



# **LEINER PAK GELATINE LIMITED**

**UN-AUDITED CONDENSED INTERIM  
FINANCIAL INFORMATION  
FOR THE SIX MONTHS PERIOD ENDED  
DECEMBER 31, 2019.**



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## **COMPANY INFORMATION BOARD OF DIRECTORS**

Mr.Ahmed Ali Riaz  
Khwaja Imtiaz Ahmed  
Ibrar Ahmed Khwaja  
Mian Zia-Ud-Din  
Ijaz Ahmed Khwaja  
Ayesha Ahmed  
Rashid Minhas

Chairman  
Chief Executive & Managing Director  
Executive Director  
Independent Director  
Non-Executive Director  
Non-Executive Director  
Independent Director

### **AUDIT COMMITTEE**

Rashid Minhas (Chairman)  
Ijaz Ahmed Khwaja (Member)  
Ahmed Ali Riaz (Member)

### **HUMAN RESOURCE AND REMUNERATION COMMITTEE**

Rashid Minhas (Chairman)  
Khwaja Imtiaz Ahmed (Member)  
Ayesha Ahmed (Member)

### **COMPANY SECRETARY**

Ibrar Ahmed Khwaja

### **CHIEF FINANCIAL OFFICER**

Mr. Muhammad Javaid

### **AUDITORS**

M. Almas & Co.  
Chartered Accountants  
207-Sadiq Plaza, 2<sup>nd</sup> 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/Postmall No. 3529, Lahore-54660  
Ph. #: 0092-42-35756953-54

### **PLANT**

19<sup>th</sup> Kilometer,  
Shahrah-e-Pakistan, Kala Shah Kaku,  
District Sheikhpura.  
Ph. #: 0092-42-37950018 – 37980179

### **BANKERS**

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

## **DIRECTORS' REVIEW**

Directors are pleased to present the condensed interim financial statements of the Company for the six month period ended December 31, 2019.

### **OPERATIONS**

During the period under reviews, company's turnover is registered at Rs.231.345 million as compared to Rs.330.964 million in last corresponding period. Company has changed its sales mix ratio with respect to export sales and local sales and as a result of this change company's exports share in total sales revenue will increase substantially. Recent decline in sales is attributed to some delay in finalization of export contracts with our foreign buyers.

Due to increase in average selling rate company has attained better gross profit margin and despite of some decrease in sales revenue company posted profit before tax at Rs. 4.783 million as compared to profit before tax at Rs. 0.490 million in last corresponding period.

The auditors' review report contains emphasis paragraph to draw attention towards the going concern basis of accounting. In this regard management's assessment is detailed in note 2 in the annexed half yearly condensed interim financial statements.

### **FUTURE PROSPECTS**

Management has made major sales shift from local customers to exports due to conducive export market. It is assumed that our move to increase our export volume shall yield better financial results in future.

### **ACKNOWLEDGEMENT**

We really acknowledge the efforts of all our employees and friends who are contributing to strengthen the company.

On Behalf of the Board

IBRAR AHMED KHWAJA  
DIRECTOR

KHWAJA IMTIAZ AHMED  
Chief Executive &  
Managing Director

Lahore:  
February 28, 2020.



## ڈائریکٹر زریو یو

ڈائریکٹر ان کمپنی کے ششماہی مختصر عبوری مالیاتی حسابات جو کہ ۳۱ دسمبر ۲۰۱۹ء کو ختم ہوا ہے پیش کرنے پر خوشی محسوس کرتے ہیں۔

### کاروباری عمل

زیر جائزہ دورانیہ میں کمپنی کی فروخت پچھلے سال اسی دورانیہ میں فروخت مبلغ ۳۳۰.۹۶۴ ملین روپے کے مقابلے میں مبلغ ۲۳۱.۳۴۵ ملین روپے رہی ہے۔ کمپنی نے فروخت کے تناسب میں بلحاظ برآمدات اور مقامی فروخت کی مد میں تبدیلی کی ہے اور اس تبدیلی کے نتیجے میں کمپنی کی برآمدات کا حصہ کل فروخت کی مالیت میں بہت زیادہ بڑھ جائے گا۔ حالیہ فروخت کی مد میں کمی کی وجہ بیرونی خریداروں کے ساتھ طے پانے والے معاہدوں میں ہونے والی تاخیر ہے۔ فروخت کے نرخوں میں ہونے والے اوسط اضافہ کی وجہ سے کمپنی نے بہتر مجموعی منافع میں بہتری حاصل کی ہے اور فروخت کی مالیت کی مد میں ہونے والی کمی کے باوجود کمپنی کا قبل از ٹیکس منافع پچھلے سال کی اس مدت میں ہونے والے قبل از ٹیکس منافع مبلغ ۰.۴۹۰ ملین روپے کے مقابلے میں مبلغ ۴.۷۸۳ ملین روپے رہا ہے۔

آڈیٹر ان کی رپورٹ پورٹ میں کاروبار کے اکاؤنٹنگ بنیاد پر جاری رہنے کے معاملات کا ذکر توجہ دلانے کے لیے موثر انداز میں موجود ہے۔ اس کے جواب میں انتظامیہ کا نقطہ نظر مختصر عبوری مالیاتی نتائج کے نوٹ نمبر ۲ میں شامل کیا گیا ہے۔ مستقبل کے امکانات

انتظامیہ برآمدات کی مارکیٹ میں بہتری کی وجہ سے زیادہ تر مقامی گاہکوں کی بجائے برآمدات پر منتقل ہو گئی ہے۔ یہ خیال کیا جاتا ہے برآمدات کو بڑھانے کی مد میں کیا گیا قدم مستقبل میں بہتر مالی نتائج اخذ کرے گا۔

### اعتراف

ہم اپنے تمام ملازمین اور دوستوں کی کاوشوں کا اعتراف کرتے ہیں جو کمپنی کے استحکام کے لیے اپنا کردار ادا کر رہے ہیں۔

منجانب بورڈ

خواجہ امتیاز احمد

چیف ایگزیکٹو ایڈ

مینجنگ ڈائریکٹر

ابراہیم احمد خواجہ

ڈائریکٹر

لاہور

۲۸ فروری ۲۰۲۰ء

## **INDEPENDENT AUDITOR'S REVIEW REPORT**

**To the members of Leiner Pak Gelatine Limited**

**Report on review of Interim Financial Statements**

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Leiner Pak Gelatine Limited as at December 31, 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three months ended December 31, 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the six months ended December 31, 2019.

### **Scope of Review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

### **Emphasis of Matter**

We draw attention to Note 2 in the interim financial statements, which indicates that the Company has negative cash flow from operating activities during the six-month period ended

December 31, 2019 and, as of that date, its accumulated loss was Rs. 3.895 million and its current liabilities exceeded its current assets by Rupees 80.173 million. As stated in Note 2, these events or conditions, alongwith other matters as set forth in Note 2, indicate that material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

The engagement partner on the review resulting in this independent auditor's review report is  
Mohammad Ijaz.

Lahore

**M.Almas & Co.**

Date: February 28, 2020

**Chartered Accountants**

# LEINER PAK GELATINE LIMITED

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	Note	(Un-audited) December 31, 2019 ..... Rupees in	(Audited) June 30, 2019 thousand.....
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	7	75,000	75,000
Revenue Reserve:			
Accumulated loss		(3,895)	(5,200)
Capital Reserve:			
Surplus on revaluation of property, plant and equipment		336,262	336,262
		<u>407,367</u>	<u>406,062</u>
<b>Non-current liabilities</b>			
Liabilities against assets subject to finance lease	8	5,723	864
<b>Current liabilities</b>			
Trade and other payables		234,369	180,097
Unclaimed dividend		771	771
Mark-up accrued		4,764	3,878
Short term borrowings	9	306,816	268,335
Current portion of liabilities against assets subject to finance lease	8	1,109	184
		<u>547,829</u>	<u>453,265</u>
Contingencies and commitments	10	-	-
		<u>960,919</u>	<u>860,191</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	493,008	487,180
Intangible assets		-	-
Long term deposits	12	255	255
Deferred taxation	13	-	-
		<u>493,263</u>	<u>487,435</u>
<b>Current assets</b>			
Stores, spare parts and loose tools		76,652	93,443
Stock-in-trade		318,139	200,206
Trade debts		10,634	24,392
Advances		2,169	1,991
Trade deposits and short term prepayments		551	1,770
Other receivables		21,996	19,268
Advance income tax-net		33,992	31,365
Cash and bank balances		3,523	321
		<u>467,656</u>	<u>372,756</u>
		<u>960,919</u>	<u>860,191</u>

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

LAHORE  
DATE: February 28, 2020

**KH.IMTIAZ AHMED**  
Chief Executive  
& Managing Director

**IBRAR AHMED KH.**  
Director

**MUHAMMAD JAVAID**  
Chief Financial Officer

**LEINER PAK GELATINE LIMITED****CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019**

	Six months period ended		Quarter ended	
	December 31,	December 31,	December 31,	December 31,
	2019	2018	2019	2018
Note	..... Rupees in thousand.....	..... Rupees in thousand.....	..... Rupees in thousand.....	..... Rupees in thousand.....
Sales-net	231,345	330,965	171,044	229,157
Cost of sales	188,075	291,382	136,404	192,027
Gross profit	43,270	39,583	34,640	37,130
Other income	-	205	-	204
	43,270	39,788	34,640	37,334
Distribution cost	1,604	1,185	419	867
Administrative expenses	24,046	28,835	9,065	15,275
Other operating expenses	570	112	570	82
Finance cost	12,267	9,166	4,341	5,583
Profit before taxation	4,783	490	20,245	15,527
Taxation	3,478	3,873	2,720	2,599
Profit / (Loss) after taxation	1,305	(3,383)	17,525	12,928
Earning / (Loss) per share-basic and diluted (Rupees)	0.17	(0.45)	2.34	1.72

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

LAHORE  
DATE: February 28, 2020

**KH.IMTIAZ AHMED**  
Chief Executive  
& Managing Director

**IBRAR AHMED KH.**  
Director

**MUHAMMAD JAVAID**  
Chief Financial Officer

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**LEINER PAK GELATINE LIMITED**

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**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)****FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019**

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	Six months period ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	..... Rupees in thousand.....	..... Rupees in thousand.....	..... Rupees in thousand.....	..... Rupees in thousand.....
Note				
Profit / (Loss) after taxation	1,305	(3,383)	17,525	12,928
Other comprehensive income	-	-	-	-
<b>Total comprehensive profit / (loss) for the period</b>	<b>1,305</b>	<b>(3,383)</b>	<b>17,525</b>	<b>12,928</b>

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

LAHORE  
DATE: February 28, 2020**KH.IMTIAZ AHMED**  
Chief Executive  
& Managing Director**IBRAR AHMED KH.**  
Director**MUHAMMAD JAVAID**  
Chief Financial Officer

**LEINER PAK GELATINE LIMITED****CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019**

	Share capital	Reserves		Total
		Revenue Reserve	Capital Reserve	
	Issued, subscribed and paid up share capital	Un appropriated profit / accumulated (loss)	Surplus on revaluation of property, plant and equipment	
..... Rupees in thousand.....				
Balance as at July 01, 2018	75,000	(7,737)	278,914	346,177
Total comprehensive loss for the six months period ended 31 December 2018	-	(3,383)	-	(3,383)
<b>Balance as at December 31, 2018</b>	<b>75,000</b>	<b>(11,120)</b>	<b>278,914</b>	<b>342,794</b>
Balance as at 01 July 2019	75,000	(5,200)	336,262	406,062
Total comprehensive profit for the six months period ended 31 December 2019	-	1,305	-	1,305
<b>Balance as at 31 December 2019</b>	<b>75,000</b>	<b>(3,895)</b>	<b>336,262</b>	<b>407,367</b>

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

LAHORE  
DATE: February 28, 2020

**KH.IMTIAZ AHMED**  
Chief Executive  
& Managing Director

**IBRAR AHMED KH.**  
Director

**MUHAMMAD JAVAID**  
Chief Financial Officer

# LEINER PAK GELATINE LIMITED

## CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	Six months period ended December 31, 2019	Six months period ended December 31, 2018
	..... Rupees in	thousand.....
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	4,783	490
<b>Adjustments for :</b>		
Depreciation	7,784	6,090
Provision for employee retirement benefits	1,627	1,427
Finance cost	12,267	9,166
Provision for Workers' Profit Participation Fund	269	32
Provision for Workers' Welfare Fund	150	50
	<b>22,097</b>	<b>16,765</b>
<b>Operating profit before changes in working capital</b>	<b>26,880</b>	<b>17,255</b>
<b>Changes in working capital</b>		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	16,790	654
Stock-in-trade	(117,933)	(50,071)
Trade debts	13,758	(25,393)
Advances	(178)	(2,119)
Trade deposits and short term prepayments	1,219	(2,512)
Other receivables	13	91
Increase / (decrease) in current liabilities		
Trade and other payables	54,461	86,183
<b>Cash (used in) / generated from operations</b>	<b>(4,990)</b>	<b>24,088</b>
Finance cost paid	(11,201)	(8,555)
Payments to provident fund	(1,572)	(1,476)
Taxes paid	(6,105)	(6,608)
Workers' Welfare Fund paid	(844)	-
Sales tax payments	(2,741)	(6,170)
<b>Net cash (used in) / generated from operating activities</b>	<b>(27,452)</b>	<b>1,279</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(6,945)	(17,458)
<b>Net cash used in investing activities</b>	<b>(6,945)</b>	<b>(17,458)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of liabilities against assets subject to finance lease	(883)	(274)
Proceeds from short-term financing from banking companies	29,082	9,163
Proceeds from short-term financing from related parties	9,400	8,631
<b>Net cash generated from financing activities</b>	<b>37,599</b>	<b>17,520</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,202</b>	<b>1,341</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>321</b>	<b>607</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>3,523</b>	<b>1,948</b>

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

LAHORE  
DATE: February 28, 2020

**KH.IMTIAZ AHMED**  
Chief Executive  
& Managing Director

**IBRAR AHMED KH.**  
Director

**MUHAMMAD JAVAD**  
Chief Financial Officer



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**LEINER PAK GELATINE LIMITED**

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019 (UN-AUDITED)****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 and manufacturing facility is located at 19 Kilometer, Shahrah-e-Pakistan, Kala Shah Kaku, District Sheikhupura. The Company is listed on the Pakistan Stock Exchange. The principal activity of the Company is manufacturing and sale of gelatine and di-calcium phosphate etc., produced from animal bones.

**2 GOING CONCERN BASIS OF ACCOUNTING**

The Company has negative cash flow from operating activities during the six months period ended December 31, 2019 and, as of that date, its accumulated loss was Rupees 3,895 million and its current liabilities exceeded its current assets by Rupees 80,173 million. Further, as mentioned in note 9.5 in these condensed interim financial statements, the running finance facility amounting to Rupees. 30 million from the Summit Bank Limited has been expired during the year ended June 30, 2019 and the bank has not yet renewed it for the future periods. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

The effects of measures taken by the management of the Company like energy conservation measures and start of procurement of raw materials direct from the source by avoiding the middleman role, have positive impact on the performance of the Company whereby rate of gross profit has further improved resulting into profit after tax amounting to Rs. 1,305 million during the six months period ended December 31, 2019. The approved financial projections also show continued improvements and profitability. Further, keeping in view the following factors, the management foresees that the Company will continue to be a going concern.

There is continued demand for the products of the Company. Demand of "Halal" Gelatine exists in foreign and local markets as "Halal" Gelatine is equally consumed in Muslim and Non-Muslim countries. After devaluation of Pakistan Rupee against US \$, the export sales will further increase in future.

There is continued financial support of the Company's sponsors. The sponsors' of the Company have inducted Rupees 9.4 million during the six month period ended December 31, 2019 and as of that date their total financing was Rupees 57,258 million (June 30, 2019: Rupees 47,858 million) interest free loans. They are also committed to induct further funds, if the need arises, to address any liquidity issues for smooth operations.

Major financing arrangements with bank as at December 31, 2019 are valid for future periods as well. The Summit Bank running finance account is fully operational and banking transactions are being made therein regularly up to the sanctioned limit. The management of the Company is engaged with the said bank for renewal of the facility as well as working on arranging alternate financing arrangements; if required.

Apart from the aforementioned factors there are also positive indicators as per these condensed interim financial statements as mentioned below:

- a) The existence of new sales orders along with advance payments received there against; and
- b) Profit after taxation during the current year and continuous existence of profits before taxation since past more than five years to date.

These interim financial statements have, therefore, been prepared using going concern basis of accounting and, accordingly, do not include any adjustments relating to realization of its assets and the liquidation of any liabilities that might be necessary should the Company be unable to continue as a going concern.

**3 Basis of preparation****3.1 Statement of compliance**

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- 3.2 The comparative condensed interim statement of financial position presented in these condensed interim financial statements has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2019, whereas comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been extracted from the condensed interim financial statements for the six months ended December 31, 2018.

The figures of the six months ended December 31, 2019 are being submitted to the shareholders, and have been subjected to limited scope review in accordance with Section 237 of the Companies Act, 2017.

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

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## LEINER PAK GELATINE LIMITED

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### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019 (UN-AUDITED)

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

#### 4 Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial statements are the same as those applied in preparation of the annual published financial statements for the year ended 30 June 2019 except as detailed in note 4.1 below:

- 4.1 **Following are certain new standards and amendments to approved accounting standards which are effective during the half year ended December 31, 2019**

There are certain new standards, interpretations and amendments to approved accounting standards which are mandatory for accounting periods beginning on or after July 1, 2019 but are considered not to be relevant or have any significant effect on the Company's financial reporting, except as mentioned below

IFRS 16 'Leases' - replaces existing leasing guidance, including IAS 17 'Leases' IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. It results in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under IFRS 16, a new concept of right to use leased item is introduced requiring recognition of right- of- use- asset and a financial liability to pay rentals. The only exceptions are short-term and low-value leases.

The Company applied IFRS 16 using simplified approach and recognised right- of- use- asset and corresponding lease liabilities in relation to leases which had previously been classified as 'operating lease'. As at July 01, 2019 the right- of- use- asset amounting to Rs 6.667 million (rented office premises) were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to operating lease. Corresponding lease liabilities amounting to Rs 6.667 million were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of July 01, 2019. The weighted average incremental borrowing rate applied to the lease liabilities was 15.72%. Due to adoption of IFRS 16, there was no impact on the retained earnings of the Company as at June 30, 2019. The impact on the condensed interim statement of profit or loss for the half year ended December 31, 2019 is increase in mark up on lease liabilities and depreciation expense charged in administrative expenses Rs. 0.439 million and Rs. 1.111 million respectively and decrease in rent, rates and taxes in administrative expenses Rs.1.232 million.

After the adoption of IFRS 16, the changed accounting policy in this regard is as under:

Upon initial recognition, the right-of-use-asset is measured as the amount equal to initially measured lease liability adjusted for lease prepayments, initial direct cost, lease incentives and the discounted estimated asset retirement obligation. Subsequently, the right-of-use-asset is measured at cost net of any accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the shorter of estimated useful lives of the right-of-use-assets or the lease term.

The lease liability was measured upon initial recognition at the present value of the future lease payments over the lease term, discounted with the specific incremental borrowing rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

- 4.2 **Standards and amendments to published approved accounting standards that are not yet effective during the half year ended December 31, 2019.**

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1,2019. However, these amendments will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these condensed interim financial statements.

#### 5 Judgments, estimates and assumptions

The preparation of the condensed interim 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.

Judgments, accounting estimates and assumptions made by the management in the preparation of these condensed interim financial statements are the same as those applied in preparation of the preceding annual published financial statements of the Company for the year ended 30 June 2019 and for IFRS-16 as discussed in note 4.1 above.

#### 6 Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual published financial statements as at and for the year ended 30 June 2019.

# LEINER PAK GELATINE LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019 (UN-AUDITED)

		(Un-audited) December 31, 2019 ..... Rupees in	(Audited) June 30, 2019 thousand.....
<b>7 Share capital</b>			
<b>Authorised share capital</b>			
10,000,000 (June 30, 2019: 10,000,000) ordinary shares of Rupees 10 each		<u>100,000</u>	<u>100,000</u>
<b>Issued, subscribed and paid up share capital</b>			
7,500,000 (June 30, 2019: 7,500,000) ordinary shares of Rupees 10 each issued as fully paid in cash		<u>75,000</u>	<u>75,000</u>
<b>8 Liabilities against assets subject to finance lease</b>			
Present value of minimum lease payments		<u>959</u>	<u>1,048</u>
Liability recognised for right-of-use-asset	4.1	<u>5,873</u>	<u>-</u>
		<u>6,832</u>	<u>1,048</u>
Less: Current portion		<u>1,109</u>	<u>184</u>
		<u>5,723</u>	<u>864</u>
<b>9 Short term borrowings</b>			
<b>From banking companies-secured</b>			
Finance against foreign bills (FAFB-Own)			
Bank Al-Habib Limited	9.1, 9.6	-	-
Short Term Finance against payables			
Bank Al-Habib Limited	9.2, 9.6	25,000	25,000
Short Term Finance against IBP receivables			
Bank Al-Habib Limited	9.3, 9.6	25,000	25,000
Running finance			
Bank Al-Habib Limited	9.4, 9.6	169,579	140,241
Summit Bank Limited	9.5, 9.7	29,979	30,236
		<u>249,558</u>	<u>220,477</u>
<b>From related parties-unsecured</b>			
Loans from director / ex-director / shareholder	9.10	<u>57,258</u>	<u>47,858</u>
		<u>306,816</u>	<u>268,335</u>
<b>9.1</b>	The finance against foreign bills (FAFB-OWN) facility having sanctioned limit of Rupees 25 million (June 30, 2019: Rupees nil million) has been obtained from Bank Al-Habib Limited for working capital requirements. The rate of mark-up on this facility is three months KIBOR plus 1.75% per annum. The principle is to be repaid upon realization of export proceeds as per the tenure of respective bill but not later than 180 days from the draw down date or on demand while mark-up is to be served upon adjustment of loan or at the end of each calendar quarter whichever is earlier. The facility has not been utilized upto December 31, 2019.		
<b>9.2</b>	The short term finance facility having sanctioned limit of Rupees 25 million (June 30, 2019: Rupees 25 million) has been obtained from Bank Al-Habib Limited for purchase of raw material. It carries mark-up at three months KIBOR plus 1.75% (June 30, 2019: three months KIBOR plus 1.75%) per annum payable quarterly. The principle amount is to be repaid in 60 days through business cash flows. The facility is valid till February 07, 2021 with credit review on annual basis.		
<b>9.3</b>	The IBP receivable finance facility having sanctioned limit of Rupees 25 million (June 30, 2019: Rupees 25 million) has been obtained from Bank Al-Habib Limited for financing of receivables. It carries mark-up at three months KIBOR plus 1.75% (June 30, 2019: three months KIBOR plus 1.75%) per annum. The principal amount is to be repaid upon realization of export proceeds as per tenure of respective bill but not later than 60 days from draw down date or on demand while mark-up is to be serviced upon adjustment of each loan or at the end of each calendar quarter whichever is earlier. The facility is valid till February 07, 2021 with credit review on annual basis.		

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**LEINER PAK GELATINE LIMITED**

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019 (UN-AUDITED)**

- 9.4 The running finance facility having sanctioned limit of Rupees 85 million (June 30, 2019: Rupees 85 million ) has been obtained from Bank Al-Habib Limited for working capital requirements. It carries mark-up at three months KIBOR plus 1.75% (June 30, 2019: three months KIBOR plus 1.75%) per annum payable quarterly. The sanctioned limit has temporarily been exceeded due to issuance of cheques which will be presented after December 31, 2019. The facility is valid till February 07, 2021 with credit review on annual basis.
- 9.5 The running finance facility having sanctioned limit of Rupees 30 million (June 30, 2019: Rupees 30 million) has been obtained from Summit Bank Limited for working capital requirements. It carries mark-up at three months KIBOR plus 2.50% (June 30, 2019: three months KIBOR plus 2.50%) per annum payable quarterly. The facility was valid till September 30, 2018 and currently the company is in negotiation to renew this facility.
- 9.6 The facilities mentioned in 9.1, 9.2, 9.3 and 9.4 are commonly secured against first charge of Rupees 180 million (June 2019: Rupees 180 million) over current assets of the Company registered with SECP. Equitable mortgage supported by first charge on fixed assets of Rupees 250 million (June 30, 2019: Rupees 250 million) comprising land, building, plant and machinery situated at 19 KM G.T. Road Kala Shah Kaku. Lien over export documents under letter of credit and contract, shipping documents, accepted drafts, counter guarantee of the Company and personal guarantees of three Directors amounting to Rupees 155 million each (June 30, 2019: Rupees 155 million). The running finance facility at note 9.4 in addition to securities aforesaid is also secured against pro note amounting to Rs. 144.5 million (June 2019 : Rupees 144.5 million).
- 9.7 The facility mentioned in 9.5 is commonly secured against ranking charge of Rupees 40 million (June 30, 2019: Rupees 40 million) over all present & future current assets of the Company with 25% margin, duly insured, with Summit Bank Limited and registered with SECP. Pari passu charge on fixed assets, comprising land, building, plant and machinery situated at 19 KM G.T. Road Kala Shah Kaku. Personal guarantees of three Directors along with Personal Net Worth Statement (PNWS).
- 9.8 As at December 31, 2019 the Company has facilities from Bank Al-Habib Limited relating to import letters of credit (sight/usance) amounting to Rupees 5 million (June 30, 2019: Rupees 5 million). Additionally, Company has letter of guarantee facility amounting to Rupees 15 million (June 30, 2019: Rupees 15 million) from Bank Al-Habib Limited.
- 9.9 The net aggregate short term borrowing facilities unavailed at end of December 31, 2019 amount to Rupees 25.021 million (June 30, 2019: Rupees 25 million) and for letters of credit and bank guarantees amount to Rupees 8.744 million (December 31, 2019: Rupees 8.744 million).
- 9.10 The loans from Chief Executive / director (Khawaja Imtiaz Ahmed) and his close relative (Khawaja Ahmed Hassan) amounting to Rupees 42.083 million (June 30, 2019: Rupees 39.383 million) and Rupees 15.175 million (June 30, 2019: Rupees 8.475 million) respectively, are for working capital requirements. These loans are re-payable on demand and non-interest bearing.
- 10 **Contingencies and commitments**

There have been no significant changes in contingencies as disclosed in the notes to the preceding annual published financial statements for the year ended June 30, 2019.

Guarantees issued by bank on behalf of Company as at December 31, 2019 amounting to Rupees 11.256 million (June 30, 2019: Rupees 11.256 million).

# LEINER PAK GELATINE LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019 (UN-AUDITED)

		(Un-audited) December 31, 2019	(Audited) June 30, 2019
		..... Rupees in thousand.....	
<b>11 Property, plant and equipment</b>			
Operating fixed assets	11.1	473,039	473,992
Capital work in progress		19,969	13,188
		<u>493,008</u>	<u>487,180</u>
<b>11.1 Opening book value</b>		<b>473,992</b>	<b>404,129</b>
Cost of additions during the period / year	11.2	6,831	84,419
Less:			
Deletion during the period / year (book value)		-	1,819
Depreciation charged during the period / year		<u>7,784</u>	<u>12,737</u>
		<u>473,039</u>	<u>473,992</u>
<b>11.2 Cost of addition during the period / year</b>			
Freehold land		-	57,348
Factory building- on freehold land		-	6,723
Plant and machinery		-	19,785
Electric installation and equipment		91	167
Office equipment		73	396
Right-of-use-asset	4.1	<u>6,667</u>	<u>-</u>
		<u>6,831</u>	<u>84,419</u>
<b>11.3 Capital work in progress</b>			
Opening balance		13,188	10,046
Addition during the period / year			
Plant and machinery		6,225	14,040
Building and Civil Works		556	15,411
		<u>19,969</u>	<u>39,497</u>
Transfer to operating fixed assets			(26,309)
Closing balance		<u>19,969</u>	<u>13,188</u>
<b>12 The intangible assets represents computer software costing Rupees 70,000 which is fully amortized.</b>			
<b>13 Deferred taxation</b>			
Deferred tax on temporary differences comprises of:			
<b>Taxable temporary differences</b>			
Accelerated tax depreciation		15,831	16,209
Assets held under finance lease		<u>1,684</u>	<u>260</u>
		<u>17,515</u>	<u>16,469</u>
<b>Deductible temporary differences</b>			
Tax credits		15,736	16,200
Liabilities against assets subject to finance lease		<u>1,779</u>	<u>269</u>
		<u>-</u>	<u>-</u>

**13.1** Deferred tax asset amounting to Rs. 1.405 million (June 2019 : Rs. 4.022 million) due to minimum tax credits have not been recognized as at December 31, 2019 as sufficient future taxable profits may not be available against which the said tax credits can be utilized.

### 14 Taxation

The provision for current taxation has been made on minimum tax under Section 113 and Section 154 for income from export sales under fixed tax regime of Income Tax Ordinance, 2001.

Finance Act 2019 has fixed the corporate tax rate for Companies at 29% for current as well as future tax years. Deferred tax has been measured at the rates that are expected to be applied to the temporary differences when those are expected to reverse based on the rates enacted or substantively enacted by the reporting date.

### 15 Earning / (Loss) per share-basic and diluted

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

	Six months period ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	..... Rupees in thousand.....		..... Rupees in thousand.....	
Profit / (Loss) after taxation	<u>1,305</u>	<u>(3,383)</u>	<u>17,525</u>	<u>12,928</u>
Weighted average number of ordinary shares	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>
Earning / (Loss) per share-basic and diluted (Rupees)	<u>0.17</u>	<u>(0.45)</u>	<u>2.34</u>	<u>1.72</u>

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**LEINER PAK GELATINE LIMITED**

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019 (UN-AUDITED)****16 Transactions with related parties**

The related parties comprise of associated company, directors of the Company and their close relatives, key management personnel and post employment contribution plan. Detail of transactions with related parties with whom the Company had entered into transactions or have arrangements / agreements in place are as follows:

Nature of relation	Nature of transaction	December 31, 2019	December 31, 2018
		..... Rupees in thousand.....	
<b>16.1 Key management personnel</b>	Loan obtained from chief executive - Khwaja Imtiaz Ahmed	<b>7,445</b>	8,800
	Loan repaid to chief executive - Khwaja Imtiaz Ahmed	<b>4,745</b>	169
	Loan obtained from close relative - Khwaja Ahmed Hassan	<b>17,300</b>	225
	Loan repaid to close relative - Khwaja Ahmed Hassan	<b>10,600</b>	225
	Managerial remuneration	<b>7,960</b>	6,766

**16.2 Contribution to Provident Fund**

Contribution to provident fund Trust	<b>1,627</b>	1,427
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**16.3** The outstanding balances with above related parties are included in Trade and other payables "Payable to Provident fund" as at December 31, 2019 Rs. 758,314 (December 31, 2018: Rs. 653,902) and Short term borrowings (note 9) "Short term borrowings from related parties" as at December 31, 2019 Rs. 57,258 million (December 31, 2018: Rs. 43,933 million).

**17 Date of authorization for issue**

These condensed interim financial statements were authorized for issue by the Board of Directors on February 28, 2020.

**18 General**

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

LAHORE  
DATE: February 28, 2020

**KH.IMTIAZ AHMED**  
Chief Executive  
& Managing Director

**IBRAR AHMED KH.**  
Director

**MUHAMMAD JAVAID**  
Chief Financial Officer

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