Punjab Agriculture and Meat Company (PAMCO)
Independent Auditors' Report and
Financial Statements
For the year ended June 30, 2020

RSM

RSM Avais Hyder Liaquat Nauman
Chartered Accountants

Avais Chambers, 1/C-5
Sikander Malhi Road, Canal Park
Gulberg II, Lahore, Pakistan

T: +92 (42) 3587 2731-3
F: +92 (42) 3587 2734

lahore@rsmpakistan.pk
www.rsm.global/pakistan

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PUNJAB AGRICULTURE AND MEAT COMPANY
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of Punjab Agriculture and Meat Company (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of income and expenditure and other comprehensive income, the statement of changes in fund, 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 income and expenditure and other comprehensive income, the statement of changes in fund 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, 2020 and of the deficit and other comprehensive loss, the changes in fund 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 *Auditors' 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

The Company has incurred deficit of Rs. 101.89 million (2019: Rs. 94.85 million) during the year. As at the reporting date, its general fund is negative by Rs. 594.17 million (2019: Rs. 492.96 million) and its current liabilities exceed its current assets by Rs. 1,637.94 million (2019: Rs. 1,652.72 million). These conditions along-with other matters as set forth in Note 1.3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified with respect to this matter.

Emphasis of Matter

Without modifying our opinion, we draw attention towards the following matters;

(i) Note 12.1 indicates that provision of mark-up amounting to Rs. 11.798 million (2019: Rs. 8.64 million) on long term loans has not been recorded in the books of account of the company in view of the Company's application / request to the Government of Punjab to convert these loans into grant in aid.

(ii) Note 14.1 indicates that no provision in respect of claim of return on amount payables to MMIC has been made in the books of account of the company in view of pending settlement.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the directors' report, but does not include the financial statements of the company and our auditors' 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 is responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' 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.

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- 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 auditors' 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 auditors' 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.

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 income and expenditure and other comprehensive income, the statement of changes in fund 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 Inam ul Haque.

RSM Avais Hyder Liaquat Nauman

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Place: Lahore

Date: - 8 APR 2021

PUNJAB AGRICULTURE AND MEAT COMPANY

(A Company set up under section 42 of the Companies Ordinance, 1984 repealed with the Companies Act, 2017)

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	1,032,481,718	1,144,046,441
Right of use asset	6	103,244,733	-
Long-term prepayments	7	11,833,330	15,548,550
Long-term security deposits	8	6,960,000	6,960,000
Total non current assets		1,154,519,781	1,166,554,991
CURRENT ASSETS			
Receivable from customers - considered good		-	3,380,310
Store, spares and loose tools		2,311,297	-
Advances, deposits, prepayments and other receivables	9	34,241,125	32,457,531
Cash and bank balances	10	104,452,185	97,597,769
Total current assets		141,004,607	133,435,610
Total assets		1,295,524,388	1,299,990,601
LIABILITIES			
NON CURRENT LIABILITIES			
Lease liability	13	101,592,571	-
Post employment benefits	11	9,156,537	6,797,277
Long term loans	12	-	-
Total non current liabilities		110,749,108	6,797,277
CURRENT LIABILITIES			
Trade and other payables	14	271,816,901	282,763,797
Accrued mark-up on long term loans		12,516,009	12,516,009
Current portion of:			
- Long term loan	12	1,490,878,000	1,490,878,000
- Lease liability	13	3,739,048	-
Total current liabilities		1,778,949,958	1,786,157,806
Total liabilities		1,889,699,066	1,792,955,083
NET ASSETS		(594,174,678)	(492,964,482)
Represented by:			
General fund		(594,174,678)	(492,964,482)
CONTINGENCIES	15	-	-

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

CHIEF EXECUTIVE OFFICER	**CHIEF FINANCIAL OFFICER**	**DIRECTOR**

PUNJAB AGRICULTURE AND MEAT COMPANY

(A Company set up under section 42 of the Companies Ordinance, 1984 repealed with the Companies Act, 2017)

STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
INCOME			
Operating income	16	159,371,926	177,061,050
Other income	17	10,717,273	18,140,972
		170,089,199	195,202,022
EXPENDITURE			
Operating expenses	18	229,283,627	247,811,393
Administrative expenses	19	42,402,499	42,209,657
Finance cost	20	294,877	31,518
		271,981,003	290,052,568
(Deficit) for the year before taxation		(101,891,804)	(94,850,546)
Provision for taxation	21	-	-
(Deficit) for the year		(101,891,804)	(94,850,546)
Other comprehensive income / (loss) for the year			
Item that will not be subsequently reclassified to statement of income and expenditure:			
Remeasurement gain / (loss) on defined benefit plan		681,608	(94,841)
Total comprehensive loss for the year		(101,210,196)	(94,945,387)

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

CHIEF EXECUTIVE OFFICER **CHIEF FINANCIAL OFFICER** **DIRECTOR**

PUNJAB AGRICULTURE AND MEAT COMPANY

(A Company set up under section 42 of the Companies Ordinance, 1984 repealed with the Companies Act, 2017)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

		2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficit) for the year before taxation		(101,891,804)	(94,850,546)
Adjustments for non cash items:			
Depreciation		117,381,328	115,605,252
Finance cost		294,877	31,518
Provision for post emoployment benefits		4,694,623	3,412,015
Profit on investment and bank deposits		(9,289,173)	(5,410,526)
Amortization of land premium		3,715,220	4,666,667
Impairment of Investment in subsidiary		-	70
		116,796,875	118,304,996
Operating cash flows before working capital changes		14,905,071	23,454,450
Effect of working capital changes:			
(Increase) / decrease in current assets:			
Receivable from customers - considered good		3,380,310	(3,014,994)
Store, spares and loose tools		(2,311,297)	-
Advances, deposits, prepayments and other receivables		(3,816,968)	6,212,719
(Increase) / decrease in current liabilities:			
Trade and other payables		(10,946,896)	(119,981)
		(13,694,851)	3,077,744
Net cash generated from operations		1,210,220	26,532,194
Finance cost paid		(24,596)	(31,518)
Income tax paid		(1,966,626)	(1,699,530)
Retirement benefits paid		(1,653,755)	(1,414,518)
Net cash (used in) / generated from operating activities	A	(2,434,757)	23,386,628
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions in property, plant and equipment		-	(5,389,854)
Profit on investment and bank deposits received		9,289,173	5,410,526
Net cash generated from investing activities	B	9,289,173	20,672
Net increase in cash and cash equivalents	(A+B)	6,854,416	23,407,300
Cash and cash equivalents at the beginning of the year		97,597,769	74,190,469
Cash and cash equivalents at the end of the year		104,452,185	97,597,769

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

PUNJAB AGRICULTURE AND MEAT COMPANY

(A Company set up under section 42 of the Companies Ordinance, 1984 repealed with the Companies Act, 2017)

STATEMENT OF CHANGES IN FUND

FOR THE YEAR ENDED JUNE 30, 2020

	Rupees
Balance as at July 01, 2018	(398,019,095)
Total comprehensive loss for the year	
Loss for the year	(94,850,546)
Other comprehensive loss	(94,841)
	(94,945,387)
Balance as at June 30, 2019	(492,964,482)
Total comprehensive loss for the year	
Loss for the year	(101,891,804)
Other comprehensive income	681,608
	(101,210,196)
Balance as at June 30, 2020	(594,174,678)

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

1 THE STATUS AND ITS ACTIVITIES

1.1 Punjab Agriculture and Meat Company (the Company), was incorporated as guarantee limited Company without share capital under section 42 of the Companies Ordinance, 1984 repealed with Companies Act, 2017 as a not for profit organization with Registrar Joint Stock Companies City District Government, Lahore. The objective 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 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.

1.2 The assets, liabilities and reserves of Punjab Agri-Marketing Company were merged into the assets, liabilities and fund of the Company vide scheme of arrangement under section 284 to section 288 of the repealed Companies Ordinance, 1984, approved by the Honorable Lahore High Court with effect from July 01, 2011.

1.3 The Company has incurred deficit of Rs. 101.89 million (2019: Rs. 94.85 million) during the year. As at the reporting date, its general fund is negative by Rs. 594.17 million (2019: Rs. 492.96 million) and its current liabilities exceed its current assets by Rs. 1,637.94 million (2019: Rs. 1,652.72 million). The Company is unable to pay its long term loans on their respective due dates and certain individuals from the Civil Society filed petitions in the Honorable Lahore High Court against incorporation of the Company (along with certain other Government of Punjab's companies incorporated u/s 42 of the repealed Companies Ordinance, 1984) which is still pending. The Company is facing financial and operational problems. There has been material uncertainty related to events and conditions which may cast significant doubt about the Company's ability to continue as a going concern and, therefore the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

The Company is not suffering from cash loss as the Company has earned profit before depreciation amounting to Rs. 15.49 million (2019: Rs. 20.75 million) during the year. General fund and current ratio are negative due to non conversion of long term loan from Government into equity or grant in aid. The Company's application to the Government of Punjab for conversion of long term loans into grant in aid is under consideration. The Company is taking measures to enhance its income and to reduce its expenses without affecting the operating efficiency of the Company. The Company is also defending the petitions filed against the Company and is hopeful of favorable decision. The management believes that the above mentioned endeavors will help overcome the financial and operational problems and will result in the improvement of the financial position and financial results of the Company and, hence the Company will be able to continue as a going concern.

1.4 The pandemic of COVID-19 that has spread all over the world has adversely impacted the global economy. On March 23,2020 , the Government of Pakistan announced a temporary lockdown as a measure to reduce the spread of COVID-19. Complying with the lockdown, the Company temporarily suspended its operations from March 23,2020. The lockdown was subsequently relaxed after implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees. The Company resumed its operations in April 2020, and has taken all necessary steps to ensures smooth running of its business. Due to Covid-19 situation business distruption was observed during the last quarter of the year, however its impact can not be precisely quantified.

2 BASIS OF PREPARATION

2.1 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:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, and
- Accounting Standard for Not for Profit Organizations (NPOs) issued by the Institute of Chartered Accountants of Pakistan, 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 and accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies, other than those specifically discussed in the accounting policies, are as follows:

- recoverable amount, residual values and useful lives of property, plant and equipment;
- impairment for advances, deposits and other receivables;
- recognition of income taxes; and
- post employment benefits.

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention, except post employment benefits which are carried at present value.

2.4 Functional and presentation currency

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

3 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

3.1 Standards, amendments to standards and interpretations becoming effective in current year

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2019 and therefore, have been applied in preparing these financial statements.

i. IFRS 16- Leases

The Company has adopted IFRS 16 from July 01, 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in management expenses) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The accounting policy of the company with respect to leases has been changed in line with the requirements of IFRS 16.

When adopting IFRS 16 from July 01, 2019, the Company has applied the following practical expedients:

- excluding any initial direct costs from the measurement of right-of-use assets; and
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease.

The Company has applied the modified retrospective method upon adoption of IFRS 16 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 16 to opening retained earnings. Under this transition method, comparative information for prior periods are not required to be restated and continues to be reported in accordance with the previous standards and related interpretations.

	Rupees
The impact of adoption as at July 01, 2019 was as follows:	
Operating lease commitments as at July 01, 2019 (IAS 17)	112,000,000
Operating lease commitments discounted based on the weighted average incremental borrowing rate of 0.25% (IFRS 16)	(2,938,662)
Right-of-use assets (IFRS 16)	109,061,338
Lease liabilities - non-current (IFRS 16)	105,331,619
Lease liabilities - current (IFRS 16)	3,729,719
As at June 30, 2020	
Impact on Statement of financial position	
Lease liabilities - non-current (IFRS 16)	101,592,571
Lease liabilities - current (IFRS 16)	3,739,048
Impact on Statement of Profit or loss	
Increase in finance cost	270,281
Increase in depreciation expense	5,816,605
Decrease in rent, rates and taxes	(4,000,000)
Increase in loss for the year	2,086,886
Impact on opening retained earnings as at July 01, 2019	-

ii. Annual Improvements to IFRS Standards 2015-2017 Cycle

In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs. These ammendments are applicable for annual reporting periods beginning on or after January 01, 2019:

- **IFRS 3 – Business Combinations and IFRS 11 - Joint Arrangements—** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- **IAS 12 - Income Taxes** — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
- **IAS 23 - Borrowing Costs** — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

The application of these amendments has no impact on the Company's financial statements.

iii. IAS 19 - Employee Benefits

Amendments, applicable for annual reporting periods beginning on or after January 01, 2019, relate to plan amendment, curtailment or settlement detailed as below:

- **IFRS 3 – Business Combinations and IFRS 11 - Joint Arrangements**— The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 - Income Taxes** — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
- **IAS 23 - Borrowing Costs** — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

The application of these amendments has no impact on the Company's financial statements.

iv. IAS 28- Investment in Associates and Joint Ventures

Amendments resulting from Annual Improvements 2014–2016 Cycle (clarifying certain fair value measurements), applicable for periods beginning on or after January 01, 2018, clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Further, amendments applicable for periods beginning on or after January 01, 2019 have been added to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The application of these amendments has no impact on the Company's financial statements.

v. IFRIC 23- Uncertanity over Income Tax Treatment

IFRIC 23 clarifies the accounting for uncertainties in income taxes.

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

IFRIC 23 is effective for annual reporting periods beginning on or after January 01, 2019.

The application of these amendments has no impact on the Company's financial statements.

vi. Standards, amendments to standards and interpretations becoming effective in the current year but not relevant

There are certain new standards, amendments to standards and interpretations that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2019 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

3.2 Standards, amendments to standards and interpretations becoming effective in future periods

The following standards, amendments to standards and interpretations have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates.

i. IFRS 7 — Financial Instruments: Disclosures, IFRS 9 — Financial Instruments and IAS 39 — Financial Instruments: Recognition and Measurement

The amendments deal with 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as IASB's first reaction to the potential effects the IBOR reform on financial reporting. It deals with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements. The amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.

ii. Annual Improvements to IFRS Standards 2018–2020 Cycle

The IASB has issued 'Annual Improvements to IFRS Standards 2018–2020'. The pronouncement contains amendments to the following Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project.

- **IFRS 9 Financial Instruments** - Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- **IFRS 16 Leases** - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- **IAS 41 Agriculture** - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

The ammendments are applicable for annual periods beginning on or after 1 January 2022.

iii. IFRS 16 - Leases

The IASB has published 'Covid-19-Related Rent Concessions (Amendment to IFRS 16)' amending the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. Concurrently, the IASB also published a proposed Taxonomy Update to reflect this amendment.

The ammendments are applicable for annual periods beginning on or after 1 June 2020.

iv. IAS 16 – Property, Plant and Equipment

The IASB has published 'Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)' regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.

The standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The ammendments are applicable for annual periods beginning on or after 1 January 2022. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

v. Standards, amendments to standards and interpretations becoming effective in future periods but not relevant

There are certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company's operations, therefore, not disclosed in these financial statements.

3.3 Standards issued by IASB but not applicable in Pakistan

Following new standards have been issued by IASB which are yet to be notified by the SECP for purpose of applicability in Pakistan:

IFRS 1 - First-time adoption of International Financial Reporting Standards

IFRS 17 - Insurance Contracts

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

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 accumulated 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 statement of income and expenditure during the period in which they are incurred.

Depreciation is charged to statement of income and expenditure 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. Depreciation on additions is charged from the month in which an asset is available for use while no depreciation is charged for the month in which an asset is disposed off.

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 statement of income and expenditure in the year in which the asset is derecognized.

4.2 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment, if any.

Intangible assets are amortized on a systematic basis over their estimated useful lives using the straight line method.

Amortization on additions during the year is charged from the month in which an asset is acquired or capitalized.

An intangible asset 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 statement of income and expenditure in the year in which the asset is derecognized.

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 impairment.

4.4 Impairment of non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized, as an expense in the statement of profit or loss. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a pre tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flows have not been adjusted. 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 the 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 previously. Reversal of an impairment loss is recognized immediately in the profit or loss account.

4.5 Receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the period end. Balances considered bad are written off when identified. Other receivables are recognized at nominal amount which is fair value of the consideration to be received in future.

4.6 Stores and spares

These are valued at weighted average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice value plus other charges incurred thereon.

4.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks and other short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

4.8 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services, whether billed to the Company or not.

4.9 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.

5 Provision for taxation

Current

Provision of 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 tax rates or tax rates expected to apply to the profit for the period if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the period for such years.

Deferred

Deferred tax is provided using the liability method for all temporary differences at the reporting date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is charged or credited in the income statement, except in case of items credited or charged to equity in which case it is included in equity.

4.10 Post employment benefits

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

a) Provident fund

The Company operates a 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. This is computed on the basis of actuarial valuation. Actuarial gains / losses arising from remeasurement are recognized in other comprehensive income.

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.

c) Accumulated compensated absences

Annual leaves are provided 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 in part in a year, it is accrued and carried forward to the following years.

However, the total accumulated annual leave cannot exceed 240 working days at any given time. The employee has also 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.

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 months gross pay.

This is computed on the basis of actuarial valuation.

4.11 Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For this purpose, the company:

- identifies the contract with a customer;
- identifies the performance obligations in the contract;
- determines the transaction price which takes into account estimates of variable consideration, if any, and the time value of money;
- allocates the transaction price to the separate performance obligations, if applicable, on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer of control of the goods or services promised to the customer.

Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

The Company generates its revenue principally by providing slaughtering services which generally include a single performance obligation. Revenue is recognized on the following basis:

a) Slaughtering fee is recognized when related services are rendered.

b) Grants (restricted funds) against specific projects are accounted for in accordance with the terms attached to the respective grants.

c) Grants (restricted funds) utilized for acquiring fixed assets are taken to deferred grant and amortized over the useful life of the assets.

d) Interest on bank deposits and investments is recognized on time proportionate basis.

4.12 Foreign currency translations

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

4.13 Investment in subsidiary

Investment in subsidiary is stated at cost. At subsequent reporting dates, the recoverable amount is estimated to determine the extent of impairment, if any, and carrying amount of investment is adjusted accordingly. Impairment is recognized as an expense. Where impairment subsequently reverses, the carrying amount of investment is increased to the revised recoverable amount but limited to the extent of initial cost of investment. Impairment and reversal of impairment is recognized in the statement of income and expenditure for the year.

The profits and losses of subsidiaries are carried forward in their financial statements and not dealt within these financial statements except to the extent of dividend declared by the subsidiaries. Gains and losses on disposal of investment are included in statement of income or expenditure.

4.14 Financial instruments

4.14.1 Measurement of financial asset

Initial measurement

The Company classifies its financial assets into following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus transaction costs that are directly attributable to its acquisition, except FVTPL which is measured at fair value.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification, as follows:

Debt Investments at FVOCI

These assets are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.

Equity Investments at FVOCI

These assets are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income and are never reclassified to the statement of profit or loss. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest markup or dividend income, are recognized in the statement of profit or loss.

Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

Non-derivative financial assets

All non-derivative financial assets are initially recognized on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Non-derivative financial assets comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes trade debts, advances, other receivables and cash and cash equivalents.

Derecognition

The Company derecognizes the financial assets when the contractual rights to the cash flows from the assets expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred assets.

4.14.2 Financial liabilities

Initial recognition

Financial liabilities are classified in the following categories:

- fair value through profit or loss; and

- other financial liabilities.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in case of other financial liabilities also include directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as follows:

Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost using the effective interest rate method. Gain and losses are recognized in statement of profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

Derecognition

The Company derecognizes financial liabilities when and only when the Company's obligations are discharged, cancelled or expire.

4.14.3 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has currently legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the Company or the counter parties.

4.14.4 Impairment of financial assets

The Company recognizes loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortized cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12 months ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4.15 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, are 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 assets is deducted from the borrowing costs eligible for capitalization.

4.16 Related party transactions

Transactions with related parties are carried out on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price methods which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer un-related to the seller. Transactions other than at arms length are approved by the Board on proper justification.

4.17 Leases

4.17.1 Lease liability

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

4.17.2 Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

4.17.3 Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

4.17.4 Right of use assets

A right-of-use assets, presented in note 6, are recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the Right-of-use assets at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

5 PROPERTY, PLANT AND EQUIPMENT

Particulars	Land - freehold	Building on free hold land	Building on lease hold land	Machinery and equipment	Furniture and fixtures	Computer and ancillary equipment	Office equipment	Vehicles	Total
	--Rupees--								
As at July 1, 2018									
Cost	722,434,956	1,082,228,698	36,107,762	605,270,929	9,619,988	8,656,265	1,471,839	22,903,488	2,488,693,925
Accumulated depreciation	-	(560,133,691)	(32,439,448)	(600,659,762)	(9,541,929)	(8,363,951)	(1,237,324)	(22,055,981)	(1,234,432,086)
Net book value	722,434,956	522,095,007	3,668,314	4,611,167	78,059	292,314	234,515	847,507	1,254,261,839
Year ended June 30, 2019									
Opening net book value	722,434,956	522,095,007	3,668,314	4,611,167	78,059	292,314	234,515	847,507	1,254,261,839
Additions	-	-	-	4,792,960	231,309	151,300	214,285	-	5,389,854
Depreciation charged	-	(108,222,870)	(3,610,776)	(2,763,096)	(85,480)	(232,735)	(117,301)	(572,994)	(115,605,252)
Closing net book value	722,434,956	413,872,137	57,538	6,641,031	223,888	210,879	331,499	274,513	1,144,046,441
As at July 1, 2019									
Cost	722,434,956	1,082,228,698	36,107,762	610,063,889	9,851,297	8,807,565	1,686,124	22,903,488	2,494,083,779
Accumulated depreciation	-	(668,356,561)	(36,050,224)	(603,422,858)	(9,627,409)	(8,596,686)	(1,354,625)	(22,628,975)	(1,350,037,338)
Net book value	722,434,956	413,872,137	57,538	6,641,031	223,888	210,879	331,499	274,513	1,144,046,441
Year ended June 30, 2020									
Opening net book value	722,434,956	413,872,137	57,538	6,641,031	223,888	210,879	331,499	274,513	1,144,046,441
Additions	-	-	-	-	-	-	-	-	-
Depreciation charged	-	(108,222,870)	(57,538)	(2,721,258)	(72,234)	(121,046)	(121,081)	(248,696)	(111,564,723)
Closing net book value	722,434,956	305,649,267	-	3,919,773	151,654	89,833	210,418	25,817	1,032,481,718
As at June 30, 2020									
Cost	722,434,956	1,082,228,698	36,107,762	610,063,889	9,851,297	8,807,565	1,686,124	22,903,488	2,494,083,779
Accumulated depreciation	-	(776,579,431)	(36,107,762)	(606,144,116)	(9,699,643)	(8,717,732)	(1,475,706)	(22,877,671)	(1,461,602,061)
Net book value	722,434,956	305,649,267	-	3,919,773	151,654	89,833	210,418	25,817	1,032,481,718
Rate of depreciation	-	10%	10%	20%	20%	33%	20%	20%	

5.1 Depreciation charge for the year has been allocated as under :

	Note	2020 Rupees	2019 Rupees
Operating expenses	18	111,515,957	115,534,017
Administrative expenses	19	43,766	71,235
		111,564,723	115,605,252

5.2 Property, plant and equipment includes fully depreciated assets with cost of Rs. 682.102 million (2019: Rs. 632.99 million) which are still in use.

6 RIGHT OF USE ASSETS

	Note	2020 Rupees	2019 Rupees
Cost		109,061,338	-
Accumulated Depreciation		(5,816,605)	-
	6.1	103,244,733	-
Reconciliation of written down value			
Opening balance		-	-
Right of use assets recognized on initial application of IFRS-16		109,061,338	-
Depreciation charged during the period		(5,816,605)	-
		103,244,733	-
Lease term of the lease contract		30 years	

6.1 These represent land acquired under lease agreement with Civil Aviation Authority.

7 LONG-TERM PREPAYMENTS

	Note	2020 Rupees	2019 Rupees
CAA Allama Iqbal International Airport, Lahore	7.1	11,833,330	12,499,997
Other prepayments	7.2	-	3,048,553
		11,833,330	15,548,550

7.1 CAA Allama Iqbal International Airport, Lahore

	Note	2020	2019
Total Premium paid	7.1.2	20,000,000	20,000,000
Accumulated amortization		(8,166,670)	(7,500,003)
	7.1.1	11,833,330	12,499,997

7.1.1 Reconciliation of carrying value

	2020	2019
Opening carrying value	12,499,997	13,166,664
Less: Amortization for the year	(666,667)	(666,667)
Closing carrying value	11,833,330	12,499,997

7.1.2 This represents premium paid at the time of entering into lease arrangement for right of use asset discussed in note 6.1. This is being amortized over the lease term of thirty years.

	2020 Rupees	2019 Rupees
7.2 Other prepayments		
Other prepayments	7,048,553	11,048,553
Adjusted against rent of CAA Allama Iqbal International Airport, Lahore	(4,000,000)	(4,000,000)
	3,048,553	7,048,553
Less: Current portion	(3,048,553)	(4,000,000)
	-	3,048,553

7.2.1 The amount was paid to CAA under another lease agreement which was subsequently cancelled. The amount is being adjusted against the rentals payable for right of use asset.

8 LONG-TERM SECURITY DEPOSITS

	Note	2020 Rupees	2019 Rupees
Against electricity connection			
To Civil Aviation Authority		1,000,000	1,000,000
To Lahore Electric Supply Company		5,960,000	5,960,000
		6,960,000	6,960,000

9 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2020 Rupees	2019 Rupees
Considered good			
Advances			
- To staff for expenses	9.1	338,573	283,597
- To staff against salary		1,557,511	873,591
Security deposits		1,523,313	1,493,793
Current portion of long term prepayments		3,048,553	4,000,001
Other receivables			
- Income tax refunds		27,773,175	25,806,549
		34,241,125	32,457,531

9.1 These are unsecured and interest free.

10 CASH AND BANK BALANCES

	Note	2020 Rupees	2019 Rupees
Cash in hand		2,518,670	3,698,734
Balance with bank			
In saving accounts	10.1	101,933,515	93,899,035
		104,452,185	97,597,769

10.1 Rate of mark-up charged during the year ranges between 6.5% to 11.25% per annum (2019: 4.5% to 10.3% per annum).

11 POST EMPLOYMENT BENEFITS

	Note	2020 Rupees	2019 Rupees
Defined benefit plan - gratuity	11.1	7,122,835	5,581,012
Other long term benefits - Accumulated compensated absences	11.2	2,033,702	1,216,265
		9,156,537	6,797,277

11.1 The amount recognized in the statement of financial position is as follows:

	2020	2019
Present value of defined benefit obligation	7,122,835	5,581,012

11.1.1 Actuarial valuation was carried out as at June 30, 2020 using projected unit credit method by an approved actuary. Details of the obligation as per the actuarial valuation is as follows:

	2020 Rupees	2019 Rupees
Net liability at beginning of the year	5,581,012	3,757,531
Expenses recognized in the statement of income and expenditure	2,890,632	2,266,508
Net measurements actuarial loss/(gain)	(681,608)	94,841
Payments made during the year	(667,201)	(537,868)
Net liability at end of the year	7,122,835	5,581,012

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

	2020	2019
Opening balance	5,581,012	3,757,531
Current service cost	2,143,873	1,953,164
Interest cost	746,759	313,344
Benefits paid	(667,201)	(537,868)
Actuarial loss/(gain)	(681,608)	94,841
Closing balance	7,122,835	5,581,012

11.1.3 Expense recognized in the statement of income and expenditure

	2020	2019
Current service cost	2,143,873	1,953,164
Interest cost	746,759	313,344
	2,890,632	2,266,508

Expense recognized in other comprehensive income

	2020	2019
Actuarial loss/(gain) for changes in financial assumptions	(33,251)	24,025
Experience adjustments	(648,357)	70,816
Actuarial loss/(gain)	(681,608)	94,841

11.1.4 Sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date had fluctuated by 100 Bps with all other variables held constant, the present value of the net defined benefit obligation as at June 30, 2020 and 2019 would have been as follows:

	2020 Rupees	2019 Rupees
Discount rate + 100 bps	6,437,853	5,112,601
Discount rate - 100 bps	7,948,496	6,112,098
Salary increase + 100 bps	7,948,496	6,112,098
Salary increase - 100 bps	6,426,225	5,105,212

The sensitivity analysis of the defined benefit obligation to the significant actuarial assumptions has been performed using the same calculation techniques as applied for calculation of defined benefit obligation reported above.

	Note	2020 Rupees	2019 Rupees
11.1.5 Key actuarial assumptions used:			
Discount rate used for interest cost %		14.25%	9.00%
Discount rate used for benefit obligation %		9.25%	14.25%
Increase in salary %		0.00%	0.00%
11.2 Other long term benefits - accumulated compensated absences			
Opening balance		1,216,265	947,408
Current service cost		1,461,962	1,110,590
Interest cost		103,026	45,817
Benefits paid		(986,554)	(876,650)
Re-measurements experience adjustments		239,003	(10,900)
Closing balance		2,033,702	1,216,265

12 LONG TERM LOAN

	Note	2020 Rupees	2019 Rupees
From related party Government of Punjab - Unsecured			
Loan I - Under mark up arrangement	12.1 & 12.3	1,266,321,000	1,266,321,000
Loan II - Interest free	12.1 & 12.3	224,557,000	224,557,000
		1,490,878,000	1,490,878,000
Less: Current portion shown under current liabilities			
Installments due		(1,490,878,000)	(1,490,878,000)
		-	-

12.1 These repayable in equal quarterly installments in five years with a grace period of two years from the date of respective tranch. These were subject to interest at the rate of 0.25% per annum (2019: 0.25% per annum). These are overdue.

12.2 Terms of repayment of the loan were not decided, however, its repayment is also demanded by the Government of Punjab.

12.3 The Company has applied to the Government of Punjab to convert these loans into grant in aid which is under consideration.

13 Lease Liability

	2020 Rupees	2019 Rupees
Lease liability against leasehold land	105,331,619	-
Less : Current portion - Payable within one year	(3,739,048)	-
	101,592,571	-

13.1 It represents land at Allama Iqbal International Airport Lahore under lease. Lease liability has been recognized at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate of 0.25% per annum.(Company has obtained long term loan from government at interest rate of 0.25%, as in this arrangement land acquired on lease is at Allama Iqbal Airport since lessor in this arrangement is government owing to that reason Company take incremental borrowing rate of 0.25% per annum.)

14 TRADE AND OTHER PAYABLES

	Note	2020 Rupees	2019 Rupees
Creditors		3,163,970	7,657,967
Payable to contractors	14.1	264,913,465	264,913,465
Securities payable	14.2	10,000	200,000
Accrued liabilities		3,343,944	9,371,232
Payable to provident fund		300,605	536,216
Income tax deducted at source		84,917	84,917
		271,816,901	282,763,797

14.1 It includes Rs. 261.29 million (2019: Rs. 261.29 million) payable to Mashhad Meat Industrial Complex (MMIC) against purchase of machinery and consultancy services. As per terms of the agreements signed between the Company and MMIC, this amount was to be paid to a joint venture (a partnership firm named M/S Punjab Mashhad Meat Complex (PMMC)) (the JV) on behalf of MMIC being its 16.11% contribution along with 83.89% contribution of the Company in shape of transfer of different assets / cost incurred by the Company for establishment of a slaughter house at Shahpur Kanjaran which was to be run by the JV with profit or loss sharing by the Company and MMIC in their respective investment ratios. MMIC has demanded repayment of this amount alongwith return at the rate of 5% per annum due to non implementation of the agreements. The Company has requested the Government of the Punjab to provide further funds for settlement of this liability.

14.2 These are not used in the business of the Company.

15 CONTINGENCIES

15.1 Provision for mark up on long term loans amounting to Rs.11.798 million (2019: 8.631 million) has not been recorded in the books of account of the Company financial statements in view of the Company's application / request to the Government of Punjab to convert these loans into grant in aid. (Refer Note 12.3)

15.2 No provision is made in respect of claim of return on the amount payable to M/S Mashhad Meat Industrial Complex in the books of account of the company in view of pending settlement. (Refer Note 14.1)

16 OPERATING INCOME

	Note	2020 Rupees	2019 Rupees
Slaughtering income		156,012,265	173,287,627
Processing income		2,989,850	3,334,610
Chilling income		369,811	438,813
	16.1	159,371,926	177,061,050

16.1 Location wise break of the income is as under;

	2020	2019
Shahpur Kanjaran	154,818,757	169,495,520
Raiwind Slaughterhouse	3,936,080	6,968,870
Kot Kamboh whole sale meat point	617,089	596,660
	159,371,926	177,061,050

17 OTHER INCOME

	2020	2019
Profit on bank deposits	9,289,173	5,410,526
Others	1,428,100	12,730,446
	10,717,273	18,140,972

18 OPERATING EXPENSES

	Note	2020	2019
Salaries, wages and benefits		73,859,075	71,659,441
Fuel, power and utilities		14,146,115	24,281,474
Repairs and maintenance		10,110,665	14,474,294
Security charges		6,339,249	7,039,790
Printing and stationary		4,832,479	5,671,491
Rent, rates and taxes		729,107	5,297,811
Loading and unloading charges		57,000	977,070
Postage and communication		533,832	572,654
Depreciation	5.1	111,515,957	115,534,017
Depreciation on right of use asset	6	5,816,605	-
Others		1,343,543	2,303,351
		229,283,627	247,811,393

19. ADMINISTRATIVE EXPENSES

Salaries and benefits	19.1	34,272,786	32,857,047
Vehicle running and maintenance		5,529,234	5,230,835
Travelling expenses		1,266,000	1,509,834
Rent, rates and taxes		-	665,885
Legal and professional		459,130	737,561
Audit fee		246,750	233,100
Utilities, telephone and postage		-	124,611
Repair and maintenance		9,695	58,305
Printing and stationery		53,673	81,505
Entertainment		62,582	105,208
Depreciation	5.1	48,766	71,235
Advertisement and conference exhibition		72,546	135,811
Training and development expenses		-	133,200
Fee and subscription		27,050	56,410
Others		354,287	209,110
		42,402,499	42,209,657

19.1 Salaries and benefits include gratuity expense amounting to Rs. 2,890,632/- (2019: Rs. 2,266,508/-)

20. FINANCE COST

Interest on lease liability	270,281	-
Bank charges	24,596	31,518
	294,877	31,518

21. PROVISION FOR TAXATION

No provision for current and deferred taxation has been made in these financial statements as the Company is claiming 100% tax credit under section 100C of the Income Tax Ordinance 2001 in view of its application for approval as a non profit organization under section 2 (36) of the Income Tax Ordinance 2001 which is in process.

22 REMUNERATION OF CHIEF EXECUTIVE OFFICER AND EXECUTIVES

The aggregate amount charged in the financial statements for the year in respect of remuneration including certain benefits to the Chief Executive Officer and Executives are as under:

	Chief Executive Officer		Executives	
	2020	2019	2020	2019
	Rupees	Rupees	Rupees	Rupees
Salaries	2,938,000	-	4,352,727	9,889,783
Mobile allowance	42,000	36,000	114,000	192,000
Provident fund	193,752	-	287,061	521,556
Medical	21,360	-	43,339	76,873
Gratuity, leaves and other benefits	659,520	-	1,064,367	2,473,852
Travelling and daily allowance	-	1,303,800	-	21,000
	3,854,632	1,339,800	5,861,494	13,175,064
Number of employees	1	1	3	6

22.1 The Chief Executive Officer is entitled to use company maintained car.

23 DISCLOSURE WITH REGARDS TO PROVIDENT FUND

		2020	2019
Size of the fund	(Rupees)	11,742,578	8,098,650
Cost of investments	(Rupees)	7,000,000	5,000,000
Fair value of investments	(Rupees)	7,349,944	5,176,181
Percentage of investments made	(% age)	60%	62%
Funds placed in bank accounts	(Rupees)	4,392,634	2,370,401

23.1 Investment has been made in term deposit receipts in accordance with the provision of section 218 of the Companies Act, 2017 and the rules formulated for that purpose.

24 NUMBER OF EMPLOYEES

	2020	2019
	Numbers	Numbers
Total number of employees at year end	287	303
Average number of employees during the year	296	304

25 CAPACITY AND UTILIZATION

	2020	2019
Beef:		
Installed capacity	132,000	132,000
Capacity utilized	48,698	53,515
Mutton:		
Installed capacity	1,584,000	1,584,000
Capacity utilized	861,156	1,013,912

25.1 Reasons for shortfall

- Due to Covid-19 situation, major business distruption observed during the last quarter of the year.
- Poor enforcement mechanism over illegal slaughtering by the concerned government quarters.
- Other economical and social factors beyond the control of the Company.

26 RELATED PARTY TRANSACTIONS

Related parties comprise of Government of Punjab, Punjab Meat Processing Complex, Punjab Mashad Meat Complex, provident fund and key management personnel. Remuneration and benefits to key management personnel are disclosed in Note 22. Transactions with other related parties during the year are as follows:

Name and basis of relationship	Nature of transaction	2020	2019
		Rupees	Rupees
Provident fund	Contribution for the year	3,385,917	3,135,202

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company finances its operations through the mix of debt and working capital management with a view to maintain an appropriate mix between various sources of finance to minimize risk. The overall risk management is carried out by the finance department under oversight of the Board of Directors in line with the policies approved by the Board.

27.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2020	2019
	Rupees	Rupees
Financial assets at amortized cost:		
Long-term security deposits	6,960,000	6,960,000
Receivable from customers	-	3,380,310
Deposits	1,523,313	1,493,793
Cash and bank balances	104,452,185	97,597,769
	112,935,498	109,431,872
Financial liabilities at amortized cost :		
Long term loans	1,490,878,000	1,490,878,000
Lease Liability	105,331,619	-
Trade and other payables	271,431,379	282,142,664
Accrued mark-up on long term loans	12,516,009	12,516,009
	1,880,157,007	1,785,536,673

27.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company's activities expose to a variety of financial risks (credit risk, liquidity risk and market risk). Risks measured and managed by the Company are explained below :

27.2.1 CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk at the reporting date is as follows:

	2020	2019
	Rupees	Rupees
Long-term security deposits	6,960,000	6,960,000
Receivable from customers	-	3,380,310
Deposits	1,523,313	1,493,793
Bank balances	101,933,515	93,899,035
	110,416,828	105,733,138

Due to Company's long standing relations with other counterparties and after giving due consideration to their financial standing, the management does not expect non performance by these counter parties on their obligations to the Company. The credit risk exposure is limited in respect of bank balances as these are placed with local banks having good credit rating.

27.2.2 LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Following are the contractual maturities of financial liabilities as at June 30, 2020 and 2019.

	2020		
	Carrying Amount	Contractual Cash Flows	Payable within One Year
	Rupees		
Long term loans	1,490,878,000	1,490,878,000	1,490,878,000
Trade and other payables	271,431,379	271,431,379	271,431,379
Lease liability	105,331,619	108,000,000	4,000,000
Accrued mark-up on long term loans	12,516,009	12,516,009	12,516,009
	1,880,157,007	1,882,825,388	1,778,825,388

	2019		
	Carrying Amount	Contractual Cash Flows	Payable within One Year
	Rupees		
Long term loans	1,490,878,000	1,490,878,000	1,490,878,000
Trade and other payables	282,142,664	282,142,664	282,142,664
Accrued mark-up on long term loans	12,516,009	12,516,009	12,516,009
	1,785,536,673	1,785,536,673	1,785,536,673

No provision for markup on long term loan is made for the reason explained in note 15.1.

The Company has liquid assets of Rs. 104.452 million (2019: Rs. 97.597 million) at the reporting date to manage the liquidity risk and may obtain funds / financial support from Government of Punjab to manage the liquidity risk. The Company has applied for conversion of long term loans into grant in aid which is still under consideration (Refer Note 12.3).

27.2.3 MARKET RISK

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate profile of the Company's interest bearing financial instruments is presented in relevant notes to the financial statements. The Company is not exposed to any significant interest rate risk.

Sensitivity to interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

The Company does not account for any variable rate financial assets and liabilities at fair value through profit and loss, therefore a change in interest rates at the reporting date would not affect income or expenditure.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument, will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to foreign currency transactions. The Company is exposed to currency risk.

Equity price risk

Trading and investing in quoted equity securities give rise to equity price risk. The Company is not exposed to equity price risk.

27.2.4 FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying values of all the financial assets and financial liabilities reported in the financial statements 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.

27.3 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide 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 the capital structure, the Company may obtain / repay funds from / to the Government of Punjab.

The Company is exposed to capital risk mainly due to long term loans payable from the Government of Punjab. The Company has applied for conversion of long term loans into grant or equity which is still under consideration.

28 DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company authorized the financial statements for issuance on - 8 APR 2021.

29 GENERAL

29.1 REARRANGEMENT

Creditors of Rs.7,657,967/- were included in accrued liabilities under the head of trade and other payables.These are disclosed as a separate line item under the same head for better presentation and comparison.

29.2 Figures have been rounded off to the nearest Rupees.

CHIEF EXECUTIVE OFFICER | CHIEF FINANCIAL OFFICER | DIRECTOR