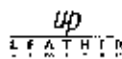


**Financial  
Statements  
for the  
Year Ended  
June 30,  
2014**



*Leather Up Limited*

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## COMPANY PROFILE

### Board of Directors

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

### Board Audit Committee

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

### Human Resource Committee

Naheed Parveen Fayyaz	Chairman
S. Faisal Shah	Member
Ali Kausar Khan	Member
Shahjahan Shah	Member

### Chief Financial Officer / Company Secretary

Shafqat Mahmood (Khokhar)

### Auditors

Abdan & Company, Chartered Accountants

### Legal Advisor

Maqbool Ahmad Bullo & Company  
Advocate

### Bankers

MCB Bank Ltd  
United Bank Ltd  
Faysal Bank Ltd  
Summit Bank Ltd.

### Registered Office/Factory

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

### Share Registrar Office

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



## **NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED JUNE 30, 2014**

Notice is hereby given that the 23rd annual general meeting of Leather Up Limited will be held on Thursday, October 30, 2014 at 6.00 p.m. at Defence Central Library, Phase II, Defence Housing Authority, Karachi-75500, to transact the following businesses:

- 1- To confirm the minutes of the Annual General Meeting held on October 30, 2013.
- 2- To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2014 together with the Directors' and Auditors' Reports thereon.
- 3- To appoint auditors for the year ending June 30, 2015 and to fix their remuneration. The retiring auditors M/s. Abdan & Company, Chartered Accountants being eligible have offered themselves for re-appointment.
- 4- To transact any other business with the permission of the Chair.

By Order of the Board

Dated: October 01, 2014  
Karachi

**Shafqat Mahmood Khokhar**  
(Company Secretary)

### **Notes:**

- 1- The share transfer books of the Company shall remain closed from 27-10-2014 to 05-11-2014 (both days inclusive).
- 2- A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend, speak and vote on his/her behalf. The instrument appointing the Proxy and the power of attorney or other authority under which it is signed or a notarized attested copy of the power of attorney must be submitted at the Share Registrar office M/s. C&K Management Associates (Pvt) Limited, 404, Trade Tower, Abdullah Haroon Road, Near Hotel Metropole, Karachi-75530, at least 48 hours before the time of holding the meeting.
- 3- Shareholders are requested to notify any change, if any, in their addresses immediately.
- 4- CDC account holders will have to follow the guidelines as laid down by the Securities and Exchange Commission of Pakistan.



## **DIRECTORS REPORT**

The Directors of your company are pleased to present you herewith-23rd Annual Report together with the Audited Accounts of the Company and the Auditor's Report thereon:

Total Comprehensive Income for the year	30-06-2014 Rupees	30-06-2013 Rupees
Profit/(Loss) before taxation	7,108,904	(2,092,987)
Provision for taxation	(1,665,678)	257,752
Profit (Loss) after tax	5,443,226	(2,350,739)
Other Comprehensive Income	189,278	271,065
Total Comprehensive Income for the year	5,632,504	(2,079,674)
Accumulated loss carried forward from last year	(39,121,384)	(37,041,710)
Accumulated loss brought forward to balance sheet	(33,488,880)	(39,121,384)
Earnings per share after tax	0.91	(0.35)

### **Company Performance**

The performance of your company for the year has been satisfactory in these trying times. The management of the company is trying its level best to explore new markets to get back the company as profit making entity. The production graph of the company increased substantially to 686% in current year as compared to last year.

The export sale of the company successfully achieved during the year amounting to Rs. 165.19 million and recorded Rs. 24.087 million last preceding year.

### **Future Out look**

As a result of vigorous efforts made by the management, the company finally managed to diversify its production from leather garments to leather bags (ladies). The good news which we like to share with our shareholders is the company having flood of orders of ladies bags from Europe mainly Italy. The profit margin in leather garments decreased due to increase in price of raw materials (leather skins) and increase in cost of production with consequential effect on flow of orders for exports at reasonable prices. The management is also 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 30, 2014, the company has further succeeded in securing export orders for the year 2014-15 and shipped goods over to Rs. 40.00 million against bag and garment orders which are expected to continue till the conclusion of the year. Additionally, the company's management plans to inject funds, if and when required to meet the working capital requirement if any to secure that there is continuity in its operations to avail advantage from the export markets in the leather garment industry and execute orders in time.

### **Appointment of Auditors:**

The auditors, M/s. Abdan & Company, Chartered Accountants retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment. As suggested by the Audit Committee, the Board of Directors has recommended appointing Messrs Abdan & Company, Chartered Accountants as Auditors of the Company for the year ending June 30, 2015.



**Compliance with the Code of Corporate Governance**

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

- \* The financial statements, prepared by the management of the Company, present its state of affair fairly, the results of its operations, cash flows and changes in equity.
  - \* Proper books of account of the Company have been maintained.
  - \* Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
  - \* International Accounting Standards (IAS), as applicable in Pakistan, has been followed in preparation of the financial statements and departures, if any, have been adequately disclosed.
  - \* The system of internal control and other such procedures, which are in place, are being continuously reviewed by the internal audit function. The process will continue and any weakness in controls will be removed.
  - \* There are no doubts upon the company's ability to continue as a going concern.
  - \* There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
  - \* Detail of significant deviations in the company's operations during the current year are stated in the Chairman's Review.
  - \* Key operating and financial data for the last six years in summarized form have been included in the annual report.
  - \* Information regarding taxes and levies is given in the notes to the financial statements.
  - \* The share holdings of the sponsors/ directors have been shown on individual basis.
  - \* The number of employees at the end of the year was 45 (2013: 18).
- During the year four (4) meetings of the Board of Directors were held. Attendance by each Director is as follows:

Name of Directors	No. of meetings Attended
S. Khalid H. Shah	4
Naheed Parveen Fayyaz	4
Gulnaz K. Shah	3
S. Faisal Shah	4
Shahjahan Shah	3
Ali Kausar Khan	4
S. Qamar Raza Shah (Late)	2

Mr. Qamar Raza Shah, one of the directors of the company has expired on May 15, 2014, therefore, casual vacancy in the Board occurred and the same was re-filled with new director within 90 days.

The Board of Directors of the Company has decided not to accrue directors' remuneration for the year ended June 30, 2014. The two executive directors have agreed to forgo their part of the remuneration for the year under review in the interest of the company.

The pattern of shareholding and additional information regarding pattern of shareholding is annexed separately.

No trading in company's shares was carried out by its directors, CEO, CFO, Company Secretary, and Head of Internal Audit, other Executives and their spouse(s) and minor children.

**Workers Management Relation:**

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

**Thanks and Appreciation**

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

By order of the Board

S. Khalid H. Shah  
(Chief Executive)

Karachi: October 01, 2014



## 6 YEARS AT A GLANCE

PARTICULARS	2014	2013	2012	2011	2010	2009
<b><u>FINANCIAL POSITION</u></b>						
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	30,584,569	28,748,303	28,748,303	29,158,338	29,093,338	29,093,338
ACCU. DEPRECIATION	12,352,241	12,017,983	11,799,122	11,974,115	11,698,781	11,390,769
LONG TERM INVESTMENTS	-	-	-	-	-	-
CURRENT ASSETS	61,771,982	37,087,304	47,434,210	56,505,995	24,170,377	30,918,809
CURRENT LIABILITIES	50,985,409	29,257,060	37,932,431	47,101,336	17,381,434	15,718,953
<b><u>INCOME</u></b>						
SALES	165,196,180	24,087,870	71,534,699	71,482,395	18,348,276	25,603,403
OTHER INCOME	(102,269)	115,940	1,013,659	282,529	428,049	4,149,907
PRE-TAX PROFIT (LOSS)	7,108,905	(1,821,922)	1,124,037	2,790,938	(8,836,998)	(3,524,924)
TAXATION	(1,665,678)	(257,752)	(707,186)	(871,322)	(184,434)	(697,728)
Pre-Tax (Loss) Profit to sales %	4.30	(7.56)	1.57	3.90	(48.16)	(13.77)
Pre-Tax Profit (Loss) to Capital %	11.85	(3.03)	1.87	4.65	(14.73)	(5.87)
Current Ratio	1.21:1	1.27:1	1.25:1	1.20:1	1.39:1	1.97:1
Paid- Up Value per Share	10	10	10	10	10	10
Earnings (Loss) per Share after Tax (Rs)	0.91	(0.35)	0.07	0.32	(1.50)	(0.70)
Cash Dividend	Nil	Nil	Nil	2.50%	Nil	Nil
Retained (Loss) Earnings per Share (Rs)	(5.58)	(6.52)	(6.17)	(6.12)	(6.44)	(4.93)
Break-Up Value per Share	4.64	3.71	4.05	4.11	3.79	5.29

**PATTERN OF SHAREHOLDING (FORM 34)**

As at June 30, 2014

SR. NO.	NO. OF SHARE HOLDERS	SHAREHOLDING		TOTAL SHARES HELD
		FROM	TO	
	1102	1-	100	85,082
	612	101-	500	291,999
	95	501-	1000	92,115
	86	1001-	5000	222,373
	10	5001-	10000	78,899
	4	10001-	15000	55,800
	3	15001-	20000	53,000
	1	30001-	35000	31,500
	1	45001-	50000	50,000
	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
	2	95001-	100000	198,800
	1	225001-	230000	226,000
	1	235001-	240000	240,000
	2	295001-	300000	600,000
	1	345001-	350000	345,400
	1	750001-	755000	752,000
	1	760001-	765000	760,100
	1	1395001-	1400000	1,399,400
	<b>1931</b>	<b>Total</b>		<b>6,000,000</b>

Categories of Shareholders	Number of Share Holder	Shares Held	Holding Percentage
INDIVIDUALS	1926	5,994,721	99.91
INVESTMENT COMPANIES	1	3,700	0.06
JOINT STOCK COMPANIES	4	1,579	0.03
	<b>1931</b>	<b>6,000,000</b>	<b>100.00</b>





## ADDITIONAL INFORMATION

	Number of Shareholder	Number of Share Held
<b>Associated Companies (name wise details)</b>		
<b>NIT &amp; ICP (name wise details)</b>		
<b>Directors CEO and their Spouse and minor children (Name wise detail)</b>		
Mr. Khalid H. shah	1	1,399,400
Mr. Syed Raza Shah	1	300,000
Mr. Shajahan Shah	1	100
Mr. S. Qamar Raza Shah	1	100
Mrs. Mumtaz A. Shah	1	100
Mrs. Gulnaz Khursheed Shah	1	240,000
Mr. S. Faisal Shah	1	100
Mr. Nazeer H. Shah	1	760,100
Mr. Zain Shah	1	300,000
Mrs. Naheed Perveen Fayyaz	1	100
Mr. Ali Kusr Khan	1	60,708
<b>Executives</b>	-	
Public Sector companies & corporation	-	
Finance Institution	1	3,700



## **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2014**

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in the listing regulations of Karachi 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 includes:

<b>Category</b>	<b>Names</b>
Executive Director (2)	Mr. S. Khalid H. Shah Mrs. Gulnaz K. Shah
Non Executive Directors (5)	Mrs. Naheed Parveen Fayyaz Mrs. Rashida A. Shah Mr. Shahjahan Shah Mr. Ali Kausar Khan Mr. S. Faisal Shah

- 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- Mr. Qamar Raza Shah, the one of the directors of the company has expired during the year, therefore, casual vacancy in Board of Directors occurred and the same re-filled with new director accordingly.
- 5- The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with the supporting policies and procedures and would be placed on company's web site in coming year.
- 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 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 not arranged orientation course for its directors during the year to apprise them of their duties and responsibilities. The directors have kept themselves abreast of the duties and responsibilities as per the amended Code of Corporate Governance and the company has an arrangement to hold orientation course for their directors in coming year.



- 10- The Board has approved 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 this 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 and all of them are non-executive directors.
- 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 four members, of whom three 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 Institute of Chartered Accountants of Pakistan.
- 20- The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 21- The "Closed Period", prior to the announcement of interim / final results, and business decisions which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.
- 22- Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.
- 23- We confirm that all other material principles contained in the CCG have been complied with.

For and on behalf of the Board of Directors

LEATHER UP LIMITED

A handwritten signature in black ink, appearing to read 'S. Khalid H. Shah', is written over a horizontal line.

S. Khalid H. Shah  
(Chief Executive)

Karachi:  
Dated October 01, 2014



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Leather Up Limited** ('the Company') to comply with the Listing Regulations of the Karachi Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's 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.

Further, listing regulations of respective stock exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transaction which are not executed at arm's length price recording proper justifications for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review, except for the departure disclosed in note 9 to the statement, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2014.

**IQBAL AHMAD ABDAN**  
**ABDAN & CO**  
Chartered Accountants

Karachi.  
Date: October 01, 2014

## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **LEATHER UP LIMITED** as at 30 June 2014, and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

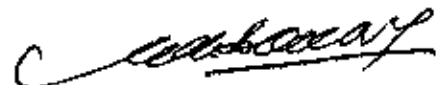
It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an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

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

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion-
  - i) the balance sheet, profit and loss account and statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2014 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.

Without qualifying our opinion, we draw attention to note 1.2 to the financial statements which indicates that Company's accumulated loss stood at Rs. 33.48 million as at June 30, 2014. This condition indicates the existence of material uncertainty that may cause significant doubt about the Company's ability to continue as a going concern.

Karachi.  
Date: October 01, 2014



**IQBAL AHMAD ABDAN**  
**ABDAN & CO**  
Chartered Accountants



## BALANCE SHEET AS AT JUNE 30, 2014

	Note	2014 Rupees	2013
<b>Non - Current Assets</b>			
Property, plant and equipment	4	18,232,328	16,730,320
<b>Current Assets</b>			
Stock in trade	5	50,607,141	33,606,211
Trade debts - considered good		819,992	-
Advances, deposits, prepayments and other receivables	6	10,389,675	2,593,395
Cash and bank balances	7	705,174	887,698
		62,521,982	37,087,304
		<u>80,754,310</u>	<u>53,817,624</u>
<b>Share Capital and Reserves</b>			
<b>Authorized Capital</b>			
6,000,000 (2013: 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		(33,488,880)	(39,121,384)
		27,880,730	22,248,226
Deferred liability - staff gratuity	9	1,138,171	2,312,338
<b>Current liabilities</b>			
Short term borrowing - secured	10	9,050,000	8,000,000
Loan from directors		2,738,137	2,908,500
Trade and other payables	11	38,089,594	17,907,312
Accrued markup		192,000	183,496
Provision for taxation		1,665,678	257,752
		51,735,409	29,257,060
<b>Contingencies and commitments</b>	12	<u>80,754,310</u>	<u>53,817,624</u>

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

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

  
**Shahjahan Shah**  
 Director



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	Restated 2013
Sales - net	13	165,196,180	24,087,870
Cost of sales	14	(139,560,686)	(19,930,501)
<b>Gross profit</b>		<b>25,635,494</b>	<b>4,157,369</b>
<b>Operating expenses</b>			
Administrative expenses	15	(6,221,869)	(3,559,762)
Distribution cost	16	(9,405,068)	(1,506,241)
		(15,626,928)	(5,066,003)
<b>Operating profit</b>		<b>10,008,566</b>	<b>(908,634)</b>
Finance cost	17	(2,157,233)	(900,293)
Other income	18	(102,269)	115,940
Other operating expenses	19	(640,159)	(400,000)
		(2,899,661)	(1,184,353)
<b>Profit/(Loss) before taxation</b>		<b>7,108,904</b>	<b>(2,092,987)</b>
Taxation	20	(1,665,678)	(257,752)
<b>Profit / (Loss) after taxation</b>		<b>5,443,226</b>	<b>(2,350,739)</b>
<b>Earnings per share - basic and diluted</b>	21	<b>0.91</b>	<b>(0.39)</b>

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

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

  
**Shahjahan Shah**  
 Director



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2014

	2014	Restated 2013
	Rupess	
Profit after taxation	5,443,226	(2,350,739)
Other comprehensive income for the year		
Acturial gain on gratuity	189,278	271,065
Total comprehensive income for the year	<u>5,632,504</u>	<u>(2,079,674)</u>

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

  
S. Khalid H. Shah  
Chief Executive

  
Shahjahan Shah  
Director





## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	----- Rupees -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	7,108,904	(2,092,987)
Adjustments for non cash and other items:		
Depreciation	334,258	218,861
Provision for gratuity	(984,888)	460,343
Finance cost	2,157,233	900,293
	1,506,603	1,579,497
Operating cashflows before working capital changes	8,615,507	(513,490)
Changes in working capital		
(Increase) / decrease in current assets		
Stock in trade	(17,000,930)	(1,884,043)
Trade debts	(819,993)	3,040,231
Advances, deposit, prepayments and other receivable	(6,227,618)	6,975,016
Increase / (decrease) in current liabilities		
Trade and other payables	20,182,282	(11,096,914)
Loan from directors	(170,363)	2,908,500
	(4,036,622)	(57,210)
Cash (used in) / generated from operations	4,578,885	(570,700)
Taxes paid	(1,826,414)	(708,807)
Finance cost paid	(2,148,729)	(936,195)
Net cash (used in) / generated from operating activities	603,742	(2,215,702)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	-	-
Capital expenditure	(1,836,266)	-
Net cash generated from / (used in) investing activities	(1,836,266)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	-	-
Net cash used in financing activities	-	-
Net (decrease) / increase in cash and cash equivalents	(1,232,524)	(2,215,702)
Cash and cash equivalents at the beginning of the year	(7,112,302)	(4,896,600)
Cash and cash equivalents at the end of the year	(8,344,826)	(7,112,302)
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balance	705,174	887,698
Short term borrowing	(9,050,000)	(8,000,000)
	(8,344,826)	(7,112,302)

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

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

  
**Shahjahan Shah**  
 Director



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2014

	Share Capital	General Reserve	Accumulated Loss	Total
	----- Rupees -----			
Balance as at July 1, 2012	60,000,000	1,369,610	(37,041,710)	24,327,900
Total comprehensive Income for the year	-	-	(2,079,674)	(2,079,674)
Balance as at June 30, 2013	<u>60,000,000</u>	<u>1,369,610</u>	<u>(39,121,384)</u>	<u>22,248,226</u>
Balance as at July 1, 2013	60,000,000	1,369,610	(39,121,384)	22,248,226
Total comprehensive Income for the year	-	-	5,632,504	5,632,504
Balance as at June 30, 2014	<u>60,000,000</u>	<u>1,369,610</u>	<u>(33,488,880)</u>	<u>27,880,730</u>

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

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

  
**Shahjahan Shah**  
 Director



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 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.
- 1.2 The company is principally engaged in manufacturing and exporting of leather garments/products. The production facilities are located at plot # 23/C, 15 th Commercial Street Phase II Extension Defence Housing Authority, Karachi. The company has been performing relatively better for the last 15 months (July 2013-September-2014) and got back into a profit making entity after suffering loss in 2013. As at reporting date, the current assets exceeds over current liabilities by Rs. 10.786 million, resulted in stable current ratio. During the year under consideration the production graph of the company substantially increased to Rs. 165.19 million compared to Rs. 24.08 million of the preceding year, means export sales increased by 686% which is commendable in these trying times. The company has managed to secure net profit amounting to Rs. 5.443 million. The accumulated losses of the company on the balance sheet date stand at Rs. 33.4 million, the basic reason of losses in the earlier years was attributable to shift in export orders from Europe to other countries. The company also have good standing in the period July 2014 to September 2014 and able to export of Rs. 40 million.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of Compliance

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

#### 2.2 Basis of measurement

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

#### 2.3 Functional and presentation currency

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

#### 2.4 Use of estimates and judgments

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

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



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

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

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

- a) **Standards, amendments to published standards and interpretations that are effective in current year and are relevant to the Company:**
  - IAS 19 (amendments) - effective from January 1, 2013. eliminate the corridor approach and calculate finance costs on a net funding basis. The management anticipates that the adoption of the standard will have no material impact on company's financial statements.
- b) **Standards, amendments to published standards and interpretations that are effective in 2013 but not relevant to the Company**

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2013 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and therefore have not been analyzed in detail.

- c) **Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company**

Following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning on July 1, 2013 and have not been early adopted by the Company:

- IAS 32 (amendments) - 'Offsetting Financial Assets and Financial Liabilities' effective from January 1, 2014.
- IFRIC 21 - 'Levies' effective from January 1, 2014.
- IAS 36 (amendments) - 'Impairment of Assets' effective from January 1, 2014.
- IAS 39 (amendments) - 'Financial Instruments: Recognition and Measurement' effective from January 1, 2014 on novation of derivatives and hedge accounting.
- IAS 19 (amendments) - 'Employee Benefits' effective from July 1, 2014.
- IAS 24 (amendments) - 'Related Parties' effective from July 1, 2014.
- IFRS 9, 'Financial Instruments', effective for periods beginning on or after January 1, 2015.
- IFRS 14, 'Regulatory Deferral Accounts', effective for periods beginning on or after January 1, 2016.
- IFRS 15, 'Revenue from Contracts', effective for periods beginning on or after January 1, 2017.

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



### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Property, plant and equipment**

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

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

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

The assets' residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end. The Company's estimate of residual value of property and equipment as at June 30, 2014 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.



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

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

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

### **3.7.3 Impairment of financial assets**

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

## **3.8 Staff Retirement Benefits**

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

### **3.8.1 Defined benefit plan**

A defined benefit plan is post employment benefit plan other than a defined contribution plan. The company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. The Gratuity scheme is unfunded and covers those permanent employees and management staff of the Company who have completed prescribed qualifying period of service. Provision is made annually to cover obligations under the scheme by providing two third of last drawn basic salary of the employees for each year of service.

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

## **3.9 Taxation**

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

### **Current**

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



### **Deferred**

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

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

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

### **3.10 Provisions**

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

### **3.11 Revenue Recognition**

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

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

### **3.12 Borrowing costs**

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

### **3.13 Foreign currency transaction and translation**

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



# Financial Statements for the Year Ended June 30, 2014



## 4 PROPERTY, PLANT AND EQUIPMENT

	Lease hold Land	building on lease hold land	Plant & Machinery	Vehicles	Furniture & fixture	Office equipment	Total
<b>As at July 1, 2012</b>							
Cost	14,797,520	6,322,734	3,604,852	43,465	971,184	3,008,548	28,748,303
Accumulated depreciation	-	(5,590,732)	(2,978,033)	(6,520)	(788,246)	(2,435,691)	(11,799,122)
	<u>14,797,520</u>	<u>732,002</u>	<u>626,819</u>	<u>36,945</u>	<u>182,938</u>	<u>572,957</u>	<u>16,949,181</u>
<b>Year ended June 30, 2013</b>							
Opening net book value	14,797,520	732,002	626,819	36,945	182,938	572,957	16,949,181
Additions / transfers during the year	-	-	-	-	-	-	-
Disposals / transfers	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Net book value	-	-	-	-	-	-	-
Depreciation for the year	-	(73,200)	(62,682)	(7,389)	(18,294)	(57,296)	(218,861)
	<u>14,797,520</u>	<u>658,802</u>	<u>564,137</u>	<u>29,556</u>	<u>164,644</u>	<u>515,661</u>	<u>16,730,320</u>
<b>As at July 1, 2013</b>							
Cost	14,797,520	6,322,734	3,604,852	43,465	971,184	3,008,548	28,748,303
Accumulated depreciation	-	(5,663,932)	(3,040,715)	(13,909)	(806,540)	(2,492,887)	(12,017,983)
	<u>14,797,520</u>	<u>658,802</u>	<u>564,137</u>	<u>29,556</u>	<u>164,644</u>	<u>515,661</u>	<u>16,730,320</u>
<b>Year ended June 30, 2014</b>							
Opening net book value	14,797,520	658,802	564,137	29,556	164,644	515,661	16,730,320
Additions / transfers during the year	-	426,581	725,500	120,900	238,320	324,965	1,836,266
Disposals / transfers	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Net book value	-	-	-	-	-	-	-
Depreciation for the year	-	(84,390)	(120,288)	(20,469)	(29,370)	(79,741)	(334,258)
	<u>14,797,520</u>	<u>1,000,993</u>	<u>1,169,349</u>	<u>129,987</u>	<u>373,594</u>	<u>760,885</u>	<u>18,232,328</u>
<b>As at June 30, 2014</b>							
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)
	<u>14,797,520</u>	<u>1,000,993</u>	<u>1,169,349</u>	<u>129,987</u>	<u>373,594</u>	<u>760,885</u>	<u>18,232,328</u>
Annual rates of depreciation	-	10%	10%	20%	10%	10%	

# Financial Statements for the Year Ended June 30, 2014



		2014	2013
		----- Rupess -----	
<b>4.1</b>	Depreciation for the year has been allocated as under :		
	Cost of sales	200,555	131,317
	Administrative expenses	133,703	87,544
		<u>334,258</u>	<u>218,861</u>
<b>5</b>	<b>STOCK IN TRADE</b>		
	Raw material and accessories	37,550,502	29,799,488
	Finished goods	15,468,960	8,306,723
	Less: Provision for obsolete stock	<u>(2,412,321)</u>	<u>(4,500,000)</u>
		<u>50,607,141</u>	<u>33,606,211</u>
<b>5.1</b>	The provision for obsolete stock has been reduced by Rs. 2,087,679/- and has taken back into stock for consumption.		
<b>6</b>	<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Advances - considered good to :		
	- Staff	314,503	310,761
	- Suppliers	-	-
		<u>314,503</u>	<u>310,761</u>
	Deposits	524,167	59,167
	Prepayments	1,268,661	148,524
	Income tax	1,974,057	405,395
	Sales tax	891,150	569,632
	Other receivables - considered good		
	- Export rebate receivable	5,417,137	1,099,916
	- Others	-	-
		<u>5,417,137</u>	<u>1,099,916</u>
		<u>10,389,675</u>	<u>2,593,395</u>
<b>7</b>	<b>CASH AND BANK BALANCES</b>		
	Cash in hand	9,079	23,872
	Cash with banks		
	- in foreign currency deposit accounts	118,610	158,974
	- In current accounts	<u>577,485</u>	<u>704,852</u>
		<u>696,095</u>	<u>863,826</u>
		<u>705,174</u>	<u>887,698</u>
<b>8</b>	<b>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		
Number of Shares		2014	2013
		----- Rupess -----	
5,759,100	5,759,100	57,591,000	57,591,000
125,000	125,000	1,250,000	1,250,000
115,900	115,900	1,159,000	1,159,000
<u>6,000,000</u>	<u>6,000,000</u>	<u>60,000,000</u>	<u>60,000,000</u>

# Financial Statements for the Year Ended June 30, 2014



	2014	2013
	----- Rupess -----	
<b>9 DEFERRED LIABILITIES - Staff Gratuity</b>		
As at beginning of the year	2,312,338	2,123,060
Charged to Profit & Loss	213,007	460,343
Payment during the year	(654,000)	-
Unpaid gratuity of outgoing workers	(543,896)	-
Actuarial (gain) loss during the year	(189,278)	(271,065)
As at end of the year	<u>1,138,171</u>	<u>2,312,338</u>

## 9.1 Charged to profit & Loss

Current Service Cost	74,232	201,064
Interest Cost	138,775	259,279
	<u>213,007</u>	<u>460,343</u>
Actuarial (gain) loss recognized during the year	<u>(189,278)</u>	<u>(271,065)</u>
	<u>23,729</u>	<u>189,278</u>

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

Administrative Expenses	85,203	184,137
Production Expenses	127,804	276,206
	<u>213,007</u>	<u>460,343</u>

## 9.3 Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at June 30, 2014 and June 30, 2013 has been determined by the management of the company based on actuarial valuation. The principal assumptions used in determining present value of defined benefit obligations are:

Discount rate	15%	15%
Expected rate of increase in salary	10%	10%
expected average years of service	39 years	39 years

### Historical Information

Present value of defined benefit obligation	1,138,171	2,312,338
actuarial adjustments arising during the year	12.45%	12.45%

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

## 10 SHORT TERM BORROWING - Secured

### Export refinance

Pre shipment financing	8,300,000	8,000,000
Post shipment financing	750,000	-
	<u>9,050,000</u>	<u>8,000,000</u>

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



#### 10.1 United Bank Limited

Preshipment Financing	Rs. 8.3 million (2013: Rs. 8.3 million)
Postshipment Financing	Rs. 6.7 million (2013: Rs. 4.5 million)
Rate of markup	SBP Export Finance Rate + 1% per annum (2013: 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 receivables / 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 Unavailed facility

As at June 30, 2014 the Company has FBP (A) Post Shipment Financing, unavailed amounting to Rs. 5.95 million.

2014                      2013  
----- Rupess -----

#### 11 TRADE AND OTHER PAYABLES

Creditors	22,225,804	11,815,133
Accrued liabilities	8,968,161	3,246,547
Advance from customers	3,941,381	181,543
Workers' profits participation fund	429,884	287,706
Workers welfare fund	168,601	20,620
Unclaimed dividend	2,355,763	2,355,763
	<u>38,089,594</u>	<u>17,907,312</u>

**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, 2014 is Rs. 35 million (2013: Rs. 45 million/-).

		2014	2013
		----- Rupees -----	
<b>13 SALES - NET</b>			
Export sales		163,950,012	23,713,916
Export rebate		6,395,314	925,672
Less: Commission / discount		(5,149,146)	(551,718)
		<u>165,196,180</u>	<u>24,087,870</u>
<b>14 COST OF SALES</b>			
Raw, packing and other material consumed	14.1	114,425,191	12,139,781
Production expenses	14.2	32,297,732	8,789,006
<b>Cost of goods manufactured</b>		<u>146,722,923</u>	<u>20,928,787</u>
Opening stock of finished goods		8,306,723	7,308,437
<b>Cost of goods available for sale</b>		<u>155,029,646</u>	<u>28,237,224</u>
Closing stock of finished goods		(15,468,960)	(8,306,723)
		<u>139,560,686</u>	<u>19,930,501</u>

# Financial Statements for the Year Ended June 30, 2014



	Note	2014 ----- Rupees -----	2013
<b>14.1 Raw, packing and other material consumed</b>			
Opening stock		29,799,488	28,913,731
Purchases		122,176,205	13,025,538
		151,975,693	41,939,269
Closing stock		(37,550,502)	(29,799,488)
		<u>114,425,191</u>	<u>12,139,781</u>
<b>14.2 Production expenses</b>			
Cutting and stitching charges		23,503,652	3,514,283
Salaries, wages and other benefits	14.2.1	6,214,550	4,343,409
Repairs and maintenance		698,084	73,810
Depreciation	4.1	200,555	131,317
Fuel and power		1,252,496	391,158
Telephone, fax and postage		272,752	244,635
Printing and stationery		12,724	21,543
Entertainment expense		142,919	68,851
		<u>32,297,732</u>	<u>8,789,006</u>

14.2.1 This includes amount of Rs.127,804/- (2013:Rs. 276,206/-) in respect of staff retirement benefits.

## 15 ADMINISTRATIVE EXPENSES

Directors' remuneration	22.1 & 15.1	-	984,000
Salaries, allowances and other benefits	15.2	2,661,156	1,510,287
Communication expense		122,804	66,431
Insurance expense		247,924	85,540
Utilities		522,139	201,474
Printing and stationery		133,193	81,695
Legal and professional		378,595	144,000
Fees and subscription		178,120	147,643
Vehicle running and maintenance		917,220	49,419
Entertainment expense		458,592	62,224
Repairs and maintenance		330,613	78,893
Donations	15.3	86,311	15,300
Newspaper and periodicals		51,490	45,312
Depreciation	4.1	133,703	87,544
		<u>6,221,860</u>	<u>3,559,762</u>

15.1 The board of directors of the company has decided not to accrue Directors' remuneration for the year ended June 30, 2014. The two directors getting remuneration have agreed to forgo their part of remuneration for the year under review in the interest of the company.

15.2 This includes amount of Rs. 85,203/- (2013:Rs. 184,137/-) in respect of staff retirement benefits.

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



	Note	2014 ----- Rupees -----	2013
<b>16 DISTRIBUTION COST</b>			
Advertising and sales promotion		350,767	48,617
Postage, telex and telegram		654,647	58,789
Travelling expense		8,237	-
Freight, handling and insurance		8,186,126	1,347,531
Others		205,291	51,304
		<u>9,405,068</u>	<u>1,506,241</u>
<b>17 FINANCE COST</b>			
Markup and interest charges		812,337	855,440
Bank charges and commission		1,344,896	44,853
		<u>2,157,233</u>	<u>900,293</u>
<b>18 OTHER INCOME</b>			
Profit on foreign currency deposit accounts		67	774
Exchange gain - net		(102,336)	115,166
		<u>(102,269)</u>	<u>115,940</u>
<b>19 OTHER OPERATING EXPENSES</b>			
Workers' welfare fund		147,981	20,620
Workers' profit participation fund		142,178	-
Others		-	4,380
Auditor Remuneration	19.1	350,000	375,000
		<u>640,159</u>	<u>400,000</u>
<b>19.1 Auditors' remuneration</b>			
Audit fee		250,000	250,000
Half yearly review fee		100,000	100,000
Other certifications' fee/Expenses		-	29,380
		<u>350,000</u>	<u>379,380</u>
<b>20 TAXATION</b>			
<b>Current</b>			
-for the year	20.1	1,665,678	257,752
-prior year		-	-
		<u>1,665,678</u>	<u>257,752</u>
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 reconciliation between accounting profit and taxable income is not practicable has not been presented here.		



	2014	2013
	----- Rupees -----	
<b>21 EARNINGS PER SHARE - BASIC AND DILUTED</b>		
Profit after taxation	<u>5,443,226</u>	<u>(2,350,739)</u>
	-----Number-----	
Weighted average number of ordinary shares	<u>6,000,000</u>	<u>6,000,000</u>
	-----Rupees-----	
Earnings per share - basic and diluted	<u>0.91</u>	<u>(0.39)</u>

**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:

	2014	2013
	----- Rupees -----	
Loan from directors	2,738,137	2,908,500
Directors remuneration	22.1 -	984,000
Directors remuneration payable	1,886,047	1,886,047
Workers' profit participation fund	142,178	-
Workers profit participation fund payable	429,884	287,706

**22.1 Directors remuneration**

	CHIEF EXECUTIVE		DIRECTORS		TOTAL	
	2014	2013	2014	2013	2014	2013
Remuneration	-	336,000	-	320,000	-	656,000
House rent	-	151,200	-	144,000	-	295,200
Utilities	-	16,800	-	16,000	-	32,800
	-	504,000	-	480,000	-	984,000
	-	1	-	1	-	2



**23 FINANCIAL INSTRUMENTS**

Note      2014      2013  
----- Rupess -----

**23.1 Financial instruments by category****FINANCIAL ASSETS****Loans and receivables**

Trade debts - considered good

819,992

Advances, deposits, prepayments

and other receivables

6

10,389,675

2,593,395

Cash and bank balances

7

705,174

887,698

11,914,8413,481,093**FINANCIAL LIABILITIES****Financial liabilities at amortized cost**

Short term borrowing - secured

10

9,050,000

8,000,000

Loan from directors

2,738,137

2,908,500

Trade and other payables

11

38,089,594

17,598,986

49,877,73128,507,486**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:

	2014				2013			
	Rupees	US Dollars	Euro	GBP	Rupees	US Dollars	Euro	GBP
	----- Rupees -----							
Trade debts	819,992	-	-	-	-	-	-	-
Foreign currency deposits	118,610	-	405.16	383.67	158,974	486.25	404.92	383.46
Advance from customer	(3,941,381)	-	(20,317.49)	-	-	-	-	-
Gross balance sheet exposure	(3,002,778)	-	(19,912.33)	383.67	158,974	486.25	404.92	383.46

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2014	2013	2014	2013
US Dollars	104.75	92.33	98.35	96.88
Euro	139.14	123.13	134.19	128.02
GBP	171.42	151.65	167.44	156.54

**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 2013.

	Profit and loss Rupees
<b>As at 30 June 2014</b>	
Effect in US Dollars	
Effect in Euros	(282,691)
Effect in GBP	90,021
<b>As at 30 June 2013</b>	
Effect in US Dollars	139,030
Effect in Euros	96,274
Effect in GBP	339,915

A 10 percent weakening of the Rupees against the above currency at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.



## b) Interest rate risk

Interest/mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/mark-up rates. Sensitivity to interest/mark up rate risk arises from mismatches of financial liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The long-term financing and short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes. At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	Effective interest rate (%)		Carrying amount	
	2014	2013	2014	2013
Short term borrowing	11%	11%	8,300,000	8,000,000

## 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
<b>As at 30 June 2014</b>	
Cash flow sensitivity - Variable rate instruments	83,000
<b>As at 30 June 2013</b>	
Cash flow sensitivity - Variable rate instruments	80,000

## 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:



	2014		2013	
	Balance Sheet	Maximum exposure	Balance Sheet	Maximum exposure
	----- Rupees -----			
Trade debts	819,992	819,992	-	-
Cash and bank balances	696,095	696,095	863,826	863,826
	<u>1,516,087</u>	<u>1,516,087</u>	<u>863,826</u>	<u>863,826</u>

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

	2014	2013
	----- Rupees -----	
European countries	-	-
Local	696,095	863,826
	<u>696,095</u>	<u>863,826</u>

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	819,992	-
	<u>819,992</u>	<u>-</u>

#### Impairment losses

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

	2014		2013	
	Gross	Impairment	Gross	Impairment
	----- Rupees -----			
Not past due	819,992	-	-	-

### 23.6 Liquidity risk

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



	2014			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
<b>Non-Derivative Financial liabilities</b>				
Short term borrowing	9,050,000	9,050,000	9,050,000	-
Trade and other payables	38,089,594	38,089,594	38,089,594	-
	<u>47,139,594</u>	<u>47,139,594</u>	<u>47,139,594</u>	<u>-</u>
	2013			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
Short term borrowing	8,000,000	8,000,000	8,000,000	-
Trade and other payables	17,907,312	17,907,312	17,907,312	-
	<u>25,907,312</u>	<u>25,907,312</u>	<u>25,907,312</u>	<u>-</u>

### 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	2014	2013
Industrial sewing machines installed - Number	195	195
Installed capacity of jackets - Pieces	49,466	49,466
Installed capacity of bags - Pieces	60,178	-
Actual production of jackets - Pieces	5,665	5,973
Actual production of bags - Pieces	32,626	-
Percentage of capacity utilized	66%	12%

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.



<b>25</b>	<b>NUMBER OF EMPLOYEES</b>	<b>2014</b>	<b>2013</b>
	Number of employees at June 30	45	18
	Average Number of employees during the year	40	18

**26 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorized for issue on October 01, 2014 by the Board of Directors of the Company.

**27 GENERAL**

- Figures have been rounded off to the nearest rupee.
- Figures have been rearranged / reclassified where ever necessary

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

  
**Shahjahan Shah**  
 Director



**FORM OF PROXY**

I / We \_\_\_\_\_  
of \_\_\_\_\_ (full address) \_\_\_\_\_  
being a member of **Leather Up Ltd.**, hereby appoint \_\_\_\_\_  
of \_\_\_\_\_

as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 23rd Annual General Meeting of the Company to be held on October 30, 2014 at 06.00 p.m. and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2014

Signed by the said \_\_\_\_\_  
in presence of \_\_\_\_\_  
\_\_\_\_\_ (full address) \_\_\_\_\_

Signature of Member  
on Revenue Stamp of  
Appropriate Value

\_\_\_\_\_  
Signature of Witness

Shareholder's Folio No. \_\_\_\_\_ Number of Share held \_\_\_\_\_

**IMPORTANT :**

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

