Leather Up Limited

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2015

CONTENTS

Vision

An Internationally Recognized Manufacturer, 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.

COMPANY PROFILE

Board of Directors

S. Khalid H. Shah	Chief Executive/ Director
Mahmooda Shah	Director
S. Faisal Shah	Director / Chairman
Jazim Shah	Director
Naheed Parveen Fayyaz	Director
Farooq Raza	Director
Ali Kausar Khan	Director

Board Audit Committee

Jazim Shah	Chairman
Farooq Raza Shah	Member
Mahmooda Shah	Member

Human Resource Committee

Naheed Parveen Fayyaz	Chairman
Farooq Raza	Member
Ali Kausar Khan	Member
Jazim 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

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

NOTICE OF ANNUAL GENERAL MEETING
FOR THE YEAR ENDED JUNE 30, 2015

Notice is hereby given that the 24th annual general meeting of Leather Up Limited will be held on Saturday, October 31, 2015 at 6.00 p.m. at C- 38, Shalimar Garden, Darussalam Housing Society, Near Indus Hospital, Korangi Crossing, Karachi to transact the following businesses:

1- To confirm the minutes of the Annual General Meeting held on 30th October, 2014

2- To receive consider and adopt the annual audited accounts of the company for the year ended June 30, 2015 together with the Directors' and Auditors' Report thereon.

3- To appoint auditors for the year ending June 30, 2016 and to fix their remuneration. The present auditors M/s Abdan & Company Chartered Accountants being eligible have offered themselves for reappointment.

4- To elect 7 (seven) Directors as fixed by the Board of Directors of the company, in accordance with the provision of Section 178 (5) of the Companies Ordinance, 1984 for a term of 3 (three) years.

The number of Directors fixed by the Board of Directors in their meeting held on 23rd September, 2015 pursuant to Section 178 (1) of the Companies Ordinance, 1984 is 7 (seven).The retiring directors are:

1- Mr. S. Khalid H. Shah
2- Mrs. Naheed Parveen Fayyaz
3- Ms. Mahmooda Shah
4- Mr. Farooq Raza
5- Mr. S. Faisal Shah
6- Mr. Jazim Shah
7- Mr. Ali Kausar Khan

The retiring directors are eligible for re-election.

5- To transact any other business with the permission of the Chair.

Dated: October 09, 2015
Karachi

By Order of the Board

Shafqat Mahmood Khokhar
(Company Secretary)

Note:

The share transfer book of the company shall remain closed from 28-10-2015 to 04-11-2015 (both days inclusive).

A member entitled to attend and vote at the Meeting may appoint another member as his/ her proxy to attend, speak and vote on his/her behalf. The instrument appointing the Proxy and the power of attorney or other authority under which it is signed or a notarized attested copy must be submitted at the Share Registrar office M/s. C & K Management Associates (Pvt) Limited, 404, Trade Tower, Abdullah Haroon Road, Near Hotel Metropole, Karachi-75530, not less than 48 hours before the times of holding the Meeting.

Members are requested to notify immediately changes, if any, in their registered address.

CDC Account Holders will have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

Any person, who intends to contest the election to the office of the director or otherwise, file with the company at its Head Office not later than fourteen (14) days before the date of annual general meeting a notice of his /her intention to offer himself/herself for election as director.

DIRECTORS REPORT

The Directors of your company are pleased to present you herewith-24th Annual Report together with the Audited Accounts of the Company and the Auditor's Report thereon:

	30-06-2015 Rupees	30-06-2014 Rupees
Profit/(Loss) before taxation	**9,876,352**	7,108,904
Provision for taxation	**(1,181,289)**	(1,665,678)
Profit (Loss) after tax	**8,695,063**	5,443,226
Other Comprehensive Income	**(1,323,804)**	189,278
Total Comprehensive Income for the year	**7,371,259**	5,632,504
Accumulated loss carried forward from last year	**(33,488,880)**	(39,121,384)
Accumulated loss brought forward to balance sheet	**(26,117,621)**	(33,488,880)
Earnings per share after tax	**1.45**	(0.91)

Company Performance

The performance of your company for the year has been satisfactory in these trying times. The management of the company is trying its level best to cut operating expenses and to explore new markets to get back the company as profit making entity.

The export sale of the company successfully achieved during the year amounting to Rs. 114.147 million and recorded Rs. 165.196 million last preceding year.

Future Out look

As a result of vigorous efforts made by the management, the company managed to increase profit in difficult circumstances. The management is also making all out efforts to secure orders and has taken steps to cut operating and other expenses to minimum to withstand any lean period. Subsequent to the year at the first quarter ended September, 2015, the company has further succeeded in securing export orders for the year 2015-16 and shipped goods over to Rs. 33.00 million against leather products, which are expected to continue till the conclusion of the year.

Appointment of Auditors:

The auditors, M/s. Abdan & Company, Chartered Accountants retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment. As suggested by the Audit Committee, the Board of Directors has recommended appointing Messrs Abdan & Company, Chartered Accountants as Auditors of the Company for the year ending June 30, 2016.

Compliance with the Code of Corporate Governance

The "Statement of Compliance with the Code of Corporate Governance" (CCG) is annexed.

- The financial statements, prepared by the management of the Company, present its state of affair fairly, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards (IAS), as applicable in Pakistan, has been followed in preparation of the financial statements and departures, if any, have been adequately disclosed.
- The system of internal control and other such procedures, which are in place, are being continuously reviewed by the internal audit function. The process will continue and any weakness in controls will be removed.
- There are no doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Detail of significant deviations in the company's operations during the current year are stated in the Chairman's Review.
- Key operating and financial data for the last six years in summarized form have been included in the annual report.
- Information regarding taxes and levies is given in the notes to the financial statements.
- The share holdings of the sponsors/ directors have been shown on individual basis.
- The number of employees at the end of the year was 32 (2014: 45).

During the year four (4) meetings of the Board of Directors were held. Attendance by each Director is as follows:

S. Khalid H. Shah	4
Naheed Parveen Fayyaz	4
Gulnaz K. Shah	2
S. Faisal Shah	4
Shahjahan Shah	2
Ali Kausar Khan	4
Rashida A. Shah	2
Farooq Raza	1
Mahmooda Shah	1
Jazim Shah	1

Three casual vacancies have occurred during the year under review. These vacancies were filled up by directors within 90 days.

The Board of Directors of the Company has decided not to accrue directors' remuneration for the year ended June 30, 2015. The two executive directors have agreed to forgo their part of the remuneration for the year under review in the interest of the company.

The pattern of shareholding 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

S. Khalid H. Shah
(Chief Executive)

Karachi: October 06, 2015

6 YEARS AT A GLANCE

6 YEARS AT A GLANCE

PARTICULARS	2015	2014	2013	2012	2011	2010
FAINANCIAL POSITION						
Paid up Capital	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000
General Reserves	1,369,610	1,369,610	1,369,610	1,369,610	1,369,610	1,369,610
Fixed Assets at Cost	30,721,451	30,584,569	28,748,303	28,748,303	29,158,338	29,093,338
Accumulated Depreciation	12,722,409	12,352,241	12,017,983	11,799,122	11,974,115	11,698,781
Current Assets	73,513,281	62,521,982	37,087,304	47,434,210	56,505,995	24,170,377
Current Liabilities	53,665,685	51,735,409	29,257,060	37,932,431	47,101,336	17,381,434
INCOME/REVENUE						
Sales Revenue	114,147,074	165,196,180	24,087,870	71,534,699	71,482,395	18,348,276
Other Income/(Loss)	74,474	(102,269)	115,940	1,013,659	282,529	428,049
Pre-Tax Profit/ (Loss)	9,876,352	7,108,905	(1,821,922)	1,124,037	2,790,938	(8,836,998)
Taxation	(1,181,289)	(1,665,678)	(257,752)	(707,186)	(871,322)	(184,434)
PERCENTAGE AND RATIO						
Pre-Tax (Loss) Profit to sales %	8.65	4.30	(7.56)	1.57	3.90	(48.16)
Pre-Tax Profit (Loss) to Capital %	16.46	11.85	(3.03)	1.87	4.65	(14.73)
Current Ratio	1.37:1	1.21:1	1.27:1	1.25:1	1.20:1	1.39:1
Paid- Up Value per Share	10	10	10	10	10	10
Earnings (Loss) per Share after Tax (Rs)	1.45	0.91	(0.35)	0.07	0.32	(1.50)
Cash Dividend	Nil	Nil	Nil	Nil	2.50%	Nil
Retained/ (Loss) Earnings per Share (Rs)	(4.35)	(5.58)	(6.52)	(6.17)	(6.12)	(6.44)
Break-Up Value per Share	5.88	4.64	3.71	4.05	4.11	3.79

PATTERN OF SHAREHOLDING (FORM 34)
As at June 30, 2015

NO. OF SHOLD	SHARE HOLDING FROM		TO	TOTAL SHARES HOLD
980	1	-	100	71,118
579	101	-	500	276,540
103	501	-	1000	101,335
119	1001	-	5000	320,199
20	5001	-	10000	166,000
7	10001	-	15000	92,800
3	15001	-	20000	47,701
4	20001	-	25000	97,500
2	25001	-	30000	57,500
3	40001	-	45000	122,500
3	45001	-	50000	148,500
1	50001	-	55000	54,000
2	55001	-	60000	111,075
1	60001	-	65000	60,708
1	65001	-	70000	65,524
1	70001	-	75000	73,700
1	80001	-	85000	81,100
1	85001	-	90000	89,000
1	90001	-	95000	92,000
3	95001	-	100000	297,300
1	105001	-	110000	109,000
1	115001	-	120000	120,000
1	235001	-	240000	240,000
2	295001	-	300000	600,000
1	345001	-	350000	345,400
1	760001	-	765000	760,100
1	1395001	-	1400000	1,399,400
1843		**Total**		**6,000,000**

S/R NO.	CATAGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARES HOLD	PERCENTAGE %
1	INDIVIDUALS	1837	5,994,720	99.91
2	INVESTMENT COMPANIES	1	3,700	0.06
3	JOINT STOCK COMPANIES	5	1,580	0.03
		1843	**6,000,000**	**100.00**

ADDITIONAL INFORMATION

	Number of Shareholder	Number of Share Held
Associated Companies (name wise details)		
NIT & ICP (name wise details)		
Directors CEO and their Spouse and minor children (Name wise detail)		
Mr. Khalid H. Shah	1	1,399,400
Mr. Syed Raza Shah	1	300,000
Mr. Farooq Raza	1	100
Ms. Mahmooda Shah	1	100
Mr. Jazim Shah	1	100
Mrs. Gulnaz Khursheed Shah	1	240,000
Mr. S. Faisal Shah	1	100
Mr. Nazeer H. Shah	1	760,100
Mr. Zain Shah	1	300,000
Mrs. Naheed Parveen Fayyaz	1	100
Mr. Ali Kausar Khan	1	60,708
Executives	-	
Public Sector companies & corporation	-	
Finance Institution	1	3,700

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended June 30, 2015

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

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

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

Category	Names
Independent Directors	Nil
Executive Directors	Mr. Khalid H. Shah
Non-Executive Directors	Mrs. Naheed Parveen Fayyaz Ms. Mahmooda Shah Mr.Jazim shah Mr. Farooq Raza Mr. Ali Kausar Khan Mr. S. Faisal Shah

These persons have resigned and replaced by following persons as directors on the Board of the company on April 04, 2015:

Outgoing Directors	In coming Directors
Mr. Shahjahan Shah	Ms. Mahmooda Shah
Mrs. Rashida A. Shah	Mr. Farooq Raza
Mrs. Gulnaz K. Shah	Mr. Jazim Shah

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.

4. The (03) directors of the company have resigned on their personal engagements during the year, therefore, casual vacancy in board of directors of the company occurred and the same refilled with new directors accordingly.

5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed vision and mission statements, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Chief Financial Officer and Company Secretary attended all the meetings. The Board meets at least once in every quarter. Written notices of the Board meetings along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded, circulated and signed by the Chairman of the meeting of the Board of Directors.

9. The Board has not arranged orientation course for its directors during the year to apprise them of their duties and responsibilities. The directors have kept themselves abreast of the duties and responsibilities as per the amended Code of Corporate Governance and the company has an arrangement to hold orientation course for their directors in coming year.

10. The Board has approved terms of appointment and remunerations of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The CEO and CFO duly endorsed the financial statements of the Company before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises three non-executive directors and no Independent Director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises four members and all are non executive directors and having no Independent director.

18. The Board has set-up of an effective internal audit function and that is involved in the Internal Audit on full time basis relating to the business and other affairs of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The related party transactions have been placed before the audit committee and approved by the Board of Directors along with pricing methods for transactions carried out on terms equivalent to those that prevail in the arm's length transactions.

22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

23. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board

S. Khalid H. Shah
(Chief Executive Officer)
Karachi: October 06, 2015

ABDAN & CO.
CHARTERED ACCOUNTANTS

Chartered Accoutants

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Leather Up Limited** for the year ended **June 30, 2015** to comply with the requirements of Listing Regulation No(s) 35 (Chapter XI) of the Karachi Stock Exchange Limited, where the Company is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended **June 30, 2015**.

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

2/37, 39, Arkay Square, (Main Shahrah-e-Liaquat, Karachi, Phones: 32424194 - 32423407 - 32429177
Fax: (92-21) 3241771 Email : abdan@cyber.net.pk Website : www.abdan.com

Note reference		Description	Non-Compliance
i)	1	Composition of the board	No Independent Director
ii)	9	Orientation course for Directors	No such course arranged
iii)	15	Audit Committee	No independent Director in Audit Committee
iv)	17.	HR and Remuneration Committee	No independent Director in HR and Remuneration Committee

Karachi.
Date: October 6, 2015

IQBAL AHMAD ABDAN
Abdan & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **LEATHER UP LIMITED** as at **30 June 2015**, and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion—

i) the balance sheet, profit and loss account and statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

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

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2/37, 39, Arkay Square, (Main Shahrah-e-Liaquat, Karachi, Phones: 32424194 - 32423407 - 32429177
Fax: (92-21) 3241771 Email : abdan@cyber.net.pk Website : www.abdan.com

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at **30 June 2015** and of the profit, total comprehensive income, its cash flows and changes in equity for the year ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

IQBAL AHMAD ABDAN
ABDAN & CO
Chartered Accountants

Karachi
Dated: October 06, 2015

BALANCE SHEET
AS AT JUNE 30, 2015

	Notes	2015	2014
		Rupees	
Non - Current Assets			
Property, plant and equipment	4	**17,999,042**	18,232,328
Current Assets			
Stock in trade	5	**58,805,167**	50,607,141
Trade debts - considered good		**2,114,079**	819,992
Advances, deposit, prepayments and other receivables	6	**11,935,217**	10,389,675
Cash and bank balances	7	**658,818**	705,174
		73,513,281	62,521,982
		91,512,323	80,754,310
Share Capital and Reserves			
Authorized Capital			
6,000,000 (2014: 6,000,000) ordinary shares of Rs. 10/- each		**60,000,000**	60,000,000
Issued, subscribed and paid up capital	8	**60,000,000**	60,000,000
General reserve		**1,369,610**	1,369,610
Accumulated loss		**(26,117,621)**	(33,488,880)
		35,251,989	27,880,730
Deferred liability - staff gratuity	9	**2,594,649**	1,138,171
Current liabilities			
Short term borrowing - secured	10	15,000,000	9,050,000
Loan from directors		1,714,219	2,738,137
Trade and other payables	11	35,608,095	38,089,594
Accrued markup		162,082	192,000
Provision for taxation		1,181,289	1,665,678
		53,665,685	51,735,409
Contingencies and commitments	12	**-**	-
		91,512,323	80,754,310

The annexed notes from 1 to 27 form an integral part of these financial statements

S. Khalid H. Shah
Chief Executive

S. Faisal Shah
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		Rupees	
Sales - net	13	**114,147,074**	165,196,180
Cost of sales	14	**(89,998,719)**	(139,560,686)
Gross profit		**24,148,354**	25,635,494
Operating expenses			
Administrative expenses	15	**(5,453,840)**	(6,221,860)
Distribution cost	16	**(6,247,134)**	(9,405,068)
		(11,700,974)	(15,626,928)
Operating profit		**12,447,380**	10,008,566
Finance cost	17	**(1,590,049)**	(2,157,234)
Other income	18	**74,474**	(102,269)
Other operating expenses	19	**(1,055,454)**	(640,159)
		(2,571,029)	(2,899,662)
Profit/(Loss) before taxation		**9,876,352**	7,108,904
Taxation	20	**(1,181,289)**	(1,665,678)
Profit / (Loss) after taxation		**8,695,063**	5,443,226
Earnings per share - basic and diluted	21	**1.45**	0.91

The annexed notes from 1 to 27 form an integral part of these financial statements

S. Khalid H. Shah
Chief Executive

S. Faisal Shah
Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	Rupees	
Profit after taxation	**8,695,063**	5,443,226
Other comprehensive income for the year		
Acturial gain/(loss) on gratuity	**(1,323,804)**	189,278
Total comprehensive income for the year	**7,371,259**	5,632,504

The annexed notes from 1 to 27 form an integral part of these financial statements

S. Khalid H. Shah
Chief Executive

S. Faisal Shah
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**9,876,352**	7,108,904
Adjustments for non cash and other items:		
Depreciation	**370,168**	334,258
Provisioin for gratuity	**132,674**	(984,888)
Finance cost	**1,590,049**	2,157,234
	2,092,891	1,506,604
Operating cashflows before working capital changes	**11,969,243**	8,615,508
Changes in working capital		
(Increase) / decrease in current assets		
Stock in trade	**(8,198,026)**	(17,000,930)
Trade debts	**(1,294,087)**	(819,993)
Advances, deposit, prepayments and other recievable	**(1,930,255)**	(6,227,618)
Increase / (decrease) in current liabilities		
Trade and other payables	**(2,481,499)**	20,182,282
Loan from directors	**(1,023,918)**	(170,363)
	(14,927,785)	(4,036,622)
Cash (used in) / generated from operations	**(2,958,542)**	4,578,886
Taxes paid	**(1,280,964)**	(1,826,414)
Finance cost paid	**(1,619,967)**	(2,148,729)
Net cash (used in) / generated from operating activities	**(5,859,473)**	603,743
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	**-**	-
Capital expenditure	**(136,882)**	(1,836,266)
Net cash generated from / (used in) investing activities	**(136,882)**	(1,836,266)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	**-**	-
Net cash used in financing activities	**-**	-
Net (decrease) / increase in cash and cash equivalents	**(5,996,355)**	(1,232,523)
Cash and cash equivalents at the beginning of the year	**(8,344,826)**	(7,112,302)
Cash and cash equivalents at the end of the year	**(14,341,182)**	(8,344,825)
Cash and cash equivalents comprise the following:		
Cash and bank balance	**658,818**	705,174
Short term borrowing	**(15,000,000)**	(9,050,000)
	(14,341,182)	(8,344,826)

The annexed notes from 1 to 27 form an integral part of these financial statements

S. Khalid H. Shah
Chief Executive

S. Faisal Shah
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2015

	Share Capital	General 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 Income for the year	-	-	5,632,504	5,632,504
Balance as at June 30, 2014	**60,000,000**	**1,369,610**	**(33,488,880)**	**27,880,730**
Balance as at July 1, 2014	60,000,000	1,369,610	(33,488,880)	27,880,730
Total comprehensive Income for the year	-	-	7,371,259	7,371,259
Balance as at June 30, 2015	**60,000,000**	**1,369,610**	**(26,117,621)**	**35,251,989**

The annexed notes from 1 to 27 form an integral part of these financial statements

S. Khalid H. Shah
Chief Executive

S. Faisal Shah
Director

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

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 production facilities are located at plot # 23/C, 15^{th} Commercial Street Phase II Extension Defence Housing Authority, Karachi.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accouting standards as applicable in Pakistan and the requiremnets of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984 and the directives issued under the Companies Ordinance, 1984 by Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of Companies Ordinance, 1984 or directives issued differs with the requirements of the IFRSs, the provision of and directives under the Companies Ordinance, 1984 prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

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

2.5 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments to published standards and interpretations that are effective in current year and are relevant to the Company:

- IAS 19 (ammendments) - effective from January 1, 2014. eleminate the courridor approach and calculate finance costs on a net funding basis. The management anticipates that the adoption of the standard will have no material impact on company's financial statements.

b) Standards, amendments to published standards and interpretations that are effective in 2014 but not relevant to the Company

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2014 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and therefore have not been analyzed in detail.

c) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company
Following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning on July 1, 2014 and have not been early adopted by the Company:

- **IAS 32 (amendments) - 'Offsetting Financial Assets and Financial Liabilities' effective from January 1, 2015.**

- **IFRIC 21 - 'Levies' effective from January 1, 2015.**

- **IAS 36 (amendments) - 'Impairment of Assets' effective from January 1, 2015.**

- **IAS 39 (amendments) - 'Financial Instruments: Recognition and Measurement' effective from January 1, 2015 on novation of derivatives and hedge accounting.**

- **IAS 19 (amendments) - 'Employee Benefits' effective from July 1, 2015.**

- **IAS 24 (amendments) - 'Related Parties' effective from July 1, 2015.**

- **IFRS 9, 'Financial Instruments', effective for periods beginning on or after January 1, 2015**.

- **IFRS 14, 'Regulatory Deferral Accounts', effective for periods beginning on or after January 1, 2016**.

- **IFRS 15, 'Revenue from Contracts', effective for periods beginning on or after January 1, 2017**.

The management anticipates that the adoption of these standards in future periods will have no material impact on company's financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

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

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

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

The assets' residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end. The Company's estimate of residual value of property and equipment as at June 30, 2015 did not require any adjustment as its impact is considered insignificant.

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

3.2 Impairment of non-financial assets

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

3.3 Stock in trade

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

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

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

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

3.4 Stores, spares and chemicals

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

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

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

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

3.5 Trade and other receivables

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

3.6 Cash and cash equivalents

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

3.7 Financial Instruments

3.7.1 Classification

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

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

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

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

d) Available-for-sale financial assets

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

3.7.2 Recognition and measurement

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

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within income / expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of operating income when the Company's right to receive payments is established.

Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account as part of other income. Dividends on available for sale equity instruments are recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

3.7.3 Impairment of financial assets

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

3.8 Staff Retirement Benefits

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

3.8.1 Defined benefit plan

A defined benefit plan is post employment benefit plan other than a defined contribution plan. The company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. The

Gratuity scheme is unfunded and covers those permanent employees and management staff of the Company who have completed prescribed qualifying period of service. Provision is made annually to cover obligations under the scheme by providing two third of last drawn basic salary of the employees for each year of service.

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

3.9 Taxation

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

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

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

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

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

3.10 Provisions

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

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

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

3.12 Borrowing costs

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

3.13 Foreign currency transaction and translation

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

4 PROPERTY, PLANT AND EQUIPMENT

	Lease hold Land	Building on lease hold land	Plant and Machinery	Vehicles	Furniture and fixture	Office equipment	Total
				Rupees			
As at July 1, 2013							
Cost	14,797,520	6,322,734	3,604,852	43,465	971,184	3,008,548	28,748,303
Accumulated depreciation	-	(5,663,932)	(3,040,715)	(13,909)	(806,540)	(2,492,887)	(12,017,983)
	14,797,520	658,802	564,137	29,556	164,644	515,661	16,730,320
Year ended June 30, 2014							
Opening net book value	14,797,520	658,802	564,137	29,556	164,644	515,661	16,730,320
Additions / transfers during the year	-	426,581	725,500	120,900	238,320	324,965	1,836,266
Disposals / transfers							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Net book value	-	-	-	-	-	-	-
Depreciation for the year	-	(84,390)	(120,288)	(20,469)	(29,370)	(79,741)	(334,258)
	14,797,520	**1,000,993**	**1,169,349**	**129,987**	**373,594**	**760,885**	**18,232,328**
As at July 01, 2014							
Cost	14,797,520	6,749,315	4,330,352	164,365	1,209,504	3,333,513	30,584,569
Accumulated depreciation	-	(5,748,322)	(3,161,003)	(34,378)	(835,910)	(2,572,628)	(12,352,241)
	14,797,520	**1,000,993**	**1,169,349**	**129,987**	**373,594**	**760,885**	**18,232,328**
Year ended June 30, 2015							
Opening net book value	14,797,520	1,000,993	1,169,349	129,987	373,594	760,885	18,232,328
Additions / transfers during the year	-	-	-	-	85,632	51,250	136,882
Disposals / transfers							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Net book value	-	-	-	-	-	-	-
Depreciation for the year	-	(100,099)	(116,935)	(25,997)	(45,923)	(81,214)	(370,168)
	14,797,520	**900,894**	**1,052,414**	**103,990**	**413,303**	**730,921**	**17,999,042**
As at June 30, 2015							
Cost	14,797,520	6,749,315	4,330,352	164,365	1,295,136	3,384,763	30,721,451
Accumulated depreciation	-	(5,848,421)	(3,277,938)	(60,375)	(881,833)	(2,653,842)	(12,722,409)
	14,797,520	**900,894**	**1,052,414**	**103,990**	**413,303**	**730,921**	**17,999,042**
Annual rates of depreciation	**-**	**10%**	**10%**	**20%**	**10%**	**10%**	

		2015	2014
		Rupees	
4.1	Depreciation for the year has been allocated as under :		
	Cost of sales	**222,101**	200,555
	Administrative expenses	**148,067**	133,703
		370,168	334,258

5	**STOCK IN TRADE**		
	Raw material and accessories	**41,324,454**	37,550,502
	Finished goods	**19,893,034**	15,468,960
	Less: Provision for obsolete stock	**(2,412,321)**	(2,412,321)
		58,805,167	50,607,141

		2015	2014
6	**ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**	Rupees	
	Advances - considered good to :		
	- Staff	**535,775**	314,503
	- Suppliers	**-**	-
		535,775	314,503
	Deposits	**664,167**	524,167
	Prepayments	**2,226,096**	1,268,661
	Income tax	**1,589,344**	1,974,057
	Sales tax	**1,505,175**	891,150
	Other receivables - considered good		
	- Export rebate receivable	**5,414,660**	5,417,137
	- Others	**-**	-
		5,414,660	5,417,137
		11,935,217	10,389,675

7	**CASH AND BANK BALANCES**		
	Cash in hand	**1,887**	9,079
	Cash with banks		
	- in foreign currency deposit accounts	**107,244**	118,610
	- In current accounts	**549,687**	577,485
		656,931	696,095
		658,818	705,174

8 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Number of Shares 2015	2014		2015	2014
			Rupees	
5,759,100	5,759,100	Ordinary shares of Rs. 10/- each fully paid in cash.	**57,591,000**	57,591,000
125,000	125,000	Ordinary shares of Rs. 10/- each issued for consideration other than cash.	**1,250,000**	1,250,000
115,900	115,900	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares.	**1,159,000**	1,159,000
6,000,000	6,000,000		**60,000,000**	60,000,000

9 DEFERRED LIABILITIES - Gratuity

	2015	2014
	Rupees	
As at beginning of the year	**1,138,171**	2,312,338
Charged to Profit & Loss	**495,358**	213,007
Payment during the year	**(362,684)**	(654,000)
Unpaid gratuity of outgoing workers	**-**	(543,896)
Actuarial (gain) loss during the year	**1,323,804**	(189,278)
As at end of the year	**2,594,649**	1,138,171

9.1 Charged to profit & loss

	2015	2014
Current Service Cost	224,541	74,232
Interest Cost	270,817	138,775
	495,358	213,007
Actuarial (gain) loss recognized during the year	1,323,804	(189,278)
	1,819,162	23,729

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

	2015	2014
	Rupees	
Administrative Expenses	**224,541**	85,203
Production Expenses	**270,817**	127,804
	495,358	213,007

9.3 Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at June 30, 2015 and June 30, 2014 has been determined by the management of the company based on acturial valuation. The principal assumptions used in determining present value of defined benefit obligations are:

	2015	2014
Discount rate	**11%**	15%
Expected rate of increase in salary	**10%**	10%
expected average years of service	**39 years**	39 years
Historical Information		
Present value of defined benefit obligation	**2,594,649**	1,138,171
acturial adjustments arising during the year	**51.00%**	12.45%

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

10 SHORT TERM BORROWING - Secured

	2015	2014
Export refinance		
Preshipment financing	**15,000,000**	8,300,000
Post shipment financing	**-**	750,000
	15,000,000	9,050,000

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

10.1 United Bank Limited

Preshipment Financing Part I	Rs. 6.7 million (2014: Rs. Nil)
Preshipment Financing Part II	Rs. 8.3 million (2014: Rs. 8.3 million)
Postshipment Financing	Rs. Nil (2014: Rs. 1.05 million)
Rate of markup	SBP Export Finance Rate + 1% per annum (2014: SBP + 1%)

Security :

- First hypothecation charge of Rs. 42.30 million over stocks of raw material & leather garments (finished & Un-finished), all plant, machinery, equipments, stores with furniture and fixture, lying / belonging to the Company installed or to be installed at factory Plot no. 23-C, 15th Commercial Street Phase II, DHA Karachi duly insured with coverage of risks of fire, burglary & RSD with UBL name as loss payee with 25 % margin for drawing power.

- Stock are under full control of the Company. The Company is required to keep adequate quantity of stocks as per stock report for which the Company took the finance from the bank .

- Registered mortgage for token amount of Rs. 0.1 million.

- Equitable mortgage charge registered for Rs. 42.30 million over factory land, building and machinery equipment installed or to be installed with all present and future construction, fixture, fittings over property no. 23-C, 15th Commercial Street, Phase II, DHA, Karachi.

- Hypothecation of all present and future receivebles / book debts of the company. The charge created shall rank first in all respect on Hypothecated property. The company shall keep the property free from all encumbrances and charges as per terms and conditions mentioned in the letter of hypothecation and such other terms as prescribed by the bank or SBP from time to time.

- Lien on export documents.

- Personal Guarantees of all seven directors.

	2015	2014
	Rupees	
11 TRADE AND OTHER PAYABLES		
Creditors	**23,645,132**	22,225,804
Accrued liabilities	**5,777,161**	8,968,161
Advance from customers	**3,124,585**	3,941,381
Workers' profits participation fund	**493,818**	429,884
Workers welfare fund	**211,636**	168,601
Unclaimed dividend	**2,355,763**	2,355,763
	35,608,095	38,089,594

12 CONTINGENCIES AND COMMITMENTS

Contingencies

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

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, 2015 is Rs. 35 million (2014: Rs. 35 million).

		Note	2015	2014
			Rupees	
13	**SALES - NET**			
	Export sales		**110,236,136**	163,950,012
	Export rebate		**4,339,679**	6,395,314
	Less: Commission / discount		**(428,742)**	(5,149,146)
			114,147,074	165,196,180
14	**COST OF SALES**			
	Raw, packing and other material consumed	**14.1**	**59,291,533**	114,425,191
	Production expenses	**14.2**	**35,131,260**	32,297,732
	Cost of goods manufactured		**94,422,793**	146,722,923
	Opening stock of finished goods		**15,468,960**	8,306,723
	Cost of goods available for sale		**109,891,753**	155,029,646
	Closing stock of finished goods		**(19,893,034)**	(15,468,960)
			89,998,719	139,560,686

14.1 Raw, packing and other material consumed

	2015	2014
Opening stock	**37,550,502**	29,799,488
Purchases	**63,065,485**	122,176,205
	100,615,987	151,975,693
Closing stock	**(41,324,454)**	(37,550,502)
	59,291,533	114,425,191

14.2 Production expenses

	Note	2015	2014
Cutting and stitching charges		**24,669,752**	23,503,652
Salaries, wages and other benefits	**14.2.1**	**7,790,429**	6,214,550
Repairs and maintenance		**718,314**	698,084
Depreciation	**4.1**	**222,101**	200,555
Fuel and power		**1,204,494**	1,252,496
Rent, rates and taxes		**290,000**	-
Telephone, fax and postage		**106,645**	272,752
Printing and stationery		**6,041**	12,724
Entertainment expense		**123,484**	142,919
		35,131,260	32,297,732

14.2.1 This includes amount of Rs.340,694/- (2014: Rs. 127,804/-) in respect of staff retirement benefits.

15 ADMINISTRATVE EXPENSES

	Note	2015	2014
Directors' remuneration	**15.1**	**-**	-
Salaries, allowances and other benefits	**15.2**	**1,546,992**	2,661,156
Communication expense		**186,462**	122,804
Insurance expense		**390,457**	247,924
Utilities		**556,751**	522,139
Printing and stationery		**166,283**	133,193
Legal and professional		**329,250**	378,595
Fees and subscription		**632,618**	178,120
Vehicle running and maintenance		**952,635**	917,220
Entertainment expense		**425,095**	458,592
Repairs and maintenance		**66,270**	330,613
Donations	**15.3**	**52,960**	86,311
Newspaper and periodicals		**-**	51,490
Depreciation	**4.1**	**148,067**	133,703
		5,453,840	6,221,860

15.1 The board of directors of the company has decided not to accrue Directors' remuneration for the year ended June 30, 2015. The two directors getting remuneration have agreed to forgo their part of remuneration for the year under review in the interest of the company.

15.2 This includes amount of Rs. 154,664/- (2014:Rs. 85,203/-) in respect of staff retirement benefits.

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

			2015	2014
16	**DISTRIBUTION COST**		Rupees	
	Advertising and sales promotion		**157,800**	350,767
	Postage, telex and telegram		**1,007,707**	654,647
	Travelling expense		**-**	8,237
	Freight, handling and insurance		**4,876,197**	8,186,126
	Others		**205,430**	205,291
			6,247,134	9,405,068
17	**FINANCE COST**			
	Markup and interest charges		**612,655**	812,337
	Bank charges and commission		**977,394**	1,344,897
			1,590,049	2,157,234
18	**OTHER INCOME**			
	Profit on foreign currency deposit accounts		**(3,944)**	67
	Exchange gain - net		**78,418**	(102,336)
			74,474	(102,269)
19	**OTHER OPERATING EXPENSES**			
	Workers' welfare fund		**211,636**	147,981
	Workers' profit participation fund		**493,818**	142,178
	Others		**-**	-
	Auditor Remmuneration	19.1	**350,000**	350,000
			1,055,454	640,159
	19.1 Auditors' remuneration			
	Audit fee		**250,000**	250,000
	Half yearly review fee		**100,000**	100,000
	Other certifications' fee/Expenses		**-**	-
			350,000	350,000
20	**TAXATION**			
	Current			
	-for the year	**20.1**	**1,181,289**	1,665,678
	-prior year		**-**	-
			1,181,289	1,665,678

20.1 No temporary differences arise between accounting profits and taxable income owing to final tax scheme under which company's income is assessed on the basis of tax on export sales and therefore no deferred tax liability has arisen.

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

21 EARNINGS PER SHARE - BASIC AND DILUTED

	2015	2014
	Rupees	
Profit after taxation	**8,695,063**	5,443,226
	Number	
Weighted average number of ordinary shares	**6,000,000**	6,000,000
	Rupees	
Earnings per share - basic and diluted - Rupees	**1.45**	0.91

22 RELATED PARTY TRANSACTIONS

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

	2015	2014
	Rupees	
Loan from directors	**1,714,219**	2,738,137
Directors remuneration	**-**	-
Directors remuneration payable	**1,886,047**	1,886,047
Workers' profit participation fund	**493,818**	142,178
Workers profit participation fund payable	**493,818**	429,884

23 FINANCIAL INSTRUMENTS

23.1 Financial instruments by category

	Note	2015	2014
		Rupees	
FINANCIAL ASSETS			
Loans and receivables			
Trade debts - considered good		**2,114,079**	819,992
Advances, deposit, prepayments and other receivables	6	**11,935,217**	10,389,675
Cash and bank balances	7	**658,818**	705,174
		14,708,114	11,914,841
FINANCIAL LIABILITIES			
Financial liabilities at amortized cost			
Short term borrowing - secured	10	**15,000,000**	9,050,000
Loan from directors		**1,714,219**	2,738,137
Trade and other payables	11	**35,608,095**	38,089,594
		52,322,314	49,877,731

23.2 Financial risk management objectives and policies

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

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

23.3 Capital risk management

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

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

23.4 Market risk

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

a) Currency risk

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

Exposure to currency risk

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

	2015				*2014*			
	Rupees	**US Dollars**	**Euro**	**GBP**	*Rupees*	*US Dollars*	*Euro*	*GBP*
Trade debts	**2,114,079**	**-**	**-**	**-**	*819,992*	*-*	*-*	*-*
Foreign currency deposits	**107,244**	**-**	**405.16**	**383.67**	*118,610*	*-*	*405.16*	*383.67*
Advance form customer	**(3,124,585)**	**-**		**-**	*(3,941,381)*	*-*	*(20,317.49)*	*-*
Gross balance sheet exposure	**(903,262)**	**-**	**405.16**	**383.67**	*(3,002,779)*	*-*	*(19,912.33)*	*383.67*

The following significant exchange rates applied during the year:

	Average rates		**Balance sheet date rates**	
	2015	2014	**2015**	2014
	Rupees			
US Dollars	**101.51**	*104.75*	**101.29**	*98.35*
Euro	**128.79**	*139.14*	**113.33**	*134.19*
GBP	**158.14**	*171.42*	**159.27**	*167.44*

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 2014.

	Profit and loss Rupees
As at 30 June 2015	
Effect in US Dollars	**-**
Effect in Euros	**(261,663)**
Effect in GBP	**83,047**
As at 30 June 2014	
Effect in US Dollars	-
Effect in Euros	(282,691)
Effect in GBP	90,021

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	
	2015	2014	**2015**	2014
			Rupees	
Short term borrowing	**9.75%**	11%	**15,000,000**	8,300,000

Cash flow sensitivity analysis for variable rate instruments

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

	Profit and loss Rupees
As at 30 June 2015	
Cash flow sensitivity - Variable rate instruments	**150,000**
As at 30 June 2014	
Cash flow sensitivity - Variable rate instruments	83,000

23.5 Credit risk

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

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

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

	2015		*2014*	
	Balance Sheet	**Maximum exposure**	*Balance Sheet*	*Maximum exposure*
		Rupees		
Trade debts	**2,114,079**	**2,114,079**	*819,992*	*819,992*
Cash and bank balances	**656,931**	**656,931**	*696,095*	*696,095*
	2,771,010	**2,771,010**	*1,516,087*	*1,516,087*

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

	2015	2014
	Rupees	
European countries	**-**	-
Local	**656,931**	696,095
	656,931	696,095

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	**2,114,079**	819,992
	2,114,079	819,992

Impairment losses

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

	2015		2014	
	Gross	**Impairment**	Gross	Gross
		Rupees		
Not past due	**2,114,079**	**-**	819,992	-

23.6 Liquidity risk

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

	2015			
	Carrying Amount	**Contractual cash flows**	**Twelve months or less**	**Two to Five years**
		Rupees		
Non-Derivative Financial liabilities				
Short term borrowing	**15,000,000**	**15,000,000**	**15,000,000**	**-**
Trade and other payables	**35,608,095**	**35,608,095**	**35,608,095**	**-**
	50,608,095	**50,608,095**	**50,608,095**	**-**

	2014			
	Carrying Amount	Contractual cash flows	Twelve months or *less*	Two to Five years
		Rupees		
Short term borrowing	9,050,000	9,050,000	9,050,000	-
Trade and other payables	38,089,594	38,089,594	38,089,594	-
	47,139,594	47,139,594	47,139,594	-

23.7 Fair value of financial instruments

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

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

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

24 CAPACITY AND PRODUCTION	2015	2014
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	**6,033**	5,665
Actual production of bags - Pieces	**22,866**	32,626
Percentage of capacity utilized	**49%**	66%

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

25 NUMBER OF EMPLOYEES	2015	2014
Number of employees at June 30	32	45
Average Number of employees during the year	35	40

26 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on October 06, 2015 by the Board of Directors of the Company.

27 GENERAL

- Figures have been rounded off to the nearest rupee.

- Figures have been rearranged / reclassified where ever necessary

S. Khalid H. Shah
Chief Executive

S. Faisal Shah
Director

FORM OF PROXY

I/ WE ____

of ______________________________ (full address)______________________________

being a member of Leather Up Ltd., hereby appoint______________________________

of____

____

as my/our proxy in my/ our absence to attend and vote for me/us on my /our behalf at the 24th Annual General Meeting of the company to be held on October 31, 2015 at 06:00 p.m and at any adjournment of thereof.

As witness my/our hand this____________________ day of ______________________2015

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:

1. A member entitled to attend and vote at Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No persons shall act as a proxy, who is not a member of the company except that a Company may appoint a person who is not a member.
2. An instrument of proxy duly stamped, signed and witnessed and the power of attorney or other authority (if any) under which it is signed or a notarialy certified copy of such power or authority, in order to be valid, must be deposited at the registered office of the company at least 48 hours before the time of the meeting.
3. Signature should agree with the specimen signature registered with the Company.
4. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instrument of proxy shall be rendered invalid.