



# Leather Limited

**REVIEWED FINANCIAL STATEMENTS  
(UN-AUDITED)  
FOR THE HALF YEAR ENDED  
DECEMBER 31, 2016**



# Leather Up Limited

## COMPANY PROFILE

### Board of Directors

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

### Board Audit Committee

Mohsin Khurseed	Chairman
Jazim Shah	Member
Mahmooda Shah	Member

### Human Resource Committee

Ali Kausar Khan	Chairman
Mahmood Shah	Member
S. Faisal Shah	Member

### Chief Financial Officer / Company Secretary

Shafqat Mahmood (Khokhar)

### Auditors

Abdan & Company , Chartered Accountants

### Legal Advisor

Maqbool Ahmad Bullo & Company  
Advocate

### Bankers

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

### Registered Office/Factory

Plot # 23/C, 15th Commercial Street Phase II Extension  
Defence Housing Authority, Karachi.

### Share Registrar Office

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



# Leather Up Limited

## DIRECTOR'S REPORT

The Directors of your company are pleased to present you Condensed Interim Financial Statements for the half year ended December 31, 2016 of the Company:

### Company Performance

The performance of your company for the period has been satisfactory in these trying times. The management of the company is trying its level best to explore new markets and get accelerate the momentum of export figures to the days to come.

The production graph of the company remains on its right direction resulted in export sales recorded 31% increased from the last preceding period. In rupee terms the company exported over Rs. 67.00 million and achieved 7.582 million of net profit which is commendable.

### Future Out look

The overall performance of the company has showed relatively good due to substantial orders received in leather products from the international market. The management expects to continue the same momentum in coming months. Under the circumstances, the management is making all out efforts to secure orders and has taken steps to cut operating expenses to minimum to withstand any lean period.

Due to uncertainty and recession in Europe from last couple of years, local market of leather garments industry has been hit badly. The management of your company is very keen to safeguard interest of shareholders of the company and trying its level best to explore new markets to remains the company as profit making entity.

### Workers Management Relation:

The management will like to put on the record the valued contribution of all members of the staff, workers towards achieving results in general and we wish to place our gratitude to the shareholders for their continued support in difficult times and hope to continue the same in the coming years. The workers management relationship remained excellent throughout the period, 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: February 24, 2016



**AUDITORS' REPORT TO THE MEMBERS ON  
REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION**

**Introduction**

We have reviewed the accompanying condensed interim balance sheet of Leather Up Limited as at December 31, 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2016 and December 31, 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

**Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Karachi: 24<sup>th</sup> February, 2017

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



# Leather Up Limited

## CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2016

	December 31, 2016 (Unaudited)	June 30, 2016 (Audited)
	Rupees	
<b>Non - Current Assets</b>		
Property, plant and equipment	18,045,661	17,830,492
<b>Current Assets</b>		
Stock in trade	97,415,452	83,095,206
Trade debts - considered good	650,600	4,791,139
Advances, deposits, prepayments and other receivables	15,187,044	16,432,254
Cash and bank balances	2,120,892	5,464,943
	115,373,988	109,783,542
	<u>133,419,649</u>	<u>127,614,034</u>
<b>Share Capital and Reserves</b>		
<b>Authorized Capital</b>		
6,000,000 (June 30, 2016: 6,000,000) ordinary shares of Rs. 10/- each	60,000,000	60,000,000
Issued, subscribed and paid up capital	60,000,000	60,000,000
General reserve	1,369,610	1,369,610
Accumulated loss	(8,759,432)	(15,591,906)
	52,610,178	45,777,704
Deferred liability - staff gratuity	3,517,577	3,517,577
<b>Current liabilities</b>		
Short term borrowing - secured	22,550,000	21,830,000
Loan from directors	296,478	104,546
Trade and other payables	53,699,054	54,895,399
Accrued markup	94,193	150,000
Provision for taxation	652,169	1,338,808
	77,291,894	78,318,753
<b>Contingencies and commitments</b>	-	-
	<u>133,419,649</u>	<u>127,614,034</u>

The annexed notes form integral part of these financial statements

Khalid H. Shah  
(Chief Executive)

S. Faisal Shah  
(Director)



# Leather Up Limited

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2016

	For the half year ended		For the quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	Rupees		Rupees	
Sales - net	7 67,828,154	51,774,500	31,421,105	16,976,469
Cost of sales	8 (51,942,851)	(38,156,529)	(23,711,247)	(11,057,670)
<b>Gross profit</b>	<b>15,885,303</b>	<b>13,617,971</b>	<b>7,709,858</b>	<b>5,918,799</b>
<b>Operating expenses</b>				
Administrative expenses	9 (2,676,407)	(2,887,050)	(1,071,963)	(1,478,997)
Distribution cost	(3,999,281)	(2,927,115)	(1,747,360)	(713,593)
	<b>(6,675,688)</b>	<b>(5,814,165)</b>	<b>(2,819,323)</b>	<b>(2,192,590)</b>
<b>Operating profit</b>	<b>9,209,615</b>	<b>7,803,806</b>	<b>4,890,535</b>	<b>3,726,209</b>
Finance cost	(831,228)	(783,451)	(507,193)	(521,353)
Other income	(143,744)	(216,404)	(121,954)	(163,881)
	<b>(974,972)</b>	<b>(999,855)</b>	<b>(629,147)</b>	<b>(685,234)</b>
<b>Profit before taxation</b>	<b>8,234,643</b>	<b>6,803,951</b>	<b>4,261,388</b>	<b>3,040,975</b>
Taxation	(652,169)	(522,136)	(288,099)	(182,789)
<b>Profit after taxation</b>	<b>7,582,474</b>	<b>6,281,815</b>	<b>3,973,289</b>	<b>2,858,186</b>
<b>Earnings per share - basic and diluted</b>	<b>1.26</b>	<b>1.05</b>	<b>0.66</b>	<b>0.48</b>

The annexed notes form integral part of these financial statements

**Khalid H. Shah**  
(Chief Executive)

**S. Faisal Shah**  
(Director)



# Leather Up Limited

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2016

	For the half year ended		For the quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	—————Rupees—————		—————Rupees—————	
Profit after taxation	7,582,474	6,281,815	3,973,289	2,858,186
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>7,582,474</u>	<u>6,281,815</u>	<u>3,973,289</u>	<u>2,858,186</u>

The annexed notes form integral part of these financial statements

**Khalid H. Shah**  
(Chief Executive)

**S. Faisal Shah**  
(Director)



# Leather Up Limited

## CONDENSED INTERIM CASH FLOW STATEMENT (UN AUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2016

	December 31, 2016	December 31, 2015
	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	8,234,643	6,803,951
<b>Adjustments for non cash and other items:</b>		
Depreciation	171,967	182,340
Provision for gratuity	-	-
Exchange gain	-	-
Finance cost	831,228	741,446
	<u>1,003,195</u>	<u>923,786</u>
<b>Operating cashflows before working capital changes</b>	<b>9,237,838</b>	<b>7,727,737</b>
<b>Changes in working capital</b>		
<b>(Increase) / decrease in current assets</b>		
Stock in trade	(14,320,246)	(15,917,540)
Trade debts	4,140,539	(1,230,271)
Advances, deposit, prepayments and other receivable	388,924	(14,362,381)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	(1,509,956)	24,350,857
	<u>(11,300,739)</u>	<u>(7,159,335)</u>
<b>Cash (used in) / generated from operations</b>	<b>(2,062,901)</b>	<b>568,402</b>
Taxes paid	(482,523)	(1,717,008)
Dividend paid	(436,389)	-
Finance cost paid	(887,035)	(933,446)
<b>Net cash (used in) / generated from operating activities</b>	<b>(3,868,848)</b>	<b>(2,082,052)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to property, plant and equipment	(387,135)	(136,882)
<b>Net cash used in investing activities</b>	<b>(387,135)</b>	<b>(136,882)</b>
<b>Net cashflow from financing activities</b>		
Loan from directors	191,932	2,423,638
	<u>191,932</u>	<u>2,423,638</u>
Net increase / (decrease) in cash and cash equivalents	(4,064,051)	799,865
Cash and cash equivalents at the beginning of the period	(16,365,057)	(8,344,826)
Cash and cash equivalents at the end of the period	<u>(20,429,108)</u>	<u>(7,544,961)</u>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balance	2,120,892	755,039
Short term borrowing	(22,550,000)	(8,300,000)
	<u>(20,429,108)</u>	<u>(7,544,961)</u>

The annexed notes form integral part of these financial statements

**Khalid H. Shah**  
(Chief Executive)

**S. Faisal Shah**  
(Director)





# Leather Up Limited

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2016

	Share Capital	General Reserve	Accumulated Loss	Total
	Rupees			
Balance as at July 1, 2015	60,000,000	1,369,610	(26,117,621)	35,251,989
Total comprehensive loss for the period (Unaudited)	-	-	6,281,815	6,281,815
Balance as at December 31, 2015	<u>60,000,000</u>	<u>1,369,610</u>	<u>(19,835,806)</u>	<u>41,533,804</u>
Balance as at January 1, 2016	60,000,000	1,369,610	(19,835,806)	41,533,804
Total comprehensive Income for the period	-	-	4,243,900	4,243,900
Balance as at June 30, 2016 (Audited)	<u>60,000,000</u>	<u>1,369,610</u>	<u>(15,591,906)</u>	<u>45,777,704</u>
Balance as at July 1, 2016	60,000,000	1,369,610	(15,591,906)	45,777,704
Dividend to minority shareholders 2.50% for the year ended June 30, 2016			(750,000)	(750,000)
Total comprehensive Income for the period (Unaudited)	-	-	7,582,474	7,582,474
Balance as at December 31, 2016	<u>60,000,000</u>	<u>1,369,610</u>	<u>(8,759,432)</u>	<u>52,610,178</u>

The annexed notes form integral part of these financial statements

**Khalid H. Shah**  
(Chief Executive)

**S. Faisal Shah**  
(Director)



*Leather Up Limited*

## **NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2016**

### **1 LEGAL STATUS AND NATURE OF BUSINESS**

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

### **2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

The condensed interim financial information are un-audited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi Stock Exchange. The condensed interim financial information have been prepared in accordance with the requirements of the International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan. The condensed interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2016. The figures for the half year ended December 31, 2016 have been subject to limited scope review by the auditors as required by the Code of Corporate Governance.

This condensed interim financial information comprises of the condensed interim balance sheet as at December 31, 2016 and the condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and the condensed interim cash flow statement for the half year then ended which have been subject to a review but not audited. This condensed interim financial information also includes the condensed interim profit and loss account for the quarter ended December 31, 2016 which is not subject to a review.

The comparative condensed balance sheet, presented in this condensed interim financial information, as at June 30, 2016 has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2016 whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement for the half year ended December 31, 2016 have been extracted from the condensed interim financial information for the half year ended December 31, 2016 which were subject to a review but not audit. The comparative condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2016 included in this condensed interim financial report was not subject to a review.



# Leather Up Limited

### 3 SIGNIFICANT ACCOUNTING POLICIES

These interim financial information have been prepared using the same accounting convention, basis of preparation and significant accounting policies as those applied in the preparation of the audited financial statements for the year ended June 30, 2016.

### 4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the condensed interim financial information in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision. In preparing the condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding published annual financial information of the Company as at and for the year ended June 30, 2016.

		December 31, 2016	June 30, 2016
		—————Rupees —————	
<b>5 PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>Note</b>		
Operating Fixed Assets	<b>5.1</b>	<b>18,045,661</b>	<b>17,830,493</b>
<b>5.1 Operating Fixed Assets</b>			
Opening WDV		<b>17,830,493</b>	17,999,042
Additions to property, plant & equipment during the period			
Lease hold land		-	-
Building on leasehold land		-	-
Plant and machinery		<b>387,135</b>	180,000
<b>Vehicles</b>		-	-
Furniture and fixtures		-	-
Office equipments		-	-
		<b>387,135</b>	180,000
Depreciation for the period		<b>(171,967)</b>	(348,549)
Closing WDV		<b>18,045,661</b>	<b>17,830,493</b>



# Leather Up Limited

## 6 CONTINGENCIES AND COMMITMENTS

### Contingencies

Contingencies remain same as at December 31, 2016 as disclosed in the audited annual financial statements for the year ended June 30, 2016.

### Commitments

Commitments for export sales as at December 31, 2016 is Rs. 80.0 million (June 30, 2016: Rs. 40.0 million)

## 7. RELATED PARTIES TRANSACTION

	2016	2015
Loan from Directors	296,478	377,866

The board of directors of the company has decided not to accrue directors remuneration for the half year ended December 31, 2016. The single executive director remains to get remuneration has agreed to forgo his part of remuneration for the period under review in the interest of the company

## 8 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 24-02-2017 by the Board of Directors of the Company.

## 9 GENERAL

Figures have been rounded off to the nearest rupee.

**Khalid H. Shah**  
(Chief Executive)

**S. Faisal Shah**  
(Director)

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*Leather Up Limited*

Plot No. 23/C, 15th Commercial Street, Phase II Ext.  
Defence Housing Authority, Karachi.

Phone : 35880771 - 35880772

Fax : 35880773