Leather Up Limited

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2016

CONTENTS

Vision

An Internationally Recognized Manufacturer & Exporter, having Providing Quality Leather Products and maintaining an Excellent Level of Ethical and Professional Standards.

Mission Statement

The Company since inception has endeavored towards maximizing value addition and obtaining maximum value for each unit exported and to become a leading manufacturer/exporter of leather products in International market.

Code of Ethics and Business Practices

1- Maintaining integrity and scrupulous dealings
2- Maintaining correct books and records of the Company
3- Avoiding conflicts of interest
4- Strictly follows the rules of leather techniques
5- Treating chemical as per specification and testing criteria.
6- This is prime priority of the company to formulate, implement and monitor the objectives and overall business plan.
7- Check and oversee the affairs of the company carried out within the existing laws/regulations and to re-arrange prudently.
8- Make sure legal and regulatory requirements of the statutory authorities.
9- Encourage and initiate motivation among members of the company.
10- Safeguard and protect the interest and asset of the company.

A detailed policy for actual and perceived conflict of interest and its resolution relating to the members of the Board of Directors and employees is in place.

COMPANY PROFILE

Board of Directors

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

Board Audit Committee

Mohsin Khursheed	Chairman
Jazim Shah	Member
Mahmooda Shah	Member

Human Resource Committee

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

Chief Financial Officer / Company Secretary

Shafqat Mahmood (Khokhar)
Auditors

Abdan & Company , Chartered Accountants

Legal Advisor

Maqbool Ahmad Bullo & Company
Advocate

Bankers

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

Registered Office/Factory

Plot # 23/C, 15th Commercial Street Phase II Extension
Defence Housing Authority, Karachi.
Web site: www.leatherupltd.com

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, 2016

Notice is hereby given that the 25th annual general meeting of Leather Up Limited will be held on Saturday, 29th October, 2016 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 October 31, 2015

2- To review consider and adopt audited accounts of the company together with the auditors' and directors' report thereon, for the year ended June 30, 2016.

3- To consider and approve final cash dividend for the year ended June 30, 2016 at Rs. 0.25 per share i.e. 2.5% as recommended by the Board of Directors.

4- To appoint auditors of the company and fix their remuneration for the financial year 2016-17. The present auditors M/s Abdan & Company Chartered Accountants being eligible have offered themselves for re-appointment.

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

Dated: October 07, 2016
Karachi

By Order of the Board

Shafqat Mahmood Khokhar
(Company Secretary)

Note:

1- The share transfer book of the company shall remain closed from 29-10-2016 to 07-11-2016 (both days inclusive). Transfers received in order at the office of our registrar: M/s. C&K Associates (Pvt) Ltd, 404, Trade Tower, Abdullah Haroon Road, Near Hotel Metroplole, Karachi-75530, by the close of business on Friday, October 28, 2016 will be treated in time.

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

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

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

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

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

Availability of audited financial statements:

The audited financial statements of the Company for the year ended June 30, 2016 have been made available on the Company's website (http://www.leatherupltd.com) in addition to annual and quarterly financial statements for the prior years.

Important:

Please note that pursuant to the provisions of Finance Act 2016 effective from July 1, 2016 new criteria for withholding of tax on dividend income have been introduced by Federal Board of Revenue (FBR). As per these criteria, 'Filer' and 'Non-Filer' shareholders will pay tax @ 12.50% and 20% respectively. The 'Filer' shareholders will be determined by matching their CNIC/Passport number available in Active Tax Payers list (ATL) at FBR website (http://www.fbr.gov.pk) from the CNIC/Passport number maintained by their respective Participant/CDC Investor Account Services or by the Company's Share Registrar (in case of physical shareholding). In the same manner, the 'Filer' status of Non-individual shareholders will be determined by matching their National Tax Numbers (NTN).

Shareholders are therefore advised to ensure that they have provided their CNIC/Passport/NTN to their respective Participant/CDC Investor Account Services/Company's Share Registrar and their names are appearing in ATL available at FBR website.

DIRECTORS REPORT

The Directors of your company are pleased to present you herewith-25th Annual Report together with the Audited Accounts of the Company and the Auditor's Report thereon

	30-06-2016 Rupees	30-06-2015 Rupees
Profit before taxation	**12,269,331**	9,876,352
Provision for taxation	**(1,338,808)**	(1,181,289)
Profit after tax	**10,930,523**	8,695,063
Other Comprehensive Income(Loss)	**(404,808)**	(1,323,804)
Total Comprehensive Income for the year	**10,525,715**	7,371,259
Accumulated loss carried forward from last year	**(26,117,621)**	(33,488,880)
Accumulated loss brought forward to balance sheet	**(15,591,906)**	(26,117,621)
Earnings per share after tax	**1.82**	1.45

Company Performance

As a result of vigorous efforts made by the management, the performance of your company for the period under review has been more than satisfactory. The sales revenue increased by 11% as compared to the last year. In rupee term the exports stood at Rs. 122.911 million for the year 2016 as compared to Rs. 110.236 million of the last corresponding period. The management of the company is trying its level best to cut operating expenses and to explore new markets to remains the company as profit making entity.

Operating Results

The increase in gross profit as compared to the corresponding year was mainly attributable to higher sales volume, operational efficiencies and to better absorption of production overheads, resulting in improved performance as well as higher profits as witnessed in the year under review.

Subsequent Appropriation, Post Balance Sheet Date Event/Dividend

We are pleased to say that we are able to share profits with our shareholders. The directors have recommended cash dividend at Re 0.25 per share (i.e. 2.5%) only for the minority shareholders for the financial year June 30, 2016. The directors have foregone their portion of cash dividend to facilitate minority shareholders of the Company. We hope to do better in the coming years and share better profits.

Future Out look

The management is making all out efforts to secure orders and has taken steps to cut operating expenses to minimum to withstand any lean period. Subsequent to the year at the first quarter ended September, 2016, the company has further succeeded in securing export orders for the year 2016-17 and shipped goods over to Rs. 36.00 million against leather garments and its 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 2016-17.

Changes in the Board and Committee

The following changes had taken place since the previous year's annual report:

One of our non-executive directors' resigned from the Board and the vacancy was filled up by an independent non-executive director. Mr. Mohsin Khursheed, Independent Director joined the Board in place of Mrs. Naheed Parveen Fayyaz non-executive director.

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.
- The International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure, there from has been adequately disclosed and explained.
- The system of internal control was sound and in designed and had been effectively implemented and monitored.
- There are no significant 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 44 (2015: 32).

Board and Audit Committee Meetings and Attendance

During the year five meetings of the Board and four meetings of the Audit Committee were held from July 01, 2015 to June 30, 2016. The attendance of the Board and Audit Committee members was as follows:

Name of Directors	Board Meeting	Audit Committee Meeting
Mr. Khalid H. Shah	5	N/A
Mr. Ali Kausar Khan	5	N/A
Mr. Farooq Raza	5	3
Ms. Mahmooda Shah	5	4
Mr. Jazim Shah	4	4
Mr. S. Faisal Shah	3	N/A
Mrs. Naheed Parveen Fayyaz	3	N/A

A casual vacancy occurring on the Board on July 12, 2016 was filled up by the directors through independent director on July 19, 2016.

The Board of Directors of the Company has decided not to accrue directors' remuneration for the year ended June 30, 2016. The one executive director has agreed to forgo his part of the remuneration for the year under review in the interest of the company.

The 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

Khalid H. Shah
(Chief Executive)

Karachi: October 7, 2016

6 YEARS AT A GLANCE

6 YEARS AT A GLANCE

PARTICULARS	2016	2015	2014	2013	2012	2011
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	30,901,451	30,721,451	30,584,569	28,748,303	28,748,303	29,158,338
Accumulated Depreciation	13,070,959	12,722,409	12,352,241	12,017,983	11,799,122	11,974,115
Current Assets	109,783,542	73,513,281	62,521,982	37,087,304	47,434,210	56,505,995
Current Liabilities	78,318,753	53,665,685	51,735,409	29,257,060	37,932,431	47,101,336
INCOME/REVENUE						
Sales Revenue	127,715,522	114,147,074	165,196,180	24,087,870	71,534,699	71,482,395
Other Income/(Loss)	6,143	74,474	(102,269)	115,940	1,013,659	282,529
Pre-Tax Profit/ (Loss)	12,269,331	9,876,352	7,108,905	(1,821,922)	1,124,037	2,790,938
Taxation	1,338,808	(1,181,289)	(1,665,678)	(257,752)	(707,186)	(871,322)
PERCENTAGE AND RATIO						
Pre-Tax (Loss) Profit to sales %	9.60	8.65	4.30	(7.56)	1.57	3.90
Pre-Tax Profit (Loss) to Capital %	20.39	16.46	11.85	(3.03)	1.87	4.65
Current Ratio	1.40:1	1.37:1	1.21:1	1.27:1	1.25:1	1.20:1
Paid- Up Value per Share	10	10	10	10	10	10
Earnings (Loss) per Share after Tax (Rs)	1.82	1.45	0.91	(0.35)	0.07	0.32
Cash Dividend	2.5%	Nil	Nil	Nil	Nil	2.50%
Retained/ (Loss) Earnings per Share (Rs)	(2.60)	(4.35)	(5.58)	(6.52)	(6.17)	(6.12)
Break-Up Value per Share	7.63	5.88	4.64	3.71	4.05	4.11

PATTERN OF SHAREHOLDING (FORM 34)
As at June 30, 2016

NO. OF SHOLD	SHARE HOLDING FROM		TO	TOTAL SHARES HOLD
951	1	-	100	67,802
582	101	-	500	277,376
109	501	-	1000	105,690
123	1001	-	5000	333,600
33	5001	-	10000	272,000
10	10001	-	15000	138,300
5	15001	-	20000	93,500
3	20001	-	25000	75,000
4	25001	-	30000	110,000
1	30001	-	35000	32,000
1	35001	-	40000	36,500
3	45001	-	50000	144,500
1	50001	-	55000	54,000
1	55001	-	60000	55,500
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
4	95001	-	100000	397,300
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	1,639,400
Mr. Syed Raza Shah	1	300,000
Mr. Farooq Raza	1	100
Ms. Mahmooda Shah	1	100
Mr. Jazim Shah	1	100
Mr. S. Faisal Shah	1	100
Mr. Nazeer 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, 2016

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in Regulation No. 5.19 of the listing regulations of Pakistan Stock Exchange 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 CCG 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

Name of Directors	Category of Director		
	Independent (01)	Non- Executive (05)	Executive (01)
Mr. Khalid H. Shah			✓
Mr. Mohsin Khursheed	✓		
Ms. Mahmooda Shah		✓	
Mr. S. Faisal Shah		✓	
Mr. Farooq Raza		✓	
Mr. Jazim Shah		✓	
Mr. Ali Kausar Khan		✓	

The independent director meet the criteria of independence under clause 5.19.1(b) of the CCG.

2- The directors have confirmed that none of them is serving as a director on 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 Development Finance Institution (DFI) or a None-Banking Financial Institution (NBFI) or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4- A casual vacancy occurring on the Board on July 12, 2016 was filled up by the directors through independent director on July 19, 2016.

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 a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

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/Shareholders.

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 Board met 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 and circulated.

9- The Board has arranged an approved directorship training program (DTP) for one of its directors during the year. In addition one director met the criteria of exemption under Code of Corporate Governance. Further, Directors Training Program for the other two directors to be done in coming years to meet the criteria of having half of the Board DTP certified by June 2018 under the clause 5.19.7 of the CCG.

10- The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11- The director's report for the year has been prepared in compliance with the requirements of CCG and fully describes the salient matters required to be disclosed.

12- The financial statements of the Company were duly endorsed by the CEO and CFO 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 CCG.

15- The Board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors and the Chairman of the committee is an 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 CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17- The Board has formed a Human Resource (HR) and Remuneration Committee. It comprises of three members, of whom two are non executive directors and chairman of the Committee is also a non executive director.

18- The Board has set up an effective Internal Audit Function.

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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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 method 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 exchange.

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

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

For and on behalf of the Board of Directors

Khalid H. Shah
(Chief Executive Officer)
Karachi: October 07, 2016

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, 2016** to comply with the requirements of clause 5.19.23 of Pakistan 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 audits 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 rev'ew and approval its !elated 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 hake 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 Compliances 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, 2016.**

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

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

Note reference		Description	Non-Compliance
i)	9	Orientation course for Directors	Orientation course arranged for one director and one director exemption criteria. No such course arranged for remaining director

Karachi.
Date: October 7, 2016

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 **June 30, 2016,** 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

Cont'd… P/2

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

(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 June 30, 2016 and of the profit, its total comprehensive income, 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.

IQBAL AHMAD ABDAN
ABDAN & CO
Chartered Accountants

Karachi
Dated: October 07, 2016

BALANCE SHEET
AS AT JUNE 30, 2016

	Notes	JUNE 30, 2016	June 30, 2015
		Rupees	
Non - Current Assets			
Property, plant and equipment	4	**17,830,492**	17,999,042
Current Assets			
Stock in trade	5	**83,095,206**	58,805,167
Trade debts - considered good		**4,791,139**	2,114,079
Advances, deposits, prepayments and other receivables	6	**16,432,254**	11,935,217
Cash and bank balances	7	**5,464,943**	658,818
		109,783,542	73,513,281
		127,614,035	91,512,323
Share Capital and Reserves			
Authorized Capital			
6,000,000 (June 30, 2015: 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		**(15,591,906)**	(26,117,621)
		45,777,704	35,251,989
Deferred liability - staff gratuity	9	**3,517,577**	2,594,649
Current liabilities			
Short term borrowing - secured	10	**21,830,000**	15,000,000
Loan from directors		**104,546**	1,714,219
Trade and other payables	11	**54,895,399**	35,608,095
Accrued markup		**150,000**	162,082
Provision for taxation		**1,338,808**	1,181,289
		78,318,753	53,665,685
Contingencies and commitments	12	**-**	-
		127,614,035	91,512,323

The annexed notes form integral part of these financial statements

Khalid H. Shah
Chief Executive

S. Faisal Shah
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	For the year ended June 30, 2016	For the year ended June 30, 2015
		Rupees	Rupees
Sales - net	13	**127,715,522**	114,147,073
Cost of sales	14	**(98,000,516)**	(89,998,719)
Gross profit		**29,715,006**	24,148,354
Operating expenses			
Administrative expenses	15	**(6,378,054)**	(5,453,840)
Distribution cost	16	**(7,854,141)**	(6,247,134)
		(14,232,195)	(11,700,974)
Operating profit		**15,482,812**	12,447,380
Finance cost	17	**(1,961,261)**	(1,590,049)
Other income	18	**6,143**	74,475
Other operatng expenses	19	**(1,258,362)**	(1,055,454)
		(3,213,481)	(2,571,028)
Profit before taxation		**12,269,331**	9,876,352
Taxation	20	**(1,338,808)**	(1,181,289)
Profit after taxation		**10,930,523**	8,695,063
Earnings per share - basic and diluted		**1.82**	1.45

The annexed notes form integral part of these financial statements

Khalid H. Shah
Chief Executive

S. Faisal Shah
Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2016

	For the year ended	
	June 30, 2016	June 30, 2015
	Rupees	
Profit after taxation	**10,930,523**	8,695,063
Other comprehensive income for the period	**(404,808)**	(1,323,804)
Total comprehensive income for the period	**10,525,715**	7,371,259

The annexed notes form integral part of these financial statements

Khalid H. Shah
Chief Executive

S. Faisal Shah
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	JUNE 30, 2016	JUNE 30, 2015
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**12,269,331**	9,876,352
Adjustments for non cash and other items:		
Depreciation	**348,549**	370,168
Provisioin for gratuity	**518,120**	132,674
Finance cost	**1,961,261**	1,590,049
	2,827,930	2,092,891
Operating cashflows before working capital changes	**15,097,261**	11,969,243
Changes in working capital		
(Increase) / decrease in current assets		
Stock in trade	**(24,290,039)**	(8,198,026)
Trade debts	**(2,677,060)**	(1,294,087)
Advances, deposit, prepayments and other recievable	**(4,456,706)**	(1,930,255)
Increase / (decrease) in current liabilities		
Trade and other payables	**19,058,591**	(2,481,499)
Loan from directors	**(1,609,673)**	(1,023,918)
	(13,974,888)	(14,927,785)
Cash (used in) / generated from operations	**1,122,373**	(2,958,542)
Taxes paid	**(992,906)**	(1,280,964)
Finance cost paid	**(1,973,343)**	(1,619,967)
Net cash (used in) / generated from operating activities	**(1,843,875)**	(5,859,473)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	**(180,000)**	(136,882)
Net cash used in investing activities	**(180,000)**	(136,882)
Net cashflow from financing activities		
Dividend paid	**-**	-
	-	-
Net increase / (decrease) in cash and cash equivalents	**(2,023,875)**	(5,996,355)
Cash and cash equivalents at the beginning of the period	**(14,341,182)**	(8,344,827)
Cash and cash equivalents at the end of the period	**(16,365,057)**	(14,341,182)
Cash and cash equivalents comprise the following:		
Cash and bank balance	**5,464,943**	658,818
Short term borrowing	**(21,830,000)**	(15,000,000)
	(16,365,057)	(14,341,182)

The annexed notes form integral part of these financial statements

Khalid H. Shah	**S. Faisal Shah**
Chief Executive	Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

	Share Capital	General Reserve	Accumulated Loss	Total
	Rupees			
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**
Balance as at July 1, 2015	60,000,000	1,369,610	(26,117,621)	35,251,989
Total comprehensive Income for the year	-	-	10,525,715	10,525,715
Balance as at June 30, 2016	**60,000,000**	**1,369,610**	**(15,591,906)**	**45,777,704**

The annexed notes form integral part of these financial statements

Khalid H. Shah
Chief Executive

S. Faisal Shah
Director

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

1 LEGAL STATUS AND NATURE OF BUSINESS

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

During the period, certain amendments to standards or new interpretations became effective, however, the amendments or interpretation did not have any material effect on the financial statements of the Company.

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

There are new and amended standards and interpretations that are mandatory for accounting periods beginning July 01, 2014 but are considered not to be relevant or do not have any significant effect on the financial statements and are therefore not detailed in these financial statements.

-Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based' methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Company's financial statements.

-Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements.

-Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements.

-Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's financial statements.

-Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Company's financial statements.

-Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

-Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an 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

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

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

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

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

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, 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)
Net book value	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)
Closing net book value	**14,797,520**	**900,894**	**1,052,414**	**103,990**	**413,303**	**730,922**	**17,999,042**
As at July 01, 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)
Net book value	**14,797,520**	**900,894**	**1,052,414**	**103,990**	**413,303**	**730,922**	**17,999,042**
Year ended June 30, 2016							
Opening net book value	14,797,520	900,894	1,052,414	103,990	413,303	730,922	17,999,042
Additions / transfers during the year	-	-	180,000	-	-	-	180,000
Disposals / transfers							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Net book value	-	-	-	-	-	-	-
Depreciation for the year	-	(90,089)	(123,241)	(20,798)	(41,330)	(73,092)	(348,549)
Closing net book value	**14,797,520**	**810,805**	**1,109,173**	**83,192**	**371,973**	**657,830**	**17,830,493**
As at June 30, 2016							
Cost	14,797,520	6,749,315	4,510,352	164,365	1,295,136	3,384,763	30,901,451
Accumulated depreciation	-	(5,938,510)	(3,401,179)	(81,173)	(923,163)	(2,726,934)	(13,070,959)
Net book value	**14,797,520**	**810,805**	**1,109,173**	**83,192**	**371,973**	**657,830**	**17,830,492**
Annual rates of depreciation	**-**	**10%**	**10%**	**20%**	**10%**	**10%**	

		2016	2015
		Rupees	
4.1	Depreciation for the year has been allocated as under :		
	Cost of sales	**209,129**	222,101
	Administrative expenses	**139,420**	148,067
		348,549	370,168

5 STOCK IN TRADE

	2016	2015
Raw material and accessories	**64,193,139**	41,324,454
Finished goods	**21,314,388**	19,893,034
Less: Provision for obsolete stock	**(2,412,321)**	(2,412,321)
	83,095,206	58,805,167

6 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016	2015
	Rupees	
Advances - considered good to :		
- Staff	**263,452**	535,775
- Suppliers	**-**	-
	263,452	535,775
Deposits	**664,167**	664,167
Prepayments	**5,291,585**	2,226,096
Income tax	**1,935,246**	1,589,344
Sales tax	**2,018,753**	1,505,175
Other receivables - considered good		
- Export rebate receivable	**6,259,050**	5,414,660
- Others	**-**	-
	6,259,050	5,414,660
	16,432,254	11,935,217

7 CASH AND BANK BALANCES

	2016	2015
Cash in hand	**362,113**	1,887
Cash with banks		
- in foreign currency deposit accounts	**107,244**	107,244
- In current accounts	**4,995,586**	549,687
	5,102,830	656,931
	5,464,943	658,818

8 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Number of Shares 2016	2015		2016	2015
			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

		2016	2015
9	**DEFERRED LIABILITIES - Gratuity**	**Rupees**	
	As at beginning of the year	**2,594,649**	1,138,171
	Charged to Profit & Loss	**518,120**	495,358
	Payment during the year	**-**	(362,684)
	Unpaid gratuity of outgoing workers	**-**	-
	Actuarial (gain) loss during the year	**404,808**	1,323,804
	As at end of the year	**3,517,577**	2,594,649
9.1	**Charged to profit & Loss**		
	Current Service Cost	248,169	224,541
	Interest Cost	269,951	270,817
		518,120	495,358
	Actuarial (gain) loss recognized during the year	404,808	1,323,804
		922,928	1,819,162

		2016	2015
		Rupees	
9.2	The Charge to profit & loss account has been allocated as follow		
	Administrative Expenses	**163,094**	224,541
	Production Expenses	**355,026**	270,817
		518,120	495,358

9.3 Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at June 30, 2016 and June 30, 2015 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:

	2016	2015
Discount rate	**9%**	11%
Expected rate of increase in salary	**8%**	10%
expected average years of service	**39 years**	39 years
Historical Information		
Present value of defined benefit obligation	**3,517,577**	2,594,649
acturial adjustments arising during the year	**11.51%**	51.00%

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

10 SHORT TERM BORROWING - Secured

	2016	2015
Export refinance		
Preshipment financing Part II	**18,330,000**	15,000,000
Post shipment financing	**3,500,000**	-
	21,830,000	15,000,000

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

Pre-Post shipment Financing Part I	Rs. 3.50 million (2015: Rs. 6.7 million)
Preshipment Financing Part II	Rs. 8.30 million (2015: Rs. 8.3 million)
Postshipment Financing	Rs. Nil million (2015: Rs. Nil)
Rate of markup	SBP Export Finance Rate + 1% per annum (2015: 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.

10.2 Meezan Bank Limited

Murabaha under IERF Part I & II	Rs. 10.03 million (2015: Rs. Nil million)
Bai-Salam	Rs. Nil million (2015: Rs. Nil million)
Rate of markup	SBP Export Finance Rate + 1% per annum (2015: SBP + 1%)

Security :

- 1st exclusive charge over fixed assets (land & building) i.e property located at Plot No.23-C, 15th Commercial street, Phase II, DHA, Karachi amounting to Pkr 54.56 Mn.

- Equitable mortgage of property bearing Plot# 39/1/1 , 31st Street ,Phase V, DHA, karachi (Property Owned by Mr.Khalid H. Shah).

- Registration of MBL first charge over current assets (Stocks) of Pkr 6.00 Mn.

- Personal guarantee of all directors and mortagagers.

Note:

- As per circular No. 29 of 2016 regarding additional disclosures of Shahriah screening of Listed Companies all types of loans and advances must be clearly categorized and disclosed depending upon whether they carry any interest or mark-up arrangements or Islamic mode is used for the same.

		2016	2015
		Rupees	
11 TRADE AND OTHER PAYABLES			
Creditors		**36,010,345**	23,645,132
Accrued liabilities		**2,205,928**	5,777,161
Advance from customers		**13,415,002**	3,124,585
Workers' profits participation fund		**658,233**	493,818
Workers welfare fund		**250,129**	211,636
Unclaimed dividend		**2,355,763**	2,355,763
		54,895,399	35,608,095

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, 2016 is Rs. 40 million (2015: Rs. 40 million).

		2016	2015
13 SALES - NET		Rupees	
Export sales		**122,911,173**	110,236,136
Export rebate		**5,243,439**	4,339,679
Less: Commission / discount		**(439,090)**	(428,742)
		127,715,522	114,147,073
14 COST OF SALES			
Raw, packing and other material consumed	**14.1**	**57,003,078**	59,291,533
Production expenses	**14.2**	**42,418,792**	35,131,260
Cost of goods manufactured		**99,421,870**	94,422,793
Opening stock of finished goods		**19,893,034**	15,468,960
Cost of goods available for sale		**119,314,904**	109,891,753
Closing stock of finished goods		**(21,314,388)**	(19,893,034)
		98,000,516	89,998,719
14.1 Raw, packing and other material consumed			
Opening stock		**41,324,454**	37,550,502
Purchases		**79,871,763**	63,065,485
		121,196,217	100,615,987
Closing stock		**(64,193,139)**	(41,324,454)
		57,003,078	59,291,533

14.2 Production expenses

Cutting and stitching charges		**29,773,637**	24,669,752
Salaries, wages and other benefits	14.2.1	**9,290,362**	7,790,429
Repairs and maintenance		**547,719**	718,314
Depreciation	4.1	**209,129**	222,101
Fuel and power		**1,153,897**	1,204,494
Rent, rates and taxes		**552,650**	290,000
Telephone, fax and postage		**91,540**	106,645
Printing and stationery		**9,665**	6,041
Entertainment expense		**790,193**	123,484
		42,418,792	35,131,260

14.2.1 This includes amount of Rs.355,026/- (2015: Rs. 340,694/-) in respect of staff retirement benefits.

15 ADMINISTRATVE EXPENSES

Directors' remuneration	15.1	**-**	-
Salaries, allowances and other benefits	15.2	**2,352,695**	1,546,992
Communication expense		**161,570**	186,462
Insurance expense		**179,676**	390,457
Utilities		**647,066**	556,751
Printing and stationery		**121,193**	166,283
Legal and professional		**20,000**	329,250
Fees and subscription		**2,024,044**	632,618
Vehicle running and maintenance		**162,453**	952,635
Entertainment expense		**317,775**	425,095
Repairs and maintenance		**93,042**	66,270
Donations	15.3	**159,120**	52,960
Newspaper and periodicals		**-**	-
Depreciation	4.1	**139,420**	148,067
		6,378,054	5,453,840

15.1 The board of directors of the company has decided not to accrue Directors' remuneration for the year ended June 30, 2016. Now, the only single executive director remains to get remuneration has agreed to forgo his part of remuneration for the year under review in the interest of the company.

15.2 This includes amount of Rs. 163,094/- (2015:Rs. 154,664/-) in respect of staff retirement benefits.

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

16 DISTRIBUTION COST

	2016	2015
	Rupees	
Advertising and sales promotion	**181,029**	157,800
Postage, telex and telegram	**2,207,563**	1,007,707
Travelling expense	**476,200**	-
Freight, handling and insurance	**3,734,528**	4,876,197
Others	**1,254,821**	205,430
	7,854,141	6,247,134

17 FINANCE COST

Markup and interest charges	**1,098,596**	612,655
Bank charges and commission	**862,665**	977,394
	1,961,261	1,590,049

18 OTHER INCOME

	Note	2016	2015
Profit on foreign currency deposit accounts		-	(3,944)
Exchange gain - net		**6,143**	78,419
		6,143	74,475

19 OTHER OPERATING EXPENSES

	Note	2016	2015
Workers' welfare fund		**250,129**	211,636
Workers' profit participation fund		**658,233**	493,818
Others		-	-
Auditor Remuneration	19.1	**350,000**	350,000
		1,258,362	1,055,454

18.1 Auditors' remuneration

	2016	2015
Audit fee	**250,000**	250,000
Half yearly review fee	**100,000**	100,000
Other certifications' fee/Expenses	-	-
	350,000	350,000

20 TAXATION

	Note	2016	2015
Current			
-for the year	**20.1**	**1,338,808**	1,181,289
-prior year		-	-
		1,338,808	1,181,289

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

	2016	2015
	Rupees	
Profit after taxation	**10,930,523**	8,695,063
	Number	
Weighted average number of ordinary shares	**6,000,000**	6,000,000
	Rupees	
Earnings per share - basic and diluted - Rupees	**1.82**	1.45

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:

	2016	2015
	Rupees	
Loan from directors	104,546	1,714,219
Directors remuneration	-	-
Directors remuneration payable	1,886,047	1,886,047
Workers' profit participation fund	658,233	493,818
Workers profit participation fund payable	658,233	493,818

23 FINANCIAL INSTRUMENTS

23.1 Financial instruments by category

	Note	2016	2015
		Rupees	
FINANCIAL ASSETS			
Loans and receivables			
Trade debts - considered good		4,791,139	2,114,079
Advances, deposit, prepayments and other receivables	6	16,432,254	11,935,217
Cash and bank balances	7	5,464,943	658,818
		26,688,336	14,708,114
FINANCIAL LIABILITIES			
Financial liabilities at amortized cost			
Short term borrowing - secured	10	21,830,000	15,000,000
Loan from directors		104,546	1,714,219
Trade and other payables	11	54,895,399	35,608,095
		76,829,945	52,322,314

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:

	2016				2015			
	Rupees	**US Dollars**	**Euro**	**GBP**	Rupees	US Dollars	Euro	GBP
Trade debts	**4,791,139**	**-**	**-**	**-**	2,114,079	-	-	-
Foreign currency deposits	**107,244**	**-**	**405.16**	**383.67**	107,244	-	405.16	383.67
Advance from customer	**13,415,002**	**-**		**-**	(3,124,585)	-		-
Gross balance sheet exposure	**18,313,385**	**-**	**405.16**	**383.67**	(903,262)	-	405.16	383.67

The following significant exchange rates applied during the year:

	Average rates		**Balance sheet date rates**	
	2016	2015	**2016**	2015
		Rupees		
US Dollars	**-**	101.51	**104.29**	101.29
Euro	**116.08**	128.79	**115.85**	113.33
GBP	**140.12**	158.14	**139.83**	159.27

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 2015.

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	
	2016	2015	**2016**	2015
			Rupees	
Short term borrowing	**7.25%**	9.75%	**21,830,000**	15,000,000

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 2016	
Cash flow sensitivity - Variable rate instruments	**218,300**
As at 30 June 2015	
Cash flow sensitivity - Variable rate instruments	150,000

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:

24.2 **Credit Risk**

	2016		2015	
	Balance Sheet	**Maximum exposure**	Balance Sheet	Maximum exposure
		Rupees		
Trade debts	**4,791,139**	**4,791,139**	2,114,079	2,114,079
Cash and bank balances	**5,464,943**	**5,464,943**	656,931	656,931
	10,256,083	**10,256,083**	2,771,010	2,771,010

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

	2016	2015
	Rupees	
European countries	-	-
Local	**5,102,830**	656,931
	5,102,830	656,931

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	**4,791,139**	2,114,079
	4,791,139	2,114,079

Impairment losses

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

	2016		2015	
	Gross	**Impairment**	Gross	Gross
	Rupees			
Not past due	**4,791,139**	**-**	2,114,079	-

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):

	2016			
	Carrying Amount	**Contractual cash flows**	**Twelve months or less**	**Two to Five years**
	Rupees			
Non-Derivative Financial liabilities				
Short term borrowing	**21,830,000**	**21,830,000**	**21,830,000**	**-**
Trade and other payables	**54,895,399**	**54,895,399**	**54,895,399**	**-**
	76,725,399	**76,725,399**	**76,725,399**	**-**

	2015			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
	Rupees			
Short term borrowing	15,000,000	15,000,000	15,000,000	-
Trade and other payables	35,608,095	38,089,594	38,089,594	-
	50,608,095	53,089,594	53,089,594	-

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	**2016**	2015
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	**5,849**	6,033
Actual production of bags - Pieces	**24,646**	22,866
Percentage of capacity utilized	**51%**	49%

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	**2016**	2015
Number of employees at June 30	44	32
Average Number of employees during the year	41	35

26 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on October 07,2016 by the Board of Directors of the Company.

27 NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on Oct 07,2016 has proposed a final cash dividend of Re.0.25 per share for minority shareholders (2015-Nil) for approval of the members at the Annual General Meeting to be held on October 29, 2016.

The financial statements for the year ended June 30, 2016 donot include the effect of the proposed cash dividends, which will be accounted for in the financial statements for the year ending June 30, 2016.

28 GENERAL

- Figures have been rounded off to the nearest rupee.

- Figures have been rearranged / reclassified where ever necessary

Khalid H. Shah
Chief Executive

S. Faisal Shah
Director

FORM OF PROXY

I/ We_________________________________of____

being a member(s) of Leather Up Ltd., and holder of _____________Ordinary Shares as per Share Register Folio/CDC Account No. ________________, hereby appoint __________________Folio/CDC Account No. ___________ of ______________CNIC No. or Passport No.________________or failing whom___________________Folio/CDC Account No. of _____________________CNIC No. or Passport no.______________who is also a member of the Company as my/our proxy in my/ our absence to attend and vote for me/us on my /our behalf at the 25th Annual General Meeting of the company to be held on October 29, 2016 at 06:00 P.M and at any adjournment of thereof.

As witness my/our hand this___________________ day of ______________________________2016

Signed by the said____

in presence of ____

________________(full address)____.

Signature of Member
On Revenue Stamp of
Appropriate Value

____
Signature of Witness

Shareholder's Folio No.___________________________ Number of Share held___________________

IMPORTANT:

A member entitled to attend and vote at Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No persons shall act as a proxy, who is not a member of the company except that a Company may appoint a person who is not a member.

An instrument of proxy duly stamped, signed and witnessed and the power of attorney or other authority (if any) under which it is signed or a 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.

Signature should agree with the specimen signature registered with the Company.

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