



**Annual Report
2017-2018**



LEINER PAK GELATINE LTD.

DON'T ONLY ASK FOR GELATINE !

INSIST ON "HALAL"

GELATINE AND ITS PRODUCTS

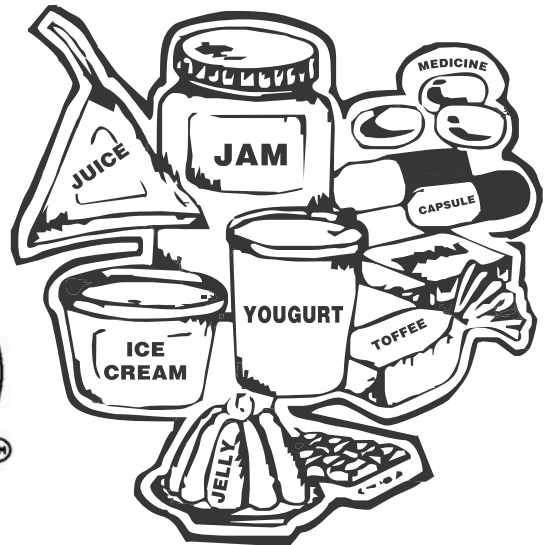
Major Fields of Application for Gelatine

Edible/ food grade gelatine is used in the Manufacturing of:

- * Confectionery items
- * Ice Cream
- * Fruit Juice
- * Yougurt , Cheese and Butter
- * Sour milks drinks
- * Instant desserts
- * Jam, Jelly and other bread spreads
- * Sweets, Toffees and chewing Gum
- * Meat Products

Pharmaceutical gelatine is used in production of:

- * Hard shell capsules
- * Soft shell capsules
- * Blood plasma
- * Tablets
- * Coated tablets
- * Gelatine sponge
- * Hair care items
- * Skin care items
- * Beauty items



***Pioneers in Gelatine
Technology in Pakistan***



LEINER PAK GELATINE LTD.

17-G, Gulberg-2, G/Postmall Box-3529, Lahore-54660

Phones #: 92-42-35756953-54 Fax #: 92-42-35710604

Works: 19-Kilometer, Shahrah-e-Pakistan, Kala Shah Kaku,
District Sheikhpura.

C O N T E N T S

COMPANY INFORMATION	-----	1
NOTICE OF MEETING	-----	2
VISION / MISSION STATEMENT	-----	4
CORPORATE STRATEGY	-----	5
CHAIRMAN'S REVIEW	-----	6
DIRECTORS' REPORT	-----	8
STATEMENT OF VALUE ADDITION & WEALTH DISTRIBUTION	-----	30
STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE), REGULATIONS, 2017	-----	31
INDEPENDENT AUDITOR'S REVIEW REPORT	-----	34
SATATEMENT OF FINANCIAL POSITION	-----	40
STATEMENT OF PROFIT OR LOSS	-----	41
STATEMENT OF COMPREHENSIVE INCOME	-----	42
STATEMENT OF CHANGES IN EQUITY	-----	43
STATEMENT OF CASH FLOWS	-----	44
NOTES TO THE FINANCIAL STATEMENTS	-----	45
PATTERN OF SHAREHOLDING	-----	72
JAMA PUNJI INFORMATION	-----	74
FORM OF PROXY	-----	76

COMPANY INFORMATION BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ibrar Ahmed Khwaja

CHIEF FINANCIAL OFFICER

Mr. Muhammad Javaid

AUDITORS

M. Almas & Co.

Chartered Accountants

207-Sadiq Plaza, 2nd Floor, 69-The Mall, Lahore.

LEGAL ADVISOR

Khwaja Muhammad Akram
Advocate

1-Begum Road, Mozang Adda, Lahore.

REGISTRAR

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

REGISTERED OFFICE

17-G, Gulberg-2, G/Postmall No. 3529, Lahore-54660
Ph. #: 0092-42-35756953-54, Fax #: 0092-42-35710604

PLANT

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

BANKERS

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

LEINER PAK GELATINE LIMITED.



**DON T ONLY ASK FOR GELATINE!
INSIST ON “HALAL”
GELATINE AND ITS PRODUCTS**

NOTICE OF 35TH ANNUAL GENERAL MEETING

Notice is hereby given that the 35th Annual General Meeting of LEINER PAK GELATINE LTD., will be held on Friday, the 26th October, 2018 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 Annual General Meeting held on Tuesday, 31st October, 2017.
3. To receive and adopt the Annual Accounts of the Company for the Year ended 30th June, **eer i Dirers and Audirs Rer eren.**
4. To appoint the Auditors of the Company for the year ending 30th June, 2019 and to fix their remuneration.

Ordinary Business

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

BY ORDER OF THE BOARD,

**(IBRAR AHMED KHWAJA),
COMPANY SECRETARY.**

LAHORE:

DATED: 04th October, 2018.

NOTES:

1. The Share Transfer Books of the Company will remain closed from 20th October, 2018 to 26th October, 2018 (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, 305887262, 35916719 Fax No: 042-35869037.
2. The Shareholders are advised to notify the Registrar of any change in their address.
3. A member entitled to attend and vote at this meeting may appoint another member as proxy to attend and vote instead of him. The Proxy Form duly signed and stamped must be received at the Registered Office of the Company not less than 48 hours before the time of holding the meeting.
4. Any individual beneficial owner of the share in the Central Depository Company (CDC) entitled to vote at this meeting with him/her to prove him/her identity together with his/her Account number in CDC and in case of proxy, must enclose an attested copy of his/her CNIC. Representative of Corporate Members should bring the usual documents required for such purpose.
5. Pursuant to the directive of the Securities and Exchange Commission of Pakistan (SECP), CNIC numbers of shareholders are mandatory required on dividend warrants. Shareholders are therefore requested to submit a copy of their CNIC (if not already provided) to the Shares Registrar. In case of non-receipt of the copy of a valid CNIC, the company would be unable to comply with SRO 831(1)/2012 dated July 05, 2012 of SECP and therefore will be constrained under SECP order dated July 13, 2015 to withhold the dispatch of dividend warrants of such shareholders.
6. Shareholders, who by any reason, could not claim their dividend or bonus shares or did not collect their physical shares, are advised to contact our Share Registrar M/s Corplink (Pvt) Limited. to collect / enquire about their unclaimed dividend or pending shares, if any.

Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all dividends unclaimed for a period of three years from the date due and payable shall be deposited to the credit of the Federal Government and in case of shares, shall be delivered to the Securities & Exchange Commission of Pakistan.

7. Pursuant to Notification vide SRO.787(1)/2014 of September 08, 2014, SECP has directed to facilitate the members of the company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through e-mail in future. In this respect members are hereby requested to convey their consent via e-mail on a standard request form which is available at the Company website i.e. www.leinerpakgelatine.com.
8. Members can also avail video conference facility, in this regard, please fill the following and submit to registered address of the Company 10 days before holding of the Annual General Meeting. If the Company received consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

“I/We, _____ of _____, being a member of Leiner Pak Gelatine limited, holder of _____ ordinary Share(s) as per Registered Folio No. _____ hereby opt for video conference facility at _____.”

VISION STATEMENT

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

MISSION

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

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

CORPORATE STRATEGY

OBJECTIVES

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

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

STRATEGIC PLANNING

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

CHAIRMAN'S REVIEW

On behalf of the Board of Directors, I am pleased to present the Company's 35th Annual Report.

Financial year 2017-18 remained challenging for the Company despite of the highest turnover in the history of the Company (Rs. 752.297 million). Prices of the raw material (crushed bone), imported chemicals and energy cost kept on increasing throughout the financial year. Main reason behind the escalation of crushed bone price is the export of animal bone from Pakistan to China, Japan and other neighboring countries. Devaluation of Pakistani rupee is also one of the reason of price hike of the industrial inputs. Higher cost of sales affected the financial results of the Company and profit before tax is arrived at Rs. 3.742/- million only.

It is expected that increase in export sales of gelatine be witnessed in coming days as depreciation of Pak Rupee will trigger export activities throughout the country.

The Board and its committees (Audit Committee and Human Resources and Remuneration Committee) are meeting every quarter. The Board met seven times during the year.

Board has defined criteria for evaluation of performance of the Board and its committees. Evaluation of overall performance of the Board is made on yearly basis. Directors' performance is mainly analyzed in terms of the participation in Board meetings, completion of Directors' training and orientation courses, completion of the assignments entrusted upon them, their initiatives in their domain, business acumen and analytical skills, awareness of the major laws governing the business and contribution in formulating the Company policies.

Performance of the Board members and members of different committees is found good and effective as envisaged by Code of Corporate Governance and criteria laid down by the Board. We hope that concerted efforts of the Board will again bring your Company in profits and temporary phase of losses be over very soon.

LAHORE
Dated: October 04, 2018.

AHMED ALI RIAZ
Chairman

چیئر مین کی جائزہ رپورٹ

بورڈ آف ڈائریکٹرز کی طرف سے، میں کمپنی کی ۳۵ ویں سالانہ رپورٹ پیش کرنے پر خوشی محسوس کرتا ہوں۔ مالی سال ۱۸-۲۰۱۷ کمپنی کی تاریخ کی بلند ترین فروخت (مبلغ ۵۲.۲۹ ملین روپے) رہنے کے باوجود کافی مشکل سال رہا۔ خام مال کی قیمتیں (کرش بون)، درآمد شدہ کیمیکل اور توانائی کی قیمت پورے سال کے دوران بڑھتی رہیں۔ کرش بون کی قیمت میں بڑھوتری کی بڑی وجہ پاکستان سے جانوروں کی ہڈیوں کی چین، جاپان اور دوسرے ہمسایہ ممالک کو کی جانے والی برآمدھے۔ پاکستانی روپے کی قدر میں کمی بھی صنعتی استعمال کی اشیاء کی قیمتیں بڑھانے کی ایک وجہ ہے۔ فروخت کی زیادہ لاگت نے مالیاتی نتائج کو متاثر کیا ہے اور کمپنی کا قبل از ٹیکس منافع صرف مبلغ ۴۲.۷۳ ملین روپے رہا۔

اس بات کی توقع کی جاتی ہے کہ آنے والے دنوں میں جیلاٹین کی برآمدگی کی مد میں فروخت بڑھتی ہوئی نظر آئے گی کیونکہ پاکستانی روپے کی قدر میں کمی پورے ملک میں ایکسپورٹ کی سرگرمیوں کو بڑھائے گی۔ بورڈ اور اسکی کمیٹیاں (آڈٹ کمیٹی اینڈ ہیومن ریسورسز اینڈ ریمونریشن کمیٹی) ہر سہ ماہی پر اپنی میٹنگ منعقد کرتی ہیں۔ بورڈ نے اس سال سات میٹنگز منعقد کیں۔

بورڈ نے بورڈ اور اسکی کمیٹیوں کی کارکردگی کو جانچنے کی لیے معیار مقرر کر رکھے ہیں۔ بورڈ کی مکمل کارکردگی کی جانچ ہر سال کی جاتی ہے۔ ڈائریکٹران کی کارکردگی کا زیادہ تر جائزہ بورڈ میٹنگز میں شرکت، ڈائریکٹران کی ٹریننگ اور واقفیتی کورسز کی تکمیل، ان کے لیے تفویض کیے گئے کام کی بروقت تکمیل، اپنے دائرہ کار میں چیزوں کے لیے پہل کرنا، کاروباری فراست اور تجزیاتی صلاحیت، کاروباری قوانین کے بارے میں آگاہی اور کمپنی پالیسیوں کے بنانے میں شرکت پر منحصر ہے۔

کوڈ آف کارپوریٹ اور بورڈ کی طرف سے مقرر کردہ معیار کی روشنی میں بورڈ ممبران اور مختلف کمیٹیوں کے ممبران کی کارکردگی بہتر اور موثر پائی گئی ہے۔ ہم یہ امید کرتے ہیں کہ بورڈ کی مشترکہ کاوشیں کمپنی کو دوبارہ منافع میں لے کر آئیں گی اور نقصان کا عارضی دور بہت جلد ختم ہو جائے گا۔

احمد علی ریاض

لاہور

چیئر مین

۴ اکتوبر ۲۰۱۸ء

DIRECTORS' REPORT

The Directors are pleased to present the 35th Annual Report along with Company's financial statements for the year ended 30th June, 2018 together with Auditors' Report thereon.

PRINCIPAL ACTIVITY

Leiner Pak Gelatine Limited is involved in manufacturing "Halal" Gelatine and Di-calcium Phosphate (by product).

OPERATIONS

In the current year Company's turnover has reached to ever highest level in the history and registered Rs. 752.297/- million sales as compared to last year reported sales of Rs. 692.372 million (increase 8.66%). This unprecedented sales is attributed to new sales contracts of Gelatin with major players of confectionery industry in local market. Local sales again remained major portion of total turnover (93.58%) as in the last year (93.10%).

Despite of the fact that Company is awarded with certifications from international Halal Authorities, export sales during the year could not witness expected growth. We have been facing price competition due to globally decline in Gelatin prices. Devaluation in Pak Rupee is posing some lucrative prospects in exports and it is expected that Company's export be raised in next financial year.

Profit margins were affected by significant increase in cost of raw material (crushed bone) on account of its export to China, Japan and Iran. On the other hand energy cost (electricity and gas) has tremendously increased in last year which further contributed towards higher manufacturing cost and ultimately increase in cost of sales. Finance costs have increased as well due to change in sales model (shift from exports to local market) as lower mark up is charged on SBP export finance. Increase in cost of sales could not fully pass to the buyers as our most of the sales contracts were finalized at the inception of the financial year.

Low margins due to heavy increase in raw material prices, imported chemicals and energy input (both gas and electricity) affected the profitability of the Company and profit before tax is arrived at Rs. 3.742/- million. During the year ended June 30, 2018, Company incurred a net loss of Rs.3.956/- million and, as of that date, its accumulated loss was Rs. 7.737/- million and its current liabilities exceeded its current assets by Rs. 67.210/- million.

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.

Due to the proposed use of energy conservation measures and future procurement of raw materials direct from the source by avoiding the middle man role, the approved financial projections, therefore, show 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 for “Halal” Gelatine exists in foreign and local markets as “Halal” Gelatine is equally consumed in Muslim and non-Muslim countries. After renewal of sales contracts with big customers and devaluation of Pakistan Rupee, the export sales as well as local sales respectively are expected to increase in future.
- Major financing arrangements with bank as at June 30, 2018 are valid for future periods as well.
- There is continued financial support of the Company’s sponsors. The sponsors’ of the Company have inducted Rupees 35.302 million (June 30, 2017: Rupees 31.294 million) interest free loan up to June 30, 2018. They are also committed to induct further funds, if the need arises, to address any liquidity issue for smooth operations.

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

1. Increase in production and sales over the last year;
2. The existence of new sales orders along with advance payment received there against; and
3. Continuous existence of profits before taxation since July 1, 2014 to date.

These 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.

The auditors’ report contains a paragraph regarding “Material Uncertainty Relating to Going Concern” to draw attention towards the going concern matter. In this regard management’s assessment is detailed in note 2 in the annexed financial statements.

CORPORATE AND FINANCIAL REPORTING FRAME WORK

Company is fully compliant with the Code of Corporate Governance and listing regulations. Board is pleased to place following statement on the record:

1. The financial statements prepared by the management of the Company, present fairly its state of the 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. The accounting estimates wherever required are based on reasonable and prudent judgment.
4. International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.

6. The management has explained their views in detail regarding going concern ability of the Company in note 2 to the annexed financial statements.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in listing regulations.
8. Outstanding taxes, duties and charges have been disclosed in the financial statements.

ADEQUACY OF INTERNAL CONTROL

Internal control system of the Company is properly designed keeping in view the nature of business and materiality of the transactions involved. Internal control system is periodically reviewed by the audit committee and improvements in the system are made keeping in view recommendations of internal audit department.

STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

The "Statement of Value Addition and its Distribution" is annexed to the report.

DIRECTORS' REMUNERATION

Remuneration of the Board of Directors is approved by the Board. The Company does not pay remuneration to non-executive Directors.

DIRECTORS OF THE COMPANY

During the year following Directors served on the Board of the Company.

Sr. No.	Name of Directors	Number of Meetings
1.	Ahmed Ali Riaz	7
2.	Khwaja Imtiaz Ahmed	7
3.	Ijaz Ahmed Khwaja	7
4.	Ibrar Ahmed Khwaja	7
5.	Umer Riaz Khwaja	7
6.	Mian Zia Ud Din	7
7.	Ayesha Ahmed	3
8.	Khawaja Ahmed Hassan (*)	4

* Khawaja Ahmed Hassan resigned on 6th February, 2018 and casual vacancy was filled by Ayesha Ahmed in the capacity of non-executive Director. Total number of Directors remained seven during the year.

APPROPRIATIONS

In view of the loss for the year and the accumulated loss, it has been decided to omit the dividend for the current year.

EARNING RATIO:

The loss per share after tax works out to Rs. (0.53) {last year Rs. 0.40}.

PROVIDENT FUND

The Company operates an approved contributory provident fund covering all permanent employees. The value of the fund at the year end 30th June, 2018 is Rs.159.810 million. The investment values of the respective fund is as follows:

Last audited statements	Provident Fund June 30, 2018
--------------------------------	---

Investments at fair value Rs.(000s)	<u>116,549</u>
--	-----------------------

These funds are invested as given below:

	Rs.(000s)
Unit Trust Schemes	52,656
Mutual Funds	1,492
Savings Schemes of Banks	2,991
Bank Deposits	21,257
Listed Securities	38,153
	<u>116,549</u>

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Company has the policy to sanction certain amount to donate charitable institutions' working for the education, healthcare and uplift of under privileged segment of the society.

This year Company has provided donation to Hijaz hospital, Lahore Business Men Association for Rehabilitation of the Disabled (LABARD), Punjab Veterans Cricket Association and Shaukat Khanum Hospital.

OUTSTANDING STATUTORY PAYMENTS

All outstanding payments are of routine nature.

CODE OF CONDUCT

Company had developed Code of Conduct as provided by the Code of Corporate Governance. This code of conduct is fully disseminated to all levels throughout the entity.

Company's Code of Conduct sets out standards expected of the entire team. This ensures that the Company maintains good reputation by dealing and being seen to deal with all our business contacts in a professional and acceptable way.

BOARD COMMITTEES**AUDIT COMMITTEE**

Company has formulated Audit Committee in accordance with Code of Corporate Governance. This committee is headed by an independent Director. Names of Audit Committee members are given below:

Mian Zia Ud Din (Chairman)

Ijaz Ahmed Khwaja (Member)

Ahmed Ali Riaz (Member)

Audit Committee provides assistance to the Board of Directors in discharging their responsibilities in accordance with provisions of code of corporate governance and financial reporting framework. This committee is also entrusted to implement an effective internal control system and forward recommendations to the Board of Directors for further improve of the systems.

Audit Committee's other responsibilities in the light of code of corporate governance also include the following:

- a) determination of appropriate measures to safeguard the Company's assets;
- b) review of annual and interim financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
 - (i) major judgmental areas;
 - (ii) significant adjustments resulting from the audit;
 - (iii) going concern assumption;
 - (iv) any changes in accounting policies and practices;
 - (v) compliance with applicable accounting standards;
 - (vi) compliance with these regulations and other statutory and regulatory requirements; and
 - (vii) all related party transactions.
- c) review of preliminary announcements of results prior to external communication and publication;

- d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- e) review of management letter issued by external auditors and management's response thereto;
- f) ensuring coordination between the internal and external auditors of the Company;
- g) review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- h) consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- i) ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sale, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- j) review of the listed Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- k) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;
- l) determination of compliance with relevant statutory requirements;
- m) monitoring compliance with the regulations and identification of significant violations thereof;
- n) review of arrangement for staff and management to report the audit committee in confidence, concerns if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
- o) recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the Company by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof; and
- p) consideration of any other issue or matter as may be assigned by the Board of Directors.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Company has constituted human resource and remuneration (HR & R) committee as required by Code of Corporate Governance. Company has succeeded in attracting the quality human resource through implementation of policies of the committee.

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

Mian Zia Ud Din	(Chairman)
Khawaja Imtiaz Ahmed	(Member)
Umer Riaz Khwaja	(Member)

In accordance with code of corporate governance, the responsibilities of the committee include:

- i. recommend to the Board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive Directors and members of senior management);
- ii. undertaking annually a formal process of evaluation of performance of the Board as a whole and its committees either directly or by engaging external independent consultant;
- iii. recommending human resource management policies to the Board;
- iv. recommending to the Board the selection, evaluation, development, compensation (including retirement benefits) of chief operating officer, chief financial officer, Company secretary and head of internal audit;
- v. consideration and approval on recommendations of Chief Executive Officer on such matters for key management positions who report directly to Chief Executive Officer or Chief Operating Officer; and
- vi. where human resource and remuneration consultants are appointed, their credentials shall be known by the committee and a statement shall be made by them as to whether they have any other connection with the Company.

RISK AND UNCERTINITIES

Company is presently exposed to following risk areas which can affect the business operations and ultimately profitability of the Company:

Raw material prices (crushed bone).

Foreign currency exchange rate.

Energy (availability and prices of gas & electricity)

Basic raw material of the Company (crushed bone) is being exported to China, Japan and Iran from Pakistan. Crushed bone is being exported without making it available to value addition industry Gelatine manufacturing and other allied industries.

Depreciation of Pak Rupee and prevailing inflation rate can badly affect the cost of other industrial inputs including imported chemicals needed to be used in Gelatine manufacturing process. Hence cost of sales can escalate.

Energy crises especially with respect to availability of gas is getting worse with in the country and Government is importing LNG from Qatar to cater the industrial requirement. In the light of summary forwarded by OGRA, Government has increased gas prices from 40% to 143%. This heavy increase in gas prices can further inflate the manufacturing cost of local industry including Gelatine manufacturing.

IMPACT ON ENVIRONMENT

Our Company is pioneer in Pakistan in Gelatine manufacturing and it is the only purpose built factory where installed machinery and equipments are mostly European origin. Manufacturing process of Gelatine is designed in accordance with international practices and no any hazardous impact on the environment is traced. Furthermore, our Company is awarded with ISO-14000 certification from SGS Pakistan in the wake of adopting environment friendly practices at our factory premises.

REASONS OF LOSS AND FUTURE PROSPECTS

It is explained that unprecedented increase in raw material prices (both local and imported) and continuous hike in energy cost in ramification of prevailing inflation rate and devaluation of Pak Rupee left Low margins. Prices of the Gelatine could not be revised as most of the sales contracts were finalized at the inception of the financial year. Resultantly Company's financials were closed at Rs. 3.742/- million (profit before tax) and loss after tax of Rs. 3.956/- million.

Company's management has decided to procure raw material direct from the source to avoid middle man role. This step shall help in stabilizing the prices of crushed bone.

The management is paying top priority to the energy conservation. During the year the addition of new chilling systems in plant and machinery is a step forward in this regard. More such initiatives are under active consideration. It is also decided to increase the proportion of cheaper alternate fuel and reduce the usage of high priced gas for energy requirements of the Company.

Negotiation with local and foreign buyers are also in process for the revision of Gelatine prices. Management is hopeful that present devaluation of Pak Rupee can also serve to increase the export proportion of the total sales. Realization of foreign currency in terms of Pak Rupee will also bring revenue benefit to the Company in future export sales.

TRAINING PROGRAMME OF DIRECTORS

Company offers refresher courses to its Directors and other executives to keep them updated with the recent changes occurring in Pakistan and on the globe.

All of our Directors, which were required under Listed Companies (Code of Corporate Governance) Regulations, 2017, are either exempt from training or have completed Directors Training Programme (DTP) with recognized institutions from Pakistan Institute Corporate Governance. One female non-executive director appointed during the year to fill a casual vacancy will undertake the DTP in due course of time under the Regulations.

Directors Training Programme and other orientation courses are playing vital role in their capacity building.

TRADE IN SHARES OF THE COMPANY

During the year following movements has been seen in share holding of one of Director:

Shares Sold

Khawaja Ahmed Hassan	200
----------------------	-----

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

AUDITORS:

The present auditors, M/s M. Almas & Co. Chartered Accountants, Lahore, has completed their assignment for the year ended June 30, 2018 and shall retire on the conclusion of 35th Annual General Meeting. The retiring auditors M/s M. Almas & Co. Chartered Accountants are eligible for re-appointment.

In accordance with The Listed Companies (Code of Corporate Governance) Regulations, 2017, the audit committee considered and recommended the re-appointment of M/s M. Almas & Co. Chartered Accountants as statutory auditors for the year 2018-19.

PATTERN OF SHAREHOLDING

It appears on page no:-----72-----

ACKNOWLEDGEMENT

The Board of Directors would like to express their appreciation for the efforts and dedication of all employees which enabled the Company's management to run the business affairs smoothly.

KHAWAJA IMTIAZ AHMED

Chief Executive &

Managing Director

Lahore:

Dated: October 04, 2018

IBRAR AHMED KHAWAJA

Director

ڈائریکٹرز رپورٹ

ڈائریکٹرز کو ۳۵ ویں سالانہ رپورٹ جو کہ ۳۰ جون ۲۰۱۸ء کو ختم ہونے والے سال کے لیے کمپنی نے مالیاتی نتائج اور آڈیٹران کی رپورٹ پر مشتمل ہے۔ پیش کرنے پر خوشی محسوس ہو رہی ہے۔

بنیادی کاروبار:-

لائنر پاک جیلاٹین لمیٹڈ ”حلال“ جیلاٹین اور ڈائی کیلشیم فاسفیٹ (بائی پراڈکٹ) کو تیار کرنے کا کام کرتی ہے۔

کاروباری عمل:- (Operations)

اس سال کمپنی کی فروخت اپنی تاریخ کی سب سے بلند سطح پر پہنچ گئی ہے اور پچھلے سال کی فروخت مبلغ ۶۹۲.۳۷۲ ملین کے مقابلے میں فروخت کا ہدف مبلغ ۷۵۲.۲۹۷ ملین روپے حاصل کیا ہے۔ اس غیر مثالی فروخت کی وجہ مٹھائی بنانے والے مقامی بڑے صنعتی اداروں کے ساتھ ہونے والے فروخت کے معاہدے ہیں۔ مقامی طور پر فروخت پچھلے سال کی فروخت (۹۳.۱۰%) کی طرح دوبارہ مکمل فروخت کا بڑا حصہ (۹۳.۵۸%) رہی ہے۔

باوجود اس کے کہ کمپنی کو بین الاقوامی حلال اداروں کی طرف سے سرٹیفیکیٹ کا اجراء ہوا لیکن ایکسپورٹ کی مد میں فروخت متوقع بڑھوتری نہ حاصل کر سکی۔ ہم جیلاٹین کی قیمت میں دنیا میں ہونے والی کمی کی وجہ سے قیمت کے مقابلے کا سامنا کرتے رہے ہیں۔ پاکستانی روپے کی قدر میں ہونے والی کمی ایکسپورٹ میں منافع بخش امکانات ظاہر کر رہی ہے اور اس بات کی توقع ہے کہ اگلے مالی سال میں کمپنی کی ایکسپورٹ بڑھے گی۔

منافع کی شرح خام مال (کرش بون) کی قیمت میں ہونے والی غیر معمولی بڑھوتری جس کی وجہ چین، جاپان اور ایران کو ہونے والی ایکسپورٹ ہے، سے متاثر ہوئی ہے۔ دوسری طرف توانائی کی قیمت (بجلی اور گیس) میں پچھلے سال بہت زیادہ اضافہ ہوا جس میں پیداواری لاگت کو بڑھانے میں اپنا حصہ ڈالا اور آخر کار فروخت کی لاگت کو بڑھا دیا۔ فنانس کی لاگت کی فروخت کے ماڈل میں تبدیلی (ایکسپورٹ کی مقامی منڈی کی طرف منتقلی) کی وجہ سے بڑھ گئی کیونکہ اسٹیٹ بینک ایکسپورٹ فنانس کے اوپر کم شرح منافع وصول کیا جاتا ہے۔ فروخت کی لاگت میں اضافہ مکمل طور پر خریداروں پر منتقل نہیں کیا جاسکا کیونکہ ہمارے زیادہ تر فروخت کے معاہدے مالی سال کے شروع میں طے پا گئے تھے۔

کم شرح منافع جس کی وجہ خام مال، درآمد شدہ کیمیکل اور توانائی کے استعمال کی قیمت میں بہت زیادہ اضافہ

ہے نے کمپنی کے منافع کو متاثر کیا اور قبل از ٹیکس منافع مبلغ ۷۴۲.۳ ملین روپے رہا۔
 جون ۳۰ ۲۰۱۸ء کو ختم ہونے والے سال کے دوران کمپنی کو نقد نقصان ۹۵۶.۳ ملین روپے ہوا اور اس تاریخ
 تک کمپنی کا مجموعی نقصان ۷۳۷.۷ ملین روپے ہو گیا تھا اور اس کے موجودہ واجبات اس کے موجودہ اثاثہ جات سے
 ۶۷۲.۲۱۰ ملین روپے سے بڑھ گئے ہیں۔

یہ امر اور حالات زیادہ غیر یقینی صورت حال کی طرف اشارہ کرتے ہیں اور ان کی وجہ سے کمپنی کا روبرار کے
 مسلسل چلنے کی صلاحیت پر شکوک و شبہات پیدا ہو سکتے ہیں اور کمپنی شاید معمول کے کاروباری عمل کے نتیجے میں اپنے
 اثاثہ جات کی فروخت اور واجبات کی ادائیگی نہ کر سکے۔

توانائی کی بچت کی تجاویز اور مستقبل میں درمیان والے لوگوں کے کردار سے بچتے ہوئے خام مال براہ راست
 ماخذ سے خریدنے، منظور شدہ مالیاتی تخمینے تاہم بہتری اور منافع دکھاتے ہیں۔ مزید برآں، درج ذیل عوام کو مد نظر رکھتے
 ہوئے انتظامیہ کا خیال ہے کہ کمپنی اپنے کاروباری عمل کو مسلسل جاری رکھے گی:-

- ہماری کمپنی کی مصنوعات کی مانگ مسلسل موجود ہے، ”حلال“ جیلاٹین کی مانگ بیرون ملک اور اندرون
 ملک موجود ہے کیونکہ ”حلال“ جیلاٹین مسلم اور غیر مسلم ملکوں میں برابر کی سطح پر استعمال ہو رہی ہے۔ بڑے
 خریداروں کے ساتھ طے پا جانے والے نئے فروخت کے معاہدوں اور پاکستانی روپے کی قدر میں کمی کی وجہ
 سے ایکسپورٹ اور ملکی سطح پر فروخت میں بتدریج اضافے کا امکان ہے۔

- جون ۳۰ ۲۰۱۸ء تک بینکوں کے ساتھ بڑے مالیاتی انتظامات مستقبل کے ادوار کے لیے بھی منظور شدہ ہیں۔
- کمپنی کے مالکان کی طرف سے مالی امداد کی مسلسل فراہمی۔ کمپنی کے مالکان نے اس سال ۳۰ جون ۲۰۱۸ء تک
 بلا سود ۳۵.۳۰۲ ملین روپے قرضہ جات کی مد میں کمپنی کو فراہم کیے ہیں (۳۰ جون ۲۰۱۷ء: مبلغ ۳۱.۲۹۴ ملین
 روپے)۔ وہ اس بات کا عزم بھی رکھتے ہیں کہ اگر مستقبل میں (Liquidity) کا مسئلہ درپیش ہوا تو بغیر
 رکاوٹ کے کاروباری عمل کو بڑھاتے ہوئے مزید مالی معاونت بھی کریں گے۔

مندرجہ بالا عوامل کے علاوہ ان مالیاتی دستاویزات میں درج ذیل مثبت اشارے موجود ہیں:-

- ۱- پیداوار اور فروخت کی پچھلے سال کی نسبت بڑھوتری۔
- ۲- فروخت کے نئے معاہدوں کا وجود اور ان کے عوض پیشگی ادائیگی کا حصول۔
- ۳- یکم جولائی ۲۰۱۷ء سے مسلسل قبل از ٹیکس منافع کا ہونا۔

یہ مالیاتی دستاویزات کمپنی کے مسلسل چلنے کی اکاؤنٹنگ بنیاد پر تیار کی گئی ہیں، اور ان مالیاتی نتائج میں کسی قسم کی (Adjustment) (اگر کمپنی کاروبار جاری رکھنے کی اہلیت نہ رکھتی ہو) جس کا تعلق اثاثہ جات کی قیمت اور واجبات کی مالیت سے ہو، موجود نہ ہے۔

آڈیٹران کی رپورٹ میں ”کمپنی کے کاروبار کے چلنے کے معاملات کی طرف توجہ دلانے کے لیے“ ایک پیراگراف میں کمپنی کے کاروبار کے چلنے کے متعلق اہم غیر یقینی صورت حال کا ذکر کیا گیا ہے۔ اس کے جواب میں انتظامیہ کا نقطہ نظر مالیاتی نتائج کے نوٹ نمبر ۲ میں شامل کیا گیا ہے۔

کارپوریٹ اور مالیاتی دستاویز کا ضابطہ:-

کمپنی کوڈ آف کارپوریٹ گورننس اور لسٹنگ کے قواعد پر پوری طرح عمل درآمد کر رہی ہے۔ بورڈ درج ذیل بیانات قلمبند کرنے میں خوشی محسوس کرتے ہیں۔

۱۔ مالی دستاویز، جو کہ کمپنی انتظامیہ کی جانب سے تیار کی گئی ہے جو منصفانہ امور کی نشاندہی، اپنے آپریشنز، نقدی کا بہاؤ اور ایکوٹی میں تبدیلی کا نتیجہ ہے۔

۲۔ کمپنی کے اکاؤنٹ کی مناسب کتابوں کو برقرار رکھا گیا ہے۔

۳۔ مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ مالی اکاؤنٹ کی تیاری میں لاگو کیا گیا ہے۔ اکاؤنٹنگ اندازے معقول اور دانش مندانہ فیصلے پر مبنی ہیں۔

۴۔ انٹرنیشنل اکاؤنٹنگ کے معیار جو کہ پاکستان میں قابل عمل ہیں کی مالی بیانات کی تیاری میں پیروی کی گئی ہے۔

۵۔ اندرونی کنٹرول کے نظام کا ڈیزائن صحیح ہے اور اس پر موثر طریقے سے عمل درآمد اور اس کی نگرانی کی گئی ہے۔

۶۔ کمپنی کی انتظامیہ نے کمپنی کو جاری رکھنے کی صلاحیت کے بارے میں مالیاتی نتائج کے نوٹ نمبر ۲ میں تفصیل سے ذکر کیا گیا ہے۔

۷۔ کارپوریٹ گورننس کے بہترین طریقوں پر بغیر کسی انحراف کے عمل کیا گیا ہے جو کہ لسٹنگ کے ضابطے میں موجود ہے۔

۸۔ واجب الادا ٹیکس، ڈیوٹیز اور واجبات مالی دستاویزات میں ظاہر کیے گئے ہیں۔

موزوں اندرونی کنٹرول:-

کمپنی کے اندرونی کنٹرول سسٹم کو کاروبار کی نوعیت اور ٹرانزیکشن کی مالیت (materiality) کو مد نظر رکھتے

ہوئے پوری طرح ترتیب دیا گیا ہے۔ آڈٹ کمیٹی وقتاً فوقتاً اندرونی کنٹرول سسٹم کا جائزہ لیتی ہے اور انٹرنل آڈٹ شعبہ کی سفارشات کو مد نظر رکھتے ہوئے سسٹم میں بہتری لائی گئی ہے۔

قدر میں اضافہ اور اس کی تقسیم کی دستاویز:-

”قدر میں اضافہ اور اس کی تقسیم کی دستاویز“ رپورٹ کے ساتھ منسلک ہے۔

ڈائریکٹران کا معاوضہ:-

ڈائریکٹران کا معاوضہ بورڈ آف ڈائریکٹرز سے منظور کیا گیا ہے۔ کمپنی نان ایگزیکٹو ڈائریکٹران کو معاوضہ کی

ادائیگی نہیں کرتی۔

کمپنی کے ڈائریکٹران:-

دوران سال درج ذیل ڈائریکٹران نے کمپنی کے بورڈ پر اپنی خدمات پیش کیں:-

سیریل نمبر	ڈائریکٹران کے نام	میٹنگز میں شرکت
۱	احمد علی ریاض	۷
۲	خواجہ امتیاز احمد	۷
۳	اعجاز احمد خواجہ	۷
۴	ابراہیم احمد خواجہ	۷
۵	عمر ریاض خواجہ	۷
۶	میاں ضیاء الدین	۷
۷	عائشہ احمد	۳
۸	خواجہ احمد حسن (☆)	۴

☆ خواجہ احمد حسن نے ۶ فروری ۲۰۱۸ء کو اپنا استعفیٰ دے دیا اور اتفاقی آسامی کو عائشہ احمد نے نان ایگزیکٹو

ڈائریکٹری کی حیثیت سے مکمل کیا۔ ڈائریکٹران کی کل تعداد سال کے دوران سات رہی۔

منافع کی تقسیم (Appropriation):

اس سال میں نقصان اور مجموعی نقصان کی وجہ سے منافع کی تقسیم نہ کرنے کا فیصلہ کیا گیا ہے۔

منافع کا تناسب:

ہر حصے کا بعد از ٹیکس نقصان مبلغ ۰.۵۳ روپے ہے۔ (پچھلے سال نقصان مبلغ ۰.۴۰ روپے)۔

پراویڈنٹ فنڈ:-

کمپنی اپنے تمام مستقل ملازمین کیلئے ایک منظور شدہ شراکتی پراویڈنٹ فنڈ چلا رہی ہے۔ اس سال ۳۰ جون ۲۰۱۸ء تک فنڈ کی قدر مبلغ ۱۵۹.۸۱۰ ملین روپے ہے اس فنڈ کی سرمایہ کاری کی قدر درج ذیل ہے:-

پراویڈنٹ فنڈ	
۳۰ جون ۲۰۱۸ء	
۱۱۶.۵۴۹	سرمایہ کاری کی منصفانہ قدر (000) روپے
(000) روپے	فنڈ کی سرمایہ کاری درج ذیل ہے:-
۵۲.۶۵۶	پونٹ ٹرسٹ سکیمز
۱.۴۹۲	میوچل فنڈز
۲.۹۹۱	بینکوں کی بچت سکیم
۲۱.۲۵۷	بینکوں میں جمع شدہ رقم
۳۸.۱۵۳	لسٹڈ سکیورٹیز
<u>۱۱۶.۵۴۹</u>	

کارپوریٹ سماجی ذمہ داری:

کمپنی نے تعلیم کے لیے کام کرنے والے، حفظانِ صحت اور معاشرے کے غیر مرعات یافتہ طبقے کی بہتری کے لیے کام کرنے والے اداروں کے لیے عطیہ کی مخصوص مقدار کے تعین کی پالیسی بنائی ہوئی ہے۔

اس سال کمپنی نے حجاز ہسپتال، لاہور بزنس مین ایسوسی ایشن فار ری ایبلٹی ٹیشن آف دی ڈس ایبلڈ (LABARD)، پنجاب ویٹرنز کرکٹ ایسوسی ایشن اور شوکت خانم ہسپتال کو عطیات کی فراہمی کی ہے۔

سٹچوٹری بقایا جات کی ادائیگی:

تمام بقایا جات کی ادائیگی معمول کے مطابق ہے۔

ضابطہ اخلاق:

کمپنی نے کوڈ آف کارپوریٹ گورننس کے مطابق ضابطہ اخلاق مرتب کیا ہے۔ اس ضابطہ اخلاق کی ادارہ کی ہر سطح پر آگاہی کردی گئی ہے۔

کمپنی کے ضابطہ اخلاق میں تمام لوگوں کے لیے متوقع معیار ترتیب دے رکھا ہے۔ یہ ضابطہ اخلاق اس بات کو یقینی بناتا ہے کہ تمام معاملات جو کمپنی مختلف کاروباری رابطوں کے ذریعے طے کرے وہ ایک پیشہ ورانہ اور قابل قبول طریقہ سے ہوں اور اس سے کمپنی کی ساکھ کو برقرار رکھا جاسکے۔

بورڈ کمیٹیاں:

آڈٹ کمیٹی:

کمپنی کے کوڈ آف کارپوریٹ گورننس کے مطابق آڈٹ کمیٹی کی تشکیل کی ہے۔ اس کمیٹی کا سربراہ ایک انڈیپنڈنٹ ڈائریکٹر ہے۔ آڈٹ کمیٹی کے ممبران کے نام درج ذیل ہیں:-

(چیرمین)

میاں ضیاء الدین

(ممبر)

اعجاز احمد خواجہ

(ممبر)

احمد علی ریاض

آڈٹ کمیٹی ڈائریکٹران کو کوڈ آف کارپوریٹ گورننس اور مالیاتی دستاویزات کے ضابطوں کے مطابق ان کی ذمہ داریوں کو پورا کرنے میں ان کی مدد کرتی ہے۔ آڈٹ کمیٹی کو یہ ذمہ داری بھی سونپی گئی ہے کہ وہ ایک موثر اندرونی کنٹرول کو نافذ کرے اور سسٹم کو مزید بہتر بنانے کیلئے سفارشات ڈائریکٹران تک پہنچائے۔ آڈٹ کمیٹی کوڈ آف کارپوریٹ گورننس کی روشنی میں درج ذیل مزید عوامل کی بھی ذمہ دار ہے:-

(الف) کمپنی کے اثاثہ جات کے تحفظ کیلئے مناسب اقدام لینا۔

(ب) بورڈ آف ڈائریکٹرز کی منظوری سے پہلے کمپنی کی عبوری اور سالانہ مالیاتی تفصیلات کا درج ذیل کو مد نظر رکھتے ہوئے جائزہ لینا۔

(i) بڑے Judgemental حصے۔

(ii) آڈٹ کے باعث ہونے والی اہم ایڈجسٹمنٹس۔

- (iii) - کاروبار کے جاری رہنے کا جائزہ۔
- (iv) - اکاؤنٹنگ پالیسیوں اور پریکٹس میں ہونے والی کوئی تبدیلی۔
- (v) - قابل اطلاق اکاؤنٹنگ اسٹینڈرڈز پر عمل پیرا ہونا۔
- (vi) - ان ریگولیٹری اور دوسری قانونی ضروریات پر عمل درآمد کرنا؛ اور۔
- (vii) - تمام ریلیٹیو لوگوں کے ساتھ ہونے والے لین دین۔
- (پ) تفصیلات کی بیرونی ترسیل اور نشر ہونے سے پہلے ان کا ابتدائی جائزہ لینا۔
- (ت) بیرونی آڈٹ میں سہولت فراہم کرنا اور بیرونی آڈیٹر ان کے ساتھ عبوری اور مکمل آڈٹ کے دوران اٹھنے والے بڑے نقاط اور ایسے تمام معاملات جو آڈیٹر ان اپنی مرضی سے بھی اٹھانا چاہتے ہوں ان کے ساتھ ان پر بات چیت کرنا۔
- (ٹ) بیرونی آڈیٹر ان کی طرف سے جاری کردہ انتظامی خط اور انتظامیہ کے رد عمل کا جائزہ لینا۔
- (ث) اندرونی آڈٹ اور بیرونی آڈیٹر ان کے درمیان تعاون کو یقینی بنانا۔
- (ج) اندرونی آڈٹ کے دائرہ کار اور حدود، آڈٹ پلان، رپورٹنگ کے طریقہ کار کا جائزہ لینا اور اس بات کو یقینی بنانا کہ اندرونی آڈٹ کے شعبہ کے پاس مناسب ذرائع موجود ہوں اور کمپنی میں ہر جگہ اس پر عمل کیا جاسکے۔
- (چ) فراڈ، کرپشن اور اختیارات سے تجاوز کرنے کے بڑے معاملات کی اندرونی جانچ پڑتال اور انتظامیہ کے رد عمل کا جائزہ لینا۔
- (ح) اندرونی کنٹرول کے نظام جس میں مالیاتی اور آپریشنل کنٹرول شامل ہیں، اکاؤنٹنگ نظام، خرید و فروخت، وصولیوں اور ادائیگیوں، اثاثہ جات اور واجبات کے صحیح اندراج اور معلومات پہنچانے کے ڈھانچے کا صحیح اور موثر طریقے سے چلنے کو یقینی بنانا۔
- (خ) لسٹڈ کمپنی کی طرف سے اندرونی کنٹرول پر جاری کردہ تفصیلات کا اندرونی آڈٹ کی رپورٹ اور بورڈ آف ڈائریکٹرز کی منظوری سے پہلے جائزہ لینا۔
- (د) چیف ایگزیکٹو کے مشورہ سے بورڈ آف ڈائریکٹرز کے سفارش کردہ معاملات، نئے منصوبوں کے اجراء، روپے کی قدر کا مطالعہ اور دوسرے معاملات کی جانچ پڑتال کا جائزہ لینا اور کسی اور معاملے کو بیرونی آڈیٹر ان یا بیرونی ادارے کے ساتھ اٹھانا شامل ہے۔

- (ر) متعلقہ سٹیچوٹری ضروریات پر عملدرآمد کو یقینی بنانا۔
- (ڑ) ان قوانین پر عمل پیرا ہونے کا خیال رکھنا اور بڑی خلاف ورزیوں کی نشاندہی کرنا۔
- (ث) آڈٹ کمیٹی کو با اعتماد رپورٹنگ، کسی بھی تشویش، حقیقی اور مالیاتی اور دوسرے معاملات میں ہونے والی غلطیوں اور ان کے حل اور اثرات کو ختم کرنے کی تجاویز کے لیے ملازمین اور انتظامیہ کے انتظامات کا جائزہ لینا۔
- (س) بورڈ آف ڈائریکٹرز کو بیرونی آڈیٹران کے مقرر کرنے، ان کا ہٹانا، آڈٹ کی فیس، بیرونی آڈیٹران کی جانب سے مالی دستاویزات کے آڈٹ کے علاوہ کسی بھی اور جائز خدمات کو کمپنی کی فراہمی کی تجاویز دینا۔ بورڈ آف ڈائریکٹرز کو آڈٹ کمیٹی کی تجاویز کا بغور جائزہ لینا چاہیے اور خلاف ورزی کی صورت میں وجوہات کا اندراج کرنا۔

(ش) بورڈ آف ڈائریکٹرز کی جانب سے تفویض کردہ دوسرے معاملات پر توجہ دینا۔

انسانی وسائل اور اجرتی کمیٹی:-

کمپنی نے کوڈ آف کارپوریٹ گورننس کی ضروریات کے مطابق انسانی وسائل اور اجرتی کمیٹی (HR&R) تشکیل دے رکھی ہے۔ کمپنی اس کمیٹی کی پالیسیوں کے نفاذ کے ذریعے بہتر انسانی وسائل کے حصول میں کامیاب رہی ہے۔

انسانی وسائل اور اجرتی کمیٹی (HR&R) میں درج ذیل ڈائریکٹران شامل ہیں۔

میاں ضیاء الدین (چیرمین)

خواجہ امتیاز احمد (ممبر)

عمر ریاض خواجہ (ممبر)

کوڈ آف کارپوریٹ گورننس کے مطابق کمیٹی کی ذمہ داریوں میں شامل ہے:-

- (i) ڈائریکٹران (ایگزیکٹو اور نان ایگزیکٹو ڈائریکٹران اور سینئر انتظامیہ کے ممبران) کی اجرت کو متعین کرنے کے لیے ضابطہ کار بنانے پر غور اور اس کی منظوری دینے کے لیے بورڈ کو سفارشات پیش کرنا۔
- (ii) حسب ضابطہ مکمل بورڈ اور اس کی کمیٹیوں کا بذات خود یا کسی خود مختار مشیر کے ذریعے ان کی کارکردگی کا جائزہ لینا۔

- (iii) بورڈ کو انسانی وسائل کے انتظام کی پالیسیوں کے بارے میں سفارشات پیش کرنا۔
- (iv) بورڈ کو چیف آپریٹنگ آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری اور اندرونی آڈٹ کے سربراہ کے انتخاب، جانچ اور معاوضہ (بشمول ریٹائرمنٹ بینیفٹ) کے بارے میں سفارشات پیش کرنا۔
- (v) ایسے تمام معاملات جن کا تعلق کلیدی عہدوں کی انتظامیہ سے ہو اور وہ چیف ایگزیکٹو آفیسر یا چیف آپریٹنگ آفیسر کو ڈائریکٹ جوابدہ ہوں کا جائزہ لینا اور منظوری دینا۔
- (vi) جہاں انسانی وسائل اور اجرتی مشیر مقرر کیے جائیں، ان کے بارے میں کمیٹی کو مکمل تفصیلات معلوم ہونی چاہئیں اور اس بارے میں بھی بتائیں اگر کمپنی کے ساتھ ان کا کوئی اور تعلق ہے۔
- خطرات اور غیر یقینی صورتحال:-

کمپنی کو درج ذیل چیزوں میں خطرات کا سامنا ہے جو کاروبار پر اور آخر کار کمپنی کے منافع پر اثر انداز ہو سکتے ہیں:-

خام مال کی قیمتیں (کرش بون)

غیر ملکی کرنسی کے ساتھ تبادلے کی شرح

توانائی (بجلی اور گیس کا مہیا ہونا اور ان کی قیمتیں)

کمپنی کے بنیادی خام مال (کرش بون) کو پاکستان سے چین، جاپان اور ایران کو ایکسپورٹ کیا جا رہا ہے۔ کرش بون کو قدر میں اضافہ کرنے والی جیلاٹین بنانے اور دوسری متعلقہ صنعتوں کو مہیا کیے بغیر ایکسپورٹ کیا جا رہا ہے۔

روپے کی قدر میں کمی اور موجودہ افراط زر دوسری صنعتی ضروریات بشمول درآمد شدہ کیمیکل جن کو جیلاٹین بنانے میں استعمال کیا جاتا ہے کی قیمتوں پر برا اثر ڈال سکتی ہے۔ اس طرح فروخت کی لاگت بڑھ سکتی ہے۔

توانی کا بحران خاص طور پر گیس کی دستیابی ملک میں خراب صورت حال اختیار کر رہا ہے اور گورنمنٹ صنعتی ضروریات کو پورا کرنے کے لیے قطر سے ایل این جی درآمد کر رہی ہے۔ اوگرا کی جانب سے پیش کی گئی سمری کی روشنی میں گورنمنٹ نے گیس کے نرخ %۴۰ سے لے کر %۱۴۳ تک بڑھا دیئے ہیں۔ یہ گیس کی قیمت میں بہت اضافہ ملکی صنعت بشمول جیلاٹین کی پیداواری لاگت کو بڑھا سکتی ہے۔

ماحول پر اثر:-

ہماری کمپنی پاکستان میں جیلاٹین تیار کرنے والا سب سے پہلا ادارہ ہے اور یہ ایک قصداً تعمیر کردہ واحد کارخانہ ہے جہاں نصب کئے مشینری اور آلات زیادہ تر یورپین ساختہ ہیں۔ جیلاٹین کا پیداواری عمل بین الاقوامی طریقہ کار کے مطابق ڈیزائن کیا گیا ہے اور ماحول پر اس کے کوئی منفی اثرات نہیں دیکھے گئے۔ مزید برآں ہماری کمپنی کو ایس جی ایس کی جانب سے فیکٹری کے اندر ماحول دوست عوامل کو اپنانے کی وجہ سے ISO-۱۴۰۰۰ کا سرٹیفکیٹ ملا ہوا ہے۔

نقصان کی وجوہات اور مستقبل کے امکانات:-

یہ وضاحت کی جا چکی ہے خام مال کی قیمتوں (ملکی اور درآمد شدہ دونوں) میں غیر مثالی اضافہ موجودہ افراط زر اور پاکستانی روپے کی قدر میں کمی کی وجہ سے توانائی کی قیمت میں مسلسل اضافہ نے بہت تھوڑا منافع چھوڑا ہے۔ جیلاٹین کی قیمتوں میں اضافہ نہ کیا جاسکا کیونکہ زیادہ تر فروخت کے معاہدے مالی سال کے شروع میں ہی طے پا گئے تھے۔ اس کی وجہ سے کمپنی کی مالیاتی دستاویزات مبلغ ۴۲.۷۳ ملین روپے (قبل از ٹیکس منافع) اور بعد از ٹیکس نقصان مبلغ ۳.۹۵۶ ملین روپے پر بند ہوئیں۔

کمپنی کی انتظامیہ نے درمیان والے لوگوں سے بچنے کے لیے خام مال براہ راست ماخذ سے خریدنے کا فیصلہ کیا ہے۔ یہ عمل کرشن بون کی قیمتوں کو مستحکم رکھنے میں مدد دے گا۔

توانی کی بچت انتظامیہ کی اولین ترجیح ہے۔ سال کے دوران پلانٹ اور مشینری میں ٹھنڈک کے نئے نظام کا اضافہ اس سمت میں آگے کی طرف ایک قدم ہے۔ اس طرح کے مزید اقدامات فوری توجہ کا مرکز ہیں۔ کمپنی کی ضروریات پوری کرنے کے لیے یہ فیصلہ بھی کیا گیا ہے کہ متبادل سستے ایندھن کا زیادہ تر استعمال کیا جائے اور زیادہ قیمتی گیس کے استعمال کو کم کیا جائے۔

جیلاٹین کی قیمتوں میں ترمیم کے لیے ملکی اور غیر ملکی خریداروں کے ساتھ بات چیت چل رہی ہے۔ انتظامیہ کو امید ہے کہ پاکستانی روپیہ میں موجودہ کمی فروخت میں ایکسپورٹ کی مد میں فروخت کے حصہ کو بڑھانے کے لیے کردار ادا کرے گی۔ مستقبل میں ہونے والی ایکسپورٹ کی مد میں فروخت زر مبادلہ کی پاکستانی روپے میں تبدیلی بھی کمپنی کے لیے مالی فائدہ لے کر آئے گی۔

ڈائریکٹران کا ٹریننگ پروگرام:

کمپنی اپنے ڈائریکٹران اور دوسرے ایگزیکٹوز کو جدید کورسز پیش کرتی ہے تاکہ ان کو پاکستان اور دنیا میں

ہونے والی نئی تبدیلیوں سے ہم آہنگ رکھا جاسکے۔

ہمارے تمام ڈائریکٹران جن کو لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز ۲۰۱۷ء کے مطابق ٹریڈنگ کی ضرورت تھی، وہ یا تو ٹریڈنگ سے مستثنیٰ ہیں یا انہوں نے پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس کے منظور شدہ اداروں سے اپنا ڈائریکٹر ٹریڈنگ پروگرام (ڈی ٹی پی) مکمل کر لیا ہے۔ ایک خاتون نان ایگزیکٹو ڈائریکٹر جس کا تقرر سال کے دوران اتفاقی آسامی کو مکمل کرنے کے لیے کیا گیا، اپنا (ڈی ٹی پی) قانون کے مطابق مناسب وقت پر مکمل کر لے گی۔

کمپنی کے حصص میں خرید و فروخت:

امسال ایک ڈائریکٹر کے حصص کی تعداد میں درج ذیل تبدیلی دیکھی گئی ہے:-

حصص کی فروخت

200

خواجہ احمد حسن

دوسرے ڈائریکٹران، ایگزیکٹوز، ان کی بیویوں اور نابالغ بچوں کے حصص میں ماسوائے اوپر والے معاملے کے کوئی خرید و فروخت نہیں ہے۔

آڈیٹرز:

موجودہ آڈیٹرز، ایم۔ الماس اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، لاہور نے ۳۰ جون ۲۰۱۸ء کو ختم ہونے والے سال سے متعلق اپنا کام مکمل کر لیا ہے اور ۳۵ ویں سالانہ جنرل میٹنگ کے اختتام پر ریٹائر ہو جائیں گے۔ ریٹائر ہونے والے آڈیٹرز، ایم۔ الماس اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس دوبارہ منتخب ہونے کے اہل ہیں۔

لسٹڈ کمپنیز کوڈ آف کارپوریٹ گورننس ریگولیشنز ۲۰۱۷ء کی رو سے آڈٹ کمیٹی نے ایم۔ الماس اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی تقرری کا جائزہ لیتے ہوئے ان کی سال ۱۹-۲۰۱۸ء کیلئے سیچوٹری آڈیٹرز کی حیثیت سے تقرری کی سفارشات پیش کی ہیں۔

حصہ داران کی تفصیل:

حصہ داران کی تفصیل صفحہ نمبر 72 پر موجود ہے۔

اعتراف:

بورڈ آف ڈائریکٹرز اپنے تمام ملازمین کی کاوشوں اور لگن کی تعریف کرتا ہے جس نے کمپنی کی انتظامیہ کو

کاروباری معاملات احسن طریقے سے چلانے میں مدد کی۔

ابرار احمد خواجہ

ڈائریکٹر

خواجہ امتیاز احمد

چیف ایگزیکٹو اینڈ

مینیجنگ ڈائریکٹر

لاہور

۴ اکتوبر ۲۰۱۸ء

**Statement of Value Addition & Wealth Distribution
for the year ended June 30, 2018**

	2018	%age	2017	%age
	(Rs. '000')		(Rs. '000')	
Value addition				
Total revenue	823,047		754,173	
Bought in materials & services	(608,655)		(551,484)	
	214,392	100.0%	202,689	100.0%
Value distribution				
To employees				
Salaries, wages and benefits	116,839	54.5%	111,733	55.1%
To Government				
Income taxes and Sales Tax	76,884	35.9%	69,118	34.1%
To providers of capital/funds				
Interest/Mark up on borrowed funds	12,467	5.8%	12,103	6.0%
Retained for reinvestment and growth				
Depreciation & retained profits/(loss)	8,202	3.8%	9,735	4.8%
	214,392	100%	202,689	100%

**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES
(CODE OF CORPORATE GOVERNANCE), REGULATIONS, 2017****Name of the Company: Leiner Pak Gelatine Limited****Year ended: June 30, 2018**

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 7 as per the following:

a. Male: 6

b. Female: 1

Sr. No.	Name of Directors
1.	Ahmed Ali Riaz
2.	Khwaja Imtiaz Ahmed
3.	Ijaz Ahmed Khwaja
4.	Ibrar Ahmed Khwaja
5.	Umer Riaz Khwaja
6.	Mian Zia Ud Din
7.	Ayesha Ahmed

2. The composition of board is as follows:

a) Independent Director(s) (1)

b) Other Non-executive Directors (4)

c) Executive Directors (2)

3. The Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by board/shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.

8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. Three of the Directors have completed the Directors' Training Programme. Out of the remaining four directors three have the prescribed qualification and experience required for exemption of Directors' Training Programme.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

a) Audit Committee (Name of members and Chairman)

- | | |
|----------------------|------------|
| 1. Mian Zia Ud Din | (Chairman) |
| 2. Ijaz Ahmed Khwaja | (Member) |
| 3. Ahmed Ali Riaz | (Member) |

b) HR and Remuneration Committee (Name of members and Chairman)

- | | |
|------------------------|------------|
| 1. Mian Zia Ud Din | (Chairman) |
| 2. Khwaja Imtiaz Ahmed | (Member) |
| 3. Umer Riaz Khwaja | (Member) |

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were as per following:

a) Audit Committee (4 quarterly meetings)

b) HR and Remuneration Committee (4 quarterly meetings)

15. The Board has set up an effective internal audit function within the organization. Head of internal audit and other staff members of the internal audit team are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

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

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

LAHORE.
Dated: October 04, 2018

AHMED ALI RIAZ
Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Leiner Pak Gelatine Limited

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Leiner Pak Gelatine Limited** for the year ended **June 30, 2018** in accordance with the requirements of regulation 40 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

Lahore

Dated: October 04, 2018

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

INDEPENDENT AUDITOR'S REPORT**To the members of Leiner Pak Gelatine Limited****Report on the Audit of the Financial Statements****Opinion**

We have audited the annexed financial statements of **Leiner Pak Gelatine Limited** (the Company), which comprise the statement of financial position as at **June 30, 2018**, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018, and of the loss, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Material Uncertainty relating to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss of Rupees. 3.956 million during the year ended June 30, 2018 and, as of that date, its accumulated loss was Rupees 7.737 million and its current liabilities exceeded its current assets by Rs. 67.210 million. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How the matter was addressed in our audit
<p>1.Preparation of financial statements under the Companies Act, 2017</p> <p>As referred to in notes 4.5 and 6 of the accompanying financial statements, the Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended June 30, 2018.</p>	<p>We assessed the procedures applied by the management for identification of the changes in disclosures and retrospective change in accounting policy required in financial statements due to the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on new requirements. We also evaluated the sources of information used by the</p>

<p>The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>In the case of the Company, specific additional disclosures and changes to the existing disclosures including retrospective change in accounting policy related to revaluation surplus on property, plant and equipment have been included in the financial statements as referred to notes 4.5 and 6 respectively of the accompanying financial statements.</p> <p>The aforementioned changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.</p>	<p>management for the preparation of the above referred disclosures and internal consistency of such disclosures with other elements of the financial statements.</p>
<p>2. Review of recoverability of deferred tax asset (Refer to notes 5.13 and 17 of the financial statements)</p> <p>Under International Accounting Standard 12, Income Taxes, the Company is required to review recoverability of the deferred tax assets recognized in the statement of financial position at each reporting period.</p> <p>Recognition of deferred tax asset position involved management's estimate of future available taxable profits of the Company based on approved business plan. There is inherent uncertainty involved in forecasting future taxable profits and the probability of utilising the estimated minimum tax credits. Therefore, the recoverability of the Company's deferred tax asset was considered a key audit matter in our audit of the financial statements.</p> <p>We considered this a key audit matter due to significant value of deferred tax asset on account of minimum tax and assumptions used by the management in this area.</p>	<p>Our procedures in relation to this matter included:</p> <ul style="list-style-type: none"> - Evaluating the Directors' determination of the estimated manner in which the deferred tax asset would be utilised by comparing the Directors' assessment to business plans and profit forecasts based on our knowledge of the business and the industry in which Company operates; - Critically assessing whether profit forecasts are reasonable in relation to historical trends, current year performance and future plans; - Analyzing the requirements of the Income Tax Ordinance, 2001, in relation to above and considering the factors including aging analysis, expiry periods of relevant deferred tax assets and tax rates enacted; and - Assessing the appropriateness of management's accounting for deferred taxes and the accuracy of related disclosures.
<p>3. Valuation of stock in trade</p> <p>Refer note 5.4, 19 and 27 of the financial statements.</p> <p>Stock in trade as at year ended June 30, 2018 having carrying value of Rs. 197.264 million constitutes 27.56% of total assets.</p>	<p>Our audit procedures to assess the valuation of stock in trade, amongst others, included the following:</p> <ul style="list-style-type: none"> - Obtaining an understanding of internal controls over purchases and valuation of stock in trade and testing, on a sample basis, their design, implementation and operating effectiveness;

<p>We identified the valuation of stock in trade as key audit matter as it directly affects the profitability of the Company.</p>	<ul style="list-style-type: none"> - Comparing on a sample basis specific purchases with underlying supporting documents / agreements, if any; - Comparing calculations of the allocation of directly attributable costs and allocation of factory overhead costs with the underlying supporting documents; - Physical observation of stock in trade inventory count at the year end; - Test of valuation methods and their appropriateness in accordance with applicable accounting standards; - Obtaining an understanding of management's determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete work in process and costs necessary to make the sales and their basis; and - Comparing the NRV, on a sample basis, to the cost of finished goods to assess whether any adjustments are required to value stock in trade in accordance with applicable accounting and reporting standards.
---	---

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance

with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Almas.

Lahore
Date: October 04, 2018

M. Almas & Co.
Chartered Accountants

SATATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

			Re-stated	
	Note	30 June 2018	30 June 2017	01 July 2016
		-----Rupees in thousand-----		
EQUITY AND LIABILITIES				
Share capital and reserves				
Share capital	7	75,000	75,000	75,000
Revenue Reserve:				
Accumulated Loss		(7,737)	(3,781)	(772)
Capital Reserve:				
Surplus on revaluation of property, plant and equipment	8	278,914	278,914	278,914
		<u>346,177</u>	<u>350,133</u>	<u>353,142</u>
Non-current liabilities				
Liabilities against assets subject to finance lease	9	1,043	504	856
Current liabilities				
Trade and other payables	10	143,023	96,301	131,425
Unclaimed dividend		771	852	855
Mark-up accrued	11	2,906	2,603	2,206
Short term borrowings	12	221,160	211,129	164,032
Current portion of liabilities against assets subject to finance lease	9	689	352	334
		<u>368,549</u>	<u>311,237</u>	<u>298,852</u>
Contingencies and commitments	13	-	-	-
		<u>715,769</u>	<u>661,874</u>	<u>652,850</u>
ASSETS				
Non-current assets				
Property, plant and equipment	14	414,175	401,081	407,654
Intangible assets	15	-	-	-
Long term deposits	16	255	260	260
Deferred taxation	17	-	-	-
		<u>414,430</u>	<u>401,341</u>	<u>407,914</u>
Current assets				
Stores, spare parts and loose tools	18	42,919	28,730	19,234
Stock-in-trade	19	197,264	179,041	194,638
Trade debts	20	14,672	13,334	3,784
Advances	21	1,736	5,241	1,980
Trade deposits and short term prepayments	22	2,182	1,646	2,290
Other receivables	23	19,457	13,050	8,965
Advance income tax-net	24	22,502	17,601	12,870
Cash and bank balances	25	607	1,890	1,175
		<u>301,339</u>	<u>260,533</u>	<u>244,936</u>
		<u>715,769</u>	<u>661,874</u>	<u>652,850</u>

The annexed notes 1 to 47 form an integral part of these financial statements.

LAHORE
Dated: October 04, 2018

KH. IMTIAZ AHMED
Chief Executive
& Managing Director

IBRAR AHMED KH.
Director

MUHAMMAD JAVAID
Chief Financial Officer

**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	30 June 2018	30 June 2017
		-----Rupees in thousand-----	
Sales-net	26	752,297	692,372
Cost of sales	27	678,011	616,359
Gross profit		<u>74,286</u>	<u>76,013</u>
Other income	28	1,564	151
		<u>75,850</u>	<u>76,164</u>
Distribution cost	29	2,379	3,423
Administrative expenses	30	54,499	55,174
Other operating expenses	31	2,208	1,558
Finance cost	32	13,022	11,549
Profit before taxation		<u>3,742</u>	<u>4,460</u>
Taxation	33	7,698	7,469
Loss after taxation		<u>(3,956)</u>	<u>(3,009)</u>
Loss per share-basic and diluted (Rupees)	34	<u>(0.53)</u>	<u>(0.40)</u>

The annexed notes 1 to 47 form an integral part of these financial statements.

LAHORE
Dated: October 04, 2018

KH. IMTIAZ AHMED
Chief Executive
& Managing Director

IBRAR AHMED KH.
Director

MUHAMMAD JAVAID
Chief Financial Officer

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018**

	30 June 2018	30 June 2017
	-----Rupees in thousand-----	
Loss after taxation	(3,956)	(3,009)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(3,956)</u>	<u>(3,009)</u>

The annexed notes 1 to 47 form an integral part of these financial statements.

LAHORE

Dated: October 04, 2018

KH. IMTIAZ AHMED
Chief Executive
& Managing Director

IBRAR AHMED KH.
Director

MUHAMMAD JAVAID
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Share capital	Reserves		Total
		Revenue Reserve	Capital Reserve	
	Issued, subscribed and paid up share capital	Accumulated loss	Surplus on revaluation of property, plant and equipment	
-----Rupees in thousand-----				
Balance at 01 July, 2016	75,000	(772)	-	74,228
Impact of re-statement - note 6	-	-	278,914	278,914
Balance as at 01 July, 2016 re-stated	75,000	(772)	278,914	353,142
Total comprehensive loss for the year	-	(3,009)	-	(3,009)
Balance at June 30, 2017 re-stated	75,000	(3,781)	278,914	350,133
Total comprehensive loss for the year	-	(3,956)	-	(3,956)
Balance at June 30, 2018	75,000	(7,737)	278,914	346,177

The annexed notes 1 to 47 form an integral part of these financial statements.

LAHORE
Dated: October 04, 2018

KH. IMTIAZ AHMED
Chief Executive
& Managing Director

IBRAR AHMED KH.
Director

MUHAMMAD JAVAID
Chief Financial Officer

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	30 June 2018 -----Rupees in thousand-----	30 June 2017
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	35	47,085	(9,222)
Finance cost paid		(12,607)	(11,074)
Payments to provident fund		(2,587)	(2,690)
Taxes paid		(12,599)	(12,200)
Sales tax paid		(6,462)	(4,688)
Workers' Welfare Fund paid		(213)	-
Net cash generated from / (used in) operating activities		12,617	(39,874)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(25,381)	(6,171)
Proceeds from disposal of property, plant and equipment		650	-
Increase in long term deposits		5	-
Net cash used in investing activities		(24,726)	(6,171)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase / (decrease) in liabilities against assets subject to finance lease		876	(334)
Dividend paid		(81)	(3)
Proceeds from short-term financing from banking companies			
Proceeds from short-term financing from banking companies		6,023	45,247
Net increase in short term borrowings		4,008	1,850
Net cash generated from financing activities		10,826	46,760
Net (decrease) / increase in cash and cash equivalents		(1,283)	715
Cash and cash equivalents at the beginning of the year		1,890	1,175
Cash and cash equivalents at the end of the year	36	607	1,890

The annexed notes 1 to 47 form an integral part of these financial statements.

LAHORE

Dated: October 04, 2018

KH. IMTIAZ AHMED

Chief Executive
& Managing Director

IBRAR AHMED KH.

Director

MUHAMMAD JAVAID

Chief Financial Officer

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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, Shahr-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

During the year ended June 30, 2018 Company incurred a net loss of Rupees 3.956 million and, as of that date, its accumulated loss was Rupees 7.737 million and its current liabilities exceeded its current assets by Rupees 67.210 million. 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.

Due to the proposed use of energy conservation measures and future procurement of raw materials direct from the source by avoiding the middle man role, the approved financial projections, therefore, show 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 renewal of sales contracts with big customers and devaluation of Pakistan Rupee, the local as well as export sales respectively are expected to increase in future.
- Major financing arrangements with bank as at June 30, 2018 are valid for future periods as well.
- There is continued financial support of the Company's sponsors. The sponsors' of the Company have inducted Rupees 35.302 million (June 30, 2017: Rupees 31.294 million) interest free loans up to June 30, 2018. They are also committed to induct further funds, if the need arises, to address any liquidity issues for smooth operations.

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

- a) Increase in production and sales over the last year;
- b) The existence of new sales orders along with advance payments received there against; and
- c) Continuous existence of profits before taxation since July 1, 2014 to date.

These 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 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

The financial position and performance of the Company was affected by the following events and transactions during the year:

- a) Due to the first time application of the financial reporting requirements under the Companies Act, 2017 (The Act) including the disclosure and presentation requirements of the fourth schedule of the Act, some of the amounts reported for the previous period have been reclassified as detailed in notes 6 and 47.2 to these financial statements.
- b) The accounting policy relating to revaluation of property, plant and equipment changed during the year as detailed in note 6 to these financial statements.
- c) There is closing stock of work in process valuing Rs. 63.465 million as at June 30, 2018 and the Company has purchased semi-finished products Rs. 10.742 million during the year.
- d) For detailed discussion about the Company's performance please refer to the Directors' Report accompanied in the annual report of the Company for the current year.

4 BASIS OF PREPARATION

4.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) 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 provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

4.2 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 statement of cash flows, all transactions have been accounted for on accrual basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

4.3 Judgments, estimates and assumptions

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the subsequent years are discussed in the note - 37.

4.4 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.

4.5 New and amended standards and interpretations

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

- (a) The fourth schedule to the Companies Act, 2017 (The Act) became applicable to the Company for the first time for the preparation of these financial statements. The Act (including its fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst other, prescribes the nature and content of disclosures in relation to various elements of the financial statements.

The Act has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company. These changes include change in nomenclature of primary financial statements. Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirements; and
- incorporation of significant additional disclosures.
- Specific additional disclosures and changes to the existing disclosures as a result of this change are stated in notes 3, 4.1, 5.1, 6, 8.2, 10, 14.5, 14.6, 14.7, 20, 33.3, 41, 43, and 45.

- (b) The Company has adopted the following accounting standards during the current year:
- IAS 7 Statement of Cash Flows – Disclosure initiative (Amendment)
 - IAS 12 Income Taxes – Recognition of Deferred Tax Asset for Unrealized Losses (Amendment)

The adoption of IAS 7 amendment has resulted into certain disclosure requirements as detailed in note 35.1 to these financial statements while amendment of IAS 12 did not have any effect on the financial statements.

4.5.2 New and amended standards and interpretations that are not yet effective and have not been early adopted by the Company

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

Standards or interpretation:	Effective date (accounting periods beginning on or after)
IAS 19 Employee benefits (Amendments)	January 1, 2019
IAS 28 Investment in Associates and Joint Ventures (Amendments)	January 1, 2019
IAS 40 Investment property (Amendments)	January 1, 2018
IFRS 2 Share-based Payment (Amendments)	January 1, 2018
IFRS 4 Insurance contracts (Amendments)	January 1, 2018
IFRS 9 Financial Instruments	July 1, 2018
IFRS 15 Revenue from Contracts with Customers	July 1, 2018
IFRS 16 Leases	January 1, 2019
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23 Uncertainty Over Income Tax	January 1, 2019

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentation/disclosures. The management is in the process of assessing the impact of changes laid down by the IFRS 9, 15 and 16 on its financial statements.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements except for change in accounting policy as mentioned in note 6 to these financial statements.

5.1 Property, plant and equipment

Recognition and measurement

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

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

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

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

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognised in the statement of profit or loss, the increase is first recognised in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus on property, plant and equipment to unappropriated profit.

Capital work-in-progress

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

Depreciation

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

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

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

De-recognition

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

5.2 Intangible assets

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

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

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

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

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

5.3 Stores, spare parts and loose tools

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

5.4 Stock-in-trade

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

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

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

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

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

5.5 Financial instruments

Recognition

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

De-recognition

Financial assets are de-recognized 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 statement of financial position 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.

5.6 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.

5.7 Leased assets

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

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

5.8 Employee benefits

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

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

5.9 Trade and other payables

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

5.10 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.

5.11 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

5.12 Borrowing costs

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

5.13 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.

5.14 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.

5.15 Cash and cash equivalents

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

5.16 Foreign currency transactions

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

5.17 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the statement of profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after impairment loss was recognized.

Non-Financial Assets

The carrying amounts of the non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss. An impairment loss is recognized in statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. Value-in-use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

5.18 Provisions

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

5.19 Dividend to shareholders

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

5.20 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment, however, certain information, as required by the approved accounting standards, is presented in note 40 to these financial statements.

6 CHANGE IN ACCOUNTING POLICY

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS) 16, Property, Plant and Equipment, surplus on revaluation of fixed assets would now be presented under equity.

Following the application of IAS 16, the Company's accounting policy for surplus on revaluation of land and building stands amended as follows:

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognised in the statement of profit or loss, the increase is first recognised in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus on property, plant and equipment to unappropriated profit.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarised below:

	<u>As at June 30, 2017</u>			<u>As at July 01, 2016</u>		
	As previously reported	As re-stated	Re-statement	As previously reported	As re-stated	Re-statement
.....Rupees in thousand.....						
Effect on statement of financial position						
Surplus on revaluation of property, plant and equipment	278,914	-	(278,914)	278,914	-	(278,914)
Share capital and reserves	-	278,914	278,914	-	278,914	278,914
Effect on statement of changes in equity						
Revaluation surplus on property, plant and equipment	-	278,914	278,914		278,914	278,914
Effect on statement of comprehensive income						
				<u>For the year ended June 30, 2017</u>		
				As previously reported	As re-stated	Re-statement
.....Rupees in thousand.....						
Gain on revaluation of land				-	-	-

There was no impact on Cash Flow and Other Comprehensive Income as a result of the retrospective application of change in accounting policy.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

7	SHARE CAPITAL	30 June 2018	30 June 2017
		-----Rupees in thousand-----	
	Authorised share capital		
	10,000,000 (June 30, 2017: 10,000,000) ordinary shares of Rupees 10 each	<u>100,000</u>	<u>100,000</u>
	Issued, subscribed and paid up share capital		
	7,500,000 (June 30, 2017: 7,500,000) ordinary shares of Rupees 10 each issued as fully paid in cash	<u>75,000</u>	<u>75,000</u>
		<u>75,000</u>	<u>75,000</u>
7.1	Ordinary shares of the Company held by associated undertaking as at year end are as follows:		
		30 June 2018	30 June 2017
		(Number of shares)	
	INA Securities (Private) Limited	<u>370,000</u>	<u>370,000</u>
		<u>370,000</u>	<u>370,000</u>
	There is common directorship between the companies.		
8	SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	30 June 2018	30 June 2017
		-----Rupees in thousand-----	
	Revaluation surplus -note- 8.1	<u>278,914</u>	<u>278,914</u>
8.1	Revaluation surplus		
	Revaluation surplus relating to revaluation carried out at June 30, 1990	8,873	8,873
	Revaluation surplus relating to revaluation carried out at June 09, 2008	69,325	69,325
	Revaluation surplus relating to revaluation carried out at April 05, 2012	85,936	85,936
	Revaluation surplus relating to revaluation carried out at April 26, 2016	<u>114,780</u>	<u>114,780</u>
		<u>278,914</u>	<u>278,914</u>
8.2	The Company had revalued its freehold land on June 30, 1990, June 09, 2008, April 05, 2012 and April 26, 2016. The revaluation was carried out by independent valuers Mr. Anwar ul Haq in 1990 and M/S Hamid Mukhtar & Co. in 2008, 2012 and 2016 respectively to replace the carrying amount of land with local market values. The following aggregated net appraisal surplus arisen on the revaluation on June 30, 1990, June 09, 2008, April 05, 2012 and April 26, 2016 was credited to surplus on revaluation of property, plant and equipment.		
		Book value	Re-valued amount
		Surplus on re-valuation	
		-----Rupees in thousand-----	
	Freehold land	<u>7,826</u>	<u>286,740</u>
		<u>7,826</u>	<u>286,740</u>
8.3	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.		
9	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	30 June 2018	30 June 2017
		-----Rupees in thousand-----	
	Present value of minimum lease payments	1,732	856
	Less: current portion presented under current liabilities -note- 9.2	<u>689</u>	<u>352</u>
		<u>1,043</u>	<u>504</u>
9.1	This represents two vehicles acquired under finance lease arrangement. The value of the minimum lease payments has been discounted at implicit mark up rates of 3 months KIBOR plus 1.50 % (June 30, 2017: 3 months KIBOR plus 1.50 %) to arrive at their present value. Lease rentals are payable monthly over tenure of the lease which is five years. Under the terms of the agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The Company has the option to purchase these assets at the end of the lease term by adjusting the deposits Rupees 0.259 million and 0.254 million respectively (June 30, 2017: Rupees 0.259 million and nil) and intends to exercise the option. These are secured against the above deposit, title of ownership of leased assets.		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

9.2 Future minimum payments and their present values are regrouped as under:

----- Rupees in thousand -----				
2018		2017		
Over one year	more than one year but less than five years	Over one year	more than one year but less than five years	
Total minimum lease payments	774	1,190	395	523
Less : Finance charges	(85)	(147)	(43)	(19)
Present value of minimum lease payments	689	1,043	352	504

10 TRADE AND OTHER PAYABLES

30 June 2018 30 June 2017
-----Rupees in thousand-----

Creditors		97,523	71,868
Accrued liabilities		20,961	12,768
Advances from customers - unsecured		21,942	9,345
Payable to provident fund	-note- 43	704	583
Income tax withheld payable		25	50
Workers' Profit Participation Fund	-note- 10.1	1,392	1,074
Workers' Welfare Fund		476	613
		143,023	96,301

10.1 Workers' Profit Participation Fund (WPPF)

30 June 2018 30 June 2017
-----Rupees in thousand-----

Balance at beginning of the year		1,074	751
Interest on funds utilized in Company's business	-note- 32	111	78
Allocation / expenses for the year	-note- 31	207	245
		1,392	1,074
Less: paid to the fund during the year		-	-
		1,392	1,074

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

11 MARK-UP ACCRUED

30 June 2018 30 June 2017
-----Rupees in thousand-----

On borrowings from banking companies-secured

Liabilities against assets subject to finance lease		5	4
Short term borrowings		2,901	2,599
		2,906	2,603

12 SHORT TERM BORROWINGS

From banking companies-secured

Finance against packing credit (FAPC-1)			
Bank Al-Habib Limited	-note- 12.1, 12.6	-	21,908
Short term finance (STF)			
Bank Al-Habib Limited	-note- 12.1, 12.6	18,054	-
Short Term Finance against payables			
Bank Al-Habib Limited	-note- 12.2, 12.6	15,000	-
Short Term Finance against IBP receivables			
Bank Al-Habib Limited	-note- 12.3, 12.6	10,000	-
Running finance			
Bank Al-Habib Limited	-note- 12.4, 12.6	110,586	127,201
Summit Bank Limited	-note- 12.5, 12.7	32,218	30,726
		185,858	179,835

From related parties-unsecured

Loans from directors / ex-director / share holder	-note- 12.10	35,302	31,294
		221,160	211,129

12.1 The bank has granted a one-off Short Term Finance (STF) facility of Rupees 25 million for the adjustment of outstanding balance of FAPC-1. The said STF is to be repaid in 12 months commencing October 2017 in equal monthly instalments to be reckoned from the respective adjustment/roll over period of 180 days of FAPC-1. STF carries mark-up at three months KIBOR plus 1.75% per annum payable quarterly. (June 30, 2017 Rupees: nil).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

- 12.2** The short term finance facility having sanctioned limit of Rupees 25 million (June 30, 2017: Rupees nil) 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, 2017: nil) per annum payable quarterly. The principle amount is to be repaid in 60 days through business cash flows. Till the adjustment of FAPC-I this facility is allowed upto Rupees 15 million only. The facility is valid till February 07, 2021 with credit review on annual basis.
- 12.3** The IBP receivable finance facility having sanctioned limit of Rupees 25 million (June 30, 2017: Rupees nil) 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, 2017: nil) 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. Till the adjustment of FAPC-I this facility is allowed upto Rupees 10 million only. The facility is valid till February 07, 2021 with credit review on annual basis.
- 12.4** The running finance facility having sanctioned limit of Rupees 85 million (June 30, 2017: Rupees 70 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, 2017: 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 June 30, 2018. The facility is valid till February 07, 2021 with credit review on annual basis.
- 12.5** The running finance facility having sanctioned limit of Rupees 30 million (June 30, 2017: 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, 2017: three months KIBOR plus 2.25%) per annum payable quarterly. The sanctioned limit has temporarily been exceeded due to issuance of cheques which will be presented after June 30, 2018. The facility is valid till September 30, 2018 and is renewable.
- 12.6** The facilities mentioned in 12.1, 12.2, 12.3 and 12.4 are commonly secured against first charge of Rupees 180 million (June 2017: Rupees 180 million) over current assets of the Company registered with SECP. Equitable mortgage supported by first charge on fixed assets of Rupees 174 million (June 30, 2017: Rupees 174 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, 2017: Rupees 155 million). The running finance facility at note 12.4 in addition to securities aforesaid is also secured against pro note amounting to Rs. 144.5 million (June 2017 : Rupees 84 million).
- 12.7** The facility mentioned in 12.5 is commonly secured against ranking charge of Rupees 40 million (June 30, 2017: 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).
- 12.8** As at June 30, 2018 the Company has facilities from Bank Al-Habib Limited relating to import letters of credit (sight/usance) amounting to Rupees 5 million (June 30, 2017: Rupees 5 million). Additionally, Company has letter of guarantee facility amounting to Rupees 15 million (June 30, 2017: Rupees 15 million) from Bank Al-Habib Limited.
- 12.9** The net aggregate short term borrowing facilities unavailed at end of June 30, 2018 amount to Rupees 6.94 million (June 30, 2017: Rupees 13.09 million) and for letters of credit and bank guarantees amount to Rupees 8.744 million (June 30, 2017: Rupees 8.744 million).
- 12.10** Loans from Chief Executive and ex-director / shareholder are for working capital requirements and are re-payable on demand and non-interest bearing.

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

- 13.1.1** The Pakistan Environmental Protection Agency has filed a complaint against the Company before the Environmental Protection Tribunal on account of Company's failure to properly dispose effluent water discharge during the production. The agency regards this to be a criminal offence. The Company has filed a writ petition against the Agency's claim before the Honourable Lahore High Court ("LHC"). The Company has not recognized any liability in this regard since it awaits the decision of LHC which is pending. The maximum fine in case of conviction, if any, cannot be expected to exceed Rupees 400,000 (June 30, 2017: Rupees 400,000).

- 13.1.2** Guarantees issued by bank on behalf of Company as at June 30, 2018 amounting to Rupees 11.256 million (June 30, 2017: Rupees 11.256 million).

13.2 Commitments

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

	2018	2017
	-----Rupees in thousand-----	
Not later than one year	<u>2,143</u>	<u>1,864</u>
Later than one year but not later than five years	<u>-</u>	<u>2,143</u>

14 PROPERTY, PLANT AND EQUIPMENT

30 June 2018	30 June 2017
404,129	397,060
10,046	4,021
414,175	401,081

14.1 Operating fixed assets - for the year ended June 30, 2018

PARTICULARS	COST/REVALUED AMOUNT					DEPRECIATION					Net book value as at 30 June 2018	
	As at 01 July 2017	Additions / Revaluation	Disposals	Transfers	As at 30 June 2018	Annual rates	As at 01 July 2017	Disposals	Transfers	For the year		As at 30 June 2018
-----Rupees in thousand-----												
Assets owned by the Company												
Tangible Assets												
Free hold land	286,740	-	-	-	286,740	-	-	-	-	-	286,740	
Factory building - on free hold land	90,229	-	-	-	90,229	10%	53,760	-	-	3,647	57,407	
Office building - on free hold land	817	-	-	-	817	5%	711	-	-	5	716	
Plant and machinery	228,510	17,262	-	-	245,772	10%	172,529	-	-	6,232	178,761	
Electric installation and equipment	26,598	785	-	-	27,383	10%	16,687	-	-	1,050	17,737	
Fire fighting equipment	78	-	-	-	78	10%	46	-	-	3	49	
Service and other equipment	580	-	-	-	580	10%	536	-	-	5	541	
Office equipment	6,145	-	-	-	6,145	10%	3,861	-	-	228	4,089	
Laboratory equipment	3,958	-	-	-	3,958	10%	3,269	-	-	69	3,338	
Permanent and special equipment	261	-	-	-	261	10%	245	-	-	2	247	
Furniture, fixtures and fittings	1,529	-	-	-	1,529	10%	1,012	-	-	52	1,064	
Vehicles	15,262	-	790	-	14,472	20%	12,093	661	-	615	12,047	
Railway siding	417	-	-	-	417	10%	409	-	-	1	410	
Cycles and scooters	77	-	-	-	77	20%	62	-	-	3	65	
Arms and ammunition	141	-	-	-	141	10%	48	-	-	9	57	
Furnace	197	-	-	-	197	10%	162	-	-	3	165	
30 June 2018	661,539	18,047	790	-	678,796		285,430	661	-	11,924	276,693	
Assets subject to finance lease											402,103	
Vehicle	1,297	1,309	-	-	2,606	20%	346	-	-	234	580	
30 June 2018	662,836	19,356	790	-	681,402		285,776	661	-	12,158	277,273	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

14.2 Operating fixed assets - for the year ended June 30, 2017

PARTICULARS	COST/REVALUED AMOUNT				DEPRECIATION				Net book value as at 30 June 2017			
	As at 01 July 2016	Additions/ Revaluation	Disposals	Transfers	As at 30 June 2017	Annual rates	As at 01 July 2016	Disposals		Transfers	For the year	As at 30 June 2017
Rupees in thousand												
Assets owned by the Company												
Tangible Assets												
Free hold land	286,740	-	-	-	286,740	-	-	-	-	-	-	286,740
Factory building - on free hold land	90,229	-	-	-	90,229	10%	49,708	-	-	4,052	53,760	36,469
Office building - on free hold land	817	-	-	-	817	5%	705	-	-	6	711	106
Plant and machinery	226,649	1,861	-	-	228,510	10%	166,368	-	-	6,161	172,529	55,981
Electric instalation and equipment	26,598	-	-	-	26,598	10%	15,586	-	-	1,101	16,687	9,911
Fire fighting equipment	78	-	-	-	78	10%	42	-	-	4	46	32
Service and other equipment	580	-	-	-	580	10%	531	-	-	5	536	44
Office equipment	5,992	153	-	-	6,145	10%	3,621	-	-	240	3,861	2,284
Laboratory equipment	3,958	-	-	-	3,958	10%	3,192	-	-	77	3,269	689
Permanent and special equipment	261	-	-	-	261	10%	243	-	-	2	245	16
Furniture, fixtures and fittings	1,529	-	-	-	1,529	10%	955	-	-	57	1,012	517
Vehicles	15,126	136	-	-	15,262	20%	11,310	-	-	783	12,093	3,169
Railway siding	417	-	-	-	417	10%	408	-	-	1	409	8
Cycles and scooters	77	-	-	-	77	20%	59	-	-	3	62	15
Arms and ammunition	141	-	-	-	141	10%	38	-	-	10	48	93
Furnace	197	-	-	-	197	10%	158	-	-	4	162	35
30 June 2017	659,389	2,150	-	-	661,539		252,924	-	-	12,506	265,430	396,109
Assets subject to finance lease												
Vehicle	1,297	-	-	-	1,297	20%	108	-	-	238	346	951
30 June 2017	660,686	2,150	-	-	662,836		253,032	-	-	12,744	265,776	397,060

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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

	30 June 2018	30 June 2017
	-----Rupees in thousand-----	
Cost of sales		11,403
Administrative expenses	-note- 27.3	11,403
	-note- 30	11,403
	11,009	11,403
	12,138	12,744
	<u>12,138</u>	<u>12,744</u>

14.4 The Company has revalued its freehold land on June 30, 1990, June 9, 2008, April 05, 2012 and April 26, 2016. The revaluation was carried out by independent valuers Mr. Anwar ul Haq in 1990 and MIS Hamid Mukhtar & Co. in 2008, 2012 and 2016 respectively to replace the carrying amount of land with local market values. The following surplus after the revaluation on June 30, 1990, June 09, 2008, April 05, 2012 and April 26, 2016 was credited to surplus on revaluation of property, plant and equipment. The revaluation has resulted in aggregate increase in value of freehold land by Rupees 278.914 million (June 30, 2017: Rupees 278.914 million) which is included in book value of freehold land.

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

Cost	Accumulated depreciation	Net book value as at June 30, 2018
		-----Rupees in thousand-----
	7,826	7,826

Freehold land

14.5 Forced Sale Value of the Freehold land based on valuation conducted on April 26, 2016 was Rs. 223,392,000.

14.6 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

Location	Usage of immovable property	Total Area (In acres)	Covered Area (In sq.ft)
19 Kilometer, Shahr-e-Pakistan, Kala Shah Kaku, District Sheikhupura	Manufacturing facility	14.337	159,391

Cost	Accumulated Depreciation	Net book value	Sale proceeds	Gain / (Loss)	Mode of disposals	Particulars of buyers
-----Rupees in thousand-----						
790	661	129	650	621	Insurance Claim	IGI Insurance

Vehicles
Suzuki cultus VXR # LED-06-6309

14.8 Capital work in progress

	30 June 2018	30 June 2017
	-----Rupees in thousand-----	
As at 01 July		-
Additions	21,092	21,092
Transfer to operating fixed assets	25,113	25,113
As at 30 June	(15,067)	(15,067)
	10,046	10,046
	<u>10,046</u>	<u>10,046</u>

15 INTANGIBLE ASSETS

PARTICULAR	COST		AMORTISATION		Net book value as at 30 June 2018	Annual Rate
	As at 01 July 2017	Additions / (Deductions)	As at 30 June 2018	For the year		
	Rupees in thousand					
Computer software	70	-	70	-	70	20%
30 June 2018	70	-	70	-	70	-
30 June 2017	70	-	70	-	70	-

15.1 The intangible asset has been fully amortized.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

16	LONG TERM DEPOSITS	30 June 2018	30 June 2017
		-----Rupees in thousand-----	
	Security deposits:		
	Against asset subject to finance lease	513	259
	Others	1	1
		<u>514</u>	<u>260</u>
	Less:		
	Current portion shown under current assets	259	-
		<u>255</u>	<u>260</u>

-note- 22

17	DEFERRED TAXATION	30 June 2018	30 June 2017
	Deferred tax on temporary differences comprises of:		
	Taxable temporary differences		
	Accelerated tax depreciation	14,206	15,252
	Assets held under finance lease	510	258
		<u>14,716</u>	<u>15,510</u>
	Deductible temporary differences		
	Unused tax losses	-	2,420
	Minimum tax credits	14,280	12,857
	Liabilities against assets subject to finance lease	436	233
		<u>-</u>	<u>-</u>

Deferred tax asset amounting to Rs. 1.844 million (June 2017 : Rs. 11.377 million) due to minimum tax credits have not been recognized as at Jun 30, 2018 as sufficient future taxable profits may not be available against which the said tax credits can be utilized.

18	STORES, SPARE PARTS AND LOOSE TOOLS	30 June 2018	30 June 2017
		-----Rupees in thousand-----	
	Stores, spare parts and loose tools	41,926	27,830
	Packing material	993	900
		<u>42,919</u>	<u>28,730</u>

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

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

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

19	STOCK-IN-TRADE	30 June 2018	30 June 2017
		-----Rupees in thousand-----	
	Raw material	111,519	89,491
	Work in process	63,465	-
	Finished goods:		
	Gelatine	22,139	89,262
	By- product Di-calcium Phosphate (DCP)	141	288
		<u>22,280</u>	<u>89,550</u>
		<u>197,264</u>	<u>179,041</u>

-note- 19.1

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

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

20	TRADE DEBTS	30 June 2018	30 June 2017
	Considered good:		
	Unsecured - local	1,998	7,508
	- foreign	12,674	5,826
		<u>14,672</u>	<u>13,334</u>

The following is the detail of trade debts in relation to export sales made to them during the year:

<u>Jurisdiction</u>	<u>Category</u>	30 June 2018	30 June 2017
		-----Rupees in thousand-----	
Malaysia	Documents Against Payment	12,674	5,826
		<u>12,674</u>	<u>5,826</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

		30 June 2018	30 June 2017
		-----Rupees in thousand-----	
21	ADVANCES		
	<i>Considered good:</i>		
	Advances:		
	To staff - secured	-note- 21.1	1,363
	To suppliers - unsecured		1,501
		373	3,740
		1,736	5,241
21.1	These are amounts advanced to staff against future salaries and retirement benefits and are in accordance with Company policy and are interest free. None of the advances related to executives and directors.		
22	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS	30 June 2018	30 June 2017
		-----Rupees in thousand-----	
	Current portion of long term deposits	-note- 16	259
	Prepayments		-
		1,923	1,646
		2,182	1,646
23	OTHER RECEIVABLES		
	Sales tax refundable	-note- 23.1 & 23.2	19,292
	Other receivables - unsecured, considered good		12,830
		165	220
		19,457	13,050
23.1	This represents excess of input tax on purchases over sales tax payable.		
23.2	The show cause notices covering the periods from July 2011 to November 2015 intending to create aggregate sales tax demand of Rs. 192.408 million (as mentioned in note 11.1.2 of the financial statements of the Company for the year ended June 30, 2017) have been withdrawn and vacated in favour of the Company during the current year.		
24	ADVANCE INCOME TAX-NET		
	Advance income tax	30,200	25,070
	Less: Adjustment for provision for taxation	-note- 33	(7,698)
	Advance income tax at the end of the year	22,502	17,601
25	CASH AND BANK BALANCES		
	With banks:		
	on current accounts:		
	Local currency	81	1,743
	Cash in hand	526	147
		607	1,890

The above current accounts are maintained with commercial banks under conventional banking arrangements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

26 SALES - NET

		30 June 2018	30 June 2017
		-----Rupees in thousand-----	
Export sales	-note- 26.1	48,327	47,748
Local sales	-note- 26.2	703,970	644,624
		752,297	692,372
26.1 Export sales			
Gelatine		48,327	47,748
		48,327	47,748
26.2 Local sales			
Gelatine		573,336	519,526
Di-Calcium Phosphate, by-product		199,820	186,747
		773,156	706,273
Less: sales tax		69,186	61,649
		703,970	644,624

27 COST OF SALES

Raw material consumed	-note- 27.1	371,208	290,064
Semi - finished product purchased		10,742	-
Stores, spare parts and loose tools consumed		15,921	17,066
Packing material consumed		4,596	5,829
Salaries, wages and benefits	-note- 27.2	70,173	63,344
Fuel and power		146,133	134,738
Factory overheads	-note- 27.3	55,433	53,096
		674,206	564,137
Add: opening work in process		-	-
Less: closing work in process		63,465	-
		(63,465)	-
Cost of goods manufactured		610,741	564,137
Add: opening stock of finished goods		89,550	141,772
Less: closing stock of finished goods		22,280	89,550
		67,270	52,222
		678,011	616,359

27.1 Raw material consumed

Opening stock		89,491	52,866
Purchases		393,236	326,689
		482,727	379,555
Less: closing stock		111,519	89,491
		371,208	290,064

27.2 Salaries, wages and benefits include employer's contribution to recognised provident fund amounting to Rupees 1,705,325 (June 30, 2017: Rupees 1,545,780).

27.3 Factory overheads

		30 June 2018	30 June 2017
		-----Rupees in thousand-----	
Indirect labour wages		17,387	17,792
Insurance		2,673	2,415
Medical expenses		764	804
Repair and maintenance		6,072	6,770
Depreciation	-note- 14.3	11,009	11,403
Loading and unloading		2,911	3,115
Apportionment of sales tax	-note- 27.4	12,191	10,415
Miscellaneous expenses		2,426	382
		55,433	53,096

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

28 OTHER INCOME

30 June 2018 30 June 2017
-----Rupees in thousand-----

Income from financial assets:

Foreign exchange gain	1,043	150
-----------------------	-------	-----

Income from non-financial assets:

Gain on disposal of fixed asset	521	-
Miscellaneous income	-	1
	<u>1,564</u>	<u>151</u>

29 DISTRIBUTION COST

Shipping expenses	655	1,248
Commission on exports	309	418
Other expenses	1,415	1,757
	<u>2,379</u>	<u>3,423</u>

30 ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	-note- 30.1	29,280	30,597
Insurance		1,343	1,191
Vehicle running and maintenance		8,015	7,296
Rent, rates and taxes		2,967	2,396
Travelling and conveyance		2,257	560
Legal and professional charges		289	479
Printing and stationery		470	460
Fees and subscription		1,441	4,157
Telephone and postage		1,087	876
Repair and maintenance		293	550
Auditors' remuneration	-note- 30.2	602	483
Entertainment		956	799
Ijara lease rentals		-	54
Utilities		577	457
Depreciation	-note- 14.3	1,149	1,341
Amortisation	-note- 15	-	-
Security expenses		2,687	1,953
Miscellaneous expenses		1,086	1,525
		<u>54,499</u>	<u>55,174</u>

30.1 Salaries, wages and benefits include employer's contribution to recognised provident fund amounting to Rupees 1,002,901 (June 30, 2017: Rupees 939,307).

30.2 Auditors' remuneration

30 June 2018 30 June 2017
-----Rupees in thousand-----

Audit fee	400	360
Fee for half yearly limited review of Financial information	100	75
Special reports and certifications	50	-
Out of pocket expenses	52	48
	<u>602</u>	<u>483</u>

31 OTHER OPERATING EXPENSES

Workers' Profit Participation Fund	-note- 10.1	207	245
Workers' Welfare Fund	-note- 31.1	76	119
Donations	-note- 31.2	260	20
Penalty from State Bank of Pakistan on export		1,665	1,099
Sales tax penalty		-	75
		<u>2,208</u>	<u>1,558</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

32 FINANCE COST

30 June 2018 30 June 2017
-----Rupees in thousand-----

Mark-up / interest on:		
Short term borrowings	12,293	10,491
Liabilities against assets subject to finance lease	62	60
Workers' Profit Participation Fund	111	78
Bank charges and commission	556	920
	<u>13,022</u>	<u>11,549</u>

-note- 10.1

33 TAXATION

Current-for the year	7,410	6,867
-for prior years	288	602
	<u>7,698</u>	<u>7,469</u>
Deferred - current year	1,286	315
- effect of change in tax rate	(1,286)	(315)
	<u>-</u>	<u>-</u>
	<u>7,698</u>	<u>7,469</u>

33.1 The provision for current taxation has been made on minimum tax under Section 113 and Section 154 of Income Tax Ordinance, 2001. Therefore, a numeric tax rate reconciliation has not been included in these financial statements.

33.2 The Income Tax assessments of the Company are complete upto tax year 2017, as deemed assessments in terms of Section 120(1) of the Income Tax Ordinance, 2001 (The Ordinance) as per income tax returns of the Company. During the year the assessment for the tax year 2014 has been completed resulting into net tax demand of Rs. 288,513. The said case had been selected for total audit under section 214C of the Ordinance.

33.3 The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purpose of taxation is available which can be analysed as follows:

Tax Year	Provision for taxation	Tax assessed / Deemed assessments	Excess / (deficit)
-----Rupees in thousand-----			
2017	6,867	6,867	-
2016	7,369	7,369	-
2015	6,947	6,927	20

33.4 Finance Act 2018 enacted gradual reduction in the corporate tax rate for Companies from 30% to 25% over a period of five 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.

34 LOSS PER SHARE - BASIC AND DILUTED

30 June 2018 30 June 2017
-----Rupees in thousand-----

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

Loss after taxation attributable to ordinary shareholders of the Company	(3,956)	(3,009)
Weighted average number of ordinary shares outstanding during the year	No. of shares	
	7,500	7,500
Loss per share	Rupees	
	(0.53)	(0.40)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

35 CASH GENERATED FROM OPERATIONS

30 June 2018 30 June 2017
-----Rupees in thousand-----

Profit before taxation	3,742	4,460
Adjustments for:		
Depreciation	12,158	12,744
Amortisation	-	-
Provision for employee retirement benefits	2,708	2,485
Finance cost	13,022	11,549
Provision for Workers' Profit Participation Fund	207	245
Provision for Workers' Welfare Fund	76	119
Gain on disposal of property, plant and equipment	(521)	-
	<u>27,650</u>	<u>27,142</u>
Operating profit before changes in working capital	31,392	31,602
Changes in working capital		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(14,189)	(9,496)
Stock-in-trade	(18,223)	15,597
Trade debts	(1,338)	(9,550)
Advances	3,505	(3,261)
Trade deposits and short term prepayments	(536)	644
Other receivables	55	603
Increase / (decrease) in current liabilities:		
Trade and other payables	<u>46,419</u>	<u>(35,361)</u>
	<u>47,085</u>	<u>(9,222)</u>

35.1 Reconciliation of movement of liabilities to cashflows arising from financing activities

	June 30, 2017	Net (decrease) / Increase	June 30, 2018
From banking companies-secured			
Running Finance			
Bank-al-Habib Limited	127,201	(16,615)	110,586
Summit Bank Limited	<u>30,726</u>	<u>1,492</u>	<u>32,218</u>
	157,927	(15,123)	142,804
Finance against packing credit (FAPC-1)			
Bank-al-Habib Limited	21,908	(21,908)	-
Short term finance (STF)			
Bank-al-Habib Limited	<u>-</u>	<u>18,054</u>	<u>18,054</u>
	21,908	(3,854)	18,054
Short Term Finance against payables			
Bank-al-Habib Limited	-	15,000	15,000
Short Term Finance against IBP receivables			
Bank-al-Habib Limited	<u>-</u>	<u>10,000</u>	<u>10,000</u>
	-	25,000	25,000
From related parties-unsecured			
Loans from director / ex-director / shareholder	31,294	4,008	35,302
	<u>211,129</u>	<u>10,031</u>	<u>221,160</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

36 CASH AND CASH EQUIVALENTS

		30 June 2018	30 June 2017
		-----Rupees in thousand-----	
Cash and bank balances	-note- 25	<u>607</u>	<u>1,890</u>

37 JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

37.1 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.

37.2 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.

37.3 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.

37.4 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.

37.5 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, 2018**

38 FINANCIAL RISK MANAGEMENT

38.1 Financial instruments

30 June 2018 30 June 2017
-----Rupees in thousand-----

The following are financial instruments by category:

Non - derivative financial assets

Loans and receivables

Security deposits	1	1
Trade debts	14,672	13,334
Advances	1,363	1,501
Other receivables	165	220
Cash and bank balances	607	1,890
	<u>16,808</u>	<u>16,946</u>

Non - derivative financial liabilities

Financial liabilities at amortized cost

Liabilities against assets subject to finance lease	1,732	856
Short term borrowings	221,160	211,129
Mark-up accrued	2,906	2,603
Trade and other payables	118,509	84,686
Unclaimed dividend	771	852
	<u>345,078</u>	<u>300,126</u>

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

38.2 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 reporting date is as under:

30 June 2018 30 June 2017
-----Rupees in thousand-----

Security deposits	1	1
Trade debts	14,672	13,334
Advances	1,363	1,501
Other receivables	165	220
Bank balances	81	1,743
	<u>16,282</u>	<u>16,799</u>

The maximum exposure to credit risk for trade debts amounting to Rupees 14.672 million (June 30, 2017: Rupees 13.334 million) at the reporting date by geographic region is as under:

30 June 2018 30 June 2017
-----Rupees in thousand-----

Domestic	1,998	7,508
Export	12,674	5,826
	<u>14,672</u>	<u>13,334</u>

The export debtor of the Company is situated in Malaysia.

The maximum exposure to credit risk for trade debts amounting to Rupees 14.672 million (June 30, 2017: Rupees 13.334 million) at the reporting date by type of customer is as under:

30 June 2018 30 June 2017
-----Rupees in thousand-----

Whole seller / distributor	-	-
End user customers	14,672	13,334
	<u>14,672</u>	<u>13,334</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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

	30 June 2018	30 June 2017
	-----Rupees in thousand-----	
Not past due	12,714	13,304
Past due 1-30 days	-	-
Past due 31-120 days	1,958	30
Past due 121-365 days	-	-
More than one year	-	-
	<u>14,672</u>	<u>13,334</u>

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

	Rating			30 June 2018	30 June 2017
	Short term	Long term	Agency	-----Rupees in thousand-----	
Banks					
National Bank of Pakistan	A1+	AAA	PACRA	3	328
Bank Alfalah Limited	A1+	AA+	PACRA	14	14
Bank Al - Habib Limited	A1+	AA+	PACRA	8	122
MCB Bank Limited	A1+	AAA	PACRA	8	8
United Bank Limited	A-1+	AAA	JCR - VIS	46	1,269
Bank Islami Pakistan Limited	A1	A+	PACRA	2	2
				<u>81</u>	<u>1,743</u>

38.3 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 financial position 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
Liabilities against assets						
subject to finance lease	1,732	1,964	323	451	1,190	-
Short term borrowings	221,160	223,651	223,651	-	-	-
Mark-up accrued	2,906	2,906	2,906	-	-	-
Trade and other payables	118,509	118,509	118,509	-	-	-
Unclaimed dividend	771	771	771	-	-	-
Rupees in thousand 2018	<u>345,078</u>	<u>347,801</u>	<u>346,160</u>	<u>451</u>	<u>1,190</u>	<u>-</u>
Liabilities against assets						
subject to finance lease	856	918	198	198	522	-
Short term borrowings	211,129	212,915	212,915	-	-	-
Mark-up accrued	2,603	2,603	2,603	-	-	-
Trade and other payables	84,686	84,686	84,686	-	-	-
Unclaimed dividend	852	852	852	-	-	-
Rupees in thousand 2017	<u>300,126</u>	<u>301,974</u>	<u>301,254</u>	<u>198</u>	<u>522</u>	<u>-</u>

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 9.1, 12.1, 12.2, 12.3, 12.4 and 12.5 to these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

38.4 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and the liquidity in the market. The Company is exposed to currency risk and interest rate risk only.

38.4.1 Currency risk

The Company is exposed to currency risk on trade debts Rupees 12.674 million (June 30, 2017: Rupees 5.826 million) and creditors Rupees 5.604 million (June 30, 2017: Rupees nil million) that are denominated in a currency other than the functional currency of the Company. The Aggregate exposure of statement of financial position to currency risk works out to be 7.07 million (June 30, 2017: Rupees 5.826 million). The currencies in which these transactions primarily are denominated are US Dollar and Euro.

Average rates		Reporting date rate	
2018	2017	2018	2017

Significant exchange rates applied during the year:

US Dollar	117.73	104.79	121.40	104.80
Euro	131.17	114.17	141.57	119.91

Sensitivity analysis

A 10 percent strengthening of the Rupee against above mentioned currencies at 30 June would have increased / decreased the loss / profit respectively for the year by Rupees 707,011 (June 30, 2017: Rupees 582,636) mainly as a result of net foreign exchange loss on translation of foreign currency trade debts and creditors. The analysis assumes that all other variables remain constant. A 10 percent weakening of the Rupee against above currencies at 30 June would have had the equal but opposite effect on the statement of profit or loss, on the basis that all other variables remain constant.

38.4.2 Interest rate risk

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

There are no fixed rate financial liabilities as at June 30, 2018 (June 30, 2017: Rupees nil). The Company does not account for any fixed rate financial liabilities at fair value through profit and loss. Therefore, changes in interest rate at reporting date would not effect statement of profit or loss.

The variable rate financial liabilities as at June 30, 2018 aggregated to Rupees 187.59 million (June 30, 2017: 180.692 million). A change of 100 basis points in interest rates at the reporting date would have (decreased) / increased the loss / profit for the year by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

	Profit & loss	
	100 bp increase	100 bp decrease
-----Rupees in thousand-----		
As at June 30, 2018		
Cash flow sensitivity - variable rate instruments	(137)	137
As at June 30, 2017		
Cash flow sensitivity - variable rate instruments	(104)	104

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

38.5 Fair value of financial assets and liabilities

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A financial Instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Company classifies fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value. Fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e., as prices), or indirectly (i.e., derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e., unadjusted) inputs.

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

38.6 Fair value measurement - non-financial assets

(i) Fair value hierarchy

Judgments and estimates are made for non-financial assets that are measured at fair value in these financial statements. To provide an indication of the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into following three levels:

		-----Rupees in thousand-----			
		Level 1	Level 2	Level 3	Total
As at June 30, 2018					
Freehold land	-	286,740	-	286,740	
As at June 30, 2017					
Freehold land	-	286,740	-	286,740	

(ii) Valuation technique used in determining level 2 fair value

The Company obtains independent valuations of its freehold land at revalued amounts every three to five years. The best evidence of fair value of freehold land is current prices in an active market for similar lands.

(iii) Valuation process

The Company engages external, independent and qualified valuers to determine the fair value as detailed in note 8.2 of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

39 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 represents total of long term financing and short term borrowings less cash and bank balances. Total capital is calculated as equity shown in statement of financial position plus net debt. There were no major changes in the Company's management during the year and the Company is not subject to externally imposed capital requirement.

	30 June 2018	30 June 2017
	-----Rupees in thousand-----	
Total borrowing	222,892	211,985
Less: Cash and bank balances	607	1,890
Net debt	222,285	210,095
Total equity	346,177	350,133
Total capital	568,462	560,228
Gearing ratio	39.10%	37.50%

40 OPERATING SEGMENTS

- 40.1** These financial statements have been prepared on the basis of a single reportable segment.
- 40.2** Sales revenue from gelatine products and di-calcium phosphate (by-product) represent 75.97% and 24.03% (June 30, 2017: 75.71% and 24.29%) of the total revenue of the Company respectively.
- 40.3** All non-current assets of the Company as at June 30, 2018 are located in Pakistan.
- 40.4** Sales to Hilal Food (Pvt) limited is around 16% (2017: 21.59%) and to Merck Pharmaceutical (Pvt) Limited is around 12.76% (2017: 15.17%) during the year ended June 30, 2018.
- 40.5** The sales percentage by geographic region is as follows:

	30 June 2018	30 June 2017
	%	%
Pakistan	93.58	93.09
Malaysia	6.40	4.61
Germany	-	2.30
Austria	0.02	-
	100.00	100.00

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

41 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors				Executives	
	30 June 2018	30 June 2017	Executive	Non-Executive	Executive	Non-Executive	30 June 2018	30 June 2017 *
	-----Rupees in thousand-----		-----Rupees in thousand-----		-----Rupees in thousand-----		-----Rupees in thousand-----	
Managerial remuneration	2,328	2,172	1,668	-	1,572	-	8,999	7,187
Contribution to provident fund	110	103	79	-	74	-	348	266
	2,438	2,275	1,747	-	1,646	-	9,347	7,453
Number of Persons	1	1	1	-	1	-	6	5

* Comparative figures have been restated to reflect changes in the definition of executive as per Companies Act, 2017.

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

41.2 No fee for attending Board meetings was paid to any of the directors.

42 TRANSACTION WITH RELATED PARTIES

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

	Nature of relation	Nature of transaction	30 June 2018	30 June 2017
			-----Rupees in thousand-----	
42.1	Key management personnel	Loan obtained from chief executive	21,818	2,070
		Loan repaid to chief executive	17,810	1,695
		Loan obtained from ex-director / shareholder	300	1,500
		Loan repaid to ex-director / shareholder	300	25
		Managerial remuneration	See note - 41	
42.2	Contribution to provident fund	Contribution to provident fund trust	2,708	2,485
42.3	The outstanding balances with above related parties are included in Trade and other payables (note 10) "Payable to Provident fund" as at June 30, 2018 Rs. 703,668 (June 30, 2017: Rs. 582,909 and Short term borrowings (note 12.10) "Short term borrowings from related parties" as at June 30, 2018 Rs. 35,302 million (June 30, 2017: Rs. 31,294 million).			
42.4	Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director.			

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

43 PROVIDENT FUND

	30 June 2018	30 June 2017
	-----Rupees in thousand-----	
Size of the fund - total assets	159,810	161,187
Percentage of investment made	72.93%	77.08%
Fair value of investments	116,549	124,251
Cost of investments made	51,377	54,368

43.1 Break up of investments in terms of amount and percentage of the size of the provident fund are as follows:

	2018		2017	
	Investments Rupees in thousand	Investment as % of size of the fund	Investments Rupees in thousand	Investment as % of size of the fund
Unit Trust Schemes	52,656	32.95%	57,386	35.60%
Mutual Funds	1,492	0.93%	1,786	1.11%
Savings Schemes of Banks	2,991	1.87%	2,727	1.69%
Bank Deposits	21,257	13.30%	24,498	15.20%
Listed Securities	38,153	23.87%	37,854	23.48%
	116,549	72.93%	124,251	77.08%

43.2 Based on the audited financial statements of the provident fund ("the Fund") as at June 30, 2018, investments in collective investment schemes and listed equity securities out of the Funds have been made in accordance with the provisions of section 218 of the Act and the conditions specified thereunder.

44 PLANT CAPACITY AND ACTUAL PRODUCTION

	30 June 2018	30 June 2017
--	--------------	--------------

Estimated plant capacity in metric tons

Gelatine (Blended / Unblended)	2,000	2,000
Di-calcium Phosphate	9,000	9,000

Actual production in metric tons

Gelatine (Blended / Unblended)	772	716
Di-calcium Phosphate	3,869	3,511

The actual production was as per market demand. Under utilization is also due to energy crisis, export of crushed bone out of Pakistan which has created difficulties in procurement of raw materials.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

45 NUMBER OF EMPLOYEES

Number of employees at June 30

Permanent
Contractual

2018 **2017**

227 223
8 8
235 231

This includes 202 (2017: 198) number of factory employees

Average number of employees during the year

Permanent
Contractual

229 229
9 9
238 238

This includes 201 (2017: 205) number of factory employees

46 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 04, 2018 by the Board of Directors of the Company.

47 GENERAL

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

47.2 Corresponding figures have been re- classified, wherever necessary, for purposes of comparison. There was, however, no material re - classification made in the financial statements, except for the following.

Reclassification from Statement of Financial Position	Reclassification to Statement of Financial Position	2017 Rupees '000'
Trade and other payables	Unclaimed Dividend	852

LAHORE
Dated: October 04, 2018

KH. IMTIAZ AHMED
Chief Executive
& Managing Director

IBRAR AHMED KH.
Director

MUHAMMAD JAVAD
Chief Financial Officer

FORM 34**PATTERN OF SHAREHOLDERS AS AT 30TH JUNE, 2018**

NO. OF SHAREHOLDERS		SHAREHOLDING		TOTAL SHARE HELD	
155	FROM	1	TO	100	7,169
234	FROM	101	TO	500	52,779
34	FROM	501	TO	1000	32,035
120	FROM	1001	TO	5000	389,896
10	FROM	5001	TO	10000	69,056
3	FROM	10001	TO	15000	32,600
1	FROM	15001	TO	20000	15,500
1	FROM	20001	TO	25000	20,800
2	FROM	25001	TO	30000	52,000
1	FROM	30001	TO	35000	30,500
3	FROM	35001	TO	40000	113,020
3	FROM	45001	TO	50000	150,000
2	FROM	50001	TO	55000	105,800
1	FROM	70001	TO	75000	74,000
2	FROM	75001	TO	80000	150,960
1	FROM	85001	TO	90000	89,500
2	FROM	105001	TO	110000	211,360
1	FROM	120001	TO	125000	124,000
1	FROM	125001	TO	130000	125,900
1	FROM	145001	TO	150000	145,390
3	FROM	155001	TO	160000	480,000
2	FROM	170001	TO	175000	340,600
1	FROM	200001	TO	205000	202,500
2	FROM	210001	TO	215000	429,200
1	FROM	270001	TO	275000	270,300
1	FROM	300001	TO	305000	304,550
1	FROM	330001	TO	335000	330,020
1	FROM	365001	TO	370000	370,000
1	FROM	415001	TO	420000	419,800
1	FROM	655001	TO	660000	657,900
1	FROM	750001	TO	755000	751,765
1	FROM	950001	TO	955000	951,100
594				7,500,000	

Categories of shareholders	No. of Shareholders	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor children	10	3,599,415	47.9922%
Associated Companies, NIT and ICP	1	370,000	4.9333%
Banks Development Financial Institutions, Non Banking Financial Institutions	1	25	0.0003%
	3	4,852	0.0647%
General Public	570	3,407,550	45.4340%
Joint Stock Companies	7	115,576	1.5410%
Pension Funds	1	2,494	0.0333%
Other Companies	1	88	0.0012%
Share holders holding 10% or more	2	1,702,865	22.7049%

**Catagories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2018**

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):			
1	INA SECURITIES (PVT) LIMITED.	370,000	4.9333%
Mutual Funds (Name Wise Detail)			
		-	-
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	KH. IMTIAZ AHMED	751,765	10.0235%
2	MRS. AYESHA AHMED	172,200	2.2960%
3	MR. IJAZ AHMED KHAWAJA	304,550	4.0607%
4	MR. UMAR RIAZ KHAWAJA	214,600	2.8613%
5	KH. IBRAR AHMED	951,100	12.6813%
6	MR. AHMED ALI RIAZ	74,000	0.9867%
7	MIAN ZIA UDDIN (CDC)	500	0.0067%
8	MRS. NAVIDA IMTIAZ W/O KH. IMTIAZ AHMED	657,900	8.7720%
9	MRS. NEELUM NAZ W/O KH. IJAZ AHMED	202,500	2.7000%
10	MRS. NAUSHEEN IBRAR W/O KH. IBRAR AHMED	270,300	3.6040%
Executives:		657,900	8.7720%
Public Sector Companies & Corporations:		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		7,346	0.0979%
Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)			
1	KH. IBRAR AHMED	951,100	12.6813%
2	KH. IMTIAZ AHMED	751,765	10.0235%
3	KH. AHMED HASSAN	749,820	9.9976%
4	MRS. NAVIDA IMTIAZ W/O KH. IMTIAZ AHMED	657,900	8.7720%

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

S. No.	NAME	SALE	PURCHASE
1	KH. AHMED HASSAN	200	

www.jamapunji.pk



سرمایہ کاری سمجھداری کے ساتھ



Be aware, Be alert, Be safe

Learn about investing at
www.jamapunji.pk

Key features:

- Licensed Entities Verification
- Scam meter*
- Jamapunji games*
- Tax credit calculator*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered

- Stock trading simulator
(based on live feed from KSE)
- Knowledge center
- Risk profiler*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

[jamapunji.pk](https://www.facebook.com/jamapunji.pk) [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices

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 26th day of October, 2018 and at any adjournment thereof.

Signed this _____ day of _____ 2018

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.



پولٹری فیڈز میں استعمال کیلئے بون میل۔ میٹ میل
اور ڈائی کیلشیم فاسفیٹ دستیاب ہیں۔



50 کلوگرام
پیکنگ کے وقت
دودھ اور گوشت میں اضافہ کی ضمانت

لائسینر پاک جیلاٹین لمیٹڈ لاہور پاکستان

لاہور آفس: جی/پوسٹال باکس-3529، 17-جی، گلبرگ-2، لاہور۔ 54660

فون نمبر: 092-42-35756953-54 فیکس نمبر: 092-42-35710604

17-G, Gulberg-2, G/Postmall Box-3529, Lahore-54660
Phones #: 92-42-35756953-54 Fax #: 92-42-35710604
Works: 19-Kilometer, Shahrah-e-Pakistan, Kala Shah Kaku,
District Sheikhupura.