



# Leather Limited

**REVIEWED FINANCIAL STATEMENTS  
(UN-AUDITED)  
FOR THE HALF YEAR ENDED  
DECEMBER 31, 2015**



# Leather Up Limited

## COMPANY PROFILE

### Board of Directors

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

### Board Audit Committee

S. Faisal Shah	Chairman
Jazim Shah	Member
Mahmooda Shah	Member

### Human Resource Committee

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

### Chief Financial Officer / Company Secretary

Shafqat Mahmood (Khokhar)

### Auditors

Abdan & Company , Chartered Accountants

### Legal Advisor

Maqbool Ahmad Bullo & Company  
Advocate

### Bankers

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

### Registered Office/Factory

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

### Share Registrar Office

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



# Leather Up Limited

## DIRECTOR'S REPORT

The Directors of your company are pleased to present you Condensed Interim Financial Statements for the quarter ended December 31, 2015 of the Company:

### Company Performance

The performance of your company for the period under review has been satisfactory. The management of the company is trying its level best to cut operating expenses and to explore new markets to accelerate the momentum of export figures and to get the company remains as profit making entity.

The production graph of the company remains on its right direction resulted in export sales recorded satisfactory. In rupee terms the company exported over Rs. 51.774 million and achieved 6.281 million of net profit which is commendable. The management is also very keen to safeguard the interest of shareholders of the company and hope to do better as evident in the past.

### Future Out look

The overall performance of the company has showed relatively good due to substantial orders received in leather products other than the leather garments from the international market. The management under the circumstances expects to continue the same momentum of export orders till the conclusion of the ongoing financial year.

### Workers Management Relation:

The management will like to put on the record the valued contribution of all members of the staff, workers towards achieving results in general and we wish to place our gratitude to the shareholders for their continued support in difficult times and hope to continue the same in the coming years. The workers management relationship remained excellent throughout the period, which resulted in the smooth operation of your company. This is team work and we hope it shall continue in the same spirit during the coming years.

### Thanks and Appreciation

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

By order of the Board

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

Karachi: February 25, 2016



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

**Introduction**

We have reviewed the accompanying condensed interim balance sheet of Leather Up Limited as at December 31, 2015 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial information"), for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

The figures of the condensed interim profit and loss account for the quarters ended December 31, 2015 and December 31, 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2015.

**Scope of Review**

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2015 is not prepared, in all material respect, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Karach: February 25, 2016

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



# Leather Up Limited

## CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2015

	December 31, 2015 (Unaudited)	June 30, 2015 (Audited)
	Rupees	
<b>Non - Current Assets</b>		
Property, plant and equipment	18,011,462	17,999,042
<b>Current Assets</b>		
Stock in trade	68,503,833	58,805,167
Trade debts - considered good	4,052,372	2,114,079
Advances, deposits, prepayments and other receivables	14,499,256	11,935,217
Cash and bank balances	1,552,179	658,818
	88,607,640	73,513,281
	<u>106,619,102</u>	<u>91,512,323</u>
<b>Share Capital and Reserves</b>		
<b>Authorized Capital</b>		
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	60,000,000	60,000,000
General reserve	1,369,610	1,369,610
Accumulated loss	(19,835,806)	(26,117,621)
	41,533,804	35,251,989
Deferred liability - staff gratuity	2,594,649	2,594,649
<b>Current liabilities</b>		
Short term borrowing - secured	21,300,000	15,000,000
Loan from directors	377,866	1,714,219
Trade and other payables	40,290,647	35,608,095
Accrued markup	-	162,082
Provision for taxation	522,136	1,181,289
	62,490,649	53,665,685
<b>Contingencies and commitments</b>	-	-
	<u>106,619,102</u>	<u>91,512,323</u>

The annexed notes form integral part of these condensed interim financial information

Khalid H. Shah  
(Chief Executive)

S. Faisal Shah  
(Director)



# Leather Up Limited

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2015

	For the half year ended		For the quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	Rupees		Rupees	
Sales - net	51,774,500	57,391,307	16,976,469	17,341,685
Cost of sales	(38,156,529)	(42,842,057)	(11,057,670)	(11,062,421)
<b>Gross profit</b>	<b>13,617,971</b>	<b>14,549,250</b>	<b>5,918,799</b>	<b>6,279,264</b>
<b>Operating expenses</b>				
Administrative expenses	(2,887,050)	(3,571,460)	(1,478,997)	(1,685,263)
Distribution cost	(2,927,115)	(2,621,508)	(713,593)	(355,251)
	<b>(5,814,165)</b>	<b>(6,192,968)</b>	<b>(2,192,590)</b>	<b>(2,040,514)</b>
<b>Operating profit</b>	<b>7,803,806</b>	<b>8,356,282</b>	<b>3,726,209</b>	<b>4,238,750</b>
Finance cost	(783,451)	(741,446)	(521,353)	(379,543)
Other income	(216,404)	(215,724)	(163,881)	(97,392)
	<b>(999,856)</b>	<b>(957,170)</b>	<b>(685,234)</b>	<b>(476,935)</b>
<b>Profit before taxation</b>	<b>6,803,951</b>	<b>7,399,112</b>	<b>3,040,975</b>	<b>3,761,815</b>
Taxation	(522,136)	(517,703)	(182,789)	(124,418)
<b>Profit after taxation</b>	<b>6,281,815</b>	<b>6,881,409</b>	<b>2,858,186</b>	<b>3,637,397</b>
<b>Earnings per share - basic and diluted</b>	<b>1.05</b>	<b>1.15</b>	<b>0.48</b>	<b>0.61</b>

The annexed notes form integral part of these condensed interim financial information

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

**S. Faisal Shah**  
(Director)



# Leather Up Limited

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2015

	FOR THE HALF YEAR ENDED		FOR THE QUARTER ENDED	
	December 31, 2015 Rupees	December 31, 2014 Rupees	December 31, 2015 Rupees	December 31, 2014 Rupees
Profit after taxation	6,281,815	6,881,409	2,858,186	3,637,397
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	<b>6,281,815</b>	<b>6,881,409</b>	<b>2,858,186</b>	<b>3,637,397</b>

The annexed notes form integral part of these condensed interim financial information

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

**S. Faisal Shah**  
(Director)



# Leather Up Limited

## CONDENSED INTERIM CASH FLOW STATEMENT (UN AUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2015

	December 31, 2015	December 31, 2014
	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	6,803,951	7,399,112
<b>Adjustments for non cash and other items:</b>		
Depreciation	167,580	182,340
Provision for gratuity	-	-
Exchange gain	33,676	-
Finance cost	783,451	741,446
	<u>984,708</u>	<u>923,786</u>
<b>Operating cashflows before working capital changes</b>	<b>7,788,658</b>	<b>8,322,898</b>
<b>Changes in working capital</b>		
<b>(Increase) / decrease in current assets</b>		
Stock in trade	(9,698,666)	(15,917,540)
Trade debts	(1,938,293)	(1,230,271)
Advances, deposit, prepayments and other receivable	(3,420,325)	(14,362,381)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	4,682,552	24,350,857
	<u>(10,374,731)</u>	<u>(7,159,335)</u>
<b>Cash (used in) / generated from operations</b>	<b>(2,586,073)</b>	<b>1,163,563</b>
Taxes paid	(358,679)	(1,717,008)
Finance cost paid	(945,533)	(933,446)
<b>Net cash (used in) / generated from operating activities</b>	<b>(3,890,286)</b>	<b>(1,486,891)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to property, plant and equipment	(180,000)	(136,882)
<b>Net cash used in investing activities</b>	<b>(180,000)</b>	<b>(136,882)</b>
<b>Net cashflow from financing activities</b>		
Loan from directors	(1,336,353)	2,423,638
	<u>(1,336,353)</u>	<u>2,423,638</u>
Net increase / (decrease) in cash and cash equivalents	(5,406,639)	799,865
Cash and cash equivalents at the beginning of the period	(14,341,182)	(8,344,826)
Cash and cash equivalents at the end of the period	<u>(19,747,821)</u>	<u>(7,544,961)</u>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balance	1,552,179	755,039
Short term borrowing	(21,300,000)	(8,300,000)
	<u>(19,747,821)</u>	<u>(7,544,961)</u>

The annexed notes form integral part of these condensed interim financial information

Khalid H. Shah  
(Chief Executive)

S. Faisal Shah  
(Director)





# Leather Up Limited

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2015

	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 period (Unaudited)	-	-	6,881,409	6,881,409
Balance as at December 31, 2014	<u>60,000,000</u>	<u>1,369,610</u>	<u>(26,607,471)</u>	<u>34,762,139</u>
Balance as at January 1, 2015	60,000,000	1,369,610	(26,607,471)	34,762,139
Total comprehensive Income for the period	-	-	489,850	489,850
Balance as at June 30, 2015 (Audited)	<u>60,000,000</u>	<u>1,369,610</u>	<u>(26,117,621)</u>	<u>35,251,989</u>
Balance as at July 1, 2015	60,000,000	1,369,610	(26,117,621)	35,251,989
Total comprehensive Income for the period (Unaudited)	-	-	6,281,815	6,281,815
Balance as at December 31, 2015	<u>60,000,000</u>	<u>1,369,610</u>	<u>(19,835,806)</u>	<u>41,533,804</u>

The annexed notes form integral part of these condensed interim financial information

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

**S. Faisal Shah**  
(Director)



*Leather Up Limited*

## **NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2015**

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

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

The company is principally engaged in manufacturing and exporting of leather garments/products. The production facilities are located at plot # 23/C, 15th Commercial Street Phase II Extension, DHA, Karachi. During the period company has incurred net profit of Rs.6.281 million. Accumulated loss is Rs.19.835 million as at December 31, 2015 resulted decreased by Rs.6.281 million. The company's current assets exceeds its current liabilities by Rs.26.116 million resulted improved current ratio. Under the circumstances, the management is making all its efforts to secure orders and has to taken steps to cut operating expenses to a minimum. Subsequent to the period end, the company has further succeeded in securing export orders and shipped goods to Rs.28.00 million and have in hand orders of another Rs.25.00 million. Based on the above, management estimates future cash flow and profitability and believes current loss and liquidity issue will be overcome in future and these factors expected to have positive impact on the profitability of the company. Accordingly, these accounts are prepared on going concern basis.

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

The condensed interim financial information are un-audited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi Stock Exchange. The condensed interim financial information have been prepared in accordance with the requirements of the International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan. The condensed interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2015. The figures for the half year ended December 31, 2015 have been subject to limited scope review by the auditors as required by the Code of Corporate Governance.

This condensed interim financial information comprises of the condensed interim balance sheet as at December 31, 2015 and the condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and the condensed interim cash flow statement for the half year then ended which have been subject to a review but not audited. This condensed interim financial information also includes the condensed interim profit and loss account for the quarter ended December 31, 2015 which is not subject to a review.



# Leather Up Limited

The comparative condensed balance sheet, presented in this condensed interim financial information, as at June 30, 2015 has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2015 whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement for the half year ended December 31, 2015 have been extracted from the condensed interim financial information for the half year ended December 31, 2014 which were subject to a review but not audit. The comparative condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2014 included in this condensed interim financial report was not subject to a review.

### **3 SIGNIFICANT ACCOUNTING POLICIES**

These interim financial information have been prepared using the same accounting convention, basis of preparation and significant accounting policies as those applied in the preparation of the audited financial statements for the year ended June 30, 2015, except for the changes described in note 3.1.

#### **3.1 New standards, amendments to approved accounting standards and new interpretations which became effective during the six months period ended December 31, 2015**

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

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

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

### **4 ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the condensed interim financial information in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing the condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding published annual financial information of the Company as at and for the year ended June 30, 2015.



# Leather Up Limited

	Note	December 31, 2015 Rupees	June 30, 2015 Rupees
<b>5 PROPERTY, PLANT &amp; EQUIPMENT</b>			
Operating Fixed Assets	5.1	<u>18,011,462</u>	<u>17,999,042</u>
<b>5.1 Operating Fixed Assets</b>			
Opening WDV		17,999,042	18,232,328
<b>Additions to property, plant &amp; equipment during the period</b>			
Lease hold land		-	-
Building on leasehold land		-	-
Plant and machinery		180,000	-
Vehicles		-	-
Furniture and fixtures		-	85,632
Office equipments		-	51,250
		180,000	136,882
Depreciation for the period		(167,580)	(370,168)
Closing WDV		<u>18,011,462</u>	<u>17,999,042</u>

## 6 CONTINGENCIES AND COMMITMENTS

### Contingencies

Contingencies remain same as at December 31, 2015 as disclosed in the audited annual financial statements for the year ended June 30, 2015.

### Commitments

Commitments for export sales as at December 31, 2015 is Rs.38.00 million( June 30, 2015 :30.00 million)

## 7 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on February 25, 2016 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)

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*Leather Up Limited*

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

Phone : 35880771 - 35880772

Fax : 35880773