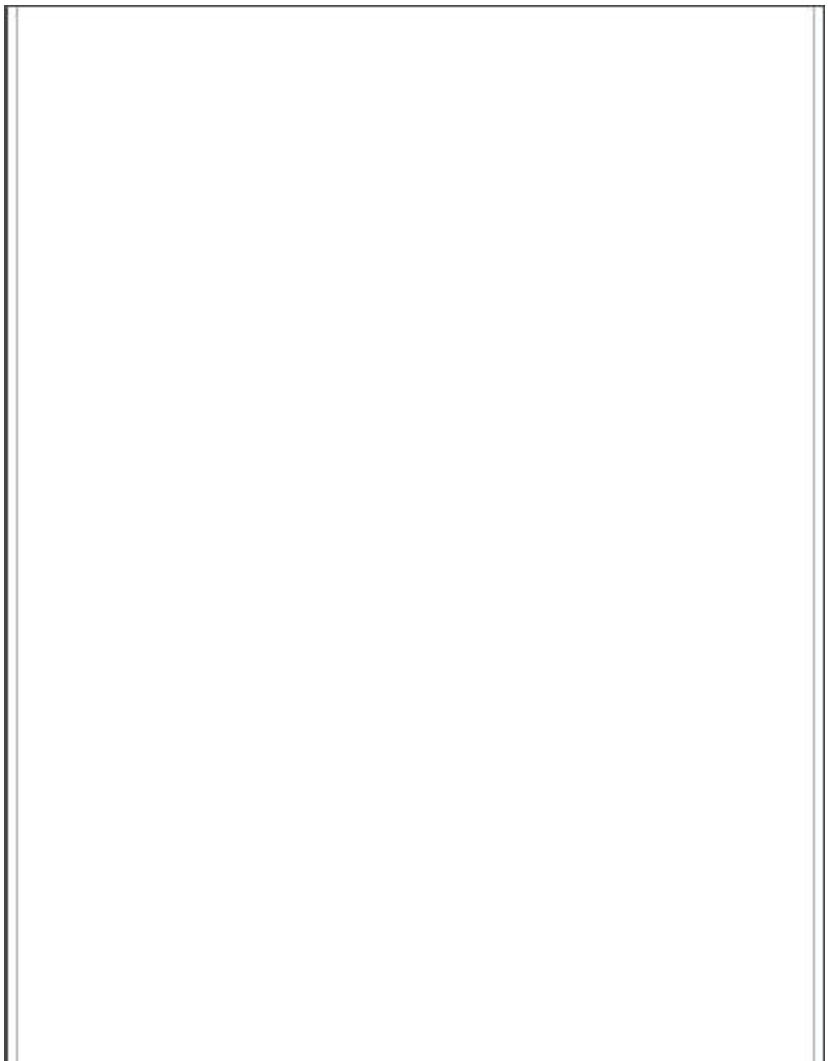




# Leather Up Limited

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2017**





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### *Vision*

*An Internationally Recognized Manufacturer  
& Exporter, having Providing Quality Leather Products  
and maintaining an Excellent Level of Ethical and  
Professional Standards.*

### *Mission Statement*

*The Company since inception has endeavored towards  
maximizing value addition and obtaining maximum value  
for each unit exported and to become a leading  
manufacturer/exporter of leather products in  
International market.*



## *Code of Ethics and Business Practices*

- 1- Maintaining integrity and scrupulous dealings.
- 2- Maintaining correct books and records of the Company.
- 3- Avoiding conflicts of interest.
- 4- Strictly follows the rules of leather techniques.
- 5- Treating chemical as per specification and testing criteria.
- 6- This is prime priority of the company to formulate, implement and monitor the objectives and overall business plan.
- 7- Check and oversee the affairs of the company carried out within the existing laws/regulations and to re-arrange prudently.
- 8- Make sure legal and regulatory requirements of the statutory authorities.
- 9- Encourage and initiate motivation among members of the company.
- 10- Safeguard and protect the interest and assets of the company.

*A detailed policy for actual and perceived conflict of interest and its resolution relating to the members of the Board of Directors and employees is in place.*



## COMPANY PROFILE

### Board of Directors

Khalid H. Shah	Chief Executive/ Director	Mahmooda Shah	Director
S. Fasal Shah	Director / Chairman	Jazim Shah	Director
Mohsin Khunsheed	Director	Farooq Raza	Director
Ali Kauser Khan	Director		

### Board Audit Committee

Mohsin Khunsheed	Chairman
Jazim Shah	Member
Mahmooda Shah	Member

### Human Resource Committee

Ali Kauser Khan	Chairman
S. Fasal Shah	Member
Mahmooda Shah	Member

### Chief Financial Officer / Company Secretary

Shafiqat Mahmood (Khokhar)

### Auditors

Abdan & Company, Chartered Accountants

### Legal Advisor

Maqbool Ahmad Billo & Company  
Advocate

### Bankers

MCB Bank Ltd.	United Bank Ltd	Faysal Bank Ltd
Summit Bank Ltd	Askari Bank Ltd	Meezan Bank Ltd
Bank Al-Islah Ltd		

### Registered Office/Factory

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

### Share Registrar Office

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



### NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED JUNE 30, 2017

Notice is hereby given that the 28<sup>th</sup> annual general meeting of Leather Up Limited will be held on Monday, 30<sup>th</sup> October, 2016 at 6:00 p.m. at C-38, Shalimar Garden, Darussalam Housing Society, Near Indus Hospital, Korangi Crossing, Karachi to transact the following businesses:

#### ORDINARY BUSINESS

- 1- To confirm the minutes of the Annual General Meeting held on October 29, 2016.
- 2- To receive, consider and adopt the audited accounts of the company together with the auditors' and directors' report thereon, for the year ended June 30, 2017.
- 3- To appoint auditors for the ensuing year ending June 30, 2018 and to fix their remuneration. The present auditors M/s Abdan & Company Chartered Accountants, being eligible have offered themselves for re-appointment.

Dated: October 09, 2017  
Karachi

By Order of the Board

**Shafqat Mahmood Khokhar**  
(Company Secretary)

Note:

- 1- The share transfer book of the company shall remain closed from 27-10-2017 to 07-11-2017 (both days inclusive). Transfers received in order at the office of our registrar: M/s. C&K Associates (Pvt) Ltd, 404, Trade Tower, Abdullah Haroon Road, Near Hotel Metropole, Karachi-75530, by the close of business on Thursday, October 26, 2017 will be treated in time.
- 2- A member entitled to attend and vote at the meeting may appoint another member as his/her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.
- 3- Procedure including the guidelines as laid down in Circular No.1- Reference No. 3(S-A) Misc/ARO/LES/96 dated 26<sup>th</sup> January 2000 issued by SECP.
- A. In order to be effective, the proxy forms must be received at the office of our registrar not later than 48 hours before the meeting, duly signed and stamped and witnessed by two persons with their names, address, CNIC numbers and signatures.
- B. In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the officer of the CNIC or passport of the proxy shall be submitted along with proxy form.
- 4- Members are requested to submit copies of their CNIC's and promptly notify any change in address by writing to the office of the registrar.

#### Availability of audited financial statements:

The audited financial statements of the Company for the year ended June 30, 2017 have made available on the Company's website (<http://www.leatherupltd.com>)



## DIRECTORS REPORT

The Directors of your company are pleased to present you herewith-26<sup>th</sup> Annual Report together with the Audited Accounts of the Company and the Auditor's Report thereon:

	30-06-2017 Rupees	30-06-2016 Rupees
Profit / (Loss) before taxation	<b>14,376,720</b>	12,269,331
Provision for taxation	<b>(1,076,299)</b>	(1,338,803)
Profit / (Loss) after tax	<b>13,300,421</b>	10,930,523
Other Comprehensive Income	<b>796,697</b>	(404,808)
 Total Comprehensive Income for the year	<b>14,096,118</b>	10,525,715
 Dividend for the year ended June 30, 2016	<b>(750,000)</b>	—
Accumulated loss carried forward from last year	<b>(15,591,906)</b>	(26,117,621)
Accumulated loss brought forward to balance sheet	<b>(2,245,788)</b>	(15,591,906)
Earnings per share after tax	2.22	1.82

### Company Performance

As a result of vigorous efforts made by the management, the performance of your company for the period under review has been more than satisfactory. The sales revenue increased by 4% as compared to the last year. In rupee term the exports stood at Rs. 133.215 million for the year 2017 as compared to Rs. 127.715 million of the last corresponding year. The management of the company is trying its level best to cut operating expenses and to explore new markets to get back the company as profit making entity.

### Operating Results

The increase in gross profit as compared to the corresponding year was mainly attributable to higher sales volume, operational efficiencies and to better absorption of production overheads, resulting in improved performance as well as higher profits as witnessed in the year under review.

### Future Outlook

The recession grips in Europe in recent period and the impact of low business activity there, automatically affected the main exporting countries of leather garments and allied products. Therefore, in the first quarter of 2017-18, export orders badly hit and damaged export graph.

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. Subsequent to the year at the first quarter ended September, 2017, the company has securing export orders for the year 2017-18 and shipped goods over to Rs. 14.50 million against leather garments and its allied products.

**Financial Statements for the Year Ended June 30, 2017**



**Human Resource:**

At Leather Up, as we are value addition Company, strongly believe that success comes when employees are engaged and aligned with the Company's vision. The Company having good relation with the employees and continues to make people its focal point by providing the most supportive and conducive environment to all its employees and by promoting a culture of high performance, learning, trust and confidence to deliver its products to the international markets.

**Human Resource and Remuneration Committee:**

In compliance with the requirements of code of corporate governance, the Board of Directors has established this Committee comprising three members' and all of them are non-executive directors (including Chairman). Detailed terms of reference of the Committee were duly communicated to the members, by the Board.

**Training Program:**

In terms of clause 5.19.7 of the Code of Corporate Governance, the Board of your Company has taken requisite steps to comply with the requirements of this clause with the time specified in the CCG. As stated in the statement of compliance of the code of corporate governance, one director meets the criteria of exemption under clause (x) of the CCG and is accordingly exempted from director's training program, and one of its directors has completed the DTP last year. The company will take necessary steps for the training of other two directors to meet the criteria of having half of the Board DTP certified by June 2018.

**Appointment of Auditors:**

The auditors, M/s. Abdan & Company, Chartered Accountants retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment.

As suggested by the Audit Committee, the Board of Directors has recommended appointing Messrs Abdan & Company, Chartered Accountants as auditors of the Company for the year 2017-18.

**Corporate and Financial Report Framework:**

The Board members are pleased to state that the management of the Company is committed to good corporate governance and are complying with best practices.

In compliance with the Code of Corporate Governance, the Directors are pleased to state that:

- 1- The financial statements, prepared by the management of the Company, present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
- 2- Proper books of account of the Company have been maintained by the Company.
- 3- Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment.

**Financial Statements for the Year Ended June 30, 2017**



- 4- The International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of the financial statements and any departure therefrom has been adequately disclosed and explained.
- 5- The system of internal control is sound in designed and has been effectively implemented and monitored. The process of monitoring internal controls will continue with the objective to further strengthen the controls and improve the system.
- 6- There are no significant doubts upon the company's ability to continue as a going concern.
- 7- A summary of key operating and financial data of the company of the last six years is annexed in the annual report.
- 8- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- 9- Detail of significant deviations in the company's operations during the current year are stated in the Chairman's Review.
- 10- Information regarding taxes and levies is given in the notes to the financial statements.
- 11- The share holdings of the sponsors/directors have been shown on individual basis.
- 12- The number of employees at the end of the year was 37 (2016: 44).

**Board of Directors Meetings:**

The Board convened 6 times during the year and attendance of the respective directors was as under:

Name of Directors	Number of meeting attended
Mr. Khalid H. Shah	6
Mr. Ali Kauser Khan	6
Mr. Farooq Raiss	6
Ms. Mahmooda Shah	5
Mr. Jazim Shah	6
Mr. S. Faissal Shah	5
Mr. Mohsin Khursheed	6

Leave of absence was granted to the Directors who could not attend the Board meetings.

**Board Audit Committee:**

An audit committee of the Board has been in existence since the enforcement of the Code of Corporate Governance. The audit committee has its terms of reference which were determined by the Board of Directors in accordance with the guidelines provided in the listing regulations and code of corporate governance.

**Financial Statements for the Year Ended June 30, 2017**



The committee meets at least once every quarter and assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to shareholders, systems of internal control and risk management and to consult directly with the external auditors as considered appropriate. The Chief Financial Officer regularly attends the Board Audit Committee meetings by invitation to present the accounts. After each meeting, the Chairman of the Committee reports to the Board.

The audit committee comprises of two non-executive directors and one independent director who is also Chairman.

Members	Number of meeting attended
Mohsin Khurshid	4
Ms. Mahmooda Shah	4
Mr. Jazim Shah	4

The Board of Directors of the Company has decided not to accrue directors' remuneration for the year ended June 30, 2017. The one executive director has agreed to forgo his part of the remuneration for the year under review in the interest of the company.

The statement showing the pattern of shareholding as at June 30, 2017 required under the Companies Ordinance, 1984 and Code of corporate Governance and additional information regarding pattern of shareholding is annexed separately.

No trading in company's shares was carried out by its directors, CEO, CFO, Company Secretary, and Head of Internal Audit, other Executives and their spouse(s) and minor children.

**Workers Management Relation:**

The management will like to put on the record valued contribution of all members of the staff, workers towards achieving results in general and we wish to place on record our gratitude to the shareholders for their continued support in difficult times and hope to continue the same in the coming years. The worker management relation remained excellent throughout the year, which resulted in the smooth operation of your company. This is team work and we hope it shall continue in the same spirit during the coming years.

**Thanks and Appreciation**

Thanks to our shareholders for their trust and support now as well as in difficult times.

By order of the Board



Khalid H. Shah  
(Chief Executive)

Karachi: October 06, 2017

ڈائریکٹر کی ریورٹ

بے کی بھنی کے ۶۰٪ کھرپی اور ملٹی کے سالانہ ۱۷۰۰۰ دلار میں بھنی کے آلات کو ۲۵٪ تک اور الٹرائی میٹس کے سالانہ ساٹھ فیٹنی کرنے کے خوشیں۔

30-06-2016	30-06-2017	
<b>Rupess</b>	<b>Rupess</b>	
12,269,331	14,376,720	معنی دے پکی مالحق (التسان)
(1,331,800)	(1,076,299)	مکاری خریدی
10,930,523	13,300,421	گھنی کے بدو ساتھ (الشان)
(404,808)	795,597	دگرچاں اعلیٰ
10,525,715	14,096,118	بلکے کئی اعلیٰ
—	(790,000)	میں میں میں
(26,117,621)	(15,591,906)	لیکن مکاری
(15,591,906)	(2,245,788)	بچکے سے آئے رہا
1.82	2.22	جس شہر اکٹے رکھ دیکھی
		جس شہر کرنے کے لئے
		فیض کوئی نہیں

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یہ جال کے حصے میں گوئی اور جیسا مانند بچا خود رکھا اپنی تھرے وہ سے تھا، اور اسکے امداد کے لئے بڑے بچوں کے لئے نیا نام قدمی کے تھی میں

五

۱۹۷۰ء میں اپنی پہلی کارکردگی میں آئیں۔ آئندہ سالوں میں اس کی کارکردگی کے نتیجے میں اس کی مدد و معاونت کی وجہ سے کامیابی اور اعلیٰ مدد و معاونت کی وجہ سے ایک ایجاد کی جائیں گے۔

حکوم سلطنت کی خواہ اگر تھے تو قدر کو مشترک کر کر بے اہم گھنے کر کر کے لئے اپنے دل کا چیز جسے ۲۰۰۷ء میں اعلان کیا گیا تھا میں مل کے جو۔ کہنے تے



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فیض بہ طرفی کا کامیابی کے مطابق اپنے اکابر اس سلسلی کو فرمایا ہے جس میں میر بن شالیہ سے مجن دام غیر ایکٹوہ نظریہ (اہول

www.fotoxx.it

کوئی کلکت کے لیے اسی طریقہ میں کامیاب نہیں کیا جائے گا بلکہ اسی طریقہ کا خلاف کامیابی کی کوشش کی جائے گی اور اسی طریقہ کے خلاف کامیابی کی کوشش کی جائے گی۔

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www.ijerpi.org | ISSN: 2278-5626 | Impact Factor: 3.236 | DOI: 10.18488/ijerpi.2018.3103



۱- میں اپنے اور تھوڑے کا مصلح اور بیان کرنے والے ہیں۔  
۲- میں اپنے اور تھوڑے کا مصلح اور بیان کرنے والے ہیں۔  
۳- میں اپنے اور تھوڑے کا مصلح اور بیان کرنے والے ہیں۔  
۴- میں اپنے اور تھوڑے کا مصلح اور بیان کرنے والے ہیں۔  
۵- میں اپنے اور تھوڑے کا مصلح اور بیان کرنے والے ہیں۔

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•<sup>2</sup> *Entomophagous Fungi as Agents of Pest Control*

بیانک کی تعداد میں شرکت	۱۰۰ پیکٹر کے مقابلے میں
۹	محروم ٹالہ سینئر شاہ
۹	محروم علی ڈوٹ نیشن
۹	محروم فاروقی رضا
۵	محرس گورنمنٹ شاہ
۶	محروم ہام شاہ
۵	محروم پیر پاکش شاہ
۹	محروم عجیب غفرانی

لے کر اپنے بھائی کو اپنے سامنے لے جائیں گے۔

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نمبر	پیلک کی تعداد میں فریکٹ
۱	نیزم گھنی اور ریڈی
۲	نیزم گلوبو وہنہا
۳	نیزم چاہیں مٹھائے

اگر کے اہم ترین

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*Journal of Health Politics, Policy and Law*, Vol. 32, No. 3, June 2007  
DOI 10.1215/03616878-32-3 © 2007 by The University of Chicago

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7 + 1 = 8



## 6 YEARS AT A GLANCE

PARTICULARS	2017	2016	2015	2014	2013	2012
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### FINANCIAL POSITION

Paid up Capital	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000
General Reserves	1,399,610	1,389,610	1,389,610	1,389,610	1,389,610	1,389,610
Fixed Assets at Cost	31,288,588	30,901,451	30,721,451	30,584,588	28,748,303	28,748,303
Accumulated Depreciation	13,421,268	13,070,569	12,722,409	12,352,241	12,017,963	11,798,122
Current Assets	114,279,388	109,783,542	73,513,281	82,521,982	37,087,304	47,434,210
Current Liabilities	69,853,605	78,316,753	53,685,685	51,735,409	29,257,060	37,932,431

### INCOME/REVENUE

Sales Revenue	133,215,713	127,715,522	114,147,074	165,196,180	24,087,870	71,534,699
Other Income/(Loss)	(89,615)	6,143	74,474	(182,269)	113,940	1,013,659
Pre-Tax Profit/ (Loss)	14,376,720	12,269,331	9,076,352	7,196,905	(1,021,322)	1,124,037
Taxation	1,078,259	1,339,808	(1,181,209)	(1,965,679)	(257,752)	(707,186)

### PERCENTAGE AND RATIO

Pre-Tax (Loss) Profit to sales %	10.79%	8.60	8.65	4.35	(7.86)	1.57
Pre-Tax Profit (Loss) to Capital %	23.96	20.38	16.46	11.85	(3.03)	1.87
Current Ratio	1.64:1	1.46:1	1.37:1	1.21:1	1.27:1	1.25:1
Paid- Up Value per Share	10	10	10	10	10	10
Earnings (Loss) per Share after Tax (Rs)	2.22	1.82	1.45	0.91	(0.35)	0.07
Cash Dividend	NIL	2.5%	NIL	NIL	NIL	NIL
Retained/ (Loss) Earnings per Share (Rs)	(0.37)	(2.60)	(4.35)	(5.58)	(6.52)	(6.17)
Break-Up Value per Share	9.85	7.63	5.88	4.64	3.71	4.05

Financial Statements for the Year Ended June 30, 2017



**PATTERN OF SHAREHOLDING (FORM 34)**

As at June 30, 2017

NO. OF SHOULD	SHARE HOLDING		TOTAL SHARES HOLD
	FROM	TO	

782	1	-	100	50,718
563	101	-	500	267,868
114	501	-	1000	111,055
122	1001	-	5000	321,260
19	5001	-	10000	164,500
7	10001	-	15000	88,300
9	15001	-	20000	161,567
1	20001	-	25000	25,000
4	25001	-	30000	111,500
1	30001	-	35000	32,000
1	35001	-	40000	40,000
1	45001	-	50000	50,000
2	50001	-	55000	108,500
1	55001	-	60000	55,500
2	60001	-	65000	123,200
2	65001	-	70000	135,524
2	70001	-	75000	147,700
1	80001	-	85000	81,100
1	85001	-	90000	89,000
1	90001	-	95000	92,000
2	95001	-	100000	198,800
1	195001	-	200000	200,000
1	235001	-	240000	240,000
2	295001	-	300000	600,000
1	345001	-	350000	345,400
1	769001	-	785000	760,100
1	1395001	-	1400000	1,399,400

1645	Total	6,000,000		
S/R NO.	CATAGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARES HOLD	PERCENTAGE %

1	INDIVIDUALS	1636	5,906,715	98.45
2	INVESTMENT COMPANIES	1	3,700	0.06
3	INSURANCE COMPANIES	1	70,000	1.17
4	JOINT STOCK COMPANIES	7	19,585	0.33

1645	6,000,000	100.00
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S. #	FOLIO	NAME OF COMPANIES HOLDING	PER %	CAT #	CATEGORIES
01	03228-034562	UNITED INSURANCE COMPANY	1.17	70009	INSURANCE COMPANIES
02	03277-001339	PREMIER FASHIONS (PVT) LTD	0.30	18009	JOINT STOCK COMPANIES
03	05861	MIS INVESTMENT CORPORATION	0.06	3700	INVESTMENT COMPANIES
04	03293-000038	S.H. BUKHARI SECURITIES (PVT) LTD	0.01	500	JOINT STOCK COMPANIES
05	06999-000022	MUHAMMAD AHMED NADEEM SECURITIES	0.01	500	JOINT STOCK COMPANIES
06	07294-000026	AL-HAQ SECURITIES (PVT) LTD	0.01	500	JOINT STOCK COMPANIES
07	06288-000028	UNITED CAPITAL SECURITIES	0.00	79	JOINT STOCK COMPANIES
08	06364-141034	CENTRAL DEPOSITORY COMPANY	0.00	5	JOINT STOCK COMPANIES
09	03525-087235	MAPLE LEAF CAPITAL LIMITED	0.00	1	JOINT STOCK COMPANIES



### ADDITIONAL INFORMATION

	Number of Shareholder	Number of Share Held
<b>Associated Companies (name wise details)</b>		
<b>NIT &amp; ICP (name wise details)</b>		
Directors CEO and their Spouse and minor children (Name wise detail)		
Mr. Khalid H. Shah	1	1,639,400
Mr. Syed Raza Shah	1	300,000
Mr. Farooq Raza	1	100
Ms. Mahmooda Shah	1	100
Mr. Jazim Shah	1	100
Mr. S. Faisal Shah	1	100
Mr. Nazeer Shah	1	760,100
Mr. Zain Shah	1	300,000
Mrs. Nahid Parveen Fayyaz	1	100
Mr. Ali Kausar Khan	1	60,708
Mohsin Khursheed	1	500
<b>Executives</b>		
Public Sector companies & corporation	-	-



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended June 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in listing regulations of Pakistan Stock Exchange where the shares of Company are listed, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

- 1- The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Mohsin Khursheed
Executive Directors	Khalid H. Shah
Non-Executive Directors	Mahmooda Shah S. Faissal Shah Farooq Raza Jazim Shah Ali Kauser Khan

The independent directors meet the criteria of independence under clause 5.19.1(b) of the Rule Book of the Pakistan Stock Exchange's Regulations.

- 2- The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
- 3- All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Finance Institution (DFI) or a Non-Banking Finance Institution (NBFI) or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4- No casual vacancy was occurred during the year.
- 5- The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
- 6- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors have been taken by the Board.



- 8- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and Chief Financial Officer and Company Secretary attended all the meetings. The Board meets at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded, circulated and signed by the Chairman of meeting of the Board of Directors.
- 9- The Board arranges orientation course for its directors as and when needed to apprise them of their duties and responsibilities. One director meets the criteria of exemption under clause (xi) of the CCG and is accordingly exempted from director's training program. And one of its directors has completed the DTP last year. The company will take necessary steps for the training of other two directors by the end of June 30, 2018 to meet the criteria of having half of the Board DTP certified by June 2018 under the clause 5.19.7 of the CCG.
- 10- The Board has approved terms of appointment and remuneration of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit.
- 11- The director's report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 12- The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
- 13- The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- 14- The Company has complied with all the corporate and financial reporting requirements of the Code.
- 15- The Board has formed an Audit Committee. It comprises of three members, of whom two are non-executive directors and the Chairman of the committee is an independent director.
- 16- The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
- 17- The Board has formed an HR and Remuneration Committee. It comprises of three members, of whom one is non-executive director, and the Chairman of the Committee is also a non executive director.
- 18- The Board has set up an effective Internal Audit Function and that is involved in the internal audit on full time basis relating to the business and other affairs of the Company.
- 19- The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
- 20- The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 21- The "Closed Period", prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.

**Financial Statements for the Year Ended June 30, 2017**



- 22- Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
- 23- The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
- 24- We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board of Directors



Khalid H. Shah  
Chief Executive  
Karachi:  
October 06, 2017



**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH  
THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Leather Up Limited** for the year ended **June 30, 2017** to comply with the requirements of Chapter 5, Clause 5.19.24 (b) of the Code of Corporate Governance of Rule Book of Pakistan Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail at arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended **June 30, 2017**.

**ABDAN & CO.**  
CHARTERED ACCOUNTANTS



Further, we highlight below instances of non-compliance with the requirements of the code has reflected in the notes in the statement of compliance.

Note reference	Description	Non-Compliance
i) 9	Orientation course for Directors	Orientation course arranged for one director and one director exemption criteria. No such course arranged for remaining director

Karachi.  
Date: October 06, 2017

  
IQBAL AHMAD ABDAN  
Abdan & Co.  
Chartered Accountants

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237, 39, Arkay Square, (Main Shahr-e-Liaquat, Karachi, Phone: 32424194 - 32423407 - 32429177  
Fax: (92-21) 3241771. Email : abdan@cyber.net.pk Website : www.abdan.com

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### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of LEATHER UP LIMITED as at June 30, 2017, and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that;

- (a) In our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) In our opinion
  - i) the balance sheet, profit and loss account and statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and

Confd... P/2

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237, 39, Arkay Square, (Main Shahrah-e-Liaquat, Karachi, Phones: 32424194 - 32423407 - 32429177  
Fax: (92-21) 3241771 Email : abdan@cyber.net.pk Website : www.abdan.com

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(ii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2017 and of the profit, its total comprehensive income, cash flows and changes in equity for the year ended; and
- (d) In Our opinion, no Zakat was deductible at source under the Zakat and Ushr ordinance, 1990.

**IQBAL AHMAD ABDAN**  
ABDAN & CO  
Chartered Accountants

Karachi  
Dated: October 06, 2017



## BALANCE SHEET AS AT JUNE 30, 2017

	JUNE 30, 2017	June 30, 2016
	Rupees	
<b>Non - Current Assets</b>		
Property, plant and equipment	4	17,867,298
		17,830,492
<b>Current Assets</b>		
Stock in trade	5	101,096,159
Trade debts - considered good		(9)
Advances, deposits, prepayments and other receivables	6	10,660,241
Cash and bank balances	7	2,522,986
		114,279,386
	<u>132,146,684</u>	<u>127,514,035</u>
<b>Share Capital and Reserves</b>		
<b>Authorized Capital</b>		
6,000,000 (June 30, 2016: 6,000,000) ordinary shares of Rs. 10/- each		60,000,000
		60,000,000
Issued, subscribed and paid up capital	8	60,000,000
General reserve		1,369,610
Accumulated loss		(2,245,787)
		59,123,823
Deferred liability - staff gratuity	9	3,169,256
		3,517,577
<b>Current Liabilities</b>		
Short term borrowing - secured	10	19,500,664
Loan from directors		129,856
Trade and other payables	11	48,990,514
Accrued markup		156,272
Provision for taxation		1,076,299
		69,853,605
	<u>132,146,684</u>	<u>127,514,035</u>
<b>Contingencies and commitments</b>	12	-

The annexed notes form integral part of these financial statements.

Khalid H. Shah  
Chief Executive

Shafqat Mahmood  
Chief Financial Officer

S. Faisal Shah  
Director



## BALANCE SHEET AS AT JUNE 30, 2017

	JUNE 30, 2017	June 30, 2016
	Rupees	
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		17,830,492
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		60,000,000
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<b>Contingencies and commitments</b>	12	-

The annexed notes form integral part of these financial statements.

Khalid H. Shah  
Chief Executive

Shafqat Mahmood  
Chief Financial Officer

S. Faisal Shah  
Director



**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2017**

	For the year ended		
	June 30, 2017	June 30, 2016	
	Rupees		
Sales - net	13	133,215,713	127,715,522
Cost of sales	14	(101,861,314)	(98,000,518)
<b>Gross profit</b>		<b>31,354,399</b>	<b>29,715,006</b>
<b>Operating expenses</b>			
Administrative expenses	15	(4,922,325)	(6,378,054)
Distribution cost	16	(8,702,954)	(7,854,141)
		<b>(13,625,279)</b>	<b>(14,232,195)</b>
<b>Operating profit</b>		<b>17,729,120</b>	<b>15,482,812</b>
Finance cost	17	(1,763,259)	(1,961,261)
Other income/(loss)	18	(69,615)	6,143
Other operating expenses	19	(1,519,526)	(1,258,362)
		<b>(3,352,400)</b>	<b>(3,213,481)</b>
<b>Profit before taxation</b>		<b>14,376,720</b>	<b>12,269,331</b>
Taxation	20	(1,076,299)	(1,338,808)
<b>Profit after taxation</b>		<b>13,300,421</b>	<b>10,930,523</b>
<b>Earnings per share - basic and diluted</b>		<b>2.22</b>	<b>1.82</b>

The annexed notes form integral part of these financial statements.

Khalid H. Shah  
 Chief Executive

Shafqat Mahmood  
 Chief Financial Officer

S. Faisal Shah  
 Director

Financial Statements for the Year Ended June 30, 2017



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2017

For the year ended

June 30, 2017      June 30, 2016

— Rupees —

Profit after taxation	13,300,421	10,930,523
Other comprehensive income for the period	795,697	(404,808)
Total comprehensive income for the period	<u>14,096,118</u>	<u>10,525,715</u>

The annexed notes form integral part of these financial statements

  
Khalid H. Shah  
Chief Executive

  
Shafqat Mahmood  
Chief Financial Officer

  
S. Faisal Shah  
Director



## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	JUNE 30, 2017	JUNE 30, 2016
	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	14,376,729	12,269,331
Adjustments for non cash and other items:		
Depreciation	350,328	348,548
Provisions for gratuity	447,376	518,120
Finance cost	1,763,259	1,961,261
	2,960,963	2,827,930
<b>Operating cashflows before working capital changes</b>	<b>16,937,683</b>	<b>15,097,261</b>
<b>Changes in working capital</b>		
(Increase) / decrease in current assets:		
Stock in trade	(18,050,953)	(24,290,038)
Trade debts	4,791,146	(2,677,060)
Advances, deposit, prepayments and other receivable	5,526,709	(4,496,706)
Increase / (decrease) in current liabilities		
Trade and other payables	(5,904,894)	19,068,591
Loan from directors	25,310	(1,609,673)
	(13,562,679)	(13,974,887)
<b>Cash (used in) / generated from operations</b>	<b>3,375,004</b>	<b>1,122,374</b>
Taxes paid	(1,407,115)	(982,906)
Finance cost paid	(1,756,987)	(1,973,343)
<b>Net cash (used in) / generated from operating activities</b>	<b>210,902</b>	<b>(1,843,875)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to property, plant and equipment	(387,135)	(180,000)
<b>Net cash used in investing activities</b>	<b>(387,135)</b>	<b>(180,000)</b>
<b>Net cashflow from financing activities</b>		
Dividend paid	(436,389)	-
	(436,389)	-
Not increase / (decrease) in cash and cash equivalents	(612,623)	(2,023,875)
Cash and cash equivalents at the beginning of the period	(16,365,057)	(14,341,182)
Cash and cash equivalents at the end of the period	<b>(16,977,680)</b>	<b>(16,365,057)</b>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balance	2,522,986	5,464,943
Short term borrowing	(19,560,664)	(21,830,000)
	(16,977,680)	(16,365,057)

The annexed notes form integral part of these financial statements

Khalid H. Shah  
Chief Executive

Shafqat Mahmood  
Chief Financial Officer

S. Faisal Shah  
Director



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2017

	Share Capital	General Reserve	Accumulated Loss	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at July 1, 2015	60,000,000	1,369,610	(28,117,821)	35,251,969
Total comprehensive income for the year	-	-	10,525,715	10,525,715
 Balance as at June 30, 2016	<u>60,000,000</u>	<u>1,369,610</u>	<u>(15,581,806)</u>	<u>45,777,704</u>
Balance as at July 1, 2016	60,000,000	1,369,610	(15,581,806)	45,777,704
Dividend for the year ended June 30, 2016	-	-	(750,000)	(750,000)
Total comprehensive income for the year	-	-	14,096,118	14,096,118
 Balance as at June 30, 2017	<u>60,000,000</u>	<u>1,369,610</u>	<u>(2,245,787)</u>	<u>58,123,823</u>

The annexed notes form integral part of these financial statements

Khalid H. Shah  
Chief Executive

Shafqat Mahmood  
Chief Financial Officer

S. Faisal Shah  
Director



## NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

### 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-03440 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 (now Pakistan Stock Exchange) since 1994. The Company is engaged in the manufacture and export of leather garment products. The production facilities are located at plot # 23/C, 16th Commercial Street Phase II Extension Defence Housing Authority, Karachi.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. As per the requirements of the circular No. CLD/CCD/PRI(11)/2017 dated July 20, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP), Companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with provisions of the repealed Companies Ordinance, 1984. Accordingly, approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board as are notified under the provisions of repealed Companies Ordinance, 1984 and the directives issued under the repealed Companies Ordinance, 1984 by Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of Companies Ordinance, 1984 or directives issued differs with the requirements of the IFRSs, the provision of and directives under the Companies Ordinance, 1984 prevail.

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention unless otherwise specifically stated.

#### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the functional and presentation currency of the Company.

#### 2.4 Use of estimates and judgments

The preparation of the financial statements in conformity with approved accounting standards requires the management to make the judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.



The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Areas where various assumptions and estimates are significant to the financial statements or where judgments were exercised in application of accounting policies are as follows:

- a) Provision for taxation
- b) Provision for obsolete inventory
- c) Residual values and useful lives of items of property, plant and equipment
- d) Provision of slow moving and obsolete stores and spares
- e) Provision for staff gratuity

#### 2.5 Standards, amendments or interpretations which became effective during the year

During the period, certain amendments to standards or new interpretations became effective during the year and are relevant to the Company.

- Amendments to IAS 1, 'Presentation of Financial Statements' provides clarification on issues including Materiality, Disaggregation and subtotal Notes. The amendment will not have any significant impact on Company's financial statements.
- Amendments to IAS 16- 'Property, Plant, Equipment' & IAS 38- 'Intangible Assets'. The amendment clarifies that the revenue-based method to calculate depreciation is not appropriate as it does not truly represent the consumption of economic benefits embodied in the asset. The amendment will not have any significant impact on Company's financial statements.
- Amendments to IAS 34 - 'Interim Financial Reporting'. The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. This amendment will only impact the disclosures in the Company's financial statements.

#### New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following standards, amendments and interpretations to standards are effective for accounting periods beginning on or after July 01, 2017 and have not been early adopted by the Company.

- Amendments to IAS 7, Statement of cash flows on disclosure initiative (effective from accounting period beginning on or after January 01, 2017). These amendments introduce an additional disclosure that will enable the users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment will not have any significant impact on Company's financial statements.
- Amendments to IAS 12, 'Income Taxes' on recognition of deferred tax assets for unrealized losses (effective from accounting period beginning on or after January 01, 2017). The amendment will not have any significant impact on Company's financial statements.
- IFRIC 22 'Foreign currency transactions and advance consideration' (effective from accounting period beginning on or after January 01, 2018). The amendment will not have any significant impact on Company's financial statements.



### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to profit & loss account applying the reducing balance method whereby the cost of an asset is written off over its useful life at the rates specified in note 4 to the financial statements. Depreciation on additions is charged from the quarter in which an asset is put to use and no depreciation charged in the quarter in which asset is disposed off.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposal of assets, if any, are taken to the profit and loss account.

The assets' residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end. The Company's estimate of residual value of property and equipment as at June 30, 2017 did not require any adjustment as its impact is considered insignificant.

An item of property, plant and equipments is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year in which the asset is derecognized.

#### 3.2 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceed their recoverable amount, an impairment loss is recognized in the profit and loss account.

#### 3.3 Stock in trade

Raw materials are valued at average cost and finished goods are valued at lower of average cost and net realizable value.

Work-in-process is valued at average cost of raw-materials including a proportionate of manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to be incurred to make the sale.

Provisions are made in the financial statements for obsolete and slow moving inventory based on management's best estimate regarding their future usability.

#### 3.4 Stores, spares and chemicals

Stores, spares and loose tools excluding items in transit are valued at lower of average cost and net realizable value. Provision is made for slow moving and obsolete items.



Items in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulated to the balance sheet date.

Net realizable value signifies the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Provisions are made in the financial statements for obsolete and slow moving inventory based on management's best estimate regarding their future usability.

**3.5 Trade and other receivables**

Trade and other receivables are carried at original invoice amount/cost, which is the fair value of the consideration to be received, less an estimate made for doubtful receivables which is determined based on management review of outstanding amounts and previous repayment pattern. Balance considered bad and irrevocable are written off.

**3.6 Cash and cash equivalents**

Cash in hand and in banks, short term bank deposits and short term running finances, if any, are carried at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand and deposits in bank, net of short term running finances (if any) that are highly liquid in nature, readily convertible into known amounts of cash and subject to insignificant risks of changes in value.

**3.7 Financial instruments**

**3.7.1 Classification**

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'proceed receivable', 'short term loans', 'trade deposits and other receivables' and 'cash and cash equivalents' in the balance sheet.

c) Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity. There were no held to maturity financial assets at the reporting date.



d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose off it within 12 months of the end of the reporting date. There were no available for sale financial asset at the reporting date.

**3.7.2 Recognition and measurement**

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

**3.7.3 Impairment of financial assets**

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 3.5.

**3.8 Staff Retirement Benefits**

The main features of the schemes operated by the company for its employees are as follows:

**3.8.1 Defined benefit plan**

A defined benefit plan is post employment benefit plan other than a defined contribution plan. The company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. The Gratuity scheme is unfunded and covers those permanent employees and management staff of the Company who have completed prescribed qualifying period of service. Provision is made annually to cover obligations under the scheme by providing two third of last drawn basic salary of the employees for each year of service.

Past service cost is recognized immediately to the extent that the benefits are already vested. For non-vested benefits past service cost is amortized on the straight line basis over the average period until the amended benefits become vested.

**3.9 Taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.



d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose off it within 12 months of the end of the reporting date. There were no available for sale financial asset at the reporting date.

**3.7.2 Recognition and measurement**

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

**3.7.3 Impairment of financial assets**

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 3.5.

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The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.



**Current**

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Presently provision for current taxation is based on final tax regime in accordance with the provisions of section 154 of the Income Tax Ordinance, 2001.

**Deferred**

Deferred tax is recognised using balance sheet liability method, providing for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Currently there are no deferred tax balances since the Company income falls under final tax regime.

**3.10 Provisions**

Provision is recognized when, as a result of past event, the company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Subsequently, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**3.11 Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any direct expenses. Revenue is recognised on the following basis:

- Sales revenue is recognized on dispatch of goods to customers.
- Rebate income is recognized on accrual basis.
- Markup / interest income is recognized on a time proportion basis that takes into account the effective yield.

**3.12 Borrowing costs**

Borrowing costs are recognized as an expense in the period in which they are incurred except borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset are capitalized as a part of the cost of that asset.

**Financial Statements for the Year Ended June 30, 2017**



**3.13 Foreign currency transaction and translation**

Foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year-end spot foreign exchange rates. Non-monetary assets are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in income directly.



**Financial Statements for the Year Ended June 30, 2017**

**4 PROPERTY, PLANT AND EQUIPMENT**

	Lease held Land	Buildings on lease held land	Plant and machinery	Vehicles	Furniture and furniture	Office equipment	Total
<b>As at July 1, 2016</b>							
Cost	14,787,528	6,749,315	4,326,352	184,305	1,285,158	3,384,703	30,721,451
Accumulated depreciation		(5,648,421)	(3,277,986)	(60,375)	(681,830)	(2,053,621)	(15,722,451)
Net book value	<b>14,787,325</b>	<b>800,894</b>	<b>1,050,374</b>	<b>183,930</b>	<b>573,328</b>	<b>1,331,082</b>	<b>15,000,000</b>
<b>Year ended June 30, 2016</b>							
Opening net book value	14,787,325	800,894	1,050,374	183,930	573,328	1,331,082	15,000,000
Additions / Transfers during the year			186,000	-	-	-	186,000
Disposals / transfers							
Cost							
Accumulated depreciation							
Net book value							
Depreciation for the year		(80,308)	(122,241)	(20,798)	(41,201)	(7,502)	(169,349)
Closing net book value	<b>14,787,325</b>	<b>819,595</b>	<b>1,028,133</b>	<b>183,930</b>	<b>571,875</b>	<b>1,323,580</b>	<b>14,830,651</b>
<b>As at July 31, 2016</b>							
Cost	14,787,528	6,749,315	4,326,352	184,305	1,285,158	3,384,703	30,721,451
Accumulated depreciation		(5,626,419)	(3,251,136)	(61,470)	(683,861)	(2,076,644)	(15,620,451)
Net book value	<b>14,787,325</b>	<b>818,805</b>	<b>1,050,372</b>	<b>183,930</b>	<b>571,872</b>	<b>1,323,528</b>	<b>14,830,651</b>
<b>Year ended June 30, 2017</b>							
Opening net book value	14,787,325	818,805	1,050,372	183,930	571,872	1,323,528	14,830,651
Additions / Transfers during the year			381,134	-	-	-	381,134
Disposals / transfers							
Cost							
Accumulated depreciation							
Net book value							
Depreciation for the year		(81,305)	(138,671)	(20,824)	(41,927)	(8,752)	(169,724)
Closing net book value	<b>14,787,325</b>	<b>726,725</b>	<b>1,028,177</b>	<b>183,930</b>	<b>569,947</b>	<b>1,323,598</b>	<b>14,830,651</b>
<b>As at June 30, 2017</b>							
Cost	14,787,528	6,749,315	4,326,352	184,305	1,285,158	3,384,703	30,721,451
Accumulated depreciation		(6,049,956)	(3,556,875)	(67,811)	(700,365)	(2,182,217)	(15,421,208)
Net book value	<b>14,787,325</b>	<b>726,253</b>	<b>1,028,477</b>	<b>183,930</b>	<b>569,978</b>	<b>1,323,598</b>	<b>14,830,651</b>
Annual rates of depreciation:		40%	18%	30%	16%	18%	

**Financial Statements for the Year Ended June 30, 2017**



	2017	2016
	Rupees	
<b>4.ii Depreciation for the year has been allocated as under :</b>		
Cost of sales	210,197	209,130
Administrative expenses	140,131	139,420
	<b>350,328</b>	<b>348,550</b>
<b>5 STOCK IN TRADE</b>		
Raw material and accessories	88,194,692	64,193,130
Finished goods	16,214,388	21,314,366
Less: Provision for obsolete stock	(2,412,321)	(2,412,321)
	<b>161,000,159</b>	<b>63,095,206</b>
<b>6 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	2017	2016
	Rupees	
Advances - considered good to :		
- Staff	283,819	263,452
- Suppliers	283,519	263,452
Deposits	109,167	654,167
Prepayments	89,449	5,231,585
Income tax	1,838,675	1,833,246
Sales tax	2,386,578	2,018,763
Other receivables - considered good		
- Export rebate receivable	5,830,853	6,259,050
- Others	5,830,853	6,259,050
	<b>16,660,241</b>	<b>16,432,254</b>
<b>7 CASH AND BANK BALANCES</b>		
Cash in hand	144,198	362,113
Cash with banks		
- In foreign currency deposit accounts	101,286	107,244
- In current accounts	3,377,599	4,925,566
	<b>3,378,785</b>	<b>5,932,630</b>
	<b>2,522,989</b>	<b>5,394,543</b>
<b>8 ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		
	Number of Shares 2017	2016
		Rupees
5,799,180	5,799,180	Ordinary shares of Rs. 10/- each fully paid up in cash.
		67,991,998
125,000	125,000	Ordinary shares of Rs. 10/- each issued for consideration other than cash.
		1,250,000
115,000	115,000	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares.
	<b>6,000,000</b>	<b>66,000,998</b>
	<b>6,000,000</b>	<b>60,000,000</b>

**Financial Statements for the Year Ended June 30, 2017**



	2017	2016
	Rupees	
<b>9 DEFERRED LIABILITIES - Gratuity</b>		
As at beginning of the year	3,517,577	2,694,649
Charged to Profit & Loss	447,378	518,120
Payment during the year	-	-
Unpaid gratuity of outgoing workers	-	-
Actuarial (gain) loss during the year	(795,697)	494,898
As at end of the year	<u>3,169,258</u>	<u>3,517,577</u>
<b>9.1 Charged to profit &amp; Loss</b>		
Current Service Cost	202,407	248,169
Interest Cost	244,993	269,951
	<u>447,378</u>	<u>518,120</u>
Actuarial (gain) loss recognized during the year	(795,697)	494,898
	<u>(348,321)</u>	<u>922,928</u>
	2017	2016
	Rupees	
<b>9.2 The Change to profit &amp; loss account has been allocated as follows</b>		
Administrative Expenses	104,895	163,064
Production Expenses	342,483	365,126
	<u>447,378</u>	<u>518,120</u>
<b>9.3 Present value of defined benefit obligation has been determined using projected unit credit method. The liability as of June 30, 2017 and June 30, 2016 has been determined by the management of the company based on actuarial valuation. The principal assumptions used in determining present value of defined benefit obligations are:</b>		
Discount rate	9%	
Expected rate of increase in salary	9%	
Expected average years of service	35 years	
<b>Historical Information</b>		
Present value of defined benefit obligation	3,517,577	
actuarial adjustments arising during the year	11.31%	
The experience adjustment component of actuarial adjustment is impracticable to determine and thus has not been disclosed.		
<b>10 SHORT TERM BORROWING - Secured</b>		
<b>Export finance</b>		
Pre-shipment financing Part I	18,599,000	18,330,000
Post shipment financing- Rel Sehan	1,099,664	3,930,000
	<u>18,599,664</u>	<u>21,230,000</u>
The above balances represent secured short term loan utilized under markup arrangements with financial institution against securities which are as under:		
<b>10.1 United Bank Limited</b>		Sanctioned limit Rs. 15.00 million
Pre-Post shipment Financing Part I	Rs. Nil million (2016: Rs. 3.5 million)	
Post shipment Financing Part II	Rs. 8.30 million (2016: Rs. 8.3 million)	
Postshipment Financing	Rs. Nil million (2016: Rs. Nil)	
Rate of markup	SBP Export Finance Rate + 1% per annum (2016: SBP + 1%)	



**Security :**

- First hypothecation charge of Rs. 42.30 million over stocks of raw material & leather garments (finished & Un-finished), all plant, machinery, equipments, stores with furniture and fixture, lying / belonging to the Company installed or to be installed at factory Plot no. 23-C, 19th Commercial Street Phase II, DHA, Karachi duly insured with coverage of risks of fire, burglary & R&D with UBL name as loss payee with 25% margin for drawing power.
- Stock are under full control of the Company. The Company is required to keep adequate quantity of stocks as per stock report for which the Company took the finance from the bank.
- Registered mortgage for token amount of Rs. 0.1 million.
- Equitable mortgage charge registered for Rs. 42.30 million over factory land, building and machinery equipment installed or to be installed with all present and future construction, fixture, fittings over property no. 23-C, 19th Commercial Street, Phase II, DHA, Karachi.
- Hypothecation of all present and future receivables / book debts of the company. The charge created shall rank first in all respect on Hypothecated property. The company shall keep the property free from all encumbrances and charges as per terms and conditions mentioned in the letter of hypothecation and such other terms as prescribed by the bank or SBP from time to time.
- Lien on export documents.
- Personal Guarantees of all seven directors.

<b>16.2 Mezan Bank Limited</b>	<b>Sanctioned limit: Rs. 25.00 million</b>
Murabaha under ERF Part I & II	Rs. 10.20 million (2016: Rs. 10.03 million)
Bai-Salam	Rs. 1.00 million (2016: Rs. 0.0 million)
Rate of markup:	SBP Export Finance Rate + 1% per annum (2016: SBP + 1%)

**Security :**

- 1st exclusive charge over fixed assets ( land & building) i.e property located at Plot No.23-C, 15th Commercial street, Phase II, DHA, Karachi amounting to Pkr 54.56 millions.
- Equitable mortgage of property bearing Plot # 39/II/1, 39th Street, Phase V, DHA, Karachi (Property Owned by Mr Khalid H. Shah).
- Registration of MBL first charge over current assets (Stocks ) of Pkr 6.00 Mn.
- Personal guarantee of all directors and management.
- Debit authority for entire tenure be provided.

**Note:**

- As per circular No. 29 of 2016 regarding additional disclosure of Shahriah comprising of Listed Companies all types of loans and advances must be clearly categorized and disclosed depending upon whether they carry any interest or mark-up arrangements or Islamic mode is used for the same.

**Financial Statements for the Year Ended June 30, 2017**



	2017	2016
	Rupees	Rupees
<b>11 TRADE AND OTHER PAYABLES</b>		
Creditors	34,652,388	38,010,345
Accrued liabilities	2,651,963	2,205,928
Advance from customers	8,906,431	13,415,002
Workers' profit participation fund	776,813	688,233
Workers' welfare fund	292,369	250,129
Undrawn dividend	2,612,991	2,365,763
	<b>46,396,514</b>	<b>54,698,399</b>

**12 CONTINGENCIES AND COMMITMENTS**

**Contingencies**

The Company was served with the show cause notice in 1994 by the Pakistan Defence Officers' Housing Authority (P.D.O.H.A.) seeking to restrain it from continuing to use its factory premises for industrial use. The Company was granted a stay against P.D.O.H.A. in the said matter by the Honorable Sindh High Court in 1994.

The Honorable Sindh High Court has subsequently in 1998 dismissed the Civil Miscellaneous Application (C.M.A.) filed in separate suits by the P.D.O.H.A. challenging the grounds on which stay was granted to the Company. The Company does not foresee any contingency in this respect nor has therefore made any provision thereagainst.

**Commitments**

Commitment for export sales as at June 30, 2017 is Rs. 18.50 million (2016: Rs. 40 million).

	2017	2016
	Rupees	Rupees
<b>13 SALES - NET</b>		
Export sales	128,216,460	122,911,173
Export rebate	5,184,663	5,243,434
Less: Commission / discount	(195,460)	(439,091)
	<b>133,215,713</b>	<b>127,715,522</b>

**14 COST OF SALES**

Raw, packing and other material consumed	14.1	46,426,248	57,003,078
Production expenses	14.2	49,435,965	42,410,792
<b>Cost of goods manufactured</b>		<b>95,861,314</b>	<b>99,421,870</b>
Opening stock of finished goods		21,314,388	19,689,034
<b>Cost of goods available for sale</b>		<b>117,175,702</b>	<b>118,314,904</b>
Closing stock of finished goods		(15,314,388)	(21,314,388)
		<b>101,861,314</b>	<b>98,000,516</b>

**14.1 Raw, packing and other material consumed**

Opening stock	64,193,139	41,324,454
Purchases	78,427,282	78,071,763
	<b>142,620,421</b>	<b>119,396,217</b>
Closing stock	(88,194,982)	(64,193,139)
	<b>46,426,248</b>	<b>57,003,078</b>

**Financial Statements for the Year Ended June 30, 2017**



14.2 Production expenses	2017	2016
	Rupees	Rupees
Cutting and stitching charges	35,662,021	29,773,637
Salaries, wages and other benefits	9,161,753	9,295,362
Repairs and maintenance	856,639	547,719
Depreciation	4,1	210,197
Fuel and power	1,253,834	1,153,897
Rent, rates and taxes	1,369,236	652,650
Telephone, fax and postage	104,503	91,540
Printing and stationery	57,562	9,665
Entertainment expense	669,320	790,193
	<b>49,435,063</b>	<b>42,418,722</b>

14.2.1 This includes amount of Rs.342,483/- (2016: Rs. 385,026/-) in respect of staff retirement benefits.

15. ADMINISTRATIVE EXPENSES	2017	2016
	Rupees	Rupees
Directors' remuneration	15,1	-
Salaries, allowances and other benefits	15,2	2,110,393
Communication expense	127,788	161,570
Insurance expense	112,072	179,676
Utilities	638,049	647,086
Printing and stationery	149,462	121,190
Legal and professional	50,000	20,000
Fees and subscription	822,707	2,024,044
Vehicle running and maintenance	169,359	162,453
Entertainment expense	302,399	317,775
Repairs and maintenance	122,577	93,042
Conscriptions	15,3	77,400
Newspaper and periodicals	4,1	140,131
Depreciation	4,922,325	8,378,054

15.1 The board of directors of the company has decided not to accrue Directors' remuneration for the year ended June 30, 2017. Now, the only single executive director, remains to get remuneration has agreed to forgo his part of remuneration for the year under review in the interest of the company.

15.2 This includes amount of Rs. 104,893/- (2016:Rs. 163,094/-) in respect of staff retirement benefits.

15.3 None of the directors or their spouses have any interest in the above donee funds.

16. DISTRIBUTION COST	2017	2016
	Rupees	Rupees
Advertising and sales promotion	2,080,939	181,029
Postage, tele and telegram	1,224,399	2,207,993
Traveling expenses	424,730	478,200
Freight, handling and insurance	3,289,159	3,734,528
Others	1,663,791	1,254,821
	<b>8,702,954</b>	<b>7,654,341</b>

**17. FINANCE COST**

Markup and interest charges	638,112	1,098,296
Bank charges and commission	1,125,147	992,965
	<b>1,763,259</b>	<b>1,991,261</b>

**Financial Statements for the Year Ended June 30, 2017**



	2017	2016
	Rupees	
<b>18 OTHER INCOME</b>		
Profit / (loss) on foreign currency deposit accounts	(0.038)	-
Exchange gain / (loss) - net	(63,577)	6,143
	<u>(69,615)</u>	<u>6,143</u>
<b>19 OTHER OPERATING EXPENSES</b>		
Workers' welfare fund	388,713	250,129
Workers' profit participation fund	770,813	658,233
Others	-	-
Auditor Remuneration	19.1 350,000	350,000
	<u>1,519,526</u>	<u>1,258,362</u>
<b>19.1 Auditors' remuneration:</b>		
Audit fee	250,000	250,000
Half yearly review fee	100,000	100,000
Other certifications' fees/Expenses	-	-
	<u>350,000</u>	<u>350,000</u>
<b>20 TAXATION</b>		
<b>Current</b>		
-for the year	20.1 1,076,299	1,338,808
-prior year	<u>1,076,299</u>	<u>1,338,808</u>
<b>20.1</b> No temporary differences arise between accounting profits and taxable income owing to final tax scheme under which company's income is assessed on the basis of tax on export sales and therefore no deferred tax liability has arisen.		
<b>20.2</b> The company's income fall within the ambit of final tax regime under the Income Tax Ordinance, 2001 and therefore reconciliation between accounting profit and taxable income is not practicable has not been presented here.		
<b>21 EARNINGS PER SHARE - BASIC AND DILUTED</b>	2017	2016
Profit after taxation	13,300,421	10,930,523
	Number	
Weighted average number of ordinary shares	6,600,000	6,000,000
	Rupees	
Earnings per share - basic and diluted - Rupees	2.22	1.82
<b>22 RELATED PARTY TRANSACTIONS</b>		

Related parties comprise of group companies, directors and their close family members, major shareholders of the Company, key management personnel and staff provident fund. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment. Remuneration of chief executive, directors and executives is as follows:

**Financial Statements for the Year Ended June 30, 2017**



	2017 Rupees	2016 Rupees
Loan from directors	129,656	104,546
Directors remuneration	-	-
Directors remuneration payable	1,886,047	1,886,047
Workers profit participation fund payable	770,613	658,233
<b>23 FINANCIAL INSTRUMENTS</b>	<b>2017 Rupees</b>	<b>2016 Rupees</b>
<b>23.1 Financial instruments by category</b>		
<b>FINANCIAL ASSETS</b>		
<b>Loans and receivables</b>		
Trade debts - considered good		[B] 4,791,139
Advances, deposit, prepayments and other receivables	8 10,699,241	16,432,254
Cash and bank balances	7 2,322,386	5,464,843
	<b>13,133,237</b>	<b>26,888,336</b>
<b>FINANCIAL LIABILITIES</b>		
<b>Financial liabilities at amortized cost</b>		
Short term borrowing - secured	10 10,500,064	21,630,000
Loan from directors		129,656
Trade and other payables	11 48,999,514	54,895,399
	<b>68,629,034</b>	<b>76,325,945</b>

**23.2 Financial risk management objectives and policies**

The Company's activities expose it to a variety of financial risks: capital risk, credit risk, liquidity risk and market risk (including foreign exchange or currency risk, interest/margin rate risk and price risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

**23.3 Capital risk management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

The company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance.

**23.4 Market risk**

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk and interest rate risk.

**Financial Statements for the Year Ended June 30, 2017**



**a) Currency risk**

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

**Exposure to currency risk**

The Company is exposed to currency risk on trade debts and sales that are denominated in a currency other than the respective functional currency of the Company. The currencies in which these transactions are denominated are the US Dollars and the Euro. The Company's exposure to foreign currency risk is as follows:

	2017			2016		
	Rupee	US Dollar	Euro	Rupee	US Dollar	Euro
Trade debt	(0)	-	-	4,376,159	-	-
Foreign currency deposits	191,206	-	401,21	365,48	107,344	-
Advance from customer	8,088,451	-	-	13,415,032	-	-
<b>Gross balance sheet exposure</b>	<b>10,079,667</b>	<b>-</b>	<b>401,21</b>	<b>365,48</b>	<b>107,344</b>	<b>-</b>
				18,713,385	-	405,36
				-		380,87

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rates	
	2017	2016	2017	2016
<b>Rupees</b>				

US Dollars	104.13	-	104.58	104.29
Euro	112.78	116.08	119.86	115.85
GBP	134.49	140.12	136.14	139.83

**Sensitivity Analysis**

A 10 percent strengthening of the Rupee against US Dollar, GBP and Euro at 30 June would have increased / (decreased) profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

	Profit and loss
As at 30 June 2017	Rupees
Effect in US Dollars	579,699
Effect in Euro	11,961,663
Effect in GBP	168,030

A 10 percent weakening of the Rupee against the above currency at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

**b) Interest rate risk**

Interest/mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/mark-up rates. Sensitivity to interest/mark up rate risk arises from mismatches of financial liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The long-term financing and short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBDR) as indicated in respective notes. At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

**Financial Statements for the Year Ended June 30, 2017**



	Effective interest rate (%)		Carrying amount	
	2017	2018	2018	2015
			Rupees	
Short term borrowing	3.00%	3 to 5%	₹9,503,864	21,030,000

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit and loss Rupees	
	As at 30 June 2017	195,007
Cash flow sensitivity - Variable rate instruments		
As at 30 June 2018		218,300
Cash flow sensitivity - Variable rate instruments		

**23.5 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by change in economics, political or other conditions. Concentration of credit risk indicates that relative sensitivity of the company's performance to development affecting a particular industry.

The carrying amount of financial assets represents the maximum credit exposure. To manage exposure to credit risk, the company applies credit limits to their customers. Cash is held only with banks with high quality credit worthiness.

The maximum exposure to credit risk at the balance sheet date is as follows:

	Credit Risk			
	2017	2016	Balance Sheet	Maximum exposure
				Rupees
Trade debts	(0)	(0)	4,791,139	4,791,139
Cash and bank balances	2,522,986	2,522,986	5,604,943	5,604,943
	<b>2,522,986</b>	<b>2,522,986</b>	<b>10,256,083</b>	<b>10,256,083</b>

The maximum exposure to credit risk at the balance sheet date by geographic region is as follows:

	2017		2016	
	European countries	Local	2017	2016
			Rupees	
			2,378,796	5,902,630
			<b>2,378,796</b>	<b>5,902,630</b>

The maximum exposure to credit risk for trade debts and other receivable at the balance sheet date by type of customer is as follows:

	2017		2016	
	Foreign customers - O/A	Local	2017	2016
			Rupees	
			(0)	4,791,139
			<b>(0)</b>	<b>4,791,139</b>

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**Impairment losses**

The aging of trade debts at the balance sheet date was:

	2017		2016	
	Gross	Impairment	Gross	Gross
			Rupees	
Not past due		(8)	4,791,139	-

**23.6 Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or making damage to the Company's reputation. The following are the contractual maturities of financial liabilities (including interest payments):

	2017			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
	Rupees			
<b>Non-Derivative Financial Liabilities</b>				
Short term borrowing	19,500,664	19,500,664	19,500,664	-
Trade and other payables	48,996,514	48,996,514	48,996,514	-
	68,491,178	68,491,178	68,491,178	-
<b>2016</b>				
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
	Rupees			
Short term borrowing	21,830,000	21,830,000	21,830,000	-
Trade and other payables	54,895,399	54,895,399	54,895,399	-
	76,725,399	76,725,399	76,725,399	-

**Financial Statements for the Year Ended June 30, 2017**



**23.7 Fair value of financial instruments**

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties at arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of all financial assets and financial liabilities are estimated to approximate their respective carrying amount.

**24 CAPACITY AND PRODUCTION**

	2017	2016
Industrial sewing machines installed - Number	196	195
Installed capacity of jackets - Pieces	49,466	48,466
Installed capacity of bags - Pieces	60,178	60,178
Actual production of jackets - Pieces	1,451	5,349
Actual production of bags - Pieces	25,313	24,646
Actual production of knitted panel hand made - Pieces	19,620	-
Percentage of capacity utilized	61%	51%

The production capacity remained under utilized due to adverse political and economic environment and decreased orders from main market i.e. US and Central Europe.

**25 NUMBER OF EMPLOYEES**

	2017	2016
Number of employees at June 30	36	44
Average Number of employees during the year	37	41

**26 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorized for issue on October 06, 2017 by the Board of Directors of the Company.

**27 GENERAL**

- Figures have been rounded off to the nearest rupee.

- Figures have been rearranged / reclassified where necessary



Khalid H. Shah  
Chief Executive



Shafqat Mahmood  
Chief Financial Officer



S. Faisal Shah  
Director

**Financial Statements for the Year Ended June 30, 2017**



**FORM OF PROXY**

I We \_\_\_\_\_ of \_\_\_\_\_  
being a member(s) of Leather Up Ltd., and holder of \_\_\_\_\_ Ordinary Shares as per Share  
Register Folio/CDC Account No. \_\_\_\_\_, hereby appoint \_\_\_\_\_ Folio/CDC  
Account No. \_\_\_\_\_ of \_\_\_\_\_ CNIC No. or Passport No. \_\_\_\_\_ or failing  
whom \_\_\_\_\_ Folio/CDC Account No. of \_\_\_\_\_ CNIC No. or Passport  
no. \_\_\_\_\_ who is also a member of the Company as my/our proxy in my/ our absence to attend and  
vote for me / us on my/our behalf at the 26th Annual General Meeting of the company to be held on October 30,  
2017 at 06:00 P.M and at any adjournment of thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2017  
Signed by the said \_\_\_\_\_  
in presence of \_\_\_\_\_  
( full address ) \_\_\_\_\_

Signature of Member  
On Revenue Stamp of  
Appropriate Value

Signature of Witness

Shareholder's Folio No. \_\_\_\_\_ Number of Share held \_\_\_\_\_

**IMPORTANT:**

A member entitled to attend and vote at Annual General Meeting is entitled to appoint a proxy to attend  
and vote instead of him/her. No persons shall act as a proxy, who is not a member of the company  
except that a Company may appoint a person who is not a member.

An instrument of proxy duly stamped, signed and witnessed and the power of attorney or other  
authority (if any) under which it is signed or a notarized certified copy of such power or authority, in order  
to be valid, must be deposited at the registered office of the company at least 48 hours before the time  
of the meeting.

Signature should agree with the specimen signature registered with the Company.

If a member appoints more than one proxy and more than one instrument of proxy are deposited by a  
member with the Company, all such instrument of proxy shall be rendered invalid.