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LPGL

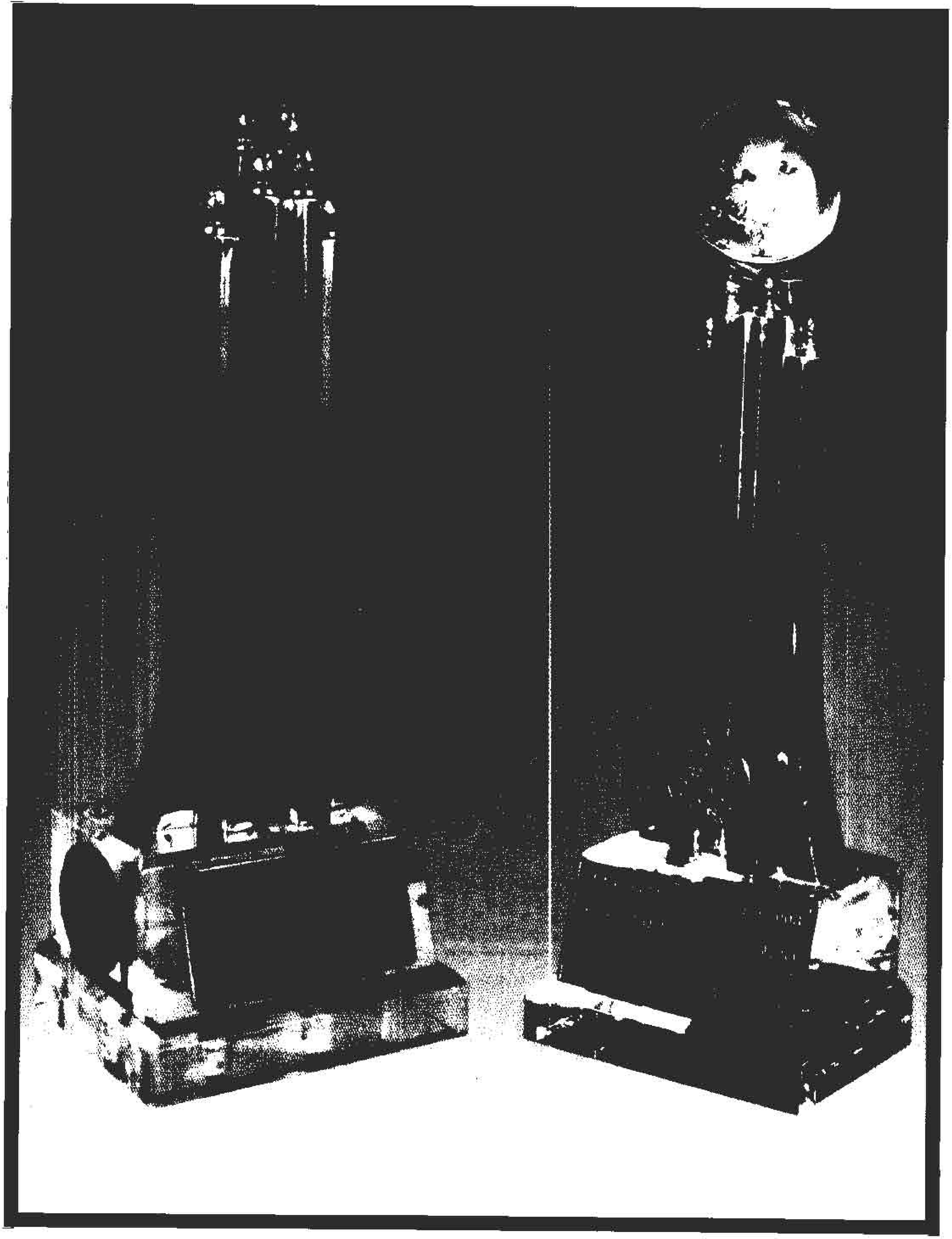
SYSTEM CERTIFICATION
ISO 9001:2000 SGS

SYSTEM CERTIFICATION
ISO 14001 SGS

ANNUAL REPORT
2008-2009

LEINER

LEINER PAK GELATINE LIMITED



ANNUAL REPORT
2008-2009

LEINER PAK GELATINE LIMITED

www. Leinerpakgelatine.com

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COMPANY INFORMATION
BOARD OF DIRECOTRS

Khwaja Imtiaz Ahmed
(Chief Executive & Managing Director)
Khwaja Ijaz Ahmed
Khwaja Ibrar Ahmed
Mr. Iqbal Dossa
Khwaja Muhammad Kamran
Khwaja Umer Riaz
Khwaja Ahmed Hassan

AUDIT COMMITTEE

Khwaja Umer Riaz (Chairman)
Khwaja Ibrar Ahmed (Member)
Khwaja Muhammad Kamran (Member)

COMPANY SECRETARY

Khwaja Ibrar Ahmed

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-Bagum 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

United Bank Limited
Bank Al-Habib

LEINER PAK GELATINE LIMITED

NOTICE OF 26th ANNUAL GENERAL MEETING.

Notice is hereby given that the 26th Annual General Meeting of LEINER PAK GELATINE LTD., will be held on Saturday, the 31st October, 2009 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 Quran.

2- To confirm the minutes of the last Annual General Meeting held on 31st October,2008.

3- To receive and adopt the Annual Accounts of the Company for the year ended 30th June, 2009 together with Directors' and Auditors' Report thereon.

4- To consider and approve the cash Dividend of Rs.1.20 per share i.e.12% for the year ended June 30,2009 as recommended by the Board of Directors.

5- To appoint the Auditors of the Company for the year ending 30th June, 2010 and fix their remuneration.

6- To transact or discuss any other business with the permission of the Chair.

BY ORDER OF THE BOARD,

(KH: IBRAR AHMED),
COMPANY SECRETARY.

LAHORE
Dated: 08th October, 2009.

NOTES:

1- The share Transfer Book of the Company will remain closed from 24th October, 2009 to 31st October, 2009 (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 instrument of Proxy 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.

LEINER

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: -

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

DIRECTORS' REPORT

The Board of Directors is presenting the 26th Annual Report along with company's audited accounts for the financial year ended 30 June 2009 and Auditors' Report thereon.

OPERATIONS

During the year under review the company recorded the rising trends in its turnover and profitability. Despite of the severe load shedding (both electric and gas). The company registered its sales at Rs.430.924 million (Rs.344.930 million in 2008) and managed to post a healthy figure of Rs 29.502 million (Rs.0.173 million in 2008) as profit before tax.

Company's' impressive operational performance is mainly attributed to the strategies designed by the management to reduce the affects of power crises, improve the selling price of the products (Gelatine and Di-Calcium Phosphate) and dedicated efforts of the employees to implement the strategical decision. Plant was operated efficiently as and when the power/gas was available with regular flow which resulted in 15% growth in the production as compared to previous year

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

The Code of the Corporate Governance issued by SECP are being followed in their letter and spirit. The Board of Directors is pleased to 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 Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant 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.

LEINER

KEY OPERATING AND FINANCIAL DATA OF LAST SIX YEARS

Years ending on June:	2008 Rupees (000s)	2007 Rupees (000s)	2006 Rupees (000s)	2005 Rupees (000s)	2004 Rupees (000s)	2003 Rupees (000s)
Turnover	344,930	258,141	265,847	229,823	212,905	195,401
Profit/(Loss) after Taxation	(4,362)	1,927	14,497	10,383	4,970	8,293
Assets	172,410	99,862	104,686	106,351	107,717	89,881
Dividend	-	-	10,500	8,502	7,153	5,942
Loans (long term)	-	-	1,250	6,250	9,456	□

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

Sr.	NAME OF DIRECTOR	NUMBER OF MEETINGS ATTENDED
1	Khwaja Imtiaz Ahmed	4
2	Khwaja Ijaz Ahmed	5
3	Khwaja Ibrar Ahmed	5
4	Mr. Iqbal Dossa	2
5	Khwaja Muhammad Kamran	5
6	Khwaja Umer Riaz	5
7	Khwaja Ahmed Hassan	5

SUBSEQUENT APPROPRIATION

The directors have recommended final cash dividend of Rs.1.20 per share i.e. 12%. The appropriation will be made as follows:

	Rupees (000s)
Profit before Taxation	29,502
Provision for Taxation	8,143
Profit after Taxation	21,359
Profit brought forward	51,459
	72,818
Cash Dividend	9,000
Profit carried forward	63,818

EARNING RATIO:-

The earning/(loss) per share after tax works out to Rs.2.85 {last year Rs.(0.58)}.

DIVIDEND

Board of Directors has recommended final cash dividend of Rs.1.20 per share i.e. 12% amounting to Rs.09.00 million.

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 30,2009**
Investments at cost **Rs.(000s)**	43,631

These funds are invested as given below:	Rs.(000s)
NIT	15,155
Quoted Shares	6,726
Unit Trust	6,386
Islamic Fund	1,000
Bank Deposits	14,364
	43,631

AUDITORS:

The present auditors, M/s M. Almas & Co. Chartered Accountants, Lahore, has completed their assignment for the year ended June 30,2009 and shall retire on the conclusion of 26th Annual General Meeting.

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 2009-10.

PATTERN OF SHARE HOLDING:

It appears on page no: 45

ACKNOWLEDGMENT

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 United Bank Limited and The Bank Al Habib Limited.

LAHORE
Dated: October 08, 2009

KH. IMTIAZ AHMED
Chief Executive
& Managing Director

LEINER

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with Code of Corporate Governance contained in 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 best practices of corporate governance.

The company has applied the principles contained in Code in the following manner: -

1. The board comprises seven directors. Company encourages the representation of independent non-executive directors on its board. There are four non-executive directors on the board.
2. No casual vacancy occurred in the Board during the current year.
3. It is confirmed by the Directors that none of them is serving as a Director in more than 10 listed companies, including this company.
4. 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 stock exchange, has been declared as a defaulter by the Stock Exchange.
5. The Board has prepared a statement of Ethics and Business Practices, which is duly signed by all the Directors. The same is circulated to the employees.
6. The Board has developed a vision / mission statement, and significant policies of the Company as part of overall corporate strategy.
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 CEO and other Executive Directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chief Executive and the Board met at least once in every quarter. Written notices of Board meetings, along with agenda, were circulated at least seven days before the meetings. The minutes of the meetings appropriately recorded and circulated.
9. Directors are attending Orientation Courses.
10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit and there is no change in above mentioned appointments during the current year.
11. The Directors' Report for current year has been prepared in compliance with requirements of the Code of Corporate Governance.
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 held any interest in the shares of the company other than that disclosed in the pattern of share holding.
14. The company has complied with all the corporate financial reporting requirements of the Code.

15. The Board has formed Audit Committee. It comprises two non-executive and one executive director. The Chairman is non executive 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 Code.

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

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

19. 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.

20. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulation No.37 of the Karachi Stock Exchange (Guarantee) Limited. There were no non-arm's length transactions with related parties during the current year.

21. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board.

KH. IMTIAZ AHMED
Chief Executive
& Managing Director

LAHORE
Dated: October 08, 2009

LEINER

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, 2009, 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.

Further, Sub–Regulation (xiii) of listing regulations 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires 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.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2009.

Lahore, Dated: October 08, 2009

M. Almas & Co.
Chartered accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **LEINER PAK GELATINE LIMITED** as at June 30, 2009 and the related profit and loss account, 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, 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, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

The financial statements of the Company for the year ended June 30, 2008 were audited by another auditor whose report dated September 29, 2008 expressed an unqualified opinion on those financial statements.

Lahore
Dated: October 08, 2009

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

BALANCE SHEET
AS AT JUNE 30, 2009

	Note	30 June 2009	30 June 2008
		——Rupees in thousands——	
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	4	75,000	75,000
Unappropriated profit		72,818	51,459
		147,818	126,459
Surplus on revaluation of property, plant and equipment	5	78,198	78,198
Non-current liabilities			
Liabilities against assets subject to finance lease	6	3,656	2,357
Deferred taxation	7	8,873	9,782
		12,529	12,139
Current liabilities			
Trade and other payables	8	58,319	58,053
Mark-up accrued	9	2,110	1,515
Short term borrowings	10	82,091	81,561
Current portion of -			
Liabilities against assets subject to finance lease	6	2,820	1,930
		145,340	143,059
Contingencies and commitments	11	-	-
		383,885	359,855
ASSETS			
Non-current assets			
Property, plant and equipment	12	172,242	172,410
Intangible assets	13	64	-
Long term deposits	14	850	883
		173,156	173,293
Current assets			
Stores, spare parts and loose tools	15	10,600	11,460
Stock-in-trade	16	144,725	130,573
Trade debts	17	40,230	27,013
Advances	18	977	678
Trade deposits and short term prepayments	19	1,510	907
Other receivables	20	10,837	8,920
Advance income tax-net	21	606	5,867
Cash and bank balances	22	1,244	1,144
		210,729	186,562
		383,885	359,855

The annexed notes 1 to 42 form an integral part of these financial statements.

LAHORE
Dated: October 08, 2009

KH. IMTIAZ AHMED
Chief Executive
& Managing Director

KH. IJAZ AHMED
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	30 June 2009	30 June 2008
		----Rupees in thousands----	
Sales-net	23	430,924	344,930
Cost of sales	24	349,855	306,754
Gross profit		81,069	38,176
Other operating income	25	3,333	7,311
		84,402	45,487
Distribution cost	26	4,013	4,677
Administrative expenses	27	36,884	33,474
Other operating expenses	28	2,368	70
Finance cost	29	11,635	7,093
Profit before taxation		29,502	173
Taxation	30	8,143	4,535
Profit/ (loss) after taxation		21,359	(4,362)
Earnings / (loss) per share-basic and diluted (Rupees)	31	2.85	(0.58)

The annexed notes 1 to 42 form an integral part of these financial statements.

LAHORE
Dated: October 08, 2009

KH. IMTIAZ AHMED
Chief Executive
& Managing Director

KH. IJAZ AHMED
Director

LEINER

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	30 June 2009	30 June 2008
		---Rupees in thousands---	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	32	27,807	12,103
Finance cost paid		(11,040)	(6,963)
Payments to provident fund		(1,312)	(1,859)
Taxes paid		(3,791)	(4,130)
Sales tax payments		(1,963)	(3,333)
Workers profit participation fund paid		(10)	(262)
Net cash generated from/(used in) operating activities		9,691	(4,444)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property plant and equipment		(5,647)	(10,830)
Additions to intangible assets		(70)	-
Proceeds from disposal of property, plant and equipment		663	1,586
Increase in long term deposits		(523)	(422)
Net cash used in investing activities		(5,577)	(9,666)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of liabilities against assets subject to finance lease		(1,930)	(1,673)
Dividend paid		(2,614)	(4,625)
Net increase in short term borrowings		530	20,386
Net cash (used in) / flow from financing activities		(4,014)	14,088
Net increase/(decrease) in cash and cash equivalents		100	(22)
Cash and cash equivalents at the beginning of the year		1,144	1,166
Cash and cash equivalents at the end of the year	33	1,244	1,144

The annexed notes 1 to 42 form an integral part of these financial statements.

LAHORE
Dated: October 08, 2009

KH. IMTIAZ AHMED
Chief Executive
& Managing Director

KH. IJAZ AHMED
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009

	Share capital Issued, subscribed and paid up share capital	Un appropriated profit	Total
	------------ Rupees in thousands ------------		
Balance at June 30, 2007	75,000	55,821	130,821
Loss for the year	-	(4,362)	(4,362)
Balance at June 30, 2008	75,000	51,459	126,459
Profit for the year	-	21,359	21,359
Balance at June 30, 2009	**75,000**	**72,818**	**147,818**

The annexed notes 1 to 42 form an integral part of these financial statements.

LAHORE
Dated: October 08, 2009

KH. IMTIAZ AHMED
Chief Executive
& Managing Director

KH. IJAZ AHMED
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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 Judgements, estimates and assumptions

The preparation of the financial statements in conformity with approved accounting standards requires management to make judgements, 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 judgements 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 judgements 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 recognised in the period in which the estimate is revised and in any future periods affected.

Judgements 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- 34.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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 recognised 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 recognised 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 12.1 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 amortisation and accumulated impairment losses, if any. Amortisation is charged over the estimated useful life of the asset as specified in **note 13** 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 amortisation 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 useability.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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 recognised when the Company becomes a party to the contractual provisions of the instrument.

De-recognition

Financial asset 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- 12.1.

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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 recognised in profit or loss, if any. Deficit arising on revaluation is recognised in profit or loss after reversing the surplus relating to the same item previously recognised 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

The Company operates a recognised 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 recognised initially at fair value and subsequently measured at amortizd 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 recognised in the profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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 recognised 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 assets 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 recognised 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 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

During the year ended June 30, 2009, IFRS 7 'Financial Instruments: disclosures become effective. IFRS 7 has superseded IAS 30 and the disclosure requirements of IAS 32. The application of this standard did not have significant impact on the Company's financial statements other than increase in related disclosures.

There are other standards, amendments and interpretations that were mandatory for accounting periods beginning on or after July 1, 2008 but were considered not to be relevant or did not have any significant effect on the Company's operations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

3.23 Standards, interpretations and amendments to published approved accounting standards that are not yet effective.

The following standards, interpretations and amendments of approved accounting standards will be effective for accounting periods beginning on or after July 1, 2009. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the company's financial statements other than increase in disclosures in certain cases.

Revised IAS 1 – Presentation of Financial Statements (effective for annual periods beginning on or after January 1, 2009).

Revised IAS 23 – Borrowing Costs (effective for annual periods beginning on or after 1 January 2009).

Amended IAS 27 – Consolidated and Seperate Financial Statements (effective for annual periods beginning on or after 1 July 2009).

IAS 27 'Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 January 2009).

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009).

Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged items (effective for annual periods beginning on or after 1 July 2009).

Amendments to IAS 39 and IFRIC 9 – Embedded Derivatives (effective for annual periods beginning on or after 1 January 2009).

Amendment to IFRS 2 Share-based Payments – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009).

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009).

IFRS 4 – Insurance Contracts (effective for annual periods beginning on or after 1 January 2009).

Amendment to IFRS 7 – Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009).

IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009).

IFRIC 15 – Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009).

IFRIC 16 – Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2009).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

IFRIC 17 – Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009).

IFRIC 18 – Transfer of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 1 July 2009).

The International Accounting Standards Board made certain amendments to existing standards as part of its first and second annual improvements projects. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statements.

4 SHARE CAPITAL

		30 June 2009	30 June 2008
		-----Rupees in thousands-----	
Authorised share capital			
10,000,000 (June 30, 2008: 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, 2008: 7,500,000) ordinary shares of Rupees 10 each issued as fully paid in cash		**75,000**	75,000
		75,000	75,000

5 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Revaluation surplus	-note- 5.1	**78,198**	78,198

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
	78,198	78,198

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

5.2 The Company has revalued its freehold land on June 30, 1990 and June 9, 2008. The revaluation was carried out by independent valuers Mr. Anwar ul Haq and M/S Hamid Mukhtar & Co. in 1990 and 2008 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 and June 9, 2008 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
Freehold land	7,826	86,024	78,198
	7,826	86,024	78,198

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.

6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	30 June 2009	30 June 2008
	-----Rupees in thousands-----	
Present value of minimum lease payments	**6,476**	4,287
Less. current portion	**2,820**	1,930
	3,656	2,357

The value of the minimum lease payments has been discounted at an implicit mark up rate ranging from 14.15 % to 18.10 % per annum (June 30, 2008: 12.95 % to 14.25 % per annum) to arrive at their present value. The balance rentals due under the lease agreements aggregate to Rupees 7.646 million (June 30, 2008: Rupees 4.770 million) and are payable in 36 installments between July 2009 and June 2012. 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 1.540 million (June 30, 2008: Rupees 1.017 million) and has intention to exercise this option.

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

	30 June 2009	30 June 2008
	-----Rupees in thousands-----	
Not later than one year	**3,486**	2,276
Later than one year but not later than five years	**4,160**	2,494
Minimum lease payments	**7,646**	4,770
Less: Finance charges allocated to future periods	**1,170**	483
Present value of minimum lease payments	**6,476**	4,287
Less: Not later than one year	**2,820**	1,930
Later than one year but not later than five years	**3,656**	2,357

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

7 DEFERRED TAXATION

Deferred tax liability on temporary differences comprises of:

	30 June 2009	30 June 2008
	----Rupees in thousands-----	
Taxable temporary differences		
Accelerated tax depreciation	**8,485**	9,396
Finance lease	**388**	386
	8,873	9,782

8 TRADE AND OTHER PAYABLES

Creditors		**40,269**	46,540
Accrued liabilities		**13,046**	5,605
Advances from customers		**1,695**	2,217
Payable to provident fund		**488**	409
Workers' Profit Participation Fund	-note- 8.1	**1,586**	27
Workers' Welfare Fund		**602**	8
Unclaimed dividend		**633**	3,247
		58,319	58,053

8.1 Workers' Profit Participation Fund (WPPF)

Balance at beginning of the year		**27**	262
Interest on funds utilized in Company's business	-note- 29	**2**	17
Allocation/ expenses for the year	-note- 28	**1,584**	10
		1,613	289
Less: paid to the fund during the year		**27**	262
		1,586	27

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

9 MARK-UP ACCRUED

	30 June 2009	30 June 2008
	-----Rupees In thousands-----	
On short term borrowings from banking companies - secured	**2,110**	1,515
	2,110	1,515

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

10 SHORT TERM BORROWINGS

		30 June 2009	30 June 2008
		-----Rupees in thousands-----	
From banking companies-secured			
Export re-finance			
United Bank Limited	-note- 10.1, 10.3	12,661	14,303
Cash finance			
United Bank Limited	-note- 10.2, 10.3	59,150	58,714
Running finance			
Bank Al-Habib Limited	-note- 10.4	9,504	7,317
		81,315	80,334
From related parties-unsecured			
Loan from directors	-note- 10.5	776	1,227
		82,091	81,561

10.1 The export re-finance facility having sanctioned limit of Rupees 25 million (June 30, 2008: Rupees 25 million) has been obtained from United Bank Limited. The rate of mark- up on this facility is SBP's refinance rate of 7.5% per annum (June 30, 2008: 7.5% per annum) payable quarterly. The facility is valid till October 31, 2009. It is secured by first charge of Rupees 89.7 million (June 30, 2008: Rupees 89.7 million) on Company's current and floating assets with a margin of 10% value of export bills.

10.2 The cash finance facility having sanctioned limit of Rupees 55 million (June 30, 2008: Rupees 55 million) has been obtained from United Bank Limited for working capital requirements. It carries mark-up at three months KIBOR plus 2 % (June 30, 2008: three months KIBOR plus 1.5 %) per annum payable quarterly. The facility is valid till October 31, 2009.

10.3 The above facilities in note 10.1 and 10.2 are commonly secured by first charge of Rupees 133 million (June 30, 2008: Rupees 133 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.

10.4 The running finance facility having sanctioned limit of Rupees 10 million (June 30, 2008: Rupees 10 million) has been obtained from Bank Al-Habib Limited for working capital requirements and is secured against pari passu charge over stocks, stores, spare parts and loose tools for Rupees 16 million (June 30, 2008: Rupees 16 million). It carries mark-up at three months average KIBOR -Ask plus 1% (June 30, 2008: three months average KIBOR -Ask plus 1%) per annum payable quarterly. The facility is valid till August 07, 2009.

10.5 Loan from directors is re-payable on demand and is non- interest bearing.

10.6 The aggregate unavailed facilities for short term borrowing at end of June 30, 2009 amount to Rupees 9 million (June 30, 2008: Rupees 10 million) and for letters of credit and bank guarantees amount to Rupees 11.69 million (June 30, 2008: rupees 13.6 million).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

The Pakistan Environmental Protection Agency has filed a complaint agianst the Company before the Environmental Protection Tribunal on account of Compnay's failure to properly dispose effluent water discharge during the production. The agency regards this to be a criminal offence. The Compnay 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 be expected to exceed Rupees 400,000.

Guarantees issued by bank on behalf of Company as at June 30, 2009 amounting to Rupees 10.31 million (June 30, 2008: Rupees 8.40 million).

11.2 Commitments

	30 June 2009	30 June 2008
	-----Rupees in thousands-----	
Payments under operating lease		
Not later than one year	663	548
Later than one year	-	-
	663	548

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

12 PROPERTY,PLANT AND EQUIPMENT

		30 June 2009	30 June 2008
		-----Rupees in thousands-----	
Operating fixed assets	- note - 12.1	170,743	172,410
Capital work in progress	- note - 12.6	1,499	-
		172,242	172,410

12.1 **Operating fixed assets - for the year ended June 30, 2009**

PARTICULARS	COST/REVALUED AMOUNT						DEPRECIATION					Net book value
	As at 01 July	Additions	Disposals	Transfers	As at 30 June	Annual rates	As at 01 July	Disposals	Transfers	For the year	As at 30 June	as at 30 June
	-----Rupees in thousands-----											
Assets owned by the Company												
Tangible Assets												
Free hold land	86,024	-	-	-	86,024	-	-	-	-	-	-	86,024
Factory building- on free hold land	45,872	-	-	-	45,872	10%	37,133	-	-	874	38,007	7,865
Office building- on free hold land	817	-	-	-	817	5%	648	-	-	8	656	161
Plant and machinery	171,437	2,340	-	-	173,777	10%	113,690	-	-	5,848	119,538	54,239
Electric installation and equipment	18,100	1,395	-	-	19,499	10%	9,100	-	-	986	10,086	9,413
Fire fighting equipment	17	-	-	-	17	10%	17	-	-	-	17	-
Service and other equipment	580	-	-	-	580	10%	462	-	-	12	474	106
Office equipment	2,989	306	-	-	3,295	10%	1,492	-	-	161	1,653	1,642
Laboratory equipment	3,511	37	-	-	3,548	10%	2,654	-	-	89	2,743	805
Permanent and special equipment	261	-	-	-	261	10%	220	-	-	4	224	37
Furniture, fixtures and fittings	626	61	-	-	687	10%	505	-	-	13	518	169
Vehicles	5,260	-	(998)	1,340	5,602	20%	3,320	(736)	779	399	3,762	1,840
Railway siding	417	-	-	-	417	10%	397	-	-	2	399	18
Cycles and scooters	9	5	-	-	14	20%	5	-	-	1	6	8
Arms and ammunition	18	-	-	-	18	10%	14	-	-	1	15	3
Furnace	197	-	-	-	197	10%	107	-	-	9	116	81
	336,135	4,148	(998)	1,340	340,625		169,764	(736)	779	8,407	178,214	162,411
Assets subject to finance lease												
vehicles	9,937	4,119	-	(1,340)	12,716	20%	3,898	-	(779)	1,265	4,384	8,332
30 June 2009	346,072	8,267	(998)	-	353,341		173,662	(736)	-	9,672	182,598	170,743

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

12.2 Operating fixed assets - for the year ended June 30, 2008

PARTICULARS	COST/REVALUED AMOUNT						DEPRECIATION							Net book value as at 30 June
	As at 01 July	Revaluation	Additions	Disposals	Transfers	As at 30 June	Annual rates	As at 01 July	Disposals	Transfers	For the year	As at 30 June	
	Rupees in thousands												
Assets owned by the Company													
Tangible Assets													
Free hold land	16,699	69,325	-	-	-	86,024	-	-	-	-	-	-	86,024
Factory building- on free hold land	45,872	-	-	-	-	45,872	10%	36,162	-	-	971	37,133	8,739
Office building- on free hold land	817	-	-	-	-	817	5%	639	-	-	9	648	169
Plant and machinery	164,211	-	9,084	(1,858)	-	171,437	10%	109,248	(1,338)	-	5,780	113,690	57,747
Electric installaion and equipment	17,634	-	466	-	-	18,100	10%	8,148	-	-	952	9,100	9,000
Fire fighting equipment	17	-	-	-	-	17	10%	16	-	-	1	17	-
Service and other equipment	580	-	-	-	-	580	10%	449	-	-	13	462	118
Office equipment	2,966	-	23	-	-	2,989	10%	1,328	-	-	164	1,492	1,497
Laboratory equipment	3,351	-	160	-	-	3,511	10%	2,560	-	-	94	2,654	857
Permanent and special equipment	261	-	-	-	-	261	10%	215	-	-	5	220	41
Furniture, fixtures and fittings	626	-	-	-	-	626	10%	492	-	-	13	505	121
Vehicles	6,044	-	1,093	(1,877)	-	5,260	20%	4,041	(1,158)	-	437	3,320	1,940
Railway siding	417	-	-	-	-	417	10%	395	-	-	2	397	20
Cycles and scooters	5	-	4	-	-	9	20%	4	-	-	1	5	4
Arms and ammunition	18	-	-	-	-	18	10%	13	-	-	1	14	4
Furnace	197	-	-	-	-	197	10%	97	-	-	10	107	90
	259,715	69,325	10,830	(3,735)	-	336,135		163,807	(2,496)	-	8,453	169,764	166,371
Assets subject to finance lease													
vehicles	6,586	-	3,351	-	-	9,937	20%	2,630	-	-	1,268	3,898	6,039
30 June 2008	266,301	69,325	14,181	(3,735)	-	346,072		166,437	(2,496)	-	9,721	173,662	172,410

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

		30 June 2009	30 June 2008
		----Rupees in thousands----	
Cost of sales	-note- 24.3	7,824	7,828
Administrative expenses	-note- 27	1,848	1,893
		9,672	9,721

12.4 The Company has revalued its free hold land on June 30, 1990 and June 9, 2008. The revaluation was carried out by independent valuers Mr. Anwar ul Haq and M/S Hamid Mukhtar & Co. in 1990 and 2008 respectively to replace the carrying amount of land with local market values. The following aggregated net appraisal surplus arisen on the revaluation carried on June 30, 1990 and June 9, 2008 was credited to surplus on revaluation of property, plant and equipment to comply with the requirements of section 235 of the Companies Ordinance, 1984.

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, 2009
	------ Rupees in thousand ------		
Freehold land	7,826	-	7,826

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

12.6 Capital work in progress

		30 June 2009	30 June 2008
		----Rupees in thousands----	
		Plant and machinery	
As at 01 July		-	-
Additions		2,513	-
		2,513	-
Transfer to operating fixed assets- plant and machinery	- note - 12	(1,014)	-
As at 30 June		1,499	-

12.7 Disposal of property, plant and equipment

	Cost	Accumulated depreciation	Net book value	Proceeds from disposal	Gain on disposal	Mode of disposal	Particulars of Buyers
	------ Rupees in thousand ------						
Honda Civic Car	998	736	262	663	401	Negotiation	Mr. Mirza Mannan baig 298 - A - 1, Gulberg -III, Lahore
30 June 2009	**998**	**736**	**262**	**663**	**401**		
30 June 2008	3,735	2,495	1,240	1,587	347		

13 INTANGIBLE ASSETS

PARTICULAR	COST			AMORTISATION			Net book value as at 30 June	Annual Rate
	As at 01 July	Additions / (Deletions)	As at 30 June	As at 01 July	For the year	As at 30 June		
	------Rupees in thousands------							
Computer software	-	70	70	-	6	6	64	20%
30 June 2009	-	70	70	-	6	6	64	
30 June 2008	-	-	-	-	-	-	-	

13.1 Amortisation has been charged to administrative expenses

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

14 LONG TERM DEPOSITS

		30 June 2009	30 June 2008
		-----Rupees in thousands-----	
Security deposits:			
with leasing companies		**1,540**	1,017
Less:			
current portion shown under current assets	-note- 19	**690**	134
		850	883

15 STORES, SPARE PARTS AND LOOSE TOOLS

Stores, spare parts and loose tools	**9,614**	10,096
Packing material	**986**	1,232
Stores in transit	**-**	132
	10,600	11,460

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

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

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

16 STOCK-IN-TRADE

		30 June 2009	30 June 2008
		-----Rupees in thousands-----	
Raw material	-note- 16.1	**82,022**	56,321
Finished goods:			
Gelatine		**62,690**	74,198
By- product Di-calcium Phosphate (DCP)	-note- 16.2	**13**	54
		62,703	74,252
		144,725	130,573

16.1 Stock of raw material carried at weighted average cost which is less than net realizable value.

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

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

17 TRADE DEBTS

	30 June 2009	30 June 2008
	-----Rupees in thousands-----	
Unsecured and considered good:		
Local	**3,555**	2,070
Foreign	**36,675**	24,943
	40,230	27,013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

18 ADVANCES

		30 June 2009	30 June 2008
		-----Rupees in thousands-----	
Considered good:			
Advances:			
To staff-secured	-note- 18.1	105	519
To suppliers - unsecured		872	38
		977	557
Letters of credit		-	121
		977	678

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

19 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

		30 June 2009	30 June 2008
		-----Rupees in thousands-----	
Current portion of long term deposits	-note- 14	690	134
Prepayments		820	773
		1,510	907

20 OTHER RECEIVABLES

Sales tax refundable	-note- 20.1	10,614	8,651
Other receivables- unsecured, considered good		223	269
		10,837	8,920

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

21 ADVANCE INCOME TAX-NET

Advance income tax		9,658	8,230
Less: Adjustment for provision for taxation	-note- 30	(9,052)	(2,363)
Advance income tax at the end of the year		606	5,867

22 CASH AND BANK BALANCES

With banks:			
on current accounts:			
Local currency		974	894
Foreign currency	-note- 22.1	114	95
		1,088	989
Cash in hand		156	155
		1,244	1,144

22.1 The foreign currency accounts comprise of US $ 1,404.32 (June 30, 2008: US $ 1,404.32).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

			30 June 2009	30 June 2008
23	**SALES - NET**		-----Rupees in thousands-----	
	Export sales- Gelatine		**173,360**	127,569
	Local sales	-note- 23.1	**257,564**	217,361
			430,924	344,930
23.1	Local sales			
	Gelatine		**181,462**	127,411
	Di-Calcium Phosphate, by- product		**103,786**	106,543
			285,248	233,954
	Less: sales tax and special excise duty		**26,594**	16,083
	trade discounts		**1,090**	510
			27,684	16,593
			257,564	217,361
24	**COST OF SALES**			
	Raw material consumed	-note- 24.1	**171,590**	172,053
	Stores, spare parts and loose tools consumed		**16,354**	13,958
	Packing material consumed		**4,515**	3,146
	Salaries, wages and benefits	-note- 24.2	**45,113**	34,403
	Fuel and power		**76,009**	44,847
	Factory overheads	-note- 24.3	**24,725**	24,784
	Cost of goods manufactured		**338,306**	293,191
	Add: opening stock of finished goods		**74,252**	87,815
	Less: closing stock of finished goods		**62,703**	74,252
			11,549	13,563
			349,855	306,754
24.1	**Raw material consumed**			
	Opening stock		**56,321**	25,001
	Purchases		**197,291**	203,373
			253,612	228,374
	Less: closing stock		**82,022**	56,321
			171,590	172,053

24.2 Salaries, wages and benefits include employers' contribution to recognised provident fund amounting to Rupees 961,854 (June 30, 2008: Rupees 906,308).

			30 June 2009	30 June 2008
24.3	**Factory overheads**		----Rupees in thousands----	
	Indirect labour wages		**787**	111
	Medical expenses		**463**	462
	Repair and maintenance		**7,605**	7,636
	Depreciation	-note- 12.3	**7,824**	7,828
	Loading and unloading		**943**	922
	Sales tax receivable written off		**6,725**	7,463
	Miscellaneous expenses		**378**	362
			24,725	[illegible],4

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

25 OTHER OPERATING INCOME

		30 June 2009	30 June 2008
		-----Rupees in thousands-----	
Income from financial assets:			
Foreign exchange gain		2,041	6,327
Income from non-financial assets:			
Gain on disposal of property, plant and equipment		401	347
Sale of scrap		871	594
Miscellaneous income		20	43
		1,292	984
		3,333	7,311

26 DISTRIBUTION COST

		30 June 2009	30 June 2008
Shipping expenses		3,716	4,397
Other expenses		297	280
		4,013	4,677

27 ADMINISTRATIVE EXPENSES

	Note	30 June 2009	30 June 2008
Salaries, wages and benefits	-note- 27.1	17,268	16,230
Insurance		1,876	2,005
Vehicle running and maintenance		5,969	4,072
Rent, rates and taxes		952	836
Travelling and conveyance		956	1,421
Legal and professional charges		1,858	1,550
Printing and stationery		385	363
Fees and subscription		299	1,148
Telephone and postage		891	835
Repair and maintenance		642	575
Auditors' remuneration	-note- 27.2	304	200
Entertainment		427	220
Utilities		266	264
Depreciation	-note- 12.3	1,848	1,893
Amortisation	-note- 13.1	6	-
Security expenses		1,383	1,039
Miscellaneous expenses		1,554	823
		36,884	33,474

27.1 Salaries, wages and benefits include employers' contribution to recognised provident fund amounting to Rupees 429,614 (June 30, 2008: Rupees 430,526).

27.2 Auditors' remuneration

	30 June 2009	30 June 2008
	-----Rupees in thousands-----	
Audit fee	250	175
Half yearly review fee	50	25
Out of packet expenses	4	-
	304	200

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

28 OTHER OPERATING EXPENSES

		30 June 2009	30 June 2008
		-----Rupees in thousands-----	
Workers' Profit Participation Fund	-note- 8.1	1,584	10
Workers' Welfare Fund	-note- 28.1	602	8
Donations	-note- 28.2	182	52
		2,368	70

28.1 Provision for Workers Welfare Fund has been made as per Workers Welfare Fund Ordinance, 1971 at prescribed rate under this statute.

28.2 None of the directors or their spouses had any interest in the donee in respect of donation made by the Company.

29 FINANCE COST

		30 June 2009	30 June 2008
		-----Rupees in thousands-----	
Mark-up/ interest on:			
Short term borrowings		9,402	5,447
Liabilities against assets subject to finance lease		346	436
Workers' Profit Participation Fund	-note- 8.1	2	17
Bank charges and commission		1,885	1,193
		11,635	7,093

30 TAXATION

	30 June 2009	30 June 2008
Current-for the year	8,682	2,363
-for prior years	370	-
	9,052	2,363
Deferred	(909)	2,172
	8,143	4,535

30.1 Provision for current tax has been made in accordance with sections 18, 154 (4) read with section 169 of the Income Tax Ordinance, 2001.

30.2 Assessments for the year 2006, 2007 and 2008 are deemed assessments in terms of Section 120 (1) of the Income Tax Ordinance, 2001 as per income tax returns of the Company.

30.3 Relationship between tax expense and accounting profit

	30 June 2009	30 June 2008
	-----Rupees in thousands-----	
Accounting profit before tax	29,502	173
Tax at applicable tax rate 35% (June 30, 2008: 35%)	10,326	60
Tax impact of amounts that are not allowable in determining taxable income	1,641	-
Tax impact of income taxed under presumptive tax regime	(3,285)	1,276
Tax impact of prior year tax	370	-
Tax impact of minimum tax liability	-	1,027
Tax impact due to reversal of temporary differences	(909)	2,172
Tax expense for the year	8,143	4,535

Income from export sales of the Company is subject to final tax regime while income from local sales are subject to taxation under normal provisions of the Income Tax Ordinance, 2001. Deferred tax is provided for all temporary differences that are expected to reverse in future periods. Temporary differences are restricted to the proportion that local sales bears to the total sales. Deferred tax has been calculated at 35 % (June 30, 2008: 35 %) of the temporary differences so determined.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

31 EARNINGS/ (LOSS) PER SHARE - BASIC AND DILUTED

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

		30 June 2009	30 June 2008
		-----Rupees in thousands-----	
Profit/ (loss) after taxation attributable to ordinary shareholders of the Company		21,359	(4,362)
Weighted average number of ordinary shares outstanding during the year (in thousands)	No. of shares	7,500	7,500
Earnings/ (loss) per share	Rupees	2.85	(0.58)

32 CASH GENERATED FROM OPERATIONS

	30 June 2009	30 June 2008
Profit before tax	29,502	173
Adjustments for:		
Depreciation	9,672	9,721
Amortisation	6	-
Provision for employee retirement benefits	1,391	1,337
Finance cost	11,635	7,093
Provision for Workers Profit Participation Fund	1,584	10
Gain on disposal of property, plant and equipment	(401)	(347)
	23,887	17,814
Operating profit before changes in working capital	53,389	17,987
Changes in working capital		
(Increase)/ Decrease in current assets:		
Stores, spare parts and loose tools	860	(743)
Stock-in-trade	(14,152)	(17,757)
Trade debts	(13,217)	5,401
Advances	(299)	2,596
Trade deposits and short term prepayments	(47)	(9)
Other receivables	46	158
Increase/ (Decrease) in current liabilities		
Trade and other payables	1,227	4,470
	27,807	12,103

33 CASH AND CASH EQUIVALENTS

		30 June 2009	30 June 2008
Cash and Bank Balances	-note- 22	1,244	1,144

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

34 JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

34.1 Depreciation / amortisation 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.

34.2 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.

34.3 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.

34.4 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.

34.5 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

35 FINANCIAL RISK MANAGEMENT

35.1 Financial instruments

The following are financial instruments by category:

	30 June 2009	30 June 2008
	-----Rupees in thousands-----	
Non- derivative financial assets		
Loans and receivables		
Security deposits	1,540	1,017
Trade debts	40,230	27,013
Advances	105	519
Other receivables	223	269
Cash and bank balances	1,244	1,144
	43,342	29,962
Non- derivative financial liabilities		
Financial liabilities at amortised cost		
Finance lease liabilities	6,476	4,287
Short term borrowings	82,091	81,561
Mark up accrued	2,110	1,515
Trade and other payables	53,948	55,392
	144,625	142,755

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 Company manages its exposure to these financial risks in the following manner.

35.2 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 2009	30 June 2008
	-----Rupees in thousands-----	
Security deposits	1,540	1,017
Trade debts	40,230	27,013
Advances	105	519
Other receivables	223	269
Bank balances	1,088	989
	43,186	29,807

The maximum exposure to creidt risk for trade debts amounting to Rs. 40,230 (June 30, 2008: Rupees 27,013) at the balance sheet date by geographic region is as under:

	30 June 2009	30 June 2008
	-----Rupees in thousands-----	
Domestic	3,555	2,070
Export	36,675	24,943
	40,230	27,013

The majority of the export debtors of the Company are situated in Asia, Africa and Europe.

The maximum exposure to creidt risk for trade debts amounting to Rs. 40,230 (June 30, 2008: Rupees 27,013) at the balance sheet date by type of customer is as under:

	30 June 2009	30 June 2008
	-----Rupees in thousands-----	
Whole seller / distributor	-	-
End user customers	40,230	27,013
	40,230	27,013

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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

	30 June 2009	30 June 2008
	---Rupees in thousands---	
Not past due	40,218	27,013
Past due 1-30 days	-	-
Past due 31-120 days	12	-
Past due 121-365 days	-	-
More than one year	-	-
	40,230	27,013

The Company continously 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.

35.3 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
Finance lease liabilities	6,476	7,646	1,926	1,560	4,160	-
Short term borrowings	82,091	85,461	85,461	-	-	-
Mark up accrued	2,110	2,110	2,110	-	-	-
Trade and other payables	53,948	53,948	53,948	-	-	-
Rupees in thousands 2009	144,625	149,165	143,445	1,560	4,160	-
Finance lease liabilities	4,287	4,770	1,089	1,187	2,494	-
Short term borrowings	81,561	84,270	84,270	-	-	-
Mark up accrued	1,515	1,515	1,515	-	-	-
Trade and other payables	55,392	55,392	55,392	-	-	-
Rupees in thousands 2008	142,755	145,947	142,266	1,187	2,494	-

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, 10.1, 10.2 and 10.4 to these financial statements.

35.4 Market risk

Market risk is the risk that the value of the financal 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 securites, and the liquidity in the market. The Company is exposed to currency risk and interest rate risk only.

35.4.1 Currency risk

The Company is exposed to currency risk on trade debts, bank balances and sales that are denominated in a currency other than the functional currency of the Company, primarily is U.S. Dollar, Euro and Pound Sterlings. The currencies in which these transactions primarily are denominated is U.S. Dollar, Euro and Pound Sterlings. The Company's exposure to foreign currency risk is as follows:

	30 June 2009	30 June 2008
	---Rupees in thousands---	
Trade debts	36,675	24,943
Balance at bank	114	95
Gross balance sheet exposure	36,789	25,038
Estimated forecast sales	167,472	153,778
Estimated forecast purchases	2,834	3,619
Gross exposure	164,638	150,159
Net exposure	201,427	175,197

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

	Average rates		Balance sheet date rate	
	2009	2008	2009	2008
Significant exchange rates applied during the year:				
US Dollars	79	63	81.10	68.20
Euro	108	86	114.82	107.65
Pound Sterlings	127	126	136.38	135.94

Sensitivity analysis

A 10 percent strengthening of the Rupee against above mentioned currencies at 30 June would have increased equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	30 June 2009		30 June 2008	
	Equity	Profit & Loss	Equity	Profit & Loss
	----Rupees in thousands----		----Rupees in thousands----	
US Dollar	-	14,228	-	12,366
Euro	-	4,947	-	4,222
Pound Sterlings	-	967	-	932
	-	20,142	-	17,520

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

35.4.2 Interest rate risk

Interest rate risk is the risk that the fair value of 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 and long term borrowings from banks and leasing companies. At the balance sheet date the interest rate profile of the Company's interest bearing financial instrument is:

	30 June 2009	30 June 2008
	----Rupees in thousands----	
Fixed rate instruments:		
Financial liabilities	12,661	14,303
Variable rate instruments:		
Financial liabilities	75,130	70,318
	87,791	84,621

The Company does not account for any fixed rate financial liabilities at fair value through profit and loss. Therefore, change in interest rate at reporting date would not effect profit and loss account.

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit & loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	----Rupees in thousands----		----Rupees in thousands----	
As at June 30, 2009				
Cash flow sensitivity - variable rate instruments	(97)	97	-	-
As at June 30, 2008				
Cash flow sensitivity - variable rate instruments	(96)	96	-	-

35.5 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.

35.6 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 borrowing 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 2009	30 June 2008
	----Rupees in thousands-----	
Total borrowing	82,091	81,561
Less: Cash and bank balances	1,244	1,144
Net debt	80,847	80,417
Total equity	147,818	126,459
Total capital	228,665	206,876
Gearing ratio	35.36%	38.87%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

36 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	-----Rupees in thousands-----		-----Rupees in thousands-----		-----Rupees in thousands-----	
Managerial remuneration	1,336	896	1,563	2,039	826	-
Bonus	185	-	199	-	115	-
Contribution to provident fund	65	42	75	95	39	-
	1,586	938	1,837	2,134	980	-
Number of Persons	1	1	3	4	1	-

In addition to above the chief executive, and one director are provided with free use of company maintained cars.

37 TRANSCATION WITH RELATED PARTIES

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

Nature of relation	Nature of transcation		30 June 2009	30 June 2008
			-----Rupees in thousands-----	
37.1 Key management personnel	Loan obtained from directors		1,300	2,378
	Loan repaid to directors		1,751	1,151
	Managerial remuneration	- note - 36	3,423	3,072
37.2 Contribution to Provident Fund	Cotribution to provident fund Trust		1,391	1,337

37.3 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 Executi ve and Directors.

38 PLANT CAPACITY AND ACTUAL PRODUCTION

	30 June 2009	30 June 2008
Estimated plant capacity in metric tons		
Gelatine (Blended / Unblended)	3,000	3,000
Di-calcium Phosphate	15,000	15,000
Actual production in metric ton		
Gelatine (Blended / Unblended)	1,043	903
Di-calcium Phosphate	4,713	4,806

Under utilisation is due to the fact that the production capacity of the Company is more than its market share.

39 EVENTS AFTER BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on October 8, 2009 has propdsed a final cash dividend in respect of year ended June 30, 2009 Rupees 1.20 per share (June 30, 2008: Rupees nil per share). The appropriation for the proposed dividend will be approved in the forthcoming Annual General Meeting. These financial statements do not include the effect of appropriations which will be accounted for subsequent to the year end.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

40 CORRESPONDING FIGURES

40.1 Corresponding figures have been reclassified, for better presentation, in respect of the following:

Nature	Rupees in thousands	Note	Previously classified under	Note	Reclassified under	Rupees in thousands
Loan from directors	1,227	7	Accrued liabilities	10	Short term borrowings	1,227
Packing material	1,232	14	Store, spares and loose tools	15	Stores, spare parts and loose tools- saperate line item	1,232
Advances to staff -secured	577	17	Advances, prepayments and other receivables	18	Advances	519
			-do-	20	Other receivables	144
			-do-	8	Accrued liabilities	(86)
						577
Advances to suppliers -unsecured, Considered good	38	17	-do-	18	Advances	38
Letter of credit	121	17	-do-	18	Advances	121
Prepayments	773	17	-do-	19	Trade deposits and short term prepayments	773
Sales tax refundable	8,651	17	-do-	20	Other receivables	8,651
Other- Un-secured, considered good	125	17	-do-	20	Other receivables	125
Current portion of long term deposits	134	13	Long term deposits	19	Trade deposits and short term prepayments	134
Recovery through by product	97,209	20	Cost of sales	23	Sales- net	106,543
				24	Cost of sales- opening stock of finished goods	(9,388)
				24	Cost of sales- closing stock of finished goods	54
						97,209
Trade discount	510	-	netted off from local sales	23	Sales - net - trade discount shown as saperate line item	510
Special excise duty	101	19	-do-	23	Sales - net - special excise duty shown along with sales tax	101
Packing material consumed	3,146	20	Stores, spares and loose tools consumed	24	Packing material consumed	3,146
Workers' Welfare Fund	8	26	Taxation	28	Other operating expenses	8
Workers' Welfare Fund	8	-	Advance income tax	8	Trade and other payables	8

40.2 Corresponding figures given in cash flow statement have been reclassified, for better presentation, as follows:

Nature	Rupees in thousands	Previously classified under	Reclassified under	
Workers' Welfare Fund paid	8	In taxes paid under cash generated from operations	Changes in working capital under cash generated from operations	8
Dividend paid	4,625	Cash generated from operations	Cash flow from financing activities	4,625

40.3 Change of nomenclature

Previous financial statements	Current financial statements
Issued, subscribed and paid up capital	Share capital
Mark up accrued on borrowings	Mark up accrued
Stores, spares and loose tools	Stores, spare parts and loose tools
Trade receivables	Trade debts
Advances, prepayments and other receivables	Advances Trade deposits and short term prepayments Other receivables
Advance income tax	Advance income tax - net
Provision for taxation	Taxation

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 8, 2009 by the Board of Directors of the Company.

42 GENERAL

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

LAHORE
Dated: October 08, 2009

KH. IMTIAZ AHMED
Chief Executive
& Managing Director

KH. IJAZ AHMED
Director

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PATTERN OF SHAREHOLDERS AS AT 30 TH JUNE, 2009.

NO. OF SHAREHOLDERS	SHAREHOLDING				TOTAL SHARES HELD
105	From	1	To	100	7,439
230	From	101	To	500	48,451
29	From	501	To	1,000	27,015
146	From	1,001	To	5,000	477,070
11	From	5,001	To	10,000	84,300
1	From	15,001	To	20,000	16,725
1	From	20,001	To	25,000	20,800
2	From	25,001	To	30,000	55,375
2	From	35,001	To	40,000	75,040
3	From	45,001	To	50,000	150,000
1	From	50,001	To	55,000	52,840
1	From	55,001	To	60,000	59,600
1	From	70,001	To	75,000	74,000
2	From	75,001	To	80,000	150,960
2	From	105,001	To	110,000	211,360
1	From	145,001	To	150,000	145,390
3	From	155,001	To	160,000	480,000
1	From	170,001	To	175,000	170,300
1	From	175,001	To	180,000	176,700
1	From	200,001	To	205,000	202,500
1	From	205,001	To	210,000	205,900
1	From	210,001	To	215,000	214,600
1	From	270,001	To	275,000	270,300
1	From	330,001	To	335,000	330,020
1	From	335,001	To	340,000	337,900
2	From	365,001	To	370,000	740,000
1	From	415,001	To	420,000	420,000
1	From	590,001	To	595,000	592,550
1	From	750,001	To	755,000	751,765
1	From	950,001	To	955,000	951,100
555					**7,500,000**

Categories of Share Holders	Number	Shares Held	Percentage
Individuals	546	6,676,425	89.02
NIT & ICP	3	55,500	0.74
Joint Stock Companies	4	26,075	0.35
Provident Funds	2	740,000	9.86
Charitable Trust	1	2,000	0.03
	555	7,500,000	100.00

NAMEWISE DETAILS		No. of Shares
NIT & ICP		
1.	INVESTMENT CORP. OF PAKISTAN	125
2.	NBP TRUSTEE – NI(U)T (LOC) FUND (CDC)	28,098
3.	NATIONAL BANK OF PAKISTAN, TRUSTEE DEPT (CDC)	27,277
DIRECTORS, CEO, SPOUSE AND MINOR CHILDREN:		
1.	Kh. Imtiaz Ahmed (CEO)	751,765
2.	Mst. Navida Imtiaz (Wife)	337,900
3.	Kh. Ijaz Ahmed (Director)	592,550
4.	Mst. Neelum Naz (Wife)	202,500
5.	Mr. Saad Ahmed Khwaja (Minor)	59,600
6.	Mr. Kh. Ibrar Ahmed (Director)	951,100
7.	Mst. Nosheen Ibrar (Wife)	270,300
8.	Mr. Iqbal Dossa (Director)	176,700
9.	Mr. Muhammad Kamran Khwaja (Director)	50,000
10.	Mst. Sofia Kamran (Wife)	160,000
11.	Mr. Umer Riaz Khwaja (Director)	214,600
12.	Kh. Ahmed Hassan (Director)	750,020
JOINT STOCK COMPANIES		
1.	M/S RAMDA INVESTORS SERVICES LTD.	500
2.	M/S RAAZIQ INTERNATIONAL LTD.	20,800
3.	M/S H.M. INVESTMENT LTD.	4,625
4.	M/S ALI USMAN STOCK BROKERAGE (PVT) LTD.	150
PROVIDENT FUND		
1.	K.G.I EMPLOYEES PROVIDENT FUND	370,000
2.	N.G.I EMPLOYEES PROVIDENT FUND	370,000
CHARITABLE TRUST		
TRUSTEES SAEEDA AMIN WAKF (CDC)		2,000
SHARES HELD BY THE GENERAL PUBLIC		2,159,390
SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL		
1.	KH. IMTIAZ AHMED	751,765
2.	KH. IBRAR AHMED	951,100
3.	KH. AHMED HASSAN	750,020

During the financial year the movement in shares of the company by the directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows

S. No.	NAME	GIFT From	GIFT TO
1.	MRS. NAVIDA IMTIAZ W/O KH. IMTIAZ AHMED	330,020	
2.	KH. AHMED HASSAN (CDC)		330,020

LEINER

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, 2009 and at any adjournment thereof.

Signed this __________ day of __________ 2009

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 of Passport with this proxy form.

LEINER