Leather Up Limited

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2020

CONTENT

Vision

An internationally recognized manufacturer and 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 markets.

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
Jazim Shah	Director / Chairman	S. Faisal Shah	Director
Mohsin Khursheed	Director	Farooq Raza	Director
Ali Kausar Khan	Director		

Board Audit Committee

Mohsin Khursheed	Chairman
Jazim Shah	Member
Mahmooda Shah	Member

Human Resource Committee

Mohsin Khursheed	Chairman
S. Faisal Shah	Member
Mahmooda Shah	Member

Chief Financial Officer / Company Secretary

Ali Ahmar

Auditors

Abdan & Company , Chartered Accountants

Legal Advisor

Maqsood 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 Metroplole, Karachi-75530
Phone: (021) 35687839- (021) 35685930

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Ninth Annual General Meeting of the shareholders of Leather Up Limited will be held on Tuesday, the October 27, 2020 at 05.30 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 Annual General Meeting of the shareholders of the Company held on Monday, October 28, 2019.

2- To receive and adopt the Audited Statements of Accounts for the year ended June 30, 2020 together with the Directors' and Auditors report thereon.

3- To appoint auditors for the year 2021 and to fix their remuneration.

Dated: October 05, 2020
Karachi

By Order of the Board

Ali Ahmar
(Company Secretary)

Note:

1- The share transfer book of the company shall remain closed from 28-10-2020 to 07-11-2020 (both days inclusive). Transfers received in order at the office of our registrar: M/s. C&K Associates (Pvt) Ltd, 404, Trade Tower, Abdullah Haroon Road, Near Hotel Metropole, Karachi-75530, by the close of business on Friday, October 23, 2020 will be treated in time.

2- A member entitled to attend and vote at the meeting may appoint another member as his/her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.

3- Procedure including the guidelines as laid down in Circular No.1- Reference No. 3(5-A) Misc/ARO/LES/96 dated 26th January 2000 issued by SECP.

A In order to be effective, the proxy forms must be received at the office of our registrar not later than 48 hours before the meeting, duly signed and stamped and witnessed by two persons with their names, address, CNIC numbers and signatures.

B In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the officer of the CNIC or passport of the proxy shall be submitted along with proxy form.

4- Members are requested to submit copies of their CNIC's and promptly notify any change in address by writing to the office of the registrar.

Availability of audited financial statements:

The audited financial statements of the Company for the year ended June 30, 2020 have been made available on the Company's website (http://www.leatherupltd.com).

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

CHAIRMAN REVIEW

It is my pleasure to present this report to the shareholders of the company pertaining to the overall performance of the board of director 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 & 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 2019-20 the board of directors and its sub-committees worked with a marked level of diligence and proficiency to best advice and guide the company towards achieving its potential. The board of directors as a whole has reviewed the annual report and financial statement and are pleased to confirm that in their view the annual report and the financial statement 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 & 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 directors are equally involved in all decision.

Signature

F shah

Chairman Jazim Shah

چیئرمین کا جائزہ

یہ رپورٹ مجھے اس بورڈ کو ڈائریکٹرز کی مجموعی کارکردگی اور کمپنی کے مقاصد اور مقاصد کو پورا کرنے کی رہنمائی میں ان کی تاثیر سے متعلق کمپنی کے حصول داروں کو پیش کرنے کی خوشی میں لیدر اپ لمیٹڈ نے ایک مضبوط حکومتی فریم ورک کو عملدرآمد کیا ہے جو کاروباری معاملات کے موثر اور قابل انتظام کی حمایت کرتا ہے، جس کی کمپنی کو طویل کامیابی حاصل کرنے میں اہم کردار ادا کیا جاتا ہے۔

مالی سال ۲۰۱۹۔۲۰ 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 ڈائریکٹر بورڈ کل سالانہ رپورٹ اور مالی بیانیات کا جائزہ لیتے ہیں اور اس بات کی تصدیق کرتے ہیں کہ ان کی 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 ڈائریکٹر 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 خودمختار ڈائریکٹر ہر فیصلہ میں بھی شامل ہے۔

کراچی: 05 اکتوبر 2020

جازم شاہ

F shah

چیئرمین

Directors' Report

The Directors of our Company have pleasure in submitting their report on audited statements of accounts for the year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

	(Rupees) 30.06.2020	(Rupees) 30.06.2019
(Loss) /Profit before taxation	(579,367)	(7,733,022)
Taxation	(280,870)	(462,075)
(Loss) /Profit after taxation	(860,237)	(8,195,097)
Other Comprehensive Income	-	-
Total Comprehensive Income for the Year	(860,237)	(8,195,097)
Accumulated profit/Loss	35,091,173	35,571,840
Earnings per share after tax– Rs	(0.14)	(1.37)

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), and 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. 27.423 million for the year 2020 as compared to Rs. 48.015 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.

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 2020-21, 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, 2020, the company has secured export orders and shipped goods over to Rs. 5.6 million despite COVID - 19.

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 Abdan & Co, Chartered Accountants, retire at the conclusion of the 29th 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 2020-21.

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-There has been no material departure from the best practices of corporate governance as required by the listing regulations.

8-The summery of key operating and financial data of the past ten years is annexed to this report.

9-Outstanding duties and taxes, if any, have been disclosed in the financial statements.

10-The Chief Executive Review dealing with the performance of the Company during the year ended June 30, 2020 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 2019-20 was four. The attendance of the directors is as under:

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

Remuneration Policy of non-Executive Directors

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

Pattern of shareholding as at June 30, 2020 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. The present Auditors M/s. Abdan & Co., Chartered Accountants, retires at the conclusion of Annual General meeting. Being eligible, they have offered themselves for the re-appointment. On suggestion of Audit committee they are being appointed for year ending June 30, 2020.

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**
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, 2020. 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 at June 30, 2020 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.

By order of the Board

Khalid H. Shah
(Chief Executive)

Karachi: October 05, 2020

ڈائریکٹر کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز ۳۰ جون ۲۰۲۰ تک ختم ہونے والے سال کے اکاؤنٹس کے آڈٹ کردہ بیانات پر اپنی رپورٹ جمع کرنے میں خوشی رکھتے ہیں۔

	30.06.2019	30.06.2020
ٹیکس سے پہلے منافع	روپے	روپے
ٹیسک	(7,733,022)	(579,367)
ٹیکس کے بعد منافع	(4,62,075)	(280,870)
دیگر جامع آمدنی	(8,195,097)	(860,237)
سال کے لئے مجموعی آمدنی	---	---
	(8,195,097)	(860,237)
مجموعی منافع (نقصان) بیلنس شیٹ میں آگے بڑھا	35,571,840	35,091,173
ٹیکس کے بعد آمدنی فی حصہ	(1.37)	(0.14)

کمپنی کی کارکردگی

چرمی لباس کی برآمدات اوراس 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 آرام دہ 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 چالا کی نوعیت، قدرتی خام مال کی خامیاں، خام مال (چرمی کی کھالیں اور بیگ کی اشیاء) کی قیمتوں میں غیر معمولی توازن، پاکستان میں پیداوار فی یونٹ کی زیادہ قیمت ہے اس میں ممکنہ برآمدی تجارت بہت زیادہ ہے۔صنعت مزید برآن عالمی حالتوں 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 کچھ چھوڑ دیا۔

روپیہ کی مدت میں برآمدات رو۔اس سال کے مقابلے میں سال2020 کے لئے27.423 ملین ڈالر گزشتہ اسی سال کے48.015 ملین۔کمپنی کا انتظام اپنے سطح کو بہتر بنانے کی کوشش کر رہا ہے تا کہ 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۔لہٰذا2020-21 کی پہلی سہ ماہی میں برآمد برآمد 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 سے کم کرنے کے لئے اقدامات کئے ہیں۔

انسانی وسائل اور معاوضہ کمیشن:

کارپوریٹ حکمرانی کے کوڈ کی ضروریات کے مطابق، بورڈ آف ڈائریکٹرز نے اس کمیٹی کو قائم کیا ہے جس میں تین ممبران شامل ہیں اور تین تین غیر غیرانتظامی 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۔

تربیتی پروگرام:

بورڈ ان کے ڈائریکٹروں کے تربیتی پروگرام کے سلسلے میں مکمل طور پر مطمئن رہتا ہے۔ مجموعی طور پر سات ڈائریکٹرز میں تین ڈائریکٹر ٹریننگ پروگرام مکمل کردی ہے

اور ایک ڈائریکٹر ریگولیشن نمبر میں بیان کردہ تربیتی پروگرام سے منشنی ہے ۲۰ ریگولیشن ۲: تاہم کمیشن سے چھوٹ ابھی تک حاصل نہیں کیا جاسکتا۔

آڈیٹروں کی تقرری:

آڈیٹر، ایم ایس۔ عبدان اینڈ کمپنی چارٹرڈ اکاؤنٹس سالانہ جنرل اجلاس کے اختتام پر ریٹائر ہیں۔ اہل ہونے کے باوجود، انہوں نے دوبارہ دوبارہ ملاقات کی پیشکش کی ہے۔

آڈٹ کمیشن کی طرف سے تجویز کردہ کے طور پر بورڈ آف ڈائریکٹرز میسر عبدان اینڈ کمپنی، چارٹرڈ اکاؤنٹس سال **2020-21** کے لئے کمپنی کے آڈیٹر کے طور پر مقرر کرنے کی سفارش کی 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:

۱۔ کمپنی کے انتظام کے ذریعہ تیار کردہ مالی بیانات، اس کا معاملہ منصفانہ طور پر اس کے عمل کے نتائج نقد بہاؤ اور مساوات میں تبدیلی۔

۲۔ کمپنی کے اکاؤنٹ کی مناسب کتابیں برقرار رکھی ہیں۔

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

بورڈ آڈیٹ کمیٹی:

بورڈ کے ایک آڈٹ کمیٹی کارپوریٹ گونس کے کوڈ کے نافذ کرنے سے وجود میں آئی ہے آڈٹ کمیٹی نے اس سلسلے کا حوالہ دیا ہے جو فہرست ڈائریکٹرز کارپورشن 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 اوراس 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 سات ھبراہراست مشورے کیھ طور پر مناسب سمجھا جاتا ہے چیف فنانس آفیسر باقاعدگی سے اکاؤنٹس پیش کرنے کیلءدعوت کے ذریعے بورڈ آڈیٹ کمیٹی کے اجلاسوں میں شرکت کرتے ہیں ہر میٹینگ کے بعد کمیٹی کے چیئرمین نے بورڈ کو رپورٹ کیا۔

آڈٹ کمیشن میں دوغیر ایگزیکٹوڈائریکٹراورایک آزادڈائریکٹر شامل ہیں جو چیئرمین ہیں۔

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

کمپنی کے ڈائریکٹر بورڈ نے فیصلہ کیا ہے کہ 30 جون 2020 کو ختم ہونے والی سال کے لئے ہدایات کے معاوضہ کو جمع نہیں کیا جائے۔ایک ایگزیکٹوں 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 ڈائریکٹرسی ای او، سی اواو کمپنی کے سیکریٹری ،اوراندرونی آڈٹ کے سربراہ، دیگرانتظامیہ اوران کے خاونداور 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 اواس کے معاملات، منصبانہ نتائج نقد بہاؤ اور تبدیلیوں میں تبدیلیوں کی صحیح حالت موجود ہے۔اکاؤنٹس کی مناسب کتابوں کی 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 پرمبنی ہے۔

بین الاقوامی مالیاتی رپورٹنگ عیارجیسا کہ پاکستان میں قابل اطلاق ہے مالیاتی بیانات کی تیاری میں۔

اندرونی کنٹرول کا نظام نافذ کیا جارہا 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۔

کسٹنگ کے قواعد وضوابط کی ضروریات کے مطابق کارپوریٹ گورنمنٹ کے بہترین طریقوں سے کوئی مواد نہیں نکلتی ہے۔

گزشتہ دس سالوں کی کلیدی آپریٹنگ اور مالیاتی اعدادوشماراس رپورٹ میں شامل ہیں۔

مالی بیانات میں بقایا فرائض اور ٹیکس اگر کوئی بھی، انکشاف کیا گیا ہے۔

چیئرمین جائزہ 30 جون 2020 کے دوران کمپنی کی کارکردگی سے نمٹنے کیلئے مستقبل کے امکانات اور کمپنی کی رپورٹ کے بارے میں تشویش کے دیگر معاملات کو ختم کر دیا 19-2018 کے دوران منعقد ہونے والی بورڈ کی میٹنگ کی تعداد چار تھی۔ڈائریکٹروں کی حاضری ذیل میں ہے۔

ڈائریکٹرز	میٹنگ
محترم خالد حسین شاہ	۴
محترم محسن خورشید	۴
محترم جازم شاہ	۴
محترم سید فیصل شاہ	۴
محترمہ محمودہ شاہ	۴
محترم علی کوثر خان	۴
محترم فاروق رضا	۴

غیر ایگزیکٹو ڈائریکٹروں 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۔30 جون 2020 کو شیئر ہولڈنگ کا نمونہ اس رپورٹ میں شامل کیا گیا ہے۔

ہم اس بات کی تصدیق کرتے ہیں کہ ڈائریکٹرز 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 ،ریٹائر 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 کیلئے کارکنوں اور ہم مشکل وقت میں ان کی مسلسل حمایت کیلئے حصص کے حصول کیلئے 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 ہوگیا۔یہ ٹیم کا کام ہے اور اہم امید رکھتے ہیں کہ آنے والے سالوں میں یہ وہی روح میں جاری رہیں گے

شکریہ اور تعریف

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

کراچی 05 اکتوبر 2020

بورڈ کے حکم سے

محترم خالد حسین شاہ

چیف ایگزیکٹیو

LEATHER UP LIMITED

6 YEARS AT A GLANCE

PARTICULARS	2020	2019	2018	2017	2016	2015
FINANCIAL POSITION						
Paid up Capital	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000
General Reserves	1,369,610	1,369,610	1,369,610	1,369,610	1,369,610	1,369,610
Fixed Assets at Cost	17,697,066	17,697,066	17,697,066	31,288,586	30,901,451	30,721,451
Accumulated Depreciation	14,036,001	14,036,001	13,745,523	13,421,288	13,070,959	12,722,409
Current Assets	106,729,474	106,171,464	171,609,896	114,279,386	109,783,54	73,513,281
Current Liabilities	10,069,154	9,857,889	67,757,147	69,853,605	78,318,753	53,665,685
INCOME/REVENUE						
Sales Revenue	27,423,826	48,015,064	51,697,926	133,215,713	127,715,52	114,147,07
Other Income/(Loss)	2,139,250	559,157	57,243,338	(69,615)	6,143	74,474
Pre-Tax Profit/ (Loss)	(579,367)	(7,733,022)	45,665,466	14,376,720	12,269,331	9,876,352
Taxation	(280,870)	(462,075)	(433,517)	(1,076,299)	(1,338,808	(1,181,289)
PERCENTAGE AND RATIO						
Pre-Tax (Loss) Profit to sales %	(2.11)	(16.10)	88.33	10.79	9.60	8.65
Pre-Tax Profit (Loss) to Capital %	(0.96)	(12.88)	76.11	23.96	20.39	16.46
Current Ratio	10.59:1	10.76:1	2.53:1	1.64:1	1.40:1	1.37:1
Paid- Up Value per Share	10	10	10	10	10	10
Earnings (Loss) per Share after Ta (Rs)	(0.14)	(1.37)	7.54	2.22	1.82	1.45
Cash Dividend	Nil	Nil	Nil	Nil	2.5%	Nil
Retained/ (Loss) Earnings per Sha (Rs)	5.84	6.17	7.58	(0.37)	(2.60)	(4.35)
Break-Up Value per Share	16.07	16.16	17.58	9.85	7.63	5.88

LEATHER UP LTD.
PATTERN OF SHAREHOLDING
FORM "34"
SHAREHOLDERS STATISTICS
AS AT JUNE 30, 2020

NO. OF	SHARE HOLDING			TOTAL SHARES
SHOLD	FROM		TO	HOLD
577	1	-	100	39,850
567	101	-	500	269,195
106	501	-	1000	103,645
120	1001	-	5000	311,321
26	5001	-	10000	211,836
7	10001	-	15000	84,421
3	15001	-	20000	53,000
2	20001	-	25000	48,500
3	25001	-	30000	82,500
1	30001	-	35000	32,000
1	35001	-	40000	40,000
1	45001	-	50000	50,000
1	50001	-	55000	54,000
1	55001	-	60000	55,500
2	60001	-	65000	123,208
1	65001	-	70000	65,524
2	70001	-	75000	147,700
1	80001	-	85000	81,100
1	85001	-	90000	89,000
1	90001	-	95000	92,000
3	95001	-	100000	298,800
1	120001	-	125000	122,000
1	195001	-	200000	200,000
2	295001	-	300000	600,000
1	345001	-	350000	345,400
1	760001	-	765000	760,100
1	1635001	-	1640000	1,639,400
1434	**Total**			**6,000,000**

S/R NO.	CATAGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARE HOLD	PERCENTAGE %
1	INDIVIDUALS	1,424	5,853,220	97.55
2	INVESTMENT COMPANIES	1	3,700	0.06
3	JOINT STOCK COMPANIES	8	43,080	0.72
4	OTHERS	1	100,000	1.67
		1,434	**6,000,000**	**100.00**

SR #	FOLIO NAME OF COMPANIES	HOLDING	PER %	CATAGORIES
01	01164-015900 ARABIAN SEA ENTERPRISES LIMITED	100,000	1.67	OTHERS
02	05736-000015 NCC - PRE SETTLEMENT DELIVERY ACCOUNT	23,500	0.39	JOINT STOCK COMPANIES
03	07443-000027 Y.H. SECURITIES (PVT.) LTD	11,000	0.18	JOINT STOCK COMPANIES
04	14670-000020 MULTILINE SECURITIES (PVT) LIMITED - MF	5,000	0.08	JOINT STOCK COMPANIES
05	05861 M/S INVESTMENT CORPORATION	3,700	0.06	JOINT STOCK COMPANIES
06	04234-000025 RAFI SECURITIES (PRIVATE) LIMITED	2,500	0.04	JOINT STOCK COMPANIES
07	03293-000038 S.H. BUKHARI SECURITIES (PVT) LIMITED	500	0.01	JOINT STOCK COMPANIES
08	06999-000022 MUHAMMAD AHMED NADEEM SECURITIES (SMC-PVT) LIMITED	500	0.01	JOINT STOCK COMPANIES
09	06288-000028 UNITED CAPITAL SECURITIES PVT. LTD.	79	0.00	JOINT STOCK COMPANIES
10	03525-087235 MAPLE LEAF CAPITAL LIMITED	1	0.00	JOINT STOCK COMPANIES

ADDITIONAL INFORMATION

	NUMBER OF SHARE HOLDER	NUMBER OF SHARE
Associated companies 11 name wise details)		
Nit & ICP (name wise details		
Mr. Khalid H. Shah	1	1,639,400
Mr. Syed Raza Shah	1	300,000
Mr. Farooq Raza	1	100
Ms. Mehmooda 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. Mohsin Khursheed	1	500
Mr. Ali Kausar Khan	1	60,708
Executives	--	500
Public Sector companies & corporation	--	

Statement of Compliance

With the Code of Corporate Governance for the year ended June 30, 2020.

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:

   Male: Six

   Female: One
2. The composition of the Board of Directors ("the Board") is as follows:

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

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 per following:
    a. Audit Committee: Four quarterly meetings during the financial year ended June 30, 2020
    b. HR and Remuneration Committee: Four quarterly meetings during the financial year ended June 30, 2020

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	Jazim Shah
Chief Executive	Chairman

Karachi: October 5, 2020

ABDAN & CO.

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Leather Up Limited for the year ended June 30, 2020 in accordance with the requirements of regulation 36 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. 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.

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, 2020.

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.

Abdan & Co.
Chartered Accountants

Karachi
Date: 05-10-2020

(IQBAL AHMAD ABDAN)

ABDAN & CO.

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, 2020, 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, 2020 and of the profit and other 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 period. 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.

We have determined that there are no key audit matters to communicate in our report.

ABDAN & CO.

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:

ABDAN & CO.

- 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.

ABDAN & CO.

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 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),

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

ABDAN & CO.
CHARTERED ACCOUNTANTS
KARACHI
DATED :

In case of any discrepancy on the Company's website, the auditors shall only be responsible in respect of the information contained in the hard copies of the audited financial statements available at the Company's registered office.

LEATHER UP LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	June 30, 2020	(Restated) June 30, 2019
		Rupees	
Non - Current Assets			
Property, plant and equipment	7	3,400,698	3,661,065
Current Assets			
Stock in trade	8	85,830,720	76,360,706
Trade debts - considered good		47,768	1,409,493
Advances, deposits, prepayments and other receivables	9	11,483,866	26,366,108
Cash and bank balances	10	1,599,723	2,022,712
		98,962,077	106,159,019
		102,362,775	109,820,084
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	11	60,000,000	60,000,000
General reserve (Revenue Reserve)		1,369,610	1,369,610
Accumulated gain/ (loss)		35,091,173	35,571,840
		96,460,783	96,941,450
Deferred liability - staff gratuity	12	1,779,962	3,020,744
Current liabilities			
Short term borrowing - secured	13	-	1,454,504
Loan from directors		2,084	2,084
Trade and other payables	14	1,225,085	5,248,221
Accrued markup		-	77,014
Unclaimed dividend		2,613,991	2,613,991
Provision for taxation		280,870	462,075
		4,122,030	9,857,889
Contingencies and commitments	15	-	-
		102,362,775	109,820,084

The annexed notes form integral part of these financial statements

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER .

DIRECTOR

LEATHER UP LIMITED
STATEMENT OF PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2020

		For the year ended	
			(Restated)
		June 30, 2020	June 30, 2019
		Rupees	
			Restated
Sales - net	16	27,423,826	48,015,064
Cost of sales	17	(25,675,599)	(45,444,987)
Gross profit		1,748,227	2,570,077
Operating expenses			
Administrative expenses	18	(3,197,723)	(4,841,281)
Distribution cost	19	(713,972)	(2,831,499)
		(3,911,695)	(7,672,780)
Operating profit		(2,163,468)	(5,102,703)
Finance cost	20	(205,149)	(2,839,475)
Other income/(loss)	21	2,139,250	559,157
Other operatng expenses	22	(350,000)	(350,000)
		1,584,101	(2,630,319)
Profit before taxation		(579,367)	(7,733,022)
Taxation	23	(280,870)	(462,075)
Profit after taxation		(860,237)	(8,195,097)
Earnings per share - basic and diluted		(0.14)	(1.37)

The annexed notes form integral part of these financial statements

F shah

CHIEF EXECUTIVE **CHIEF FINANCIAL OFFICER** **DIRECTOR**

LEATHER UP LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	For the year ended	
	June 30, 2020	**(Restated) June 30, 2019**
	Rupees	
		Restated
Profit after taxation	**(860,237)**	(8,195,097)
Other comprehensive income for the period	**379,569**	(344,391)
Total comprehensive income for the period	**(480,668)**	(8,539,488)

The annexed notes form integral part of these financial statements

CHIEF EXECUTIVE **CHIEF FINANCIAL OFFICER** **DIRECTOR**

LEATHER UP LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2020	(Restated) June 30, 2019
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**(579,367)**	(7,733,022)
Adjustments for non cash and other items:		
Depreciation	**260,367**	290,479
Provisioin for gratuity	**222,918**	697,390
Gratuity paid	**(1,084,131)**	-
Finance cost	**205,149**	2,839,475
	(395,697)	3,827,345
Operating cashflows before working capital changes	**(975,064)**	(3,905,677)
Changes in working capital		
(Increase) / decrease in current assets		
Stock in trade	**(9,470,014)**	19,055,149
Trade debts	**1,361,725**	(1,409,493)
Advances, deposit, prepayments and other recievable	**14,882,242**	(7,989,378)
Increase / (decrease) in current liabilities		
Trade and other payables	**(4,023,136)**	(16,459,075)
Loan from directors	**-**	(2,013,272)
	2,750,817	(8,816,069)
Cash (used in) / generated from operations	**1,775,753**	(12,721,746)
Taxes paid	**(462,075)**	(952,268)
Finance cost paid	**(282,163)**	(2,949,448)
Net cash (used in) / generated from operating activities	**1,031,515**	(16,623,462)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	**-**	-
Receipt against sale of lease hold land	**-**	21,998,500
Net cash from/(used in) investing activities	**-**	**21,998,500**
Net cashflow from financing activities		
Dividend paid	**-**	-
	-	-
Net increase / (decrease) in cash and cash equivalents	**1,031,515**	5,375,038
Cash and cash equivalents at the beginning of the period	**568,208**	(4,462,439)
Cash and cash equivalents at the end of the period	**1,599,723**	912,599
Cash and cash equivalents comprise the following:		
Cash and bank balance	**1,599,723**	2,022,712
Short term borrowing	**-**	(1,454,504)
	1,599,723	568,208

The annexed notes form integral part of these financial statements

CHIEF EXECUTIVE **CHIEF FINANCIAL OFFICER** **DIRECTOR**

LEATHER UP LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

	Share Capital	General Revenue Reserve	Accumulated Loss	Total
	Rupees			
Balance as at July 1, 2018	60,000,000	1,369,610	44,111,328	105,480,938
Profit after Taxation			(8,195,097)	(8,195,097)
Other Comprenhensive income			(344,391)	(344,391)
Balance as at June 30, 2019	**60,000,000**	**1,369,610**	**35,571,840**	**96,941,450**
Balance as at July 1, 2019	60,000,000	1,369,610	35,571,840	96,941,450
Profit after Taxation			(860,237)	(860,237)
Other Comprenhensive income			379,569	379,569
Balance as at June 30, 2020	**60,000,000**	**1,369,610**	**35,091,173**	**96,460,783**

The annexed notes form integral part of these financial statements

CHIEF EXECUTIVE **CHIEF FINANCIAL OFFICER** **DIRECTOR**

LEATHER UP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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 IMPACT OF COVID-19 ON FINANCIAL STATEMENTS

A novel strain of coronavirus later named as SARS-COV-2 (COVID-19) that first surfaced in China in December, 2019 was classified as a pandemic by the World Health Organization (W.H.O.) on March 11, 2020. The pandemic rapidly spread all across the world has not only endangered human lives but has also adversely effected the local and internaional businesses and world economy. On March 21, 2020, the Government of the Sindh (GoS) announced a temporary lock down as a measure to reduce the spread of the COVID–19. The Company's operations were not affected as it fell under the exemption provided by the Government of Sindh to providers of essential services. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business.

According to management's assessment, as of the release date of these financial statements, there has been no specifically material quantifiable impact of Covid-19 on the Company's financial condition or results of operations. Consequently, there is no financial impact of COVID-19 on the carrying amount of assets and liabilities and item of income and expenses.

3 BASIS OF PREPARATION

3.1 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;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are 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.

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain items as disclosed on the relevant accounting policies below.

3.3 Functional and presentation currency

These financial statements are presented in Pak Rupee (Rs./Rupees), which is the functional currency of the Company. Amount presented in the financial statements have been rounded off to the nearest of Rs./Rupees unless otherwise stated.

3.4 Key judgments and estimates

The preparation of financial statements in confirmaty with the accounting and reporting standards as applicable in Pakistan requires the use of cetain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the Company's accounting policies. The area involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and related primarily to;

- Useful lives , residual value and depreciation method of property, plant and equipment (refer note 5.3 & 7)
- Provision for impairement of stock in trade (refer note 5.4 & 8)
- Impairment loss of non financial assets other than stock in trade (refer note 5.12)
- Obligation of defined benefit obligation (refer note 5.13 & 12)
- Estimation of provisions (Refer note 5.7 & 5.11)
- Estimation of contingent liabilities (refer note 5.17 & 15)
- Current income tax expense, provision for current tax recognition of deferred tax (refer note 5.8 , 5.9, 5.10 & 23)

4 NEW STANDARDS, AMENDMENTS TO APPROVED ACCOUNTING STANDARDS AND NEW INTERPRETATIONS

4.1. New standards/ amendments and interpretations to published approved accounting and reporting standards which are effective during

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 1 July 2019 other than those disclosed in note 5.1, are considered not to be relevant or do not have any significant effect on the company's financial statements and are therefore not stated in these financial statements.

4.2. New accounting standards and amendments that are not yet affective

The following International Financial Reporting Standards (IFRS) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after July 01, 2020:

Amendment to IFRS 3 'Business Combinations'– Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

there is no substantive change to the other terms and conditions of the lease.

Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

4.3. Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as described below.

5.1 Basis of Measurement

These accounts have been prepared under 'historical cost convention' except as otherwise disclosed in the respective accounting policies note. The Financial Statement except for cash flow have been prepared under the accrual basis of accounting

5.2 Changes in significant accounting policies IFRS 16 - Leases

The Company has adopted IFRS 16 'Leases' from 01 July 2019 which is effective from annual periods beginning on or after 01 January 2019 and the Company does not hold any leased assets there is no key changes to the Company's accounting policies resulting from adoption of IFRS 16.

5.3 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.

5.4 Stock in trade

Stock in trade is valued at the lower of cost and estimated net realizable value. Cost is determined as follows:

Raw and packing material	Average cost
Work-in-process and finished goods	Cost of direct materials and appropriate portion of production overheads.
In transit	At cost accumulated up to the date of statement of financial position.

Net realizable value is the estimated selling price in the oridnary course of business less estimated cost of completion and estimated cost necessary to be incurred to make the sale.

Stock in trade write down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market condition. A review is made on each reporting date on stock for excess, obsolescence and decline in net reliazeable value and an allowance is recorded against the stock balances for any such decline

5.5 Trade debts and other receivables

Trade debts and other receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognized at fair value.

The company holds the trade debts with the objective of collecting the contractual cashflows and therefore measures the trade debts subsequently at amortised cost using the effective interest rate method.

5.6 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost using the effective interest rate method. Borrowings are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the statement of financial position date.

5.7 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event, and it is probable that the outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amount of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amoiunt of previously recognized provision is recognized in the statement of profit or loss unless the provision was originally recognized as part of the cost of as asset.

5.8 Taxation

Taxation comprises current and deferred tax. Income tax expense is recognized in the statement of profit or loss.

5.9 **Current tax**

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

5.10 **Deferred tax**

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is also not recognised if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at a time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses and credits only if it probable that future taxable amounts will be available to utilise those temporary differences and unused tax losses and credits.

Current and deferred tax is recognised in profit or loss, 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.

5.11 ***Judgements and estimate***

Significant judgment is required on determining the income tax expenses and provision for tax. There are many transactions and calculations for which the ulitmate tax determination is uncertain as these matters are being contested at various forums. The Company recognizes liablities are the anticipated tax issues based on estimates on whether additional taxes will be due. Where the final tax outcome of these matters is different from the amount that are initially recorded, such differences will impact the current and deferred tax assets and liabilties in the period in which such determination is made.

Futher, the carrying amount of the deferred tax asset is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profit. If required, carrying amount of the deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit to allow the benefit of part of all that recognized deffered tax assets to be utilizied. Any such reduction shall be reveresed to the extent that it becomes probable that sufficient taxable profit will be available.

5.12 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non financial assets (other than stock in trade and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The increase in the carrying amounts shall be treated as reversals of impairment losses for individual assets and recognized in profit or loss unless the asset is measured at revalued amount. Any reversal of impairment loss of a revalued asset shall be treated as a revaluation increase.

5.13 Staff retirement benefits

Defined benefit plan

Defined benefit plan provide an amount of gratuity that an employee will receive on or after retirement, usually depend on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect to defined benefit plan is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets. The defined benefit obligations are calculated annually.When the calculation result in a potential assets for a company, the recognised assets is limited to the present value of economic benefits available in the form of any future refunds from plan or reductions in future contributions to the plan.

The present value of defined benefit obligations are determined by discounting estimated future cash outlflows using interest rates of corporate bonds or the market rates on government bonds. These are denominated in the currency in which the benefit will be paid.

Remeasurment gain/losses are recognised in other comprehensive income.

In determining the liability for long service payments management must make an estimate of salary increase and discount rate in the present value calculation and number of employees expected to leave before they receive the benefits.

5.14 Trade and other payables

Liabilities for trade and other payables are carried initially at cost which is the fair value of the consideration to be paid in future for goods and services received and subsequently measured at amortized cost using effective interest method.

5.15 Financial instruments

5.15.1 Financial assets

The Company classifies its financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Classification

The Company classifies its financial assets in the following categories: at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. The classification isbased on the Company's business model for managing the financial assets and the contractual cashflow characteristics of the financial asset. The management determines the classification of itsfinancial assets at the time of initial recognition.

a) **Financial assets at amortised cost**

Financial assets at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on de-recognition are recognised directly in profit or loss.

b) **Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

Financial assets are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently premeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.

Equity instrument financial assets / mutual funds are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

Reclassification

When the Company changes its business model for managing financial assets, it reclassifies all affected financial assets accordingly. The Company applies the reclassification prospectively from thereclassification date.

In case of reclassification out of the amortized cost measurement category to fair value through profit or loss measurement category, fair value of the financial asset is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost and fair valueis recognized in profit or loss.

In case of reclassification out of fair value through profit or loss measurement category to theamortized cost measurement category, fair value of the financial asset at the reclassification datebecomes its new gross carrying amount.

In case of reclassification out of the amortized cost measurement category to fair value throughother comprehensive income measurement category, fair value of the financial asset is measuredat the reclassification date. Any gain or loss arising from a difference between the previous amortizedcost and fair value is recognized in other comprehensive income. The effective interest rate and themeasurement of expected credit losses are not adjusted as a result of the reclassification.

In case of reclassification out of fair value through profit or loss measurement category to the fairvalue through other comprehensive income measurement category, the financial asset continuesto be measured at fair value.

In case of reclassification out of fair value through other comprehensive income measurementcategory to the fair value through profit or loss measurement category, the financial asset continuesto be measured at fair value. The cumulative gain or loss previously recognized in other comprehensiveincome is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Initial recognition and measurement

All financial assets are recognized at the time when the Company becomes a party to the contractualprovisions of the instrument. Regular purchases and sales of investments are recognized on tradedate– the date on which the Company commits to purchase or sell the asset.

Except for trade receivables, financial assets are initially recognized at fair value plus transactioncosts for all financial assets not carried at fair value through profit or loss. Financial assets carriedat fair value through profit or loss are initially recognized at fair value and transaction costs areexpensed in the profit and loss account. Dividend income from financial assets at fair value throughprofit or loss is recognized in the profit and loss account when the Company's right to receivepayments is established. Trade receivables are initially measured at the transaction price if these donot contain a significant financing component in accordance with IFRS 15. Where the Company usessettlement date accounting for an asset that is subsequently measured at amortized cost, the assetis recognized initially at its fair value on the trade debt.

Subsequent measurement

For the purpose of measuring financial assets after initial recognition, these are classified into thefollowing four categories:

- financial assets at amortized cost;
- financial assets at fair value through other comprehensive income; and
- financial assets at fair value through profit or loss.

Financial assets carried at amortized cost are subsequently measured using the effective interestmethod. Gain or loss on financial assets not part of hedging relationship is recognized in profit orloss when the financial asset is derecognized, reclassified, through the amortization process or inorder to recognize impairment gains or losses.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and therenegotiation or modification does not result in the derecognition of that financial asset, the Companyrecalculates the gross carrying amount of the financial asset and recognizes a modification gain orloss in profit or loss.

Financial assets 'at fair value through other comprehensive income' are marked to market using the closing market rates and are carried in the statement of financial position at fair value. Net gains andlosses arising on changes in fair values of these financial assets are recognized in other comprehensiveincome. Interest calculated using the effective interest rate method is credited to the statement ofprofit or loss. Dividends on equity instruments are credited to the statement of profit or loss whenthe Company's right to receivepayments is established.

Financial assets 'at fair value through profit or loss' are marked to market using the closing marketrates and are carried in the balance sheet at fair value. Net gains and losses arising on changes infair values of these financial assets are taken to the profit and loss account in the period in whichthese arise.

Derecognition

Financial assets are derecognized when:

- the contractual rights to receive cash flows from the assets have expired; or

- the Company has transferred its rights to receive cash flows from the asset or has assumed anobligation topay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

i) the Company has transferred substantially all the risks and rewards of the asset; or

the Company has neither transferred nor retained substantially all the risks and rewards of the asset,but has transferred control of the asset.

ii) The difference between the carrying amount and the consideration received is recognized in profit or Loss.

If the Company transfers a financial asset in a transfer that qualifies for derecognition in its entiretyand retains the right to service the financial asset for a fee, it recognizes either a servicing asset ora servicing liability for that servicing contract.

When the Company has transferred its rights to receive cash flows from an asset or has entered intoa pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewardsof ownership. When it has neither transferred nor retained substantially all of the risks and rewardsof the asset, nor transferred control of the asset, the Company continues to recognize the transferredasset to the extent of its continuing involvement. In that case, the Company also recognizes anassociated liability which cannot be offset with the related asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measuredat the lower of the original carrying amount of the asset and the maximum amount of considerationthat the Company could be required to repay.

If the Company's continuing involvement is in only a part of a financial asset, the Company allocatesthe previous carrying amount of the financial asset between the part it continues to recognize undercontinuing involvement, and the part it no longer recognizes on the basis of the relative fair valuesof those parts on the date of the transfer. The difference between the carrying amount allocated tothe part that is no longer recognized and the consideration received for the part no longer recognizedis recognized in profit or loss.

Impairment of financial assets
The Company directly reduces the gross carrying amount of a financial asset when the Company hasno reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

The Company recognizes a loss allowance for expected credit losses on a financial asset measuredat amortized cost and through other comprehensive income, a lease receivable, a contract asset ora loan commitment and a financial guarantee contract. In case of financial assets measured at fair value thorugh other comprehensive income, loss allowance is recognized in other comprehensiveincome and carrying amount of the financial asset in the statement of financial position is not reduced.

The Company measures, at each reporting date, the loss allowance for a financial instrument at anamount equal to the lifetime expected credit losses if the credit risk on that financial instrument hasincreased significantly since initial recognition. Where the credit risk on a financial instrument hasnot increased significantly since the initial recognition, the Company measures the loss allowancefor that financial instrument at an amount equal to 12-month expected credit losses.

The Company always measures the loss allowance at an amount equal to lifetime expected creditlosses for trade receivables or contract assets that result from transactions under IFRS 15 and lease receivables.

The Company recognizes the amount of expected credit losses (or reversal), that is required to adjustthe loss allowance at the reporting date to the amount that is required to be recognized, in the profit or loss.

5.15.2 **Financial liabilities**

Initial recognition and measurement

All financial liabilities are recognized at the time when the Company becomes a party to thecontractual provisions of the instrument.

Financial liabilities are classified, at initial recognition, as financial liabilities at amortized cost exceptfor financial liabilities at fair value through profit or loss, financial liabilities that arise when a transferof a financial asset does not qualify for derecognition or when the continuing involvement approachapplies, financial guarantee contracts, commitments to provide a loan at a below-market interestrate and contingent consideration recognized in a business combination.

The Company does not reclassify any of its financial liabilities.

Financial liabilities are initially recognized at fair value minus transaction costs for all financial liabilitiesnot carried at fair value through profit or loss. Financial liabilities carried at fair value through profitor loss are initially recognized at fair value and transaction costs are credited in the statement of profit or loss.

The Company's financial liabilities include trade and other payables, loans and borrowings includingCompany overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading andfinancial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasingin the near term. This category also includes derivative financial instruments entered into by theCompany that are not designated as hedging instruments in hedge relationships. Separated embeddedderivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The amount of change in the fair value that is attributable to changes in the credit risk of financialliability is presented in other comprehensive income and the remaining amount of change in the fairvalue of the liability is presented in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designatedat the initial date of recognition, and only if it eliminates or significantly reduces a measurement orrecognition inconsistency or a group of financial liabilities is managed and its performance is evaluatedon a fair value basis, in accordance with a documented risk management or investment strategy, andinformation about the group is provided internally on that basis to the Company's key managementpersonnel. The Company has not designated any financial liability as at fair value through profit or loss.

Financial guarantee contracts and commitments to provide a loan at a below-market interest rate

Financial guarantee contracts issued by the Company are those contracts that require a payment tobe made to reimburse the holder for a loss it incurs because the specified debtor fails to make apayment when due in accordance with the terms of a debt instrument. Financial guarantee contractsand commitments to provide a loan at a below-market interest rate are recognized initially as aliability at fair value, adjusted for transaction costs that are directly attributable to the issuance ofthe guarantee. Subsequently, the liability is measured at the higher of the best estimate of theexpenditure required to settle the present obligation at the reporting date and the amount recognizedless cumulative amortization.

Contingent consideration recognized in a business combination

These are subsequently measured at fair value with changes recognized in profit or loss.

All other liabilities

All other financial liabilities are measured at amortized cost using the Effective Interest Rate (EIR)method. Gains and losses are recognized in profit or loss when the liabilities are derecognized aswell as through the EIR amortization process. Amortized cost is calculated by taking into account anydiscount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIRamortization is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelledor expired. Where an existing financial liability is replaced by another from the same lender onsubstantially different terms, or the terms of an existing liability are substantially modified, such anexchange or modification is treated as a derecognition of the original liability and the recognitionof a new liability, and the difference in respective carrying amounts is recognized in the profit andloss account. The difference between the carrying amount of a financial liability extinguished ortransferred to another party and the consideration paid, including any non-cash assets transferredor liabilities assumed, is recognized in profit or loss.

If the Company repurchases a part of a financial liability, the Company allocates the previous carryingamount of the financial liability between the part that continues to be recognized and the part thatis derecognized based on the relative fair values of those parts on the date of the repurchase. Thedifference between the carrying amount allocated to the part derecognized and the considerationpaid, including any non-cash assets transferred or liabilities assumed, for the part derecognized is recognized in profit or loss.

5.15.3 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and net amount is reported in the financial statements onlywhen there is a legally enforceable right to set off the recognized amount and the Company intendseither to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

5.16 Balances from contract with customers

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to thecustomer. The Company recognizes a contract asset for the earned consideration that is conditionalif the Company performs by transferring goods or services to a customer before the customer paysconsideration or before payment is due.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional.Trade receivables are carried at original invoice amount less expected credit loss based on a reviewof all outstanding amounts at the year end. Bad debts are written off when identified.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Companyhas received consideration from the customer. A contract liability is recognized at earlier of whenthe payment is made or the payment is due if a customer pays consideration before the Companytransfers goods or services to the customer.

Right of return assets

Right of return asset represents the Company's right to recover the goods expected to be returnedby customers. The asset is measured at the former carrying amount of the inventory, less any expectedcosts to recover the goods, including any potential decreases in the value of the returned goods. TheCompany updates the measurement of the asset recorded for any revisions to its expected level ofreturns, as well as any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable)from the customer and is measured at the amount the Company ultimately expects it will have toreturn to the customer. The Company updates its estimates of refund liabilities (and the correspondingchange in the transaction price) at the end of each reporting period.

5.17 Contingent liability

There is possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly with in the control of the Company' or

There is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

5.18 Contingent assets

Contingent assets are disclosed when there is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. Contingent assets are not recognized until their realization becomes virtually certain.

5.19 **Revenue Recognition**

Revenue is to be recognised in accordance with the afore mentioned principle by applying the followingsteps:

i) Identify the contract with a customer
ii) Identify the performance obligation in the contract
iii) Determine the transaction price of the contract
iv) Allocate the transaction price to each of the separate performance obligations in the contract
v) Recognize the revenue when (or as) the entity satisfies a performance

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by supplying the electricity or services to its customers. Any bundled goods or services that are distinct are separately recognized, and any discounts or rebates on the contract price are generally allocated to the separate elements.

5 .20 **Borrowing cost**

Borrowing cost relating to the acquisition, construction or production of a qualifying asset are recognized as part of the cost of that asset. All other borrowing costs are recognized as an expense in the period in which these are incurred.

5.21 **Cash and cash equivalent**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of the statement of cash flow, cash and cash equivalents comprise of cash on hand and cash at bank.

5.22 **Dividend distrbution**

Dividend distribution to the Company's shareholders to recognized as a liability in the period in which the dividends are approved by the Company's shareholders.

5.23 **Basic and diluted (loss) / earnings per share**

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5.24 **Operating Sigment**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The BOD has identified different chief operating decision makers responsible for strategic decisions of all the reportable segments.

6 CHANGE IN ACCOUNTING POLICIES

6.1 IFRS 15- Revenue from Contracts with Customers

The company has adopted IFRS 15 revenue from contracts with customers from July 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. However, in accordance with t he transition provisions in IFRS 15, there is no impact on the company that require retrospective change and restatement of compatative for the year ended June 30, 2018.

7 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, 2018							
Cost	1,100,000	6,749,315	4,897,487	164,365	1,295,136	3,490,763	17,697,066
Accumulated depreciation	-	(6,092,562)	(3,685,478)	(111,122)	(993,838)	(2,862,522)	(13,745,522)
Net book value	1,100,000	656,753	1,212,009	53,243	301,298	628,242	3,951,544
Year ended June 30, 2019							
Opening net book value	1,100,000	656,753	1,212,009	53,243	301,298	628,242	3,951,544
Additions / transfers during the year	-	-	-	-	-	-	-
Disposals / transfers							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Net book value	-	-	-	-	-	-	-
Depreciation for the year	-	(65,675)	(121,201)	(10,649)	(30,130)	(62,824)	(290,479)
Closing net book value	**1,100,000**	**591,078**	**1,090,808**	**42,594**	**271,168**	**565,418**	**3,661,065**
As at July 01, 2019							
Cost	1,100,000	6,749,315	4,897,487	164,365	1,295,136	3,490,763	17,697,066
Accumulated depreciation	-	(6,158,237)	(3,806,679)	(121,771)	(1,023,968)	(2,925,346)	(14,036,001)
Net book value	**1,100,000**	**591,078**	**1,090,808**	**42,594**	**271,168**	**565,417**	**3,661,065**
Year ended June 30, 2020							
Opening net book value	1,100,000	591,078	1,090,808	42,594	271,168	565,417	3,661,065
Additions / transfers during the year	-	-	-	-	-	-	-
Disposals / transfers							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Net book value	-	-	-	-	-	-	-
Depreciation for the year	-	(59,108)	(109,081)	(8,519)	(27,117)	(56,542)	(260,367)
Closing net book value	**1,100,000**	**531,970**	**981,727**	**34,075**	**244,051**	**508,875**	**3,400,698**
As at June 30, 2020							
Cost	1,100,000	6,749,315	4,897,487	164,365	1,295,136	3,490,763	17,697,066
Accumulated depreciation	-	(6,217,345)	(3,915,760)	(130,290)	(1,051,085)	(2,981,888)	(14,296,368)
Net book value	**1,100,000**	**531,970**	**981,727**	**34,075**	**244,051**	**508,875**	**3,400,698**
Annual rates of depreciation	**-**	**10%**	**10%**	**20%**	**10%**	**10%**	

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

	Rupees 2020	**Rupees** 2019
Cost	-	-
Accumulated depreciation	-	-
Net book value	-	-
Sale proceed	-	-
Mode of disposal		Open tender
Purchaser		Muhammad Shafi, Muhammad Zabeeh, Muhammad Baseer

That in the year 2018 shareholders at extra ordinary general meeting held on 26 March 2018 approved the disposal of 4,400 square yard open plot at Korangi Induatrial 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.

	2020	2019
	Rupees	
Depreciation for the year has been allocated as under :		
Cost of sales	**156,220**	174,287
Administrative expenses	**104,147**	116,192
	260,367	290,479

8 STOCK IN TRADE

Raw material and accessories	**80,110,557**	69,538,408
Finished goods	**8,132,484**	9,234,619
Less: Provision for obsolete stock	**(2,412,321)**	(2,412,321)
	85,830,720	76,360,706

9 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2020	2019
	Rupees	
Advances - considered good to :		
- Staff	**1,291,104**	542,653
- Suppliers	**3,198,565**	9,992,713
	4,489,669	10,535,366
Deposits	**54,167**	59,167
Prepayments	**-**	129,699
Receivable against sale of property	**-**	7,721,500
Income tax	**1,687,475**	1,852,612
Sales tax	**2,543,982**	2,474,832
Other receivables - considered good		
- Export rebate receivable	**2,441,802**	3,592,932
- Others	**266,772**	-
	2,708,574	3,592,932
	11,483,866	26,366,108

10 CASH AND BANK BALANCES

	2020	2019
Cash in hand	**60,000**	152,612
Cash with banks		
- in foreign currency deposit accounts	**167,071**	152,219
- In current accounts	**1,372,652**	1,717,881
	1,539,723	1,870,100
	1,599,723	2,022,712

11 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Number of Shares 2020	2019		2020	2019
			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 against cars furnitures and fixtures.	**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
6,000,000	6,000,000		**60,000,000**	60,000,000

Shares held by the related parties of the Company

	-------- 2020 --------		-------- 2019 --------	
	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 Fayyaz	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%

12 DEFERRED LIABILITIES - Gratuity

	2020	2019
	Rupees	
As at beginning of the year	**3,020,744**	2,323,354
Charged to Profit & Loss	**222,918**	353,000
Payment during the year	**(1,084,131)**	-
(Gain) loss during the year	**(379,569)**	344,391
As at end of the year	**1,779,962**	3,020,744

12.1 Charged to profit & Loss

	2020	2019
Current Service Cost	113,925	166,258
Interest Cost	108,993	186,742
	222,918	353,000
(Gain) loss recognized during the year	(379,569)	344,391
	(156,651)	697,390

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

	2020	2019
	Rupees	
Administrative Expenses	**59,606**	91,515
Production Expenses	**163,312**	261,485
	222,918	353,000

12.3 Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at June 30, 2020 and June 30, 2019 has been determined by the management of the company based on projected unit credit method. The principal assumptions used in determining present value of defined benefit obligations are:

	2020	2019
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	**1,779,962**	3,020,744
Adjustments arising during the year	**11.40%**	**11.40%**

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

13 SHORT TERM BORROWING - Secured

	2020	2019
	Rupees	
Export refinance		
Preshipment financing Part II	**-**	-
Post shipment financing- Bai Salam	**-**	1,454,504
	-	1,454,504

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

13.1 Meezan Bank Limited Sanctioned limit Rs. Nil million

Bai-Salam Rs.Nil million (2019: Rs. 1.4 million)

Rate of markup SBP Export Finance Rate + 1% per annum (2019: SBP + 1%)

Security :

- 1st exclusive charge over fixed assets amounting to Pkr 54.56 millionn.

- 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 Pkr 6.00 Mn.

- Personal guarantee of all directors and mortagagers.

- Lien on export documents.

- 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.

14 TRADE AND OTHER PAYABLES

	2020	2019
	Rupees	
Creditors	**454,037**	4,299,376
Accrued liabilities	**127,322**	579,936
Advance from customers	**594,181**	-
Workers' profits participation fund	**-**	307,264
Workers welfare fund	**49,545**	61,645
	1,225,085	5,248,221

15 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.

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, 2020 is Rs. 12.50 million (2019: Rs. 9.50 million).

16 SALES - NET

	2020	2019
	Rupees	
Export sales	**26,005,394**	46,207,500
Export rebate	**1,418,432**	1,807,564
	27,423,826	48,015,064

17 COST OF SALES

	Note	2020	2019
Raw, packing and other material consumed	**17.1**	**13,056,361**	23,578,301
Production expenses	**17.2**	**11,517,103**	18,911,041
Cost of goods manufactured		**24,573,464**	42,489,342
Opening stock of finished goods		**9,234,619**	12,190,264
Cost of goods available for sale		**33,808,083**	**54,679,606**

		2020	2019
Closing stock of finished goods		**(8,132,484)**	(9,234,619)
		25,675,599	**45,444,987**

17.1 Raw, packing and other material consumed

	2020	2019
	Rupees	
Opening stock	**69,538,408**	85,637,912
Purchases	**23,628,510**	7,478,797
	93,166,918	106,944,671
Closing stock	**(80,110,557)**	(69,538,408)
	13,056,361	23,578,301

17.2 Production expenses

	Note	2020	2019
		Rupees	
Cutting and stitching charges		**4,873,517**	8,341,400
Salaries, wages and other benefits	17.2.1	**5,552,155**	9,013,792
Repairs and maintenance		**26,010**	89,265
Depreciation		**156,220**	174,287
Fuel and power		**689,095**	510,560
Rent, rates and taxes		**12,010**	510,012
Telephone, fax and postage		**151,699**	123,720
Printing and stationery		**9,967**	16,925
Entertainment expense		**46,430**	131,080
		11,517,103	18,911,041

17.2.1 This includes amount of Rs.163,312/- (2019: Rs. 261,485/-) in respect of staff retirement benefits.

18 ADMINISTRATVE EXPENSES

	Note	2020	2019
		Rupees	
Salaries, allowances and other benefits	18.2	**2,566,630**	2,671,920
Communication expense		**31,000**	46,220
Insurance expense		**7,000**	33,566
Utilities		**142,434**	456,646
Printing and stationery		**16,029**	28,166
Legal and professional		**25,500**	17,500
Fees and subscription		**176,321**	1,238,603
Vehicle running and maintenance		**54,446**	69,470
Entertainment expense		**29,062**	58,993
Repairs and maintenance		**25,154**	26,005
Donations		**20,000**	78,000
Depreciation		**104,147**	116,192
		3,197,723	4,841,281

18.1 The board of directors of the company has decided not to accrue Directors' remuneration for the year ended June 30, 2020. 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.

18.2 This includes amount of Rs. 59,606/- (2019:Rs. 91,515/-) in respect of staff retirement benefits.

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

19 DISTRIBUTION COST

	2020	2019
	Rupees	
Advertising and sales promotion	**36,100**	1,846,024
Postage, telex and telegram	**349,024**	33,960
Travelling expense	**1,250**	699,530
Freight, handling and insurance	**286,139**	26,609
Others	**41,459**	225,376
	713,972	2,831,499

20 FINANCE COST

	2020	2019
	Rupees	
Markup and interest charges	**-**	490,797
Bank charges and commission	**205,149**	2,348,678
	205,149	2,839,475

21 OTHER INCOME

Profit / (loss) on foreign currency deposit accounts	**14,771**	30,950
Profit on saving account	**-**	1,028
Exchange gain / (loss) - net	**347,764**	527,179
PM Pakage for Business Community	**297,952**	-
Reimbershment of Penalty	**1,478,763**	-
	2,139,250	559,157

22 OTHER OPERATING EXPENSES

Workers' welfare fund		**-**	-
Workers' profit participation fund		**-**	-
Auditor Remuneration	22.1	**350,000**	350,000
		350,000	350,000

22.1 Auditors' remuneration

Audit fee	**250,000**	250,000
Half yearly review fee	**100,000**	100,000
	350,000	350,000

23 TAXATION

Current			
-for the year	**23.1**	**280,870**	462,075
-prior year		**-**	-
		280,870	462,075

23.1 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.

23.2 The company's income fall within the ambit of final tax regime under the Income Tax Ordinance, 2001 and therefore reconcilation between accounting profit and taxable income is not practicable has not been presented here.

24 EARNINGS PER SHARE - BASIC AND DILUTED

	2020	2019
	Rupees	
Profit after taxation	**(860,237)**	(8,195,097)
	Number	
Weighted average number of ordinary shares	**6,000,000**	6,000,000
	Rupees	
Earnings per share - basic and diluted - Rupees	**(0.14)**	(1.37)

25 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	30th June 2020			30th June 2019		
	Chief Executive	Director	Executive	Chief Executive	Director	Executive
Fee						
Managerial remuneration	-	-	660,000	-	-	600,000
Company's contribution to	-	-	-	-	-	-
provident and pension funds	-	-	-	-	-	-
Bonus	-	-	-	-	-	-
Perqusites and benefits	-	-	-	-	-	-
Others	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	660,000	-	-	600,000
Number of Persons			2			2

26 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:

	2020	2019
	Rupees	
Loan from directors (Mr Khalid Shah)	**2,084**	2,084
Directors Loan Movement (Mr Khalid Shah)	**0**	2,013,272
Directors remuneration payable	**2,084**	2,084
Workers profit participation fund payable	-	307,264

27 FINANCIAL INSTRUMENTS

27.1 Financial instruments by category

	Note	2020	2019
		Rupees	
FINANCIAL ASSETS			
Loans and receivables			
Trade debts - considered good		**47,768**	1,409,493
Advances, deposit, prepayments and other receivables	9	**4,053,845**	21,436,845
Cash and bank balances	10	**1,599,723**	2,022,712
		5,701,336	24,869,050
FINANCIAL LIABILITIES			
Financial liabilities at amortized cost			
Short term borrowing - secured	13	-	1,454,504
Staff Gratuity		**1,779,962**	**3,020,744**
Loan from directors		**2,084**	2,084
Un claimed Dividend		**2,613,991**	2,613,991
Trade and other payables	14	**1,225,085**	5,248,221
		5,621,123	12,339,544

27.2 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.

27.3 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.

27.4 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:

	2020			2019		
	Rupees	**Euro**	**GBP**	Rupees	Euro	GBP
Trade debts	-	-	-	-	-	-
Foreign currency deposits	**166,990**	459	387	152,219	459.00	387.00
Advance from customer	-	-	-	-	-	-
Gross balance sheet exposure	**166,990**	**459.00**	**387.00**	152,219	459.00	387.00

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rates	
	2020	2019	**2020**	2019
	Rupees			
Euro	**182.09**	**156.70**	**188.69**	**175.48**
GBP	**196.45**	**177.60**	**207.70**	**185.20**

Sensitivity Analysis

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

	Profit or loss
As at 30 June 2020	**Rupees**
Effect in Euros	251,222
Effect in GBP	162,917

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:

	Effective interest rate (%)		Carrying amount	
	2020	2019	**2020**	2019
			Rupees	
Short term borrowing	-	5.50%	0	1,454,504

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 2020	
Cash flow sensitivity - Variable rate instruments	-
As at 30 June 20119	
Cash flow sensitivity - Variable rate instruments	14,545

27.5 Credit risk

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

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

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

Credit Risk

	2020		2019	
	Balance Sheet	**Maximum exposure**	Balance Sheet	Maximum exposure
		Rupees		
Trade debts	**47,768**	**47,768**	1,409,493	1,409,493
Cash and bank balances	**1,599,723**	**1,599,723**	2,022,712	2,022,712
	1,647,491	**1,647,491**	3,432,205	3,432,205

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

	2020	2019
	Rupees	
European countries	-	-
Local	**1,539,723**	1,870,100
	1,539,723	1,870,100

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	**47,768**	1,409,493
	47,768	1,409,493

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

	2020		2019	
	Gross	**Impairment**	Gross	Gross
		Rupees		
Not past due	**47,768**	**-**	1,409,493	-

27.6 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):

	2020			
	Carrying Amount	**Contractual cash flows**	**Twelve months or less**	**Two to Five years**
		Rupees		
Non-Derivative Financial liabilities				
Short term borrowing	-	-	-	-
Trade and other payables	**1,225,085**	**1,225,085**	**1,225,085**	**-**
	1,225,085	**1,225,085**	**1,225,085**	**-**

	2019			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
		Rupees		
Short term borrowing	1,454,504	1,454,504	1,454,504	-
Trade and other payables	5,248,221	5,248,221	5,248,221	-
	6,702,725	6,702,725	6,702,725	-

27.7 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.

28 CAPACITY AND PRODUCTION	**2020**	2019
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	50	220
Actual production of bags - Pieces	5,874	11,481
Actual production of knitted panel hand made- Pieces	-	-
Percentage of capacity utilized	10%	19%

The production capacity remained under utilized due to worst scenario of Covid-19 and decreased orders from main market i.e. Central Europe.

29 NUMBER OF EMPLOYEES	**2020**	2019
Number of employees at June 30	26	38
Average Number of employees during the year	31	36

30 RECLASSIFICATION

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purposes of comparsion. Significant reclassifications made is as following:

From	To	Nature	Amount
Cost of Sales	**Comprehensive Income**		**Rupees**
Salaries wages and other beneifits	Other Comprehensive Income	Proper presentation	344,391

31 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on October 05, 2020 by the Board of Directors of the Company.

32 GENERAL

- Figures have been rounded off to the nearest rupee.

- Figures have been rearranged / reclassified where ever necessary

CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER	DIRECTOR

FORM OF PROXY

I / we ___________________ of __________________________ being a member(s) of Leather Up Ltd, and holder of _________________ Ordinary share as per share Register Folio? CDC Account No ________________hereby appoint ________________ folio / CDC Register Account No. ________________ of __________________ CNIC No or Passport No. ______________ or falling whom ________________ folio / CDC Account No ________________ 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 28th annual General Meeting of the company to be held on October 28, 2019 at 04.15. P.M and at any adjournment of there of.

As witness my / our hand this ______________ day of _________________ 2019 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 person 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 power of attorney or other authority (if any) under which is it signed or a notoriety certified copy of such power of authority, in order to be valid must be deposited at registered office of the company at least 48 hours before the time of meeting.

Signature should agree with the specimen signature registered with company.

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