

AGRO FOOD PROCESSING (AFP)
FACILITIES MULTAN
ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2022

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ShineWing

SHINEWING HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS
a member firm of ShineWing international

**Independent Auditors' Review Report to the Members of Agro Food Processing (AFP) Facilities
Multan**

**Review report on statement of compliance with the Public Sector Companies (Corporate
Governance) Rules, 2013**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of Agro Food Processing (AFP) Facilities Multan (the Company) for the year ended June 30, 2022.

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

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

The Rules require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transaction which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, except for the non-compliance attached with the said statement, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Company for the year ended June 30, 2022.

ShineWing Hamood Chaudhri

Chartered Accountants

Engagement Partner: Talat Javed

Date: September 30, 2022

UDIN: CR202210162c7UbXt8fI

Multan

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AGRO FOOD PROCESSING (AFP)
FACILITIES MULTAN**

Report on Audit of Financial Statements

Opinion

We have audited the annexed financial statements of **Agro Food Processing (AFP) Facilities Multan** ("the Company"), which comprise the statement of financial position as at June 30, 2022, the statement of income and expenditure, the statement of comprehensive income, the statement of changes in capital and accumulated funds, 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 purpose 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 & expenditure, the statement of comprehensive income, the statement of changes in Capital and accumulated funds and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standard 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, 2022 and of the deficit, the other comprehensive income, the changes in capital and accumulated funds 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.

Emphasis of Matter

We draw attention to note 5.6 to the financial statements which describes the matter regarding the title of land and ownership of building which is still owned by Punjab Small Industries Corporation (PSIC) and have not yet been transferred in name of the Company. Our report is not qualified in respect of this matter.

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 to the Members but does not include the financial statements 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.

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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, the requirements of the 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 misstatements, 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.

The Board of Directors are 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 misstatements, 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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk 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 omission, 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 the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Company's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5/1/2022

- 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, the statement of comprehensive income, the statement of changes in capital and accumulated funds and the statement of cash flows together with 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) investment 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 auditors' report is Talat Javed.

Shinewing Hameed Chaudhri

Chartered Accountants

Multan

Date: September 30, 2022

UDIN: AR2022101621Uznua089



Dated: September 30, 2022



DIRECTORS' REPORT TO THE MEMBERS

The Directors of AGRO FOOD PROCESSING (AFP) FACILITIES MULTAN are pleased to present their report together with Audited Financial Statements for the year ended June 30, 2022.

OPERATING FINANCIAL RESULTS AND FUTURE PROSPECTS

Financial results of the Company for the year under review are summarized below along with comparative data of last year:

| Particulars | 2022 (Rupees) | 2021 (Rupees) |
|-----------------------------------|---------------|---------------|
| Income from operations | 64,040,096 | 49,775,351 |
| Other Income | 9,652,200 | 9,771,847 |
| Operating expenses: | (67,193,438) | (46,593,312) |
| Administrative & General expenses | (10,898,630) | (8,891,809) |
| (Loss) / Surplus for the period | (4,399,772) | 4,062,077 |

The Company is committed to promote agro food sector by providing processing facilities for grading & pulp extraction of fruits and vegetables and helping growers to have value addition to their agro food products. Financial results of current year remained lower than expected as the planned production targets for the year could not be met causing decrease in revenue of Rs. 4.54 Mn. Depreciation for the year increased by Rs. 4.84 Mn due to additions in assets, staff salary rationalization and salary raise impact of Rs. 1.41 Mn and term deposit receipts (TDRs) investment loss of Rs. 5.95 Mn due to utilization of funds for assets addition as well as low TDR rates. However, the Company is targeting 4,400 tons of pulp extraction and 350 tons of grading of different fruits & vegetables for the next year ending on June 30, 2023. The Company will also arrange awareness and orientation courses for growers and processor of pulp extraction and fruit grading. The Company does not charge any processing or other fee from growers and all its revenue streams are originated from processors / representatives of juice industry. Such awareness and orientation course for growers will fetch improved results for the Company in future and support the Company to meet the growing demand of the market in the long-run.

Agro Food Processing (AFP) Facilities Multan

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(LOSS) / EARNING PER SHARE

Total shares of the Company are 10,005 and deficit per share for the year ended June 30, 2022 is Rs. 472.

REMARKS ON AUDITOR'S OBSERVATION

Auditors have added an 'Emphasis of Matter' paragraph on the financial statements is based on the fact that the title / ownership of land and building under the use of the Company have not yet been transferred in its name. However, the management of the Company is striving hard to get the land and building transferred in the name of the Company after complying with required institutional formalities at the earliest, for which all the concerned authorities have given their consents. Furthermore, it is added that the Company is in process of constant follow-up and has taken up the matter to respective authorities to expedite the process of transfer of title.

INTERNAL CONTROL

The system of internal control is sound in design and has been effectively implemented and monitored. The Company is making efforts to further strengthen the internal financial controls and the implementation of the Internal Audit Charter in true letter and spirit.

MATERIAL CHANGES AND COMMITMENTS SUBSEQUENT TO THE YEAR END

There are no material changes and commitments, which may affect the financial position of the Company, from the year end till the issuance of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is exposed various risks and uncertainties owing to the sectors in which it operates. Many risks exist in a company's operating environment and they emerge on a regular basis. The Company's Risk Management process focuses on ensuring that these risks are identified on a timely basis and addressed.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The accounts department of the Company assists the Board in developing and monitoring the Company's risk management policies. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The risk management policies of the Company are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

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"A Company set up under section 42 of the Companies Act 2017"

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All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. The Company is not engaged in the trading of financial assets for speculative purposes nor does it write options.

The Company's management oversees and monitors compliance with the Company's risk management policies, procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Directors are assisted in oversight role by the management. Management undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

STATEMENT IN COMPLIANCE WITH THE CORPORATE GOVERNANCE RULES

We also state that:

- the Board has complied with the relevant principles of corporate governance, and has identified the rules that have not been complied with, the period in which such non-compliance continued, and reasons for such non-compliance;
- the financial statements, prepared by the management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- proper books of accounts of the Company have been maintained;
- appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments; and
- we recognize our responsibility to establish and maintain sound system of internal control, which is regularly reviewed and monitored.

NO. OF BOARD MEETINGS HELD DURING THE YEAR:

During the year ended June 30, 2022, six meetings of the Board of Directors including annual general meeting were held. Below is detail of meetings attended by each director during the year:

| Sr. | Director Name | Director nominated by | No. of Meetings attended |
|-----|----------------------------|---------------------------------------|--------------------------|
| 1 | Mr. Waqar Ud Din Siddiqui | Ministry of Industries and Production | 04 |
| | Mr. Saira Inaid Ali | | 02 |
| 2 | Mr. Raja Hassanien Javed | SMEDA | 06 |
| 3 | Mr. Ashfaq Ahmed | SMEDA | 06 |
| 4 | Mr. Abdul Khalique Hasnani | PSIC | 06 |
| | Mr. Saleem Ullah | PSIC | 03 |
| | Mrs. Anumarah Manzoor Khan | | 03 |

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PATTERN OF SHAREHOLDING:

The pattern of share holding of the Company as at June 30, 2022 is annexed.

REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS:

All the directors of the Company were not given any remuneration except for the fee to attend the Board meetings. During the year, a total of Rs. 745,000 was paid to directors in respect of meeting fee.

A total of Rs. 3,000,000 was charged in respect of the remuneration and other benefits of the Chief Executive of the Company as per his terms of employment.

AUDITORS:

The external auditors M/s ShineWing Hameed Chaudhri & Co, Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Audit Committee and Board of Directors recommended the appointment of ShineWing Hameed Chaudhri & Co., Chartered Accountants as external auditors of the Company for the year ending June 30, 2023.

ACKNOWLEDGEMENTS:

On behalf of directors of the Company, I would also like to express appreciation for the services, loyalty and efforts being continuously rendered by the executives, staff members and workers of the Company and hope that they will continue to do so in future.

Saira Inqad Ali
Chairperson

Munawar Hussain
Chief Executive Officer

FORM 34

THE COMPANIES ACT, 2017
THE COMPANIES (GENERAL PROVISIONS AND FORMS) REGULATIONS, 2018
 [Section 227(2)(f)]

PATTERN OF SHAREHOLDING

1. Incorporation Number

2. Name of the Company

3. Pattern of holding of the shares held by the shareholders as at

| 4. No. of shareholders | Shareholdings | Total shares held |
|------------------------|--|-------------------|
| 1 | Shareholding 1 and from 6 to 2005 shares | 2,001 |
| 1 | Shareholding 2 and from 2006 to 4005 shares | 2,001 |
| 1 | Shareholding 3 and from 4006 to 6005 shares | 2,001 |
| 1 | Shareholding 4 and from 6006 to 8005 shares | 2,001 |
| 1 | Shareholding 5 and from 8006 to 10005 shares | 2,001 |
| 5 | Total | 10,005 |

| 5. Categories of shareholders | Share held | Percentage |
|--|---------------|--------------|
| 5.1 Directors nominated by Government departments, Chief Executive Officer, and their spouse and minor children: | 10,005 | 100 % |
| 5.2 Associated Companies, undertakings and related parties | -- | -- |
| 5.3 NFI and ICF | -- | -- |
| 5.4 Banks, Development, Financial Institutions, Non-Banking Financial Institutions | -- | -- |
| 5.5 Insurance Companies | -- | -- |
| 5.6 Modernization and Mutual Funds | -- | -- |
| 5.7 General Public: a. Local b. Foreign | -- | -- |
| 5.8 Others-Individuals | -- | -- |
| Total | 10,005 | 100 % |

Share holders holding 10% or more

| Sr. # | Folio | Name | CNIC # | Total number of shares held | Percentage of total capital |
|--------------|-------|--------------------------|-----------------|-----------------------------|-----------------------------|
| 1 | 1 | Mrs. Saira Inqad Ali | 35202-2786002-2 | 2,001 | 20 |
| 2 | 2 | Mr. Raja Hassanien Javed | 38403-0422029-3 | 2,001 | 20 |
| 3 | 3 | Mr. Ashfaq Ahmed | 37301-2310247-3 | 2,001 | 20 |
| 4 | 4 | Mr. Abdul Khaliq Hashmi | 32102-6756241-9 | 2,001 | 20 |
| 5 | 5 | Mrs. Ammarah Munoor Khan | 36103-4387357-6 | 2,001 | 20 |
| TOTAL | | | | 10,005 | 100 |

6. Signature of Chief Executive/ Secretary



Muhammad Latif

7. Name of Signatory

Muhammad Latif

8. Designation

Company Secretary

9. CNIC Number

36201-6346930-7

10. Date

| Day | | Month | | Year | | | |
|-----|---|-------|---|------|---|---|---|
| 3 | 0 | 0 | 6 | 2 | 0 | 2 | 2 |



Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013
(SCHEDULE I) - revised in accordance with Public Sector Companies (Corporate Governance Compliance) Guidelines, 2018)

Name of company: Agro Food Processing (AFP) Facilities Multan
 (A Company set up under section 42 of the Companies Act, 2017)
Name of the line ministry: Ministry of Industries and Production
For the year ended: June 30, 2022

- i. This statement presents the overview of the compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.
- ii. The Company has complied with the provisions of the Rules, in the following manner:

| Sr. No | Provision of the Rules | Rule No. | Compliance | | | | | | | | | | | | | | | | | | | | | |
|--------------------------------------|--|---------------------|------------|---------------------|------------------------|---|---|----------------------|-----------------------|-----------------|--------------------------------------|-----------------|----------------|----------------------|------------------|---------------------|--------------|----------------------|--------------|--------------|--------------|------|--|---|
| | | | Yes | No | | | | | | | | | | | | | | | | | | | | |
| 1. | The Independent Directors meet the criteria of independence as defined under the Rules. | 2(d) | | ✓ | | | | | | | | | | | | | | | | | | | | |
| 2. | The Board has at least one-third of its total members as independent directors. At present the Board includes: | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td>Independent Directors:</td> <td>-</td> <td>-</td> </tr> <tr> <td>Executive Directors:</td> <td>Munawar Hussain (CEO)</td> <td>August 20, 2020</td> </tr> <tr> <td rowspan="4">Nominee Directors (Non-Executive)</td> <td>Saira Imdad Ali</td> <td>April 20, 2022</td> </tr> <tr> <td>Ammarah Manzoor Khan</td> <td>December 1, 2021</td> </tr> <tr> <td>Abdul Khaliq Hashmi</td> <td>May 12, 2020</td> </tr> <tr> <td>Raja Hassanien Javed</td> <td>Sep 29, 2020</td> </tr> <tr> <td>Ashfaq Ahmed</td> <td>Mar 30, 2015</td> </tr> </tbody> </table> | Category | Names | Date of Appointment | Independent Directors: | - | - | Executive Directors: | Munawar Hussain (CEO) | August 20, 2020 | Nominee Directors (Non-Executive) | Saira Imdad Ali | April 20, 2022 | Ammarah Manzoor Khan | December 1, 2021 | Abdul Khaliq Hashmi | May 12, 2020 | Raja Hassanien Javed | Sep 29, 2020 | Ashfaq Ahmed | Mar 30, 2015 | 3(2) | | ✓ |
| Category | Names | Date of Appointment | | | | | | | | | | | | | | | | | | | | | | |
| Independent Directors: | - | - | | | | | | | | | | | | | | | | | | | | | | |
| Executive Directors: | Munawar Hussain (CEO) | August 20, 2020 | | | | | | | | | | | | | | | | | | | | | | |
| Nominee Directors (Non-Executive) | Saira Imdad Ali | April 20, 2022 | | | | | | | | | | | | | | | | | | | | | | |
| | Ammarah Manzoor Khan | December 1, 2021 | | | | | | | | | | | | | | | | | | | | | | |
| | Abdul Khaliq Hashmi | May 12, 2020 | | | | | | | | | | | | | | | | | | | | | | |
| | Raja Hassanien Javed | Sep 29, 2020 | | | | | | | | | | | | | | | | | | | | | | |
| Ashfaq Ahmed | Mar 30, 2015 | | | | | | | | | | | | | | | | | | | | | | | |
| 3. | The Directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries. | 3(5) | ✓ | | | | | | | | | | | | | | | | | | | | | |
| 4. | The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under provisions of the Act. | 3(7) | - | - | | | | | | | | | | | | | | | | | | | | |
| 5. | The Chairman of the Board is working separately from the Chief Executive of the Company. | 4(1) | ✓ | | | | | | | | | | | | | | | | | | | | | |
| 6. | The chairman of the Board has been elected by the Board of Directors except where Chairman of the Board has been appointed by the Government. | 4(4) | ✓ | | | | | | | | | | | | | | | | | | | | | |
| 7. | The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. | 5(2) | ✓ | | | | | | | | | | | | | | | | | | | | | |

Agro Food Processing (AFP) Facilities Multan

(A Company set up under section 42 of the Companies Act 2017)
 Plot 30+33, Phase-II, Industrial Estate Multan. www.afpl.org.pk



| Sr. No | Provision of the Rules | Rule No. | Compliance | |
|--------|--|----------------------|-------------|----|
| | | | Yes | No |
| 8. | (a) The Company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. (b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website. (www.afpf.org.pk) (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices. | 5(4) | ✓ | |
| 9. | The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety, objectivity, integrity and honesty, and relationship with the stakeholders, in the manner prescribed in the Rules. | 5(5) | ✓ | |
| 10. | The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests and the procedure for disclosing such interest. | 5(5)(b)(iii) | ✓ | |
| 11. | The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Company. | 5(5)(b)(vi) | ✓ | |
| 12. | The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. | 5(5)(c)(iv) | ✓ | |
| 13. | The Board has ensured compliance with the law as well as the Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services. | 5(5)(c)(iii) | ✓ | |
| 14. | The Board has developed a vision or mission statement, corporate strategy of the Company. | 5(6) | ✓ | |
| 15. | The Board has developed significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. | 5(7) | ✓ | |
| 16. | Board has quantified the outlay of any action in respect of any services delivered or goods sold by the Company as a public service obligation and have submitted its request for appropriate compensation to the Government for consideration | 5(8) | - | - |
| 17. | The Board has ensured compliance with policy directions received from Government from time to time. | 5(11) | ✓ | |
| 18. | (a) The Board has met at least four times during the year (b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated. | 6(1) 6(2) 6(3) | ✓ ✓ ✓ | |
| 19. | The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose. | 8(7) | ✓ | |
| 20. | The Board has reviewed and approved the related party transactions placed before it after recommendations of the Audit Committee. A party wise record of transactions entered into with related parties during the year is maintained. | 9 | - | - |

Agro Food Processing (AFP) Facilities Multan

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| Sr. No | Provision of the Rules | Rule No. | Compliance | | | | | | | | | | | | | | | | | | | |
|---|---|--|--|----------------|---------------------------|-----------------|----|---|---------------------------|----|--|---------------------------|----|--|-----------------------|----|--|----------------------|----|--|---|--|
| | | | Yes | No | | | | | | | | | | | | | | | | | | |
| 21. | The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end, and The board has placed the annual financial statements on the Company's website. | 10 | ✓ | | | | | | | | | | | | | | | | | | | |
| 22. | All Board members underwent an orientation course arranged by the Company to apprise them of the material developments and information as specified in Rules. | 11 | ✓ | | | | | | | | | | | | | | | | | | | |
| 23. | (a) The Board has formed the requisite Committees, as specified in the Rules. (b) The Committees were provided with written terms of reference defining their duties, authority and composition. (c) Meeting Minutes of the Committees were circulated to all the Board members. (d) The Committees were chaired by the following Non-Executive Directors: | 12 | ✓ | | | | | | | | | | | | | | | | | | | |
| <table border="1"> <thead> <tr> <th>Committee</th> <th>No. of Members</th> <th>Name of Chair & Member(s)</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>02</td> <td>Mr. Abdul Khalid Hashmi (Chairman) Mr. Raja Hassanien Javed (Member)</td> </tr> <tr> <td>Risk Management Committee</td> <td>03</td> <td>Mrs. Ammiran Manzoor Khan (Chair) Mr. Raja Hassanien Javed (Member) Mr. CEO - AFP (Member)</td> </tr> <tr> <td>Human Resources Committee</td> <td>04</td> <td>Mrs. Sara Imdad Ali (Chairperson) Mrs. Ammiran Manzoor Khan (Member) Mr. Ashfaq Ahmed (Member) Mr. CEO - AFP (Member)</td> </tr> <tr> <td>Procurement Committee</td> <td>03</td> <td>Mr. Raja Hassanien Javed (Chair) Mr. Abdul Khalid Hashmi (Member) Mr. CEO - AFP (Member)</td> </tr> <tr> <td>Nomination Committee</td> <td>04</td> <td>Mrs. Sara Imdad Ali (Chairperson) Mr. Abdul Khalid Hashmi (Member) Mr. Ashfaq Ahmed (Member) Mr. CEO - AFP (Member)</td> </tr> </tbody> </table> | | | Committee | No. of Members | Name of Chair & Member(s) | Audit Committee | 02 | Mr. Abdul Khalid Hashmi (Chairman) Mr. Raja Hassanien Javed (Member) | Risk Management Committee | 03 | Mrs. Ammiran Manzoor Khan (Chair) Mr. Raja Hassanien Javed (Member) Mr. CEO - AFP (Member) | Human Resources Committee | 04 | Mrs. Sara Imdad Ali (Chairperson) Mrs. Ammiran Manzoor Khan (Member) Mr. Ashfaq Ahmed (Member) Mr. CEO - AFP (Member) | Procurement Committee | 03 | Mr. Raja Hassanien Javed (Chair) Mr. Abdul Khalid Hashmi (Member) Mr. CEO - AFP (Member) | Nomination Committee | 04 | Mrs. Sara Imdad Ali (Chairperson) Mr. Abdul Khalid Hashmi (Member) Mr. Ashfaq Ahmed (Member) Mr. CEO - AFP (Member) | ✓ | |
| Committee | No. of Members | | Name of Chair & Member(s) | | | | | | | | | | | | | | | | | | | |
| Audit Committee | 02 | | Mr. Abdul Khalid Hashmi (Chairman) Mr. Raja Hassanien Javed (Member) | | | | | | | | | | | | | | | | | | | |
| Risk Management Committee | 03 | | Mrs. Ammiran Manzoor Khan (Chair) Mr. Raja Hassanien Javed (Member) Mr. CEO - AFP (Member) | | | | | | | | | | | | | | | | | | | |
| Human Resources Committee | 04 | | Mrs. Sara Imdad Ali (Chairperson) Mrs. Ammiran Manzoor Khan (Member) Mr. Ashfaq Ahmed (Member) Mr. CEO - AFP (Member) | | | | | | | | | | | | | | | | | | | |
| Procurement Committee | 03 | Mr. Raja Hassanien Javed (Chair) Mr. Abdul Khalid Hashmi (Member) Mr. CEO - AFP (Member) | | | | | | | | | | | | | | | | | | | | |
| Nomination Committee | 04 | Mrs. Sara Imdad Ali (Chairperson) Mr. Abdul Khalid Hashmi (Member) Mr. Ashfaq Ahmed (Member) Mr. CEO - AFP (Member) | | | | | | | | | | | | | | | | | | | | |
| | | ✓ | | | | | | | | | | | | | | | | | | | | |
| | | ✓ | | | | | | | | | | | | | | | | | | | | |
| 24. | The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment. | 13 | ✓ | | | | | | | | | | | | | | | | | | | |
| 25. | The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules. | 14 | ✓ | | | | | | | | | | | | | | | | | | | |
| 26. | The Company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act. | 15 | ✓ | | | | | | | | | | | | | | | | | | | |
| 27. | The Directors' Report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed. | 17 | ✓ | | | | | | | | | | | | | | | | | | | |
| 28. | The directors, CEO and executives or their relatives are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company. | 18 | ✓ | | | | | | | | | | | | | | | | | | | |
| 29. | (a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration. (b) The annual report of the company contains criteria and details of remuneration of each director. | 19 | ✓ | | | | | | | | | | | | | | | | | | | |
| 30. | The financial statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer, before approval of the Board. | 20 | ✓ | | | | | | | | | | | | | | | | | | | |

Agro Food Processing (AFP) Facilities Multan

A Company set up under section 42 of the Companies Act 2017
Plot 30-33, Phase-II, Industrial Estate Multan www.afp.org.pk



| Sr. No. | Provision of the Rules | Rule No. | Compliance | | | | | | | | | | |
|----------------------|---|--------------------------|-------------|-------------------------|---------------------|---------------|--------------------------|----------------------|---------------|------------------|------------------------|---|--|
| | | | Yes | No | | | | | | | | | |
| 31. | <p>The Board has formed an Audit Committee, with defined and written terms of reference, and having the following members as at 30 June 2021:</p> <table border="1"><thead><tr><th>Name of Member</th><th>Category</th><th>Professional Background</th></tr></thead><tbody><tr><td>Abdul Khaliq Hashmi</td><td>Non-Executive</td><td>Regional Director – PSIC</td></tr><tr><td>Raja Hassanien Javed</td><td>Non-Executive</td><td>GM OR-II (SMEDA)</td></tr></tbody></table> <p>The chief executive and chairman of the Board are not members of the audit committee.</p> | Name of Member | Category | Professional Background | Abdul Khaliq Hashmi | Non-Executive | Regional Director – PSIC | Raja Hassanien Javed | Non-Executive | GM OR-II (SMEDA) | 21 (1) and 21(2) | ✓ | |
| Name of Member | Category | Professional Background | | | | | | | | | | | |
| Abdul Khaliq Hashmi | Non-Executive | Regional Director – PSIC | | | | | | | | | | | |
| Raja Hassanien Javed | Non-Executive | GM OR-II (SMEDA) | | | | | | | | | | | |
| 32. | <p>(a) The chief financial officer, the chief internal auditor and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed.</p> <p>(b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.</p> <p>(c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.</p> | 21(3) | ✓ ✓ ✓ | | | | | | | | | | |
| 33. | <p>(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.</p> <p>(b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.</p> <p>(c) The internal audit reports have been provided to the external auditors for their review.</p> | 22 | ✓ ✓ ✓ | | | | | | | | | | |
| 34. | The external auditors of the Company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan. | 23(4) | ✓ | | | | | | | | | | |
| 35. | The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services. | 23(5) | ✓ | | | | | | | | | | |

MUNAWAR HUSSAIN
Chief Executive



SAIRA IMDAD ALI
Chairperson



**Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013
(SCHEDULE II - revised in accordance with the Public Sector Companies (Corporate Governance Compliance) Guidelines, 2018)**

Name of company: Agro Food Processing (AFP) Facilities Multan
(A Company set up under section 42 of the Companies Act, 2017)
Name of the line ministry: Ministry of Industries and Production
For the year ended: June 30, 2022

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, towards which reasonable progress is being made by the company to seek compliance by the end of next accounting year:-

| Sr. No. | Rule/ Sub Rule no. | Provision of the Rules | Reasons for non-Compliance | Future Course of Action |
|---------|--------------------|---|---|--|
| 1 | 7 (d) 3(Z) | The independent Directors meet the criteria of independence as defined under the Rules. The Board has the requisite percentage of independent directors. | Presently there is no independent director. All directors are nominated by the Government and are employees of the Government entities. | Panels for appointment of independent Directors has been sent to the line ministry (Ministry of Industries & Production) on June 22, 2022 and said appointments are expected in upcoming months. |

MUNAWAR HUSSAIN
CHIEF EXECUTIVE



SAIRA IMDAD ALI
CHAIRPERSON

Agro Food Processing (AFP) Facilities Multan

"A Company set up under section 42 of the Companies Act 2017"

Plot 30-33, Phase-II, Industrial Estate Multan. www.afpf.org.pk

AGRO FOOD PROCESSING (AFP) FACILITIES MULTAN
(A Company set up under Section 42 of the Companies Act, 2017)
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2022

| | Note | 2022 Rupees | 2021 Rupees |
|--|------|--------------------|------------------|
| Income from operations | 22 | 64,040,096 | 49,775,351 |
| Operating expenses | 23 | (67,193,438) | (46,593,312) |
| Gross (deficit)/surplus | | (3,153,342) | 3,182,039 |
| Administrative and general expenses | 24 | (10,898,630) | (8,891,809) |
| | | (14,051,972) | (5,709,770) |
| Other income | 25 | 9,652,200 | 9,771,847 |
| Net (deficit)/surplus for the year | | (4,399,772) | 4,062,077 |
| (Loss)/Earnings per share (basic and diluted) | 26 | (440) | 406 |

The annexed notes from 1 to 36 form an integral part of these financial statements.

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CHIEF EXECUTIVE


MANAGER FINANCE


DIRECTOR

AGRO FOOD PROCESSING (AFP) FACILITIES MULTAN
 (A Company set up under Section 42 of the Companies Act, 2017)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

| | Note | 2022 Rupees | 2021 Rupees |
|---|------|--------------------|--------------------|
| ASSETS | | | |
| <i>Non-Current Assets</i> | | | |
| Property, plant and equipment | 5 | 327,846,416 | 300,666,864 |
| Long term deposits | 6 | 9,692,000 | 9,692,000 |
| Long term portion of loans and advances | 10 | 2,325,826 | 966,120 |
| | | 339,864,242 | 311,324,984 |
| <i>Current Assets</i> | | | |
| Stores, spares and loose tools | 7 | 9,830,060 | 10,605,474 |
| Trade debts | 8 | 19,714,147 | 16,349,970 |
| Short term investments | 9 | 86,000,000 | 74,500,000 |
| Loans and advances | 10 | 908,588 | 324,530 |
| Deposits, prepayments and other receivables | 11 | 10,250,674 | 8,621,006 |
| Tax refunds due from the Government | 12 | 14,787,729 | 15,744,065 |
| Cash and bank balances | 13 | 17,036,295 | 22,360,436 |
| | | 158,527,493 | 148,505,481 |
| Total Assets | | 498,391,735 | 459,830,465 |
| EQUITY AND LIABILITIES | | | |
| <i>Share Capital And Reserves</i> | | | |
| <i>Authorized share capital</i> | | | |
| 32,100,000 ordinary shares of Rs. 10 each | | 321,000,000 | 321,000,000 |
| Issued, subscribed and paid-up share capital | 14 | 100,050 | 100,050 |
| Contribution by the sponsors | 15 | 400,000 | 400,000 |
| <i>Capital reserve</i> | | | |
| Surplus on revaluation of property, plant and equipment | 16 | 146,974,797 | 102,054,204 |
| <i>Revenue reserves</i> | | | |
| General reserve | 17 | 10,165,833 | 9,133,738 |
| Accumulated fund | | 225,160,723 | 227,062,647 |
| | | 382,801,403 | 338,750,639 |
| <i>Non-Current Liabilities</i> | | | |
| Deferred Government grant | 18 | 88,350,979 | 95,780,948 |
| Staff retirement benefits - Gratuity | 19 | 1,169,783 | 1,715,163 |
| | | 89,520,762 | 97,496,111 |
| <i>Current Liabilities</i> | | | |
| Creditors, accrued and other liabilities | 20 | 26,069,570 | 23,583,715 |
| <i>Contingencies And Commitments</i> | | | |
| | 21 | - | - |
| Total Equity And Liabilities | | 498,391,735 | 459,830,465 |

The annexed notes from 1 to 36 form an integral part of these financial statements.


CHIEF EXECUTIVE


MANAGER FINANCE


DIRECTOR

AGRO FOOD PROCESSING (AFP) FACILITIES MULTAN
(A Company set up under Section 42 of the Companies Act, 2017)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2022

| | <i>Note</i> | <i>2022 Rupees</i> | <i>2021 Rupees</i> |
|--|-------------|--------------------------|-------------------------|
| Net (deficit)/surplus for the year | | (4,399,772) | 4,062,077 |
| <i>Other comprehensive income for the year</i> | | | |
| <i>Items that will not be reclassified to statement of income and expenditure:</i> | | | |
| - Remeasurement of defined benefit obligation | 19.2 | 305,417 | (291,201) |
| - Surplus on revaluation of property, plant and equipment | 16 | 48,145,119 | - |
| <i>Total comprehensive income for the year</i> | | <u>44,050,764</u> | <u>3,770,876</u> |

The annexed notes from 1 to 36 form an integral part of these financial statements.

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CHIEF EXECUTIVE


MANAGER FINANCE


DIRECTOR

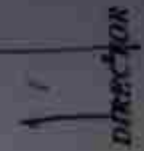
AGRO FOOD PROCESSING (AFP) FACILITIES MULTAN
(A Company set up under Section 42 of the Companies Act, 2017)
STATEMENT OF CHANGES IN CAPITAL AND ACCUMULATED FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

| | Share Capital | Contribution by sponsors | Capital Reserve Surplus on revaluation of property, plant and equipment | Revenue Reserves | | Total |
|---|---------------|--------------------------|--|------------------|------------------|-------------|
| | | | | General Reserve | Accumulated Fund | |
| Balance as at June 30, 2020 | 100,050 | 400,000 | 105,648,130 | 8,245,164 | 220,586,419 | 334,979,763 |
| Total Comprehensive income for the year | - | - | - | - | 4,062,077 | 4,062,077 |
| Net surplus for the year | - | - | - | - | (291,201) | (291,201) |
| Other comprehensive income | - | - | - | - | 3,770,876 | 3,770,876 |
| Transfer to General Reserve from Accumulated Fund | - | - | - | 888,574 | (888,574) | - |
| Transfer to accumulated fund on account of incremental depreciation | - | - | (3,593,926) | - | 3,593,926 | - |
| Balance as at June 30, 2021 | 100,050 | 400,000 | 102,054,204 | 9,133,738 | 227,062,647 | 338,750,639 |
| Total Comprehensive income for the year | - | - | - | - | (4,399,772) | (4,399,772) |
| Net deficit for the year | - | - | 48,145,119 | - | 305,417 | 48,450,536 |
| Other comprehensive income | - | - | 48,145,119 | - | (4,094,355) | 44,050,764 |
| Transfer to General Reserve from Accumulated Fund | - | - | - | 1,032,095 | (1,032,095) | - |
| Transfer to accumulated fund on account of incremental depreciation | - | - | (3,224,526) | - | 3,224,526 | - |
| Balance as at June 30, 2022 | 100,050 | 400,000 | 146,974,797 | 10,165,833 | 225,160,723 | 382,801,403 |

The annexed notes from 1 to 36 form an integral part of these financial statements.


CHIEF EXECUTIVE

S. Waqar
MANAGER FINANCE


DIRECTOR

AGRO FOOD PROCESSING (AFP) FACILITIES MULTAN
(A Company set up under Section 42 of the Companies Act, 2017)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

| | <i>Note</i> | 2022 <i>Rupees</i> | 2021 <i>Rupees</i> |
|--|-------------|------------------------------|------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash received from customers - schedule attached | | 63,920,643 | 47,132,056 |
| Cash received from / (paid to) suppliers for goods - schedule attached | | 2,081,912 | (8,217,381) |
| Cash paid to creditors for expenses - schedule attached | | (65,213,494) | (41,044,395) |
| Cash inflow from operations | | 789,061 | (2,129,720) |
| Income tax paid | | (350,162) | (3,532,472) |
| Net cash inflow / (outflow) from operating activities | | 438,899 | (5,662,192) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Additions to operating fixed assets | 5.1 | (6,310,780) | (63,407,846) |
| Capital work-in-progress - net | 5.7 | 6,157,825 | (5,817,825) |
| Short term investments - TDRs (net) | 9 | (11,500,000) | 42,350,000 |
| Profit on short term deposits | | 5,889,915 | 16,471,780 |
| Net cash outflow from investing activities | | (5,763,040) | (10,403,891) |
| Net decrease in cash and cash equivalents | | (5,324,141) | (16,066,083) |
| Cash and cash equivalents at beginning of the year | | 22,360,436 | 38,426,519 |
| Cash and cash equivalents at end of the year | 13 | 17,036,295 | 22,360,436 |

The annexed notes from 1 to 36 form an integral part of these financial statements.

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CHIEF EXECUTIVE


MANAGER FINANCE


DIRECTOR

SCHEDULE OF CASH FLOWS FROM OPERATING ACTIVITIES

| | Note | 2022 Rupees | 2021 Rupees |
|--|---------|---------------------|---------------------|
| CASH RECEIVED FROM CUSTOMERS | | | |
| <i>Income from operations - net of sales tax</i> | | | |
| Fruit processing charges | | 52,456,331 | 43,423,344 |
| Fruit grading charges | | 180,497 | 1,891,951 |
| Cold storage charges | | 11,403,268 | 4,458,055 |
| | 22 | <u>64,040,096</u> | <u>49,775,350</u> |
| <i>Other income</i> | | | |
| Sale of pulp waste | | 1,216,767 | 248,731 |
| Reversal of payable balance | | 1,499,857 | - |
| Tender fee | | 16,000 | 85,000 |
| | 25 | <u>2,732,624</u> | <u>333,731</u> |
| Total income | | 66,772,720 | 50,109,081 |
| Add: Opening balance of trade debts | 8 | 24,562,000 | 20,831,233 |
| Add: Closing balance of advances from customers | 20 | 1,901,742 | 1,389,642 |
| Less: Closing balance of trade debts | 8 | (27,926,177) | (24,562,000) |
| Less: Opening balance of advances from customers | 20 | (1,389,642) | (635,900) |
| Total cash receipts from customers | | 63,920,643 | 47,132,056 |
| CASH PAID TO SUPPLIERS FOR GOODS | | | |
| Add: Opening balance of stores, spares and loose tools | 7 | 10,605,474 | 9,764,412 |
| Less: Closing balance of stores, spares and loose tools | 7 | (9,830,060) | (10,605,474) |
| Less: Opening balance of creditors relating to capital work in progress including sales tax adjustable | 20.1 | (5,704,979) | (5,704,979) |
| Add: Closing balance of creditors relating to capital work in progress including sales tax adjustable | 20.1 | 5,704,979 | 5,704,979 |
| Add: Sales tax adjustable | 12 | 7,376,319 | - |
| Less: Sales tax adjustable | 12 | (6,069,821) | (7,376,319) |
| Total cash paid to suppliers for goods | | 2,081,912 | (8,217,381) |
| CASH PAID TO CREDITORS FOR EXPENSES | | | |
| Salaries, wages and other benefits | 23 & 24 | (36,621,162) | (29,351,699) |
| Travelling expenses | 24 | (565,458) | (524,832) |
| Communication expenses | 24 | (71,059) | (67,776) |
| Utilities | 23 & 24 | (21,771,205) | (10,974,788) |
| Advertisement and promotional expenses | 24 | (100,000) | (76,632) |
| Entertainment | 24 | (368,025) | (337,399) |
| Repair and maintenance | 23 & 24 | (1,852,413) | (2,723,313) |
| Printing, stationery and newspapers | 24 | (70,253) | (49,129) |
| Legal and professional charges | 24 | (210,000) | (85,000) |
| Fee and subscription | 24 | (209,623) | (92,507) |
| Auditors' remuneration | 24 | (157,500) | (100,000) |
| Vehicle insurance | 24 | (52,020) | (52,020) |
| Plant running expenses | 23 | (490,390) | (617,524) |
| Consultancy and certification fee | 24 | (301,649) | (434,987) |
| Stores consumed | 23 | (1,032,282) | (20,488) |
| Rent, rates and taxes | 24 | (9,680) | (12,640) |
| Junitorial Expenses | 24 | (37,578) | (22,401) |
| Others / miscellaneous expenses | 23 & 24 | (483,218) | (1,458,962) |
| Less: Opening Balance of creditors, accrued and other liabilities and gratuity | 19 & 20 | (23,909,236) | (17,243,094) |
| Less: Closing balance of deposits, prepayments and other receivables & loans and advances | 10 & 11 | (8,233,578) | (6,189,807) |
| Add: Closing balance of creditors, accrued and other liabilities and gratuity | 19 & 20 | 25,643,028 | 23,909,236 |
| Add: Opening balance of deposits, prepayments and other receivables & loans and advances | 10 & 11 | 6,189,807 | 5,481,667 |
| Total cash paid to creditors for expenses | | (65,213,494) | (41,044,195) |


CHIEF EXECUTIVE


MANAGER FINANCE

SUPHIT


DIRECTOR

AGRO FOOD PROCESSING (AFP) FACILITIES MULTAN
(A Company set up under Section 42 of the Companies Act, 2017)
NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 Agro Food Processing (AFP) Facilities (the Company) is a Company set up under section 42 of the repealed Companies Ordinance, 1984 (Now Companies Act, 2017). The Company was registered as a Company limited by guarantee as on July 09, 2012. The main objectives of the Company are to provide consultancy services, support and exposure to growers about latest fruit and vegetables processing techniques, provide pulp extraction facilities at lower cost and help the growers to go for value addition and minimize the post-harvest losses. The registered office and processing facilities of the Company are situated at Plot no. 30-33, Phase II, Industrial Estate, Multan.

1.2 Prior to incorporation of AFP as a limited Company, it was operating as a PSDP and ADP Funded Project (the Project) jointly executed and managed by Small and Medium Enterprises Development Authority (SMEDA) and Punjab Small Industries Corporation (PSIC). The Project commenced operations in 2009 after its inauguration by the Prime Minister of Pakistan on 25th August, 2009. Lately, AFP Project was incorporated with SECP on 9th July, 2012 as a Public Company Limited by Guarantee. At the time of its incorporation as a Company under section 42 of the repealed Ordinance, all assets (including the land and building) and liabilities of the Project as per its Audited Financial Statements for the year ended June 30, 2012 were physically handed over to the newly formed Company - AFP.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- 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 the directives issued under the Companies Act, 2017 differ from the IFRS Standards or the Accounting Standards for NPOs, the provisions and directives of the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention without taking into account the effects of inflation or carrying values, except otherwise stated in the forthcoming policies and notes.

2.3 Functional and presentation currency

The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

2.4 Significant accounting estimates and judgments

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

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

Significant areas requiring the use of management estimates in these financial statements are detailed in forthcoming paragraphs. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities.

Property, plant and equipment

The Company reviews the rates of depreciation, useful lives, residual values and values of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

Provision for doubtful debts

The Company reviews its receivable balances against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into account expected recoveries, if any.

Stores, spares and loose tools

The Company reviews the stores, spares and loose tools for possible impairment on an annual basis. Any change in estimates in future years might affect the carrying amounts of the respective items of stores, spares and loose tools with a corresponding effect on the provision.

Provisions

The amount recognized as a provision reflects the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. However, provisions are reviewed at each financial position date and adjusted to reflect current best estimates.

Impairment of assets

The management of the Company reviews carrying amounts of its assets including receivables and advances and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

Taxation

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

Contingencies

The Company discloses its contingent liabilities for the pending litigations and claims against the Company based on its judgment and the advice of the legal advisor for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the financial position date.

3 INITIAL APPLICATION OF STANDARDS, AMENDMENTS OR INTERPRETATIONS TO EXISTING STANDARDS

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

3.1 Standards, amendments and interpretations to accounting and reporting standards that became effective during the year

New and amended standards mandatory for the first time for the financial year beginning July 1, 2021:

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(a) IFRS-16 - Leases

Amendments to IFRS 16 'Leases' is applicable on accounting periods beginning on or after June 1, 2020 and April 1, 2021. Under IFRS 16, rent concessions often met the definition of a lease modification, unless they were envisaged in the original lease agreement. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The Board has extended the practical expedient by 12 months – i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022. This optional exemption gives timely relief to lessees and enables them to continue providing information about their leases that is useful to investors. The amendment does not affect lessors. The amendment has no impact on the Company's financial statements.

3.2 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2021 and have not been early adopted by the Company:

(a) IAS 37 Onerous contracts*Effective date: January 01, 2022*

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations – i.e. the lower of the costs of fulfilling the contract and the costs of terminating it – outweigh the economic benefits. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

(b) IAS 16 Proceeds before an asset's intended use*Effective date: January 01, 2022*

Amendment to IAS 16 'Property, Plant and Equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead, a Company will recognise such sales proceeds and related cost in profit or loss. The amendments apply retrospectively, but only to items of PPE made available for use on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments.

(c) IAS 1 Disclosure of accounting policies*Effective date: January 01, 2023*

Amendments to IAS 1, 'Presentation of Financial Statements' includes requiring companies to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed and also clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Company's financial statements.

The Company has assessed that the impact of these amendments is not expected to be significant.

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies used in the preparation of these financial statements have been consistently applied by the Company for all periods presented in these financial statements. These accounting policies are set out below:

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4.1 Property, plant and equipment

Property, plant and equipment except land and capital work-in-progress (CWIP) are stated at revalued amount being the fair value at the date of revaluation, less accumulated depreciation and any identified impairment in value. Land is stated at revalued amount being the fair value at the date of revaluation, less any subsequent impairment losses.

Any revaluation increase arising on the revaluation of such assets is credited to 'Surplus on revaluation of property, plant and equipment', while decrease in the carrying amount arising on revaluation is charged to income and expenditure to the extent that it exceeds the balance, if any, held in the surplus on revaluation account relating to a previous revaluation of that asset.

Depreciation on all items of property, plant and equipment, except land and CWIP is charged to income by applying reducing balance method so as to write-off the depreciable amounts over estimated remaining useful life of the assets. The useful life and depreciation method are consistent with the expected pattern to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of operating property, plant and equipment. Rates of depreciation are stated in note 5.1 to these financial statements.

Depreciation is charged on additions from the month in which an asset is acquired or capitalized and no depreciation is charged for the month in which asset is disposed off. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.

The assets' residual value and useful lives are reviewed at each financial year end and adjusted if expectations differ significantly from previous estimates and impact on depreciation is significant.

Residual values are determined by the management as the amount it expects it would receive currently for an item of property, plant and equipment if it was already of the age and in the condition expected at the end of its useful life based on the prevailing market prices of similar assets already at the end of their useful lives.

Useful lives are determined by the management based on the expected usage of assets, physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

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 cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Capital work-in-progress is stated at cost accumulated to the financial position date. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to relevant categories of property, plant and equipment as and when these assets are available for use.

4.2 Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost.

The finance cost is charged to the statement of income and expenditure over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the statement of income and expenditure. Short-term leases are leases with a lease term of 12 months or less.

4.3 Impairment of non-financial assets

The Company assesses at each financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the carrying amounts of such assets are reviewed to assess whether these are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of income and expenditure.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of carrying amount that would have been determined had no impairment loss been recognized for that asset. Reversal of impairment loss is recognized as income.

4.4 Intangible assets

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

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

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

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets in the development phase are carried at cost accumulated to the financial position date.

All intangible assets are estimated to have definite useful lives and are amortized using the straight line method over a period of five years. Amortization is charged over the estimated useful life of the asset on a systematic basis applying the straight line method.

Useful lives of intangible operating assets are reviewed, at each date of statement of financial position and adjusted if the impact of amortization is significant. The effect of any adjustment to residual values and useful lives is recognized prospectively as a change in accounting estimate.

The carrying amount of the intangible is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the statement of income and expenditure for the amount by which the asset's carrying amount exceeds its recoverable amount. Reversal of impairment losses are also recognized in the statement of income and expenditure, however, it is restricted to the original cost of the asset.

4.5 Stores, spares and loose tools

These are valued at the lower of cost and net realizable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost plus directly attributable expenses incidental thereto accumulated up to the date of statement of financial position. The Company reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for identified obsolete and slow moving items based on their condition at the reporting date depending upon the management's judgement.

Net realizable value specifies the estimated selling price in the ordinary course of business less the estimated cost of completion and cost necessarily to be incurred to make the sale.

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4.6 Trade debts and other receivables

Trade debts are initially recognized at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less loss allowance, if any. The Company always measures the loss allowance for trade debts at an amount equal to lifetime expected credit losses (ECL). The expected credit losses on trade debts are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Trade debts and other receivables considered irrecoverable are written off.

4.7 Deposits and prepayments

Deposits and prepayments are included in current assets, except for maturities greater than twelve months after the financial position date, which are classified as non-current assets and are stated at amortized cost. These are carried at cost less any estimate made for doubtful receivables based on review of outstanding balances and management estimates. Deposits considered bad and doubtful are charged to the statement of income and expenditure.

4.8 Taxation

The income of the Company is exempt from tax under section 2(36) of the Income Tax Ordinance, 2001, being a charitable and non-profit organization (NPO). The Company has obtained Certificate of NPO from Pakistan Centre for Philanthropy (PCP) valid till January 26, 2024 and thereby granted exemption from Commissioner Inland Revenue under the Income Tax Ordinance, 2001 valid till June 30, 2022 (renewable afterwards).

4.9 Employees' retirement benefits**Defined benefit plans**

Defined benefit plan is a post-employment benefit plan other than the defined contribution plan. Defined benefit plans define an amount of gratuity that an employee will receive on retirement, usually dependent on one or more factors such as age and years of service. The liability recognized in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets.

The Company has established separate funded gratuity schemes for its staff who completes qualifying period of service. Contributions under the schemes are made on the basis of actuarial valuation using Projected Unit Credit Method, related details of which are given in note 19 to the financial statements.

The amount arising as a result of remeasurements are recognized in the statement of financial position immediately, with a charge or credit to other comprehensive income in the periods in which they occur. Past-service cost are recognized immediately in statement of income and expenditure.

4.10 Creditors, accrued and other liabilities

Liabilities for creditors and other amounts payable are initially recognized at fair value of consideration to be paid in future for the goods and services received, whether or not billed to the Company, which is normally the transaction cost.

4.11 Government grants

Government grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Fair value signifies the amount received in cash.

Government grants, where there is primary condition to purchase, construct or otherwise acquire long-term assets, are accounted for as "deferred income" in statement of financial position and credited to the statement of income and expenditure on a systematic basis over the expected useful lives of the related long-term assets.

All other grants are recognized in the statement of income and expenditure in the year of receipt.

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4.12 Related party transactions

Transactions and contracts with related parties are carried out at arm's length prices determined in accordance with comparable uncontrolled price method as approved by the Board of directors, except in rarely extreme circumstances, subject to the approval of the Board, where it is in the interests of the Company to do so. Parties are said to be related if they are able to influence the operating and financial decisions of the Company and vice versa.

4.13 Provisions

Provisions are recognized when the Company has a present 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 obligation can be made.

If it is no longer probable that an outflow of economic resources embodying economic benefits will be required to settle the obligation, the provisions are reversed. However, the provisions are adjusted at each financial position date to reflect the current best estimate.

4.14 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise; cash in hand and balances with banks in current and deposit accounts. These also include highly liquid short term investments that are readily convertible to known amounts of cash and are subject to insignificant change in value.

4.15 Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through income or expenditure), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

a) Initial recognition and measurement of financial assets

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through statement of income and expenditure are initially recognized at fair value and transaction costs are expensed in the statement of income and expenditure.

i) Equity instruments

The Company subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1).

For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

- Fair value through other comprehensive income (FVTOCI)

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

- Fair value through profit or loss (FVTPL)

Changes in the fair value of equity investments at fair value through income or expenditure are recognized in other income / (other expenses) in the statement of income and expenditure as applicable.

Dividends from such investments continue to be recognized in statement of income and expenditure as other income when the Company's right to receive payments is established.

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ii) Debt instruments

Subsequent measurement of debt instrument depends on the Company's business model for managing the assets and the cash flows characteristics of the assets. Three categories in which the Company classifies its debt instruments are:

- Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method.

- Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI.

- Fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL.

Gains and losses arising on debt instrument measured at amortized cost and as FVTPL are recognized in statement of income and expenditure. Interest calculated under effective interest method, dividend, impairment and foreign exchange gains and losses on these debt instrument are also recognized in statement of income and expenditure.

Gains and losses from changes in fair value of debt instruments measured as FVTOCI are recognized in other comprehensive income and are reclassified to statement of income and expenditure on derecognition or reclassification.

b) Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

4.16 Financial liabilities

Financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statement of income and expenditure.

4.17 Impairment of financial assets

The Company recognizes a loss allowance for ECL on trade debts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

The Company always recognizes lifetime ECL for trade debts. The ECL on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- a) The financial instrument has a low risk of default,
- b) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
- c) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

ii) Definition of default

The Company employs statistical models to analyze the data collected and generate estimates of probability of default ("PD") of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Company.

iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a) significant financial difficulty of the issuer or the borrower;
- b) a breach of contract, such as a default or past due event (see (ii) above);
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial re-organization; or
- e) the disappearance of an active market for that financial asset because of financial difficulties.

iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

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v) *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

4.18 *Off setting of financial assets and financial liabilities*

A financial asset and financial liability is off set and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.19 *Capital and fund balances*

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits, if any.

Accumulated fund balances include all current and prior period accumulated surplus/(deficit).

4.20 *Earnings per share (EPS)*

Basic EPS is calculated by dividing the surplus or deficit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in statement of income and expenditure attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

4.21 *Contingencies and commitments*

These are not accounted for in the financial statements unless these are actual liabilities and are only disclosed when:

- a) there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or
- b) there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The assessment of contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events.

4.22 *Revenue recognition*

Sale of Goods

The Company sold its products in separately identifiable contracts. The contracts entered into with the customers generally includes one performance obligation i.e. the provision of goods to the customer.

Revenue from sale of goods is recognized when the Company satisfies a performance obligation under a contract by transferring promised goods to the customer. Goods are considered to be transferred at the point in time when the customer obtains control over the goods (i.e. on dispatch of goods from the plant to the customer).

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Rendering of Services

Revenue from contracts for provision of the services is recognized at the point in time when the services are rendered.

Return on Bank deposits

Return on bank deposits / interest income is recognized using applicable effective interest rate method. Income is accrued as and when the right to receive the income establishes.

4.23 Right-of-use assets

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated over the lease term on the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any. At transition, the Company recognized right of use assets equal to the present value of lease payments.

| | Note | 2022 Rupees | 2021 Rupees |
|---|------|--------------------|--------------------|
| 5. PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating fixed assets - tangible | 5.1 | 319,295,463 | 285,958,086 |
| Capital work-in-progress | 5.7 | 8,550,953 | 14,708,778 |
| | | 327,846,416 | 300,666,864 |

5.1 Operating fixed assets - tangible

| Particulars | Cost / Residual Amount | | | Accumulated Depreciation | | | As at June 30, 2022 | Net Book Value as at June 30, 2022 | Rate | |
|---------------------------|---------------------------|------------------|--------------------------|---------------------------|---------------------------|------------------------|---------------------------|--|--------------------|--------------------------|
| | As at July 01, 2021 | Additions | Effect of Revaluation | As at June 30, 2022 | As at July 01, 2021 | Charge for the year | | | | Effect of Revaluation |
| | Rupees | | | | | | | | | |
| Freehold Land | 80,000,000 | - | 20,000,000 | 100,000,000 | - | - | - | 100,000,000 | - | |
| Building | 144,979,967 | 465,740 | - | 145,445,707 | 28,342,643 | (1,676,740) | (11,965,676) | 28,311,717 | 117,107,000 | 10% |
| Plant and machinery | 126,017,795 | 5,855,000 | - | 131,872,795 | 43,115,271 | 8,631,501 | (13,326,067) | 38,420,705 | 93,447,090 | 10% |
| Electric installations | 1,960,000 | - | - | 1,960,000 | 718,152 | 124,185 | (382,337) | 460,000 | 1,500,000 | 10% |
| Gas installations | 3,000,000 | - | - | 3,000,000 | 1,806,773 | 318,321 | (626,096) | 1,500,000 | 3,506,000 | 10% |
| Office equipment | 784,920 | - | (52,657) | 732,263 | 267,523 | (5,740) | - | 319,263 | 413,000 | 10% |
| Furniture and fittings | 600,000 | - | (728,982) | 479,018 | 217,383 | 38,262 | - | 275,645 | 223,377 | 10% |
| Computers and accessories | 399,200 | - | - | 399,200 | 255,833 | 40,975 | (46,308) | 249,200 | 116,000 | 33% |
| Vehicles | 2,665,326 | - | 309,674 | 2,975,000 | 1,488,344 | 235,796 | (1,722,140) | - | 2,975,000 | 20% |
| | 362,407,208 | 6,310,740 | 20,136,035 | 388,854,023 | 76,449,171 | 21,118,521 | (28,001,083) | 69,556,610 | 319,295,463 | |

For comparative period

| Particulars | Cost / Residual Amount | | | Accumulated Depreciation | | | As at June 30, 2021 | Net Book Value as at June 30, 2021 | Rate |
|---------------------------|---------------------------|-------------------|---------------------------|---------------------------|------------------------|---------------------------|---------------------------|--|------|
| | As at July 01, 2020 | Additions | As at June 30, 2021 | As at July 01, 2020 | Charge for the year | As at June 30, 2021 | | | |
| | Rupees | | | | | | | | |
| Freehold Land | 80,000,000 | - | 80,000,000 | - | - | - | - | 80,000,000 | - |
| Building | 81,596,721 | 63,383,246 | 144,979,967 | 22,083,086 | 6,479,557 | 28,562,643 | 136,417,324 | 136,417,324 | 10% |
| Plant and machinery | 126,017,795 | - | 126,017,795 | 33,903,879 | 9,211,392 | 43,115,271 | 82,902,524 | 82,902,524 | 10% |
| Electric installations | 1,960,000 | - | 1,960,000 | 580,169 | 137,983 | 718,152 | 1,241,848 | 1,241,848 | 10% |
| Gas installations | 3,000,000 | - | 3,000,000 | 1,451,920 | 354,803 | 1,806,773 | 3,193,227 | 3,193,227 | 10% |
| Office equipment | 784,920 | - | 784,920 | 210,034 | 57,489 | 267,523 | 317,397 | 317,397 | 10% |
| Furniture and fittings | 600,000 | - | 600,000 | 174,870 | 42,513 | 217,383 | 382,177 | 382,177 | 10% |
| Computers and accessories | 374,600 | 24,600 | 399,200 | 219,934 | 53,099 | 275,633 | 124,167 | 124,167 | 33% |
| Vehicles | 2,665,326 | - | 2,665,326 | 1,191,598 | 294,746 | 1,486,344 | 1,178,982 | 1,178,982 | 20% |
| | 298,999,362 | 63,407,846 | 362,407,208 | 59,815,539 | 16,633,582 | 76,449,171 | 285,958,086 | | |

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5.1.1 The Company had its land, buildings, plant & machinery, electric installations, gas installations, office equipment, furniture & fixtures, computer & accessories and vehicles situated at its factory premises, revaluated through Messrs. Medallion Services (Pvt) Limited, an independent valuer approved by Pakistan Banks' Association (PBA) in any amount category, on June 30, 2022. The revaluation resulted in surplus on revaluation of property, plant and equipment amounting to Rs. 48,145 million. The basis used for revaluation were as follows:

Land

Valuation of land has been determined by obtaining current market data from the Punjab Industrial Estate, property brokers/dealers and estate agents to ascertain the asking and selling price for properties of the same nature in the immediate neighborhood and adjoining areas. Neighboring properties, which have been recently sold or purchased, have been investigated to determine a reasonable selling/buying price.

Building

Survey of building was carried out for class and type of construction, quality of material used, standard of workmanship and finish. The price of building has been assessed according to the observations.

The assessment of the building has been made on existing outlook, appearance, face value, individual merits, class and type of construction, quality and standard of material used for construction, finish of the building and exercising all possible care and applying suitable price adjustments as existed on the day of survey.

Plant and machinery

The subject machinery is properly maintained in good working and operational condition. Detail of each machinery with valuation is incorporated in report in next section. For valuation purposes, the supplier and different Manufacturing consultants in the Country and out of Country has been contacted and information regarding the valuation of Plant & Machinery has been collected. Completing the above exercise, current replacement value of plant and machinery has been determined.

After settling the Current Replacement Value, depreciation factor of each item according to their physical condition, usage, maintenance etc., has been incorporated and then fair market values were calculated.

All other assets

All assets of the Company other than land, building and plant & machinery are maintained in good condition. However, the written down value truly represents their fair market value on the replacement cost basis. Accordingly, we have assumed that the carrying amount of such assets approximates their fair market value and no surplus arises on their revaluation except for vehicles which have been taken at their fair market value.

The forced sale values of the above-mentioned operating fixed assets as at June 30, 2022 were as follows:

| | <i>Rupees</i> |
|---------------------------|-------------------|
| Freehold Land | 15,000,000 |
| Building | 18,091,050 |
| Plant and machinery | 18,689,418 |
| Electric Installations | 300,000 |
| Gas installations | 700,000 |
| Office equipment | 82,600 |
| Furniture and fittings | 44,675 |
| Computers and accessories | 26,000 |
| Vehicles | 595,000 |
| | <u>53,528,743</u> |

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5.2 The depreciation charge and amortization of Government grant for the year has been allocated as follows:

| | Note | Depreciation | | Amortization of Government grant | | Depreciation on assets other than grant | |
|-------------------------------------|------------|-------------------|-------------------|----------------------------------|------------------|---|------------------|
| | | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | | Rupees | | | | | |
| Operating expenses | 23 | 19,584,075 | 15,535,779 | 7,145,433 | 7,542,584 | 12,438,642 | 7,993,105 |
| Administrative and general expenses | 24 | 1,534,447 | 1,097,803 | 284,536 | 316,773 | 1,249,911 | 781,030 |
| Total | 5.3 | 21,118,522 | 16,633,582 | 7,429,969 | 7,859,357 | 13,688,553 | 8,774,225 |

5.3 The breakup of cost and depreciation related to grant assets, other assets and revaluation surplus is as follows:

| | Note | 2022 | | 2021 | |
|---|------|---------------|--------------|---------------|--------------|
| | | Cost | Depreciation | Cost | Depreciation |
| | | Rupees | | | |
| Grant assets | 18 | 221,035,670 | 7,429,969 | 221,035,670 | 7,859,357 |
| Elimination of accumulated depreciation | | (100,526,650) | - | (100,526,650) | - |
| | | 120,509,020 | 7,429,969 | 120,509,020 | 7,859,357 |
| Other Assets | | 127,812,387 | 10,464,027 | 121,501,607 | 5,180,299 |
| Revaluation surplus on assets | | 168,541,700 | 3,224,526 | 120,396,581 | 3,593,926 |
| | 5.2 | 296,354,087 | 13,688,553 | 241,898,188 | 8,774,225 |
| | 5.1 | 388,854,023 | 21,118,522 | 362,407,208 | 16,633,582 |

5.4 Had the revaluations of these assets not been made, the carrying value of these assets as at June 30, 2022 would have been as under:

| | As at June 30, 2022 | | | As at June 30, 2021 | | |
|---------------------------|---------------------|--------------------------|--------------------|---------------------|--------------------------|--------------------|
| | Cost | Accumulated Depreciation | Net book value | Cost | Accumulated Depreciation | Net book value |
| | Rupees | | | | | |
| Freehold Land | 9,800,000 | - | 9,800,000 | 9,800,000 | - | 9,800,000 |
| Building | 141,197,481 | 43,634,423 | 97,563,058 | 140,736,701 | 32,806,385 | 107,930,316 |
| Plant and machinery | 184,657,094 | 124,497,804 | 60,159,290 | 178,807,094 | 118,084,268 | 60,722,826 |
| Electric Installations | 2,408,997 | 1,387,890 | 1,021,107 | 2,408,997 | 1,274,434 | 1,134,563 |
| Gas installations | 5,000,904 | 2,728,582 | 2,272,322 | 5,000,904 | 2,476,102 | 2,524,802 |
| Office equipments | 1,097,237 | 611,802 | 485,435 | 1,097,237 | 557,865 | 539,372 |
| Furniture and fittings | 874,242 | 573,804 | 300,438 | 874,242 | 540,422 | 333,820 |
| Computers and accessories | 907,296 | 827,260 | 80,036 | 907,296 | 787,839 | 119,457 |
| Vehicles | 2,904,806 | 2,265,824 | 638,982 | 2,904,806 | 2,106,079 | 798,727 |
| | 348,848,057 | 176,527,390 | 172,320,668 | 342,537,277 | 158,633,394 | 183,903,883 |

5.5 There are no major spare parts and stand by equipment qualifying as property, plant and equipment.

5.6 The title of land and ownership of building which are owned by Punjab Small Industries Corporation (PSIC) have not yet been legally transferred in name of the Company. Formal requests for such transfer have been forwarded to PSIC by the Company vide its letter # AFP/CEO/14/006 dated January 21, 2014, and letter # AFP/SEC/15/081 dated August 06, 2015, as well as by the Ministry of Industries and Production (MoI&P) vide letter # 3(5)2006-Project dated January 31, 2014. After approval from PSIC Board in its meeting dated September 02, 2014, it was conveyed to the Company regarding handing over of land and building as well as plant and machinery, electric installations and gas installations vide letter no. PSIC/ RDM/ ADM/1717 dated January 19, 2015 and PSIC/RDM/ADM/1738 dated January 22, 2015.

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Accordingly, these have been accounted for in these financial statements w.e.f. January, 2015. Furthermore, in pursuance of this matter, the Ministry of Industries and Production vide letter # 3(2)2017-ME-IV dated July 27, 2017 has instructed the Managing Director, PSIC to expedite the remaining process and take necessary action for the transfer of title of land in the name of the Company. Moreover, PSIC vide letter no. PSIC/ PEN/100/7252 has appointed Regional Director, PSIC, Regional Office, Multan (AFP Director), as focal person to oversee the matter as regards to the proposed transfer of assets in the name of AFP. Planning and Development Department (Government Of the Punjab) upon the request of MOI&P held meeting on October 25, 2018 in which it was unanimously resolved that PSIC will amend its rules and complete all formalities to transfer the title of land and building to AFP. Further a letter bearing reference number 3(2)2017 -(ME-IV) dated March 21, 2019 was sent to Planning and Development department from MOI&P for follow up of this matter. During the previous year letter bearing reference no. 3(2)2017-(ME-IV) dated December 17, 2020 was sent to Planning and Development Department from MOI&P and another letter to Secretary, Industries, commerce, investment & Skills Development Department, Government of Punjab and Managing Director, PSIC from Planning and Development department vide its letter No. 2(399)/IND/P&D/2018/ Provisional dated December 22, 2020 in order to inquire the implementation status of decision taken in the meeting held on October 25, 2018.

In view of the deliberations / correspondences exchanged between the Government officials as regards to the aforementioned facts, the Company believes that the matter will now be resolved in a reasonable period of time; and formal approval for the transfer of ownership of land and building in the name of Company would be forthcoming, as all the other formalities and consents for the same have already been made by the respective authorities.

The detail of WDV of assets transferred to the Company as at January 01, 2015 is as follows:

| | <i>Rupees</i> |
|-------------------------------------|--------------------------|
| Land | 9,800,000 |
| Building | 43,150,734 |
| Plant and machinery | 7,559,872 |
| Electric installations | 2,948,997 |
| Gas installations | 5,000,904 |
| | <u>68,460,507</u> |
| Security deposit to SNGPL and WAPDA | 7,159,000 |
| | <u><u>75,619,507</u></u> |

These assets had been accounted for in these financial statements at the approximate Written Down Value (WDV) calculated at the date of handing over the assets to the Company (i.e. January, 2015, as conveyed to it by PSIC. The corresponding effect of such assets had been credited to the deferred government grant (note 18).

5.7 CAPITAL WORK-IN-PROGRESS

The breakup and movement in this head of account is as follows:

| | <i>Opening Balance</i> | <i>Additions</i> | <i>Transfers</i> | <i>Closing Balance</i> |
|------------------------------------|----------------------------|-------------------|---------------------|----------------------------|
| <i>Note</i> | <i>----- Rupees -----</i> | | | |
| Consultancy charges for civil work | 340,000 | - | (340,000) | - |
| Electrical Fork Lifter | 5,817,825 | - | (5,817,825) | - |
| Plant and machinery | 8,550,953 | - | - | 8,550,953 |
| <i>June 30, 2022</i> | <u>14,708,778</u> | <u>-</u> | <u>(6,157,825)</u> | <u>8,550,953</u> |
| <i>June 30, 2021</i> | <u>8,890,953</u> | <u>48,866,497</u> | <u>(43,048,672)</u> | <u>14,708,778</u> |

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5.7.1 This represents cost incurred on purchase of Electronic Grading (by weight) from Messrs. Arcadia. The machine has been delivered at the premises of the Company, but its commissioning has not been completed till June 30, 2022 as the party has not yet executed its commitments as contracted. However, the contractor has secured complete execution of contract by depositing an amount of Rs. 0.898 million (2021: Rs. 0.898 million) with Jubilee General Insurance Company Limited, as performance security and has also issued a performance bond in favor of the Company (Note 21.1).

| | Note | 2022 Rupees | 2021 Rupees |
|--|------|-------------------|-------------------|
| 6. LONG TERM DEPOSITS | | | |
| Sui Northern Gas Pipe Line (SNGPL) | 5.6 | 7,159,000 | 7,159,000 |
| Water And Power Development Authority (WAPDA) | | 2,533,000 | 2,533,000 |
| | | <u>9,692,000</u> | <u>9,692,000</u> |
| 7. STORES, SPARES AND LOOSE TOOLS | | | |
| Stores and spares | | 9,822,729 | 10,595,490 |
| Loose tools | | 7,331 | 9,984 |
| | | <u>9,830,060</u> | <u>10,605,474</u> |
| 8. TRADE DEBTS | | | |
| Considered good - secured | 8.1 | 19,714,147 | 16,349,970 |
| Considered doubtful - unsecured | 8.2 | 8,212,030 | 8,212,030 |
| | | 27,926,177 | 24,562,000 |
| Provision for expected credit loss | | (8,212,030) | (8,212,030) |
| | | <u>19,714,147</u> | <u>16,349,970</u> |
| 8.1 Considered good- secured: | | | |
| Shakarganj Food Products Limited | | 4,219,115 | 2,419,994 |
| Shezan International Limited | | 8,003,558 | - |
| Noor Food Industries | | 3,296,184 | 476,241 |
| Link International | | 1,773,175 | 12,907,902 |
| Receivable from miscellaneous processors / parties | | 2,422,115 | 545,833 |
| | | <u>19,714,147</u> | <u>16,349,970</u> |

8.1.1 These are secured by way of lien over goods to be delivered to customers. As per terms agreed with the customers, the goods are not dispatched unless the amount has been recovered. In addition to this, the Company is also entitled to recover cold storage charges from these parties for the provision of storage facilities for their goods (Note 22). Furthermore, these are also partially secured against advances received from customers against the respective orders (Note 20.2).

| | 2022 Rupees | 2021 Rupees |
|--|------------------|------------------|
| 8.2 Considered doubtful - unsecured | | |
| Bilal and Co. | 3,002,431 | 3,002,431 |
| Top Star Enterprises | 2,179,569 | 2,179,569 |
| Zea En (Private) Limited | 1,407,931 | 1,407,931 |
| Rubicon Enterprises | 1,622,099 | 1,622,099 |
| | <u>8,212,030</u> | <u>8,212,030</u> |

8.2.1 These amounts are overdue and outstanding for more than five years in spite of several requests for recovery. The Company is in litigation with aforementioned parties and filed a law suit against them for recovery of these amounts in the Civil Court of law, pending adjudication at the reporting date. The management of the Company and its legal advisor are of the firm view that the decision of the case will be made in favor of the Company and all amounts due from the above-named parties including the legal costs will be recovered in full. However, an amount equivalent to 100% (2021: 100%) of such debts has been provided for in these financial statements as dictated by prudence.

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| | | 2022 Rupees | 2021 Rupees |
|--|--|-------------------|-------------------|
| 8. SHORT TERM INVESTMENTS | | | |
| <i>Term Deposit Receipts (TDRs) - amortized cost</i> | | | |
| Allied Bank Limited | | 11,000,000 | 29,500,000 |
| The Bank of Punjab | | 75,000,000 | 45,000,000 |
| | | <u>86,000,000</u> | <u>74,500,000</u> |

9.1 These represents Term Deposit Receipts (TDRs) having different maturity periods (ranging from 1 months to one year). These TDRs bear profit ranging from 5.75% to 9.75% per annum (2021: 7.20% to 7.22% per annum).

| | Note | 2022 Rupees | 2021 Rupees |
|---|------|----------------|----------------|
| 10. LOANS AND ADVANCES | | | |
| Loans to key management personal | 10.1 | 1,933,582 | 1,207,650 |
| Loans and advances to employees | | 1,300,832 | 83,000 |
| | | 3,234,414 | 1,290,650 |
| Long term portion of loans and advances | 10.2 | (2,325,826) | (966,120) |
| | | <u>908,588</u> | <u>324,530</u> |

10.1 These represent loans given to Mr. Muhammad Latif (Manager F&A) and Mr. Abdul Muneed (Manager Marketing) as per policy of the Company. These loans are secured against gratuity and will be deducted from their salary.

10.2 The long term portion of loans given to employees and executives is grouped under non-current assets.

| | Note | 2022 Rupees | 2021 Rupees |
|--|------|-------------------|------------------|
| 11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES - considered good | | | |
| <i>Deposits:</i> | | | |
| Margin against letters of credit | 11.1 | 4,782,017 | 4,782,017 |
| <i>Prepayments:</i> | | | |
| Prepaid expenses | | 717,147 | 117,140 |
| <i>Other receivables</i> | | | |
| Accrued profit on: | | | |
| - term deposit receipts | | 4,751,510 | 3,721,849 |
| | | <u>10,250,674</u> | <u>8,621,006</u> |

11.1 This represents margin deposit held with National Bank of Pakistan against Inland Letters of Credit opened for the purchase of Electronic Fruit Grading Machine. These LCs were expired during the year ended June 30, 2017. However, these are kept with the said Bank and will be released when the outcome of the civil suit is decided in favor of the Company (Note 21.1).

| | Note | 2022 Rupees | 2021 Rupees |
|--|------|-------------------|-------------------|
| 12. TAX REFUNDS DUE FROM THE GOVERNMENT | | | |
| Sales tax adjustable | | 6,069,821 | 7,376,319 |
| Income tax refundable | 12.1 | 8,717,908 | 8,367,746 |
| | | <u>14,787,729</u> | <u>15,744,065</u> |

12.1 This includes nil (2021: 1 million) paid as advance tax under section 147 as detailed in note. 21.2.

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| | Note | 2022 Rupees | 2021 Rupees |
|-----------------------------------|------|-------------------|-------------------|
| 13. CASH AND BANK BALANCES | | | |
| Cash in hand | | 130,761 | 5,189 |
| Cash at banks in current accounts | | 16,905,534 | 22,355,247 |
| | | <u>17,036,295</u> | <u>22,360,436</u> |

14. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

| 2022 (No. of shares) | 2021 (No. of shares) | | 2022 Rupees | 2021 Rupees |
|-------------------------|-------------------------|--|----------------|----------------|
| | | Ordinary shares of Rs. 10 each, fully paid up in cash | | |
| <u>10,005</u> | <u>10,005</u> | | <u>100,050</u> | <u>100,050</u> |

14.1 At the year end, shares of the Company are held by the Government entities through their nominees as detailed below:

| 2022 (No. of shares) | 2021 (No. of shares) | Name of Government entity | 2022 Rupees | 2021 Rupees |
|-------------------------|-------------------------|---|----------------|----------------|
| 2,001 | 2,001 | Ministry of Industries and Production | 20,010 | 20,010 |
| 4,002 | 4,002 | Small and Medium Enterprises Development Authority | 40,020 | 40,020 |
| 4,002 | 4,002 | Punjab Small Industries Corporation | 40,020 | 40,020 |
| <u>10,005</u> | <u>10,005</u> | | <u>100,050</u> | <u>100,050</u> |

14.2 Ministry of Industries and Production, Small and Medium Enterprise Development Authority, and Punjab Small Industries Corporation have implied powers to appoint any of its official on the board of the Company and to take decisions for the selection of board members.

15. CONTRIBUTION BY THE SPONSORS

This represents the amount of contribution in the sum of Rs. 500,000 by all the subscribers to the Memorandum of Association of the Company as per conditions mentioned in the license under section 42 of the Act. Out of the total contribution, shares amounting to Rs. 100,000 were issued against minimum subscription pursuant to Article-3 of the Articles of Association of the Company with respect to Certificate of Commencement of Business.

| | 2022 Rupees | 2021 Rupee |
|---|--------------------|--------------------|
| 16. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT | | |
| Balance as at July 01, | 102,054,204 | 105,648,130 |
| Revaluation during the year | 48,145,119 | - |
| Transferred to accumulated funds on account of - incremental depreciation for the year | (3,224,526) | (3,593,926) |
| Balance as at June 30, | <u>146,974,797</u> | <u>102,054,204</u> |

16.1 This reserve is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

17. GENERAL RESERVE

The Board of Directors in their 12th meeting held on April 03, 2015 passed a resolution for the creation of reserve for the provision for doubtful debts @ 2% of processing and grading charges, net of sales tax in addition to charging of specific provision for doubtful debts. Accordingly, the provision of Rs.1.032 million (2021: Rs. 0.888 million) on account of this general reserve has been made in these financial statements.

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| | Note | 2022 Rupees | 2021 Rupees |
|---|------|-------------------|-------------------|
| 18. DEFERRED GOVERNMENT GRANT | | | |
| Gross grant | | 283,348,292 | 283,348,292 |
| <i>Accumulated Amortization:</i> | | | |
| Opening balance | | (187,567,344) | (179,707,987) |
| Amortization (equivalent to depreciation charge) for the year | 5.3 | (7,429,969) | (7,859,357) |
| Closing balance | | (194,997,313) | (187,567,344) |
| | | <u>88,350,979</u> | <u>95,780,948</u> |
| 19. STAFF RETIREMENT BENEFITS - GRATUITY | | | |
| Staff retirement benefits - Gratuity | 19.1 | <u>1,169,783</u> | <u>1,715,163</u> |
| 19.1 Liability recognized in statement of financial position | | | |
| Present value of defined benefit obligation | 19.3 | 12,284,617 | 10,675,153 |
| Benefit due but not paid | 19.3 | - | 681,160 |
| Fair value of plan assets | 19.4 | (11,114,834) | (9,641,150) |
| | | <u>1,169,783</u> | <u>1,715,163</u> |
| 19.2 Movement in net liability | | | |
| Opening balance | | 1,715,163 | 2,131,287 |
| Charge for the year | 19.5 | 1,475,200 | 1,423,962 |
| Contributions | | (1,715,163) | (2,131,287) |
| Remeasurement chargeable in other comprehensive income | | (305,417) | 291,201 |
| | | <u>1,169,783</u> | <u>1,715,163</u> |
| 19.3 Changes in present value of defined benefit obligation | | | |
| Opening defined benefits obligation | | 10,675,153 | 9,376,835 |
| Current service cost | | 1,457,558 | 1,356,894 |
| Interest cost on defined benefits obligation | | 1,067,515 | 829,849 |
| Benefits paid | | - | (129,828) |
| Benefits due but not paid (Payable) | | - | (681,160) |
| Actuarial loss | | 117,473 | 22,391 |
| Experience adjustments | | (1,033,082) | (99,828) |
| | | <u>12,284,617</u> | <u>10,675,153</u> |
| 19.4 Changes in fair value of plan assets | | | |
| Opening plan assets | | 9,641,150 | 7,245,548 |
| Contributions | | 1,715,163 | 2,131,287 |
| Interest income on plan assets | | 1,049,873 | 762,781 |
| Benefits paid | | (681,160) | (129,828) |
| Return on plan assets, excluding interest income | | (610,192) | (368,638) |
| | | <u>11,114,834</u> | <u>9,641,150</u> |
| 19.5 Charge for the year | | | |
| Current service cost | | 1,457,558 | 1,356,894 |
| Interest cost on defined benefit obligation | | 1,067,515 | 829,849 |
| Interest income on plan assets | | (1,049,873) | (762,781) |
| | | <u>1,475,200</u> | <u>1,423,962</u> |

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19.6 Plan assets comprise of:

| | 2022 | 2021 |
|----------------------|----------------|---------------|
| Bonds | 0.00% | 0.00% |
| Equity | 25.20% | 58.15% |
| Cash and/or deposits | 74.80% | 41.84% |
| | <u>100.00%</u> | <u>99.99%</u> |
| | 2022 | 2021 |
| | Rupees | Rupees |

19.7 Sensitivity analysis for actuarial assumptions

| | | |
|--------------------------|------------|------------|
| Discount rate +100 bps | 11,000,476 | 9,566,785 |
| Discount rate -100 bps | 13,791,850 | 11,990,334 |
| Salary increase +100 bps | 13,813,853 | 12,010,232 |
| Salary increase -100 bps | 10,959,658 | 9,530,337 |

The actuarial valuation was carried out as on June 30, 2022 by Nourman Associates using Projected Unit Credit (PUC) Actuarial Cost Method, the following significant assumptions have been used for calculation of plan:

| | 2022 | 2021 |
|--|----------------|----------------|
| Discount rate used for interest cost in income and expenditure | 10.00% | 9.25% |
| Discount rate used for year end obligation | 13.50% | 10.00% |
| Expected rate of salary increase in future years | 12.50% | 9.00% |
| Mortality rates | Setback 1 year | Setback 1 year |
| Retirement assumption | Age 60 | Age 60 |

19.8 Expected expense for the next year

The expected expense to be charged in statement of income and expenditure for the year ending June 30, 2023 is Rs. 1,640 million.

| | Note | 2022 Rupees | 2021 Rupees |
|---|------|-------------------|-------------------|
| 20. CREDITORS, ACCRUED AND OTHER LIABILITIES | | | |
| Creditors | 20.1 | 7,757,911 | 10,711,918 |
| Accrued liabilities | | 9,361,953 | 3,513,587 |
| Advances from customers | 20.2 | 1,901,742 | 1,389,642 |
| Income tax deducted at source | | 156,817 | 1,106,568 |
| Sales tax payable on services | | 29,147 | - |
| Performance securities payable | 20.3 | 6,862,000 | 6,862,000 |
| | | <u>26,069,570</u> | <u>23,583,715</u> |

20.1 These include Rs. 5,705 million (2021: Rs. 5,705 million) owed to Messrs. Arcadia (the supplier of Electronic Grading by weight), which is payable subject to installation and commissioning of the machine purchased. The contractor / party is in dispute with the Company at the reporting date (Note 21.1).

20.2 These represent advances received @ 10% of total order value from customers at the reporting date. These are interest free and adjustable on completion of agreed activities and dispatch of goods to the customers.

20.3 This represents performance security payable against construction of cold storage facility within one year of completion to following:

| | 2022 Rupees | 2021 Rupees |
|--------------------------------------|------------------|------------------|
| The Extreme Engineering & Automation | 915,000 | 915,000 |
| AR. Associates Engineers | 2,147,000 | 2,147,000 |
| Pakistan Air Conditioning Engineers | 3,800,000 | 3,800,000 |
| | <u>6,862,000</u> | <u>6,862,000</u> |

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21. CONTINGENCIES AND COMMITMENTS

Contingencies

21.1. The contractor Messrs. Arcadia had filed a law suit against the Company in February, 2016 in the Civil Court-07 Multan, alleging that the Company was in breach of contract as executed between the parties and defaulted in payment of remaining amount to the contractor in the sum of Rs. 5.705 million as consideration of its services (Note, 20.1). The contractor contested for the recovery of its outstanding dues in addition to the reimbursement of all legal costs incurred in connection with the filing of suit for recovery and to refrain the Company from calling of performance security as mentioned in (Note, 5.7.1).

The case was dismissed in the Court of the law with the consent of both the parties and the Court ordered to refer the matter for arbitration under section 34 of the Arbitration Act 1940. In this connection, Messrs. SMEDA is appointed to act as arbitrator for the resolution of disputes between the parties concerned. CEO SMEDA acting as an arbitrator held separate meetings with AFP and M/S Arcadia and it was decided that one last opportunity to be given to M/S Arcadia for a final trial production. CEO SMEDA in this regard constituted a committee which supervised trials in the presence of AFP and M/S Arcadia. On the basis of results of final trial production, committee reached the conclusion that Electronic Fruit and Vegetable Grader by Weight at AFP Multan doesn't fulfill the requirement and therefore is proposed to be rejected.

After the conclusion of arbitration procedure AFP sent a notices (of defaulter by contract) under clause 12.1 of the conditions of contract agreement through its letter no. AFP/Admin/20/287, dated September 21, 2020 and AFP/Admin/20/349 dated October 13, 2020 and directed M/S Arcadia to replace the Electronic Fruit and Vegetable Grader by Weight at AFP within a period of 60 days. M/S Arcadia vide its letter dated October 19, 2020 refused to replace the Electronic Fruit and Vegetable Grader and rather claimed for the balance payment. Finally, AFP through its letter no. AFP/Admin/20/389, dated November 05, 2020 terminated the contract on the ground that M/S Arcadia defaulted under clause 12.1 of the contract agreement dated June 24, 2014 by abandoning the work and refusing to comply with the valid instructions after which M/S Arcadia filed an application for restoration of suit for recovery titled M. Riaz Mirza Vs. SMEDA / AFP. The Company and its legal counsel were of the firm belief that the contractor has not executed its performance regarding the commissioning of the machinery under the contract and that the machinery had not produced the desired results; consequently during the year, the case has been decided in favor of the Company and the contractor will have to discharge its obligations arising under the contract, otherwise the Company can pursue for recovery from M/S Arcadia Enterprises.

21.2. Previously, the Company/Project was holding FTN (Free Tax Number) issued by the Government of Pakistan. Lately on 28th October 2014, Company obtained NTN and was in the process of attaining Non-Profit Organization (NPO) certificate under the Income Tax Ordinance, 2001. Moreover, Pakistan Centre of Philanthropy (PCP) had successfully completed its procedural audit and the issuance of certificate was under process. Accordingly, no provision for income tax was accounted for in the financial statements as per provisions of section 100C of the said Ordinance. The estimated accumulated provision for tax till June 30, 2020 not accounted for in the financial statements amounted to Rs. 51.786 million. During the previous year the Company was granted NPO status as per order under section 2(36)(c) of Income Tax Ordinance 2001 and the Company has paid Rs. 1 million in compliance with section 100 C (1A). The NPO status of the Company is valid till June 30, 2022 accordingly no provision / contingent liability has been made in these financial statements for the current year.

21.3. The Company has filed an Appeal with the Appellate Tribunal Inland Revenue against the Order of the Commissioner Inland Revenue Appeals (Multan) for the tax year 2017. The CIR (Appeals) had allowed the Order of the Additional Commissioner u/s 122 (5A) who had demanded Rs. 8.425 million by unlawfully disallowing the Tax Credit u/s 100C. the Appeal is pending adjudication, however the tax advisor of the Company is hopeful that the decision will be made in favor of the Company accordingly no provision for the said liability has been incorporated in these financial statements.

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Commitments

There are no commitments as at June 30, 2022 (June 30, 2021: Nil)

| | Note | 2022 Rupees | 2021 Rupees |
|-----------------------------------|------|-------------------|-------------------|
| 22. INCOME FROM OPERATIONS | | | |
| Fruit processing charges | | 55,079,148 | 48,721,473 |
| Fruit grading charges | | 189,522 | 1,989,343 |
| Cold storage charges | | 11,973,433 | 4,975,130 |
| | | <u>67,242,103</u> | <u>55,685,946</u> |
| Sales tax | 22.1 | (3,262,007) | (5,910,595) |
| | | <u>64,040,096</u> | <u>49,775,351</u> |

22.1. Sales tax includes sales tax on services charged under section 3 of the Punjab Sales Tax on Services Act, 2012.

| | Note | 2022 Rupees | 2021 Rupees |
|--|------|-------------------|-------------------|
| 23. OPERATING EXPENSES | | | |
| Salaries, wages and other benefits | 23.1 | 29,836,985 | 23,740,353 |
| Utilities | | 21,270,125 | 10,620,328 |
| Plant running expenses | | 490,390 | 617,524 |
| Stores consumed | | 1,032,282 | 20,488 |
| Repair and maintenance | | 1,752,822 | 2,543,619 |
| Depreciation | 5.2 | 19,584,075 | 15,535,779 |
| Government grant amortized during the year | 5.2 | (7,145,433) | (7,542,584) |
| | | <u>12,438,642</u> | <u>7,993,195</u> |
| Other operating expenses | | 372,192 | 1,057,805 |
| | | <u>67,193,438</u> | <u>46,593,312</u> |

23.1. These include contribution to gratuity fund amounting to Rs. 1.158 million (2021: Rs. 1.122 million).

| | Note | 2022 Rupees | 2021 Rupees |
|--|------|-------------------|------------------|
| 24. ADMINISTRATIVE AND GENERAL EXPENSES | | | |
| Director's / chief executive remuneration | | 3,000,000 | 2,846,774 |
| Salaries, wages and other benefits | 24.1 | 3,784,177 | 2,764,572 |
| Travelling expenses | | 565,458 | 524,832 |
| Communication expenses | | 71,059 | 67,776 |
| Utilities | | 501,080 | 354,460 |
| Advertisement and promotional expenses | | 100,000 | 76,632 |
| Entertainment | | 368,025 | 337,399 |
| Repair and maintenance | | 99,591 | 179,694 |
| Printing, stationery and newspapers | | 70,253 | 49,129 |
| Legal and professional charges | | 210,000 | 85,000 |
| Vehicle insurance | | 52,020 | 52,020 |
| Fee and subscription | | 209,623 | 92,507 |
| Rent, rates and taxes | | 9,680 | 12,640 |
| Consultancy and certification fee | | 301,649 | 434,987 |
| Auditors' remuneration - annual audit fee | | 157,500 | 100,000 |
| Depreciation | 5.2 | 1,534,447 | 1,097,803 |
| Government grant amortized during the year | 5.2 | (284,536) | (316,773) |
| | | <u>1,249,911</u> | <u>781,030</u> |
| Janitorial expenses | | 37,578 | 22,401 |
| Others | | 111,026 | 109,956 |
| | | <u>10,898,630</u> | <u>8,891,809</u> |

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24.1. These include contribution to gratuity fund amounting to Rs. 0.317 million (2021: Rs.0.301 million).

| | Note | 2022 Rupees | 2021 Rupees |
|---|------|------------------|------------------|
| 25. OTHER INCOME | | | |
| <i>Income from financial assets</i> | | | |
| Profit on TDRs | 9 | 6,919,576 | 9,438,116 |
| <i>Income from assets other than financial assets</i> | | | |
| Sale of pulp waste | | 1,216,767 | 248,731 |
| Reversal of payable balance | | 1,499,857 | - |
| Tender fee | | 16,000 | 85,000 |
| | | 2,732,624 | 333,731 |
| | | <u>9,652,200</u> | <u>9,771,847</u> |
| | | 2022 | 2021 |

26. EARNINGS PER SHARE - basic and diluted

(Deficit)/Surplus for the year attributable to ordinary shareholders

| | Rupees | 2022 | 2021 |
|--|--------|-------------|-----------|
| (Deficit)/Surplus for the year attributable to ordinary shareholders | | (4,399,772) | 4,062,077 |
| Weighted average number of ordinary shares | Number | 10,005 | 10,005 |
| (Loss)/Earnings per share - basic | Rupees | (440) | 406 |

There is no dilutive effect on the basic earnings per share as the Company has no such commitments at the reporting date.

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Managerial remuneration including allowances and benefits given during the year to Chief Executive, executives and meeting fee given to Directors of the Company are as follows:

| | Chief Executive | Directors | Executives |
|---|------------------|----------------|------------------|
| | Rupees | | |
| <i>Managerial remuneration:</i> | | | |
| Salary - basic | 1,935,480 | - | 3,895,633 |
| Housing | 870,972 | - | 1,753,048 |
| Utilities | 193,548 | - | 389,563 |
| Meeting fee | - | 810,000 | - |
| June 30, 2022 | <u>3,000,000</u> | <u>810,000</u> | <u>6,038,244</u> |
| Number of persons | <u>1</u> | <u>6</u> | <u>3</u> |
| <i>Comparative for June 30, 2021</i> | | | |
| <i>Managerial remuneration:</i> | | | |
| Salary - basic | 1,675,335 | - | 3,895,633 |
| Housing | 753,905 | - | 1,753,048 |
| Utilities | 167,534 | - | 389,563 |
| Compensation for additional services / Honorarium | 250,000 | - | 1,308,282 |
| Meeting fee | - | 405,000 | - |
| June 30, 2021 | <u>2,846,774</u> | <u>405,000</u> | <u>7,346,526</u> |
| Number of persons | <u>1</u> | <u>7</u> | <u>3</u> |

In addition to above, Company's maintained vehicle is given to Chief Executive of the Company for official purposes only.

No remuneration, in any kind, was given to any of the executive or non-executive directors of the Company (2021: Nil)

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28 FINANCIAL RISK MANAGEMENT

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The accounts department of the Company assist the Board in developing and monitoring the Company's risk management policies. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The risk management policies of the Company are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. The Company is not engaged in the trading of financial assets for speculative purposes nor does it write options.

The Company's management oversees and monitors compliance with the Company's risk management policies, procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Directors are assisted in oversight role by the management. Management undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

The Company is exposed to various risks in relation to financial instruments. The main types of risks are credit risk, liquidity risk and market risk.

28.1 Credit risk and concentration of credit risk

The Company is exposed to credit risk from its operating activities (primarily for trade receivables and advances) and from its investing activities, including deposits with banks.

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties to the financial instruments fail to perform as contracted. The management believes that the Company is not exposed to major concentration of credit risk. The management monitors and limits the Company's exposure to credit risk through monitoring of clients' credit exposure review and conservative estimates of provision for doubtful receivables.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk as at the reporting date is tabulated below:

| | 2022 | 2021 |
|---|--------------------|--------------------|
| | Rupees | Rupees |
| <i>Financial assets</i> | | |
| Long term deposits | 9,692,000 | 9,692,000 |
| Trade debts | 19,714,147 | 16,349,970 |
| Short term investments | 86,000,000 | 74,500,000 |
| Deposits, prepayments and other receivables | 9,533,527 | 8,503,866 |
| Bank balances | 16,905,534 | 22,355,247 |
| | <u>141,845,208</u> | <u>131,401,083</u> |

The Company identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

| | 2022 | 2021 |
|----------------------------------|--------------------|--------------------|
| | Rupees | Rupees |
| Customers | 19,714,147 | 16,349,970 |
| Banks and financial institutions | | |
| - deposits in current accounts | 16,905,534 | 22,355,247 |
| - investments - amortized cost | 86,000,000 | 74,500,000 |
| - Accrued profit on TDR's | 4,751,510 | 3,721,849 |
| Others | 14,474,017 | 14,474,017 |
| | <u>141,845,208</u> | <u>131,401,083</u> |

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28.1.1 Credit risk related to financial instruments and cash deposits

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. Credit quality of customers and other receivables are assessed by reference to historical defaults rates and present ages. Banks and financial institutions have external credit ratings determined by various credit rating agencies as listed below :

| | Rating | | 2022 | 2021 |
|---|------------|--------|-------------------|-------------------|
| | Short term | Agency | Rupees | Rupees |
| Balances with banks: | | | | |
| The Bank of Punjab | A1+ | PACRA | 7,227,611 | 18,992,408 |
| Allied Bank Limited | A1+ | PACRA | 9,677,923 | 3,362,839 |
| | | | 16,905,534 | 22,355,247 |
| Short term deposits / investments: | | | | |
| National Bank of Pakistan | A1+ | PACRA | 4,782,017 | 4,782,017 |
| Allied Bank Limited | A1+ | PACRA | 11,000,000 | 29,500,000 |
| The Bank of Punjab | A1+ | PACRA | 75,000,000 | 45,000,000 |
| | | | 95,564,034 | 79,282,017 |

Due to Company's long standing relationship with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

28.1.2 Credit risk related to trade receivables

Customer credit risk is managed subject to the Company's established policy, procedures and control relating to customer credit risk management. New customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Sales limits are established for each customer based on internal rating criteria and reviewed regularly. Trade debts consist of a small number of customers, spread across geographical areas. Any sales exceeding these limits require special approval. Outstanding customer receivables are regularly monitored. Ongoing credit evaluation is performed on the financial condition of accounts receivables, where appropriate. The analysis of ages of trade debts of the Company as at the reporting date is as follows:

Exposure to credit risk - trade receivables

| Year | Past due but not impaired | | | | | | Past due and impaired | Total |
|------|-------------------------------|-------------------|-------------|--------------|-----------|---------------|-----------------------|------------|
| | Neither past due nor impaired | Less than 90 days | 90-180 days | 180-365 days | 1-3 years | Above 3 years | | |
| 2022 | | 12,806,323 | 1,767,140 | 5,140,684 | | | 8,212,030 | 27,926,177 |
| 2021 | | 16,349,970 | | | | | 8,212,030 | 24,562,000 |

The Company's risk in terms of trade receivables is minimal because, these are secured by way of lien over goods to be delivered to customers. As per terms agreed with the customers, the goods are not dispatched unless outstanding balances have been recovered in full.

The Company always measures the loss allowance for trade debts at an amount equal to lifetime ECL using the simplified approach. The expected credit losses on local trade debts are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

5/20/2022

28.2 Liquidity risk management

Liquidity risk is the risk that an entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets, or that such obligations will have to be settled in a manner unfavorable to the Company. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of financial position liquidity ratios; debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

The Company manages liquidity risk by maintaining adequate funds and reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarizes the maturity profiles of Company's financial liabilities as on June 30, 2022 based on contractual undiscounted payments date and present market interest rates.

| | 1 to 3 months | 3 to 6 months | More than 6 months and up to 12 months | More than 1 year and up to 5 years | Total |
|--|---------------|---------------|--|------------------------------------|------------|
| | Rupees | | | | |
| <i>As at June 30, 2022</i> | | | | | |
| Creditors, accrued and other liabilities | 17,647,003 | 140,000.00 | 116,950 | 7,979,653 | 25,883,606 |
| <i>As at June 30, 2021</i> | | | | | |
| Creditors, accrued and other liabilities | 4,903,229 | - | 17,573,918 | - | 22,477,147 |

28.3. Market risk management

Market risk is the risk that changes market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The management of the Company continuously monitors its investments to avoid such risks. The Company is not exposed to market risk except rate of interest on short term investment.

28.3.1 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and financial liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

The Company's interest / mark-up bearing financial instruments as at the reporting date are as follows:

| | 2022 | 2021 |
|---|------------|------------|
| | Rupees | Rupees |
| <i>Variable interest rate financial assets:</i> | | |
| Term Deposit Receipts (TDRs) - amortized cost | 86,000,000 | 74,500,000 |

The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in the relevant notes to these financial statements.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, surplus for the year would have been increased / (decreased) by Rs.860,000 (2021: Rs. 745,000). This analysis is prepared without taking in account taxation effect and applying +/-1% discount factor on the outstanding balance of TDRs.

28.3.2 Currency risk

Currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivable & payables that exist due to transactions in foreign currencies.

The Company is not exposed to any foreign currency financial instrument at the financial position date.

28.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments being traded in the market.

The Company is not exposed to commodity price risk and equity price risk as the Company has no derivative financial instruments and listed equity investments at the terminal date.

28.4 Fair value of financial instruments

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.

The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values except short term investments which are carried at amortized cost.

28.5 Fair value hierarchy

The Company measures fair value using valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

| | June 30, 2022 | | | June 30, 2021 | | |
|-------------------------------|---------------|-------------|---------|---------------|-------------|---------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| | Rupees | | | | | |
| Property, plant and equipment | - | 319,295,463 | - | - | 285,958,086 | - |

28.6. Financial instruments by category

The Company finances its operations through the extraction of pulp / grading of various fruits and provision of processing and cold storage facilities to different parties and local growers along with management of working capital with a view to maintaining an approximate mix between various sources of finance to minimize risk. Taken as a whole, the Company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

| | 2022 | 2021 |
|---|--------------------|--------------------|
| | Rupees | Rupees |
| Financial instruments by category | | |
| Financial assets as per statement of financial position | | |
| Long term deposits | 9,692,000 | 9,692,000 |
| Trade debts | 19,714,147 | 16,349,970 |
| Short term investments | 86,000,000 | 74,500,000 |
| Advances, deposits and other receivables | 9,533,527 | 8,503,866 |
| Cash and bank balances | 17,036,295 | 22,360,436 |
| | 141,975,969 | 131,406,272 |
| Financial liabilities as per statement of financial position | | |
| Financial liabilities measured at amortized cost : | | |
| Creditors, accrued and other liabilities | 23,981,864 | 21,087,505 |

29. **FUND MANAGEMENT**

The Company's objectives when managing fund are to safeguard the Company's ability to continue as a going concern in order to provide services for the general public and benefit for other stakeholders.

Consistently with others in the industry, the Company manages its fund structure and makes adjustment to it in the light of changes in economic conditions. There were no changes to the Company's approach to fund management during the year.

30. **NUMBER OF EMPLOYEES**

| | 2022 | 2021 |
|---|----------|------|
| | (Number) | |
| Number of employees at year end | 28 | 29 |
| Average number of employees during the year | 28 | 29 |

31. **RELATED PARTY DISCLOSURE**

A. **Related Party Relationships**

| Name of party | Nature of relationship | Basis of relationship | Percentage of shareholding |
|--|------------------------|------------------------------------|----------------------------|
| Ministry of Industries and Production | Associated undertaking | Shareholding & common directorship | 20% |
| Small and Medium Enterprises Development Authority | Associated undertaking | Shareholding & common directorship | 40% |
| Punjab Small Industries Corporation | Associated undertaking | Shareholding & common directorship | 40% |
| Key management personal | Executives | Employment | - |

B. **Related Party Transactions**

The related parties comprise associated undertakings, directors of the Company, key management staff and staff retirement funds. Outstanding balances with these parties and remuneration to chief executive, directors and executives have been disclosed in note 27. There were no material transactions with the related parties during the year that may require disclosure in these financial statements other than those mentioned below:

| Name of party | Relationship | Nature of transaction | 2022 | 2021 |
|--------------------------------|--------------|-------------------------|-----------|-----------|
| | | | Rupees | |
| Employees' Gratuity Fund Trust | Employees | Employer's contribution | 1,475,200 | 1,423,962 |
| Key management personal | Executives | Loan | 1,933,582 | 1,207,650 |

32. **CAPACITY AND PRODUCTION**

| | Hourly | Daily (24* hours/day) |
|--|---------|--------------------------|
| Standard / Installed input capacity - Season | | |
| Pulp production - Stoned fruit | 10 tons | 200 tons |
| Pulp production - Non-stoned fruit | 5 tons | 100 tons |
| Standard / Installed output capacity - Season | | |
| Pulp production - Stoned fruit | 5 tons | 100 tons |
| Pulp production - Non-stoned fruit | 5 tons | 80 tons |

*Installed capacity is 10 tons / hour for input of stoned fruit and 5 tons / hour for non-stoned fruit while output is 5 tones per hour for stoned and non-stoned fruits. Four hours daily required for cleaning in process (CIP), rest 20 hours production / processing can be proceeded daily. Optimum level for plant usage is 85% to 90%.

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Actual production remained at 3,741 tons (2021: 2,133 tons).

| | 2022 | 2021 |
|------------------------------------|-------|-------|
| | Tons | |
| Pulp production - Stoned fruit | 3,626 | 1,922 |
| Pulp production - Non-stoned fruit | 115 | 211 |

Reasons for under-utilization of capacity

Under-utilization of installed capacity was due to seasonal un-availability of the fruits. Availability of fruit for processing (pulping) was as follows:

| | |
|-------|---------|
| Mango | 60 days |
| Guava | 77 days |

Availability of fruit for processing (pulping) was as follows:

| | |
|----------------|---------|
| Citrus Grading | 79 days |
|----------------|---------|

Moreover, production for the year was based on market demand and orders received for pulp extraction.

33. ENTITY-WIDE INFORMATION AND DISCLOSURE

These financial statements have been prepared on the basis of single reportable segment i.e. pulp extraction.

33.1 Information about products

Pulp extraction represents 86% (2021: 90.69%) of the total income from operations of the Company.

33.2 Information about geographical areas

All non-current assets of the Company as at June 30, 2022 are located in Pakistan.

100% (2021: 100%) of the income from pulp extraction relates to customers in Pakistan.

33.3 Information about customers

During the year, revenue from four customers (2021: four) comprises approximately 87.87% (2021: 92.61%) of the total revenue earned from operations of the Company.

34. RE-CLASSIFICATION

Figures of the corresponding period have been re-arranged / re-grouped where considered necessary for better comparison.

The following minor re-classifications have been made in these financial statements for more appropriate presentation.

| Previous classification | Current classification | Note | 2021 Rupees |
|--|---|------|----------------|
| Long term portion of loan to executive | Long term portion of loans and advances | 10 | 966,120 |
| Prepaid utilities bills | Prepaid expenses | 11 | 117,140 |

35. DATE OF AUTHORIZATION

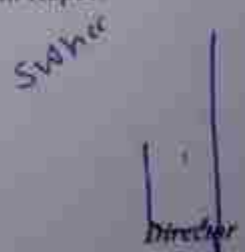
These financial statements were authorized for issue on 30 SEP 2022 by the Board of Directors of the Company.

36. GENERAL

Figures in these financial statements have been rounded off to the nearest Pakistani Rupee.


Chief Executive Officer


Manager Finance


Director