



Leather Up Limited

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018**

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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 asset 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. Faisal Shah	Director	Jazim Shah	Director/Chairman
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

Ibrahim, Shaikh & 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 Extension,
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 Metropol, Karachi-75530
Phone: (021) 35687839- (021) 35685930



NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED JUNE 30, 2018

Notice is hereby given that the Twenty Seventh Annual General Meeting of the shareholders of Leather Up Limited will be held on Saturday, the October 27, 2018 at 17.00 hours at C-38, Shalimar Garden, Darussalam Housing Society, Near Indus Hospital, Korangi, Karachi to transact the following business:

ORDINARY BUSINESS:

- 1- To read and confirm minutes of the Extraordinary General Meeting of the shareholders of the Company held on Monday, March 26, 2018.
- 2- To receive and adopt the Audited Statements of Accounts for the year ended June 30, 2018 together with the Directors' and Auditors report thereon.
- 3- To appoint auditors for the year 2019 and to fix their remuneration.
- 4- To elect 7 (seven) Directors as fixed by the Board of Directors of the Company, in accordance with the provision of Section 159 of the Companies Act, 2017 for a term of 3 (three) years

The number of directors fixed by the Board of Directors in their meeting held on September 19, 2018 pursuant to Section 159 (4) of the Companies Act, 2017 is 7 (seven). The retiring directors are:

- | | | |
|-----------------------|------------------------|--------------------------|
| 1- Mr. Khalid H. Shah | 2- Mr. Jazim Shah | 3- Mr. Mohsin Khursheed) |
| 4- Mr. S. Faisal Shah | 5- Mr. Ali Kausar Khan | 6- Ms. Mahmooda Shah |
| 7- Mr. Farooq Raza | | |

The retiring directors are eligible for re-election.

B. SPECIAL BUSINESS:

To obtain consent of the shareholders in terms of S.R.O. 470(I)/2016 dated May 31, 2016 issued by Securities and Exchange Commission of Pakistan, for the transmission of the annual audited accounts, notices of general meetings and other information contained therein of the Company with or through CD or DVD or USB and to pass the following resolution with or without modification:

"RESOLVED THAT consent and approval of the members of Leather Up Limited (the "Company") be and is hereby accorded for transmission of annual audited accounts, notices of general meetings and other information contained therein of the Company to the members for future years commencing from the year ended June 30, 2019 through CD or DVD or USB instead of transmitting the same in hard copies".

A statement under section 134(3) of the Companies Act, 2017 pertaining to the Special Business is being sent to the members with this notice.

Karachi: October 06, 2018

By order of the Board

Shafqat Mahmood Khokhar
Company Secretary



NOTES:

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf. Proxies in order to be valid must be deposited with the Company not less than 48 hours before the time appointed for the meeting.

The Share Transfer Books of the Company will remain closed from October 26, 2018 to November 04, 2018, both days inclusive.

Shareholders are requested to immediately notify the Company any change in their address and also forward a photocopy of the Computerized National Identity Card if not yet furnished at the Office of our Registrar M/s. C & K Management Associates (Pvt) Limited, 404, Trade Tower, Abdullah Haroon Roan, Near Hotel Metropole, Karachi- 75530.

CDC shareholders or their proxies are required to bring with them original Computerized National Identity Cards or Passports along with the participant's I.D. number and their account numbers at the time of attending the Annual General Meeting in order to authenticate their identity.

Mandate for E-Dividends for Shareholders:

Pursuant to the requirements of Section 242 of the Companies Act, 2017 read with SRO No. 1145(I)/2017 dated November 06, 2017, shareholders are MANDATORILY required to provide their bank account details to receive their cash dividend directly into their bank accounts instead of receiving it through dividend warrants. Shareholders are required to provide relevant details of their bank accounts (i.e. title of account, complete bank account number (i.e. 24 digits IBAN), complete mailing address of the bank, name of the bank, folio number, mobile number and email address) for payment of cash dividend through electronic mode. As such, the Company shall be bound to withhold any dividend declared by the company of those members who do not provide their bank details. E-Dividend Mandate Forms are available at the Registered Office of the Company and can be downloaded from the Company's website.

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement is annexed to the notice of the Twenty Seventh Annual General Meeting of the shareholders of Leather Up Limited to be held on 27 October 2018 and sets out the material facts concerning the following Special Business to be transacted at the Meeting for approval of shareholders.

Circulation of Annual Report through CD/DVD/USB:

The Securities and Exchange Commission of Pakistan (SECP) vide SRO No. 470(I)/2016 dated May 31, 2016, has allowed listed companies to circulate their Annual Audited Accounts (i.e. the annual balance sheet and profit and loss account, auditor's report and director's report) to its members through CD/DVD/USB at their registered addresses instead of sending them in hard copies, subject to approval obtained from shareholders in General Meeting. Accordingly, approval is hereby sought from members of the Company to comply with the requirements of said SRO vide an ordinary resolution.

Subject to the approval of resolution in the AGM, the company will circulate its annual accounts in future through CD/DVD/USB. However, members will have the right to request hard copies free of cost at their registered addresses after submitting the Standard Request Form which shall be made available on Company website. While members who wish to receive hard copies for all future annual audited accounts shall also require to give their preference in writing.

The Directors of the Company have no direct or indirect interest in this agenda.

CHAIRMAN'S REVIEW

It is my pleasure to present this report to the shareholders of the Company pertaining to the overall performance of the Board of Directors and their effectiveness in guiding the Company towards accomplishing its aims and objectives.

Leather Up Limited has implemented a strong governance framework that supports an effective and prudent management of business matters, which is regarded as instrumental in achieving the long success of the Company.

During the course of the financial year 2017-18, the Board of Directors and its Sub-Committees worked with a marked level of diligence and proficiency to best advise and guide the Company towards achieving its potential. The Board of Directors as a whole have reviewed the Annual Report and Financial Statements and are pleased to confirm that in their view the Annual Report and the Financial Statements taken as a whole, are fair, balanced and comprehensive.

An annual self-assessment is carried out to determine the effectiveness and performance of the Board of Directors, the integral components of which include, strategic planning, composition, policies and procedures, compensation procedures and completeness of information provision. The outcome of this assessment is that the Directors feel that the Board of Directors are engaged in strategic matters, has put in place the required controls and gets all the necessary information in a timely manner. The Directors further feel that the independent Director is equally involved in all decision.

Karachi: October 05, 2018



Jazim Shah
Chairman

چیئرمین کا جائزہ

یہ رپورٹ مجھے اس بورڈ کو ڈائریکٹرز کی مجموعی کارکردگی اور کمپنی کے مقاصد اور مقاصد کو پورا کرنے کی راہنمائی میں ان کی تاثیر سے متعلق کمپنی کے حصول داروں کو پیش کرنے کی خوشی ہے۔

لیڈر اپ لمیٹڈ نے ایک مضبوط حکومتی فریم ورک کو عملدرآمد کیا ہے جو کاروباری معاملات کے مؤثر اور قابل انتظام کی حمایت کرتا ہے، جس کی کمپنی کی طویل کامیابی حاصل کرنے میں اہم کردار ادا کیا جاتا ہے۔

مالی سال ۲۰۱۷-۱۸ کے دوران، بورڈ آف ڈائریکٹرز اور اس کے سب کمیٹیوں نے اس کی صلاحیت کو حاصل کرنے کی کمپنی کو بہتر مشورہ اور رہنمائی کرنے کے لئے ایک واضح سطح کی محنت اور مہارت کے ساتھ کام کیا۔ مجموعی طور پر ڈائریکٹرز بورڈ کل سالانہ رپورٹ اور مالی بیانات کا جائزہ لیتے ہیں اور اس بات کی تصدیق کرتے ہیں کہ ان کی نظر میں کل سالانہ رپورٹ اور مالی بیانات پورے طور پر لیتے ہیں، منصفانہ، متوازن اور جامع ہیں۔

ڈائریکٹرز، جس میں لازمی اجزاء شامل ہیں، اسٹریٹجک منصوبہ بندی، ساخت، پالیسیوں اور طریقہ کار، معاوضہ کے طریقہ کار اور معلومات کی فراہمی کی تکمیل۔ اس تشخیص کا نتیجہ یہ ہے کہ ڈائریکٹروں کو محسوس ہوتا ہے کہ بورڈ آف ڈائریکٹرز اسٹریٹجک معاملات میں مصروف ہیں، اس نے مناسب کنٹرول کو کنٹرول کرنے اور بروقت انداز میں تمام ضروری معلومات حاصل کی ہیں۔ ڈائریکٹروں کو مزید محسوس ہوتا ہے کہ خود مختار ڈائریکٹرز فیصلہ میں بھی شامل ہے۔



جازم شاہ
چیئرمین

کراچی۔ ۵ اکتوبر ۲۰۱۸



DIRECTORS REPORT

The Directors of your Company have pleasure in submitting their report on audited statements of accounts for the year ended June 30, 2018.

	30-06-2018	30-06-2017
	<u>Rupees</u>	<u>Rupees</u>
Profit before taxation	45,665,466	14,376,720
Taxation	(433,517)	(1,076,299)
Profit after taxation	45,231,949	13,300,421
Other Comprehensive Income	1,125,167	795,697
Total Comprehensive Income for the Year	46,357,116	14,096,118
Dividend for the year ended June 30, 2016	---	(750,000)
Accumulated (loss)	(2,245,787)	(15,591,906)
Accumulated profit (loss) brought forward to balance sheet.	44,111,329	(2,245,787)
Earnings per share after tax Rs	7.54	2.22

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.

It is rested on record that the historical aspects, boom and decline in the leather industry experienced over the last decade and so. The inherent cyclic nature of the fashion world, limitations of the natural raw material, extraordinary fluctuation in the prices of raw material (leather skins and bag accessories), the higher cost of production per unit in Pakistan has immensely curtailed the potential export business in this industry. Furthermore, present conditions besieged by the leather industry globally as well as the loss of priority in terms of leather garments on the international scenes.

Despite the best efforts made by the management, the company suffered significant fall in export as well as operating profits and consequently in production during the period under review and leaves a lot to be desired.

In rupee term the exports stood at Rs. 51.697 million for the year 2018 as compared to Rs. 133.215 million of the last corresponding year. The management of the company is trying its level best to explore new markets to get back the company as operational profit making entity.

It is the history of the Company to take its shareholders into confidence regarding the major issue of the company and therefore, for this purpose, the company called upon to shareholders in its extraordinary general meeting held on March 26, 2018 obtained approval to sell an open plot of the company, pursuant to section 183(2) of the Companies Act, 2017.

Future Out look

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 2018-19, export orders badly hit and declined 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, 2018, the company has securing export orders for the year 2018-19 and shipped goods over to Rs. 9.00 million.

The short term borrowing of the company has been paid Rs. 32.50 million out of total Rs. 40.80 million in response to sell of open plot.

Due to applicability of the Companies Act, 2017 certain disclosures of the financial statements are prepared in accordance with new enactments and Fourth Schedule.

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 three are a non-executive director (including Chairman) who is independent director. Detailed terms of reference of the Committee were duly communicated to the members, by the Board.

Training Program:

The Board remained fully compliant with the provision with regard to their directors' training program. Out of total of seven directors, three directors have completed the Directors Training Program and one director is exempt from training program as mentioned in regulation no. 20, sub-regulation 2 of the Regulation; however exemption from the Commission is yet to be obtained.

Appointment of Auditors:

The Auditors, Messrs Ibrahim, Sheikh & Co, Chartered Accountants, retire at the conclusion of the 27th Annual General Meeting. As suggested by the Audit Committee, the Board of Directors has been endorsed appointing Messrs Abdan & Company, Chartered Accountants as auditors of the Company for the year 2018-19 which has been endorsed by the Board.

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:



We confirm that:

1. The financial statements have been drawn up in conformity with the requirements of the Companies Act, 2017 and present fairly state of its affairs, operating results, cash flow and changes in equity.
2. Proper books of accounts have been maintained in the manner required under Companies Act, 2018.
3. Appropriate accounting policies have been applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of the financial statements.
5. The internal control system is being implemented and monitored.
6. There are no significant doubts about the Company's ability to continue as a going concern.
7. A summary of key operating and financial data of the Company of last six years is annexed in the annual report.
8. There has been no material departure from the best practices of corporate governance as required by the listing regulations.
9. Outstanding duties and taxes, if any, have been disclosed in the financial statements.
10. The share holdings of the sponsors / directors have been shown on individual basis.
11. The Chairman's Review dealing with the performance of the Company during the year ended June 30, 2018 future prospects and other matters of concern to the Company forms part of this report.

Board of Directors Meeting:

The number of board meetings held during the year 2017-18 was four. The attendance of the directors is as under:

Name of Directors	Number of meeting attended
Mr. Khalid H. Shah	4
Mr. Mohsin Khursheed	4
Mr. Jazim Shah	4
Mr. S. Faisal Shah	4
Ms. Mahmooda Shah	4
Mr. Ali Kausar Khan	4
Mr. Farooq Raza	4

Remuneration Policy of non-Executive Directors

The fee of the Non-Executive and Independent Directors for attending the Board and Board of Committee meetings of the Company is determined by the Board from time to time.

Pattern of shareholding as at June 30, 2018 is annexed to this report.

We confirm that Directors and CFO and their spouse and minor children have made no transactions of the Company's shares during the year.

The Statement of Compliance with the Code of Corporate Governance is annexed to this report.

**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.

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
Mr. 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, 2018. 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, 2018 required under the Companies Act, 2017 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.

Karachi: October 05, 2018

By order of the Board

Khalid H. Shah
Chief Executive

ڈائریکٹر کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز ۳۰ جون، ۲۰۱۸ تک ختم ہونے والے سال کے اکاؤنٹس کے آڈٹ کردہ بیانات پر اپنی رپورٹ جمع کرنے میں خوشی رکھتے ہیں۔

30-06-2017	30-06-2018	
روپے	روپے	
14,376,720	45,665,466	ٹیکس سے پہلے منافع
(1,076,299)	(433,517)	ٹیکس
13,300,421	45,231,949	ٹیکس کے بعد منافع
795,697	1,125,167	دیگر جامع آمدنی
14,096,118	46,357,116	سال کے لئے مجموعی آمدنی
(750,000)	---	۳۰ جون، ۲۰۱۶ کو ختم ہونے والے سال کے لئے لائیج
(15,591,906)	(2,245,787)	جمع (نقصان)
(2,245,787)	44,111,329	مجموعی منافع (نقصان) بیلنس شیٹ میں آگے بڑھا۔
2.22	7.54	ٹیکس کے بعد آمدنی فی حصہ

کمپنی کی کارکردگی

چرمی لباس کی برآمدات اور اس کے اتحادیوں کی مصنوعات میں مسلسل موسم خزاں رہا ہے، نتیجے میں مقامی اور بین الاقوامی مناظر دونوں مسائل کے باعث آخری ماہ کے بعد پیداوار میں۔ یہ ریکارڈ پر آمادہ ہے کہ آخری دہائی میں اسی طرح کے چمڑے کی صنعت میں تاریخی پہلوؤں، بوم اور کمی کی وجہ سے۔ فیشن کی دنیا کا معدنی چالاک نوعیت، قدرتی خام مال کی خامیاں، خام مال (چرمی کی کھالیں اور بیگ کی اشیاء) کی قیمتوں میں غیر معمولی توازن، پاکستان میں پیداوار کی یونٹ کی زیادہ قیمت ہے اس میں ممکنہ برآمدی تجارت بہت زیادہ ہے۔ صنعت، مزید برآں، عالمی حالاتوں پر چمڑے کے کپڑے کی شرائط کے مطابق دنیا بھر میں چرمی صنعت کی طرف سے موجودہ حالات اور ساتھ ہی ترجیحات کو نقصان پہنچے۔

انتظامیہ کی جانب سے بنایا جانے والی بہترین کوششوں کے باوجود، کمپنی نے برآمد میں نمایاں کمی کے ساتھ ساتھ آپریٹنگ منافع کا سامنا کرنا پڑا اور نتیجے میں اس مدت کے دوران پیداوار میں بہتری اور بہت کچھ چھوڑ دیا۔ روپیہ کی مدت میں برآمدات رو۔ اس سال کے مقابلے میں سال ۲۰۱۸ کے لئے ۵۱.۶۹ ملین ڈالر گزشتہ اسی سال کے ۲۱.۵۳ ملین۔ کمپنی کا انتظام اپنے سطح کو بہتر بنانے کی کوشش کر رہا ہے تاکہ کمپنی کو آپریشنل منافع بخش ادارے کے طور پر واپس حاصل کرنے کے لئے نئی مارکیٹوں کو تلاش کریں۔

مستقبل کی نظر

حالیہ دور میں یورپ میں مبتلا گرفت اور وہاں کم کاروباری سرگرمی کے اثرات، چمڑے کے کپڑے اور اتحادی مصنوعات کی اہم برآمد ممالک کو خود بخود متاثر کیا۔ لہذا، ۲۰۱۸-۱۹ کی پہلی سہ ماہی میں برآمد آمد کے حکم نے برآمد گراف کو بری طرح مارا اور کمی کی۔

انتظام احکامات کو محفوظ کرنے کے لئے تمام کوششیں کر رہا ہے اور کم سے کم کم کرنے کے لئے اقدامات کئے ہیں۔ ستمبر، ۲۰۱۸ کے اختتامی پہلی سہ ماہی میں سال کے بعد، کمپنی نے سال ۲۰۱۸-۱۹ کے برآمد برآمد کے احکامات کو محفوظ کر لیا اور مال کو سامان بھیج دیا۔ ۹۰۰ ملین۔

کمپنی کی تاریخ یہ ہے کہ اس کے حصول داروں کو کمپنی کے بڑے مسئلے کے بارے میں اعتماد میں لے جاسکے اور اس وجہ سے، اس مقصد کے لئے، کمپنی نے ۲۶ مارچ، ۲۰۱۸ کو منعقد ہونے والی غیر معمولی عمومی میٹنگ میں شریک ہولڈرز سے ملاقات کی۔ کمپنی کا ایک پلاٹ، کمپنی کے ایکٹ، ۲۰۱۷ کے سیکشن ۱۸۳(۲) کے مطابق کمپنی کے مختصر عرصے سے قرضہ ادا کیا گیا ہے۔ مجموعی طور پر ۳۲،۵۰ کروڑ روپے کھلی پلاٹ فروخت کرنے کے جواب میں ۸۰ء ۴۰ ملین کمپنیاں ایکٹ، ۲۰۱۷ کی درخواست دہندگی کی وجہ سے مالیاتی بیانات کے بعض بیانات نئے نافذ اور پانچواں شیڈول کے مطابق تیار ہیں۔

انسانی وسائل:

چمڑے کے اوپر، جیسا کہ ہم قدر اضافی کمپنی ہیں، اس بات پر زور دیا جاتا ہے کہ کامیابی آتی ہے جب ملازمین مصروف ہیں اور کمپنی کے نقطہ نظر سے منسلک ہوتے ہیں۔ کمپنی ملازمتوں کے ساتھ اچھے تعلقات رکھتے ہیں اور عوام کو اس کے تمام ملازمتوں کے لئے سب سے زیادہ مددگار اور سازگار ماحول فراہم کرتے ہوئے اور بین الاقوامی مارکیٹوں میں اعلیٰ کارکردگی، سیکھنے، اعتماد اور اعتماد کی ثقافت کو فروغ دینے کے ذریعہ لوگوں کو اپنا مرکز بنانا جاری رکھتا ہے۔

انسانی وسائل اور معاوضہ کمیشن:

کارپوریٹ حکمرانی کے کوڈ کی ضروریات کے مطابق، بورڈ آف ڈائریکٹرز نے اس کمپنی کو قائم کیا ہے جس میں تین ممبران شامل ہیں اور تین تین غیر غیر انتظامی ڈائریکٹر (بشمول چیئرمین) ہیں جو آزاد ڈائریکٹر ہیں۔ کمپنی کے حوالہ کی تفصیلی شرائط نے بورڈ کے ذریعہ ارکان کو مصلحت سے آگاہ کیا تھا۔

ترہیتی پروگرام:

بورڈ ان کے ڈائریکٹروں کے ترہیتی پروگرام کے سلسلے میں مکمل طور پر مطمئن رہتا ہے۔ مجموعی طور پر سات ڈائریکٹرز میں، تین ڈائریکٹرز نے ڈائریکٹر ٹریننگ پروگرام مکمل کر دی ہے اور ایک ڈائریکٹر ریگولیشن نمبر میں بیان کردہ ترہیتی پروگرام سے مستثنیٰ ہے۔ ۲۰، ریگولیشن کے ذیلی ریگولیشن ۲؛ تاہم کمیشن سے چھوٹ ابھی تک حاصل نہیں کیا جاسکتا ہے۔

آڈیٹروں کی تقرری:

آڈیٹر، میسرز ابراہیم، شیخ اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ۲۷ سالانہ جنرل اجلاس کے اختتام پر ریٹائرڈ۔ آڈٹ کمیشن کی طرف سے تجویز کردہ طور پر، بورڈ آف ڈائریکٹرز کو مقرر کردہ میسر عبدان اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو سال ۲۰۱۸-۱۹ کے لئے آڈیٹر کے طور پر منظور کیا گیا ہے جس کو بورڈ کی طرف سے منظور کیا گیا ہے۔

کارپوریٹ اور مالیاتی رپورٹ فریم ورک:

بورڈ کے ارکان اس بات سے خوش ہیں کہ کمپنی کا انتظام اچھا کارپوریٹ حکومتی ادارہ ہے اور بہترین طریقوں کے مطابق عمل کر رہا ہے۔ کارپوریٹ گورننس کی تعمیل کے مطابق، ڈائریکٹر اس بات سے خوش ہیں کہ:

بورڈ آڈیٹ کمیٹی:

بورڈ کے ایک آڈٹ کمیٹی کارپوریٹ گورننس کے کوڈ کے نافذ کرنے سے وجود میں آئی ہے۔ آڈٹ کمیٹی نے اس سلسلہ کا حوالہ دیا ہے جو فہرست ڈائریکٹرز اور کارپوریشن گورنمنٹ کے کوڈ میں دی گئی ہدایات کے مطابق بورڈ آف ڈائریکٹرز کی طرف سے مقرر کیا گیا تھا۔

کمیشن کم سے کم ایک بار ہر ایک سے ملاقات کرتا ہے اور اس کے نگرانی کے ذمہ داریاں پورا کرنے میں بورڈ سے معاونت کرتا ہے، بنیادی طور پر مالیاتی اور غیر مالیاتی معلومات کے حصول کے حصول، داخلی کنٹرول کے نظام اور خطرے کے انتظام کے نظام اور بیرونی آڈیٹر کے ساتھ براہ راست مشورہ کے طور پر مناسب سمجھا جاتا ہے۔ چیف فنانس آفیسر باقاعدگی سے اکاؤنٹس پیش کرنے کے لئے دعوت کے ذریعے بورڈ آڈیٹ کمیٹی کے اجلاسوں میں شرکت کرتے ہیں۔ ہر میٹنگ کے بعد کمیٹی کے چیئرمین نے بورڈ رپورٹ کیا۔

آڈٹ کمیشن میں دو غیر ایگزیکٹو ڈائریکٹر اور ایک آزاد ڈائریکٹر شامل ہیں جو چیئرمین ہیں۔

ممبرز	میٹنگ کی تعداد میں شرکت
محترم محسن خورشید	۴
محترمہ محمودہ شاہ	۴
محترم جاسم شاہ	۴

کمپنی کے ڈائریکٹر بورڈ نے فیصلہ کیا ہے کہ ۳۰ جون، ۲۰۱۸ کو ختم ہونے والی سال کے لئے ہدایات کے معاوضہ کو جمع نہیں کیا جائے۔ ایک ایگزیکٹو ڈائریکٹر نے کمپنی کے مفادات میں جائزہ لینے کے تحت سال کے لئے معاوضہ کے حصول کے حصول کے اتفاق کیا ہے۔

یہ بیان کمپنیاں ایکٹ، ۲۰۱۷ اور کارپوریٹ گورننس کے تحت ضروری ہے اور شیئر ہولڈنگ کے پیٹرن کے بارے میں اضافی معلومات الگ الگ ضمنی ہے۔ کمپنی کے حصص میں کوئی تجارت نہیں، اس کے ڈائریکٹر، سی ای او، سی او او، کمپنی کے سیکرٹری، اور اندرونی آڈٹ کے سربراہ، دیگر انتظامیہ اور ان کے خاوند اور ان کے بھائیوں اور چھوٹے بچوں کی طرف سے کئے گئے۔

ہم تصدیق کرتے ہیں کہ:

مالیاتی بیانات کمپنیوں کے ایکٹ، ۲۰۱۷ کی ضروریات کے مطابق مطابقت پذیر ہیں اور اس کے معاملات، منصبانہ نتائج، نقد بہاؤ اور تبدیلیوں میں تبدیلیوں کی صحیح حالت موجود ہے۔ اکاؤنٹس کی مناسب کتابوں کو کمپنیوں ایکٹ، ۲۰۱۸ کے تحت ضروری انداز میں برقرار رکھا گیا ہے۔

مناسب اکاؤنٹنگ کی پالیسیوں کو مالی بیانات کی تیاری میں لاگو کیا گیا ہے اور اکاؤنٹنگ کا تخمینہ مناسب اور پرکشش فیصلے پر مبنی ہے۔

بین الاقوامی مالیاتی رپورٹنگ معیار، جیسا کہ پاکستان میں قابل اطلاق ہے مالیاتی بیانات کی تیاری میں۔

اندرونی کنٹرول کا نظام نافذ کیا جا رہا ہے اور نگرانی کی جارہی ہے۔

کمپنی جانے کی تشویش کے طور پر جاری رکھنے کی صلاحیت کے بارے میں کوئی اہم شک نہیں ہے۔

لسٹنگ کے قواعد و ضوابط کی ضرورت کے مطابق کارپوریٹ گورنمنٹ کے بہترین طریقوں سے کوئی مواد نہیں نکلتی ہے۔

گزشتہ دس سالوں کی کلیدی آپرٹنگ اور مالیاتی اعداد و شمار اس رپورٹ میں شامل ہیں۔

مالی بیانات میں بقایا فرائض اور ٹیکس، اگر کوئی بھی، انکشاف کیا گیا ہے۔
 چیئر مین جائزہ ۳۰ جون، ۲۰۱۸ کے دوران کمپنی کی کارکردگی سے نمٹنے کے لئے مستقبل کے امکانات اور کمپنی کی رپورٹ کے بارے میں تشویش کے دیگر معاملات کو ختم کر دیا۔
 ۱۸-۲۰۱۷ کے دوران منعقد ہونے والی بورڈ کی میٹنگ کی تعداد چار تھی۔ ڈائریکٹروں کی حاضری ذیل میں ہے:

ڈائریکٹر کے نام	میٹنگ کی تعداد میں شرکت
محترم خالد حسین شاہ	۴
محترم محسن خورشید	۴
محترم جاسم شاہ	۴
محترم سید فیصل شاہ	۴
محترمہ محمودہ شاہ	۴
محترم علی کوثر خان	۴
محترم فاروق رضا	۴

غیر ایگزیکٹو ڈائریکٹروں کی بحالی کی پالیسی

کمپنی کے بورڈ اور بورڈ آف کمیٹی کے اجلاسوں میں شرکت کے لئے غیر ایگزیکٹو اور آزاد ڈائریکٹروں کی فیس وقت سے وقت بورڈ کے ذریعہ طے کی جاتی ہے۔
 ۳۰ جون، ۲۰۱۸ کو شیئر ہولڈنگ کا نمونہ اس رپورٹ میں شامل کیا گیا ہے۔
 ہم اس بات کی تصدیق کرتے ہیں کہ ڈائریکٹر ز اور سی ایف او اور ان کے شوہر اور چھوٹے بچے نے سال کے دوران کمپنی کے حصص کی کوئی ٹرانزیکشن نہیں کی ہے۔
 کارپوریٹ گورننس کے کوڈ کے مطابق تعمیل کا بیان اس رپورٹ میں شامل ہے۔
 موجودہ آڈیٹر ایم / ایس۔ ابراہیم، شیخ اور کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائرنز اور قابل ہو، دوبارہ ملاقات کے لئے پیش کرتے ہیں۔

کارکنوں کے انتظام کے تعلقات:

انتظامیہ کو عملے کے تمام ارکان کے ریکارڈ قابل قدر شراکت دارانہ طور پر کرنا ہوگا، عام طور پر نتائج حاصل کرنے کے لئے کارکنوں اور ہم مشکل وقت میں ان کی مسلسل حمایت کے لئے حصص کے حصول کے لئے اپنی شناخت کو ریکارڈ کرنا چاہتے ہیں اور امید رکھتے ہیں کہ وہ اسی میں جاری رکھیں۔ آنے والے سال، کارکن مینجمنٹ رشتہ پورے سال میں شاندار رہے، جس کی وجہ سے آپ کی کمپنی کا ہموار آپریشن ہو گیا۔ یہ ٹیم کا کام ہے اور ہم امید رکھتے ہیں کہ آنے والے سالوں میں یہ وہی روح میں جاری رہیں گے۔

شکریہ اور تعریف

ہمارے حصول داروں کا شکریہ ان کے اعتماد اور تعاون کے ساتھ ساتھ مشکل وقت میں۔

بورڈ کے حکم سے



محترم خالد حسین شاہ

چیف ایگزیکٹو

کراچی: ۱۵ اکتوبر ۲۰۱۸



6 YEARS AT A GLANCE

PARTICULARS	2018	2017	2016	2015	2014	2013
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FAINANCIAL POSITION

Paid up Capital	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000
General Reserves	1,369,610	1,369,610	1,369,610	1,369,610	1,369,610	1,369,610
Fixed Assets at Cost	17,697,066	31,288,586	30,901,451	30,721,451	30,584,569	28,748,303
Accumulated Depreciation	13,745,523	13,421,288	13,070,959	12,722,409	12,352,241	12,017,983
Current Assets	171,609,896	114,279,386	109,783,542	73,513,281	62,521,982	37,087,304
Current Liabilities	67,757,147	69,853,605	78,318,753	53,665,685	51,735,409	29,257,060

INCOME/REVENUE

Sales Revenue	51,697,926	133,215,713	127,715,522	114,147,074	165,196,180	24,087,870
Other Income/(Loss)	57,243,338	(69,615)	6,143	74,474	(102,269)	115,940
Pre-Tax Profit/ (Loss)	45,665,466	14,376,720	12,269,331	9,876,352	7,108,905	(1,821,922)
Taxation	(433,517)	(1,076,299)	(1,338,808)	(1,181,289)	(1,665,678)	(257,752)

PERCENTAGE AND RATIO

Pre-Tax (Loss) Profit to sales %	88.33	10.79	9.60	8.65	4.30	(7.56)
Pre-Tax Profit (Loss) to Capital %	76.11	23.96	20.39	16.46	11.85	(3.03)
Current Ratio	2.53:1	1.64:1	1.40:1	1.37:1	1.21:1	1.27:1
Paid- Up Value per Share	10	10	10	10	10	10
Earnings (Loss) per Share after Tax (Rs)	7.54	2.22	1.82	1.45	0.91	(0.35)
Cash Dividend	Nil	Nil	2.5%	Nil	Nil	Nil
Retained/ (Loss) Earnings per Share (Rs)	7.35	(0.37)	(2.60)	(4.35)	(5.58)	(6.52)
Break-Up Value per Share	17.58	9.85	7.63	5.88	4.64	3.71



PATTERN OF SHAREHOLDING (FORM 34)
As at June 30, 2018

NO.	SHARE		TOTAL
OF	HOLDING		SHARES
SHOLD	FROM	TO	HOLD
652	1	- 100	42,418
578	101	- 500	274,885
109	501	- 1000	106,552
112	1001	- 5000	293,613
23	5001	- 10000	190,000
9	10001	- 15000	122,800
6	15001	- 20000	110,500
1	20001	- 25000	25,000
6	25001	- 30000	161,500
1	30001	- 35000	32,000
3	35001	- 40000	120,000
1	50001	- 55000	54,000
1	55001	- 60000	55,500
2	60001	- 65000	123,208
2	65001	- 70000	134,524
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	760001	- 765000	760,100
1	1395001	- 1400000	1,399,400
1520	Total		6,000,000

S/R	CATAGORIES	NUMBER	TOTAL	
NO.	OF	OF	SHARES	PERCENTAGE %
	SHARE HOLDERS	SHARE HOLDERS	HOLD	
1	INDIVIDUALS	1507	5,934,720	98.91
2	INVESTMENT COMPANIES	1	3,700	0.06
3	JOINT STOCK COMPANIES	11	60,580	1.01
4	MUTUAL FUND	1	1,000	0.02
		1520	6,000,000	100.00

Financial Statements for the Year Ended June 30, 2018



SR #	FOLIO NAME OF COMPANIES	HOLDING	PER %	CATAGORIES
01	14670-000020 MULTILINE SECURITIES (PVT) LTD	30000	0.50	JOINT STOCK COMPANIES
02	03277-001339 PREMIER FASHIONS (PVT) LTD	18000	0.30	JOINT STOCK COMPANIES
03	16857-000026 MRA SECURITIES LIMITED - MF	6500	0.11	JOINT STOCK COMPANIES
04	05861 M/S INVESTMENT CORPORATION	3700	0.06	INVESTMENT COMPANIES
05	01669-000026 SHAFFI SECURITIES (PVT) LIMITED	2500	0.04	JOINT STOCK COMPANIES
06	05736-000015 NCC - PRE SETTLEMENT DELIVERY ACCOUNT	1000	0.02	JOINT STOCK COMPANIES
07	16410-000029 ABA ALI HABIB SECURITIES (PVT) LIMITED _ MF	1000	0.02	MUTUAL FUND
08	16980-000021 ASDA SECURITIES (PRIVATE) LIMITED _ MF	1000	0.02	JOINT STOCK COMPANIES
09	03293-000038 S.H. BUKHARI SECURITIES (PVT) LIMITED	500	0.01	JOINT STOCK COMPANIES
10	06999-000022 MUHAMMAD AHMED NADEEM SECURITIES (SMC-PVT) LIMITED	500	0.01	JOINT STOCK COMPANIES
11	16691-000026 ROYAL SECURITIES (PVT.) LIMITED	500	0.01	JOINT STOCK COMPANIES
12	06288-000028 UNITED CAPITAL SECURITIES PVT. LTD.	79	0.00	JOINT STOCK COMPANIES
13	03525-087235 MAPLE LEAF CAPITAL LIMITED	1	0.00	JOINT STOCK COMPANIES



ADDITIONAL INFORMATION

	Number of Shareholder	Number of Share Held
Associated Companies (name wise details)		
NIT & ICP (name wise details)		
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. Naheed Parveen Fayyaz	1	100
Mr. Ali Kausar Khan	1	60,708
Mohsin Khursheed	1	500
Executives	-	
Public Sector companies & corporation	-	



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

With the Code of Corporate Governance for the year ended June 30, 2018.

Leather Up Limited ("the Company") has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") in the following manner:

1. The total number of directors are seven as per the following:
 - a) Male: Six
 - b) Female: One
2. The composition of the Board of Directors ("the Board") is as follows:

Category	Names
Independent Director	Mr. Mohsin Khursheed
Other Non-Executive Directors	Ms. Mahmooda Shah Mr. Jazim Shah Mr. S. Faisal Shah Mr. Farooq Raza Mr. Ali Kausar Khan
Executive Directors *	Mr. Khalid H. Shah *

* The Chief Executive of the Board is an Executive Director.

3. The Directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
4. 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.
5. 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.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 ("the Act") and these Regulations.
7. 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. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the board.
8. The Board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

Financial Statements for the Year Ended June 30, 2018



9. The Board remained fully compliant with the provision with regard to their directors' training program. Out of total of seven directors, three directors have completed the Directors Training Program and one director is exempt from training program as mentioned in regulation no. 20, sub-regulation 2 of the Regulation; however exemption from the Commission is yet to be obtained.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:
 - a. Audit Committee
 - i. Mr. Mohsin Khursheed-Chairman
 - ii. Mr. Jazim Shah
 - iii. Ms. Mahmooda Shah
 - b. HR and Remuneration Committee
 - i. Mr. Mohsin Khursheed-Chairman
 - ii. Mr. S. Faisal Shah
 - iii. Ms. Mahmooda Shah
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the aforesaid committees were as following:
 - a. Audit Committee: Four quarterly meetings during the financial year ended June 30, 2018
 - b. HR and Remuneration Committee: Four quarterly meetings during the financial year ended June 30, 2018
15. The Board has set up effective internal audit functions that are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. 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 ("the ICAP") and registered with Audit Oversight Board of Pakistan, 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.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

Khalid H. Shah
Chief Executive

Karachi: October 5, 2018

Jazim Shah
Chairman

IBRAHIM, SHAIKH & CO

CHARTERED ACCOUNTANTS

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Leather Up Limited (the Company) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a 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 Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

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

	Note reference	Description	Non-Compliance
i)	9	Directors Training	Exemption not obtained from Securities and Exchange Commission of Pakistan



Ibrahim, Shaikh & Co.
Chartered Accountants

Karachi.

Date: **October 05, 2018**

Engagement Partner Imran Ahmed Zaki FCA

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEATHER UP LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Leather Up Limited (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the profit the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

S. No. Key Audit Matters	How the matter was addressed in our audit.
<p>(i) First time application of third and fourth schedules to the Companies Act, 2017 As referred to in note 2.6 to the annexed financial statements, the third and fourth schedules to the Companies Act, 2017 became applicable for the first time for the preparation of the Company's annual financial statements for the year ended June 30, 2018.</p> <p>The Companies Act, 2017 (including third and fourth schedules) forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>As part of this transition to the requirements of the said third and fourth schedules, the management performed a gap analysis to identify differences between the previous reporting framework and the current reporting framework and as a result assessed the amendments (as specified in the said note 2.6 relating to disclosures required in the Company's financial statements.</p> <p>We consider it as a key audit matter in view of the impacts in the financial statements due to the Companies Act, 2017.</p> <p>(ii) Revenue Recognition Refer note 13 to the financial statements and the accounting policy in Note 3.11 to the financial statements regarding the sale of goods.</p> <p>The company generate revenue from sale of 100% goods to export customers</p> <p>We identified recognition of revenue (against sale of goods) as a key audit matter because revenue is one of the performance indicator of the Company which gives rise to an inherent risk of the existence and the accuracy of the revenue.</p>	<p>How the matter was addressed in our audit.</p> <p>Our audit procedures included the following:</p> <p>Considering the management's process to identify the necessary amendments required in the Company's financial statements.</p> <p>Evaluating the results of management's analysis and key decisions taken in respect of the transition, using our knowledge of the relevant requirements of the third and fourth schedules to the Companies Act, 2017 and our understanding of the Company's operations and business.</p> <p>Assessing the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures made in the annexed financial statements based on the new requirements.</p> <p>Our audit procedures included the following:</p> <p>Obtain understanding of the processes relating to the recognition of revenue and accessing the design, implementation and operating effectiveness of the key internal control over the recording of revenue.</p> <p>Comparing the sample of revenue transactions recognized during the year with the sale invoices, delivery orders, export record and other relevant documentations, and</p> <p>Comparing a sample of revenue transactions recorded around the year end with the sale invoices, delivery orders, export record and other relevant underlying documentations to access if the related revenue is recorded in the appropriate accounting period.</p>

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may

involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- (a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- (b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes

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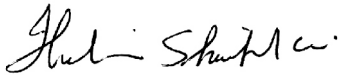
thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

- (c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- (d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980),

Other Matter

The financial statements of **LEATHER UP LIMITED** for the year ended June 30, 2017 were audited by another firm of Chartered Accountants who expressed an un modified opinion on those statements on October 06, 2017.

The engagement partner on the audit resulting in this independent auditor's report is Imran Ahmed Zaki.



IBRAHIM, SHAIKH & CO.
CHARTERED ACCOUNTANTS
KARACHI.
DATE: OCTOBER 05, 2018



STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

		JUNE 30, 2018	June 30, 2017
		— Rupees —	
Non - Current Assets			
Property, plant and equipment	4	3,951,543	17,867,298
Current Assets			
Stock in trade	5	95,415,855	101,096,159
Trade debts - considered good		-	-
Advances, deposits, prepayments and other receivables	6	39,856,480	10,660,241
Cash and bank balances	7	36,337,561	2,522,986
		171,609,896	114,279,386
		<u>175,561,439</u>	<u>132,146,684</u>
Share Capital and Reserves			
Authorized Capital			
6,000,000 (June 30, 2017: 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	60,000,000
General reserve		1,369,610	1,369,610
Accumulated gain/ (loss)		44,111,329	(2,245,787)
		105,480,939	59,123,823
Deferred liability - staff gratuity	9	2,323,354	3,169,256
Current liabilities			
Short term borrowing - secured	10	40,800,000	19,500,664
Loan from directors		2,015,356	129,856
Trade and other payables	11	21,707,296	46,376,523
Accrued markup		186,986	156,272
Unclaimed dividend		2,613,991	2,613,991
Provision for taxation		433,517	1,076,299
		67,757,146	69,853,605
Contingencies and commitments	12	-	-
		<u>175,561,439</u>	<u>132,146,684</u>

The annexed notes form integral part of these financial statements

Khalid H. Shah
Chief Executive

Shafqat Mahmood
Chief Financial Officer

Jazim Shah
Chairman



PROFIT OR LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2018

		For the year ended	
		June 30, 2018	June 30, 2017
		Rupees	
Sales - net	13	51,697,926	133,215,713
Cost of sales	14	(50,201,059)	(101,861,314)
Gross profit		1,496,867	31,354,399
Operating expenses			
Administrative expenses	15	(4,774,759)	(4,922,325)
Distribution cost	16	(3,266,911)	(8,702,954)
		(8,041,670)	(13,625,279)
Operating profit / (loss)		(6,544,803)	17,729,120
Finance cost	17	(1,298,626)	(1,763,259)
Other income/(loss)	18	57,243,338	(69,615)
Other operating expenses	19	(3,734,443)	(1,519,526)
		52,210,269	(3,352,400)
Profit before taxation		45,665,466	14,376,720
Taxation	20	(433,517)	(1,076,299)
Profit after taxation		45,231,949	13,300,421
Earnings per share - basic and diluted		7.54	2.22

The annexed notes form integral part of these financial statements

Khalid H. Shah
Chief Executive

Shafqat Mahmood
Chief Financial Officer

Jazim Shah
Chairman



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

For the year ended
June 30, 2018 June 30, 2017
————— Rupees —————

Profit after taxation	45,231,949	13,300,421
Other comprehensive income for the period	1,125,167	795,697
Total comprehensive income for the period	<u>46,357,116</u>	<u>14,096,118</u>

The annexed notes form integral part of these financial statements

Khalid H. Shah
Chief Executive

Shafqat Mahmood
Chief Financial Officer

Jazim Shah
Chairman



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	JUNE 30, 2018	JUNE 30, 2017
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	45,665,466	14,376,720
Adjustments for non cash and other items:		
Depreciation	324,235	350,328
Provision for gratuity	279,265	447,376
Gain on sale of land non depreciable assets	(58,302,480)	-
Finance cost	1,298,626	1,763,259
	<u>(56,400,354)</u>	<u>2,560,963</u>
Operating cashflows before working capital changes	(10,734,888)	16,937,683
Changes in working capital		
(Increase) / decrease in current assets		
Stock in trade	5,680,304	(18,000,953)
Trade debts	-	4,791,140
Advances, deposit, prepayments and other receivable	(1,053)	5,526,708
Increase / (decrease) in current liabilities		
Trade and other payables	(24,669,227)	(5,904,884)
Loan from directors	1,885,500	25,310
	<u>(17,104,476)</u>	<u>(13,562,679)</u>
Cash (used in) / generated from operations	(27,839,364)	3,375,004
Taxes paid	(551,485)	(1,407,115)
Finance cost paid	(1,267,912)	(1,756,987)
Net cash (used in) / generated from operating activities	(29,658,761)	210,902
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	(106,000)	(387,135)
Receipt against sale of lease hold land	42,280,000	-
Net cash from/(used in) investing activities	42,174,000	(387,135)
Net cashflow from financing activities		
Dividend paid	-	(436,389)
	-	(436,389)
Net increase / (decrease) in cash and cash equivalents	12,515,239	(612,622)
Cash and cash equivalents at the beginning of the period	(16,977,678)	(16,365,057)
Cash and cash equivalents at the end of the period	<u>(4,462,439)</u>	<u>(16,977,679)</u>
Cash and cash equivalents comprise the following:		
Cash and bank balance	36,337,561	2,522,986
Short term borrowing	(40,800,000)	(19,500,664)
	<u>(4,462,439)</u>	<u>(16,977,678)</u>

The annexed notes form integral part of these financial statements

Khalid H. Shah
Chief Executive

Shafqat Mahmood
Chief Financial Officer

Jazim Shah
Chairman



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2018

	Share Capital	General Reserve	Accumulated Loss	Total
	Rupees			
Balance as at July 1, 2016	60,000,000	1,369,610	(15,591,906)	45,777,705
Dividend for the year ended June 30, 2016	-	-	(750,000)	(750,000)
Profit after Taxation	-	-	13,300,421	13,300,421
Other Comprehensive income			795,697	795,697
Balance as at June 30, 2017	<u>60,000,000</u>	<u>1,369,610</u>	<u>(2,245,787)</u>	<u>59,123,823</u>
Balance as at July 1, 2017	60,000,000	1,369,610	(2,245,787)	59,123,823
Profit after Taxation			45,231,949	45,231,949
Other Comprehensive income			1,125,167	1,125,167
Balance as at June 30, 2018	<u>60,000,000</u>	<u>1,369,610</u>	<u>44,111,329</u>	<u>105,480,939</u>

The annexed notes form integral part of these financial statements

Khalid H. Shah
Chief Executive

Shafqat Mahmood
Chief Financial Officer

Jazim Shah
Chairman



NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 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 (now Pakistan Stock Exchange) since 1994. The Company is engaged in the manufacture and export of leather garment products. The registered office and its production facilities are located at plot # 23/C, 15th 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 the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017;

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Summary of significant events and transactions that affected the company's financial position and performance

-The export sales revenue of the company has been reduced significantly from Rs. 133.21/- million to Rs. 51.70/- million during financial year of 2017 to 2018 i.e by 61.2%;

-The company has sold open plot at Korangi Industrial Area, Karachi having book value of Rs. 13.697/- million for Rs. 72.00/- million;

-Due to applicability of the Companies Act, 2017 certain disclosures of the financial statements are prepared in accordance with new enactments and Fifth Schedule;

-The exchange rate of USD to PKR has increased from PKR 104.58 as at June 30, 2017 to PKR 123.85 as at June, 30, 2018,

2.3 Basis of measurement

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

2.4 Functional and presentation currency

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



2.5 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

2.6 Standards, amendments or interpretations which became effective during the current year

The third and fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fifth schedule) form an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. The other amendments to published standards and interpretations that were mandatory for the Company's financial year ended June 30, 2018 are considered not to be relevant or to have any significant effect on the Company's financial reporting and therefore not disclosed in these financial statements.

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

IFRS 2	Share-based Payment (Amendments)	January 1, 2018
IFRS 9	Financial instruments (Amendments)	January 1, 2018
IFRS 15	Revenue from contracts and customers	July 1, 2018
IFRS 16	Leases	January 1, 2019
IFRS 4	Insurance contracts (Amendments)	January 1, 2018
IAS 40	Investment property (Amendments)	January 1, 2018
IAS 19	Employee benefits (Amendments)	January 1, 2019
IAS 28	Investments in associates and joint ventures (Amendments)	January 1, 2019
IFRIC 22	Foreign currency transactions and advance consideration	January 1, 2018
IFRIC 23	Uncertainty over income tax treatments	January 1, 2019

The company expects that the adoption of the above amendments and interpretations will not affect its financial statements in the period of initial application, except for IFRS-15 Revenue from contracts with customers. The Company is currently evaluating the impact of the said standard.



In addition to the above standards and amendments, improvements to the various accounting standards have also been issued by IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after January 01, 2018 and January 01, 2019 respectively. The company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparation of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not standard, and none of concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help prepares develop consistent accounting policies if there is no application standard in place and to assist all parties to understand and interpret the standard.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan

Standard or Interpretation	Effective Date (annual periods beginning on or after)
IFRS 14 Regulatory Deferral Accounts	January 1, 2016
IFRS17 Insurance Contracts	January 1, 2021

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, 2018 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 at 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.

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.

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.



4 PROPERTY, PLANT AND EQUIPMENT

	Lease hold Land	Building on lease hold land	Plant and Machinery	Vehicles	Furniture and fixture	Office equipment	Total
	Rupees						
As at July 1, 2016							
Cost	14,797,520	6,749,315	4,510,352	164,365	1,295,136	3,384,763	30,901,451
Accumulated depreciation	-	(5,938,510)	(3,401,179)	(81,173)	(923,163)	(2,726,934)	(13,070,959)
Net book value	<u>14,797,520</u>	<u>810,805</u>	<u>1,109,173</u>	<u>83,192</u>	<u>371,973</u>	<u>657,830</u>	<u>17,830,492</u>
Year ended June 30, 2017							
Opening net book value	14,797,520	810,805	1,109,173	83,192	371,973	657,830	17,830,492
Additions / transfers during the year	-	-	387,135	-	-	-	387,135
Disposals / transfers							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Net book value	-	-	-	-	-	-	-
Depreciation for the year	-	(81,080)	(149,631)	(16,638)	(37,197)	(65,783)	(350,328)
Closing net book value	<u>14,797,520</u>	<u>729,725</u>	<u>1,346,677</u>	<u>66,554</u>	<u>334,776</u>	<u>592,047</u>	<u>17,867,298</u>
As at July 01, 2017							
Cost	14,797,520	6,749,315	4,897,487	164,365	1,295,136	3,384,763	31,288,586
Accumulated depreciation	-	(6,019,590)	(3,550,810)	(97,811)	(960,360)	(2,792,717)	(13,421,288)
Net book value	<u>14,797,520</u>	<u>729,725</u>	<u>1,346,677</u>	<u>66,554</u>	<u>334,776</u>	<u>592,046</u>	<u>17,867,298</u>
Year ended June 30, 2018							
Opening net book value	14,797,520	729,725	1,346,677	66,554	334,776	592,046	17,867,298
Additions / transfers during the year	-	-	-	-	-	106,000	106,000
Disposals / transfers							
Cost	13,697,520	-	-	-	-	-	13,697,520
Accumulated depreciation	-	-	-	-	-	-	-
Net book value	13,697,520	-	-	-	-	-	13,697,520
Depreciation for the year	-	(72,973)	(134,668)	(13,311)	(33,478)	(69,805)	(324,235)
Closing net book value	<u>1,100,000</u>	<u>656,752</u>	<u>1,212,009</u>	<u>53,243</u>	<u>301,298</u>	<u>628,241</u>	<u>3,951,543</u>
As at June 30, 2018							
Cost	1,100,000	6,749,315	4,897,487	164,365	1,295,136	3,490,763	17,697,066
Accumulated depreciation	-	(6,092,563)	(3,685,478)	(111,122)	(993,838)	(2,862,522)	(13,745,523)
Net book value	<u>1,100,000</u>	<u>656,752</u>	<u>1,212,009</u>	<u>53,243</u>	<u>301,298</u>	<u>628,241</u>	<u>3,951,543</u>
Annual rates of depreciation	-	10%	10%	20%	10%	10%	

4.1 Details of leasehold land disposed off during the year are as follows :

Rupees

Cost	13,697,520
Accumulated depreciation	-
Net book value	13,697,520
Sale proceed	72,000,000
Mode of disposal	Open tender
Purchaser	Muhammad Shafi, Muhammad Zabeeh, Muhammad Baseer

Financial Statements for the Year Ended June 30, 2018



4.1.1 The shareholders at extra ordinary general meeting held on 26 March 2018 approved the disposal of 4,400 square yard open plot at Korangi Industrial Area, Karachi. The disposal was made through open tender against which the agreement was made on May 10, 2018. The plot was sold for Rs. 72 million against book value of Rs. 13.698 million resulting in gain of Rs. 58.3 million.

	2018	2017
	Rupees	
4.2 Depreciation for the year has been allocated as under :		
Cost of sales	194,541	210,197
Administrative expenses	129,694	140,131
	<u>324,235</u>	<u>350,328</u>

5 STOCK IN TRADE

Raw material and accessories	85,637,912	88,194,092
Finished goods	12,190,264	15,314,388
Less: Provision for obsolete stock	(2,412,321)	(2,412,321)
	<u>95,415,855</u>	<u>101,096,159</u>

6 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - considered good to :

- Staff
- Suppliers

1,444,933	283,519
-	-

Deposits

Prepayments

Receivable against sale of property

Income tax

Sales tax

Other receivables - considered good

- Export rebate receivable
- Others

1,444,933	283,519
1,444,933	283,519
199,167	199,167
-	89,449
29,720,000	-
1,333,861	1,858,675
2,474,832	2,398,578
4,683,687	5,830,853
-	-
4,683,687	5,830,853
<u>39,856,480</u>	<u>10,660,241</u>

7 CASH AND BANK BALANCES

Cash in hand

Cash with banks

- in foreign currency deposit accounts
- In current accounts

11,222	144,190
133,713	101,206
36,192,626	2,277,590
36,326,339	2,378,796
<u>36,337,561</u>	<u>2,522,986</u>

8 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Number of Shares			2018	2017
2018	2017		Rupees	
5,759,100	5,759,100	Ordinary shares of Rs. 10/- each fully paid in cash.	57,591,000	57,591,000
125,000	125,000	Ordinary shares of Rs. 10/- each issued for consideration other than cash.	1,250,000	1,250,000
115,900	115,900	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares.	1,159,000	1,159,000
<u>6,000,000</u>	<u>6,000,000</u>		<u>60,000,000</u>	<u>60,000,000</u>



Financial Statements for the Year Ended June 30, 2018

8.1 Shares held by the related parties of the Company

	----- 2018 -----		----- 2017 -----	
	Number of shares	Percentage of holding	Number of shares	Percentage of holding
Khalid Shah	1,639,400	27.32%	1,639,400	27.32%
Syed Raza Shah	300,000	5.00%	300,000	5.00%
Farooq Raza	100	0.00%	100	0.00%
Mahmooda Shah	100	0.00%	100	0.00%
Jazim Shah	100	0.00%	100	0.00%
S.Faisal Shah	100	0.00%	100	0.00%
Nazeer Shah	760,100	12.67%	760,100	12.67%
Zain Shah	300,000	5.00%	300,000	5.00%
Naheed Parveen Farooq	100	0.00%	100	0.00%
Ali Kausar Khan	60,708	1.01%	60,708	1.01%
Mohsin Khursheed	500	0.01%	500	0.01%
Shafqat Mahmood	13,800	0.23%	13,800	0.23%

9 DEFERRED LIABILITIES - Gratuity

	2018	2017
	Rupees	
As at beginning of the year	3,169,256	3,517,577
Charged to Profit & Loss	279,265	447,376
Actuarial (gain) loss during the year	(1,125,167)	(795,697)
As at end of the year	2,323,354	3,169,256

9.1 Charged to profit & loss

Current Service Cost	136,179	202,407
Interest Cost	143,086	244,969
	279,265	447,376
Actuarial (gain) / loss recognized during the year	(1,125,167)	(795,697)
	(845,902)	(348,321)

9.2 The Charge to profit & loss account has been allocated as follow

	2018	2017
	Rupees	
Administrative Expenses	66,019	104,893
Production Expenses	213,246	342,483
	279,265	447,376

9.3 Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at June 30, 2018 and June 30, 2017 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:

Discount rate	7%	7%
Expected rate of increase in salary	4%	4%
expected average years of service	39 years	39 years

Historical Information

Present value of defined benefit obligation	2,323,354	3,169,256
actuarial adjustments arising during the year	48.22%	11.51%

The experience adjustment component of actuarial adjustment is impracticable to determine and thus has not been disclosed.



10 SHORT TERM BORROWING - Secured

	2018	2017
	Rupees	
Export refinance		
Preshipment financing Part II	40,800,000	18,500,000
Post shipment financing- Bai Salam	-	1,000,664
	<u>40,800,000</u>	<u>19,500,664</u>

The above balances represent secured short term loan utilized under markup arrangements with financial institution against securities which are as under:

10.1 United Bank Limited

Sanctioned limit Rs. 15.00 million

Pre-Post shipment Financing Part I	<u>Rs. Nil million (2017: Rs. Nil)</u>
Preshipment Financing Part II	<u>Rs. 8.30 million (2017: Rs. 8.3 million)</u>
Postshipment Financing	<u>Rs. Nil million (2017: Rs. Nil)</u>
Rate of markup	SBP Export Finance Rate + 1% per annum (2017: 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, 15th Commercial Street Phase II, DHA Karachi duly insured with coverage of risks of fire, burglary & RSD 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, 15th Commercial Street, Phase II, DHA, Karachi.

- Lien on export documents.

- Personal Guarantees of all seven directors.

10.2 Meezan Bank Limited

Sanctioned limit Rs. 16.70 million

Murabaha under IERF Part I & II	<u>Rs 7.50 million (2017: Rs. 10.20 million)</u>
Bai-Salam	<u>Rs. Nil million (2017: Rs. 1.00 million)</u>
Rate of markup	SBP Export Finance Rate + 1% per annum (2017: SBP + 1%)



Security :

- 1st exclusive charge over fixed assets amounting to Rs. 54.56 million.
- Equitable mortgage of property bearing Plot # 39/1/1 , 31st Street ,Phase V, DHA, karachi (Property Owned by Mr.Khalid H. Shah).
- Registration of MBL first charge over current assets (Stocks) of Rs. 6.00 million.
- Personal guarantee of all directors and mortgagagers.
- Debit authority for entire tenure be provided.

10.3 Summit Bank Limited

ERF Part I & II Rs. 25.00 million (2017: Nil)

Rate of markup SBP Export Finance Rate + 1% per annum (2017: Nil)

Security :

- Cash charge of Rs. 35 million.
- Personal guarantee of all directors and mortgagagers.
- Debit authority for entire tenure be provided.

Note:

- As per circular No. 29 of 2016 regarding additional disclosures of Shahriah screening 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.

	<u>2018</u>	<u>2017</u>
	<u>Rupees</u>	
11 TRADE AND OTHER PAYABLES		
Creditors	12,654,747	34,652,388
Accrued liabilities	1,542,599	2,651,983
Advance from customers	3,832,598	8,008,431
Workers' profits participation fund	2,452,495	770,813
Workers welfare fund	1,224,857	292,909
	<u>21,707,296</u>	<u>46,376,523</u>

12 CONTINGENCIES AND COMMITMENTS

Contingencies

The Company was served with the show cause notice in 1994 by the Pakistan Defence Officer's 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.

Financial Statements for the Year Ended June 30, 2018



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 there against.

Commitments

Commitment for export sales as at June 30, 2018 is Rs.10.00 million (2017: Rs. 14.50 million).

		2018	2017
		Rupees	
13 SALES - NET			
Export sales		48,164,033	128,216,450
Export rebate		3,533,893	5,104,663
Less: Commission / discount		-	(105,400)
		51,697,926	133,215,713
14 COST OF SALES			
Raw, packing and other material consumed	14.1	21,306,759	46,426,249
Production expenses	14.2	25,770,176	49,435,065
Cost of goods manufactured		47,076,935	95,861,314
Opening stock of finished goods		15,314,388	21,314,388
Cost of goods available for sale		62,391,323	117,175,702
Closing stock of finished goods		(12,190,264)	(15,314,388)
		50,201,059	101,861,314
		2018	2017
		Rupees	
14.1 Raw, packing and other material consumed			
Opening stock		88,194,092	64,193,139
Purchases		18,750,579	70,427,202
		106,944,671	134,620,341
Closing stock		(85,637,912)	(88,194,092)
		21,306,759	46,426,249
		2018	2017
		Rupees	
14.2 Production expenses			
Cutting and stitching charges		13,509,402	35,602,021
Salaries, wages and other benefits	14.2.1	9,109,196	9,161,753
Repairs and maintenance		775,796	956,639
Depreciation	4.1	194,541	210,197
Fuel and power		956,844	1,253,834
Rent, rates and taxes		616,923	1,399,236
Telephone, fax and postage		139,100	104,503
Printing and stationery		27,603	57,562
Entertainment expense		440,771	689,320
		25,770,176	49,435,065

14.2.1 This includes amount of Rs.213.247/- (2017: Rs. 342,483/-) in respect of staff retirement benefits.

Financial Statements for the Year Ended June 30, 2018



		2018	2017
		Rupees	
15 ADMINISTRATIVE EXPENSES			
Directors' remuneration	15.1	-	-
Salaries, allowances and other benefits	15.2	2,754,729	2,110,393
Communication expense		122,690	127,785
Insurance expense		97,611	112,072
Utilities		518,697	638,049
Printing and stationery		81,280	149,462
Legal and professional		53,064	50,000
Fees and subscription		563,925	922,707
Vehicle running and maintenance		115,140	169,350
Entertainment expense		215,381	302,399
Repairs and maintenance		43,675	122,577
Donations	15.3	78,873	77,400
Depreciation	4.1	129,694	140,131
		4,774,759	4,922,325

15.1 The board of directors of the company has decided not to accrue Directors' remuneration for the year ended June 30, 2018. 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. 66,019/- (2017:Rs. 104,893/-) in respect of staff retirement benefits.

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

		2018	2017
		Rupees	
16 DISTRIBUTION COST			
Advertising and sales promotion		1,026,579	2,080,935
Postage, telex and telegram		75,805	1,224,339
Travelling expense		717,310	424,730
Freight, handling and insurance		1,375,785	3,289,159
Others		71,432	1,683,791
		3,266,911	8,702,954

		2018	2017
		Rupees	
17 FINANCE COST			
Markup and interest charges		917,744	638,112
Bank charges and commission		380,882	1,125,147
		1,298,626	1,763,259

18 OTHER INCOME			
Profit / (loss) on foreign currency deposit accounts		(1,023,296)	(6,038)
Gain on sale of land non depreciated asset		58,302,480	-
Exchange gain / (loss) - net		(35,846)	(63,577)
		57,243,338	(69,615)



19 OTHER OPERATING EXPENSES

Workers' welfare fund		931,948	398,713
Workers' profit participation fund		2,452,495	770,813
Auditor Remuneration	19.1	350,000	350,000
		<u>3,734,443</u>	<u>1,519,526</u>

19.1 Auditors' remuneration

Audit fee		250,000	250,000
Half yearly review fee		100,000	100,000
Other certifications' fee/expenses		-	-
		<u>350,000</u>	<u>350,000</u>

20 TAXATION

Current

-for the year	20.1	433,517	1,076,299
-prior year		-	-
		<u>433,517</u>	<u>1,076,299</u>

20.1 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.

20.2 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.

21 EARNINGS PER SHARE - BASIC AND DILUTED

	2018	2017
	<u>Rupees</u>	
Profit after taxation	<u>45,231,949</u>	<u>13,300,421</u>
	<u>Number</u>	
Weighted average number of ordinary shares	<u>6,000,000</u>	<u>6,000,000</u>
	<u>Rupees</u>	
Earnings per share - basic and diluted - Rupees	<u>7.54</u>	<u>2.22</u>

22 RELATED PARTY TRANSACTIONS

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:



		2018	2017
		Rupees	
Loan from directors (Mr Khalid Shah)		2,015,356	129,856
Directors loan movement (Mr Khalid Shah)		(1,885,500)	(25,310)
Directors remuneration		-	-
Directors remuneration payable		1,886,047	1,886,047
Workers profit participation fund payable		2,452,495	770,813
23 FINANCIAL INSTRUMENTS		2018	2017
		Rupees	
23.1 Financial instruments by category	Note		
FINANCIAL ASSETS			
Loans and receivables			
Trade debts - considered good		-	-
Advances, deposit, prepayments and other receivables	6	39,856,480	10,660,241
Cash and bank balances	7	36,337,561	2,522,986
		<u>76,194,041</u>	<u>13,183,227</u>
FINANCIAL LIABILITIES			
Financial liabilities at amortized cost			
Short term borrowing - secured	10	40,800,000	19,500,664
Loan from directors		2,015,356	129,856
Un claimed Dividend		2,613,991	2,613,991
Trade and other payables	11	21,707,296	46,376,523
		<u>67,136,643</u>	<u>68,621,034</u>

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/mark-up 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 companies 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.

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:

	2018				2017			
	Rupees	US Dollars	Euro	GBP	Rupees	US Dollars	Euro	GBP
Trade debts	-	-	-	-	-	-	-	-
Foreign currency deposits	121,268	-	407.21	385.48	101,206	-	407.21	385.48
Advance from customer	3,832,598	-	26,708.05	-	8,008,431	-	55,434.00	-
Gross balance sheet exposure	3,953,866	-	27,115.26	385.48	8,109,637	-	55,841.21	385.48

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rates	
	2018	2017	2018	2017
	Rupees			
US Dollars	124.50	104.13	123.85	104.58
Euro	144.23	112.78	143.50	119.66
GBP	163.00	134.49	163.00	136.14

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 2017.



As at 30 June 2018	Profit or loss Rupees
Effect in US Dollars	14,205
Effect in Euros	5,215,299
Effect in GBP	114,426

A 10 percent weakening of the Rupees 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 (KIBOR) 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:

	<u>Effective interest rate (%)</u>		<u>Carrying amount</u>	
	2018	2017	2018	2017
			Rupees	
Short term borrowing	3.00%	3.00%	40,800,000	19,500,664

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 2018	
Cash flow sensitivity - Variable rate instruments	408,000
As at 30 June 2017	
Cash flow sensitivity - Variable rate instruments	195,007

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.

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

	2018		2017	
	Balance Sheet	Maximum exposure	Balance Sheet	Maximum exposure
	Rupees			
Trade debts	-	-	-	-
Cash and bank balances	36,337,561	36,337,561	2,522,986	2,522,986
	<u>36,337,561</u>	<u>36,337,561</u>	<u>2,522,986</u>	<u>2,522,986</u>

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

	2018	2017
	Rupees	
European countries	-	-
Local	36,326,339	2,378,796
	<u>36,326,339</u>	<u>2,378,796</u>

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

Foreign customers - D/A	-	-
	<u>-</u>	<u>-</u>

Impairment losses

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

	2018		2017	
	Gross	Impairment	Gross	Gross
	Rupees			
Not past due	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities (including interest payments):



	2018			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
	Rupees			
Non-Derivative Financial liabilities				
Short term borrowing	40,800,000	40,800,000	40,800,000	-
Trade and other payables	21,707,296	21,707,296	21,707,296	-
	62,507,296	62,507,296	62,507,296	-

	2017			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
	Rupees			
Short term borrowing	19,500,664	19,500,664	19,500,664	-
Trade and other payables	46,376,523	46,376,523	46,376,523	-
	65,877,187	65,877,187	65,877,187	-

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

	2018	2017
Industrial sewing machines installed - Number	195	195
Installed capacity of jackets - Pieces	49,466	49,466
Installed capacity of bags - Pieces	60,178	60,178
Actual production of jackets - Pieces	30	1,451
Actual production of bags - Pieces	22,162	25,313
Actual production of knitted panel hand made- Pieces	5,217	19,620
Percentage of capacity utilized	32%	61%

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

	2018	2017
Number of employees at June 30	38	36
Average Number of employees during the year	36	37
Number of employees Factory	35	32



26 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on October 05, 2018 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 ever necessary

Khalid H. Shah
Chief Executive

Shafqat Mahmood
Chief Financial Officer

Jazim Shah
Chairman



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 27,
2018 at 05:00 P.M and at any adjournment of thereof.

As witness my/our hand this _____ day of _____ 2018

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 notoriety 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.