



# *Leather Limited*

**REVIEWED FINANCIAL STATEMENTS  
(UN-AUDITED)  
FOR THE HALF YEAR ENDED  
DECEMBER 31, 2014**



# Leather Up Limited

## COMPANY PROFILE

### Board of Directors

S. Khalid H. Shah	Chief Executive/ Director
Gulnaz K. Shah	Director
Rashida A. Shah	Director / Chairman
S. Faisal Shah	Director
Naheed Parveen Fayyaz	Director
Shahjahan Shah	Director
Ali Kausar Khan	Director

### Board Audit Committee

S. Faisal Shah	Chairman
Shahjahan Shah	Member
Rashida A. Shah	Member

### Human Resource Committee

Naheed Parveen Fayyaz	Chairman
GulnazK. Shah	Member
Ali Kausar Khan	Member
Shahjahan 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.

### 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 Metroplole, Karachi-75530



# Leather Up Limited

## DIRECTOR'S REPORT

The Directors of your company are pleased to present you Reviewed Financial Statements for the half year ended December 31, 2014 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 comparatively better and satisfactory. In rupee terms the company exported over Rs. 57.00 million and achieved 6.881 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 bags 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.

### **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

Karachi: February 23, 2015

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



**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, 2014 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial information"), for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. 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, 2014 and December 31, 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2014.

**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 reasonable 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.

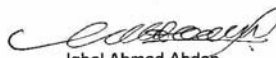
**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim unconsolidated financial information as at December 31, 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

**Emphasis of Matter**

Without qualifying our review opinion, we report that the going concern assumption used by the management in the preparation of the annexed financial statement is dependent on the ultimate outcome of the matter disclosed in the note 1 thereof.

Karachi: February 23, 2015

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



# Leather Up Limited

## CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2014

ASSETS	Note	December 31, 2014 (UNAUDITED) Rupees	June 30, 2014 (AUDITED) Rupees
<b>Non - Current Assets</b>			
Property, plant and equipment	5	18,186,870	18,232,328
<b>Current Assets</b>			
Stock in trade		66,524,681	50,607,141
Trade debts - considered good		2,050,263	819,992
Advances, deposits, prepayments and other receivables		24,803,386	10,389,675
Cash and bank balances		755,039	705,174
		<b>94,133,369</b>	62,521,982
		<b>112,320,239</b>	<b>80,754,310</b>
<b>Share Capital and Reserves</b>			
<b>Authorized Capital</b>			
6,000,000 (June 30, 2014: 6,000,000) ordinary shares of Rs. 10/- each		<b>60,000,000</b>	60,000,000
<b>Issued, subscribed and paid up capital</b>			
General reserve		60,000,000	60,000,000
Accumulated loss		1,369,610	1,369,610
		<b>(26,607,471)</b>	<b>(33,488,880)</b>
		<b>34,762,139</b>	27,880,730
Deferred liability - staff gratuity		1,138,171	1,138,171
<b>Current liabilities</b>			
Short term borrowing - secured		8,300,000	9,050,000
Loan from directors		5,161,775	2,738,137
Trade and other payables		62,440,451	38,089,594
Accrued markup		-	192,000
Provision for taxation		517,703	1,665,678
		<b>76,419,929</b>	51,735,409
<b>Contingencies and commitments</b>	6	<b>-</b>	<b>-</b>
		<b>112,320,239</b>	<b>80,754,310</b>

The annexed notes form integral part of these financial statements

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

**Shahjahan Shah**  
(Director)



# Leather Up Limited

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2014

	FOR THE HALF YEAR ENDED		FOR THE QUARTER ENDED	
	December 31, 2014 Rupees	December 31, 2013 Rupees	December 31, 2014 Rupees	December 31, 2013 Rupees
Sales - net	57,391,307	70,296,346	17,341,685	45,361,121
Cost of sales	(42,842,057)	(56,941,683)	(11,062,421)	(37,712,554)
<b>Gross profit</b>	<b>14,549,250</b>	<b>13,354,663</b>	<b>6,279,264</b>	<b>7,648,567</b>
<b>Operating expenses</b>				
Administrative expenses	(3,571,460)	(3,494,769)	(1,685,263)	(2,115,333)
Distribution cost	(2,621,508)	(4,176,676)	(355,251)	(2,662,786)
	(6,192,968)	(7,671,445)	(2,040,514)	(4,778,119)
<b>Operating profit</b>	<b>8,356,282</b>	<b>5,683,218</b>	<b>4,238,750</b>	<b>2,870,448</b>
Finance cost	(741,446)	(714,996)	(379,543)	(489,792)
Other income	(215,724)	(175,043)	(97,392)	(175,043)
	(957,170)	(890,039)	(476,935)	(664,835)
<b>Profit before taxation</b>	<b>7,399,112</b>	<b>4,793,179</b>	<b>3,761,815</b>	<b>2,205,613</b>
Taxation	(517,703)	(679,505)	(124,418)	(434,786)
<b>Profit after taxation</b>	<b>6,881,409</b>	<b>4,113,674</b>	<b>3,637,397</b>	<b>1,770,827</b>
<b>Earnings per share - basic and diluted</b>	<b>1.15</b>	<b>0.69</b>	<b>0.61</b>	<b>0.30</b>

The annexed notes form integral part of these financial statements

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

**Shahjahan Shah**  
(Director)



## Leather Up Limited

### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2014

	FOR THE HALF YEAR ENDED		FOR THE QUARTER ENDED	
	December 31, 2014 Rupees	December 31, 2013 Rupees	December 31, 2014 Rupees	December 31, 2013 Rupees
Profit after taxation	6,881,409	4,113,674	3,637,397	1,770,827
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	<u>6,881,409</u>	<u>4,113,674</u>	<u>3,637,397</u>	<u>1,770,827</u>

The annexed notes form integral part of these financial statements

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

**Shahjahan Shah**  
(Director)



# Leather Up Limited

## CONDENSED INTERIM CASH FLOW STATEMENT (UN AUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2014

	December 31, 2014 Rupees	December 31, 2013 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	7,399,112	4,793,179
<b>Adjustments for non cash and other items:</b>		
Depreciation	182,340	148,695
Provision for gratuity	-	-
Exchange gain (loss)	-	(45,232)
Finance cost	741,446	714,996
	<u>923,786</u>	<u>818,459</u>
<b>Operating cashflows before working capital changes</b>	<b>8,322,898</b>	<b>5,611,638</b>
<b>Changes in working capital</b>		
<b>(Increase) / decrease in current assets</b>		
Stock in trade	(15,917,540)	(34,109,782)
Trade debts	(1,230,271)	(391,677)
Advances, deposit, prepayments and other receivable	(14,362,381)	(6,711,074)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	24,350,857	35,865,694
	<u>(7,159,335)</u>	<u>(5,346,839)</u>
<b>Cash (used in) / generated from operations</b>	<b>1,163,563</b>	<b>264,799</b>
Taxes paid	(1,717,008)	399,726
Finance cost paid	(933,446)	(708,947)
<b>Net cash (used in) / generated from operating activities</b>	<b>(1,486,891)</b>	<b>(44,422)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to property, plant and equipment	(136,882)	(1,049,043)
<b>Net cash used in investing activities</b>	<b>(136,882)</b>	<b>(1,049,043)</b>
<b>Net cashflow from financing activities</b>		
Loan from directors	2,423,638	2,891,537
	<u>2,423,638</u>	<u>2,891,537</u>
Net increase / (decrease) in cash and cash equivalents	799,865	1,798,072
Cash and cash equivalents at the beginning of the period	(8,344,826)	(7,112,302)
Cash and cash equivalents at the end of the period	<u>(7,544,961)</u>	<u>(5,314,230)</u>
Cash and cash equivalents comprise the following:		
Cash and bank balance	755,039	2,685,770
Short term borrowing	(8,300,000)	(8,000,000)
	<u>(7,544,961)</u>	<u>(5,314,230)</u>

The annexed notes form integral part of these financial statements

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

**Shahjahan Shah**  
(Director)





# Leather Up Limited

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2014

	Share Capital	Revenue Reserve	Accumulated Loss	Total
	-----Rupees-----			
Balance as at July 1, 2013	60,000,000	1,369,610	(39,121,384)	22,248,226
Total comprehensive loss for the period (Unaudited)	-	-	4,113,674	4,113,674
<b>Balance as at December 31, 2013</b>	<b>60,000,000</b>	<b>1,369,610</b>	<b>(35,007,710)</b>	<b>26,361,900</b>
Balance as at January 1, 2014	60,000,000	1,369,610	(35,007,710)	26,361,900
Total comprehensive Income for the period	-	-	1,518,830	1,518,830
<b>Balance as at June 30, 2014 (Audited)</b>	<b>60,000,000</b>	<b>1,369,610</b>	<b>(33,488,880)</b>	<b>27,880,730</b>
Balance as at July 1, 2014	60,000,000	1,369,610	(33,488,880)	27,880,730
Total comprehensive Income for the period (Unaudited)	-	-	6,881,409	6,881,409
<b>Balance as at December 31, 2014</b>	<b>60,000,000</b>	<b>1,369,610</b>	<b>(26,607,471)</b>	<b>34,762,139</b>

The annexed notes form integral part of these financial statements

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

**Shahjahan Shah**  
(Director)



*Leather Up Limited*

**NOTES TO THE CONDENSED INTERIM  
FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE PERIOD ENDED DECEMBER 31, 2014**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

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

The company is principally engaged in manufacturing and export of leather products. The production facilities are located at plot # 23/C, 15th Commercial Street Phase II Extension, DHA, Karachi. During the period company has incurred net profit of Rs. 6.881 million. Accumulated loss is Rs. 26.607 million as at December 31, 2014 resulted decreased by Rs. 8.400 million. The company's current assets exceeds its current liabilities by Rs. 17.713 million resulted in improved current ratio. Under the circumstances, the management is making all its efforts to secure orders and has taken steps to cut operating expense to a minimum. Subsequent to the period end, the company has further succeeded in securing export orders and shipped goods amounting to Rs. 23.00 million and have in hand orders of another Rs. 20.00 million. Based on the above, management estimates future cash flow and profitability and believes current loss and liquidity issue will overcome in future and these factors expected to have a positive impact on the profitability of the company. Accordingly, these accounts are prepared on going concern basis.

**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, 2014. The figures for the half year ended December 31, 2014 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, 2014 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, 2014 which is not subject to a review.



# Leather Up Limited

The comparative condensed balance sheet, presented in this condensed interim financial information, as at June 30, 2014 has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2014 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, 2013 have been extracted from the condensed interim financial information for the half year ended December 31, 2013 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, 2013 included in this condensed interim financial report was not subject to a review.

### 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, 2014, except for the changes described in note 3.1.

#### 3.1 New standards, amendments to approved accounting standards and new interpretations which became effective during the six months period ended December 31, 2014:

There were certain new standards, amendments to the approved accounting standards and new interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) which became effective during the period but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

#### 3.2 New standards, amendments to approved accounting standards and new interpretations that are not yet effective and have not been early adopted by the Company:

There are certain new amendments to the approved accounting standards that are mandatory for accounting periods beginning after July 1, 2014, but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

### 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, 2014.



# Leather Up Limited

	Note	December 31, 2014 Rupees	June 30, 2014 Rupees
<b>5 PROPERTY, PLANT &amp; EQUIPMENT</b>			
Operating Fixed Assets	5.1	<u>18,186,870</u>	<u>18,232,328</u>
<b>5.1 Operating Fixed Assets</b>			
Opening WDV		18,232,328	16,730,320
<b>Additions to property, plant &amp; equipment during the period</b>			
Lease hold land		-	-
Building on leasehold land		-	426,581
Plant and machinery		-	725,500
Vehicles		-	120,900
Furniture and fixtures		85,632	238,320
Office equipments		51,250	324,965
		<u>136,882</u>	<u>1,836,266</u>
Depreciation for the period		<u>(182,340)</u>	<u>(334,258)</u>
Closing WDV		<u>18,186,870</u>	<u>18,232,328</u>

## 6 CONTINGENCIES AND COMMITMENTS

### Contingencies

Contingencies remain same as at December 31, 2014 as disclosed in the audited annual financial statements for the year ended June 30, 2014.

### Commitment

Commitments for export sales as at December 31, 2014 is Rs. 43.00 million (June 30, 2014: Rs.35.0 million)

## 7 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on February 23, 2015 by the Board of Directors.

## 8 GENERAL

Figures have been rounded off to the nearest rupee.

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

**Shahjahan Shah**  
(Director)

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