



## *Pak Leather Crafts Limited*

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### SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

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#### 14. CONTINGENCIES AND COMMITMENTS

##### Contingencies

- 14.1 United Bank Limited has filed a suit No B-141 under the provision of Financial Institutions (Recovery of Finances) Ordinance, 2001 and seeks the recovery of Rs. 135.54 million plus cost of funds (2016: 135.54 million) from the company and its directors/shareholders in their capacity as guarantors of the company's liabilities. The liability is booked by the company and the case is pending before the High Court of Sindh. According to the legal council of the Company evidences provided by the bank are not sufficient to establish the bank's entitlement to the amount claimed. Therefore, the 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 (2016: Rs 34.829) million is booked by the company and no further markup is being provided as the case is filed in the court by the bank.
- 14.2 Al Baraka Bank Pakistan Limited has filed a suit No B-26 under the provision of the Financial Institutions (Recovery of Finances) Ordinance, 2001 and seeks the recovery of Rs. 50.543 (2016: Rs. 50.543) million along with the profit, cost of fund and charity from the company and its Directors/Shareholders in their capacity as guarantors of the company's liability. The liability is booked by the company and the case is pending before the High Court of Sindh. The company has filed an application for leave to defend and the grounds taken by the company could not be addressed by the bank in their reply. Accordingly, according to legal counsel, leave to defend should be granted in the circumstances. Total profit and charity of Rs. 7.234 million (2016: Rs. 7.234 million) is provided by the company and no further profit and charity is being provided as the bank has filed the case in the Court against the Company.
- 14.3 NIB Bank Limited has filed a suit No B-86 under Financial Institutions (Recovery of Finances) Ordinance, 2001 for recovery of Rs 114.287 million plus markup and cost of funds from the company and its directors and financial institutions. The liability is booked by the company and the case is pending before the High Court of Sindh. Application seeking leave to defend has been filed by the company. In the opinion of company legal counsel leave to defend should be granted in the circumstances.
- 14.4 Industrial Development Bank of Pakistan (IDBP) has filed a suit No: 43 under Financial Institutions (Recovery of Finances) Ordinance, 2001 for recovery of Rs 28.936 million from the company and its Directors/Shareholders in their capacity as alleged guarantors of the company's liabilities. The above amount has been claimed in respect of an ERF Facility of Rs 40 million extended to the company in the year 2001. The liability is booked by the company, an application for leave to defend the suit has been filed by the company on the basis of grounds raised in the leave to defend application the entire suit amount is disputed by the company whereas amounts of Rs. 15,987,395 are time barred. The Plaintiff has yet to file its replication to the company's application for leave to defend.
- 14.5 Habib Bank Limited has filed a suit No. 54 under Financial Institutions (Recovery of Finances) Ordinance, 2001 for recovery of Rs. 8.054 million from the company and its Directors/Shareholders in their capacity as alleged guarantors of the company's liabilities. The above amount has been claimed in respect of Demand Finance facility of Rs 10 million. The liability is booked by the company. According to the legal counsel, leave to defend applications filed by the company were refused while the company has filed an appeal in the High Court of Sindh (First Appeal No. 19 of 2017).



## *Pak Leather Crafts Limited*

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### **SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

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- 14.6 The Securities and Exchange Commission of Pakistan had initiated investigation u/s 263 of the Companies Ordinance, 1984 relating to the affairs of the company vide order dated April 24, 2012 followed by responses made by the company from time to time, finally vide company's letter dated July 19, 2012. The outcome of the proceedings is awaited at the SECP's end.

#### **Commitments**

There are no commitments as at Balance Sheet date.

#### **15. TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise of staff retirement funds, directors and key management personnel. Transactions with related parties are made under normal commercial terms and conditions.

The related party status of outstanding balances at June 30, 2017 is included in the respective notes to the financial statements.

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

There is no related party transaction during the year

#### **16. OPERATING SEGMENTS**

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

Revenue from job order processing represents 38% 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.

All non current assets of the Company as at December 31, 2017 are located in Pakistan.

100% job work income of the Company are local.

#### **17. GOING CONCERN ASSUMPTION**

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.



## *Pak Leather Crafts Limited*

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### **SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

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During the six months period, the Company incurred a net loss of Rs. 1.766 million (2016: Rs. 1.905 million) resulting in accumulated losses of Rs. 397.103 million (2016: Rs. 392.00 million) as of the balance sheet date resulting in negative equity of Rs. 363.00 million (2016: Rs 358.00 million). The declining trend of operating loss coupled with positive current ration is a strong signal of company improving health. Current assets as on the balance sheet date exceeds the current liabilities by Rs 99.563 (Million) (2016: Rs. (375.426) (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 Rs.9.075 million during the period under review to finance all liquidity problems. Besides, negotiations with foreign customers proved fruitful and exports in the succeeding period have improved.

Considering the measures mentioned above along with 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.

#### **18. DATE OF AUTHORIZATION FOR ISSUE**

These interim condensed financial statements have been authorised for issue by the Board of Directors of the company on February 27, 2017.

#### **19. GENERAL**

Figures have been rearranged and regrouped wherever necessary.

Figures have been rounded off to the nearest thousand rupees.

**MUHAMMAD SALEEM AHMED**  
Chief Executive

**NAYYER AHMED JALALI**  
Director

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