



Leather Limited

**CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED
DECEMBER 31, 2018**



Leather Up Limited

COMPANY PROFILE

Board of Directors

Khalid H. Shah	Chief Executive/ Director	Mahmooda Shah	Director
Jazim Shah	Director / Chairman	S. Faisal Shah	Director
Mohsin Khursheed	Director	Farooq Raza	Director
Ali Kausar Khan	Director		

Board Audit Committee

Mohsin Khursheed	Chairman
Jazim Shah	Member
Mahmooda Shah	Member

Human Resource Committee

Mohsin Khursheed	Chairman
S. Faisal Shah	Member
Mahmooda Shah	Member

Chief Financial Officer / Company Secretary

Shafqat Mahmood (Khokhar)

Auditors

Abdan & Company , Chartered Accountants

Legal Advisor

Maqbool Ahmad Bullo & Company
Advocate

Bankers

MCB Bank Ltd	United Bank Ltd
Faysal Bank Ltd	Summit Bank Ltd
Askari Bank Ltd	Meezan Bank Ltd
Bank Al-Falah Ltd	

Registered Office/Factory

Plot # 23/C, 15th Commercial Street Phase II Ext.
Defence Housing Authority, Karachi.
Phone: (021) 35880771-2 Fax: (021) 35880773
E-mail: leatherup@cyber.net.pk Web site: leatherupltd.com

Share Registrar Office

M/s C&K Management Associates (Pvt) Limited
404, Trade Tower, Abdullah Haroon
Road, Near Hotel Metroplote, Karachi-75530
Phone: (021) 35687839- (021) 35685930



Leather Up Limited

DIRECTOR'S REPORT

The Directors of your Company are pleased to present their review along with the condensed interim financial information (un-audited) of the company for the half year ended December 31, 2018.

Company Performance

There has been continuous fall in leather garment exports and its allied products, consequently in production since the last couple of months due to problems both at the local and as well as international scenes.

Inflationary trend and tough competition from different quarters and continued recession in the international leather market, the net export sales of the company during the half year ended December 31, 2018 restricted to Rs. 28.492 million compared to Rs. 26.914 million, marginal increased for the corresponding period and leaves a lot to be desired.

Because of low sales volume, as a result of better control over costs, selling distribution and administrative expenses, the company suffered loss after tax Rs. 6.328 million during the period under review.

The company faced a fine amount imposed by State Bank of Pakistan (SBP) Rs. 1,947,069/- against short performance/non performance under Export Refinance (ERF) Part- II scheme of the monitoring year 2017-18. The management of your company put up the case with the Association and going to file a request to SBP for granting extension in time and to refund the fine amount.

Future Out look

Under the circumstances, the management is making all out efforts to secure orders and has taken steps to cut operating expenses to minimum to withstand any lean period.

We are optimistic and do hope that the situation will take turnaround and the management of the company would be able to make more export sales and improve financial results in coming months.

The directors take this opportunity to thanks our valued customers, bankers, shareholders for the trust reposed by them in the company. We wish to convey our appreciation to all of our staff for their dedication and hard work. This is a team work and we hope it shall continue in the same spirit during coming years.

By order of the Board

Khalid H. Shah
(Chief Executive)

Karachi: February 27, 2019



Leather Up Limited

ڈائریکٹر کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز ۳۱ دسمبر، ۲۰۱۸ کو ختم ہونے والے نصف سال کے لئے کمپنی کے کنسر سیڈ عبوری مالیاتی معلومات (غیر آڈٹ کردہ) کے ساتھ ساتھ ان کے جائزہ لینے کے لئے خوش ہیں۔

کمپنی کی کارکردگی

مقامی اور ساتھ ہی بین الاقوامی مناظروں کے باعث گزشتہ چند ماہوں سے چرمی لباس کی برآمدات اور اس کے اتحادیوں کی پیداوار میں مسلسل مسلسل کمی آئی ہے۔

بین الاقوامی چرمی مارکیٹ میں مختلف سرمایوں اور مسلسل جاری ہونے سے انفرادی رجحانات اور سخت مقابلہ، ملک کے بدترین اقتصادی حالات، ۳۱ دسمبر، ۲۰۱۸ کو ختم ہونے والے نصف سال کے دوران کمپنی کی خالص برآمد کی فروخت کے لئے محدود ہے۔

مقابلے میں ۲۸،۴۹۲ ملین ۲۶،۹۱۴ ملین، اسی مدت کے لئے مارجن میں اضافہ ہوا اور پتیوں کو بہت کچھ مطلوب کیا گیا۔ کم سیلز حجم کی وجہ سے، اخراجات پر بہتر کنٹرول کے نتیجے میں، تقسیم اور انتظامی اخراجات کی فروخت کے نتیجے میں کمپنی ٹیکس کے بعد نقصان پہنچے۔ جائزے کے تحت مدت کے دوران ۶،۳۲۸ ملین۔

کمپنی اسٹیٹ بینک آف پاکستان (ایس بی پی) کی طرف سے نافذ شدہ رقم کا سامنا کرنا پڑا۔ ۱،۹۳۷،۰۶۹/- برآمد واپسی کے دوران سکیم۔ آپ کی کمپنی کا انتظام II اگرا بی سال ۲۰۱۷-۱۸ کے حصہ (ERF) مختصر کارکردگی / غیر کارکردگی کے خلاف غیر فعال ایسوسی ایشن کے ساتھ کیس رکھتا ہے اور وقت میں توسیع دینے اور ٹھیک رقم کی واپسی کرنے کے لئے ایس بی پی کی درخواست کرتا ہے اور درخواست دیتا ہے۔

مشغول سے باہر نظر

حالات کے تحت انتظامیہ احکامات کو محفوظ کرنے کے لئے تمام کوششیں کر رہی ہیں اور کم از کم کسی بھی عارضی مدت تک آپریٹنگ اخراجات کو کم کرنے کے لئے اقدامات کیے ہیں۔

ہم امید مند ہیں اور امید رکھتے ہیں کہ حالات اچھے ہو جائے گے اور کمپنی کا انتظام زیادہ برآمد کی فروخت کرنے اور آئندہ مہینوں میں مالیاتی نتائج کو بہتر بنانے کے قابل ہو جائے گا۔

ڈائریکٹرز اس موقع پر اپنے قابل قدر گاہکوں، بینکوں، شریک اسٹاک ہولڈرز کو کمپنی میں ان کی طرف سے پیش کردہ اعتماد کا شکریہ ادا کرتے ہیں۔ ہم اپنے تمام عملے کو اپنے اعتراف اور محنت کے لئے اپنی تعریف فراہم کرنا چاہتے ہیں۔ یہ ٹیم کام کرتی ہے اور ہم آنے والے سالوں میں اسی روح میں جاری رکھنے کی امید رکھتے ہیں۔

بورڈ کے حکم سے

۲

محترم خالد حسین شاہ

چیف ایگزیکٹو

کراچی ۲۷ فروری ۲۰۱۹



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEATHER UP LIMITED
REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Leather up Limited as at December 31, 2018 and the related condensed interim statement of profit or loss, condensed interim statement of profit or loss and other 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-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statement in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit or loss 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 half year ended December 31, 2018.

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 statement 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 accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement proprietor on the audit resulting in this independent auditor's is Iqbal Ahmad Abdan.

M/s. Abdan & Co.
Chartered Accountants
Iqbal Ahmad Abdan

Karachi: 27th February, 2019



Leather Up Limited

CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2018

	December 31 2018 (Unaudited)	June 30 2018 (Audited)
	Rupees	
Non - Current Assets		
Property, plant and equipment	3,808,187	3,951,543
Current Assets		
Stock in trade	81,285,955	95,415,855
Trade debts - considered good	2,902,711	-
Advances, deposits, prepayments and other receivables	19,342,847	39,856,480
Cash and bank balances	3,794,010	36,337,561
	107,325,523	171,609,896
	111,133,710	175,561,439
Share Capital and Reserves		
Authorized Capital		
6,000,000 (June 30, 2018: 6,000,000) ordinary shares of Rs. 10/- each	60,000,000	60,000,000
Issued, subscribed and paid up capital	60,000,000	60,000,000
General reserve	1,369,610	1,369,610
Accumulated gain / (loss)	37,782,556	44,111,329
	99,152,166	105,480,939
Deferred liability - staff gratuity	2,323,354	2,323,354
Current liabilities		
Short term borrowing - secured	1,000,000	40,800,000
Loan from directors	955,992	2,015,356
Trade and other payables	4,814,242	21,707,296
Accrued markup	-	186,986
Unclaimed dividend	2,613,991	2,613,991
Provision for taxation	273,965	433,517
	9,658,190	67,757,146
Contingencies and commitments	-	-
	111,133,710	175,561,439

The annexed notes form integral part of these financial statements

Khalid H. Shah
(Chief Executive)

S. Faisal Shah
(Director)

Shafqat Mahmood
(Chief Financial Officer)



Leather Up Limited

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

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

	For the half year ended		For the quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	Rupees		Rupees	
Sales - gross	27,396,523	25,879,121	13,115,473	5,337,852
Export rebate	1,095,861	1,035,165	546,478	213,514
Sales - net	<u>28,492,384</u>	<u>26,914,286</u>	<u>13,661,951</u>	<u>5,551,366</u>
Cost of sales	(27,786,850)	(27,267,206)	(13,060,757)	(10,263,252)
Gross profit / loss	705,534	(352,920)	601,194	(4,711,886)
Operating expenses				
Administrative expenses	(2,895,684)	(2,583,447)	(1,813,078)	(1,217,750)
Distribution cost	(1,361,460)	(1,643,551)	(1,186,960)	(601,324)
	<u>(4,257,144)</u>	<u>(4,226,998)</u>	<u>(3,000,038)</u>	<u>(1,819,074)</u>
Operating (loss)	(3,551,610)	(4,579,918)	(2,398,844)	(6,530,960)
Finance cost	(2,503,198)	(1,028,645)	(2,224,557)	(429,367)
Other (loss)	-	(27,920)	-	(17,800)
	<u>(2,503,198)</u>	<u>(1,056,565)</u>	<u>(2,224,557)</u>	<u>(447,167)</u>
Loss before taxation	(6,054,808)	(5,636,483)	(4,623,401)	(6,978,127)
Taxation	(273,965)	(239,670)	(131,161)	(31,871)
Loss after taxation	(6,328,773)	(5,876,153)	(4,754,562)	(7,009,998)
Earnings per share - basic and diluted	(1.05)	(0.98)	(0.79)	(1.17)

The annexed notes form integral part of these financial statements

Khalid H. Shah
(Chief Executive)

S. Faisal Shah
(Director)

Shafqat Mahmood
(Chief Financial Officer)



Leather Up Limited

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

	For the half year ended		For the quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	————— Rupees —————	————— Rupees —————	————— Rupees —————	————— Rupees —————
Loss after taxation	(6,328,773)	(5,876,153)	(4,754,562)	(7,009,998)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income (loss) for the period	<u>(6,328,773)</u>	<u>(5,876,153)</u>	<u>(4,754,562)</u>	<u>(7,009,998)</u>

The annexed notes form integral part of these financial statements

Khalid H. Shah
(Chief Executive)

S. Faisal Shah
(Director)

Shafqat Mahmood
(Chief Financial Officer)



Leather Up Limited

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

	December 31, 2018	December 31, 2017
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(6,054,808)	(5,636,483)
Adjustments for non cash and other items:		
Depreciation	143,356	160,006
Finance cost	2,503,198	1,028,645
	<u>2,646,554</u>	<u>1,188,651</u>
Operating cashflows before working capital changes	(3,408,254)	(4,447,832)
Changes in working capital		
(Increase) / decrease in current assets		
Stock in trade	14,129,900	10,763,559
Trade debts	(2,902,711)	(678,611)
Advances, deposit, prepayments and other receivable	20,513,633	(518,907)
Increase / (decrease) in current liabilities	(16,893,055)	(22,115,205)
Trade and other payables	14,847,767	(12,549,164)
Cash (used in) / generated from operations	11,439,513	(16,996,996)
Taxes paid	(433,516)	(474,606)
Dividend paid	-	-
Finance cost paid	(2,690,184)	(730,145)
Net cash (used in) / generated from operating activities	8,315,813	(18,201,747)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	-	(106,000)
Net cash used in investing activities	-	(106,000)
Net cashflow from financing activities		
Loan from directors	(1,059,364)	5,890
	<u>(1,059,364)</u>	<u>5,890</u>
Net increase / (decrease) in cash and cash equivalents	7,256,449	(18,301,857)
Cash and cash equivalents at the beginning of the period	(4,462,439)	(16,977,678)
Cash and cash equivalents at the end of the period	<u>2,794,010</u>	<u>(35,279,535)</u>
Cash and cash equivalents comprise the following:		
Cash and bank balance	3,794,010	4,516,129
Short term borrowing	(1,000,000)	(39,795,664)
	<u>2,794,010</u>	<u>(35,279,535)</u>

The annexed notes form integral part of these financial statements

Khalid H. Shah
(Chief Executive)

S. Faisal Shah
(Director)

Shafqat Mahmood
(Chief Financial Officer)



Leather Up Limited

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

	Share Capital	General Reserve	Accumulated Loss	Total
	Rupees			
Balance as at July 1, 2017	60,000,000	1,369,610	(2,245,787)	59,123,823
Total comprehensive loss for the period (Unaudited)	-	-	(5,876,153)	(5,876,153)
Balance as at December 31, 2017	<u>60,000,000</u>	<u>1,369,610</u>	<u>(8,121,940)</u>	<u>53,247,670</u>
Balance as at January 1, 2018	60,000,000	1,369,610	(8,121,940)	53,247,670
Total comprehensive Income for the period	-	-	52,233,269	52,233,269
Balance as at June 30, 2018 (Audited)	<u>60,000,000</u>	<u>1,369,610</u>	<u>44,111,329</u>	<u>105,480,939</u>
Balance as at July 1, 2018	60,000,000	1,369,610	44,111,329	105,480,939
Total comprehensive Income for the period (Unaudited)	-	-	(6,328,773)	(6,328,773)
Balance as at December 31, 2018	<u>60,000,000</u>	<u>1,369,610</u>	<u>37,782,556</u>	<u>99,152,166</u>

The annexed notes form integral part of these financial statements

Khalid H. Shah
(Chief Executive)

S. Faisal Shah
(Director)

Shafqat Mahmood
(Chief Financial Officer)



Leather Up Limited

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

1 LEGAL STATUS AND NATURE OF BUSINESS

Leather Up Limited ("the Company") was incorporated as a private limited company under the Companies Ordinance, 1984 on December 2, 1990 vide registration no. K-02440 of 1990-91. Subsequently the Company was converted into a public limited Company on May 15, 1993. The Company is listed on Karachi Stock Exchange since 1994. The Company is engaged in the manufacture and export of leather garment products.

2 BASIS OF PREPARATION

2.1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial information have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard - IAS 34 - "Interim Financial Reporting" issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017; and
- Provisions of and directives issued under Companies Act, 2017.

Where the provisions of and directives issued 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

This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2018

2.2 Changes in accounting standards, interpretations and pronouncements

- (A) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit loss model that replaces the current incurred loss impairment model.

IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.



Leather Up Limited

The changes laid down by these standards do not have any significant impact on these financial statements of the Company.

- (B) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2018 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

- (C) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

The following is the new standard, amendment to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after July 1, 2019 that may have an impact on the financial statements of the Company.

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

2.3 SIGNIFICANT ACCOUNTING POLICIES

These interim financial information have been prepared using the same accounting convention, basis of preparation and significant accounting policies as those applied in the preparation of the audited financial statements for the year ended June 30, 2018.

2.4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the condensed interim financial information in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing the condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding published annual financial information of the Company as at and for the year ended June 30, 2018



Leather Up Limited

3	PROPERTY, PLANT & EQUIPMENT	Note	December 31,	June 30,
			2018	2018
			Rupees	
	Operating Fixed Assets	3.1	<u>3,808,187</u>	<u>3,951,543</u>
	3.1 Operating Fixed Assets			
	Opening WDV		3,951,543	17,867,298
	Additions / (disposal) to property, plant & equipment during the period			
	Lease hold land		-	(13,697,520)
	Office equipments		-	106,000
			-	(13,591,520)
	Depreciation for the period		<u>(143,356)</u>	<u>(324,235)</u>
	Closing WDV		<u>3,808,187</u>	<u>3,951,543</u>
4	STOCK IN TRADE			
	Finished goods		<u>15,153,264</u>	12,190,264
	Raw material		<u>68,545,012</u>	<u>85,637,912</u>
			83,698,276	97,828,176
	Less: Provision for obsolete stock		<u>(2,412,321)</u>	<u>(2,412,321)</u>
			<u>81,285,955</u>	<u>95,415,855</u>

5. CONTINGENCIES AND COMMITMENTS

Contingencies

Contingencies remain the same as at December 31, 2018 as disclosed in the audited annual financial statements for the year ended June 30, 2018.

Commitments

No commitments exist at balance sheet date.

6 RELATED PARTIES TRANSACTION

	December 31,	June 30,
	2018	2018
Rupees		
Loan from Director (Mr Khalid Shah)	955,992	2,015,356
Director's Loan Movement (Mr Khalid Shah)	(1,059,364)	(1,885,500)
Directors' remuneration	-	-
Directors' remuneration payable	1,886,047	1,886,047
Workers profit participation fund payable	2,452,495	2,452,495

7 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 27th February, 2019 by the Board of Directors of the Company.

8 GENERAL

Figures have been rounded off to the nearest rupee.

Khalid H. Shah
(Chief Executive)

S. Faisal Shah
(Director)

Shafqat Mahmood
(Chief Financial Officer)

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