

Vision

An internationally recognized manufacturer and exporter, having providing quality leather products and maintaining an excellent level of ethical and professional standards.

Mission Statement

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

Code of ethics and business practices

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

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

COMPANY PROFILE

Board of Directors

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

Board Audit Committee

Mohsin Khursheed	Chairman
Jazim Shah	Member
Mahmooda Shah	Member

Human Resource Committee

Mohsin Khursheed	Chairman
S. Faisal Shah	Member
Mahmooda Shah	Member

Chief Financial Officer / Company Secretary

Ali Ahmar

Auditors

Abdan & Company, Chartered Accountants

Legal Advisor

Maqsood Ahmad Bullo & Company
Advocate

Bankers

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

Registered Office/Factory

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

Phone: (021) 35880771-2 Fax: (021) 35880773

E-mail: leatherup@cyber.net.pk

Web site: leatherupltd.com

Share Registrar Office

M/s C&K Management Associates (Pvt) Limited

404, Trade Tower, Abdullah Haroon Road, Near Hotel Metroplole, Karachi-75530

Phone: (021) 35687839- (021) 35685930

Notice of Annual General Meeting

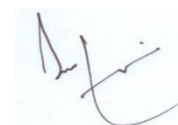
Notice is hereby given that the Twenty Eighth Annual General Meeting of the shareholders of Leather Up Limited will be held on Monday, the October 28, 2019 at 04.15 hours at C-38, Shalimar Garden, Darussalam Housing Society, Near Indus Hospital, Korangi, Karachi to transact the following business:

ORDINARY BUSINESS:

- 1- To read and confirm minutes of Annual General Meeting of the shareholders of the Company held on Saturday, October 27, 2018.
- 2- To receive and adopt the Audited Statements of Accounts for the year ended June 30, 2019 together with the Directors' and Auditors report thereon.
- 3- To appoint auditors for the year 2020 and to fix their remuneration.

Dated: October 04, 2019
Karachi

By Order of the Board



Ali Ahmar
(Company Secretary)

Note:

- 1- The share transfer book of the company shall remain closed from 28-10-2019 to 07-11-2019 (both days inclusive). Transfers received in order at the office of our registrar: M/s. C&K Associates (Pvt) Ltd, 404, Trade Tower, Abdullah Haroon Road, Near Hotel Metroplote, Karachi-75530, by the close of business on Thursday, October 25, 2019 will be treated in time.
- 2- A member entitled to attend and vote at the meeting may appoint another member as his/her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.
- 3- Procedure including the guidelines as laid down in Circular No.1- Reference No. 3(5-A) Misc/ARO/LES/96 dated 26th January 2000 issued by SECP.
 - A In order to be effective, the proxy forms must be received at the office of our registrar not later than 48 hours before the meeting, duly signed and stamped and witnessed by two persons with their names, address, CNIC numbers and signatures.
 - B In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the officer of the CNIC or passport of the proxy shall be submitted along with proxy form.
- 4- Members are requested to submit copies of their CNIC's and promptly notify any change in address by writing to the office of the registrar.

Availability of audited financial statements:

The audited financial statements of the Company for the year ended June 30, 2018 have made available on the Company's website (<http://www.leatherupltd.com>).

The Directors of the Company have no direct or indirect interest in this agenda.

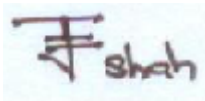
Chairman review

It is my pleasure to report to the shareholders of the company pertaining to the overall performance of the board of directors and their effectiveness in guiding the company towards accomplishing its aims and objectives.

Leather Up Limited has implemented a strong governance framework that supports an effective and prudent management of business matters, which is regarded as instrumental in achieving the long success of the company.

During the course of the financial year 2018-19, the board of directors and its sub-committees worked with a marked level of diligence and proficiency to best advice and guide the company towards achieving its potential. The board of directors as a whole has reviewed the annual report and financial statement and are pleased to confirm that in their view the annual report and the financial statement taken as a whole, are Fair, Balanced and comprehensive.

An annual self-assessment is carried out to determine the effectiveness and performance of the board of directors, the integral components of which include, strategic planning, composition, policies and procedures, compensation procedures and completeness of information provision. The outcome of this assessment is that the directors feel that the board of directors are engaged in strategic matters, has put in place the required controls and gets all the necessary information in a timely manner. The directors further feel that the independent directors are equally involved in all decisions.



Signature

Chairman Jazim Shah

Karachi, 04-oct-2019

یہ میری خوشی کی اطلاع ہے کہ بورڈ آف ڈائریکٹرز کی مجموعی کارکردگی اور اس کے مقاصد اور اہداف کی تکمیل کے لئے

کمپنی

کی رہنمائی میں ان کی تاثیر سے متعلق کمپنی کے حصص داروں کو یہ اطلاع ہے۔

جرمی اپ لمیٹڈ نے ایک مضبوط گورننس فریم ورک نافذ کیا ہے جو کاروباری معاملات کے موثر اور ذہین انتظام کی حمایت کرتا ہے ، جو کمپنی کی طویل کامیابی کے حصول میں معاون سمجھا جاتا ہے۔

مالی سال 2018-19 کے دوران ، بورڈ آف ڈائریکٹرز اور اس کی ذیلی کمیٹیوں نے بہترین مشورے اور کمپنی کو اپنی صلاحیت کے حصول کے لئے رہنمائی کرنے کے لئے قابل ذکر تندی اور مہارت کے ساتھ کام کیا۔ بورڈ آف ڈائریکٹرز نے مجموعی طور پر سالانہ رپورٹ اور منگیترانہ بیان کا جائزہ لیا ہے اور اس بات کی تصدیق کرتے ہوئے خوشی ہے کہ ان کی نظر میں سالانہ رپورٹ اور مالی بیان جو مجموعی طور پر لیا گیا ہے ، منصفانہ ، متوازن اور جامع ہے۔

بورڈ آف ڈائریکٹرز کی تاثیر اور کارکردگی کا تعین کرنے کے لئے ایک سالانہ خود تشخیص کیا جاتا ہے ، جس میں لازمی اجزاء ، حکمت عملی کی منصوبہ بندی ، تشکیل ، پالیسیاں اور طریقہ کار ، معاوضہ کے طریقہ کار اور معلومات کی فراہمی کی مکملیت شامل ہیں۔ اس تشخیص کا نتیجہ یہ ہے کہ ڈائریکٹرز یہ محسوس کرتے ہیں کہ بورڈ آف ڈائریکٹرز اسٹریٹجک معاملات میں مصروف ہیں ، اس نے مطلوبہ کنٹرول رکھا ہے اور وقتی طور پر تمام ضروری معلومات حاصل کرتے ہیں۔ اس انداز سے ، ڈائریکٹرز مزید محسوس کرتے ہیں کہ آزاد فیصلے تمام فیصلوں میں یکساں طور پر شامل ہیں۔

F Shah

دستخط،

چینر مین جازم شاہ،

Directors' Report

The Directors of your Company have pleasure in submitting their report on audited statements of accounts for the year ended June 30, 2019.

FINANCIAL HIGHLIGHTS

	(Rupees) 30.06.2019	(Rupees) 30.06.2018
(Loss) /Profit before taxation	(8,077,413)	45,665,466
Taxation	(462,075)	(433,517)
(Loss) /Profit after taxation	(8,539,488)	45,231,949
Other Comprehensive Income	-	1,125,167
Total Comprehensive Income for the Year	(8,539,488)	46,357,116
Accumulated profit/Loss	35,571,840	44,111,329
Earnings per share after tax- Rs	(1.42)	7.54

Company Performance

There has been continuous fall in leather garment exports and its allied products, consequently in production since the last couple of months due to problems both at the local and as well as international scenes.

It is rested on record that the historical aspects, boom and decline in the leather industry experienced over the last decade and so. The inherent cyclic nature of the fashion world, limitations of the natural raw material, extraordinary fluctuation in the prices of raw material (leather skins and bag accessories), and the higher cost of production per unit in Pakistan has immensely curtailed the potential export business in this industry. Furthermore, present conditions besieged by the leather industry globally as well as the loss of priority in terms of leather garments on the international scenes.

Despite the best efforts made by the management, the company suffered significant fall in export as well as operating profits and consequently in production during the period under review and leaves a lot to be desired.

In rupee term the exports stood at Rs. 48.015 million for the year 2019 as compared to Rs. 51.697 million of the last corresponding year. The management of the company is trying its level best to explore new markets to get back the company as operational profit making entity.

Future Out look

The recession grips in Europe in recent period and the impact of low business activity there, automatically affected the main exporting countries of leather garments and allied products. Therefore, in the first quarter of 2018-19, export orders badly hit and declined export graph.

The management is making all out efforts to secure orders and has taken steps to cut operating expenses to minimum to withstand any lean period. Subsequent to the year at the first quarter ended September, 2019, the company has securing export orders for the year 2019-20 and shipped goods over to Rs. 7.705 million.

Human Resource:

At Leather Up, as we are value addition Company, strongly believe that success comes when employees are engaged and aligned with the Company's vision. The Company having good relation with the employees and continues to make people its focal point by providing the most supportive and conducive environment to all its employees and by promoting a culture of high performance, learning, trust and confidence to deliver its products to the international markets.

Human Resource and Remuneration Committee:

In compliance with the requirements of code of corporate governance, the Board of Directors has established this Committee comprising three members' and all of three are a non-executive director (including Chairman) who is independent director. Detailed terms of reference of the Committee were duly communicated to the members, by the Board.

Training Program:

The Board remained fully compliant with the provision with regard to their directors' training program. Out of total of seven directors, three directors have completed the Directors Training Program and one director is exempt from training program as mentioned in regulation no. 20, sub-regulation 2 of the Regulation; however exemption from the Commission is yet to be obtained.

Appointment of Auditors:

The Auditors, Messrs Abdan & Co, Chartered Accountants, retire at the conclusion of the 28th Annual General Meeting. As suggested by the Audit Committee, the Board of Directors has been endorsed appointing Messrs Abdan & Company, Chartered Accountants as auditors of the Company for the year 2019-20.

Corporate and Financial Report Framework:

The Board members are pleased to state that the management of the Company is committed to good corporate governance and are complying with best practices.

In compliance with the Code of Corporate Governance, the Directors are pleased to state that:

We confirm that:

1-The financial statements have been drawn up in conformity with the requirements of the Companies Act, 2017 and present fairly state of its affairs, operating results, cash flow and changes in equity.

2-Proper books of accounts have been maintained in the manner required under Companies Act, 2018.

3-Appropriate accounting policies have been applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

4-International Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of the financial statements.

5-The internal control system is being implemented and monitored.

6-There are no significant doubts about the Company's ability to continue as a going concern.

7-There has been no material departure from the best practices of corporate governance as required by the listing regulations.

8-The summary of key operating and financial data of the past ten years is annexed to this report.

9-Outstanding duties and taxes, if any, have been disclosed in the financial statements.

10-The Chief Executive Review dealing with the performance of the Company during the year ended June 30, 2019 future prospects and other matters of concern to the Company forms part of this report.

Board of directors Meeting:

The number of board meetings held during the year 2018-19 was four. The attendance of the directors is as under:

1. Mr. Khalid H. Shah	4
2. Mr. Mohsin Khurshid	4
3. Mr. Jazim Shah	4
4. Mr. S. Faisal Shah	4
5. Ms. Mahmooda Shah	4
6. Mr. Ali Kausar Khan	4
7. Mr. Farooq Raza	4

Remuneration Policy of non-Executive Directors

The fee of the Non-Executive and Independent Directors for attending the Board and Board of Committee meetings of the Company is determined by the Board from time to time.

Pattern of shareholding as at June 30, 2019 is annexed to this report.

We confirm that Directors and CFO and their spouse and minor children have made no transactions of the Company's shares during the year.

The Statement of Compliance with the Code of Corporate Governance is annexed to this report. The present Auditors M/s. Abdan & Co., Chartered Accountants, retires at the conclusion of Annual General meeting. Being eligible, they have offered themselves for the re-appointment. On suggestion of Audit committee they are being appointed for year ending June 30, 2020.

Board Audit Committee:

An audit committee of the Board has been in existence since the enforcement of the Code of Corporate Governance. The audit committee has its terms of reference which were determined by the Board of Directors in accordance with the guidelines provided in the listing regulations and code of corporate governance.

The committee meets at least once every quarter and assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to shareholders, systems of internal control and risk management and to consult directly with the external auditors as considered appropriate. The Chief Financial Officer regularly attends the Board Audit Committee meetings by invitation to present the accounts. After each meeting, the Chairman of the Committee reports to the Board.

The audit committee comprises of two non-executive directors and one independent director who is also Chairman.

Members	Number of meeting Attended
Mohsin Khurshid	4
Ms. Mahmooda Shah	4
Mr. Jazim Shah	4

The Board of Directors of the Company has decided not to accrue directors' remuneration for the year ended June 30, 2019. The one executive director has agreed to forgo his part of the remuneration for the year under review in the interest of the company.

The statement showing the pattern of shareholding as at June 30, 2019 required under the Companies Act, 2017 and Code of corporate Governance 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

A handwritten signature in dark ink, appearing to read 'Khalid H. Shah', is written over a light blue rectangular background.

Khalid H. Shah
(Chief Executive)

Karachi: October 04, 2019

ڈائریکٹرز کی رپورٹ۔

آپ کی کمپنی کے ڈائریکٹرز 30 جون ، 2019 کو ختم ہوئے سال کے اکاؤنٹس کے آڈٹ شدہ بیانات پر اپنی رپورٹ پیش کرنے میں خوش ہیں۔

مالی ہائی لائنس۔

(روپے)

30.06.2018 (روپے) 30.06.2019

(نقصان) / ٹیکس سے پہلے منافع (8,077,413) 45,665,466۔

ٹیکس (462,075) (433,517)

(نقصان) / ٹیکس کے بعد منافع (8,539,488) 45,231,949۔

دیگر جامع آمدنی - 1,125,167۔

سال کیلئے کل جامع آمدنی (8,539,488) 46,357,116۔

جمع شدہ منافع / نقصان 35,571,840 44,111,329۔

ٹیکس کے بعد فی شیئر آمدنی - روپے (1.42) 7.54۔

کمپنی کی کارکردگی۔

چمڑے کے لباس کی برآمدات اور اس سے منسلک مصنوعات میں مسلسل کمی واقع ہوئی ہے ، اس کے

نتیجے میں پچھلے دو مہینوں سے پیداوار میں مقامی اور بین الاقوامی منظر ناموں میں بھی

پریشانیوں کا سامنا ہے۔

یہ ریکارڈ پر آرام ہے کہ چرمی صنعت میں تاریخی پہلوؤں ، عروج اور زوال کا سامنا گزشتہ ایک دہائی میں ہوا ہے۔ فیشن دنیا کی موروثی طبیعت ، قدرتی خام مال کی حدود ، خام مال (چمڑے کی کھالیں اور بیگ کی مزید اشیاء) کی قیمتوں میں غیر معمولی اتار چڑھاؤ اور پاکستان میں فی یونٹ پیداوار کی زیادہ لاگت نے ممکنہ برآمدی کاروبار کو بے حد محدود کر دیا ہے۔ اس صنعت. مزید برآں ، عالمی سطح پر چمڑے کی صنعت کے محاصرے کے ساتھ ساتھ بین الاقوامی مناظر پر چمڑے کے لباس کے معاملے میں ترجیح میں کمی کے ساتھ موجودہ حالات۔

انتظامیہ کی بہترین کوششوں کے باوجود ، کمپنی کو برآمدات کے ساتھ ساتھ آپریٹنگ منافع میں بھی نمایاں کمی کا سامنا کرنا پڑا اور اس کے نتیجے میں پیداوار میں نظرثانی کی گئی مدت کے دوران اور اس کی بہت ضرورت باقی رہ گئی۔

روپے کی مدت میں برآمدات Rs. Rs Rs Rs... at 48.015 سال 2019 کے لئے 48.015 ملین روپے کے مقابلے میں گزشتہ اسی سال کے 51.697 ملین۔ کمپنی کی انتظامیہ پوری کوشش کر رہی ہے کہ وہ نئی مارکیٹوں کو تلاش کرے تاکہ کمپنی کو آپریشنل منافع کمانے والے ادارے کی حیثیت سے واپس لا سکے۔

مستقبل کا نظارہ

حالیہ عرصے کے دوران یورپ میں کساد بازاری کی لپیٹ میں آیا اور وہاں کاروبار کی کم سرگرمی کے اثرات نے خود بخود چمڑے کے لباس اور اس سے منسلک مصنوعات کے برآمد کرنے والے اہم ممالک کو متاثر کیا۔ لہذا ، 2018-19 کی پہلی سہ ماہی میں ، برآمدی آرڈر بری طرح متاثر ہوئے اور برآمد کا گراف مسترد ہوا۔

انتظامیہ احکامات کو محفوظ بنانے کے لئے پوری کوشش کر رہی ہے اور کسی بھی دہلی دورانیے کو روکنے کے لئے آپریٹنگ اخراجات کو کم سے کم کرنے کے اقدامات اٹھائے ہیں۔ ستمبر ، 2019 کو ختم ہونے والی پہلی سہ ماہی میں اس سال کے بعد ، کمپنی نے سال 20.2019 کے برآمدی آرڈر حاصل کیے ہیں اور سامان کو مالیت میں Rs. 7.705 ملین۔

انسانی وسائل:

جرمی اپ میں ، جیسے کہ ہم ویلیو ایڈیشن کمپنی ہیں ، پختہ یقین کریں کہ کامیابی تب آتی ہے جب ملازمین کمپنی کے وژن کے ساتھ منسلک ہوجاتے ہیں اور ان سے اتحاد کرتے ہیں۔ یہ کمپنی ملازمین کے ساتھ اچھے تعلقات رکھتی ہے اور اپنے تمام ملازمین کو سب سے زیادہ معاون اور سازگار ماحول فراہم کرکے اور اپنی مصنوعات کو بین الاقوامی منڈیوں تک پہنچانے کے لئے اعلیٰ کارکردگی ، سیکھنے ، اعتماد اور اعتماد کے کلچر کو فروغ دے کر لوگوں کو اپنا مرکزی مقام بناتی ہے۔ .

انسانی وسائل اور معاوضہ کمیٹی:

کوڈ کارپوریٹ گورننس کے تقاضوں کی تعمیل میں ، بورڈ آف ڈائریکٹرز نے تین ممبروں پر مشتمل یہ کمیٹی قائم کی ہے 'اور یہ تینوں ایک نان ایگزیکٹو ڈائریکٹر (بشمول چیئرمین) آزاد ڈائریکٹر ہیں۔ بورڈ کے ذریعہ کمیٹی کے حوالے سے مفصل شرائط اراکین کو مناسب طریقے سے بتائی گئیں۔

تربیتی پروگرام :

بورڈ اپنے ڈائریکٹروں کے تربیتی پروگرام کے سلسلے میں اس فراہمی کے مکمل ساتھ پابند رہا۔ کل سات ڈائریکٹرز میں سے ، تین ڈائریکٹرز نے ڈائریکٹرز ٹریننگ پروگرام مکمل کیا ہے اور ایک ڈائریکٹر کو تربیتی پروگرام سے مستثنیٰ قرار دیا گیا ہے جیسا کہ ضابطہ نمبر 2n میں ذکر کیا گیا ہے۔ 20، ضابطہ کا ذیلی ضابطہ 2؛ تاہم کمیشن سے استثنیٰ حاصل کرنا باقی ہے۔

آڈیٹرز کی تقرری:

آڈیٹرز ، میسرز عبدالن ایڈ کو ، چارٹرڈ اکاؤنٹنٹس ، 28 ویں سالانہ جنرل اجلاس کے اختتام پر ریٹائر ہوئے۔ آڈٹ کمیٹی کے مشورے کے مطابق ، بورڈ آف ڈائریکٹرز نے میسرز عبدالن ایڈ کمپنی ، چارٹرڈ اکاؤنٹنٹ کو سال 20.2019 کے لئے کمپنی کا آڈیٹر مقرر کرنے کی تائید کی ہے۔

کارپوریٹ اور مالی رپورٹ کا فریم ورک:

بورڈ ممبران یہ بتاتے ہوئے خوش ہیں کہ کمپنی کی انتظامیہ اچھی کارپوریٹ گورننس کے لئے پرعزم ہے اور بہترین طریقوں پر عمل پیرا ہے۔

کارپوریٹ گورننس کے ضابطہ اخلاق کی تعمیل میں ، ہدایت کار یہ بیان کرتے ہوئے خوش ہیں کہ :

ہم اس کی تصدیق کرتے ہیں:

1-مالی بیانات کمپنیز ایکٹ ، 2017 کے تقاضوں کے مطابق بنائے گئے ہیں اور اس کے امور ، آپریٹنگ نتائج ، نقد بہاؤ اور ایکویٹی میں بدلاؤ کی منصفانہ حالت پیش کرتے ہیں۔

کمپنیوں ایکٹ ، 2018 کے تحت مطلوبہ انداز میں اکاؤنٹس کی 2 کتابیں برقرار رکھی گئی ہیں۔

مالی بیانات کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کا اطلاق کیا گیا ہے اور محاسبہ کا تخمینہ معقول اور محتاط فیصلے پر مبنی ہے۔

مالیاتی بیانات کی تیاری کے سلسلے میں 4 بین الاقوامی مالیاتی رپورٹنگ معیارات ، جس کا اطلاق پاکستان میں ہوتا ہے۔

5- داخلی کنٹرول سسٹم لاگو اور نگرانی کی جارہی ہے۔

6- کمپنی کی تشویش کی حیثیت سے جاری رکھنے کی صلاحیت کے بارے میں کوئی اہم شبہات نہیں ہیں۔

7- فہرست سازی کے ضوابط کے مطابق کارپوریٹ گورننس کے بہترین طریق کار سے کسی قسم کا مراعات نہیں ہوا ہے۔

8- گذشتہ دس سالوں کے اہم آپریٹنگ اور مالی اعداد و شمار کا خلاصہ اس رپورٹ سے منسلک ہے۔

9- بقایا فرائض اور ٹیکس ، اگر کوئی ہیں تو ، مالی بیانات میں انکشاف کیا گیا ہے۔

10- چیف ایگزیکٹو جائزہ 30 جون ، 2019 کو ختم ہونے والے سال کے دوران کمپنی کی کارکردگی سے نمٹنے کے مستقبل کے امکانات اور کمپنی سے متعلق دیگر امور اس رپورٹ کا ایک حصہ تشکیل دیتا ہے۔

بورڈ آف ڈائریکٹرز کا اجلاس:

سال 2018-19 کے دوران بورڈ میٹنگوں کی تعداد چار تھی۔ ڈائریکٹرز کی حاضری مندرجہ ذیل ہے۔

1. جناب خالد ایچ شاہ 4۔

2. جناب محسن خورشید 4۔

3. جناب جازم شاہ 4۔

4. مسٹر ایس فیصل شاہ 4۔

5. محترمہ محمودہ شاہ 4 .

6. جناب علی کوثر خان 4 .

7. جناب فاروق رضا 4 .

نان ایگزیکٹو ڈائریکٹرز کی اجرت کی پالیسی

کمپنی کے بورڈ اور بورڈ آف کمیٹی کے اجلاسوں میں شرکت کے لئے نان ایگزیکٹو اور آزاد ڈائریکٹرز کی فیس کا وقتاً فوقتاً بورڈ کے ذریعے ہوتا ہے۔

اس رپورٹ کے ساتھ 30 جون ، 2019 کو حصص یافتگی کا انداز جوڑ دیا گیا ہے۔

ہم تصدیق کرتے ہیں کہ ڈائریکٹرز اور سی ایف او اور ان کے شریک حیات اور نابالغ بچوں نے سال کے دوران کمپنی کے حصص کا کوئی لین دین نہیں کیا ہے۔

کارپوریٹ گورننس کے ضابطہ اخلاق کی تعمیل کا بیان اس رپورٹ سے منسلک ہے۔ موجودہ آڈیٹرز میس۔ سالانہ جنرل اجلاس کے اختتام پر ، چارٹرڈ اکاؤنٹنٹ ، ابدان اینڈ کمپنی ریٹائر ہو رہے ہیں۔ اہل ہونے کے ناطے ، انہوں نے خود کو دوبارہ تقرری کے لئے پیش کیا ہے۔ آڈٹ کمیٹی کی تجویز پر انہیں 30 جون 2020 کو ختم ہونے والے سال کے لئے مقرر کیا جا رہا ہے۔

بورڈ آڈٹ کمیٹی:

کوڈ آف کارپوریٹ گورننس کے نفاذ کے بعد سے ہی بورڈ کی ایک آڈٹ کمیٹی قائم ہے۔ آڈٹ کمیٹی کے پاس اپنے حوالہ کی شرائط ہیں جن کا تعین بورڈ آف ڈائریکٹرز نے لسٹنگ کے ضوابط اور کارپوریٹ گورننس کے ضابطہ اخلاق میں فراہم کردہ رہنما خطوط کے مطابق کیا تھا۔

کمیٹی ہر سہ ماہی میں کم از کم ایک بار ملاقات کرتی ہے اور اس کی نگرانی کی ذمہ داریوں کو پورا کرنے میں بورڈ کی مدد کرتی ہے ، بنیادی طور پر حصص داروں ، داخلی کنٹرول اور رسک مینجمنٹ کے نظاموں کے لئے مالی اور غیر مالی معلومات کا جائزہ لینے اور رپورٹنگ کرنے اور مناسب سمجھے جانے والے بیرونی آڈیٹرز سے براہ راست مشاورت کرنے میں۔ . چیف فنانشل آفیسر اکاؤنٹس پیش کرنے کی دعوت کے ذریعہ باقاعدگی سے بورڈ آڈٹ کمیٹی کے اجلاسوں میں شریک ہوتے ہیں۔ ہر اجلاس کے بعد ، کمیٹی کے چیئرمین بورڈ کو رپورٹ کرتے ہیں۔

آڈٹ کمیٹی میں دو نان ایگزیکٹو ڈائریکٹرز اور ایک آزاد ڈائریکٹر شامل ہیں جو چیئرمین بھی ہیں۔

ممبران کی میٹنگ کی تعداد
شرکت کی۔

محسن خورشید 4۔

محترم محمودہ شاہ 4۔

جناب جازم شاہ 4۔

کمپنی کے بورڈ آف ڈائریکٹرز نے 30 جون ، 2019 کو ختم ہونے والے سال کے لئے ہدایت کاروں کے معاوضے وصول نہ کرنے کا فیصلہ کیا ہے۔ ایک ایگزیکٹو ڈائریکٹر کمپنی کے مفاد میں جائزہ کے تحت اس سال کے معاوضے کے اپنے حصے کو چھوڑنے پر راضی ہو گئے ہیں۔

کمپنیز ایکٹ ، 2017 اور کوڈ آف کارپوریٹ گورننس کے تحت مطلوبہ 30 جون ، 2019 کو شیئر ہولڈنگ کے طرز کو ظاہر کرنے والے بیان اور شیئر ہولڈنگ کے نمونوں سے متعلق اضافی معلومات کو الگ سے جوڑا گیا ہے۔

کمپنی کے حصص میں کوئی تجارت اس کے ڈائریکٹرز ، سی ای او ، سی ایف او ، کمپنی سیکریٹری ، اور ہیڈ آف انٹرنل آڈٹ ، دیگر ایگزیکٹوز اور ان کے شریک حیات (بچوں) اور نابالغ بچوں نے نہیں کی۔

ورکرز مینجمنٹ ریلیشن:

انتظامیہ عمومی طور پر نتائج کے حصول کے لئے عملے کے تمام ممبران ، کارکنوں کی قابل قدر شراکت کو ریکارڈ رکھنا چاہے گی اور ہم مشکل وقت میں مستقل تعاون کے لئے حصص یافتگان کی جانب سے ان کا شکریہ ادا کرنا چاہتے ہیں اور امید کرتے ہیں کہ ہم بھی اسی طرح جاری رکھیں گے۔ آنے والے سال ورکر مینجمنٹ کا رشتہ سارا سال عمدہ رہا ، جس کا نتیجہ آپ کی کمپنی کا ہموار رہا۔ یہ ٹیم کا کام ہے اور ہم امید کرتے ہیں کہ آنے والے سالوں میں بھی اسی جذبے کے ساتھ جاری رہے گا۔

شكريم اور تعريف

بمارے حصص يافتگان كا شكريم كم اب ان كے اعتماد اور مدد كے ساتھ ساتھ مشكل وقتوں ميں۔

بورڈ كے حكم سے۔



خالد ايچ شاه

كراچي: 04 اكتوبر ، 2019 (چيف ايگزيكٹو)

LEATHERUPLIMITED

6 YEARS AT A GLANCE

PARTICULARS	2019	2018	2017	2016	2015	2014
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FINANCIAL POSITION

Paid up Capital	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000
General Reserves	1,369,610	1,369,610	1,369,610	1,369,610	1,369,610	1,369,610
Fixed Assets at Cost	17,697,066	17,697,066	31,288,586	30,901,451	30,721,451	30,584,569
Accumulated Depreciation	14,036,001	13,745,523	13,421,288	13,070,959	12,722,409	12,352,241
Current Assets	106,171,464	171,609,896	114,279,386	109,783,542	73,513,281	62,521,982
Current Liabilities	9,857,889	67,757,147	69,853,605	78,318,753	53,665,685	51,735,409

INCOME/REVENUE

Sales Revenue	48,015,064	51,697,926	133,215,713	127,715,522	114,147,074	165,196,180
Other Income/(Loss)	559,157	57,243,338	(69,615)	6,143	74,474	(102,269)
Pre-Tax Profit/ (Loss)	(8,077,413)	45,665,466	14,376,720	12,269,331	9,876,352	7,108,905
Taxation	(462,075)	(433,517)	(1,076,299)	(1,338,808)	(1,181,289)	(1,665,678)

PERCENTAGE AND RATIO

Pre-Tax (Loss) Profit to sales %	(16.82)	88.33	10.79	9.60	8.65	4.30
Pre-Tax Profit (Loss) to Capital %	(13.46)	76.11	23.96	20.39	16.46	11.85
Current Ratio	10.76:1	2.53:1	1.64:1	1.40:1	1.37:1	1.21:1
Paid- Up Value per Share	10	10	10	10	10	10
Earnings (Loss) per Share after Tax (Rs)	(1.42)	7.54	2.22	1.82	1.45	0.91
Cash Dividend	Nil	Nil	Nil	2.5%	Nil	Nil
Retained/ (Loss) Earnings per Share (Rs)	6.17	7.58	(0.37)	(2.60)	(4.35)	(5.58)
Break-Up Value per Share	16.16	17.58	9.85	7.63	5.88	4.64

LEATHER UP LTD.
PATTERN OF SHAREHOLDING
FORM "34"
SHAREHOLDERS STATISTICS
AS AT JUNE 30, 2019

NO. OF SHOLD	SHARE HOLDING		TOTAL SHARES HOLD
	FROM	TO	
613	1	- 100	41,058
564	101	- 500	268,119
99	501	- 1000	96,010
108	1001	- 5000	277,415
21	5001	- 10000	169,866
4	10001	- 15000	50,300
6	15001	- 20000	111,500
2	20001	- 25000	50,000
3	25001	- 30000	82,500
1	30001	- 35000	32,000
2	35001	- 40000	77,000
2	50001	- 55000	104,500
1	55001	- 60000	55,500
2	60001	- 65000	123,208
1	65001	- 70000	65,524
2	70001	- 75000	147,700
1	80001	- 85000	81,100
1	85001	- 90000	89,000
1	90001	- 95000	92,000
2	95001	- 100000	198,800
1	100001	- 105000	101,000
1	140001	- 145000	141,000
1	195001	- 200000	200,000
1	235001	- 240000	240,000
2	295001	- 300000	600,000
1	345001	- 350000	345,400
1	760001	- 765000	760,100
1	1395001	- 1400000	1,399,400
1445	Total		6,000,000

S/R NO.	CATAGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS
1	INDIVIDUALS	1436
2	INVESTMENT COMPANIES	1
3	JOINT STOCK COMPANIES	7
4	OTHERS	1

SR #	FOLIO	NAME OF COMPANIES	HOLDING
01	01164-015900	ARABIAN SEA ENTERPRISES LIMITED	141000
02	14670-000020	MULTILINE SECURITIES (PVT) LTD	30000
03	16857-000026	MRA SECURITIES LIMITED - MF	6000
04	05861	M/S INVESTMENT CORPORATION	3700
05	16980-000021	ASDA SECURITIES (PRIVATE) LTD	1000
06	03293-000038	S.H. BUKHARI SECURITIES (PVT) LIMITED	500
	06999-000022	MUHAMMAD AHMED NADEEM	
07		SECURITIES (SMC-PVT) LIMITED	500
08	06288-000028	UNITED CAPITAL SECURITIES	79
09	03525-087235	MAPLE LEAF CAPITAL LIMITED	1

ADDITIONAL INFORMATION

	Number of	Number of
	Share holder	Share
Associated Companies (name wise details)		
NIT & ICP (name wise details)		
Mr. Khalid H. Shah	1	1,639,400
Mr. Syed Raza Shah	1	300,000
Mr. Farooq Raza	1	100
Ms. Mehmooda Shah	1	100
Mr. Jazim Shah	1	100
Mr. S. Faisal Shah	1	100
Mr. Nazeer Shah	1	760,100
Mr.Zain Shah	1	300,000
Mrs. Naheed Parveen Fayyaz	1	100
Mr. Ali Kausar Khan	1	60,708
Mohsin Khursheed	1	500
Executives	-	
Public Sector companies & corporation	-	

Statement of Compliance

With the Code of Corporate Governance for the year ended June 30, 2019.

Leather Up Limited (“the Company”) has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (“the Regulations”) in the following manner:

1. The total number of directors are seven as per the following:

Male: Six

Female: One

2. The composition of the Board of Directors (“the Board”) is as follows:

Category	Names
Independent Director	Mr. Mohsin Khursheed
Other Non-Executive Directors	Ms. Mahmooda Shah Mr. Jazim Shah Mr. S. Faisal Shah Mr. Farooq Raza Mr. Ali Kausar Khan
Executive Directors *	Mr. Khalid H. Shah *

*The Chief Executive of the Board is an Executive Director.

3. The Directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. 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 ap-proved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 (“the Act”) and these Regulations.
7. 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. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the board.
8. The Board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

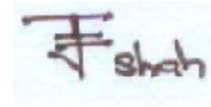
9. The Board remained fully compliant with the provision with regard to their directors' training program. Out of total of seven directors, three directors have completed the Directors Training Program and one director is exempt from training program as mentioned in regulation no. 20, sub-regulation 2 of the Regulation; however exemption from the Commission is yet to be obtained.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:
 - a. Audit Committee
 - i. Mr. Mohsin Khursheed-Chairman
 - ii. Mr. Jazim Shah
 - iii. Ms. Mahmooda Shah
 - b. HR and Remuneration Committee
 - i. Mr. Mohsin Khursheed-Chairman
 - ii. Mr. S. Faisal Shah
 - iii. Ms. Mahmooda Shah
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the aforesaid committees were as per following:
 - a. Audit Committee: Four quarterly meetings during the financial year ended June 30, 2019
 - b. HR and Remuneration Committee: Four quarterly meetings during the financial year ended June 30, 2019
15. The Board has set up effective internal audit functions that are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. 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 ("the ICAP") and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard

18. We confirm that all other requirements of the Regulations have been complied with.



Khalid H. Shah
Chief Executive



Jazim Shah
Chairman

Karachi: October 4, 2019

**Review Report on the Statement of Compliance contained in Listed
Companies (Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Leather Up Limited (the Company) for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

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

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks. The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to

assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

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

Note reference	Description	Non-Compliance
i) 8	Directors Training	Exemption not obtained from Securities and Exchange Commission of Pakistan.

Karachi.

Date: **October 04, 2019**



Abdan & Co.

Chartered Accountants

IQBAL AHMAD ABDAN (FCA)

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LEATHER UP LIMITED**

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Leather Up Limited (the Company), which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the profit the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our

opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

<p>Key Audit Matters</p> <p>Recognition of Revenue <i>(Refer to note 4.11 and 15 to the financial statements)</i></p> <p>The company is engaged in the manufacturing and export of leather garment products. The Company recognized revenue from the Export sales of leather garment products are of Rs46.21 million during the year ended 30 June 2019.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets and that during the year IFRS 15 “Revenue from contracts with customers” became applicable to the Company which requires an entity to recognize revenue</p>	<p>How the matter was addressed in our audit.</p> <p>Our audit procedures to assess the recognition of revenue included the following:</p> <ul style="list-style-type: none">• Obtaining an understanding of the process relating to recognition of revenue and assessing the design, implementation and operating effectiveness of key internal controls over recording of revenue;• Comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery orders and other relevant underlying documents;• Comparing a sample of revenue transactions recorded around the year end with the sales orders, sales invoices, delivery orders and other relevant underlying documentation to assess

<p>to reflect the transfer of goods and services for the amount it expects to receive ,when the control is transferred to the purchaser.</p>	<p>if the related revenue was recorded in the appropriate accounting period;</p> <ul style="list-style-type: none"> • Comparing the details of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the relevant underlying documentation;and • Assessing the impact of IFRS 15 “Revenue from Contracts with customers” on the Company in respect of revenue recognition.
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Information Other than the Financial Statements and Auditor’s Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless

management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast

significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the

financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- (a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- (b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- (c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

Other Matter

The financial statements of **LEATHER UP LIMITED** for the year ended June 30, 2019 were audited by another firm of Chartered Accountants who expressed an unmodified opinion on those statements on October 05, 2018.

The engagement auditor on the audit resulting in this independent auditor's report is Iqbal Ahmad Abdan.



ABDAN & CO.
CHARTERED ACCOUNTANTS
KARACHI
DATED : 04-10-2019

LEATHER UP LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

JUNE 30, 2019 **June 30, 2018**

————— Rupees —————

Non - Current Assets

Property, plant and equipment 6 3,661,065 3,951,543

Current Assets

Stock in trade 7 76,360,706 95,415,855

Trade debts - considered good 1,409,493 -

Advances, deposits, prepayments
and other receivables 8 26,366,108 39,856,480

Cash and bank balances 9 2,022,712 36,337,561

106,159,019 171,609,896

109,820,084 175,561,439

Share Capital and Reserves

Authorized Capital

6,000,000 (June 30, 2017: 6,000,000) ordinary
shares of Rs. 10/- each

60,000,000 60,000,000

Issued, subscribed and paid up capital 10 60,000,000 60,000,000

General reserve 1,369,610 1,369,610

Accumulated gain/ (loss) 35,571,840 44,111,328

96,941,450 105,480,938

Deferred liability - staff gratuity 11 3,020,744 2,323,354

Current liabilities

Short term borrowing - secured 12 1,454,504 40,800,000

Loan from directors 2,084 2,015,356

Trade and other payables 13 5,248,221 21,707,296

Accrued markup 77,014 186,986

Unclaimed dividend 2,613,991 2,613,991

Provision for taxation 462,075 433,517

9,857,889 67,757,147

Contingencies and commitments 14 - -

109,820,084 175,561,439

The annexed notes form integral part of these financial statements

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER .

DIRECTOR

LEATHER UP LIMITED
STATEMENT OF PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2019

For the year ended
June 30, 2019 June 30, 2018
 Rupees

Sales - net	15	48,015,064	51,697,926
Cost of sales	16	(45,789,378)	(50,201,059)
Gross profit		<u>2,225,686</u>	<u>1,496,867</u>
Operating expenses			
Administrative expenses	17	(4,841,281)	(4,774,759)
Distribution cost	18	(2,831,499)	(3,266,911)
		<u>(7,672,780)</u>	<u>(8,041,670)</u>
Operating profit		<u>(5,447,094)</u>	<u>(6,544,803)</u>
Finance cost	19	(2,839,475)	(1,298,626)
Other income/(loss)	20	559,157	57,243,338
Other operating expenses	21	(350,000)	(3,734,443)
		<u>(2,630,319)</u>	<u>52,210,269</u>
Profit before taxation		<u>(8,077,413)</u>	<u>45,665,466</u>
Taxation	22	(462,075)	(433,517)
Profit after taxation		<u><u>(8,539,488)</u></u>	<u><u>45,231,949</u></u>
Earnings per share - basic and diluted		<u><u>(1.42)</u></u>	<u><u>7.54</u></u>

The annexed notes form integral part of these financial statements

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

LEATHER UP LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

For the year ended
June 30, 2019 June 30, 2018
————— Rupees —————

Profit after taxation	(8,539,488)	45,231,949
Other comprehensive income for the period	-	1,125,167
Total comprehensive income for the period	<u>(8,539,488)</u>	<u>46,357,116</u>

The annexed notes form integral part of these financial statements

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

LEATHER UP LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2019

	JUNE 30, 2019	JUNE 30, 2018
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	(8,077,413)	45,665,466
Adjustments for non cash and other items:		
Depreciation	290,479	324,235
Provisioin for gratuity	697,390	279,265
Gain on sale of Land non depreciable assets	-	(58,302,480)
Finance cost	2,839,475	1,298,626
	<u>3,827,345</u>	<u>(56,400,354)</u>
Operating cashflows before working capital changes	(4,250,068)	(10,734,888)
Changes in working capital		
(Increase) / decrease in current assets		
Stock in trade	19,055,149	5,680,304
Trade debts	(1,409,493)	-
Advances, deposit, prepayments and other recievable	(7,989,378)	(1,053)
Increase / (decrease) in current liabilities		
Trade and other payables	(16,459,075)	(24,669,227)
Loan from directors	(2,013,272)	1,885,500
	<u>(8,816,069)</u>	<u>(17,104,476)</u>
Cash (used in) / generated from operations	(13,066,137)	(27,839,364)
Taxes paid	(952,268)	(551,485)
Finance cost paid	(2,949,448)	(1,267,912)
Net cash (used in) / generated from operating activities	(16,967,853)	(29,658,761)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	-	(106,000)
Receipt against sale of lease hold land	21,998,500	42,280,000
Net cash from/(used in) investing activities	21,998,500	42,174,000
Net cashflow from financing activities		
Dividend paid	-	-
	<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents	5,030,647	12,515,239
Cash and cash equivalents at the beginning of the period	(4,462,439)	(16,977,678)
Cash and cash equivalents at the end of the period	<u>568,208</u>	<u>(4,462,439)</u>
Cash and cash equivalents comprise the following:		
Cash and bank balance	2,022,712	36,337,561
Short term borrowing	(1,454,504)	(40,800,000)
	<u>568,208</u>	<u>(4,462,439)</u>

The annexed notes form integral part of these financial statements

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

LEATHER UP LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	Share Capital	General Reserve	Accumulated Loss	Total
	Rupees			
Balance as at July 1, 2018	60,000,000	1,369,610	(2,245,787)	59,123,823
Profit after Taxation			45,231,949	45,231,949
Other Comprehensive income			1,125,167	1,125,167
Balance as at June 30, 2018	60,000,000	1,369,610	44,111,328	105,480,938
Balance as at July 1, 2018	60,000,000	1,369,610	44,111,328	105,480,938
Profit after Taxation			(8,539,488)	(8,539,488)
Other Comprehensive income			-	-
Balance as at June 30, 2019	60,000,000	1,369,610	35,571,840	96,941,450

The annexed notes form integral part of these financial statements

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

LEATHER UP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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 (now Pakistan Stock Exchange) since 1994. The Company is engaged in the manufacture and export of leather garment products. The registered office and its production facilities are located at plot # 23/C, 15th Commercial Street Phase II Extension Defence Housing Authority, Karachi.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2018; and
- Provisions of and directives issued under the Companies Act, 2018;

Where provisions of and directives issued under the Companies Act, 2018 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2018 have been followed.

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

3 New and Revised Standards and Interpretations

3.1

Standards, interpretations and amendments to approved accounting standards which became effective during the year

The following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on or after July 1, 2018 and are considered to be relevant to the Company's financial statements:

The Company has adopted IFRS 9 'Financial Instruments' during the year that has replaced IFRIC 9 - Reassessment of Embedded Derivatives, IAS 39 - Financial Instruments: Recognition and Measurement, IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). IFRS 9 shall now govern the recognition, measurement, presentation and disclosure of financial instruments.

The Company has also adopted IFRS 15 (Revenue from contract) with customers that has replaced IAS 18 covers revenue for goods and services, IAS 11 which covers construction contracts, SIC-31 - Revenue - Barter transaction involving advertising services, IFRIC 15 - Agreements for the construction of real estate and IFRIC 18 - Transfer of assets from customers.

The Company has adopted both the standards with effect from July 01, 2018, any change in presentation or classification of items has been accounted for in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

3.2 Standards, interpretation and amendments to approved accounting standards that are not yet effective

The following standards have been issued by the International Accounting Standards Board [IASB], which are yet to be notified by the Securities and Exchange Commission of Pakistan [SECP] for the purpose of their applicability in Pakistan. The Company intends to adopt these standards, if applicable, when they become effective.

Standard or Interpretation		Effective Date (Period beginning on or after)
IAS 23	Borrowing costs	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
IAS 19	Employee Benefits [Amendments]	January 1, 2019
Conceptual Framework in IFRS Standards [Amendments]		January 1, 2020
IAS 1 and IAS 8 [Amendments]		January 1, 2020

Amendments to IAS 19 specify the basis for determining the current service cost and the net interest expense / income for the period between a defined benefit retirement plan amendment, curtailment or settlement and the end of the reporting period.

The IASB has published a revised Conceptual Framework for Financial Reporting that will be used to develop new Standards and Interpretations in future. In particular, the definitions of assets and liabilities as well as the guidance on measurement and derecognition, presentation and disclosure were amended. This has not resulted in any technical amendments to current Standards to date. The amendments merely update the references to the Conceptual Framework in existing Standards. The Conceptual Framework itself is not subject of the endorsement procedure.

Amendments to IAS 1 & IAS 8 clarify the definition of "material". Besides additional explanations, the definition of "material" in the Conceptual Framework as well as all Standards was aligned with the central definition no anchored in IAS 1.

The Company expects that such improvement to the standards will not have any material impact on its financial statements in the period of initial application, except for IAS 19.

The following standards and amendments to published accounting standards were not effective during the year and have not been early adopted by the Company. The Company intends to adopt these standards, if applicable, when they become effective.

		Effective Date (Period beginning on or after)
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
IFRS 9	Financial Instruments [Amendments]	January 1, 2019
IAS 28	Investments in Associates and Joint Ventures	January 1, 2019
IFRS 16	Leases	January 1, 2019

IFRIC 23 clarifies the requirements for measuring and recognizing uncertain income tax items. The interpretation must be applied to the determination of taxable profit / loss, tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12

Amendment to IFRS 9 clarifies how certain financial instruments with prepayment features with negative compensation

is classified

IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019) is introduced during the year that aims to set out the principles for recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all the leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make the lease payments. IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Company expects that such improvement to the standards will not have any material impact on the company's financial statements.

The Company expects that such improvement to the standards will not have any material impact on the Company's financial statements.

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2017, but are considered not to be relevant or have any significant effect on the Company's reporting and are therefore, not disclosed in these financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented except for the application of IFRS 15 revenue from contracts with customers (Note 4.11) and IFRS 9 'Financial Instruments' (Note 4.6) adopted with effect from July 01, 2018

4.1 Basis of Measurement

These accounts have been prepared under 'historical cost convention' except as otherwise disclosed in the respective accounting policies note. The Financial Statement except for cash flow have been prepared under the accrual basis of accounting

4.2 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, 2018 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.

4.3 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.

4.4 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.

4.5 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.

4.6 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

4.6.1 Financial Assets

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized and derecognized, as applicable, using trade-date accounting or settlement date accounting.

Classification

The Company classifies its financial assets in the following categories: at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. The classification is based on the Company's business model for managing the financial assets and the contractual cashflow characteristics of the financial asset. The management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at amortized cost

A financial asset is measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b) Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Financial assets at fair value through profit or loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. However, the Company can make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income unless these are held for trading in which case these have to be measured at fair value through profit or loss. The equity investments of the Company held in short term investments are classified at fair value through profit or loss because they are frequently traded.

Reclassification

When the Company changes its business model for managing financial assets, it reclassifies all affected financial assets accordingly. The Company applies the reclassification prospectively from the reclassification date.

In case of reclassification out of the amortized cost measurement category to fair value through profit or loss measurement category, fair value of the financial asset is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost and fair value is recognized in profit or loss.

In case of reclassification out of fair value through profit or loss measurement category to the amortized cost measurement category, fair value of the financial asset at the reclassification date becomes its new gross carrying amount.

In case of reclassification out of the amortized cost measurement category to fair value through other comprehensive income measurement category, fair value of the financial asset is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost and fair value is recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

In case of reclassification out of fair value through other comprehensive income measurement category to the amortized cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

In case of reclassification out of fair value through profit or loss measurement category to the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

In case of reclassification out of fair value through other comprehensive income measurement category to the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Initial recognition and measurement

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Except for trade receivables, financial assets are initially recognized 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 recognized at fair value and transaction costs are expensed in the profit and loss account. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account when the Company's right to receive payments is established. Trade receivables are initially measured at the transaction price if these do not contain a significant financing component in accordance with IFRS 15. Where the Company uses settlement date accounting for an asset that is subsequently measured at amortized cost, the asset is recognized initially at its fair value on the trade debt.

Subsequent measurement

For the purpose of measuring financial assets after initial recognition, these are classified into the following four categories:

- financial assets at amortized cost;
- financial assets at fair value through other comprehensive income; and
- financial assets at

Financial assets carried at amortized cost are subsequently measured using the effective interest method. Gain or loss on financial assets not part of hedging relationship is recognized in profit or loss when the financial asset is derecognized, reclassified, through the amortization process or in order to recognize impairment gains or losses.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in profit or loss.

Financial assets 'at fair value through other comprehensive income' are marked to market using the closing market rates and are carried in the statement of financial position at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognized in other comprehensive income. Interest calculated using the effective interest rate method is credited to the statement of profit or loss. Dividends on equity instruments are credited to the statement of profit or loss when the Company's right to receive payments is established.

Financial assets 'at fair value through profit or loss' are marked to market using the closing market rates and are carried in the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise.

Fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

Derecognition

Financial assets are

- the contractual rights to receive cash flows from the assets have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - i) the Company has transferred substantially all the risks and rewards of the asset; or
the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
 - ii) The difference between the carrying amount and the consideration received is recognized in profit or loss.

If the Company transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognizes either a servicing asset or a servicing liability for that servicing contract.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability which cannot be offset with the related asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

If the Company's continuing involvement is in only a part of a financial asset, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the consideration received for the part no longer recognized is recognized in profit or loss.

Impairment of financial assets

The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

The Company recognizes a loss allowance for expected credit losses on a financial asset measured at amortized cost and through other comprehensive income, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract. In case of financial assets measured at fair value through other comprehensive income, loss allowance is recognized in other comprehensive income and carrying amount of the financial asset in the statement of financial position is not reduced.

The Company measures, at each reporting date, the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. Where the credit risk on a financial instrument has not increased significantly since the initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Company always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions under IFRS 15 and lease receivables.

The Company recognizes the amount of expected credit losses (or reversal), that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized, in the profit or loss.

4.6.2 Financial liabilities

Initial recognition and measurement

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified, at initial recognition, as financial liabilities at amortized cost except for financial liabilities at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts, commitments to provide a loan at a below-market interest rate and contingent consideration recognized in a business combination.

The Company does not reclassify any of its financial liabilities

Financial liabilities are initially recognized at fair value minus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognized at fair value and transaction costs are credited in the statement of profit or loss.

The Company's financial liabilities include trade and other payables, loans and borrowings including Company overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The amount of change in the fair value that is attributable to changes in the credit risk of financial liability is presented in other comprehensive income and the remaining amount of change in the fair value of the liability is presented in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if it eliminates or significantly reduces a measurement or recognition inconsistency or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Company's key management personnel. The Company has not designated any financial liability as at fair value through profit or loss.

Financial guarantee contracts and commitments to provide a loan at a below-market interest rate

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts and commitments to provide a loan at a below-market interest rate are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

Contingent consideration recognized in a business combination

These are subsequently measured at fair value with changes recognized in profit or loss.

All other liabilities

All other financial liabilities are measured at amortized cost using the Effective Interest Rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

If the Company repurchases a part of a financial liability, the Company allocates the previous carrying amount of the financial liability between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the repurchase. The difference between the carrying amount allocated to the part derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognized is recognized in profit or loss.

4.6.3 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

4.7 Balances from contract with customers

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. The Company recognizes a contract asset for the earned consideration that is conditional if the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional. Trade receivables are carried at original invoice amount less expected credit loss based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. A contract liability is recognized at earlier of when the payment is made or the payment is due if a customer pays consideration before the Company transfers goods or services to the customer.

Right of return assets

Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

A financial instrument is any contract that gives rise to a financial asset of an entity and a financial liability or equity instrument of another entity

4.8 Staff Retirement Benefits

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

4.8.1 Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company's net obligation in respect of a 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-thirds 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.

4.9 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.

4.10 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.

4.11 Revenue Recognition

Revenue is to be recognised in accordance with the afore mentioned principle by applying the following steps:

- i) Identify the contract with a customer
- ii) Identify the performance obligation in the contract
- iii) Determine the transaction price of the contract
- iv) Allocate the transaction price to each of the separate performance obligations in the contract
- v) Recognize the revenue when (or as) the entity satisfies a performance

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by supplying the electricity or services to its customers. Any bundled goods or services that are distinct are separately recognized, and any discounts or rebates on the contract price are generally allocated to the separate elements.

4.12 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.

4.13 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.

5 CHANGE IN ACCOUNTING POLICIES

5.1 IFRS-9 Financial Instrument

IFRS -9 replaces the provisions of IAS 39 that relate to recognition, Classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 financial instrument from July 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note. 4.6 above. In accordance with the transitional provisions in IFRS 9, corresponding figures have not been restated and any adjustment to carrying amount of financial assets and liabilities were recognised in the opening retained earnings as of transition date.

Classification and remeasurements

On July 1, 2018 (the date of initial application of IFRS 9) the Company's management has assessed which business model apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification and adjustments are as follows.

Financial assets July 1, 2018	Note	Carrying amount as reported under IAS 39 July 1, 2018	Reclassification due to IFRS-9	Remeasurement allowance: ECL	Carrying amount as reported under IAS 39 July 1, 2018
Trade Debts		-	-	-	-
Long term deposits		-	-	-	-
Loans, advances, deposits, Prepayments		39,856,480	-	-	39,856,480
Cash and Bank balances		36,337,561	-	-	36,337,561
		76,194,041			76,194,041

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The company has determined that the application of IFRS 9's impairment requirement at July 1, 2018 results in no additional allowance for trade receivables.

The company has adopted consequential amendments to IAS 1 presentation of Financial Statements which require impairment of financial assets to be presented in a separate line item in the profit and loss account. However, during the year ended June 30, 2018 there was no provision for doubtful debts that could be reclassified to 'impairment loss on trade receivables' in the profit and loss account.

The following table below explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the company's financial assets and liabilities as at July 1, 2018.

	Original classification under IAS 39	New Classification under IFRS 9	Original amount under IAS 39	New Carrying amount under IFRS 9
Financial assets				
Trade debts	Loans and Receivables	Amortised cost	-	-
Long term deposits	Loans and Receivables	Amortised cost	-	-
Loans, Advances, deposits, prepayments & other receivables	Loans and Receivables	Amortised cost	39,856,480	39,856,480
Cash and bank balances	Loans and Receivables	Amortised cost	36,337,561	36,337,561

Financial liabilities

Long term loans	Other Financial liabilities	Other Financial lia	-	-
Creditors, accrued and other liabilities	Other Financial liabilities	Other Financial lia	21,894,283	21,894,283
Deferrad Liabilities	Other Financial liabilities	Other Financial lia	2,323,354	2,323,354
Obligation Under Finance Lease	Other Financial liabilities	Other Financial lia	-	-

There is no impact of these changes on the company's statement of changes in equity

5.2 IFRS 15- Revenue from Contracts with Customers

The company has adopted IFRS 15 revenue from contracts with customers from July 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. However, in accordance with the transition provisions in IFRS 15, there is no impact on the company that require retrospective change and restatement of comparative for the year end June 30, 2018.

6 PROPERTY, PLANT AND EQUIPMENT

	Lease hold Land	Building on lease hold land	Plant and Machinery	Vehicles	Furniture and fixture	Office equipment	Total
As at July 1, 2017							
Cost	14,797,520	6,749,315	4,897,487	164,365	1,295,136	3,384,763	31,288,586
Accumulated depreciation	-	(6,019,590)	(3,550,810)	(97,811)	(960,360)	(2,792,717)	(13,421,288)
Net book value	14,797,520	729,725	1,346,677	66,554	334,776	592,047	17,867,298
Year ended June 30, 2018							
Opening net book value	14,797,520	729,725	1,346,677	66,554	334,776	592,047	17,867,298
Additions / transfers during the year	-	-	-	-	-	106,000	106,000
Disposals / transfers	-	-	-	-	-	-	-
Cost	13,697,520	-	-	-	-	-	13,697,520
Accumulated depreciation	-	-	-	-	-	-	-
Net book value	13,697,520	-	-	-	-	-	13,697,520
Depreciation for the year	-	(72,972)	(134,668)	(13,311)	(33,478)	(69,805)	(324,233)
Closing net book value	1,100,000	656,753	1,212,009	53,243	301,298	628,242	3,951,544
As at July 01, 2018							
Cost	1,100,000	6,749,315	4,897,487	164,365	1,295,136	3,490,763	17,697,066
Accumulated depreciation	-	(6,092,562)	(3,685,478)	(111,122)	(993,838)	(2,862,522)	(13,745,522)
Net book value	1,100,000	656,753	1,212,009	53,243	301,298	628,241	3,951,544
Year ended June 30, 2019							
Opening net book value	1,100,000	656,753	1,212,009	53,243	301,298	628,241	3,951,544
Additions / transfers during the year	-	-	-	-	-	-	-
Disposals / transfers	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Net book value	-	-	-	-	-	-	-
Depreciation for the year	-	(65,675)	(121,201)	(10,649)	(30,130)	(62,824)	(290,479)
Closing net book value	1,100,000	591,078	1,090,808	42,594	271,168	565,417	3,661,065
As at June 30, 2019							
Cost	1,100,000	6,749,315	4,897,487	164,365	1,295,136	3,490,763	17,697,066
Accumulated depreciation	-	(6,158,237)	(3,806,679)	(121,771)	(1,023,968)	(2,925,346)	(14,036,001)
Net book value	1,100,000	591,078	1,090,808	42,594	271,168	565,417	3,661,065
Annual rates of depreciation	-	10%	10%	20%	10%	10%	-

Details of leasehold land disposed off during the year are as follows :

	Rupees	Rupees
	2019	2018
Cost	-	13,697,520
Accumulated depreciation	-	-
Net book value	-	13,697,520
Sale proceed	-	72,000,000
Mode of disposal		Open tender
Purchaser		Muhammad Shafi, Muhammad Zabeeh, Muhammad Baseer

That in the year 2018 shareholders at extra ordinary general meeting held on 26 March 2018 approved the disposal of 4,400 square yard open plot at Korangi Industrial Area, Karachi. The disposal was made through open tender against which the agreement was made on May 10, 2018. The plot was sold for Rs. 72 million against book value of Rs. 13.698 million resulting in gain of Rs. 58.3 million.

	2019	2018
	Rupees	
Depreciation for the year has been allocated as under :		
Cost of sales	174,287	194,540
Administrative expenses	116,192	129,693
	<u>290,479</u>	<u>324,235</u>

7 STOCK IN TRADE

Raw material and accessories	69,538,408	85,637,912
Finished goods	9,234,619	12,190,264
Less: Provision for obsolete stock	<u>(2,412,321)</u>	<u>(2,412,321)</u>
	<u>76,360,706</u>	<u>95,415,855</u>

8 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019	2018
	Rupees	
Advances - considered good to :		
- Staff	542,653	1,444,933
- Suppliers	<u>9,992,713</u>	<u>-</u>
	10,535,366	1,444,933
Deposits	59,167	199,167
Prepayments	129,699	-
Receivable against sale of property	7,721,500	29,720,000
Income tax	1,852,612	1,333,861
Sales tax	2,474,832	2,474,832
Other receivables - considered good		
- Export rebate receivable	<u>3,592,932</u>	<u>4,683,687</u>
	<u>3,592,932</u>	<u>4,683,687</u>
	<u>26,366,108</u>	<u>39,856,480</u>

9 CASH AND BANK BALANCES

Cash in hand	152,612	11,222
Cash with banks		
- in foreign currency deposit accounts	152,219	133,713
- In current accounts	<u>1,717,881</u>	<u>36,192,626</u>
	1,870,100	36,326,339
	<u>2,022,712</u>	<u>36,337,561</u>

10 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Number of Shares			2019	2018
2019	2018		Rupees	
5,759,100	5,759,100	Ordinary shares of Rs. 10/- each fully paid in cash.	57,591,000	57,591,000
125,000	125,000	Ordinary shares of Rs. 10/- each issued for consideration other than cash.	1,250,000	1,250,000
115,900	115,900	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares.	1,159,000	1,159,000
<u>6,000,000</u>	<u>6,000,000</u>		<u>60,000,000</u>	<u>60,000,000</u>

Shares held by the related parties of the Company

	2019		2018	
	Number of shares	Percentage of holding	Number of shares	Percentage of holding
Khalid Shah	1,639,400	27.32%	1,639,400	27.32%
Syed Raza Shah	300,000	5.00%	300,000	5.00%
Farooq Raza	100	0.00%	100	0.00%
Mahmooda Shah	100	0.00%	100	0.00%
Jazim Shah	100	0.00%	100	0.00%
S.Faisal Shah	100	0.00%	100	0.00%
Nazeer Shah	760,100	12.67%	760,100	12.67%
Zain Shah	300,000	5.00%	300,000	5.00%
Naheed Parveen Fayyaz	100	0.00%	100	0.00%
Ali Kausar Khan	60,708	1.01%	60,708	1.01%
Mohsin Khursheed	500	0.01%	500	0.01%
Shafqat Mahmood	13,800	0.23%	13,800	0.23%

2019

2018

11 DEFERRED LIABILITIES - Gratuity

	Rupees	
As at beginning of the year	2,323,354	3,169,256
Charged to Profit & Loss	353,000	279,265
Actuarial (gain) loss during the year	344,391	(1,125,167)
As at end of the year	<u>3,020,744</u>	<u>2,323,354</u>

11.1 Charged to profit & Loss

Current Service Cost	166,258	136,179
Interest Cost	186,742	143,086
	<u>353,000</u>	<u>279,265</u>
Actuarial (gain) loss recognized during the year	344,391	(1,125,167)
	<u>697,390</u>	<u>(845,902)</u>

2019	2018
Rupees	

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

Administrative Expenses	91,515	66,019
Production Expenses	261,485	213,246
	<u>353,000</u>	<u>279,265</u>

11.3 Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at June 30, 2019 and June 30, 2018 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	7%	7%
Expected rate of increase in salary	4%	4%
expected average years of service	39 years	39 years

Historical Information

Present value of defined benefit obligation	3,020,744	2,323,354
actuarial adjustments arising during the year	11.40%	48.22%

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

12 SHORT TERM BORROWING - Secured

	2019	2019
	Rupees	
Export refinance		
Preshipment financing Part II	-	40,800,000
Post shipment financing- Bai Salam	1,454,504	-
	<u>1,454,504</u>	<u>40,800,000</u>

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

12.1 United Bank Limited

Sanctioned limit Rs. Nil million

Preshipment Financing Part II	Rs. Nil million (2018: Rs. 8.3 million)
Rate of markup	SBP Export Finance Rate + 1% per annum (2018: SBP + 1%)

12.2 Meezan Bank Limited

Sanctioned limit Rs. 10.00 million

Murabaha under IERF Part I & II	Rs Nil million (2018: Rs. 7.50 million)
Bai-Salam	Rs.1.4 million (2018: Rs. Nil million)
Rate of markup	SBP Export Finance Rate + 1% per annum (2018: SBP + 1%)

Security :

- 1st exclusive charge over fixed assets amounting to Pkr 54.56 millionn.

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

- Registration of MBL first charge over current assets (Stocks) of Pkr 6.00 Mn.
- Personal guarantee of all directors and mortgagagers.
- Lien on export documents.
- Debit authority for entire tenure be provided.

Note:

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

	2019	2018
	Rupees	
13 TRADE AND OTHER PAYABLES		
Creditors	4,299,376	12,654,747
Accrued liabilities	579,936	1,542,599
Advance from customers	-	3,832,598
Workers' profits participation fund	307,264	2,452,495
Workers welfare fund	61,645	1,224,857
	<u>5,248,221</u>	<u>21,707,296</u>

14 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, 2019 is Rs. 9.50 million (2018: Rs. 10.00 million).

	2019	2018
	Rupees	
15 SALES - NET		
Export sales	46,207,500	48,164,033
Export rebate	1,807,564	3,533,893
	<u>48,015,064</u>	<u>51,697,926</u>

16 COST OF SALES

Raw, packing and other material consumed	16.1	23,578,301	21,306,759
Production expenses	16.2	19,255,432	25,770,176
Cost of goods manufactured		<u>42,833,733</u>	47,076,935
Opening stock of finished goods		12,190,264	15,314,388
Cost of goods available for sale		<u>55,023,997</u>	<u>62,391,323</u>
Closing stock of finished goods		<u>(9,234,619)</u>	(12,190,264)
		<u>45,789,378</u>	<u>50,201,059</u>
		2019	2018

16.1 Raw, packing and other material consumed

	2019	2018
	Rupees	
Opening stock	85,637,912	88,194,092
Purchases	7,478,797	18,750,579
	<u>93,116,709</u>	106,944,671
Closing stock	<u>(69,538,408)</u>	(85,637,912)
	<u>23,578,301</u>	<u>21,306,759</u>

		2019	2018
		Rupees	
16.2	Production expenses		
	Cutting and stitching charges	8,341,400	13,509,402
	Salaries, wages and other benefits	9,358,183	9,109,196
	Repairs and maintenance	89,265	775,796
	Depreciation	174,287	194,541
	Fuel and power	510,560	956,844
	Rent, rates and taxes	510,012	616,923
	Telephone, fax and postage	123,720	139,100
	Printing and stationery	16,925	27,603
	Entertainment expense	131,080	440,771
		<u>19,255,432</u>	<u>25,770,176</u>

16.2.1 This includes amount of Rs.261.485/- (2018: Rs. 213.247/-) in respect of staff retirement benefits.

		2019	2018
		Rupees	
17	ADMINISTRATIVE EXPENSES		
	Salaries, allowances and other benefits	2,671,920	2,754,729
	Communication expense	46,220	122,690
	Insurance expense	33,566	97,611
	Utilities	456,646	518,697
	Printing and stationery	28,166	81,280
	Legal and professional	17,500	53,064
	Fees and subscription	1,238,603	563,925
	Vehicle running and maintenance	69,470	115,140
	Entertainment expense	58,993	215,381
	Repairs and maintenance	26,005	43,675
	Donations	78,000	78,873
	Depreciation	116,192	129,694
		<u>4,841,281</u>	<u>4,774,759</u>

17.1 The board of directors of the company has decided not to accrue Directors' remuneration for the year ended June 30, 2019. Now, the only single executive director remains to get remuneration has agreed to forgo his part of remuneration for the year under review in the interest of the company.

17.2 This includes amount of Rs. 91,515/- (2018:Rs. 66,019/-) in respect of staff retirement benefits.

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

		2019	2018
		Rupees	
18	DISTRIBUTION COST		
	Advertising and sales promotion	1,846,024	1,026,579
	Postage, telex and telegram	33,960	75,805
	Travelling expense	699,530	717,310
	Freight, handling and insurance	26,609	1,375,785
	Others	225,376	71,432
		<u>2,831,499</u>	<u>3,266,911</u>

		2019	2018
		Rupees	
19	FINANCE COST		
	Markup and interest charges	490,797	917,744
	Bank charges and commission	2,348,678	380,882
		<u>2,839,475</u>	<u>1,298,626</u>

20	OTHER INCOME		
	Profit / (loss) on foreign currency deposit accounts	30,950	(1,023,296)
	Gain on Sale of land non depreciated asset	-	58,302,480
	Exchange gain / (loss) - net	527,179	(35,846)
	Profit on saving account	1,028	-
		<u>559,157</u>	<u>57,243,338</u>

21	OTHER OPERATING EXPENSES		
	Workers' welfare fund	-	931,948
	Workers' profit participation fund	-	2,452,495
	Auditor Remuneration	350,000	350,000
		<u>350,000</u>	<u>3,734,443</u>

21.1 Auditors' remuneration

Audit fee	250,000	250,000
Half yearly review fee	100,000	100,000
	<u>350,000</u>	<u>350,000</u>

22 TAXATION**Current**

-for the year	22.1	462,075	433,517
-prior year		-	-
		<u>462,075</u>	<u>433,517</u>

22.1 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.

22.2 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.

23 EARNINGS PER SHARE - BASIC AND DILUTED

	2019	2018
	Rupees	
Profit after taxation	<u>(8,539,488)</u>	<u>45,231,949</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 - Rupees	<u>(1.42)</u>	<u>7.54</u>

24 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:

	2019	2018
	Rupees	
Loan from directors (Mr Khalid Shah)	2,084	2,015,356
Directors Loan Movement (Mr Khalid Shah)	2,013,272	(1,885,500)
Directors remuneration payable	2,084	1,886,047
Workers profit participation fund payable	307,264	2,452,495

25 FINANCIAL INSTRUMENTS**25.1 Financial instruments by category****Note****FINANCIAL ASSETS****Loans and receivables**

	2019	2018
	Rupees	
Trade debts - considered good	1,409,493	-
Advances, deposit, prepayments and other receivables	8	26,366,108
Cash and bank balances	9	2,022,712
	<u>29,798,313</u>	<u>76,194,041</u>

FINANCIAL LIABILITIES**Financial liabilities at amortized cost**

Short term borrowing - secured	12	1,454,504	40,800,000
Loan from directors		2,084	2,015,356
Un claimed Dividend		2,613,991	2,613,991
Trade and other payables	13	5,248,221	21,707,296
		<u>9,318,800</u>	<u>67,136,643</u>

25.2 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.

25.3 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.

25.4 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:

	2019			2018		
	Rupees	Euro	GBP	Rupees	Euro	GBP
Trade debts	-	-	-	-	-	-
Foreign currency deposits	152,219	459.00	387.00	121,268	407.21	385.48
Advance from customer	-	-	-	3,832,598	26,708.50	-
Gross balance sheet exposure	152,219	459.00	387.00	3,953,866	27,115.71	385.48

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rates	
	2019	2018	2019	2018
	Rupees			
Euro	156.70	112.78	175.48	143.50
GBP	177.60	134.49	185.20	163.00

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 2016.

As at 30 June 2019	Profit or loss
	Rupees
Effect in Euros	4,801,417
Effect in GBP	142,435

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:

	<u>Effective interest rate (%)</u>		<u>Carrying amount</u>	
	2019	2018	2019	2018
			<u>Rupees</u>	
Short term borrowing	5.50%	3.00%	1,454,504	40,800,000

Cash flow sensitivity analysis for variable rate instruments

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

	Profit and loss
	Rupees
As at 30 June 2019	
Cash flow sensitivity - Variable rate instruments	14,545
As at 30 June 2018	
Cash flow sensitivity - Variable rate instruments	408,000

25.5 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:

Credit Risk	2019		2018	
	Balance Sheet	Maximum exposure	Balance Sheet	Maximum exposure
	<u>Rupees</u>			
Trade debts	1,409,493	1,409,493	-	-
Cash and bank balances	2,022,712	2,022,712	36,337,561	36,337,561
	<u>3,432,205</u>	<u>3,432,205</u>	<u>36,337,561</u>	<u>36,337,561</u>

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

	2019	2018
	<u>Rupees</u>	
European countries	-	-
Local	1,870,100	36,326,339
	<u>1,870,100</u>	<u>36,326,339</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	1,409,493	-
	<u>1,409,493</u>	<u>-</u>

Impairment losses

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

	2019		2018	
	Gross	Impairment	Gross	Gross
	Rupees			
Not past due	<u>1,409,493</u>	-	-	-

25.6 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):

	2019			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
	Rupees			
Non-Derivative Financial liabilities				
Short term borrowing	1,454,504	1,454,504	1,454,504	-
Trade and other payables	<u>5,248,221</u>	<u>5,248,221</u>	<u>5,248,221</u>	-
	<u>6,702,725</u>	<u>6,702,725</u>	<u>6,702,725</u>	-

	2018			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
	Rupees			
Short term borrowing	40,800,000	40,800,000	40,800,000	-
Trade and other payables	<u>21,707,296</u>	<u>21,707,296</u>	<u>21,707,296</u>	-
	<u>62,507,296</u>	<u>62,507,296</u>	<u>62,507,296</u>	-

25.7 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.

26 CAPACITY AND PRODUCTION

	2019	2018
Industrial sewing machines installed - Number	195	195
Installed capacity of jackets - Pieces	49,466	49,466
Installed capacity of bags - Pieces	60,178	60,178
Actual production of jackets - Pieces	220	30
Actual production of bags - Pieces	11,481	22,162
Actual production of knitted panel hand made- Pieces	-	5,217
Percentage of capacity utilized	19%	32%

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

27 NUMBER OF EMPLOYEES

	2019	2018
Number of employees at June 30	38	36
Average Number of employees during the year	36	37

28 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on October 04, 2019 by the Board of Directors of the Company.

29 GENERAL

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR