



Leather  Limited

**REVIEWED FINANCIAL STATEMENTS
(UN-AUDITED)
FOR THE HALF YEAR ENDED
DECEMBER 31, 2017**



Leather Up Limited

COMPANY PROFILE

Board of Directors

Khalid H. Shah
S. Faisal Shah
Mohsin Khurseed
Ali Kausar Khan

Chief Executive / Director
Director / Chairman
Director
Director

Mahmooda Shah
Jazim Shah
Farooq Raza

Director
Director
Director

Board Audit Committee

Mohsin Khurseed
Jazim Shah
Mahmooda Shah

Chairman
Member
Member

Human Resource Committee

Ali Kausar Khan
Mahmood Shah
S. Faisal Shah

Chairman
Member
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
Faysal Bank Ltd
Askari Bank Ltd
Bank Al-Falah Ltd

United Bank Ltd
Summit Bank Ltd
Meezan Bank Ltd

Registered Office/Factory

Plot # 23/C, 15th Commercial Street Phase II Ext.
Defence Housing Authority, Karachi.
Phone: (021) 35880771-2 Fax: (021) 35880773
E-mail: leatherup@cyber.net.pk Web site: leatherupltd.com

Share Registrar Office

M/s C&K Management Associates (Pvt) Limited
404, Trade Tower, Abdullah Haroon
Road, Near Hotel Metroplote, Karachi-75530
Phone: (021) 35687839- (021) 35685930



Leather Up Limited

DIRECTOR'S REPORT

The Directors of your Company are pleased to present their review along with the condensed interim financial statements (un-audited) of the Company for the half year ended December 31, 2017.

Company Performance

Despite uncertainty all over the world in general and leather industry in particular, the management of your company is very optimistic and keen to safeguard the interest of shareholders of the company.

Inflationary trend and tough competition from different quarters and continued recessionary conditions in the international leather market, the bad economic conditions of the country, the net sales of the company during the half year ended December 31, 2017 restricted to Rs. 26.914 million compared with Rs. 67.828 for the corresponding period of the previous year and leaves a lot to be desired.

The management of the company is trying its level best to explore new markets and get accelerate the momentum of export figures to the days to come.

Because of low sales, fixed overhead expenses, as a result of better control over costs, selling, distribution and administrative expenses, the company sustained after tax losses of Rs. 5.876 million during the half year period ended 2017.

We are optimistic and do hope that the sales will take turnaround and the management of the company would be able to make export sales and to improve financial results, during the forthcoming half year period of the current year.

Future Out look

Under the circumstances, the management is making all out efforts to secure orders and has taken steps to cut operating expenses to minimum to withstand any lean period.

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

The Directors take this opportunity to thanks our valued customers, bankers; shareholders for the trust reposed by them in the Company. We wish to convey our appreciation to all tiers of staff for their dedication and hard work. This is team work and we hope it shall continue in the same spirit during the coming years.

Thanks to our shareholders for their trust and support now as well as in difficult times.

By order of the Board

Khalid H. Shah
(Chief Executive)

Karachi: February 27, 2018

Leather Up Limited

ڈائریکٹر کی رپورٹ

آپ کی کمپنی کے ڈائریکٹروں کو ۳۱ دسمبر، ۲۰۱۷ کو نصف سال کے اختتام کے لئے کمپنی کے کنسر سمنسی عبوری مالیاتی بیانات (غیر آڈٹ شدہ) کے ساتھ ساتھ ان کی نظر ثانی کی پیشکش کی جاتی ہے۔

کمپنی کی کارکردگی

غیر یقینی کے علاوہ، دنیا بھر میں عام طور پر چمڑے کی صنعت میں، آپ کی کمپنی کا انتظام بہت خوشگوار ہے اور کمپنی کے حصول داروں کے مفادات کی حفاظت کی خواہش ہے۔

بین الاقوامی چرمی مارکیٹ، ملک کی خراب اقتصادی حالتوں میں مختلف سہ ماہیوں اور مسلسل کھدائی حالتوں سے انفرادی رجحانات اور سخت مقابلہ، ۳۱ دسمبر، ۲۰۱۷ کو ختم ہونے والے نصف سال کے دوران کمپنی کی خالص فروخت کے لئے محدود ہے۔ ۲۶،۹۱۴ ملین روپے کے مقابلے میں پچھلے سال کی اسی مدت کے لئے ۸۲،۸۷۷ اور بہت کچھ چھوڑ دیا جاتا ہے۔ کمپنی کا انتظام اگلے راستے کی کوشش کر رہا ہے۔

اخراجات، فروخت، تقسیم اور انتظامی اخراجات پر بہتر کنٹرول کے نتیجے میں، کم سبز، مقررہ اضافی اخراجات کی وجہ سے، کمپنی کو ٹیکس سے کم ہونے کے بعد برقرار رہتا ہے۔ نصف سال کی مدت کے دوران ۵،۸۷۷ ملین۔

ہم امید مند ہیں اور یہ امید کرتے ہیں کہ فروخت کی کمپنی کے انتظامات اور انتظام کا انتظام کرے گا۔

مستقبل پر نظر

گزشتہ چند برسوں سے یورپ میں غیر یقینی اور بازی حالات کے تحت انتظامیہ کو احکامات کو محفوظ رکھنے کے لئے حد سے باہر بنا رہا ہے۔ کی وجہ سے، چمڑے کے کپڑے کی مقامی مارکیٹ خراب ہو گئی ہے۔ آپ کی کمپنی کا انتظام کمپنی کے حصول داروں کے مفادات کی حفاظت کے لئے، بہت دلچسپ ہے۔

ڈائریکٹر اس موقع پر اپنے قابل قدر گاہکوں، بینکوں کا شکریہ ادا کرتے ہیں۔ اعتماد کے حصول دار۔ ہم اپنے تمام درجے کے عملے کو اپنے اعتراف اور محنت کے لئے اپنی تعریف فراہم کرنا چاہتے ہیں۔ یہ ٹیم کا کام ہے اور ہم امید رکھتے ہیں کہ آنے والے سالوں میں یہ وہی روح میں جاری رہیں گے۔

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

بورڈ کے حکم سے



محترم خالد حسین شاہ

چیف ایگزیکٹو

کراچی ۲۔ فروری ۲۰۱۸



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

Introduction

We have reviewed the accompanying condensed interim balance sheet of Leather Up Limited (the Company) as at December 31, 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity and notes to the condensed interim financial information for the six month period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for three month period ended December 31, 2017 and 2016 have not been reviewed, as we are required to review only the cumulative figures for the six month period ended December 31, 2017.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the six months period ended December 31, 2017 is not prepared, in all material respects, in accordance with approved accounting standards applicable in Pakistan for interim financial reporting.

Karachi: 27th February, 2018

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



Leather Up Limited

CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2017

	Notes	DECEMBER 31, 2017 (Unaudited)	Rupees	June 30, 2017 (Audited)
Non - Current Assets				
Property, plant and equipment	3	17,813,292		17,867,298
Current Assets				
Stock in trade	4	90,332,600		101,096,159
Trade debts - considered good		678,611		0
Advances, deposits, prepayments and other receivables		10,577,455		10,660,241
Cash and bank balances		4,516,129		2,522,986
		106,104,795		114,279,386
		<u>123,918,087</u>		<u>132,146,684</u>
Share Capital and Reserves				
Authorized Capital				
6,000,000 (June 30, 2017: 6,000,000) ordinary shares of Rs. 10/- each		60,000,000		60,000,000
Issued, subscribed and paid up capital		60,000,000		60,000,000
General reserve		1,369,610		1,369,610
Accumulated loss		(8,121,940)		(2,245,787)
		53,247,670		59,123,823
Deferred liability - staff gratuity		3,169,256		3,169,256
Current liabilities				
Short term borrowing - secured		39,795,664		19,500,664
Loan from directors		135,746		129,856
Trade and other payables		26,875,309		48,990,514
Accrued markup		454,772		156,272
Provision for taxation		239,670		1,076,299
		67,501,161		69,853,605
Contingencies and commitments	5	0		0
		<u>123,918,087</u>		<u>132,146,684</u>

The annexed notes form integral part of these financial statements

Khalid H. Shah
(Chief Executive)

S. Faisal Shah
(Director)

Shafqat Mahmood
(Chief Financial Officer)



Leather Up Limited

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	<u>For the half year ended</u>		<u>For the quarter ended</u>	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	Rupees		Rupees	
Sales - net	26,914,286	67,828,154	5,551,366	31,421,105
Cost of sales	(27,267,206)	(51,942,851)	(10,263,252)	(23,711,247)
Gross profit/(loss)	(352,920)	15,885,303	(4,711,886)	7,709,858
Operating expenses				
Administrative expenses	(2,583,447)	(2,676,407)	(1,217,750)	(1,071,963)
Distribution cost	(1,643,551)	(3,999,281)	(601,324)	(1,747,360)
	(4,226,998)	(6,675,688)	(1,819,074)	(2,819,323)
Operating profit/(loss)	(4,579,918)	9,209,615	(6,530,960)	4,890,535
Finance cost	(1,028,645)	(831,228)	(429,367)	(507,193)
Other expense	(27,920)	(143,744)	(17,800)	(121,954)
	(1,056,565)	(974,972)	(447,167)	(629,147)
Profit/(loss) before taxation	(5,636,483)	8,234,643	(6,978,127)	4,261,388
Taxation	(239,670)	(652,169)	(31,871)	(288,099)
Profit/(loss) after taxation	(5,876,153)	7,582,474	(7,009,998)	3,973,289
Earning/(loss) per share - basic and diluted	(0.98)	1.26	(1.17)	0.66

The annexed notes form integral part of these financial statements

Khalid H. Shah
(Chief Executive)

S. Faisal Shah
(Director)

Shafqat Mahmood
(Chief Financial Officer)



Leather Up Limited

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	For the half year ended		For the quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	Rupees		Rupees	
Profit/(loss) after taxation	(5,876,153)	7,582,474	(7,009,998)	3,973,289
Other comprehensive income for the period (Loss)	0	0	0	0
Total comprehensive income for the period (Loss)	<u>(5,876,153)</u>	<u>7,582,474</u>	<u>(7,009,998)</u>	<u>3,973,289</u>

The annexed notes form integral part of these financial statements

Khalid H. Shah
(Chief Executive)

S. Faisal Shah
(Director)

Shafqat Mahmood
(Chief Financial Officer)



Leather Up Limited

CONDENSED INTERIM CASH FLOW STATEMENT (UN AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	December 31, 2017	December 31, 2016
	<u>Rupees</u>	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(5,636,483)	8,234,643
Adjustments for non cash and other items:		
Depreciation	160,006	171,967
Finance cost	1,028,645	831,228
	<u>1,188,651</u>	<u>1,003,195</u>
Operating cashflows before working capital changes	(4,447,832)	9,237,838
Changes in working capital		
(Increase) / decrease in current assets		
Stock in trade	10,763,559	(14,320,246)
Trade debts	(678,611)	4,140,539
Advances, deposit, prepayments and other receivable	(518,907)	388,924
Increase / (decrease) in current liabilities		
Trade and other payables	(22,115,205)	(1,509,956)
	<u>(12,549,164)</u>	<u>(11,300,739)</u>
Cash (used in) / generated from operations	(16,996,996)	(2,062,901)
Taxes paid	(474,606)	(482,523)
Dividend paid	0	(436,389)
Finance cost paid	(730,145)	(887,035)
Net cash (used in) / generated from operating activities	(18,201,747)	(3,868,848)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	(106,000)	(387,135)
Net cash used in investing activities	(106,000)	(387,135)
Net cashflow from financing activities		
Loan from directors	5,890	(191,932)
	<u>5,890</u>	<u>(191,932)</u>
Net decrease in cash and cash equivalents	(18,301,857)	(4,064,051)
Cash and cash equivalents at the beginning of the period	(16,977,678)	(16,365,057)
Cash and cash equivalents at the end of the period	<u>(35,279,535)</u>	<u>(20,429,108)</u>
Cash and cash equivalents comprise the following:		
Cash and bank balance	4,516,129	2,120,892
Short term borrowing	(39,795,664)	(22,550,000)
	<u>(35,279,535)</u>	<u>(20,429,108)</u>

The annexed notes form integral part of these financial statements

Khalid H. Shah
(Chief Executive)

S. Faisal Shah
(Director)

Shafqat Mahmood
(Chief Financial Officer)



Leather Up Limited

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	Share Capital	General Reserve	Accumulated (Loss)	Total
	Rupees			
Balance as at July 1, 2016	60,000,000	1,369,610	(15,591,906)	45,777,704
Dividend to minority shareholders For June 2016	0	0	(750,000)	(750,000)
Total comprehensive loss for the period	0	0	7,582,474	7,582,474
Balance as at December 31, 2016	<u>60,000,000</u>	<u>1,369,610</u>	<u>(8,759,432)</u>	<u>52,610,178</u>
Balance as at July 1, 2017	60,000,000	1,369,610	(2,245,787)	59,123,823
Total comprehensive loss for the period	0	0	(5,876,153)	(5,876,153)
Balance as at December 31, 2017	<u>60,000,000</u>	<u>1,369,610</u>	<u>(8,121,940)</u>	<u>53,247,670</u>

The annexed notes form integral part of these financial statements

Khalid H. Shah
(Chief Executive)

S. Faisal Shah
(Director)

Shafqat Mahmood
(Chief Financial Officer)



Leather Up Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

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 Pakistan Stock Exchange since 1994. The Company is engaged in the manufacture and export of leather garment and its allied products.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The Companies Ordinance, 1984 was repealed by enactment of the Companies Act, 2017 (Act) on May 30, 2017.

Securities & Exchange Commission of Pakistan (the Commission) vide its Circular No. 17 of 2017 has communicated its decision that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. In continuation to the above mentioned Circular, the Commission in view of the difficulties faced by the companies to comply with the provisions of the Act has advised vide Circular number 23/2017 that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Furthermore, the Institute of Chartered Accountants of Pakistan (ICAP) has obtained clarification from the Commission in this regard, as per which the preparation of financial statements in accordance with the repealed Companies Ordinance, 1984 covers interim financial statements of the companies for the period ending on or before December 31, 2017. Therefore, these condensed interim financial statements for the half year ended December 31, 2017 have been prepared in accordance with the requirements of International Accounting Standards (IAS) 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 shall prevail. The disclosures in these condensed interim financial statements do not include all of the information required in the annual audited financial statements and should read in conjunction with the annual audited financial statements of the company as at and for the year ended June 30, 2017.

These condensed financial statements are unaudited and are being submitted to the shareholders as required under section 237 of the Companies Act, 2017 and the Pakistan Stock Exchange Regulations. However, a limited scope review has been carried out by the auditors. Further, the figures of interim profit and loss account for the quarter ended December 31, 2017 and 2016 and notes forming part thereof have been reviewed by the auditors of the Company, as they have reviewed the accumulated figures for the half year ended December 31, 2017 and December 31, 2016.



Leather Up Limited

These condensed interim financial statements comprises of the Condensed Interim Balance Sheet as at December 31, 2017 and Condensed Interim Profit And Loss Account, Condensed Interim Statement of Comprehensive Income, Condensed Interim Cash Flow Statement and Condensed Interim Statement of Changes in Equity for the half year ended December 31, 2017.

2.2 Use of estimates and judgments

The preparation of these condensed interim financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision. In preparing these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and key sources of estimation and uncertainty were the same as those that were applied to the annual audited financial statements as at and for the year ended June 30, 2017.

2.3 Basis of measurement

These interim financial statements have been prepared under historical cost convention except for recognition of staff retirement benefits at present value based on actuarial valuation.

		December 31, 2017		June 30, 2017
3	PROPERTY, PLANT & EQUIPMENT	Note	Un-audited	Rupees Audited
	Operating Fixed Assets		<u>17,707,292</u>	<u>17,867,298</u>
	Operating Fixed Assets			
	Opening WDV		17,867,298	17,830,492
	Additions to property, plant & equipment during the period			
	Plant and machinery		106,000	387,135
	Depreciation for the period		<u>(160,006)</u>	<u>(350,329)</u>
	Closing WDV		<u>17,813,292</u>	<u>17,867,298</u>
4	STOCK IN TRADE			
	Finished goods		5,289,828	15,314,388
	Raw material		87,455,093	88,194,092
			92,744,921	103,508,480
	Less: Provision for obsolete stock		<u>(2,412,321)</u>	<u>(2,412,321)</u>
			<u>90,332,600</u>	<u>101,096,159</u>



Leather Up Limited

5 CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

Contingencies remain same as at December 31, 2017 as disclosed in the audited annual financial statements for the year ended June 30, 2017.

5.2 Commitments

Commitments for export sales as at December 31, 2017 is Rs. 40.00 million.

6 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 the chief executive, directors and executives is as follows.

	December 31, 2017	June 30, 2016
	Rupees	
Loan From Directors	135,746	104,546
Directors remuneration	0	0
Directors remuneration payable	1,886,047	1,886,047
Workers profit participation fund payable	0	658,233

7 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 27-02-2018 by the Board of Directors of the Company.

8 GENERAL

Figures have been rounded off to the nearest rupee.

Khalid H. Shah
(Chief Executive)

S. Faisal Shah
(Director)

Shafqat Mahmood
(Chief Financial Officer)

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