

PUNJAB AGRICULTURE AND MEAT COMPANY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
June 30, 2017

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Punjab Agriculture and Meat Company** ("the Company") as at **June 30, 2017** and the related income and expenditure account, statement of comprehensive income, statement of changes in fund and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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and present the above said statements in conformity with the approved accounting standards and the requirements of the repealed Companies Ordinance, 1984.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

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

1. The Company has not transferred total assets costing Rs. 1,360,247,552 (2016: Rs. 1,360,247,552) to the Partnership firm-Punjab Mashhad Meat Complex (PMMC) as disclosed in note 16.1 to the financial statements. The company has also not accounted for this transaction as per IAS-28 (*Investments in Associates and Joint Venture*). The financial impact could not be determined in the absence of relevant information.
2. Loans from Government of Punjab as disclosed to in note 15 to the financial statements, amounting to Rs. 1,490,878,000 (2016: Rs. 1,490,878,000) is not being accounted for in accordance with the requirements of IAS-39 (*Financial Instruments: Recognition and Measurement*) which requires the same to be recorded at amortized cost as appropriate with an impact on income through profit and loss account. The financial impact could not be determined in the absence of relevant information.
3. The Company has not accounted for markup expense for the year on loans from Government of Punjab. The financial impact could not be determined in absence of relevant information.
4. An amount of Rs. 4,964,375 (2016: Rs. 4,964,375) receivable from Punjab Meat Processing Company (subsidiary Company) as disclosed in note 11 to the financial statements could not be verified, due to non-availability of audited accounts of that Company. The Company has also not prepared consolidated financial statements in compliance of section 237 of repealed Companies ordinance, 1984.

5. Provision for taxation has not been provided in current year and preceding years in contravention to note 4.8, whereas, tax liability has been admitted in income tax returns submitted to tax authorities. The financial impact could not be determined in absence of relevant information.

Except for the effect, if any, of the matters referred to in paragraph 1 to 5 above and to the extent to which it may affect the annexed financial statements, we report that;

- a) in our opinion; proper books of accounts have been kept by the Company as required by the repealed Companies Ordinance, 1984;
- b) in our opinion:
- (i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion, except for the effect, if any, of the matters referred to in paragraph 1 to 5 above and to the extent to which it may affect the annexed financial statements, and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, statement of comprehensive income, statement of changes in fund and cash flow statement together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of Company's affairs as at **June 30, 2017** and of the deficit, its comprehensive loss, cash flows and changes in fund for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980).

Emphasis of Matter

We draw attention to Note no.17 to the financial statements, which states that the company has not complied with Public Sector Entities (Corporate Governance) Rules 2013 issued by SECP. Our opinion is not modified in respect of this matter.

Date: 25 JAN 2018

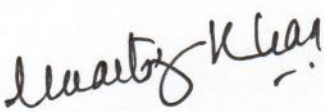
Place: Lahore

Muniff Ziauddin & Co.
CHARTERED ACCOUNTANTS
(M. ILYAS)
Engagement Partner

PUNJAB AGRICULTURE AND MEAT COMPANY**Balance Sheet****As at June 30, 2017**

	Note....	2017 Rupees	2016 Rupees
ASSETS			
Non-current Assets			
Property, plant and equipment	5	1,451,103,794	1,674,443,961
Intangible assets	6	-	10,000
Long-term prepayments	7	24,881,884	28,048,551
Long-term security deposit	8	6,960,000	6,960,000
		1,482,945,678	1,709,462,512
Current Assets			
Advances	9	1,086,189	2,447,502
Trade deposits and short-term prepayments	10	4,061,793	3,621,793
Other receivables	11	8,565,039	6,266,465
Income tax refunds due from Government		22,923,444	21,765,821
Cash and bank balances	12	54,604,465	32,410,673
		91,240,930	66,512,254
TOTAL ASSETS		1,574,186,608	1,775,974,766
FUNDS AND LIABILITIES			
Fund			
General fund		(219,305,451)	(57,124,761)
Non-current liabilities			
Deferred credits	13	-	41,254,209
Employees benefits	14	4,407,578	4,504,348
Long-term loans	15	224,557,003	343,330,670
		228,964,581	389,089,227
Current liabilities			
Trade and other payables	16	285,690,472	283,946,961
Accrued mark-up		12,516,009	12,516,009
Current portion of long term-loans	15	1,266,320,997	1,147,547,330
		1,564,527,478	1,444,010,300
TOTAL FUND AND LIABILITIES		1,574,186,608	1,775,974,766
CONTINGENCIES AND COMMITMENTS	17		

The annexed notes 1 to 27 form an integral part of these financial statements


(CHIEF EXECUTIVE OFFICER)


(DIRECTOR)

PUNJAB AGRICULTURE AND MEAT COMPANY

Income and Expenditure Account

For the year ended June 30, 2017

	Note	2017 Rupees	2016 Rupees
INCOME			
Grants income recognized	13	41,254,209	46,193,183
Slaughtering Income		146,030,720	152,960,277
Raiwind Fee		12,912,650	13,774,675
Kot Kamboh Fee		1,592,620	1,241,675
TMR Income		-	164,000
Conference participation fee		5,832,907	4,211,700
Other Income	18	1,485,898	4,055,677
		209,109,004	222,601,187
EXPENDITURE			
Project expenses	19	322,640,646	340,112,765
Administrative expenses	20	41,560,698	41,366,729
Financial charges	21	52,267	46,224
Raiwind Expenses		2,534,678	2,097,790
Kot Kamboh Expenses		3,676,086	3,629,516
TMR Expenses		742,531	1,003,514
		371,206,906	388,256,538
(Deficit) for the year before tax		(162,097,902)	(165,655,351)
Provision for taxation		-	-
(Deficit) for the year after tax		(162,097,902)	(165,655,351)

The annexed notes 1 to 28 form an integral part of these financial statements


(CHIEF EXECUTIVE OFFICER)


(DIRECTOR)

PUNJAB AGRICULTURE AND MEAT COMPANY
Statement of Comprehensive Income
For the year ended June 30, 2017

	2017	2016
	Rupees	Rupees
(Deficit) for the year after tax	(162,097,902)	(165,655,351)
Remeasurement loss on defined benefit plans	(82,788)	(712,876)
Total comprehensive loss for the year	(162,180,690)	(166,368,227)

The annexed notes 1 to 28 form an integral part of these financial statements


(CHIEF EXECUTIVE OFFICER)


(DIRECTOR)

PUNJAB AGRICULTURE AND MEAT COMPANY**Statement of Cash Flows**

For the year ended June 30, 2017

	2017	2016
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Deficit) before tax for the year	(162,097,902)	(165,655,351)
Adjustment for:		
Depreciation	224,891,135	225,592,774
Amortization	10,000	10,000
Financial charges	52,267	46,224
Provision for retirement benefits	2,660,274	2,089,669
Profit on investment and bank deposits	(1,427,898)	(680,677)
Adjustment of long term prepayments and security deposits	3,166,667	2,666,667
Gain on sale of property, plant and equipment	(58,000)	-
Amortization of deferred grants	(41,254,209)	(46,193,183)
	188,040,236	183,531,474
Cash flows before working capital changes	25,942,334	17,876,123
Effect on cash flow due to working capital changes (Increase) / decrease in current assets:		
Advances	1,361,313	(380,406)
Trade deposits and short term prepayments	(440,000)	(31,534)
Other receivables	(2,298,574)	(508,492)
	(1,377,261)	(920,432)
Increase / (decrease) in current liabilities:		
Increase in trade and other payables	1,743,511	9,739,217
Cash generated from operations	26,308,584.00	26,694,908.00
Finance cost paid	(52,267)	(46,224)
Taxation	(1,157,623)	(2,267,129)
Retirement benefits paid	(2,839,832)	(2,827,468)
	(4,049,722)	(5,140,821)
Net cash generated from operating activities	22,258,862	21,554,087
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,568,468)	(1,097,150)
Proceeds from disposal of property, plant and equipment	75,500	-
Profit on investment and bank deposits received	1,427,898	680,677
Net cash (used in) investing activities	(65,070)	(416,473)
Net increase / (decrease) in cash and cash equivalents	22,193,792	21,137,614
Cash and cash equivalents at the beginning of the year	32,410,673	11,273,059
Cash and cash equivalents at the end of the year	54,604,465	32,410,673

The annexed notes 1 to 28 form an integral part of these financial statements

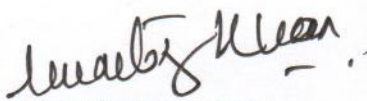

(CHIEF EXECUTIVE OFFICER)


(DIRECTOR)

PUNJAB AGRICULTURE AND MEAT COMPANY
Statement of Changes in Fund
For the year ended June 30, 2017

	General Fund
	Rupees
Balance as at 1st July 2015 (Restated)	109,243,466
Total Comprehensive loss for the year	(166,368,227)
Balance as at 30th June 2016	(57,124,761)
Total Comprehensive loss for the year	(162,180,690)
Balance as at 30th June 2017	(219,305,451)

The annexed notes 1 to 28 form an integral part of these financial statements


(CHIEF EXECUTIVE OFFICER)


(DIRECTOR)

PUNJAB AGRICULTURE AND MEAT COMPANY

Notes to the Financial Statements

For the year ended June 30, 2017

1 COMPANY AND ITS OPERATIONS

1.1 Punjab Agriculture and Meat Company (formerly Lahore Meat Company) here in and after referred to as "the Company", was incorporated as a guarantee limited under section 42 of the repealed Companies Ordinance, 1984 (Now Companies Act, 2017) as a not for profit organization with registrar joint stock companies city district Government, Lahore. The goal of the company is to formalize meat industry and agriculture industry by interventions at every tier that is production, processing, distribution and marketing, complying with all requisites of international quality standards for human consumption. The registered office of the Company is located at 18 Km Multan road, Lahore.

The Company has established a state of the art meat processing complex with mechanical slaughtering lines for beef and mutton, meat processing facilities, blood rendering plant, waste water treatment plant and cooling system (chilling & blast freezing) at 18 Km Multan road, Lahore. Its capacity is 500 beef & 6,000 mutton animals / 8hrs shift.

1.2 The Scheme of Arrangement for Merger of Punjab Agri-Marketing Company into Punjab Agriculture and Meat Company under section 284 to section 288 of the repealed Companies Ordinance, 1984, has been approved by Lahore High Court effective from July 01, 2011.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for freehold land and certain financial instruments, which are carried at their fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupee, which is the functional and presentation currency of the Company.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan and the requirements of the repealed Companies Ordinance, 1984 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the application of Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Useful life of assets (note: 4.1)
- b) Provision for doubtful receivables (note: 4.4)
- c) Taxation (note: 4.8)
- d) Employee benefits (note:4.10)

3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

3.1 New standards, amendments to approved accounting standards and interpretations, which became effective during the year ended June 30, 2017

The following standards and amendments to published standards and interpretations are mandatory for the financial year beginning July 01, 2016:

- a) IFRS 10, "Consolidated Financial Statements" outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee.

PUNJAB AGRICULTURE AND MEAT COMPANY

Notes to the Financial Statements

For the year ended June 30, 2017

- b) "Joint Arrangements" outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractually agreed sharing of control and arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly).
- c) IFRS 12, 'Disclosure of interest in other entities' combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The standard only affects the disclosures in the financial statements of the Company.
- d) Amendments to IAS 1, 'Presentation of financial statements' on disclosure initiative. The application of these amendments have no material impact on the Company's financial statements. The amendment is effective for annual periods beginning on or after January 01,
- e) Amendments to IAS 16 'Property, plant and equipment' in relation to use of revenue based methods to calculate the depreciation. The application of these amendments have no material impact on the Company's financial statements. The amendment is effective for annual periods beginning on or after January 01, 2016.

3.2 New standards, amendments to approved accounting standards and new interpretations, which are not yet effective

Standards or Interpretations

Amendments to IAS 7, 'Statement of cash flows' on disclosure initiative

Effective date
(accounting
periods beginning
on or after)

January 01 2017

Amendments to IAS 12, 'Income taxes' in relation to recognition of deferred tax assets for unrealised losses

January 01 2017

IFRS 14, 'Regulatory deferral accounts'

January 01 2017

IFRS 9 - 'Financial instruments'

January 01 2018

IFRS 15, 'Revenue from contracts with customers'

January 01 2018

Amendments to IFRS 15, 'Revenue from contracts with customers' on gross versus net revenue presentation

January 01 2018

IFRS 16 'Leases'

January 01 2019

IFRIC 22, 'Foreign Currency Transactions and Advance Considerations'

January 01 2018

There are certain other standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after June 30, 2017 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been consistently applied in dealing with items which are considered material to the Company's accounts:

4.1 Property, plant and equipment

Cost

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and accumulated impairment, if any. Freehold land is stated at cost less impairment, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income and expenditure account during the period in which they are incurred.

Depreciation

Depreciation is charged to income and expenditure account on the straight line method so as to write off the cost of an asset over its estimated useful life at the rates given in Note 5.1.

Depreciation on additions is charged from the month in which an asset is put to use while no depreciation is charged for the month in which an asset is disposed off.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in income and expenditure account in the year in which the asset is derecognized.

Impairment of assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment or reversal of previous impairment, including items of property, plant and equipment and intangible assets. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognized in the income and expenditure account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined (net of amortization or depreciation), had no impairment losses been recognized for the asset in prior years. Reversal of impairment loss is restricted to the original cost of the asset.

4.2 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses (if any). The intangible asset is amortized on a systematic basis over the estimated useful life using straight line method.

4.3 Capital work in progress

Capital work-in-progress represents expenditure on property, plant and equipment which are in the course of construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

Capital work-in-progress is stated at cost less any identified impairment loss.

4.4 Receivables

Receivables are carried at original invoice amount less an estimate for doubtful receivable balances based on review of outstanding amounts at the year end.

4.5 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

4.6 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services.

4.7 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

4.8 Taxation**Current**

Provision for current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing current tax rates or tax rates expected to apply to the income for the year, if enacted after taking into account tax credits and tax rebates realizable, if any. The charge for current tax also includes adjustments, where considered necessary, provision for tax made in previous years arising from assessments framed during the year for such years.

4.9 Government Grants

Government grants including the non-monetary grants at fair value are recognized when there is reasonable assurance that:

- a) The entity will comply with conditions attaching to them if any; and
- b) The grants will be received.

Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. The grant receivable as compensation for expenses or loss already incurred or for the purpose of giving immediate financial support with no future related cost is recognized as income in the period in which it becomes receivable. Government grants related to assets including non-monetary grants at fair value, is presented in the balance sheet by setting up the grant as deferred income which is recognized as income on a systematic and rational basis over the useful life of the asset.

4.9(a) Grants related to assets

Grants related to assets are accounted for by setting up as deferred grants. Depreciation chargeable on the grant related assets is set off against deferred grant over their useful life once the assets is complete and available for use.

4.9(b) Grants related to income

Grants related to income are recognized as income over the periods necessary to match them with the related expenditure which they intend to compensate, on a systematic basis.

4.10 Employee Benefits

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

- a) **Provident fund**
The Company an employee's provident fund scheme for its permanent employees. Equal monthly contributions at the rate of ten percent of basic pay are made both by the Company and employees to the fund.
- b) **Gratuity**
The Company operates a defined benefit plan which comprises of an unfunded gratuity scheme for all its employees who have completed the minimum qualifying period. Contributions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. Actuarial gains / losses arising from remeasurement are recognized in the balance sheet represents the present value of defined benefit obligations.
The amounts of retirement benefits are usually dependent on one or more factors such as age, years of service and salary. Provision is made annually to cover obligation under the scheme. All actuarial gains and losses are recognized in other comprehensive income as they occur.
- c) **Accumulated compensated absences**
Annual leave is provided at the rate of 20 working days for each completed year of service. An employee can avail annual leave anytime after completion of his/her probationary period. In case the annual leave is not availed in full or parts in a year, it is accrued and carried forward to the following years.

PUNJAB AGRICULTURE AND MEAT COMPANY

Notes to the Financial Statements

For the year ended June 30, 2017

However, the total accumulated annual leave cannot exceed 240 working days at any given time and if it does, the excess leave is written off. The employee has the option to encash half of the unused annual leave at the end of each year of service. At the time of completion of service, any unused annual leave to a maximum of 240 working days is encashed and the equivalent in cash is included in his/her final payment.

The encashment is calculated on the basis of last month's gross pay excluding any overtime etc. If an employee takes more than his/her allowed annual leave during a year, the excess leave is considered leave without pay. In case of excess leave at the time of completion of service, an equivalent amount in cash is deducted from the employee's final payment. The deduction for excess leave is calculated on the basis of last month's gross pay excluding any overtime etc.

Casual leave is provided at the rate of 10 working days for each completed year of service. An employee can avail casual leave during and after his/her probationary period. In case the casual leave is not availed in full or parts in a year, it cannot be carried forward and is written off. If an employee takes more than his/her allowed casual leaves during a year, the excess leave is considered leave without pay. In case of excess casual leave at the time of completion of service, an equivalent amount in cash is deducted from the employee's final payment. The deduction of excess leaves and is calculated on the basis of last month's gross pay excluding any overtime etc.

4.11 Related party transactions

Transactions and contracts with related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled price method.

4.12 Revenue recognition

- Slaughtering fee is recognized when the cash against services rendered is received.
- Grants (restricted funds) against specific projects are accounted for in accordance with the terms attached to the respective grants.
- Grants (restricted funds) utilized for acquiring fixed assets are taken to deferred grant and amortized over the useful life of the assets.
- Interest on bank deposits and investments is recognized on time apportioned basis.

4.13 Foreign currencies

Transactions in foreign currency during the year are initially recorded in the functional currency at the rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at functional currency rate of exchange prevailing at the balance sheet date. All gains and losses on settlement and translation at year end are recognised in income and expenditure account.

PUNJAB AGRICULTURE AND MEAT COMPANY

Notes to the Financial Statements
For the year ended June 30, 2017

5 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - tangible

5.1	Operating fixed assets - Tangible	Land - freehold	Building on lease hold land	Machinery and equipment	Furniture and fixtures	Computer and ancillary equipment	Office equipment	2017		2016	
								Rs.		Rs.	
								1,451,103,794		1,674,443,961	
								1,451,103,794		1,674,443,961	

Owned:
Cost

Balance as at July 01, 2015	722,434,956	1,118,104,800	603,940,507	9,558,243	7,871,540	1,120,021	22,768,788	2,485,798,855		
Additions during the year	-	231,660	87,799	48,545	469,030	192,766	67,350	1,097,150		
Transfers from CWIP	-	-	-	-	-	-	-	-		
Disposals	-	-	-	-	-	-	-	-		
Balance as at June 30, 2016	722,434,956	1,118,336,460	604,028,306	9,606,788	8,340,570	1,312,787	22,836,138	2,486,896,005		
Balance as at July 01, 2016	722,434,956	1,118,336,460	604,028,306	9,606,788	8,340,570	1,312,787	22,836,138	2,486,896,005		
Additions during the year	-	-	1,133,773	13,200	274,590	79,555	67,350	1,568,468		
Transfers from CWIP	-	-	-	-	-	-	-	-		
Disposals	-	-	-	-	(58,000)	(17,500)	-	(75,500)		
Balance as at June 30, 2017	722,434,956	1,118,336,460	605,162,079	9,619,988	8,557,160	1,374,842	22,903,488	2,488,388,973		

Depreciation

Balance as at July 01, 2015	-	257,083,784	295,679,075	6,138,180	7,534,247	1,005,186	19,418,799	586,859,270		
Charge for the year	-	111,822,063	110,642,840	1,453,259	242,038	78,506	1,354,068	225,592,774		
Disposals	-	-	-	-	-	-	-	-		
Balance as at June 30, 2016	-	368,905,847	406,321,915	7,591,439	7,776,285	1,083,692	20,772,867	812,452,044		
Balance as at July 01, 2016	-	368,905,847	406,321,915	7,591,439	7,776,285	1,083,692	20,772,867	812,452,044		
Charge for the year	-	111,833,646	110,638,529	1,303,912	336,870	68,058	710,120	224,891,135		
Disposals	-	-	-	-	(58,000)	-	-	(58,000)		
Balance as at June 30, 2017	-	480,739,493	516,960,444	8,895,351	8,055,155	1,151,750	21,482,987	1,037,285,179		
W.D.V as at June 30, 2016	722,434,956	749,430,613	197,706,391	2,015,349	564,285	229,095	2,063,271	1,674,443,961		
W.D.V as at June 30, 2017	722,434,956	637,596,967	88,201,635	724,637	502,005	223,092	1,420,501	1,451,103,794		
Rate of depreciation		10%	20%	20%	33%	20%	20%	20%		

Depreciation charge for the year has been allocated as under :

5.1.1	2017		2016	
	Rs.		Rs.	
Project expense - Lahore Airport Transit Cold Store	3,610,776		3,750,003	
Project expense - Lahore Meat Processing Complex	221,076,628		220,974,902	
Administrative expenses	203,731		867,869	
	224,891,135		225,592,774	

6 INTANGIBLE

	2017 Rs.	2016 Rs.
Software and licenses		
As at July 01	458,600	458,600
Additions during the year	-	-
As at June 30	<u>458,600</u>	<u>458,600</u>
Accumulated amortization:		
As at July 01	448,600	438,600
Amortization for the year	10,000	10,000
As at June 30	<u>458,600</u>	<u>448,600</u>
Written down value as at June 30	<u>-</u>	<u>10,000</u>

7 LONG TERM PREPAYMENTS

	Note	2017 Rs.	2016 Rs.
CAA Allama Iqbal International Airport, Lahore	7.1	13,833,331	14,499,998
Other prepayments	7.2	11,048,553	13,548,553
		<u>24,881,884</u>	<u>28,048,551</u>

7.1 CAA ALLAMA IQBAL INTERNATIONAL AIRPORT, LAHORE

	Note	2017 Rs.	2016 Rs.
Land Premium-Lahore Airport Transit Cold Store	7.1.1	14,499,998	15,166,665
Less: Amortization for the year		(666,667)	(666,667)
		<u>13,833,331</u>	<u>14,499,998</u>

7.1.1 This relates to the land premium paid to Civil Aviation Authority (CAA) for the Lahore Airport Transport Cold Storage (LATCS) project and is being amortized over thirty years.

7.2 This represents prepaid ground rent of land allotted to the company at Allama Iqbal International Airport Lahore (AIIAL).

	2017 Rs.	2016 Rs.
Other prepayments	13,548,553	15,548,553
Less: Current portion shown under short term prepayments	13,548,553 (2,500,000)	15,548,553 (2,000,000)
Long term Prepaid rent	<u>11,048,553</u>	<u>13,548,553</u>

8 LONG TERM SECURITY DEPOSIT

This represents amounts paid for electricity connection to Civil Aviation Authority for Lahore Airport Cold Storage project and to LESCO for Lahore Meat Processing Complex project.

9 ADVANCES - UNSECURED

	2017 Rs.	2016 Rs.
To staff for expenses	480,687	1,645,845
To staff against salary	603,002	799,157
To suppliers	2,500	2,500
	<u>1,086,189</u>	<u>2,447,502</u>

These advances are unsecured but considered good by the management of the Company.

PUNJAB AGRICULTURE AND MEAT COMPANY

Notes to the Financial Statements

For the year ended June 30, 2017

10 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

		2017	2016
		Rs.	Rs.
Security deposits		1,561,793	1,621,793
Prepayments		2,500,000	2,000,000
		4,061,793	3,621,793

11 OTHER RECEIVABLES - UNSECURED

	Note	2017	2016
		Rs.	Rs.
Receivable from subsidiary company	11.1	4,964,375	4,964,375
Other receivables		3,600,664	1,302,090
		8,565,039	6,266,465

11.1 These are receivable from Punjab Meat Processing Company (a subsidiary company of Punjab Agriculture and Meat Company) are considered good by the management of the Company.

12 CASH AND BANK BALANCES

	Note	2017	2016
		Rs.	Rs.
Cash in hand		1,816,159	877,626
Balance with banks:			
Saving accounts	12.1	52,788,306	31,533,047
		54,604,465	32,410,673

12.1 These carry interest at the rate of 3.75% (2016: 5%) per annum.

13 DEFERRED CREDITS

	Note	2017	2016
		Rs.	Rs.
Deferred grants	13.1	-	41,254,209

13.1 DEFERRED GRANTS

	2017	2016
	Rs.	Rs.
Opening balance at the beginning of the year	41,254,209	87,447,392
Add: Amount received during the year	-	-
	41,254,209	87,447,392
Less:		
Amortization of grant relating to operating fixed assets	(41,254,209)	(46,193,183)
	-	41,254,209

14 EMPLOYEE BENEFITS

	Note	2017	2016
		Rs.	Rs.
Defined benefit plan:			
Gratuity fund	14.1	3,796,551	3,730,024
Other long term benefits:			
Accumulated compensated absences	14.2	611,027	774,324
		4,407,578	4,504,348

14.1 STAFF RETIREMENT BENEFITS - GRATUITY

Staff retirement benefits - gratuity

The amount recognized in the balance sheet is as follows:

	2017 Rs.	2016 Rs.
Present value of defined benefit obligation	3,796,551	3,730,024
Net liability at end of the year	<u>3,796,551</u>	<u>3,730,024</u>

Actuarial valuation was carried out as at June 30, 2017 using projected unit credit method by an approved actuary.

Details of the obligation as per the actuarial valuation is as follows:

	2017 Rs.	2016 Rs.
Net liability at beginning of the year	3,730,024	3,871,629
Expenses recognised in the income and expenditure account	1,815,081	1,164,467
Net remeasurements for the year	82,788	712,876
Payments made during the year	(1,831,342)	(2,018,948)
Net liability at end of the year	<u>3,796,551</u>	<u>3,730,024</u>

The movement in the present value of defined benefit obligation is as follows:

Opening balance	3,730,024	4,052,244
Current service cost	1,561,789	863,941
Interest cost	253,292	300,526
Benefits paid	(1,831,342)	(2,199,563)
Plus Payables	-	-
Actuarial (gain) / loss	82,788	712,876
Closing balance	<u>3,796,551</u>	<u>3,730,024</u>

Expense recognized in profit and loss account

Current service cost	1,561,789	863,941
Interest cost	253,292	300,526
Charge for the year	<u>1,815,081</u>	<u>1,164,467</u>

Expense recognized in other comprehensive income

Actuarial (gain) / loss for changes in financial assumptions	956	(5,967)
Experience adjustment	81,832	718,843
Actuarial (gain) / loss	<u>82,788</u>	<u>712,876</u>

Key actuarial assumptions used:

Discount rate used for interest cost %	9.25%	9%
Discount rate used for benefit obligation %	8.25%	8%
Future salary increased %	8.25%	8%
Pre-retirement mortality	SLIC 2001-2005	SLIC 2001-2005
Withdrawal rates	Set back 1 year	Set back 1 year
Retirement assumption	Age based	Age based
Actuarial valuation method used	Age 60	Age 60
	Projected unit credit (PUC)	actuarial cost method

PUNJAB AGRICULTURE AND MEAT COMPANY

Notes to the Financial Statements

For the year ended June 30, 2017

14.2 OTHER LONG TERM BENEFITS - ACCUMULATED COMPENSATED ABSENCES

	2017 Rs.	2016 Rs.
Balance as at 01 July	774,324	477,027
Current service cost	641,994	581,621
Interest cost	24,307	17,123
Benefit paid	(1,008,490)	(627,905)
Remeasurements-experience adjustments	178,892	326,458
Balance as at 30 June/Transitional liability	<u>611,027</u>	<u>774,324</u>
Charge for the year		
Current service cost	641,994	581,621
Remeasurements-experience adjustments	178,892	326,458
Interest cost of defined benefit obligation	24,307	17,123
	<u>845,193</u>	<u>925,202</u>

15 LONG-TERM LOANS

	Note	2017 Rs.	2016 Rs.
Government of Punjab	15.1	1,266,321,000	1,266,321,000
Government of Punjab	15.2	224,557,000	224,557,000
		<u>1,490,878,000</u>	<u>1,490,878,000</u>
Less: current portion shown under current liabilities		(1,266,320,997)	(1,147,547,330)
		<u>224,557,003</u>	<u>343,330,670</u>

15.1 These represent unsecured loan received from the Government of Punjab with a grace period of two years and are repayable in equal quarterly installments in five years and carry markup at the rate of 0.25% per annum (2016: 0.25% per annum).

15.2 These represent loan obtained from Government of Punjab for Cold Storage Project. The terms and conditions of these loans have not been decided so far till balance sheet date. The company has not accounted for markup expense in financial year 2017 (2016: nil) as the company is in negotiation with finance department.

16 TRADE AND OTHER PAYABLES

	Note	2017 Rs.	2016 Rs.
Payable to contractors	16.1	264,913,465	264,913,465
Securities payable		200,000	200,000
Payable on account of Feed Lot Fattening project		9,042,038	9,042,038
Accrued expenses		8,397,251	8,023,276
Income tax deducted at source		1,585,277	1,596,043
Payable to employees		1,022,288	142,405
Other payables		530,153	29,734
		<u>285,690,472</u>	<u>283,946,961</u>

16.1 This includes amount of Rs. 261,286,465/- invested by Mashhad Meat Industrial Complex (MMIC) in the assets of the Company. MMIC and the Company has executed a partnership deed and formed a partnership firm named Punjab Mashhad Meat Complex (the firm) with profit sharing ratio of 83.89% of the Company and 16.11% of MMIC, whereby the Company agreed to transfer this amount along with assets of Rs.1,360,247,552/- to the Firm. However, the Company has not yet transferred related assets and liabilities to the firm.

PUNJAB AGRICULTURE AND MEAT COMPANY
Notes to the Financial Statements
For the year ended June 30, 2017

17 CONTINGENCIES AND COMMITMENTS CONTINGENCIES

Contingencies

The company has not complied with Public Sector Entities (Corporate Governance) Rules 2013 issued by SECP. According to which a company is required to;

1) Publish and circulate a statement along with its annual report to set out the status of its compliance with these rules, and

shall also file with the Commission and the registrar concerned such statement along with its annual report.

2) Every public sector company shall ensure that the statement of compliance with the rules is reviewed and certified by

external auditor, where such compliance can be objectively verified, before publication by the public sector company.

Any non-compliance/contravention of any provision of Public Sector Entities (Corporate Governance) Rules 2013 will result in

finest/penalties. However, the court case regarding applicability of said rules is pending before Lahore High Court.

18 OTHER INCOME

	Note	2017 Rs.	2016 Rs.
Income from financial assets:			
Profit on investment and bank deposits		1,427,898	680,677
Income from other than financial assets:			
Rental income		-	3,375,000
Gain on disposal of fixed assets		58,000	-
		58,000	3,375,000
		1,485,898	4,055,677

19 PROJECT EXPENSES

	Note	2017 Rs.	2016 Rs.
Lahore meat processing complex expenses	19.1	315,278,412	333,651,914
Project Lahore airport transit cold store	19.2	7,362,234	6,460,851
		322,640,646	340,112,765

19.1 This represents expenses incurred on the running of Lahore Meat Processing Complex located at Shahpur, Kanjaran. It also includes depreciation charge for the year amounting to Rs.221,076,628 (2016: Rs. 220,974,902) (Note 5.1.1).

19.2 It represents expenses for the Lahore Airport Cold Store Project. It mainly includes CAA land rental of Rs. 2,000,000 per annum. Also includes depreciation charged for the year amounting to Rs.3,610,776 (2016 : Rs. 3,750,003) (Note 5.1.1).

20 ADMINISTRATIVE EXPENSES

	Note	2017 Rs.	2016 Rs.
Salaries and benefits		30,869,789	26,687,719
Vehicle running and maintenance		4,006,346	4,623,741
Travelling expenses		1,452,417	2,233,530
Rent, rates and taxes		1,935,943	1,601,420
Legal and professional		632,350	1,026,200
Auditors' remuneration		135,000	135,000
Utilities, telephone and postage		1,207,720	1,145,442
Repair and maintenance		112,385	113,305
Printing and stationery		410,705	185,927
Insurance		-	151,796
Entertainment		185,900	1,050,700
Depreciation	5.1.1	203,731	867,869
Amortization	6	10,000	10,000
Advertisement		226,214	1,367,816
Miscellaneous expenses		152,558	166,264
Fee and subscription		19,640	-
		41,560,698	41,366,729

21 FINANCIAL CHARGES

	Note	2017 Rs.	2016 Rs.
Bank charges		52,267	46,224
		52,267	46,224

22 FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities, comprise Long term financing and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company's principal financial assets comprise of long term deposits, trade deposits, advances, short-term deposits, other receivables and cash and bank balances. The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

22.1 Concentration of Credit Risk

Credit risk represent the risk of financial loss being caused if counter party fails to discharge an obligation. The carrying amount of financial asset represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follow:

	2017 Rupees	2016 Rupees
Long-term security	6,960,000	6,960,000
Advances	1,086,189	2,447,502
Trade deposits	1,561,793	1,621,793
Other receivables	8,565,039	6,266,465
Income tax refunds due from Government	22,923,444	21,765,821
Cash and bank balances	52,788,306	31,533,047
	93,884,771	70,594,628

Credit quality of financial assets

Long term deposits, Trade deposits, advances and other receivables are considered as secured on the basis of strong business relationship and there is no recent history of default. The credit risk on liquid funds is limited because the counter party is a bank with reasonably high credit ratings. The credit quality of cash at bank (in deposit account) as per credit rating agencies are as follows:

	2017 Rupees	2016 Rupees
Bank balances		
Bank of Punjab A1+ rating - PACRA	52,788,306	31,533,047
	52,788,306	31,533,047

22.2 Liquidity Risk

Liquidity risk is the risk that one enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Management believes that it is not exposed to any significant level of liquidity risk.

	Carrying Amount	Contractual cash flows	1 to 3 months	3 to 12 months	1 to 5 years
30-Jun-17					
Long term financing	1,490,878,000	1,490,878,000	1,147,547,330	118,773,667	224,557,003
Markup payable	12,516,009	12,516,009	12,516,009	-	-
Trade and other payables	285,690,472	285,690,472	285,690,472	-	-
	1,789,084,481	1,789,084,481	1,445,753,811	118,773,667	224,557,003
30-Jun-16					
Long term financing	1,490,878,000	1,490,878,000	921,273,665	226,273,665	343,330,670
Markup payable	12,516,009	12,516,009	12,516,009	-	-
Trade and other payables	283,946,961	283,946,961	283,946,961	-	-
	1,787,340,970	1,787,340,970	1,217,736,635	226,273,665	343,330,670

22.3 Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction, other than in a forced or liquidation sale.
 The carrying value of all the financial instruments reported in the financial statements approximates their fair value.

PUNJAB AGRICULTURE AND MEAT COMPANY

Notes to the Financial Statements

For the year ended June 30, 2017

22.4 Financial Instruments by category

The accounting policies for financial instruments have been applied for line items below:

30-Jun-17	Cash and cash equivalents	Loans and receivables	Held for trading	Total
Financial Assets				
-----Rupees-----				
Long-term security deposit	-	6,960,000	-	6,960,000
Advances	-	1,086,189	-	1,086,189
Trade deposits	-	1,561,793	-	1,561,793
Other receivables	-	8,565,039	-	8,565,039
Income tax refunds due from Government	-	22,923,444	-	22,923,444
Cash and bank balances	54,604,465	-	-	54,604,465
	54,604,465	41,096,465	-	95,700,930

30-Jun-16

Financial Assets

Long-term security deposit	-	6,960,000	-	6,960,000
Advances	-	2,447,502	-	2,447,502
Trade deposits	-	1,621,793	-	1,621,793
Other receivables	-	6,266,465	-	6,266,465
Income tax refunds due from Government	-	21,765,821	-	21,765,821
Cash and bank balances	32,410,673	-	-	32,410,673
	32,410,673	39,061,581	-	71,472,254

Financial liabilities at historical cost

Long-term loans

Financial liabilities at amortized cost

Current portion of long term-loans

Accrued mark-up

Trade and other payables

	2017 Rupees	2016 Rupees
Long-term loans	224,557,003	343,330,670
Current portion of long term-loans	1,266,320,997	1,147,547,330
Accrued mark-up	12,516,009	12,516,009
Trade and other payables	285,690,472	283,946,961
	1,789,084,481	1,787,340,970

23 REMUNERATION OF CHIEF EXECUTIVE OFFICER

The aggregate amount charged in the financial statements for the year in respect of remuneration including certain benefits to the Chief Executive of the Company are:

	2017 Rupees	2016 Rupees
Basic salary	3,196,800	2,842,839
Vehicle allowance	946,312	841,533
Utilities	159,840	142,142
House rent allowance	1,401,067	1,245,935
Other benefits	1,353,695	526,427
	7,057,714	5,598,876

The Chief Executive Officer has also been provided with the facility of Company maintained car.

24 DISCLOSURE WITH REGARDS TO PROVIDENT FUND

Size of the fund	(Rupees)	3,604,910	3,422,036
Cost of investments made	(Rupees)	1,200,000	1,200,000
Percentage of investments made	(%age)	33%	35%
Fair value of investments	(Rupees)	1,200,000	1,200,000

24.1 The figure for 2017 are based on the audited financial statements of the provident fund. Short term investment has been in Term deposit receipt's certificates in accordance with the provision of section 227 of the repealed companies ordinance, 1984 and the rules formulated for that purpose.

PUNJAB AGRICULTURE AND MEAT COMPANY
Notes to the Financial Statements
For the year ended June 30, 2017

25 NUMBER OF EMPLOYEES

Total number of employees at period end	273	340
Average number of employees during the period	<u>299</u>	<u>347</u>

26 RELATED PARTY TRANSACTIONS

Related parties comprise of Directors, members, chief executive officer and key management personnel. The transaction with related parties are carried out at commercial terms and conditions and compensation to key management personnel is on employment terms. There are no other transactions with related parties other than those which have been specifically disclosed elsewhere in these financial statements.

27 DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Company authorized the financial statements for issuance on **25 JAN 2018**

28 GENERAL

28.1 Figures have been rounded off to the nearest rupee.

28.2 Corresponding figures have been rearranged or reclassified, wherever necessary, for the purpose of comparison. However, no significant classification has been made in these financial statements.


(CHIEF EXECUTIVE OFFICER)


(DIRECTOR)