Leiner Pak Gelatine Limited

Annual Report 2012-2013

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COMPANY INFORMATION
BOARD OF DIRECTORS

Ijaz Ahmed Khwaja	Chairman
Khwaja Imtiaz Ahmed	Chief Executive & Managing Director
Ibrar Ahmed Khwaja	Executive Director
Khwaja Ahmed Hassan	Executive Director
Mian Zia-Ud-Din	Independent Director
Umer Riaz Khwaja	Non-Executive Director
Mr. Iqbal Dossa	Non-Executive Director

AUDIT COMMITTEE

Mian Zia-Ud-Din (Chairman)
Ijaz Ahmed Khwaja (Member)
Umer Riaz Khwaja (Member)

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Khwaja Ahmed Hassan (Chairman)
Mian Zia-Ud-Din (Member)
Umer Riaz Khwaja (Member)

COMPANY SECRETARY

Ibrar Ahmed Khwaja

CHIEF FINANCIAL OFFICER

Mr. Muhammad Javaid

AUDITORS

M. Almas & Co.
Chartered Accountants
207-Sadiq Plaza, 2nd Floor, 69-The Mall, Lahore.

LEGAL ADVISOR

Khwaja Muhammad Akram
Advocate
1-Begum Road, Mozang Adda, Lahore.

REGISTRAR

CORPLINK (PVT) LTD.,
Wings Arcade, 1-K Commercial,
Model Town, Lahore.

REGISTERED OFFICE

17-G, Gulberg-2, G.P.O. Box No. 415, Lahore-54660
Ph. #: 0092-42-35756953-54, Fax #: 0092-42-35710604

PLANT

19th Kilometer,
Shahrah-e-Pakistan, Kala Shah Kaku,
District Sheikhupura.
Ph. #: 0092-42-37950018 – 37980179

BANKERS

Bank Al Habib Limited
United Bank Limited
MCB Bank Limited-Islamic Banking
Bank Alfalah Limited-Islamic Banking
Bank Islami Pakistan Limited
National Bank of Pakistan

NOTICE OF 30TH ANNUAL GENERAL MEETING

Notice is hereby given that the 30th Annual General Meeting of LEINER PAK GELATINE LTD., will be held on Thursday, the 31st October, 2013 at 10.00 A.M. at the Registered office of the Company, 17/G, Gulberg-2, Lahore-54660 to transact the following business :-

1. Recitation from the Holy Qur'aan.
2. To confirm the minutes of the Extra Ordinary General Meeting held on Friday, 18th January, 2013.
3. To receive and adopt the Annual Accounts of the Company for the Year ended 30th June, 2013 together with Directors' and Auditors' Report thereon.
4. To appoint the Auditors of the Company for the year ending 30th June, 2014 and to fix their remuneration.
5. To transact or discuss any other business with the permission of the Chair.

BY ORDER OF THE BOARD,

(IBRAR AHMED KHWAJA),
COMPANY SECRETARY.

LAHORE:
DATED: 10th October, 2013

NOTES:

1. The Share Transfer Books of the Company will remain closed from 24th October, 2013 to 31st October, 2013 (both days inclusive). Shares may be lodged for transfer with our Registrar M/s CORPLINK (PVT) LTD., Wings Arcade, 1-K, Commercial, Model Town, Lahore. Phone Nos: 042-35839182, 35887262, 35916719 Fax No: 042-35869037.
2. The Shareholders are advised to notify the Registrar of any change in their address.
3. A member entitled to attend and vote at this meeting may appoint another member as proxy to attend and vote instead of him. The Proxy Form duly signed and stamped must be received at the Registered Office of the Company not less than 48 hours before the time of holding the meeting.
4. Any individual beneficial owner of the share in the Central Depository Company (CDC) entitled to vote at this meeting with him/her to prove him/her identity together with his/her Account number in CDC and in case of proxy, must enclose an attested copy of his/her CNIC. Representative of Corporate Members should bring the usual documents required for such purpose.
5. Those shareholders who have not yet received their previous Dividends may please contact the Company.
6. The shareholders who have not yet submitted photocopy of their valid CNIC to the Company are once again requested to send the same.

VISION STATEMENT

To continue to lead the domestic industry in Gelatine manufacturing with technology and quality of the product along with persistent recognition in international market.

MISSION

The mission of the management of the company is to focus on the vision and its accomplishment by:-

- Adoption of advanced technologies in Gelatine manufacturing.
  Investment in human resources to create and strengthen professional environment.
- Exploring new international markets with the satisfaction of existing customers.
- Continuous improvement of quality system, Environmental management system from ISO-9001:2000, ISO 14000 (already obtained) to other achievements of quality management.
- Fetching and delivering healthy returns to all stakeholders.
- Contribution towards economic and social uplift of employees and community in general.

CORPORATE STRATEGY

OBJECTIVES

Our corporate strategy is very much in line with vision and mission statement. Strategic objectives are covering the following areas.

- Sustainable growth.
- Promotion for efficient use of energy.
- Innovation in product line.
- Customer satisfaction.
- Adherence to the code of conduct.
- Safeguard the share holders' interest.
- Continuous improvement of human capital.

STRATEGIC PLANNING

It is planned to innovate the product line with scheduled R&D activities. Energy Conservation through calibration, expert advises and induction of efficient machinery and replacing the old production line which shall lead to sustainable growth. Well equipped quality assurance department is maintained to achieve consistency in quality of the products. Optimal utilization of company resources to achieve the economy level. Investment in human capital by participating in workshops, conferences, and different technical courses offered by reputed institutions. Formulation of Code of Conduct for better governance and to bring corporate culture in company.

DIRECTORS' REPORT

The Directors are pleased to present the 30th Annual Report along with Company's audited financial statements for the financial year ended 30thJune, 2013 together with Auditors' Report thereon.

OPERATIONS

During the year company achieved robust sales of Rs.705.290 millions, the highest ever sales in the history of the organization. Growth in sales over last period is due to effective marketing mix in local and export markets. Apparently gross profit margin (Rs.78.773 million) is better financial figure but in terms of percentage it is reduced by 1.93% as compared to last year.

This year also we witnessed volatile energy landscape in the country, and gas shortage coupled with electric load shedding forced the company to divert its operations in most of the production cycle on high priced alternate fuels.

Management changed its raw material procurement strategy and approached the bone suppliers at grass root levels to control the pricing of the raw material. Our this activity supported company operations but export of live animals and crushed bone is still creating shortage of the raw material in the market which is a main reason in continuous increase in its prices and as a result high input cost is recorded in financial statements.

Inflationary trends in operating expenses besides the lower financial cost restricted the profit before tax at Rs.9.562 million as compared to Rs.10.060 million in the corresponding period.

Government needs to address the energy crises on its top priority so that manufacturing sector is able to compete in international markets.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

The Board of Directors is pleased to confirm the Compliance with Corporate and financial reporting framework given in the Code of Corporate Governance and place the following statement on the record:

1. The financial statements prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

2. Proper books of accounts have been maintained.

3. Appropriate accounting policies have been consistently applied in 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 financial statements.

5. The system of internal control is sound in design and has been effectively implemented and monitored.

6. There are no doubts upon 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 detailed in listing regulations.

KEY OPERATING AND FINANCIAL DATA OF LAST SIX YEARS

Years ending on June:	2012	2011	2010	2009	2008	2007
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Turnover	579,012	428,796	476,657	430,924	344,930	258,141
Profit/(Loss) after Taxation	3,566	(254)	(3,000)	21,359	(4,362)	1,927
Assets	289,007	203,789	195,290	172,306	172,410	99,862
Dividend	3,010	-	-	9,000	-	-
Loans (long term)	-	2,500	7,500	-	-	-

During the year five (5) meetings of the Board of Directors were held. The attendance by the Directors was as follows:

Sr.	NAME OF DIRECTORS	NUMBER OF MEETINGS ATTENDED
1	Ijaz Ahmed Khwaja	5
2	Khwaja Imtiaz Ahmed	5
3	Ibrar Ahmed Khwaja	5
4	Khwaja Ahmed Hassan	5
5	Mian Zai-Ud-Din	2
6	Umer Riaz Khwaja	5
7	Mr.Iqbal Dossa	4
8	Muhammad Kamran Khwaja	3

APPROPRIATIONS

In view of the funds requirement for the future plans and commitments no dividend is being distributed this year.

EARNING RATIO:-

The earning per share after tax works out to Rs.0.36 {last year Rs.0.48}.

VALUE OF INVESTMENT IN PROVIDENT FUND

The Company operates an approved contributory provident fund covering all permanent employees. The value of investment in the respective fund is as follows:

Last audited statements		Provident Fund June 30, 2013
Investments at cost **Rs.(000s)**		**47,491**
These funds are invested as given below:	Rs.(000s)	
NIT	17,077	
Quoted Shares	6,838	
Islamic Fund	743	
Unit Trust	298	
Other Mutual Funds	706	
Saving schemes of Banks	2,600	
Bank Deposits	19,229	
	47,491	

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate sector is always expected to play its role for social, economic, educational and environmental up lift of the society in which it operates.

We are committed to qualify as responsible corporate organization by ensuring sustainable improvement in the lives of the stakeholders.

Company is supporting in the shape of donations to the recognized/approved institutions which are working for health care of the society, rehabilitation of special persons. Individual medical treatments are also being extended to deserving people.

Being a responsible corporate organization Leiner Pak Gelatine Limited has always played a proactive role in helping the affectees of natural calamities, we always responded in the events of national disaster like earth quake, flood and extended full cooperation to the Government and other Non Government Organizations in their relief efforts.

Company is also contributing in the education sector. School fees and other academic expenses of poor students are also being paid.

We have been awarded by various certificates in recognition of our efforts for a better society.

OUTSTANDING STATUTORY PAYMENTS

All outstanding payments are of routine nature.

CODE OF CONDUCT

Code of corporate governance among other things includes to prepare and adopt the "Code of Conduct" and to disseminate it throughout the company.

Last year company has prepared and adopted the "Code of Conduct" in accordance with code of corporate governance and same has been disseminated throughout the company.

The code of conduct is meant to establish the standard of conduct for the employees of the company and deters the violation of company policies, rules and other wrongdoings.

Code of Conduct mainly serves to promote the honesty, integrity, professionalism and tolerance among the behavior of the company employees.

Every employee at Leiner Pak Gelatine Limited is expected to utilize his energies in discharging his duties by hard work, integrity and professionalism. These results can only be achieved by defining certain minimum standards.

The Code of Conduct provides the frame of reference to monitor the activities of the employees and sets the acceptable standards, expected to be adhered by all employees at all time.

BOARD COMMITTEES

AUDIT COMMITTEE

During the year, four meetings of the Audit Committee were held, attendance of the meetings is as follows:

Name of Directors	No. of Meeting Attendance
Umar Riaz Khwaja	3
Ibrar Ahmed Khwaja	4
Muhammad Kamran Khwaja	3
Mian Zia Ud Din	1
Ijaz Ahmed Khwaja	1

Audit Committee is responsible to implement an effective internal control system, designing the tools of internal audit, compliance of corporate governance with in the organization and to forward recommendations to the Board of Directors in the light of its findings.

The Audit Committee among other things is responsible for recommending to the Board of Directors' the appointment, removal and resignation of the external auditors. Audit Committee's other responsibilities in the light of code of corporate governance also include the following:

a) determination of appropriate measures to safeguard the listed company's assets;

b) review of quarterly, half yearly and annual financial statements of the listed company, prior to their approval by the Board of Directors;

c) review of preliminary announcements of results prior to publication;

d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

e) review of management letter issued by external auditors and management's response thereto;

f) ensuring coordination between the internal audit and external auditors of the listed company;

g) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the listed company;

h) consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;

i) ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sale, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;

j) review of the listed company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;

k) institutions special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;

l) determination of compliance with relevant statutory requirements;

m) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and

n) consideration of any other issue or matter as may be assigned by the Board of Directors.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Company has constituted a human resources and remuneration (HR & R) committee in accordance with code of corporate governance. This committee will help the Board in discharging their responsibilities as envisaged by the Code of Corporate Governance which include:-

i) Recommending human resource management policies to the Board.
ii) Recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of C.E.O.
iii) Recommending to the Board the selection, evaluation, compensation (including retirement benefits) of C.O.O., C.F.O., Company Secretary and Head of Internal Audit.
iv) Consideration and approval on recommendations of C.E.O. on the matters relating to the key management position who report directly to C.E.O. or C.O.O.

Human resource and remuneration committee (HR & R) include the following Directors:-

i)	Khawaja Ahmed Hassan	(Chairman)
ii)	Mian Zia-Ud-Din	(Member)
iii)	Umer Riaz Khwaja	(Member)

TRAINING PROGRAMME OF DIRECTORS

Company is regularly arranging the orientation courses for its Directors to make them acquaint with laws and regulations to discharge their duties accordingly.

In compliance of Code of Corporate Governance, this year also one of our Director got registered himself with The University of Lahore to acquire the Certification as prescribed by the Code of Corporate Governance.

TRADE IN SHARES OF THE COMPANY

During the year following movements have been seen in share holding of two of the directors:-

	Shares Purchased	Shares Transferred	
Khwaja Ahmed Hassan	10,000		
Ijaz Ahmed Khwaja		155,000	(Transferred to real son Saad Ahmed Khwaja)
Ijaz Ahmed Khwaja		133,000	(Transferred to real Daughter Miss Sana Ahmed)

There is no any sale/purchase/transfer of the company shares by other Directors, Executives, their spouse and minor children except above shares transactions.

LABOUR AFFAIRS

Company maintained cardial relations with its employees and regularly holding the elections of labour union in accordance with labour laws. Recent election of CBA union was held on 30-07-2013. The wining CBA union represent the labour class to deal with all labour affairs.

It is the matter of great satisfaction that all labour relating matters are being settled with CBA union in comfortable environment and no unpleasant event occurred during negotiation process.

Over all factory environment is quite conducive except few cases which have been filed by the CBA union due to certain differences of the opinion.

POST BALANCE SHEET EVENTS

We want to share with our stake holders that factory was badly hit by recent flood on August 15, 2013. Flood water caused the loss to factory building, plant & machinery, stores and spare parts and stock in trade. Due to this flood production operations remained closed. Company's all assets are insured and insurance claim for Rs.99.376 million have so far been lodged with insurance company out of which the claims amounting to Rs. 65.527 millions have partly been verified. The assessment of remaining loss is still in the process and the insurance claim will be filed accordingly.
However, production operations have partially been started again recently. Management is fully confident that production process in remaining period of next financial year will continue without any interruption.

AUDITORS:

The present auditors, M/s M. Almas & Co. Chartered Accountants, Lahore, has completed their assignment for the year ended June 30, 2013 and shall retire on the conclusion of 30th Annual General Meeting. The retiring auditors M/s M. Almas & Co. Chartered Accountants are eligible for re-appointment.

In accordance with the Code of Corporate Governance, the audit committee considered and recommended the re-appointment of M/s M. Almas & Co. Chartered Accountants as statuary auditors for the year 2013-14.

PATTERN OF SHARE HOLDING:

It appears on page no: 47

ACKNOWLEDGEMENT

The Directors express their deep appreciation for devotion and dedication of Company's Employees.

We further acknowledge the friendly Co-operation and business relation with The Bank Al-Habib Limited, Bank Alfalah Limited, Bank Islami Pakistan Limited, National Bank of Pakistan and United Bank Limited .

LAHORE
Dated: October 10, 2013

KH. IMTIAZ AHMED
Chief Executive
& Managing Director

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent Non-Executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes:

Names of the Director	Status
Mian Zia-ud-Din	Independent Director
Khwaja Imtiaz Ahmed	Executive Director
Ibrar Ahmed Khwaja	Executive Director
Khwaja Ahmed Hassan	Executive Director
Ijaz Ahmed Khwaja	Non - Executive Director
Umer Riaz Khwaja	Non - Executive Director
Mr. Iqbal Dossa	Non - Executive Director

The independent director meets the criteria of independence under clause i(b) of the CCG.

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this company.

3. All the resident Directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. There was no casual vacancy on the Board during the year.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other Executive and Non-Executive Directors, have been taken by the Board / shareholders.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged a training program for one of its directors during the year, under a training program offered by an institution that meets the criteria specified by SECP.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and Executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises 3 members who are Non-Executive Directors and the Chairman of the committee is an Independent Director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the company as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises 3 members, of whom two are Non-Executive Directors and Chairman of the committee is an Executive Director.

18. The Board has set up an effective internal audit function.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to Directors, employees and stock exchanges.

22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.

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

On behalf of the Board

LAHORE
Dated: October 10, 2013

KH. IMTIAZ AHMED
Chief Executive &
Managing Director

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Leiner Pak Gelatine Limited ("the Company") for the year ended June 30, 2013, to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Regulation 35(x) of listing regulations require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

During the course of our review we have noted:

1. that the number of the executive directors of the Company as mentioned in paragraph (1) of the annexed statement of compliance exceed by one director than the number prescribed by clause i (d) of the Code; and
2. in respect of clause (xi) of the Code regarding the mandatory training of at least one director during the year, the training fee for one director was paid by the company during the year but the training program was held in July and August, 2013.

Based on our review, except for the matters stated above, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

Lahore
Dated: October 10, 2013

M. Almas & Co.
Chartered ccountants
Audit Engagement Partner
Mohammad Ijaz

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **LEINER PAK GELATINE LIMITED** as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion-

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2013 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Without qualifying our report, we draw attention to note 42 to the financial statements which reflects certain non-adjusting events after the reporting period.

Lahore
Dated: October 10, 2013

M. Almas & Co.
Chartered Accountants
Audit Engagement Partner
Mohammad Ijaz

BALANCE SHEET
AS AT JUNE 30, 2013

	Note	30 June 2013	30 June 2012
		--------Rupees in thousand--------	
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	4	75,000	75,000
Unappropriated profit		63,838	64,130
		138,838	139,130
Surplus on revaluation of property, plant and equipment	5	164,134	164,134
Non-current liabilities			
Long term financing	6	-	-
Liabilities against assets subject to finance lease	7	-	-
Deferred taxation	8	9,355	5,595
		9,355	5,595
Current liabilities			
Trade and other payables	9	113,400	80,860
Mark-up accrued	10	1,854	2,530
Short term borrowings	11	131,186	105,386
Current portion of non-current liabilities	12	-	4,105
		246,440	192,881
Contingencies and commitments	13	-	-
		558,767	501,740
ASSETS			
Non-current assets			
Property, plant and equipment	14	281,317	289,007
Intangible assets	15	8	22
Long term deposits	16	2,643	1,381
		283,968	290,410
Current assets			
Stores, spare parts and loose tools	17	11,240	10,704
Stock-in-trade	18	198,011	130,301
Trade debts	19	34,761	43,702
Advances	20	1,075	1,942
Trade deposits and short term prepayments	21	1,530	2,179
Other receivables	22	14,572	14,953
Advance income tax-net	23	10,028	5,146
Cash and bank balances	24	3,582	2,403
		274,799	211,330
		558,767	501,740

The annexed notes 1 to 44 form an integral part of these financial statements.

LAHORE
Dated: October 10, 2013

KH. IMTIAZ AHMED
Chief Executive
& Managing Director

IBRAR AHMED KH.
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	30 June 2013	30 June 2012
		--------Rupees in thousand-------	
Sales-net	25	705,290	579,012
Cost of sales	26	626,517	503,176
Gross profit		78,773	75,836
Other operating income	27	1,561	2,488
		80,334	78,324
Distribution cost	28	7,308	8,460
Administrative expenses	29	48,930	43,923
Other operating expenses	30	2,331	1,578
Finance cost	31	12,203	14,303
Profit before taxation		9,562	10,060
Taxation	32	6,844	6,494
Profit after taxation		2,718	3,566
Earnings per share-basic and diluted (Rupees)	33	0.36	0.48

The annexed notes 1 to 44 form an integral part of these financial statements.

LAHORE
Dated: October 10, 2013

KH. IMTIAZ AHMED
Chief Executive
& Managing Director

IBRAR AHMED KH.
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013

	30 June 2013	30 June 2012
	--------Rupees in thousand--------	
Profit after taxation	**2,718**	3,566
Other comprehensive income	**-**	-
Total comprehensive income for the year	**2,718**	3,566

The annexed notes 1 to 44 form an integral part of these financial statements.

LAHORE
Dated: October 10, 2013

KH. IMTIAZ AHMED
Chief Executive
& Managing Director

IBRAR AHMED KH.
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	30 June 2013	30 June 2012
		--------Rupees in thousand--------	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	34	9,408	25,661
Finance cost paid		(12,879)	(14,685)
Payments to provident fund		(1,817)	(1,761)
Taxes paid		(7,966)	(6,178)
Sales tax refund / (payments)		420	(3,498)
Workers' Welfare Fund paid		(269)	-
Workers' Profit Participation Fund paid		(616)	-
Net cash used in operating activities		(13,719)	(461)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(4,819)	(11,740)
Proceeds from disposal of property, plant and equipment		1,219	21
(Increase) /decrease in long term deposits		(327)	935
Net cash used in investing activities		(3,927)	(10,784)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term financing		(3,750)	(4,851)
Repayment of liabilities against assets subject to finance lease		(355)	(2,729)
Dividend paid		(2,870)	-
Net increase in short term borrowings		25,800	20,045
Net cash generated from financing activities		18,825	12,465
Net increase in cash and cash equivalents		1,179	1,220
Cash and cash equivalents at the beginning of the year		2,403	1,183
Cash and cash equivalents at the end of the year	35	3,582	2,403

The annexed notes 1 to 44 form an integral part of these financial statements.

LAHORE
Dated: October 10, 2013

KH. IMTIAZ AHMED
Chief Executive
& Managing Director

IBRAR AHMED KH.
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

	Share capital		
	Issued, subscribed and paid up share capital	Un appropriated profit	Total
	----------Rupees in thousand----------		
Balance at June 30, 2011	75,000	60,564	135,564
Total comprehensive income for the year	-	3,566	3,566
Balance at June 30, 2012	**75,000**	**64,130**	**139,130**
Final cash dividend for the year ended June 30, 2012 (Rupees 0.75 per share)	-	**(3,010)**	**(3,010)**
Total comprehensive income for the year	-	**2,718**	**2,718**
Balance at June 30, 2013	**75,000**	**63,838**	**138,838**

The annexed notes 1 to 44 form an integral part of these financial statements.

LAHORE
Dated: October 10, 2013

KH. IMTIAZ AHMED
Chief Executive
& Managing Director

IBRAR AHMED KH.
Director

1 THE COMPANY AND ITS OPERATIONS

Leiner Pak Gelatine Limited ("the Company") was incorporated in Pakistan on 14 February 1983 as a public limited Company. The registered office of the Company is situated at 17-G, Gulberg II, Lahore. The Company is listed on Karachi and Lahore Stock Exchanges in Pakistan. The Company is engaged in manufacture and sale of gelatine, di-calcium phosphate and glue produced from animal bones.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for freehold land at revalued amount. In these financial statements, except for the cash flow statement, all transactions have been accounted for on accrual basis.

2.3 Judgments, estimates and assumptions

The preparation of the financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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 and in any future periods affected.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the subsequent years are discussed in the note- 36.

2.4 Functional and presentation currency

Items included in financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

3.1 Property, plant and equipment

Recognition and measurement

Property, plant and equipment are tangible items that are held for use in production or supply of goods or services, for rentals to others or for administrative purposes and are expected to be used during more than one year. An item of property, plant and equipment is recognized when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. On initial recognition, items of property, plant and equipment are measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the item.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses with the exception of freehold land which is measured at revalued amount.

Parts of an item of property, plant and equipment having different useful lives are recognized as separate items.

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day- to- day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any.

Depreciation

Depreciation is recognized in profit or loss by applying reducing balance method over the useful life of each item of property, plant and equipment using the rates specified in note 14.1 to the financial statements.

Depreciation on additions to property, plant and equipment is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which the item is disposed or classified as held for disposal.

The depreciation method, useful lives and residual values are reviewed and adjusted if appropriate, at each reporting date.

De-recognition

An item of property, plant and equipment is de-recognized on disposal or when no future economic benefits are expected from its use or disposal. Any profit or loss on disposal of property, plant and equipment is recognized in profit or loss.

3.2 Intangible assets

An intangible asset is an identifiable non-monitory asset without physical substance.

Intangible assets are recognized when it is probable that the expected future benefits will flow to the entity and the cost of the asset can be measured reliably. Cost of intangible asset (i.e. computer software) includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Cost associated with maintaining computer software are recognized as an expense as and when incurred.

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged over the estimated useful life of the asset as specified in note 15 on a systematic basis applying the straight line method.

Useful lives of intangible operating assets are reviewed, at each balance sheet date and adjusted if the impact of amortization is significant.

3.3 Stores, spare parts and loose tools

These are generally held for internal use and, except for items in transit which are valued at invoice price plus related expenses incurred up to the reporting date, are valued at lower of cost and net realizable value. Cost is determined on the basis of weighted average. Provision for obsolete and slow moving items is made based on management's best estimate regarding their future usability.

3.4 Stock-in-trade

These are valued at lower of cost and net realizable value. Cost is determined using the following basis.

Raw material	Weighted average cost
Work-in-process	Average manufacturing cost
Finished goods	Average manufacturing cost
Raw material in transit	Invoice price plus related expenses incurred up to the reporting date.

Average manufacturing cost in relation to work-in-process and finished goods consists of direct material, labour and a proportion of appropriate manufacturing overheads.

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

For items which are slow moving, a provision is made for excess of carrying amount over estimated net realizable value.

3.5 Financial instruments

Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

De-recognition

Financial assets are derecognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in the profit or loss.

Measurement

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on net basis or to realize the asset and settle the liability simultaneously.

3.6 Borrowings

These are recognized initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortization cost with any difference between cost and redemption value being recognized in the profit or loss over the period of borrowings on an effective interest basis.

3.7 Leased assets

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Leased assets are depreciated over their useful lives by applying reducing balance method using rate specified in note- 14.1.

Leases that do not transfer substantially all risks and rewards of ownership are classified as operating leases / Ijara. Payments made under operating leases / Ijara are recognized in profit or loss on a straight line basis over the lease / Ijara term.

3.8 Surplus on revaluation of property, plant and equipment

Surplus arising on revaluation of items of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment after reversing deficit relating to the same item previously recognized in profit or loss, if any. Deficit arising on revaluation is recognized in profit or loss after reversing the surplus relating to the same item previously recognized in surplus on revaluation of property, plant and equipment, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, net of deferred tax is transferred to un-appropriated profit every year.

3.9 Employee benefits

A defined contribution plan is a post-employment benefit under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligation for contribution to a defined contribution plan is recognized as an employee service benefit expense in the profit and loss accourt when it is due.

The Company operates a recognized provident fund for all its regular employees. Equal monthly contributions are made to the fund both by the Company and employees at the rate of 8.5% of the basic salary. The fund is administrated by the Trustees.

3.10 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost.

3.11 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less impairment loss, if any.

3.12 Revenue

Revenue is measured at fair value of the consideration received or receivable, net of returns, allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other operating income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and associated costs incurred or to be incurred can be measured reliably.

Revenue from sale of goods is recognized when risk and rewards incidental to the ownership of goods are transferred, i.e. on dispatch of goods to customers.

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, or added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the profit or loss as incurred.

3.14 Taxation

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on taxable income at current rates of taxation applicable in Pakistan after taking into account tax credits, rebates and exemptions available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred tax is accounted for using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the requirement of "Technical Release-27" of The Institute of Chartered Accountants of Pakistan.

Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.15 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

3.16 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash and bank balances. Cash and cash equivalents are carried at cost.

3.17 Foreign currency transactions

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to the functional currency at exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate at the date that fair value was determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to the functional currency at exchange rate at the date of transaction. Any gain or loss arising on transaction is recognized in profit or loss.

3.18 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses are reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if any, if no impairment loss had been recognized.

3.19 Related party transactions

Related party transactions are carried out on an arm's length basis. Pricing for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

3.20 Provisions

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the correct best estimate.

3.21 Dividend to shareholders

Dividend paid to shareholders is recognized in the year in which it is declared.

3.22 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment, however, certain information, as required by the approved accounting standards, is presented in note 38 to these financial statements.

3.23 New and amended standards and interpretations that are effective in the current year

There are certain new and amended standards and interpretations that have been published and are mandatory for accounting periods beginning on or after July 01, 2012 but are considered not to be relevant or did not have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

3.24 New and amended standards and interpretations that are not yet effective

Following are the new and amended standards and interpretations that have been published and are mandatory for the accounting period beginning on or after their respective dates.

Standards or Interpretation:	**Effective date (accounting periods beginning on or after)**
- Annual improvements 2011; IFRS 1, ' First time adoption'. IAS 1, ' Financial statement presentation'. IAS 16, 'Property, plant and equipment'. IAS 32, 'Financial instruments: Presentation'. IAS 34, 'Interim financial reporting'.	January 01, 2013
- IFRS 7, ' Financial Instruments: Disclosure	January 01, 2013
- IFRS 9, 'Financial instruments	January 01, 2015
- IFRS 12, 'Disclosures of interest in other entities	January 01, 2013
- IFRS 13, 'Fair value measurements	January 01, 2013
- IAS 28, 'Associates and joint ventures	January 01, 2013
- IAS 32, 'Financial instruments: Presentation, on offsetting financial assets and financial liabilities	January 01, 2014

The Company expects that the adoption of the above amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements other than increased disclosures in certain cases.

There are other new and amended standards and interpretations that have been published and are mandatory for accounting periods beginning on or after July 01, 2013 but are considered not to be relevant or do not have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

			30 June 2013	30 June 2012
4	**SHARE CAPITAL**		-------Rupees in thousand-------	
	Authorised share capital			
	10,000,000 (June 30, 2012: 10,000,000) ordinary shares of Rupees 10 each		100,000	100,000
	Issued, subscribed and paid up share capital			
	7,500,000 (June 30, 2012: 7,500,000) ordinary shares of Rupees 10 each issued as fully paid in cash	-note- 4.1	75,000	75,000
			75,000	75,000

4.1 **Ordinary shares of the Company held by associated undertaking as at year end are as follows:**

	30 June 2013	30 June 2012
	(Number of shares)	
INA Securities (Private) Limited	**370,000**	370,000
	370,000	370,000

			30 June 2013	30 June 2012
5	**SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT**		--------Rupees in thousand--------	
	Revaluation surplus	-note- 5.1	**164,134**	164,134

5.1 **Revaluation surplus**

Revaluation surplus relating to revaluation carried out at June 30, 1990	8,873	8,873
Revaluation surplus relating to revaluation carried out at June 09, 2008	69,325	69,325
Revaluation surplus relating to revaluation carried out at April 05, 2012	85,936	85,936
	164,134	164,134

5.2 The Company had revalued its freehold land on June 30, 1990, June 09, 2008 and April 05, 2012. The revaluation was carried out by independent valuers Mr. Anwar ul Haq, M/S Hamid Mukhtar & Co. and M/S Hamid Mukhtar & Co. in 1990 ,2008 and 2012 respectively to replace the carrying amount of land with local market values. The following aggregated net appraisal surplus arisen on the revaluation on June 30, 1990, June 09, 2008 and April 05, 2012 was credited to surplus on revaluation of property, plant and equipment to comply with the requirements of section 235 of the Companies Ordinance, 1984.

	Book value	Re-valued amount	Surplus on re-valuation
	--------Rupees in thousand--------		
Freehold land	7,826	171,960	164,134
	7,826	171,960	164,134

5.3 Since the revaluation relate to freehold land which is a non-depreciable asset, no deferred tax liability arises on revaluation. In the absence of depreciable amount no incremental depreciation net off deferred tax transferred to unappropriated profit nor any disclosure regarding these have been made in the above note.

			30 June 2013	30 June 2012
6	**LONG TERM FINANCING**		--------Rupees in thousand--------	
	From Banking Companies-secured			
	Demand finance	-note- 6.1	-	3,750
	Less: current portion	-note- 12	-	3,750
			-	-

6.1 The demand finance facility was obtained from United Bank Limited for a period of three years. It has been fully repaid during the year. It was repayable in 12 equal quarterly installments commenced from March 31, 2010. It carried markup at three months KIBOR plus 2.5 % (June 30, 2012: three months KIBOR plus 2.5 %) per annum payable quarterly. It was secured against the same common securities as disclosed in the note- 11.7 of these financial statements.

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

		30 June 2013	30 June 2012
		-------Rupees in thousand-------	
Present value of minimum lease payments		-	355
Less: current portion	-note- 12	-	355
		-	-

7.1 The value of the minimum lease payments has been discounted at an implicit mark up rate ranging from 17.29 % to 18.60 % per annum (June 30, 2012: 16.32 % to 19.23 % per annum) to arrive at their present value. The balance rentals due under the lease agreements aggregate to Rupees nil (June 30, 2012: Rupees 0.360 million). Late payment charges are to be paid @ Rupees 1 per thousand per day. Taxes, repairs, insurance and other costs are to be borne by the lessee on such terms and conditions as agreed upon. The Company has an option to purchase assets on completion of lease term by adjusting security deposit amounting to Rupees nil (June 30, 2012: Rupees 0.214 million) and has exercised this option. These were secured against above mentioned security deposits, title of ownership of leased assets and personal guarantees of the directors of the Company.

7.2 The reconciliation between the future minimum lease payments and present value of minimun lease payments are as follows:

	30 June 2013	30 June 2012
	-------Rupees in thousand-------	
Not later than one year	-	359
Later than one year but not later than five years	-	-
Minimum lease payments	-	359
Less: Finance charges allocated to future periods	-	4
Present value of minimum lease payments	-	355
Less: Not later than one year	-	355
Later than one year but not later than five years	-	-

8 DEFERRED TAXATION

Deferred tax liability on temporary differences comprises of:

	30 June 2013	30 June 2012
Taxable temporary differences		
Accelerated tax depreciation	12,380	12,031
Finance lease	-	150
	12,380	12,181
Deductible temporary differences		
Tax credits	3,025	6,586
	9,355	5,595

9 TRADE AND OTHER PAYABLES

		30 June 2013	30 June 2012
Creditors		73,596	42,824
Accrued liabilities		15,709	18,482
Advances from customers		21,561	17,290
Payable to provident fund		640	575
Income tax withheld payable		25	81
Workers' Profit Participation Fund	-note- 9.1	595	627
Workers' Welfare Fund		418	265
Unclaimed dividend		856	716
		113,400	80,860

9.1 Workers' Profit Participation Fund (WPPF)

		30 June 2013	30 June 2012
Balance at beginning of the year		627	72
Interest on funds utilized in Company's business	-note- 31	66	11
Allocation/ expenses for the year	-note- 30	529	544
		1,222	627
Less: paid to the fund during the year		(627)	-
		595	627

Interest is paid at prescribed rate under the Companies Profits (Workers' Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

10 MARK-UP ACCRUED

		30 June 2013	30 June 2012
		-------Rupees in thousand-------	
On borrowings from banking companies-secured			
Long term financing		-	138
Short term borrowings		1,854	2,392
		1,854	2,530

11 SHORT TERM BORROWINGS

		30 June 2013	30 June 2012
From banking companies-secured			
Finance against packing credit			
Bank Al-Habib Limited	-note- 11.1, 11.4	23,180	-
Finance against foreign bills			
Bank Al-Habib Limited	-note- 11.2, 11.4	16,571	-
Running finance			
Bank Al-Habib Limited	-note- 11.3, 11.4	71,586	14,419
Export re-finance			
United Bank Limited	-note- 11.5,11.7	-	17,204
Cash finance			
United Bank Limited	-note- 11.6,11.7	-	66,541
		111,337	98,164
From related parties-unsecured			
Loan from director	-note- 11.8	19,849	7,222
		131,186	105,386

11.1 The finance against packing credit (FAPC-1) facility having sanctioned limit of Rupees 25 million (June 30, 2012: Rupees nil million) has been obtained from Bank Al Habib Limited. The rate of mark- up on this facility is 10.40% (June 30, 2012: nil) per annum payable quarterly or on adjustment of loan. The principal amount is to be adjusted / rolled over within 180 days from the draw down date or on demand while mark up is to be serviced upon adjustment of loan or at the end of each calendar quarter whichever is higher. The facility is valid till August 07, 2013.

11.2 The finance against foreign bills (FAFB-REF) facility having sanctioned limit of Rupees 40 million (June 30, 2012: Rupees nil million) has been obtained from Bank Al Habib Limited. The rate of mark- up on this facility is 10.40% (June 30, 2012: nil) per annum payable quarterly or on adjustment of loan. The principal amount is to be adjusted / rolled over within 180 days from the draw down date or on demand while mark up is to be serviced upon adjustment of loan or at the end of each calendar quarter whichever is higher. The facility is valid till August 07, 2013.

11.3 The running finance facility having sanctioned limit of Rupees 70 million (June 30, 2012: Rupees 15 million) has been obtained from Bank Al-Habib Limited for working capital requirements. It carries mark-up at three months average KIBOR -Ask plus 1.75% (June 30, 2012: three months average KIBOR -Ask plus 2%) per annum payable quarterly. The sanctioned limit has temporarily been exceeded due to issuance of cheques which were presented after June 30, 2013.The facility is valid till August 07, 2013.

11.4 The facilities mentioned in 11.1, 11.2 and 11.3 are commonly secured against first hypothecation charge of Rupees 180 million (2012: Rupees 22.670 million- joint pari passu charge) over current assets of the Company. First charge on fixed assets of Rupees 174 million comprising land, building, plant and machinery situated at 19 KM G.T. Road Kala Shah Kaku, Token Registered Mortgage of Rupees 0.5 million supported by equitable mortgage, lien over export documents under letter of credit and contract, shipping documents, accepted drafts and personal guarantees of the Directors amounting to Rupees 155 million.

11.5 The export re-finance facility obtained from United Bank Limited having sanctioned limit of Rupees 25 million (June 30, 2012: Rupees 25 million) has expired on October 31, 2012 . The rate of mark- up on this facility was 9.5% (June 30, 2012: 11%) per annum payable quarterly.

11.6 The cash finance facility obtained from United Bank Limited for working capital requirements having sanctioned limit of Rupees 55 million (June 30, 2012: Rupees 55 million) has expired on October 31, 2012 . Rate of mark-up on this facility was three months KIBOR plus 2.75 % (June 30, 2012: three months KIBOR plus 2.75 %) per annum payable quarterly.

11.7 The facilities in notes 11.5, 11.6 and 6 were commonly secured by first charge of Rupees 155 million (June 30, 2012: Rupees 155 million) based on equitable mortgage of the Company's property, plant and equipment comprising land, building, machinery and personal guarantees of the Directors of the Company.

11.8 Loan from director (chief executive) is re-payable on demand and is non- interest bearing.

11.9 The net aggregate short term borrowing facilities unavailed at end of June 30, 2013 amount to Rupees 25.249 million (June 30, 2012: Rupees nil million) and for letters of credit and bank guarantees amount to Rupees 8.744 million (June 30, 2012: Rupees 10.744 million).

11.10 A Charge of Rupees 20 million (June 30, 2012: Rupees 20 million) in favour of Bank Alfalah Limited - Islamic banking, has been created on all present and future fixed assets (plant & machinery) of the Company including but not limited to complete de-humidification plant etc. The said charge has been created in respect of Ijara facility for de-humidification plant etc. to the Company.

12 CURRENT PORTION OF NON-CURRENT LIABILITIES

		30 June 2013	30 June 2012
		--------Rupees in thousand--------	
Current portion of:			
Long term financing	-note- 6	-	3,750
Liabilities against assets subject to finance lease	-note- 7	-	355
		-	4,105

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 The Pakistan Environmental Protection Agency has filed a complaint against the Company before the Environmental Protection Tribunal on account of Company's failure to properly dispose effluent water discharge during the production. The agency regards this to be a criminal offence. The Company has filed a writ petition against the Agency's claim before the Honourable Lahore High Court ("LHC"). The Company has not recognized any liability in this regard since it awaits the decision of LHC which is pending. The maximum fine in case of conviction, if any, cannot expected to exceed Rupees 400,000 (June 30, 2012: Rupees 400,000).

13.1.2 Cases have been filed against the Company for dismissal of certain workers for disciplinary reasons. These are pending before Labour Court No. 3, Ferozewala, Lahore. The maximum exposure in these cases is the reinstatement of these workers with back benefits amounting to Rupees 350,000 (June 30, 2012: Rupees 300,000). Provision has not been made in these financial statements for the aforementioned amounts as the management of the Company, based on the advice of its legal counsel handling the subject cases, is of the opinion that the matter shall be decided in the Company's favour.

13.1.3 Guarantees issued by bank on behalf of Company as at June 30, 2013 amounting to Rupees 11.256 million (June 30, 2012: Rupees 11.256 million).

13.2 Commitments

13.2.1 The operating lease arrangement in respect of registered office has been as follows:

	30 June 2013	30 June 2012
	--------Rupees in thousand--------	
Not later than one year	1,056	883
Later than one year but not later than five years	2,796	-

13.2.2 The Company has entered into Ijara arrangements with BankIslami Pakistan Limited for vehicles and Bank Alfalah Limited- Islamic Banking for de-humidification plant. Commitments for Ijara monthly rentals payable under the agreements are as follows:

	30 June 2013	30 June 2012
	--------Rupees in thousand--------	
Not later than one year	6,342	4,826
Later than one year but not later than five years	6,216	7,558

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

14 PROPERTY, PLANT AND EQUIPMENT

		30 June 2013	30 June 2012
		——Rupees in thousand——	
Operating fixed assets	- note - 14.1	281,317	276,685
Capital work in progress	- note - 14.6	-	12,322
		281,317	289,007

14.1 Operating fixed assets - for the year ended June 30, 2013

PARTICULARS	COST/REVALUED AMOUNT					DEPRECIATION						Net book value as at 30 June 2013
	As at 01 July 2012	Additions / Revaluation	Disposals	Transfers	As at 30 June 2013	Annual rates	As at 01 July 2012	Disposals	Transfers	For the year	As at 30 June 2013	
	——Rupees in thousand——											
Assets owned by the Company												
Tangible Assets												
Free hold land	171,980	-	-	-	171,980	-	-	-	-	-	-	171,980
Factory building- on free hold land	57,659	8,072	-	-	65,731	10%	41,820	-	-	1,651	43,471	22,260
Office building- on free hold land	817	-	-	-	817	5%	679	-	-	7	686	131
Plant and machinery	208,430	8,230	-	-	216,660	10%	138,166	-	-	7,323	145,489	71,171
Electric installation and equipment	19,948	-	-	-	19,948	10%	12,749	-	-	720	13,469	6,479
Fire fighting equipment	78	-	-	-	78	10%	24	-	-	5	29	49
Service and other equipment	580	-	-	-	580	10%	504	-	-	8	512	68
Office equipment	5,435	33	-	-	5,468	10%	2,535	-	-	282	2,817	2,651
Laboratory equipment	3,548	-	-	-	3,548	10%	2,962	-	-	59	3,021	527
Permanent and special equipment	261	-	-	-	261	10%	234	-	-	3	237	24
Furniture, fixtures and fittings	1,217	86	-	-	1,303	10%	694	-	-	60	754	549
Vehicles	16,781	720	2,293	2,144	17,352	20%	10,912	1,473	1,069	1,506	12,014	5,338
Railway siding	417	-	-	-	417	10%	404	-	-	1	405	12
Cycles and scooters	77	-	-	-	77	20%	36	-	-	8	44	33
Arms and ammunition	33	-	-	-	33	10%	20	-	-	1	21	12
Furnace	197	-	-	-	197	10%	138	-	-	6	144	53
	487,438	17,141	2,293	2,144	504,430		211,887	1,473	1,069	11,650	223,113	281,317
Assets subject to finance lease												
vehicles	2,144	-	-	(2,144)	-	20%	1,030	-	(1,069)	39	-	-
30 June 2013	489,582	17,141	2,293	-	504,430		212,917	1,473	-	11,689	223,113	281,317

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

14.2 Operating fixed assets - for the year ended June 30, 2012

PARTICULARS	COST/REVALUED AMOUNT					DEPRECIATION						Net book value as at 30 June 2012
	As at 01 July 2011	Additions / Revaluation	Disposals	Transfers	As at 30 June 2012	Annual rates	As at 01 July 2011	Disposals	Transfers	For the year	As at 30 June 2012	
	Rupees in thousand											
Assets owned by the Company												
Tangible Assets												
Free hold land	86,024	85,936	-	-	171,960	-	-	-	-	-	-	171,960
Factory building- on free hold land	57,659	-	-	-	57,659	10%	40,060	-	-	1,760	41,820	15,839
Office building- on free hold land	817	-	-	-	817	5%	672	-	-	7	679	138
Plant and machinery	203,800	5,060	430	-	208,430	10%	130,800	143	-	7,509	138,166	70,264
Electric installation and equipment	19,948	-	-	-	19,948	10%	11,950	-	-	799	12,749	7,199
Fire fighting equipment	78	-	-	-	78	10%	18	-	-	6	24	54
Service and other equipment	580	-	-	-	580	10%	495	-	-	9	504	76
Office equipment	5,136	299	-	-	5,435	10%	2,218	-	-	307	2,525	2,910
Laboratory equipment	3,548	-	-	-	3,548	10%	2,897	-	-	65	2,962	586
Permanent and special equipment	261	-	-	-	261	10%	231	-	-	3	234	27
Furniture, fixtures and fittings	1,217	-	-	-	1,217	10%	636	-	-	58	694	523
Vehicles	11,532	1,130	-	4,119	16,781	20%	6,036	-	2,045	831	10,912	5,869
Railway siding	417	-	-	-	417	10%	403	-	-	1	404	13
Cycles and scooters	77	-	-	-	77	20%	26	-	-	10	36	41
Arms and ammunition	33	-	-	-	33	10%	18	-	-	2	20	13
Furnace	197	-	-	-	197	10%	131	-	-	7	138	59
	391,334	92,425	430	4,119	487,438		196,591	143	2,045	11,374	211,867	275,571
Assets subject to finance lease												
vehicles	6,263	-	-	(4,119)	2,144	20%	2,278	-	(2,045)	797	1,030	1,114
30 June 2012	397,597	92,425	430	-	489,582		200,869	143	-	12,171	212,897	276,685

14.3 The depreciation charged for the year has been allocated as follows:

		30 June 2013	30 June 2012
		——Rupees in thousand——	
Cost of sales	note- 28.3	9,770	10,153
Administrative expenses	note- 29	1,919	2,018
		11,689	12,171

14.4 The Company has revalued its freehold land on June 30, 1996, June 9, 2008 and April 05, 2012. The revaluation was carried out by independent valuers Mr. Anwar ul Haq, M/S Hamid Mukhtar & Co. and M/S Hamid Mukhtar & Co. in 1996 ,2008 and 2012 respectively to replace the carrying amount of land with local market values. The following aggregated net appraisal surplus arisen on the revaluation on June 30, 1996, June 09, 2008 and April 05, 2012 was credited to surplus on revaluation of property, plant and equipment to comply with the requirements of section 235 of the Companies Ordinance, 1984. The revaluation has resulted in aggregate increase in value of freehold land by Rupees 164.134 million (June 30, 2012: Rupees 164.134 million) which is included in book value of freehold land.

Had there been no revaluation, the cost of freehold land would have been as follows:

	Cost	Accumulated depreciation	Net book value as at June 30, 2013
	——Rupees in thousand——		
Freehold land	7,828	-	7,828

14.5 Transfer to owned assets represent transfers from assets subject to finance lease on expiry of related lease terms.

14.6 Capital work in progress

	Plant and Machinery	Building and Civil Works	Total 30 June 2013	Total 30 June 2012
	——Rupees in thousand——			
As at 01 July	4,853	7,469	12,322	7,271
Additions	884	603	1,487	8,599
	5,737	8,072	13,809	15,870
Transfer to operating fixed assets	(5,737)	(8,072)	(13,809)	(3,548)
As at 30 June	-	-	-	12,322

14.7 Disposal of property, plant and equipment

	Cost	Accumulated depreciation	Net book value	Proceeds from disposal	Gain / (loss) on disposal	Mode of disposal	Particulars of Buyers
	——Rupees in thousand——						
Toyota corolla	1,039	744	295	370	75	Negotiation	Mr. Muhammad Rafheeq 167-A 3, Gulberg - 3, Lahore
Suzuki cultus	637	367	270	406	136	Negotiation	Mr. Muhammad Akram Hill E1/2, Wahala Zaman Colony Sheraz villas, Cavalry Ground, Lahore
Suzuki cultus	627	372	255	440	185	Negotiation	Begum Naz Shafique Sheikh 275 Umar Block Allama Iqbal Town Lahore
30 June 2013	**2,303**	**1,483**	**820**	**1,216**	**396**		
30 June 2012	430	143	287	21	(266)		

15 INTANGIBLE ASSETS

PARTICULAR	COST: As at 01 July 2012	COST: Additions / (Deletions)	COST: As at 30 June 2013	AMORTISATION: As at 01 July 2012	AMORTISATION: For the year	AMORTISATION: As at 30 June 2013	Net book value as at 30 June 2013	Annual Rate
	——Rupees in thousand——							
Computer software	70	-	70	48	14	62	8	20%
30 June 2013	70	-	70	48	14	62	8	
30 June 2012	70	-	70	34	14	48	22	

15.1 Amortization has been charged to administrative expenses.

16 LONG TERM DEPOSITS

		30 June 2013	30 June 2012
		--------Rupees in thousand--------	
Security deposits:			
For leases and Ijara		**2,642**	2,315
Others		**1**	1
		2,643	2,316
Less:			
Current portion shown under current assets	-note- 21	**-**	935
		2,643	1,381

17 STORES, SPARE PARTS AND LOOSE TOOLS

Stores, spare parts and loose tools	**10,236**	9,185
Packing material	**1,004**	1,519
	11,240	10,704

17.1 It is impracticable to distinguish stores, spare parts and loose tools, each from the other.

17.2 Stores, spare parts and loose tools are generally held for internal use only.

17.3 No item of stores, spare parts and loose tools is pledged as security as at the reporting date.

18 STOCK-IN-TRADE

		30 June 2013	30 June 2012
		--------Rupees in thousand--------	
Raw material		**110,861**	34,188
Work in process		**17,846**	3,235
Finished goods:			
Gelatine		**68,913**	92,546
By- product Di-calcium Phosphate (DCP)	-note- 18.1	**391**	332
		69,304	92,878
		198,011	130,301

18.1 The entire stock of by- product di-calcium phosphate is carried at net realizable value.

18.2 No item of stock-in-trade is pledged as security as at the reporting date.

19 TRADE DEBTS

Considered good:

Unsecured - local		**6,577**	437
-foreign		**20,365**	36,467
		26,942	36,904
Secured -foreign	-note- 19.1	**7,819**	6,798
		34,761	43,702

19.1 These are secured against letter of credit.

			30 June 2013	30 June 2012
20	**ADVANCES**		--------Rupees in thousand--------	
	Considered good:			
	Advances:			
	To staff - secured	-note- 20.1	**973**	1,286
	To suppliers - unsecured		**102**	656
			1,075	1,942

20.1 These are amounts advanced to staff against future salaries and retirement benefits and are in accordance with Company policy.

			30 June 2013	30 June 2012
21	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**		--------Rupees in thousand--------	
	Current portion of long term deposits	-note- 16	**-**	935
	Security deposit		**-**	15
	Prepayments		**1,530**	1,229
			1,530	2,179
22	**OTHER RECEIVABLES**			
	Sales tax refundable	-note- 22.1	**14,187**	14,607
	Other receivables - unsecured, considered good		**385**	346
			14,572	14,953

22.1 This represents excess of input tax on purchases over sales tax payable.

23	**ADVANCE INCOME TAX-NET**			
	Advance income tax		**12,709**	10,779
	Less: Adjustment for provision for taxation	-note- 32	**(2,681)**	(5,633)
	Advance income tax at the end of the year		**10,028**	5,146
24	**CASH AND BANK BALANCES**			
	With banks:			
	on current accounts:			
	Local currency		**3,429**	215
	Foreign currency	-note- 24.1	**-**	132
			3,429	347
	Cash in hand		**153**	2,056
			3,582	2,403

24.1 The foreign currency accounts comprise of US $ nil (June 30, 2012: US $ 1,404.32).

			30 June 2013	30 June 2012
25	**SALES - NET**		--------Rupees in thousand--------	
	Export sales	-note- 25.1	**251,904**	265,786
	Local sales	-note- 25.2	**453,386**	313,226
			705,290	579,012
25.1	Export sales			
	Gelatine		**251,904**	265,786
			251,904	265,786
25.2	Local sales			
	Gelatine		**281,379**	188,723
	Di-Calcium Phosphate, by- product		**200,986**	149,751
	Waste		**3,258**	-
			485,623	338,474
	Less: sales tax		**31,717**	24,430
	trade discounts		**519**	818
			32,236	25,248
			453,387	313,226
26	**COST OF SALES**			
	Raw material consumed	-note- 26.1	**344,670**	269,511
	Stores, spare parts and loose tools consumed		**17,137**	15,565
	Packing material consumed		**5,488**	5,643
	Salaries, wages and benefits	-note- 26.2	**51,936**	48,031
	Fuel and power		**147,943**	120,624
	Factory overheads	-note- 26.3	**50,380**	42,226
			617,554	501,600
	Add: opening work in process		**3,235**	43,917
	Less: closing work in process		**17,846**	3,235
			(14,611)	40,682
	Cost of goods manufactured		**602,943**	542,282
	Add: opening stock of finished goods		**92,878**	53,772
	Less: closing stock of finished goods		**69,304**	92,878
			23,574	(39,106)
			626,517	503,176
26.1	**Raw material consumed**			
	Opening stock		**34,188**	32,357
	Purchases		**421,343**	271,342
			455,531	303,699
	Less: closing stock		**110,861**	34,188
			344,670	269,511

26.2 Salaries, wages and benefits include employer's contribution to recognized provident fund amounting to Rupees 1,235,130 (June 30, 2012: Rupees 1,223,905).

			30 June 2013	30 June 2012
26.3	**Factory overheads**		--------Rupees in thousand--------	
	Indirect labour wages		**5,237**	2,182
	Medical expenses		**782**	547
	Repair and maintenance		**11,244**	10,130
	Depreciation	-note- 14.3	9,770	10,153
	Loading and unloading		**3,947**	2,831
	Ijara lease rentals		**5,904**	5,577
	Apportionment of sales tax	-note- 26.4	**13,247**	10,548
	Miscellaneous expenses		**249**	258
			50,380	42,226

26.4 This represents related input tax on supplies exempt under sixth schedule of the Sales Tax Act, 1990.

27 OTHER OPERATING INCOME

		30 June 2013	30 June 2012
		--------Rupees in thousand--------	
Income from financial assets:			
Foreign exchange gain		**1,132**	2,459
Income from non-financial assets:			
Gain on disposal of property, plant and equipment		**399**	-
Sale of scrap		**30**	20
Miscellaneous income		**-**	9
		429	29
		1,561	2,488

28 DISTRIBUTION COST

		30 June 2013	30 June 2012
Shipping expenses		**6,552**	7,920
Other expenses		**756**	540
		7,308	8,460

29 ADMINISTRATIVE EXPENSES

		30 June 2013	30 June 2012
Salaries, wages and benefits	-note- 29.1	**21,636**	19,455
Insurance		**2,615**	2,085
Vehicle running and maintenance		**11,289**	8,384
Rent, rates and taxes		**1,641**	1,539
Travelling and conveyance		**284**	987
Legal and professional charges		**827**	964
Printing and stationery		**800**	473
Fees and subscription		**1,775**	2,772
Telephone and postage		**1,052**	934
Repair and maintenance		**516**	679
Auditors' remuneration	-note- 29.2	**412**	403
Entertainment		**663**	591
Utilities		**585**	550
Depreciation	-note- 14.3	**1,919**	2,018
Amortization	-note- 15	**14**	14
Security expenses		**1,532**	1,042
Miscellaneous expenses		**1,370**	1,013
		48,930	43,923

29.1 Salaries, wages and benefits include employer's contribution to recognized provident fund amounting to Rupees 647,134 (June 30, 2012: Rupees 558,610).

29.2 Auditors' remuneration

	30 June 2013	30 June 2012
	--------Rupees in thousand--------	
Audit fee	**320**	320
Half yearly review fee	**65**	60
Out of packet expenses	**27**	23
	412	403

30 OTHER OPERATING EXPENSES

		30 June 2013	30 June 2012
Workers' Profit Participation Fund	-note- 9.1	**529**	544
Workers' Welfare Fund	-note- 30.1	**418**	265
Donations	-note- 30.2	**1,384**	503
Loss on disposal of property, plant and equipment		**-**	266
		2,331	1,578

NOTES TO THE FINANCIAL STATEMENTS
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30.1 Provision for Workers' Welfare Fund has been made as per Workers' Welfare Fund Ordinance, 1971 at prescribed rate under this statute.

30.2 None of the directors or their spouses had any interest in the donees in respect of donations made by the Company.

31 FINANCE COST

		30 June 2013	30 June 2012
		--------Rupees in thousand--------	
Mark-up/ interest on:			
Long term financing		**140**	875
Short term borrowings		**9,410**	10,947
Liabilities against assets subject to finance lease		**4**	235
Workers' Profit Participation Fund	-note- 9.1	**66**	11
Bank charges and commission		**2,583**	2,235
		12,203	14,303

32 TAXATION

	30 June 2013	30 June 2012
Current-for the year	**2,681**	5,633
-for prior years	**403**	393
	3,084	6,026
Deferred- current year	**3,797**	468
- effect of change in tax rate	**(37)**	-
	3,760	468
	6,844	6,494

32.1 The provision for current taxation has been made under final tax regime under section 154 of the Income Tax Ordinance, 2001. Due to available tax credits, provision for current taxation under the normal tax regime has not been made. The provision for preceding tax year represents provision under sections 113 and 154 of the Income Tax Ordinance, 2001. In view of the above facts, reconciliation between accounting profit and tax expense has not been presented in these financial statements.

32.2 Assessments for the year 2009, 2010, 2011 and 2012 are deemed assessments in terms of Section 120 (1) of the Income Tax Ordinance, 2001 as per income tax returns of the Company.

33 EARNING PER SHARE - BASIC AND DILUTED

There was no dilutive effect on basic earnings per share of the Company which is based on:

		30 June 2013	30 June 2012
		--------Rupees in thousand--------	
Profit after taxation attributable to ordinary shareholders of the Company		2,718	3,566
Weighted average number of ordinary shares outstanding during the year (in thousand)	No. of shares	7,500	7,500
Earning per share	Rupees	**0.36**	0.48

			30 June 2013	30 June 2012
34	**CASH GENERATED FROM OPERATIONS**		--------Rupees in thousand--------	
	Profit before tax		9,562	10,060
	Adjustments for:			
	Depreciation		11,689	12,171
	Amortization		14	14
	Provision for employee retirement benefits		1,882	1,782
	Finance cost		12,203	14,303
	Provision for Workers' Profit Participation Fund		529	544
	Provision for Workers' Welfare Fund		418	-
	(Gain) / loss on disposal of property, plant and equipment		(399)	266
			26,336	29,080
	Operating profit before changes in working capital		35,898	39,140
	Changes in working capital			
	(Increase)/ decrease in current assets:			
	Stores, spare parts and loose tools		(536)	1,817
	Stock-in-trade		(67,710)	(255)
	Trade debts		8,941	(18,600)
	Advances		867	(97)
	Trade deposits and short term prepayments		(286)	(289)
	Other receivables		(35)	32
	Increase/ (decrease) in current liabilities:			
	Trade and other payables		32,269	3,913
			9,408	25,661
35	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances	-note- 24	3,582	2,403

36 JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

36.1 Depreciation / amortization methods, rates and useful lives

The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment and intangible assets annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

36.2 Recoverable amounts of assets / cash generating units

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amounts if there is any such indication.

36.3 Taxation

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

36.4 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

36.5 Revaluation of freehold land

Revaluation of freehold land is carried out by independent professional valuers. Revalued amounts are determined by the reference to local market values.

37 FINANCIAL RISK MANAGEMENT

37.1 Financial instruments

The following are financial instruments by category:

	30 June 2013	30 June 2012
	--------Rupees in thousand--------	
Non- derivative financial assets		
Loans and receivables		
Security deposits	**2,643**	2,331
Trade debts	**34,761**	43,702
Advances	**973**	1,286
Other receivables	**385**	346
Cash and bank balances	**3,582**	2,403
	42,344	50,068
Non- derivative financial liabilities		
Financial liabilities at amortized cost		
Long term financing	-	3,750
Finance lease liabilities	-	355
Short term borrowings	**131,186**	105,386
Mark up accrued	**1,854**	2,530
Trade and other payables	**90,186**	62,103
	223,226	174,124

The Company's activities expose it to a variety of financial risks including effects of changes in foreign exchange rates, market interest rates, credit and liquidity risks associated with various financial assets and liabilities. The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework.

37.2 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amounts of the financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date is as under:

	30 June 2013	30 June 2012
	--------Rupees in thousand--------	
Security deposits	**2,643**	2,331
Trade debts	**34,761**	43,702
Advances	**973**	1,286
Other receivables	**385**	346
Bank balances	**3,429**	347
	42,191	48,012

The maximum exposure to credit risk for trade debts amounting to Rupees 34.761 million (June 30, 2012: Rupees 43.702 million) at the balance sheet date by geographic region is as under:

	30 June 2013	30 June 2012
	--------Rupees in thousand--------	
Domestic	**6,577**	437
Export	**28,184**	43,265
	34,761	43,702

The majority of export debtors of the Company are situated in United Kingdom and Asia.

The maximum exposure to credit risk for trade debts amounting to Rupees 34.761 million (June 30, 2012: Rupees 43.702 million) at the balance sheet date by type of customer is as under:

	30 June 2013	30 June 2012
	--------Rupees in thousand--------	
Whole seller / distributor	-	-
End user customers	**34,761**	43,702
	34,761	43,702

The aging of trade debts at the balance sheet date is as under:

	30 June 2013	30 June 2012
	-------Rupees in thousand-------	
Not past due	**28,967**	43,607
Past due 1-30 days	**5,794**	91
Past due 31-120 days	**-**	-
Past due 121-365 days	**-**	-
More than one year	**-**	4
	34,761	43,702

The Company continuously monitors the credit exposure towards the customers and makes provisions against those balances considered doubtful of recovery. The Company manages credit risk by limiting significant exposure to individual customers and obtaining advances against sales. Based on historic record the Company believes that no impairment allowance is necessary in respect of trade debts past due amounts. Further, bank balances are held only with reputable banks with high quality credit ratings. The short term credit ratings of the banks range from A-1+ to A1 and long term credit ratings range from AAA to A.

37.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company closely monitors its liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The following are contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	2 to 5 years	More than 5 years
Long term financing	-	-	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-
Short term borrowings	131,186	132,424	132,424	-	-	-
Mark up accrued	1,854	1,854	1,854	-	-	-
Trade and other payables	90,186	90,186	90,186	-	-	-
Rupees in thousand 2013	223,226	224,464	224,464	-	-	-
Long term financing	3,750	4,024	4,024	-	-	-
Finance lease liabilities	355	360	360	-	-	-
Short term borrowings	105,386	109,539	109,539	-	-	-
Mark up accrued	2,530	2,530	2,530	-	-	-
Trade and other payables	62,103	62,103	62,103	-	-	-
Rupees in thousand 2012	174,124	178,556	178,556	-	-	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark up rates effective as at 30 June. The rates of mark up have been disclosed in notes 6.1, 7.1, 11.1, 11.2, 11.3, 11.5 and 11.6 to these financial statements.

37.4 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 change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and the liquidity in the market. The Company is exposed to currency risk and interest rate risk only.

37.4.1 Currency risk

The Company is exposed to currency risk on trade debts and bank balances Rupees 28.184 million (June 30, 2012: Rupees 43.266 million) and Rupees nil million (June 30, 2012: Rupees 0.132 million) respectively that are denominated in a currency other than the functional currency of the Company. The Aggregate balance sheet exposure to currency risk works out to be Rupees 28.184 million (June 30, 2012: Rupees 43.398 million). The currencies in which these transactions primarily are denominated is U.S. Dollar and Great Britan Pound.

	Average rates		Balance sheet date rate	
	2013	2012	2013	2012
Significant exchange rates applied during the year:				
US Dollar	**96.73**	89.93	**98.75**	94.00
Great Britan Pound	**150.14**	-	**150.23**	-

Sensitivity analysis

A 10 percent strengthening of the Rupee against above mentioned currencies at 30 June would have decreased the profit for the year by Rupees 2.818 million (June 30, 2012: Rupees 4.340 million) mainly as a result of net foreign exchange loss on translation of foreign currency trade debts. The analysis assumes that all other variables remain constant. A 10 percent weakening of the Rupee against above currencies at 30 June would have had the equal but opposite effect on the profit and loss account, on the basis that all other variables remain constant.

37.4.2 Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short term borrowings from banks. At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments is given below:

There are no fixed rate financial liabilities as at June 30, 2013 (June 30, 2012: Rupees nil million). The Company does not account for any fixed rate financial liabilities at fair value through profit and loss. Therefore, changes in interest rate at reporting date would not effect profit and loss account.

The variable rate financial liabilities as at June 30, 2013 aggregated to Rupees 111.337 million (June 30, 2012: 102.269 million). A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit & loss	
	100 bp increase	100 bp decrease
	--------Rupees in thousand--------	
As at June 30, 2013		
Cash flow sensitivity - variable rate instruments	**(102)**	**102**
As at June 30, 2012		
Cash flow sensitivity - variable rate instruments	(121)	121

37.5 Fair value of financial assets and liabilities

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in arm's length transaction.

37.6 Capital risk management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

Consistent with others in industry, the company monitors capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt represent total of long term financing and short term borrowings less cash and bank balances. Total capital is calculated as equity shown in balance sheet plus net debt. There were no changes in the Company's management during the year and the Company is not subject to externally imposed capital requirement.

	30 June 2013	30 June 2012
	-------Rupees in thousand-------	
Total borrowing	**131,186**	109,136
Less: Cash and bank balances	**3,582**	2,403
Net debt	**127,604**	106,733
Total equity	**138,838**	139,130
Total capital	**266,442**	245,863
Gearing ratio	**47.89%**	43.41%

38 OPERATING SEGMENTS

38.1 These financial statements have been prepared on the basis of a single reportable segment.

38.2 Sales from gelatine products and di-calcium phosphate (by-product) represent 71.91% and 27.69% (June 30, 2012: 74.14% and 25.86%) of the total revenue of the Company respectively.

38.3 All non-current assets of the Company as at June 30, 2013 are located in Pakistan.

38.4 Sales to Halagel Malaysia is around 19.42 % (2012: 21.83 %) and to G.C.H.N.H, Germany is around 11.12 % (2012: 12.75 %) during the year ended June 30, 2013.

38.5 The sales percentage by geographic region is as follows:

	30 June 2013	30 June 2012
	%	%
Pakistan	**64.28**	54.10
United Kingdom	**5.17**	3.80
Malaysia	**19.42**	21.83
Germany	**11.12**	12.75
Turkey	-	2.63
Others	**0.01**	4.89
	100.00	100.00

39 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors				Executives	
	30 June 2013	30 June 2012	30 June 2013		30 June 2012		30 June 2013	30 June 2012
			Executive	Non Executive	Executive	Non Executive		
	--------Rupees in thousand--------		--------Rupees in thousand--------		--------Rupees in thousand--------		--------Rupees in thousand--------	
Managerial remuneration	**1,804**	1,696	**2,254**	**142**	2,392	-	**6,242**	3,070
Contribution to provident fund	**85**	80	**93**	**-**	86	-	**238**	78
	1,889	1,776	**2,347 ***	**142**	2,478	-	**6,480**	3,148
Number of Persons	**1**	1	**2**	1	3	-	**6**	3

39.1 In addition to above the chief executive, and two directors are provided with free use of company maintained cars.

39.2 No fee for attending Board meetings was paid to non executive directors.

* Remuneration of the Ijaz Ahmed Khwaja (2012: an executive director), before becoming a non executive director as a result of election of directors during the year, upto December 2012 is included in here.

40 TRANSACTION WITH RELATED PARTIES

The related parties comprise of associated company, key management personnel and post employment contribution plan. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows.

	Nature of relation	Nature of transaction		30 June 2013	30 June 2012
				--------Rupees in thousand--------	
40.1	**Associated company**	Dividend paid		**278**	-
40.2	**Key management personnel**				
		Loan obtained from chief executive		**25,127**	35,295
		Loan repaid to chief executive		**12,500**	32,453
		Managerial remuneration	- note 39	**4,378**	4,254
40.3	**Contribution to provident fund**	Contribution to provident fund trust		**1,882**	1,782

40.4 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director. The Company's key management personnel comprise of Chief Executive and Directors.

41 PLANT CAPACITY AND ACTUAL PRODUCTION

	30 June 2013	30 June 2012
Estimated plant capacity in metric tons		
Gelatine (Blended / Unblended)	**2,000**	2,000
Di-calcium Phosphate	**9,000**	9,000
Actual production in metric ton		
Gelatine (Blended / Unblended)	**862**	1,002
Di-calcium Phosphate	**3,934**	4,002

Under utilization is due to present energy crisis and export of live animals.

42 NON- ADJUSTING EVENT AFTER BALANCE SHEET DATE

On August 15, 2013 the flood waters hit the factory causing loss to factory buildings, plant and machinery, stores and spare parts and stock-in-trade. This has resulted in closure of production operations. The aforementioned assets are fully insured. The extent of the loss has partly been assessed after recede of the flood waters. Accordingly, insurance claims amounting to Rupees 99.376 million have so far been lodged with the insurance company out of which claims amounting to Rupees 65.527 million have partly been verified. The assessment of the remaining loss will be made after cleaning and testing of electrical equipment etc. and insurance claims will accordingly be lodged. However, production operations have partially been started again recently. These events have been considered as non-adjusting events under International Accounting Standard 10 'Events after the Reporting Period' and have not been. recognized in these financial statements.

43 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 10, 2013 by the Board of Directors of the Company.

44 GENERAL

44.1 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

44.2 Corresponding figures have been re- classified, whenever necessary, for purposes of comparison. There was, however, no material re-classification made in these financial statements.

LAHORE Dated: October 10, 2013	**KH. IMTIAZ AHMED** Chief Executive & Managing Director	**IBRAR AHMED KH.** Director

PATTERN OF SHAREHOLDERS AS AT 30TH JUNE, 2013

NO. OF SHAREHOLDERS		SHAREHOLDING			TOTAL SHARES HELD
151	FROM	1	TO	100	7,219
224	FROM	101	TO	500	47,761
26	FROM	501	TO	1000	24,035
124	FROM	1001	TO	5000	393,258
9	FROM	5001	TO	10000	70,837
4	FROM	10001	TO	15000	49,800
1	FROM	15001	TO	20000	16,725
2	FROM	20001	TO	25000	41,800
1	FROM	25001	TO	30000	26,000
3	FROM	35001	TO	40000	113,020
3	FROM	45001	TO	50000	150,000
2	FROM	50001	TO	55000	105,800
1	FROM	70001	TO	75000	74,000
2	FROM	75001	TO	80000	150,960
2	FROM	105001	TO	110000	211,360
1	FROM	145001	TO	150000	145,390
3	FROM	155001	TO	160000	480,000
2	FROM	170001	TO	175000	340,600
1	FROM	175001	TO	180000	176,700
1	FROM	185001	TO	190000	187,400
1	FROM	200001	TO	205000	202,500
2	FROM	210001	TO	215000	429,200
1	FROM	270001	TO	275000	270,300
1	FROM	300001	TO	305000	304,550
1	FROM	330001	TO	335000	330,020
1	FROM	365001	TO	370000	370,000
1	FROM	415001	TO	420000	420,000
1	FROM	655001	TO	660000	657,900
1	FROM	750001	TO	755000	751,765
1	FROM	950001	TO	955000	951,100
574					**7,500,000**

Category of Shareholders	No. of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer and their spouses & minor chidren	10	4,289,935	57.1991
Associated Company	1	370,000	4.9333
NIT & ICP	1	25	0.0003
Banks	3	19,752	0.2634
General Public	550	2,768,630	36.9151
Pension funds	1	2,494	0.0333
Joint Stock Companies	6	47,076	0.6277
Charitable Trust	2	2,088	0.0278
	574	7,500,000	100.0000

LEINER PAK GELATINE LIMITED
Catagories of Shareholding required under Code of Coprorate Governance (CCG)
As on June 30, 2013

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):			
1	INA SECURITIES (PVT) LIMITED.	370,000	4.9333%
Mutual Funds (Name Wise Detail)		-	-
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	KH. IMTIAZ AHMED	751,765	10.0235%
2	KH. AHMED HASSAN	760,020	10.1336%
3	KH. IJAZ AHMED	304,550	4.0607%
4	KH. UMAR RIAZ	214,600	2.8613%
5	KH. IBRAR AHMED	951,100	12.6813%
6	MR. IQBAL DOSSA (CDC)	176,700	2.3560%
7	MRS. NAVIDA IMTIAZ W/O KH. IMTIAZ AHMED	657,900	8.7720%
8	MRS. NEELUM NAZ W/O KH. IJAZ AHMED	202,500	2.7000%
9	MRS. NAUSHEEN IBRAR W/O KH. IBRAR AHMED	270,300	3.6040%
10	Mia Zia-Ud- Din	500	0.0067%
Executives:		657,900	8.7720%
Public Sector Companies & Corporations:		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		22,246	0.2966%
Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)			
1	KH. IBRAR AHMED	951,100	12.6813%
2	KH. IMTIAZ AHMED	751,765	10.0235%
3	KH. AHMED HASSAN	760,020	10.1336%
4	MRS. NAVIDA IMTIAZ W/O KH. IMTIAZ AHMED	657,900	8.7720%

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S. No.	NAME	SALE	PURCHASE
1	KH. AHMED HASSAN (CDC)	-	10,000
2	KH. IJAZ AHMED	288,000	-

Form of Proxy

The Company Secretary,
Leiner Pak Gelatine Ltd.
17-G, Gulberg2,
Lahore-54660

ANNUAL GENERAL MEETING

I/ We ____
of ______________________________ being a member of LEINER PAK GELATINE LIMITED,
holder of ______________________________ Ordinary Shares as per Share Register Folio No.
(No. of Shares)

____________________ and/or CDC Participant I.D. No. ____________________
and Sub Account No. ______________ hereby appoint ____________________
Of ____
Or failing him ______________________ of ______________________
as my/our proxy to vote for me /us and on my / our behalf at the Annual General Meeting of the Company to be held on 31st day of October, 2013 and at any adjournment thereof.

Signed this __________ day of __________ 2013

WITNESSES

1. **Signature**______________

   Name______________
   Address______________
   ____
   NIC or ______________
   Passport No.______________

2. **Signature**______________

   Name______________
   Address______________
   ____
   NIC or ______________
   Passport No.______________

Signature on
Rs. 5/-
Revenue stamp

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

Note:

1. A member entitled to be present and vote at the Meeting may appoint a proxy to attend and vote for him / her. A proxy need be a member of the Company.
2. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the meeting.
3. **CDC Shareholders and there Proxies** must each attach an attested photocopy of there National Identity Card or Passport with this proxy form.