

**ACCOUNTS FOR  
THE HALF YEAR ENDED  
DECEMBER 31, 2009  
(UNAUDITED)**



*Pak Leather Crafts Limited*



## *Pak Leather Crafts Limited*

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### **CORPORATE PROFILE**

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#### **BOARD OF DIRECTORS**

Muhammad Saleem Ahmed	Chairman / Chief Executive
Dr. Muhammad Shoaib Ahmed	Director
Tariq Mustafa Khan	Director
Nayyer Ahmed Jalali	Director
Azeem Ahmed	Director
Bilal Ahmed	Director
Umer Ahmed	Director

#### **AUDIT COMMITTEE**

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

#### **CHIEF FINANCIAL OFFICER & COMPANY SECRETARY**

Syed Asif Mahmood Rizvi

#### **BANKERS**

Albaraka Islamic Bank  
NIB Bank Limited  
Habib Metropolitan Bank Ltd  
Habib Bank Limited  
Industrial Development Bank of Pakistan  
Soneri Bank Ltd  
United Bank Limited

#### **EXTERNAL AUDITORS**

S. M. Rehan & Co.  
Chartered Accountants

#### **LEGAL ADVISOR**

Shakiel Z. Lari Advocate

#### **REGISTERED OFFICE**

Plot 15, Sector 7 - A,  
Korangi Industrial Area,  
Karachi



## *Pak Leather Crafts Limited*

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### **DIRECTORS' REVIEW**

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The Directors of your company are pleased to present hereunder to you the unaudited accounts of the company for the half year ended December 31st, 2009.

The financial results of the half year ended December 31st 2009 are as below:

	<b>December 31, 2009</b>	December 31, 2008
	(Rs. In '000')	
Profit / (Loss) before taxation	<b>(53,228)</b>	(19,690)
Provision for taxation	<b>(975)</b>	(3,000)
Profit / (Loss) after tax	<b>(54,203)</b>	(22,690)
Un-appropriated Profit / (Loss) Brought Forward	<b>(31,018)</b>	38,594
Un-appropriated Profit / (Loss) Carried Forward	<b>(85,221)</b>	15,904
(Loss) per share	<b>(15.94)</b>	(6.67)

Despite best efforts made by the management, due to continued recessionary conditions in the International market and global economic crises, the Export sales of the Company have not yet increased. Because of low volume of export sales, high cost of production, overheads and financial expenses, the company has been suffering with losses as mentioned above. The improvement in the financial results is linked with the heavy increase in exports sales of the company for which strong efforts are still continued by the management.

On behalf of the Board

Karachi:  
February 25, 2010

**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 annexed condensed interim balance sheet of **PAK LEATHER CRAFTS LIMITED** as at December 31, 2009 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial information") for the half-year then ended. The management is responsible for the preparation and presentation of this interim financial information in accordance with the approved financial reporting 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 for the quarters ended December 31, 2008 and 2009 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2009.

#### **SCOPE OF REVIEW**

We conducted our review in accordance with the 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.

#### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the annexed interim financial information as of and for the half year ended December 31, 2009 is not prepared, in all material respects in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Without qualifying our review report, we draw attention to that the Company incurred a net loss of Rs. 54,203,000 (2008: Rs. 22,690,000) during the period ended December 31, 2009, resulting in accumulated losses of Rs. 85,221,000 (June 30, 2008: Rs. 31,018,000) at the close of the period, and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 19,663,000 (June 30, 2009: Rs.nil). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

**Date: February 25, 2010**  
**Place: Karachi**

**S. M. REHAN & CO**  
**Chartered Accountants**



## Pak Leather Crafts Limited

### INTERIM CONDENSED BALANCE SHEET AS AT DECEMBER 31, 2009 (UNAUDITED)

	Note	Unaudited Dec.31, 2009	Audited June 30, 2009
<b>ASSETS</b>			
(Rs. in '000')			
<b>Non-current assets</b>			
Property, plant and equipment	4	43,836	45,649
Long term deposits and loans		<u>1,411</u>	<u>1,696</u>
		<b>45,247</b>	<b>47,345</b>
<b>Current assets</b>			
Stores, spares and loose tools		3,493	1,797
Stock - in - trade	5	319,685	344,982
Trade debts - considered good		31,435	26,426
Loans, advances, deposits and other receivables		19,151	32,118
Cash and bank balances		<u>1,802</u>	<u>2,515</u>
		<b>375,566</b>	<b>407,838</b>
<b>TOTAL ASSETS</b>		<b><u>420,813</u></b>	<b><u>455,183</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
<b>Authorised Capital</b>			
5,000,000 (June 2009: 5,000,000) ordinary shares of Rs. 10 each.		<u>50,000</u>	<u>50,000</u>
Issued, subscribed and paid up capital		<b>34,000</b>	34,000
Accumulated loss		<u>(85,221)</u>	<u>(31,018)</u>
		<b>(51,221)</b>	<b>2,982</b>
<b>Non-current liabilities</b>			
Long term loans	6	<b>74,596</b>	83,037
Deferred liability-Provision for gratuity		<b>2,209</b>	2,141
<b>Current liabilities</b>			
Trade and other payables		87,084	80,889
Accrued Markup		26,548	15,152
Short term borrowings	7	254,841	253,981
Current portion of long term liabilities		21,781	13,001
Provision for taxation		<u>4,975</u>	<u>4,000</u>
		<b>395,229</b>	<b>367,023</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	8	<b><u>472,034</u></b>	<b><u>452,201</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>420,813</u></b>	<b><u>455,183</u></b>

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

**MUHAMMAD SALEEM AHMED**  
Chief Executive

**MUHAMMAD SHOAB AHMED**  
Director



## Dak Leather Crafts Limited

### INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2009

	Half Year Ended		Quarter Ended	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
------(Rs. In '000')-----				
Net sales	96,656	296,402	60,653	96,798
Cost of sales	<u>114,096</u>	<u>283,003</u>	<u>75,687</u>	<u>108,893</u>
Gross profit / (loss)	<u>(17,440)</u>	13,399	<u>(15,034)</u>	(12,095)
Distribution cost	<span style="border: 1px solid black; padding: 2px;">9,241</span>	<span style="border: 1px solid black; padding: 2px;">15,215</span>	<span style="border: 1px solid black; padding: 2px;">6,392</span>	<span style="border: 1px solid black; padding: 2px;">4,143</span>
Administrative expenses	<span style="border: 1px solid black; padding: 2px;">6,238</span>	<span style="border: 1px solid black; padding: 2px;">4,522</span>	<span style="border: 1px solid black; padding: 2px;">3,554</span>	<span style="border: 1px solid black; padding: 2px;">2,040</span>
	<u>15,479</u>	<u>19,737</u>	<u>9,946</u>	<u>6,183</u>
Operating (loss)/profit	<u>(32,919)</u>	(6,338)	<u>(24,980)</u>	(18,278)
Other operating income	<u>65</u>	<u>53</u>	<u>65</u>	<u>52</u>
	<u>(32,854)</u>	(6,285)	<u>(24,915)</u>	(18,226)
Finance cost	<u>20,374</u>	<u>13,405</u>	<u>10,592</u>	<u>5,778</u>
Profit / (loss) before taxation	<u>(53,228)</u>	(19,690)	<u>(35,507)</u>	(24,004)
Taxation	<u>975</u>	<u>3,000</u>	<u>625</u>	<u>1,074</u>
Net Profit / (loss) after taxation	<u>(54,203)</u>	<u>(22,690)</u>	<u>(36,132)</u>	<u>(25,078)</u>
(Loss) per share - Basic and Diluted	<u>(15.94)</u>	<u>(6.67)</u>	<u>(10.63)</u>	<u>(7.38)</u>

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

**MUHAMMAD SALEEM AHMED**  
Chief Executive

**MUHAMMAD SHOAIB AHMED**  
Director



## Pak Leather Crafts Limited

### INTERIM CONDENSED CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2009

	Half Year Ended	
	Dec. 31, 2009	Dec. 31, 2008
	(Rs. in '000')	
<b>Cash generated from operations</b>		
Loss before taxation	(53,228)	(19,690)
Adjustment for non-cash charges and other items:		
Depreciation	1,813	1,941
Long-term deposits	285	(179)
Finance cost	20,374	13,405
Gratuity	595	47
	<u>23,067</u>	<u>15,214</u>
	(30,161)	(4,476)
<b>Changes in working capital</b>		
<b>(Increase)/decrease in current assets</b>		
Stores , spares and loose tools	(1,696)	308
Stock in trade	25,297	37,721
Trade debts	(5,009)	5,969
Loans, advances, deposits and other receivables	14,052	7,098
	<u>32,644</u>	<u>51,096</u>
<b>Increase/(decrease) in current liabilities</b>		
Trade and other payables	6,196	(22,740)
	<u>6,196</u>	<u>(22,740)</u>
<b>Cash generated from operations</b>	<b>8,679</b>	<b>23,880</b>
Finance cost paid	(8,977)	(12,472)
Gratuity paid	(527)	(23)
Income tax paid	(1,085)	(3,413)
	<u>(10,589)</u>	<u>(15,908)</u>
<b>Net cash flows from operating activities</b>	<b>(1,910)</b>	<b>7,972</b>
<b>Cash flows from investing activities</b>		
Fixed capital expenditure	-	(1,473)
<b>Net cash flows used in investing activities</b>	<b>-</b>	<b>(1,473)</b>
<b>Cash flows from financing activities</b>		
Short term borrowings (repaid) / obtained	859	(3,729)
Long term loan	694	(1,713)
Payment for assets subject to finance lease	(356)	(331)
	<u>1,197</u>	<u>(5,773)</u>
Net cash used in financing activities	(713)	726
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(713)</b>	<b>726</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2,515</b>	<b>1,635</b>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>1,802</u></b>	<b><u>2,361</u></b>

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

**MUHAMMAD SALEEM AHMED**  
Chief Executive

**MUHAMMAD SHOAB AHMED**  
Director



## *Pak Leather Crafts Limited*

### INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2009

	(Rs. in '000')		
	Issued subscribed and paid up capital	Unappropriated Profit / (Loss)	Total
<b>Balance as at June 30, 2008</b>	<b>34,000</b>	<b>38,594</b>	<b>72,594</b>
Loss for the period	-	(22,690)	(22,690)
<b>Balance as at December 31, 2008</b>	<b><u>34,000</u></b>	<b><u>15,904</u></b>	<b><u>49,904</u></b>
<b>Balance as at June 30, 2009</b>	<b>34,000</b>	<b>(31,018)</b>	<b>2,982</b>
Loss for the period	-	(54,203)	(54,203)
<b>Balance as at December 31, 2009</b>	<b><u>34,000</u></b>	<b><u>(85,221)</u></b>	<b><u>(51,221)</u></b>

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

**MUHAMMAD SALEEM AHMED**  
Chief Executive

**MUHAMMAD SHOAIB AHMED**  
Director



## *Pak Leather Crafts Limited*

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### **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2009**

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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 15, Sector 7-A, Korangi Industrial Area, Karachi.

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

These interim condensed financial statements are un-audited but subject to limited scope review by the auditors. These are required to be presented to the shareholders under section 245 of the Ordinance and have been prepared in a condensed form in accordance with the requirements of the International Accounting Standard (IAS) - 34 "Interim Financial Reporting" as applicable in Pakistan. The figures of the interim condensed profit and loss account for the quarters ended December 31, 2008 and 2009 have not been reviewed by the auditors of the Company as they have reviewed the cumulative figures for the half years ended December 31, 2008 and 2009. These interim condensed 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, 2009.

#### **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, 2009, except adoption of revised IAS 1 as noted below:

IAS 1 (Revised), 'Presentation of financial statements' (effective from January 1, 2009), was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statement (the income statement and the statement of comprehensive income).

The Company has chosen to present all non-owner changes in equity in one performance statement - statement of comprehensive income (profit and loss account). The Company does not have any items of income and expenses representing other comprehensive income. Accordingly, the adoption of the above standard does not have any significant impact on the presentation of the Company's financial statements and does not require the restatement or reclassification of comparative information.



## Pak Leather Crafts Limited

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2009

	Unaudited Dec. 31, 2009	Unaudited Dec. 31, 2008
(Rs. in '000')		
<b>4 PROPERTY, PLANT AND EQUIPMENT</b>		
<b>4.1 Additions during the period</b>		
Plant and machinery	-	262
Furniture and fittings	-	14
Office equipment	-	92
Vehicles	-	1,105
	-	1,473
	-	1,473
<b>4.2</b> There is no addition and disposal of any asset during the period.		
<b>5 STOCK-IN-TRADE</b>		
Raw material	109,429	121,677
Work in process	82,374	77,710
Finished goods	138,186	145,595
Write down of inventory to net realisable value	(10,304)	-
	127,882	145,595
	319,685	344,982
<b>6 LONG TERM LOANS</b>		
Subordinate loans from directors - Unsecured	33,524	31,115
From Banking Companies- Secured		
Demand/Term finance	6.1 62,572	64,286
Current portion of demand/term finance	(21,500)	(12,364)
	41,072	51,922
	74,596	83,037
<b>6.1</b> The company has repaid the Demand/Term finance of Rs.1.715 million during the half year ended December 31,2009. During this period, the company has obtained long term loans Rs.2.409 million from the directors.		
<b>7 SHORT TERM BORROWINGS</b>		
From Banking Companies- Secured		
Export re-finance	7.1 252,860	251,850
Temporary overdraft	1,981	2,131
	254,841	253,981
	254,841	253,981
<b>7.1</b> The company has arranged export re-finance facilities aggregating to Rs. 252.860 million available from various banks. These facilities are secured against hypothecation on stocks & book debts and 1st Mortgage charge over company's properties.		



## Pak Leather Crafts Limited

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2009

	Unaudited Dec. 31, 2009	Audited June 30, 2009
<b>8 CONTINGENCIES AND COMMITMENTS</b>		
<b>8.1 Contingencies</b>		
During the period United Bank Limited has instituted a suit against the company in the High Court of Sindh for recovery of Rs. 135,535,347 and other relieves from sale of mortgaged properties. The liability is booked by the company and the case is pending before the High Court of Sindh.		
Bank Guarantees	970	970
Export Murabaha	-	651
Foreign bills discounted	-	14,400
<b>8.2 Commitments</b>		
Commitments in which the Company has entered into up to balance sheet date are as follows:		
Collector of customs	-	191
	<b>Half Year Ended</b>	
	<b>Dec. 31, 2009</b>	<b>Dec. 31, 2008</b>
<b>9 RELATED PARTY TRANSACTIONS</b>		
<b>(Rs. in '000')</b>		
<b>Staff retirement benefits plans</b>		
- Contribution to staff retirement benefits	596	303
- Payable to Provident Fund (9.1)	274	283
9.1 This amount (inclusive of markup) has subsequently been paid to the Trust.		
<b>10 DATE OF AUTHORISATION FOR ISSUE</b>		
These interim condensed financial statements have been authorised for issue by the Board of Directors of the company on February 25, 2010.		
<b>11 GENERAL</b>		
11.1 Accrued markup of Rs. 1.516 million has been reclassified from trade and other payable on the face of balance sheet to facilitate comparison.		
11.2 Figures have been rounded off to the nearest thousand rupees.		
<b>MUHAMMAD SALEEM AHMED</b> Chief Executive	<b>MUHAMMAD SHOAIB AHMED</b> Director	

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