



**AGRO FOOD PROCESSING (AFP)  
FACILITIES MULTAN**

ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2018

**KRESTON HYDER BHIMJI & CO.**

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## 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, 2018.

### 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	2018 (Rupees)	2017 (Rupees)
Income from operations	99,449,034	79,300,397
Operating expenses	(47,273,751)	(33,722,209)
Administrative & General expenses	(22,866,035)	(17,680,584)
Surplus for the period	29,309,248	27,897,604

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 are quite encouraging and the Company is targeting 4,500 tons of pulp extraction and 600 tons of grading of different fruits & vegetables for the next year ending on June 30, 2019. 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. Once such awareness and orientation course for growers is completed, it 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.

### EARNING PER SHARE

Total shares of the Company are 10,005 and surplus per share for the year ended June 30, 2018 is Rs. 2,929. However, the Company is an association not for profit and its reserves are not distributable among its members.

## AGRO FOOD PROCESSING (AFP) FACILITIES

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

Plot # 30-33, Industrial Estate Phase-II, Multan

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#### **REMARKS ON AUDITORS' OBSERVATION AND QUALIFICATION**

Qualification of the auditors 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 legal formalities at the earliest, for which all the concerned authorities have given their consents. In this regard, it is pertinent to mention that auditors have already outlined the stance of the Company in their basis for qualification of auditor's report. 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 said process.

#### **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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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:

- (a) 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;
- (b) the financial statements, prepared by the management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- (c) proper books of accounts of the Company have been maintained;
- (d) appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments; and
- (e) we recognize our responsibility to establish and maintain sound system of internal control, which is regularly reviewed and monitored.

#### PATTERN OF SHAREHOLDING:

The pattern of share holding of the Company as at June 30, 2018 is annexed.

#### NO. OF BOARD MEETINGS HELD DURING THE YEAR:

During the year ended June 30, 2018, four meetings of the Board of Directors 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	Akhtar Jan Wazir	Ministry of Industries and Production	02
2	Nadeem Ahmad Malik	SMEDA	02
3	Fuad Hashim Rabbani	SMEDA	02
4	Ashfaq Ahmed	PSIC	04
5	Ghulam Nabi	PSIC	03
6	Atta Ullah Qureshi	PSIC	04

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#### AUDITORS:

The external auditors M/s. Kreston Hyder Bhinji & Co; Chartered Accountants, retire. M/s ShineWing Hameed Chaudhri & Co., Chartered Accountants being eligible, offer themselves for their 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, 2019.

#### 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.

Nadeem Ahmad Malik  
Chairman

Zafar Ahmad  
Chief Executive

Dated: September 19, 2018

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## **INDEPENDENT AUDITORS' REPORT**

### **To the members of Agro Food Processing (AFP) Facilities Multan Report on the Audit of the Financial Statements**

#### **Qualified Opinion**

We have audited the annexed financial statements of Agro Food Processing (AFP) Facilities Multan ("the Company"), which comprises the statement of financial position as at June 30, 2018, the statement of income & expenditure and other 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, except for the effect of the matter described in the *Basis for Qualified Opinion* Section of our report, the statement of financial position, the statement of income & expenditure and other 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 international Financial Reporting Standard (IFRSs) as applicable in Pakistan, and, give the information required by the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2018 and of the surplus and other comprehensive income, the changes in capital and accumulated funds and its cash flows for the year then ended.

#### **Basis for Qualified Opinion**

The title / ownership of land and building under use of the company's project is not yet transferred in its name. However, the management of the company is striving hard to get the land and buildings over it in the name of the company to comply with this legal formality also at the earliest, for which all the concerned authorities have given their consents for the same.

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

#### **Other Matter**

As referred to in note 3.1 to the annexed financial statements, the Companies Act, 2017 became applicable for the first time for the preparation of the Company's annual financial statements for the year ended June 30, 2018. The Companies Act, 2017 (including third and fifth schedules) forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.

As part of this transition to the requirements of the said third and fifth schedules, the management performed a gap analysis to identify differences between the previous reporting framework and the current reporting framework and as a result assessed the amendments (as specified in the said note - 3.1) relating to disclosures required in the Company's financial statements.

ICAB



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Further, the Company has also changed its accounting policy relating to preparation and measurement of surplus on revaluation of fixed assets as a consequence of the application of the Act with retrospective effect. The impact of the said change in accounting policy has been disclosed in note 5.21 to the accompanying financial statements.

We assess the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures made in the annexed financial statements based on the new requirements; and concur therewith.

#### **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 Director's report, but does not include the financial statements and auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of Management and the Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 misstatement, whether due to fraud or error.

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

The Board of directors is responsible for overseeing the company's financial reporting process.

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

*ICIRBm*

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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


**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/branches as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of income & expenditure and other comprehensive income, the statement of changes in capital and accumulated funds and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Syed Aftab Hameed, FCA.

LAHORE: 19 SEP 2018

  
KRESTON HYDER BHIMJI & CO.  
CHARTERED ACCOUNTANTS



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## REVIEW REPORT TO THE MEMBERS

### 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, 2018.

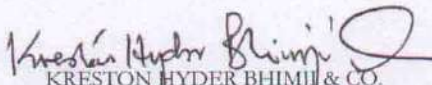
The responsibility for compliance with the Rules is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions 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 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 governance procedures and risks.

The Rules requires 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 transactions 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-compliances 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, 2018.

Lahore: 19 SEP 2018

  
KRESTON HYDER BHIMJI & CO.  
CHARTERED ACCOUNTANTS  
ICAB Engagement Partner – Syed Aftab Hameed, FCA



**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, 2018

- 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:	3(2)		✓											
	<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>Zafar Ahmad (CEO)</td> <td>June 06, 2016</td> </tr> <tr> <td>Nominee Directors (Non-Executive)</td> <td>Nadeem Ahmad Malik Ghulam Nabi Atta Ullah Qureshi Fuad Hashim Rabbani Ashfaq Ahmed</td> <td>March 16, 2018 June 19, 2017 June 19, 2017 May 11, 2017 Mar 30, 2015</td> </tr> </tbody> </table>	Category	Names	Date of Appointment	Independent Directors			Executive Directors	Zafar Ahmad (CEO)	June 06, 2016	Nominee Directors (Non-Executive)	Nadeem Ahmad Malik Ghulam Nabi Atta Ullah Qureshi Fuad Hashim Rabbani Ashfaq Ahmed	March 16, 2018 June 19, 2017 June 19, 2017 May 11, 2017 Mar 30, 2015		
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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)	✓												

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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. ( <a href="http://www.afpf.org.pk">www.afpf.org.pk</a> ) (b) 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)(ii)	✓	
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)(ii)	✓	
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 (2)	✓	

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Sr. No.	Provision of the Rules	Rule No.	Compliance																			
			Yes	No																		
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	✓																			
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 &amp; Member(s)</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>02</td> <td>Mr. Atta Ullah Qureshi (Chairman) Mr. Fuad Hashim Rabbani (Member)</td> </tr> <tr> <td>Risk Management Committee</td> <td>03</td> <td>Mr. Ghulam Nabi (Chair) Mr. Fuad Hashim Rabbani (Member) Mr. CEO – AFP (Member)</td> </tr> <tr> <td>Human Resources Committee</td> <td>04</td> <td>Mr. Nadeem Ahmad Malik (Chair) Mr. Ghulam Nabi (Member) Mr. Ashfaq Ahmed (Member) Mr. CEO-AFP (Member)</td> </tr> <tr> <td>Procurement Committee</td> <td>03</td> <td>Mr. Fuad Hashim Rabbani (Chair) Mr. Atta Ullah Qureshi (Member) Mr. CEO-AFP (Member)</td> </tr> <tr> <td>Nomination Committee</td> <td>04</td> <td>Mr. Nadeem Ahmad Malik (Chair) Mr. Atta Ullah Qureshi (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. Atta Ullah Qureshi (Chairman) Mr. Fuad Hashim Rabbani (Member)	Risk Management Committee	03	Mr. Ghulam Nabi (Chair) Mr. Fuad Hashim Rabbani (Member) Mr. CEO – AFP (Member)	Human Resources Committee	04	Mr. Nadeem Ahmad Malik (Chair) Mr. Ghulam Nabi (Member) Mr. Ashfaq Ahmed (Member) Mr. CEO-AFP (Member)	Procurement Committee	03	Mr. Fuad Hashim Rabbani (Chair) Mr. Atta Ullah Qureshi (Member) Mr. CEO-AFP (Member)	Nomination Committee	04	Mr. Nadeem Ahmad Malik (Chair) Mr. Atta Ullah Qureshi (Member) Mr. Ashfaq Ahmed (Member) Mr. CEO-AFP (Member)			
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Risk Management Committee	03	Mr. Ghulam Nabi (Chair) Mr. Fuad Hashim Rabbani (Member) Mr. CEO – AFP (Member)																				
Human Resources Committee	04	Mr. Nadeem Ahmad Malik (Chair) Mr. Ghulam Nabi (Member) Mr. Ashfaq Ahmed (Member) Mr. CEO-AFP (Member)																				
Procurement Committee	03	Mr. Fuad Hashim Rabbani (Chair) Mr. Atta Ullah Qureshi (Member) Mr. CEO-AFP (Member)																				
Nomination Committee	04	Mr. Nadeem Ahmad Malik (Chair) Mr. Atta Ullah Qureshi (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.	16	✓																			
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	✓																			

## AGRO FOOD PROCESSING (AFP) FACILITIES

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

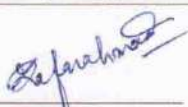
Plot # 30-33, Industrial Estate Phase-II, Multan

Cell: +92 305 3595497 +92 301 6964516

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Sr. No	Provision of the Rules	Rule No.	Compliance										
			Yes	No									
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.	19	✓										
	(b) The annual report of the company contains criteria and details of remuneration of each director.		✓										
30.	The financial statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer, before approval of the Board.	20	✓										
31.	The Board has formed an Audit Committee, with defined and written terms of reference, and having the following members as at 30 June 2018:	21 (1) and 21(2)	✓										
	<table border="1"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <tr> <td>Atta Ullah Qureshi</td> <td>Non-Executive</td> <td>Regional Director – PSIC</td> </tr> <tr> <td>Fuad Hashim Rabbani</td> <td>Non-Executive</td> <td>GM Central Support (SMEDA)</td> </tr> </tbody> </table>		Name of Member	Category	Professional Background	Atta Ullah Qureshi	Non-Executive	Regional Director – PSIC	Fuad Hashim Rabbani	Non-Executive	GM Central Support (SMEDA)		
	Name of Member		Category	Professional Background									
Atta Ullah Qureshi	Non-Executive	Regional Director – PSIC											
Fuad Hashim Rabbani	Non-Executive	GM Central Support (SMEDA)											
The chief executive and chairman of the Board are not members of the audit committee.													
32.	(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.	21(3)	✓										
	(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.		✓										
	(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.		✓										
33.	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.	22	✓										
	(b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.												
	(c) The internal audit reports have been provided to the external auditors for their review.												
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)	✓										

  
 ZAFAR AHMAD  
 Chief Executive

  
 NADEEM AHMAD MALIK  
 Chairman

## AGRO FOOD PROCESSING (AFP) FACILITIES

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

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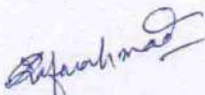



**Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013  
(SCHEDULE II - revised in accordance with the Public Sector Companies (Corporate Governance Compliance) Guidelines, 2018)**

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, 2018

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	2 (d) 3(2)	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.	The matter will be addressed in next accounting year

  
\_\_\_\_\_  
ZAFAR AHMAD  
CHIEF EXECUTIVE

  
\_\_\_\_\_  
NADEEM AHMAD MALIK  
CHAIRMAN

**AGRO FOOD PROCESSING (AFP) FACILITIES**

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

Plot # 30-33, Industrial Estate Phase-II, Multan

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**FORM 34**  
THE COMPANIES ORDINANCE 1984  
(Section 236(1) and 464)

**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	<b>Total</b>	<b>10,005</b>

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 NIT and ICP	--	--
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	--	--
5.5 Insurance Companies	--	--
5.6 Modarabas and Mutual Funds	--	--
5.7 General Public a. Local b. Foreign	--	--
5.8 Others-Individuals	--	--
<b>Total</b>	<b>10,005</b>	<b>100 %</b>

**AGRO FOOD PROCESSING (AFP) FACILITIES**

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

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



Share holders holding 10% or more

Sr. #	Folio	Name	CNIC #	Total number of shares held	Percentage of total capital
1	1	Mr. Nadeem Ahmed Malik	35201-1443923-5	2,001	20
2	2	Mr. Fuad Hashim Rabbani	35201-1335540-5	2,001	20
3	3	Mr. Ashfaq Ahmed	37301-2310247-3	2,001	20
4	4	Mr. Ghulam Nabi	35202-2710539-3	2,001	20
5	5	Mr. Atta Ullah Qureshi	36101-0551973-9	2,001	20
<b>TOTAL</b>				<b>10,005</b>	<b>100</b>

6. Signature of Chief Executive/ Secretary

7. Name of Signatory

Muhammad Latif

8. Designation

Company Secretary

9. CNIC Number

36201-6346930-7

10. Date

Day: 3 0    Month: 0 6    Year: 2 0 1 8

## AGRO FOOD PROCESSING (AFP) FACILITIES

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

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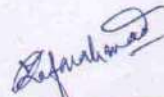
info@afpf.org.pk, www.afpf.org.pk

**AGRO FOOD PROCESSING (AFP) FACILITIES MULTAN**  
"A Company set up under Section 42 of the Companies Act, 2017"  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED ON JUNE 30, 2018**

**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, 2018**

	Note	2018 Rupees	Restated 2017 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	269,693,126	263,948,414
Intangible assets	7	58,000	87,000
Long term deposits	8 & 6.6	7,699,000	7,699,000
		<u>277,450,126</u>	<u>271,734,414</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	9	8,289,454	6,751,217
Trade debts	10	10,361,674	2,480,098
Short term investments	11	78,428,340	69,684,682
Advances, deposits and other receivables	12	4,905,579	4,862,017
Tax refunds due from the Government	13	1,876,811	1,620,240
Cash and bank balances	14	29,467,592	21,122,871
		<u>133,329,450</u>	<u>106,521,125</u>
<b>TOTAL ASSETS</b>		<u><u>410,779,576</u></u>	<u><u>378,255,539</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital 32,100,000 ordinary shares of Rs. 10 each		<u>321,000,000</u>	<u>321,000,000</u>
Issued, subscribed and paid-up share capital	15	100,050	100,050
Contribution by the sponsors	16	400,000	400,000
Capital reserve			
Surplus on revaluation of property, plant and equipment	17	114,125,982	119,115,771
Revenue reserves			
General reserve	18	4,311,336	2,560,346
Accumulated fund		<u>141,536,162</u>	<u>108,988,115</u>
		<u>260,473,530</u>	<u>231,164,282</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred Government grant	19	122,228,370	133,023,849
<b>CURRENT LIABILITIES</b>			
Creditors, accrued and other liabilities	20	28,077,676	14,067,408
<b>CONTINGENCIES AND COMMITMENTS</b>			
	21	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>410,779,576</u></u>	<u><u>378,255,539</u></u>

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
MANAGER FINANCE

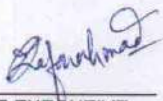
ICMS

  
DIRECTOR

**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, 2018**

	Note	2018 Rupees	2017 Rupees
Income from operations	22	93,418,530	74,547,246
Operating expenses	23	(47,273,751)	(33,722,209)
Gross surplus		46,144,779	40,825,037
Administrative and general expenses	24	(22,866,035)	(17,680,584)
Other Income	25	6,030,504	4,753,151
Net surplus for the year		<u>29,309,248</u>	<u>27,897,604</u>
Surplus per share (basic and diluted)	26	<u>2,929</u>	<u>2,788</u>

The annexed notes from 1 to 37 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, 2018**

	Note	2018 Rupees	Restated 2017 Rupees
Net surplus for the year		29,309,248	27,897,604
Other comprehensive income for the year			
Items that will not be reclassified to income and expenditure:			
Surplus on revaluation of property, plant and equipment	5.21	-	120,396,581
<b>Total comprehensive income (net surplus) for the year</b>		<b>29,309,248</b>	<b>148,294,185</b>

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
 \_\_\_\_\_  
 CHIEF EXECUTIVE

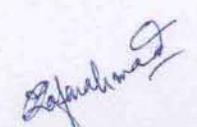
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 \_\_\_\_\_  
 MANAGER FINANCE


  
 \_\_\_\_\_  
 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, 2018**

	Note	2018 Rupees	2017 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash received from customers -	schedule attached	93,905,463	78,497,982
Cash paid to suppliers for goods -	schedule attached	(1,538,237)	(350,925)
Cash paid to creditors for expenses -	schedule attached	<u>(54,643,726)</u>	<u>(55,508,078)</u>
Cash inflow from operations		37,723,500	22,638,979
Decrease / (increase) in sales tax adjustable		245,381	(245,381)
Income tax paid		<u>(501,952)</u>	<u>(404,994)</u>
<b>Net cash inflow from operating activities</b>		<b>37,466,929</b>	<b>21,988,604</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Additions to operating fixed assets		(1,791,474)	(740,690)
Capital work-in-progress incurred		(19,928,200)	(13,617,721)
Adjustment / disbursement of advance against capital expenditure		(2,700,000)	(4,500,000)
Short term investments (TDRs) acquired - net		(9,560,000)	(22,500,000)
Profit on short term deposits received		4,635,743	3,246,630
Profit received on deposits with suppliers		14,828	-
Profit received on deposit with SNGPL		<u>206,895</u>	<u>357,950</u>
<b>Net cash outflow from investing activities</b>		<b>(29,122,208)</b>	<b>(37,753,831)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>Net cash flow from financing activities</b>		<u>-</u>	<u>-</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>8,344,721</b>	<b>(15,765,227)</b>
Cash and cash equivalents at beginning of the year		21,122,871	36,888,098
Cash and cash equivalents at end of the year	14	<u>29,467,592</u>	<u>21,122,871</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
 CHIEF EXECUTIVE

10/1/18  
  
 MANAGER FINANCE

  
 DIRECTOR

**SCHEDULE OF CASH FLOW FROM OPERATING ACTIVITIES**

	<u>2018</u>	<u>2017</u>
	<u>Rupees</u>	<u>Rupees</u>
<b>CASH RECEIVED FROM CUSTOMERS</b>		
<b>Income from operations - net of sales tax</b>		
Fruit processing charges	89,009,965	69,914,313
Fruit grading charges	290,532	-
Cold storage charges	4,118,033	4,632,933
	<u>93,418,530</u>	<u>74,547,246</u>
<b>Other income</b>		
Sale of pulp waste	743,530	499,376
Packing Material Charges	1,232,350	-
Tender fee	13,500	16,000
	<u>1,989,380</u>	<u>515,376</u>
<b>Total income</b>	<u>95,407,910</u>	<u>75,062,622</u>
Add: Opening balance of trade debts	10,692,128	13,207,488
Add: Closing balance of advances from customers	8,910,029	2,530,900
Less: Closing balance of trade debts	(18,573,704)	(10,692,128)
Less: Opening balance of advances from customers	(2,530,900)	(1,610,900)
	<u>93,905,463</u>	<u>78,497,982</u>
<b>CASH PAID TO SUPPLIERS FOR GOODS</b>		
Add: Opening balance of suppliers against services and supplies	-	99,947
Add: Opening balance of stores, spare parts and loose tools	6,751,217	6,300,345
Less: Closing balance of stores, spare parts and loose tools	(8,289,454)	(6,751,217)
Less: Opening balance of creditors relating to capital work in progress	(5,704,979)	(5,704,979)
Add: Closing balance of creditors relating to capital work in progress	5,704,979	5,704,979
	<u>(1,538,237)</u>	<u>(350,925)</u>
<b>CASH PAID TO CREDITORS FOR EXPENSES</b>		
Salaries, wages and other benefits	(32,708,089)	(28,444,913)
Travelling expenses	(1,569,023)	(1,096,575)
Communication expenses	(86,073)	(87,103)
Utilities	(16,547,562)	(7,723,108)
Advertisement and Promotional expenses	(263,340)	(160,901)
Entertainment	(352,245)	(349,857)
Security expenses	(518,906)	(498,403)
Repair and maintenance	(7,162,124)	(8,720,966)
Printing, stationery and newspapers	(31,990)	(47,804)
Legal and professional charges	(29,500)	(169,000)
Fee and subscription	(31,269)	(68,473)
Auditors' remuneration	(100,000)	(100,000)
Plant running expenses	(972,346)	(827,059)
Consultancy and certification fee	(485,500)	(574,400)
Stores consumed	(699,355)	(575,959)
Rent, rates and taxes	(3,100)	(4,640)
Janitorial Expenses	(125,345)	(120,939)
Others / miscellaneous expenses	(545,536)	(429,800)
Less: Opening Balance of creditors, accrued and other liabilities	(11,536,508)	(11,291,707)
Less: Closing balance of advances, deposits and other receivables	(4,905,579)	(4,862,017)
Add: Closing balance of creditors, accrued and other liabilities	19,167,647	5,831,529
Add: Opening balance of advances, deposits and other receivables	4,862,017	4,814,017
	<u>(54,643,726)</u>	<u>(55,508,078)</u>

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, 2018**

	Share Capital	Contribution by sponsors	Capital Reserve	Revenue Reserves		Total
			Surplus on revaluation of property, plant and equipment	General Reserve	Accumulated Fund	
----- (Rupees) -----						
<b>Balance as at June 30, 2016</b>	100,050	400,000	-	1,189,477	81,180,570	82,870,047
Total Comprehensive income for the year						
Surplus after taxation	-	-	-	-	27,897,604	27,897,604
Other comprehensive income	-	-	-	-	-	-
Transfer to General Reserve from Accumulated Fund	-	-	-	1,370,869	(1,370,869)	-
Transfer to accumulated fund on account of incremental depreciation	-	-	-	-	1,280,810	1,280,810
<b>Balance as at June 30, 2017 as previously stated</b>	100,050	400,000	-	2,560,346	108,988,115	112,048,511
Effects of change in accounting policy (Note - 4.22)						
Other comprehensive income	-	-	120,396,581	-	-	120,396,581
Transfer to accumulated fund on account of incremental depreciation	-	-	(1,280,810)	-	-	(1,280,810)
<b>Balance as at June 30, 2017 - Restated</b>	100,050	400,000	119,115,771	2,560,346	108,988,115	231,164,282
Total Comprehensive income for the year						
Surplus after taxation	-	-	-	-	29,309,248	29,309,248
Other comprehensive income	-	-	-	-	-	-
Transfer to General Reserve from Accumulated Fund	-	-	-	1,750,990	(1,750,990)	-
Transfer to accumulated fund on account of incremental depreciation	-	-	(4,989,789)	-	4,989,789	-
<b>Balance as at June 30, 2018</b>	100,050	400,000	114,125,982	4,311,336	141,536,162	260,473,510

The annexed notes from 1 to 37 form an integral part of these financial statements.

10/1/2018

  
 CHIEF EXECUTIVE

  
 MANAGER FINANCE

  
 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, 2018

#### 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. 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, Industrial Estate, Multan.
- 1.2 Prior to incorporation of AFP as a limited company, it was operating as a Project (the Project) managed by Small and Medium Enterprises Development Authority (SMEDA). 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.
- 1.3 A decision was made in the 5th meeting of Board of Directors (BoD) of this company held on January 16, 2014 to formally get all assets and liabilities of the Project transferred to the company. SMEDA formally transferred all assets of the Project including vehicles, computers, office equipments, furniture and fixtures, and plant and machinery to the Company vide its letter dated April 26, 2014.

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. Accordingly, these have been accounted for in these financial statements w.e.f. January, 2015 (as mentioned in note 4.6). Furthermore, in persuasion 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. 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.

#### 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 (IFRS Standards) 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.

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#### 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.

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, spare parts and loose tools**

The Company reviews the stores, spare parts 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, spare parts 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.

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3. **New standards, interpretations and amendments to published approved accounting standards and local laws**

3.1 **Amendments to local laws and directives which are effective during the year ended June 30, 2018**

The Third and Fifth Schedules to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its Third and Fifth Schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to, changes in treatment and presentation of surplus on revaluation of property, plant & equipment (refer note 17), change in threshold for identification of executives (refer note 27), additional disclosure requirements for related parties (refer note 31), disclosure of shareholders' agreements for voting rights and board selection (refer note 15.2), management assessment of sufficiency of tax provision in the financial statements (refer note 35), etc.

3.2 **Amendments that are effective in current year and adopted by the company**

The company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year :

	<b>Effective date (annual periods beginning on or after)</b>
IAS 7 Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 01, 2017
IAS 12 Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses	January 01, 2017
Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:	
Annual Improvements to IFRSs (2014 – 2016) Cycle:	
IFRS 12 Disclosure of Interests in Other Entities	January 01, 2017

3.3 **Amendments not yet effective**

The following amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

Conceptual framework for Financial reporting 2018-Original Issue	March 01, 2018
IFRS 2 Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4 Insurance Contracts - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 7 Financial Instruments : Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	Applies when IFRS 9 is applied
IFRS 9 Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9.	January 01, 2018
IFRS 9 Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	January 01, 2018
IFRS 9 Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 10 Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely

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IAS 19	Employee benefits - Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IAS 39	Financial Instruments: Recognition and Measurements-Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	Applies when IFRS 9 is applied
IAS 40	Investment Property - Amendments to clarify transfers of property to, or from, investment property	January 01, 2018

The Annual Improvements to IFRSs that are effective from the dates mentioned below against respective standards:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2018
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018

Annual Improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

#### 3.4 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned below against the respective standard:

IFRS 9	Financial Instruments	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 1, 2019

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The effects of IFRS 15 - Revenues from Contracts with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have a significant effect on the company's future financial statements.

The company expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the company's financial statements in the period of initial application.

#### 4. SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

All significant transactions and events that have affected the Company's statement of financial position and performance during the year have been adequately disclosed in the notes to these financial statements. For management's comments regarding these significant transactions and events, please refer to the Directors' report.

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## 5. 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 except, a change in accounting policy as disclosed in note- 5.21 to these financial statements. These accounting policies are set out below.

### 5.1 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 statement of 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-6.1 to these financial statements.

Depreciation is charged on additions from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which asset is disposed of. 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.

### 5.2 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.

### 5.3 Intangible assets

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

Intangible assets are recognised 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 recognised as an expense as and when incurred.

10/3/20

Intangible assets are stated at cost less accumulated amortisation 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. Amortisation is charged over the estimated useful life of the asset on Useful lives of intangible operating assets are reviewed, at each date of statement of financial position and adjusted if the impact of amortisation 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 recognised 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 recognised in the statement of income and expenditure, however, it is restricted to the original cost of the asset.

#### **5.4 Stores, spare parts 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, spare parts and loose tools on a regular basis and provision is made for identified obsolete and slow moving items based on their condition at the financial position date depending upon the management's judgement.

Net realisable 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.

#### **5.5 Trade debts and other receivables**

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Balances considered bad and irrecoverable are written off when identified.

#### **5.6 Loans, advances, deposits and prepayments**

Loans, advances, 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. Receivables considered bad and doubtful are charged to statement of income and expenditure.

#### **5.7 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 NTN and is in the process of applying to the Commissioner Inland Revenue for approval as NPO under the Income Tax Ordinance, 2001.

#### **5.8 Employees' retirement benefits - defined contribution plans**

- a) The Company operates a funded scheme of contributory provident fund for all its permanent and temporary managerial staff and other employees / workers. The Company has no legal or constructive obligations to pay contributions other than its fixed monthly contributions @ 10% of the basic salary of the respective employees, which are recognized as an expense in the period in which the employees' services are received.
- b) The Company operates a funded gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined under the respective scheme. As per company's policy, the gratuity is fixed as equal to last month's salary for each respective completed year of service. No further contribution will be made and all actuarial risks will be borne by the employee and not

#### **5.9 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.

#### **5.10 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.

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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.

#### 5.11 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.

#### 5.12 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.

#### 5.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flows, 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.

#### 5.14 Financial Instruments

Financial assets and liabilities are recognized, when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights to receive cash flows from the assets that comprise the financial asset or the rights have been transferred and the Company has transferred substantially all the risks and rewards of ownership or the enterprise loses control of the contractual rights that comprise financial assets or a portion of financial assets.

Financial assets are long term deposits, trade debts, short term investments, advances, deposits & other receivables, cash and bank balances. Financial assets are initially recognized at cost plus transaction costs which is the fair value of the consideration given or received at the time when the Company becomes party to the contractual provisions of the instrument, except for financial assets at fair value through income or expenditure, which are initially recognized at fair value and transaction costs are expensed in the statement of income and expenditure.

The company classifies its financial assets in the following categories: loans and receivables and held to maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

##### a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

##### b) Held to maturity

Held to maturity are financial assets with fixed or determinable payments and fixed maturity that are quoted in an active market, where management has the intention and ability to hold till maturity are carried at amortised cost.

Loans and receivables and held to maturity investments are carried at amortized cost using effective interest rate method.

The Company assesses at each date of statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired.

Financial liabilities are recognized according to the substance of the contractual arrangements entered into. Significant financial liabilities are creditors, accrued and other liabilities. All financial liabilities are initially measured at cost which is the fair value of consideration given.

Financial liabilities, other than those at fair value through income and expenditure, are measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statement of income and expenditure.

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Any gain or loss on subsequent re-measurement to fair value of financial assets and financial liabilities is taken to statement of income and expenditure in the year in which it arises.

#### 5.15 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

#### 5.16 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).

#### 5.17 Surplus per share (SPS)

Basic SPS 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 SPS is calculated by adjusting basic SPS 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 income and expenditure attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

#### 5.18 Commitments and contingencies

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.

#### 5.19 Revenue recognition

Revenue is recognized to the extent that the significant risks & rewards associated with the goods / services have been transferred to the buyer, and it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at fair value of the consideration received or receivable on the following basis:

- o Income from services is recognized in the period in which services are rendered and invoices are raised.
- o Sale of chemicals are recognized when goods are dispatched to the customers and invoices are raised. Sale Returns of packing material and chemicals are deducted from the sale already recognized.
- o Profit on short term deposits/investments is recognized on accrual basis as per the terms of such investments whereas the profit on SNGPL deposits is recognized on receipt basis.
- o Revenue from sale of waste and miscellaneous sources is recognised on receipt basis.

#### 5.20 Surplus on revaluation of property, plant and equipment

During the year the Company changed its accounting policy in respect of the accounting and presentation of revaluation surplus on property, plant and equipment. Previously, the Company follows the requirement of section 235 of the repealed Companies Ordinance, 1984 and accordingly the surplus arising on revaluation of property, plant and equipment, computed by eliminating the accumulated depreciation as at the date of revaluation, was credited to the "Surplus on revaluation of property, plant and equipment account" shown below equity in the statement of financial position which was not in accordance with the requirements of International Financial Reporting Standards (IFRS). However, the Companies Act, 2017 has now aligned the treatment of revaluation surplus as per IFRS and accordingly "Surplus on Revaluation of property, plant and equipment is now being presented and recognised in the Statement of Other Comprehensive Income and accumulated in the Statement of Changes in Capital and Accumulated Funds as a capital reserve. This change in accounting policy is disclosed in note: 5.21 of these financial statements. Following amounts are transferred from "Surplus on revaluation of property, plant and equipment" to Accumulated Funds through Statement of Changes in Capital and Accumulated Funds to record realization of surplus:

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- an amount equal to incremental depreciation on revaluation surplus on property, plant and equipment for the year, if any; or
- an amount equal to carrying amount of revaluation surplus on property, plant and equipment, if any, on its disposal;

**5.21 Change in accounting policy**

The promulgation of Companies Act, 2017 has introduced changes in the presentation and accounting treatment of surplus on revaluation of property, plant and equipment in alignment with the requirements of the IFRS Standards as disclosed in note-5.20. This change in accounting policy is treated in accordance with the Para 45 of IAS 8, "Accounting policies, Changes in accounting estimates and Errors". The effect of these adjustments in these financial statements is, as under:

	<b>Amount</b>
	<b><u>Rupees</u></b>
<b>Effect on year 2017 :</b>	
<b>Effect in statement of comprehensive income</b>	
Increase in other comprehensive income	120,396,581
<b>Effect on the statement of financial position</b>	
Increase in equity	119,115,771
Decrease in surplus on revaluation of property, plant and equipment	(119,115,771)
<b>Effect on the Statement of changes in Capital and Accumulated Funds</b>	
Increase in capital reserve	119,115,771

Since, the above stated change in accounting policy is applicable to the comparative period only as the company had undergone a revaluation exercise for the first time in the year 2017, and has effect on the comprehensive income of the company for the year ended June 30, 2017 and on capital reserves as at that date and for the succeeding periods, therefore retrospective working and disclosure earlier than the financial year 2017 are not applicable. Accordingly, the opening statement of financial position of the earliest period has not been presented in these financial statements. Furthermore, this change in accounting policy has no impact on 'Surplus per share' of the company.

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6. PROPERTY, PLANT AND EQUIPMENT

	Note	2018 Rupees	2017 Rupees
Operating fixed assets - tangible	6.1	252,513,873	239,197,481
Capital work in-progress	6.7	17,379,153	34,750,853
		<u>269,893,026</u>	<u>263,948,334</u>

6.1 Operating fixed assets - tangible

2018

PARTICULARS	COST / REVALUED AMOUNT				ACCUMULATED DEPRECIATION					Net Book Value as at June 30, 2018	RATE
	As at July 01, 2017	Additions / (Transfers)	Elimination of depreciation	Revaluation Surplus	As at June 30, 2018	Balance as at July 01, 2017	Elimination of depreciation	Charge for the year	Balance as at June 30, 2018		
RUPEES											
<b>OWNED</b>											
Freehold Land (Note - 1.3)	80,000,000	-	-	-	80,000,000	-	-	-	-	80,000,000	-
Building	49,311,721	30,000,000	-	-	79,311,721	1,285,988	-	7,302,573	8,588,561	70,723,160	10%
Plant and machinery	104,548,291	246,228	-	-	104,794,519	2,756,349	-	10,183,950	12,939,299	91,855,220	10%
Electric installations	1,900,000	-	-	-	1,900,000	67,228	-	185,277	256,505	1,703,495	10%
Gas installations	5,000,000	-	-	-	5,000,000	133,617	-	486,698	619,715	4,380,285	10%
Office equipments	644,000	79,820	-	-	723,820	19,471	-	63,119	82,590	641,330	10%
Furniture and fittings	600,000	-	-	-	600,000	16,831	-	58,317	75,148	524,852	10%
Computers and accessories	300,000	-	-	-	300,000	26,968	-	90,101	117,069	182,931	33%
Vehicles	1,200,000	1,465,326	-	-	2,665,326	61,699	-	300,927	362,626	2,302,700	20%
<b>Total -2018</b>	<b>243,584,812</b>	<b>31,791,474</b>	<b>-</b>	<b>-</b>	<b>275,355,486</b>	<b>4,366,581</b>	<b>-</b>	<b>18,674,962</b>	<b>23,041,513</b>	<b>252,313,973</b>	

2017

PARTICULARS	COST				ACCUMULATED DEPRECIATION					Net Book Value as at June 30, 2017	RATE
	As at July 01, 2016	Additions	Elimination of depreciation	Revaluation Surplus	As at June 30, 2017	Balance as at July 01, 2016	Elimination of depreciation	Charge for the year	Balance as at June 30, 2017		
RUPEES											
<b>OWNED</b>											
Freehold Land	80,000,000	-	-	79,200,000	80,000,000	-	-	-	-	80,000,000	-
Building	43,150,734	1,917,721	(9,023,898)	13,287,164	46,211,721	8,256,857	(8,023,898)	4,053,029	1,205,980	48,025,733	10%
Plant and machinery	157,337,500	-	(87,461,531)	34,672,232	104,548,291	81,795,908	(87,461,531)	8,420,974	2,755,349	101,792,942	10%
Electric installations	2,948,997	(549,000)	(616,709)	187,712	1,900,000	427,905	(816,709)	256,332	67,228	1,802,772	10%
Gas installations	5,000,000	-	(1,045,814)	1,044,910	5,000,000	725,131	(1,045,814)	453,700	133,617	4,866,983	10%
Office equipments	639,783	316,554	(277,965)	644,000	723,820	248,565	(277,965)	46,811	19,471	624,629	10%
Furniture and fittings	752,242	121,999	(550,523)	76,281	600,000	317,951	(550,523)	49,403	16,831	583,169	10%
Computers and accessories	680,233	247,863	(533,571)	25,475	300,000	506,686	(533,571)	53,853	26,968	273,032	33%
Vehicles	1,385,206	54,374	(1,216,899)	977,219	1,200,000	1,182,708	(1,216,899)	58,693	61,699	1,138,301	20%
<b>Total -2017</b>	<b>221,975,879</b>	<b>2,118,411</b>	<b>(100,526,650)</b>	<b>120,366,581</b>	<b>243,584,012</b>	<b>91,461,406</b>	<b>(100,526,650)</b>	<b>13,431,798</b>	<b>4,386,551</b>	<b>239,197,461</b>	

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6.1.7 The Company had its land, buildings, plant & machinery, electric installations, gas installations, office equipments, 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 March 31, 2017 in order to remove the audit qualification made by the external auditors in the year 2016 on the matter of valuation of fixed assets those were carried at cost. This exercise produced incremental surplus on revaluation of property, plant and equipment amounting to Rs. 120.357 million. The basis used for revaluation were as follows:

**Land**

Fair market value of land had been determined by obtaining current market data from the Punjab Industrial Estate, through inquiries to property brokers / dealers and real estate agents in near vicinity of land 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. Different valuation methods and exercises were adopted according to experience, location and other usage of land. Valuer had also considered all relevant factors as well.

**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 had been assessed according to the observations. The assessment of building was made on existing outlook, appearance, face value, individual merits, class and type of construction, quality and standard of material used for construction, finish of building and exercising all possible care and applying suitable price adjustments as existed on the day of survey. After determining current replacement values, depreciation was calculated to determine the current assessed market value.

**Plant and machinery**

For valuation of plant and machinery, the valuer had contacted the supplier and different manufacturing consultants in and out of the country and have collected information regarding the current replacement value of plant and machinery. After determining current replacement values, fair depreciation factor for each item was applied according to their physical condition, usage, maintenance etc., to determine the fair market value.

**All other assets**

All assets other than land, building and plant & machinery were maintained in good condition and revalued at their present market values.

The forced sale values of the above-mentioned operating fixed assets as at March 31, 2017 were as follows:

	Rupees
Freehold Land	65,000,000
Building	40,284,900
Plant and machinery	83,538,632
Electric installations	2,000,000
Gas installations	4,000,000
Office equipments	515,200
Furniture and fittings	480,000
Computers and accessories	240,000
Vehicles	960,000
	<u>200,118,732</u>

6.2 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	
		2018	2017	2018	2017	2018	2017
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Operating expenses	23	16,856,625	9,131,006	7,356,496	8,233,655	3,593,429	897,121
Administrative and general expenses	24	7,815,637	4,306,785	3,436,983	3,630,107	4,376,054	470,682
<b>Total</b>	<b>6.3</b>	<u>18,674,962</u>	<u>13,437,791</u>	<u>10,793,479</u>	<u>12,063,992</u>	<u>7,870,483</u>	<u>1,367,803</u>

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6.3 The breakup and reconciliation of cost and depreciation related to grant assets, on additions and revaluation surplus during the year are as follows:

Note	2018		2017	
	Cost	Depreciation	Cost	Depreciation
Grant assets	243,564,012	10,755,479	221,575,070	12,063,992
Less: elimination of depreciation	-	-	(100,526,650)	-
	<u>243,564,012</u>	<u>10,755,479</u>	<u>121,048,420</u>	<u>12,063,992</u>
Other Assets - representing additions during the year	31,791,474	2,886,894	2,118,411	86,203
Revaluation surplus on assets	-	4,986,789	120,306,581	1,240,816
	<u>31,791,474</u>	<u>7,873,683</u>	<u>122,514,992</u>	<u>1,327,019</u>
	<u>275,355,486</u>	<u>18,629,162</u>	<u>243,564,012</u>	<u>13,431,795</u>

6.4 Had the revaluations of these assets not been made, the carrying value of these assets as at June 30, 2018 would have been as under:

	As at June 30, 2018			As at June 30, 2017		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	Rupees			Rupees		
Land	9,800,000	-	9,800,000	9,800,000	-	9,800,000
Building	75,068,455	15,967,232	59,081,223	45,868,455	9,878,207	35,990,248
Plant and machinery	157,583,818	96,153,481	61,430,337	157,337,590	89,350,074	67,987,516
Electric installations	2,408,997	852,660	1,556,338	2,408,997	679,744	1,729,253
Gas installations	5,000,904	1,537,528	3,463,376	5,000,904	1,152,708	3,848,196
Office equipments	1,806,237	364,711	1,441,526	996,317	258,237	638,080
Furniture and fittings	874,242	415,327	458,915	874,242	365,447	508,795
Computers and accessories	808,096	640,825	167,271	808,096	558,438	249,658
Vehicles	2,904,696	1,344,792	1,559,904	1,430,480	1,229,537	200,943
	<u>255,485,555</u>	<u>117,297,565</u>	<u>138,187,990</u>	<u>223,684,061</u>	<u>103,617,292</u>	<u>120,066,769</u>

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

6.6 As mentioned in note 1.3, the title of land and ownership of building being used by the Company have not yet been legally transferred in the name of the Company. However, The Punjab Small Industries Corporation (PSIC) has conveyed to the Company regarding handing over of land and building as well as plant and machinery, electric installations and gas installations to the Company vide its letter no. PSIC/RO/ADM/1717 dated January 15, 2015 and PSIC/RO/ADM/1738 dated January 22, 2015 as detailed below:

Note	WDV as on January 01, 2015 (Rupees)
Land	9,800,000
Building	43,150,734
Plant and machinery	7,569,872
Electric installations	2,948,997
Gas installations	5,000,904
	<u>68,469,507</u>
Security deposit to SNGPL and WAPDA	7,159,000
	<u>75,628,507</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 simultaneously been credited to the deferred government grant (note 19).

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6.7 CAPITAL WORK-IN-PROGRESS

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

		Opening Balance	Additions	Transfers	Closing Balance
			(Rupees)		
Civil work	6.7.1	13,500,000	16,500,000	(30,000,000)	-
Plant and machinery	6.7.2	8,550,953	8,828,200		17,379,153
Advance against capital expenditure - civil work, secured and considered good	6.7.3	2,700,000	(2,700,000)		-
	2018	24,750,953	22,628,200	(30,000,000)	17,379,153
	2017	8,550,953	10,917,721	(3,717,721)	24,750,953

- 6.7.1 Civil work represented the cost incurred during the year on the construction of fruit sheds by Messrs Alpha Engineers, against the contract price of Rs. 30,000,000 which has been transferred to operating fixed assets after successful completion.
- 6.7.2 This includes cost incurred in the sum of Rs. 8.55 million (2017: Rs. 8.551 million) 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, 2018 as the party has not yet executed its commitments as contracted. However, the contractor has secured the complete execution of contract by depositing an amount of Rs. 0.858 million (2017: Rs. 0.568 million) with Jubilee General Insurance Company Limited, as performance security and has also issued a performance bond in favour of the company (Note-26.11).
- 6.7.3 This represented mobilization advance given to Messrs Alpha Engineers for the construction of fruit sheds which is equivalent to 15% of the contract price i.e. Rs. 4,500,000 duly secured against the bank guarantee for an equal amount of advance issued by the Habib Metropolitan Bank on the behalf of Messrs Alpha Engineers in favor of the company. This advance is, however, fully adjusted against the progressive billings by the contractor during the year.

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	Note	2018 Rupees	2017 Rupees
<b>7. INTANGIBLE ASSETS</b>			
<b>Cost</b>			
Balance as at June 30,	7.1	145,000	145,000
<b>Amortization</b>			
Balance as at July 01,		58,000	29,000
Amortized during the year @ 20%	24	29,000	29,000
Balance as at June 30,		87,000	58,000
<b>Net Book Value as at June 30,</b>		<b>58,000</b>	<b>87,000</b>
7.1 This represents cost incurred on the development of the Company's website and software for store inventory management.			
<b>8. LONG TERM DEPOSITS - interest bearing</b>			
Sui Northern Gas Pipe Line (SNGPL)	8.1	7,159,000	7,159,000
Water And Power Development Authority (WAPDA)		540,000	540,000
		<b>7,699,000</b>	<b>7,699,000</b>
8.1 This represents security deposit held with SNGPL that bears profit @ 2.89% (2017: 5%) per annum. The profit amounting to Rs. 206,895 (2017: Rs. 357,950) has been credited to the Company through monthly billings (Note - 25).			
<b>9. STORES, SPARES AND LOOSE TOOLS</b>			
Stores and spares	9.1	8,283,109	6,746,417
Loose tools		6,345	4,800
		<b>8,289,454</b>	<b>6,751,217</b>
9.1 The stores and spares had been written down to net realizable value by Rs. Nil (2017: Rs. 547,675), which is duly recognized in the stores consumed shown under "operating expenses" in accordance with the requirements of IAS - 2 (Note - 23).			
<b>10. TRADE DEBTS</b>			
Considered good - secured	10.1	10,361,674	2,480,098
Considered doubtful - unsecured	10.2	8,212,030	8,212,030
		18,573,704	10,692,128
Less: provision for doubtful debts	10.3	(8,212,030)	(8,212,030)
		<b>10,361,674</b>	<b>2,480,098</b>
<b>10.1 Considered good- secured:</b>			
Shezan International Limited		3,722,166	1,129,290
Noor Food Industries		-	671,379
Link International		6,462,996	484,837
Nourish International- Lahore		-	191,375
Tando Allah Yar Sugar Mills		-	3,217
Receivable from miscellaneous processors / parties		176,512	-
		<b>10,361,674</b>	<b>2,480,098</b>
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).			
<b>10.2 Considered doubtful - unsecured</b>			
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
		<b>8,212,030</b>	<b>8,212,030</b>

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	Note	2018 Rupees	2017 Rupees
<b>10.3 Provision for doubtful debts</b>			
The movement in this head of account is as follows:			
Balance as at July 01,		8,212,030	8,576,800
Less: Doubtful debts recovered during the year	25	-	(364,770)
Balance as at June 30,		<u>8,212,030</u>	<u>8,212,030</u>
<p>These amounts are overdue and outstanding for more than five years inspite 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 terminal 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% (2017: 100%) of such debts had been provided for in these financial statements as dictated by prudence.</p>			
<b>11. SHORT TERM INVESTMENTS</b>			
<i>Term Deposit Receipts (TDRs) - Held to maturity</i>			
		<u>78,428,340</u>	<u>69,684,682</u>
<p>This represents 5 Term Deposit Receipts (TDRs) of different maturity periods (ranging from 3 months to one year). These deposits bear profit ranging from 4.00% to 6.00% per annum (2017: 5.60% to 6.00% per annum). These are kept with the following banks:</p>			
Allied Bank Limited		14,770,466	20,792,328
The Bank of Punjab		63,657,874	48,892,353
		<u>78,428,340</u>	<u>69,684,682</u>
<b>12. ADVANCES, DEPOSITS AND OTHER RECEIVABLES - considered good</b>			
<b>Advances to:</b>			
Staff against salary - secured	12.1	-	80,000
<b>Deposits:</b>			
Margin against letters of credit	12.2	4,782,017	4,782,017
<b>Prepayments:</b>			
Prepaid Insurance		108,734	-
<b>Other receivables</b>			
Accrued profit on deposit with Honda Atlas Cars (Pakistan) Limited		14,828	-
		<u>4,905,579</u>	<u>4,862,017</u>
<p>12.1 These were secured against employees' retirement benefits and provident fund. No advance was given to Chief executive and directors of the company during the year.</p>			
<p>12.2 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 last reporting period. However, these are kept with the said Bank and will be released when the outcome of the case is decided in favour of the company (Note - 21.1).</p>			
<b>13. TAX REFUNDS DUE FROM THE GOVERNMENT</b>			
Income tax refundable		1,876,811	1,374,853
Sales tax adjustable		-	245,387
		<u>1,876,811</u>	<u>1,620,240</u>

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		Note	2018 Rupees	2017 Rupees
<b>14. CASH AND BANK BALANCES</b>				
Cash in hand			7,550	97,527
Cash at banks in current accounts			29,460,042	21,025,344
			<u>29,467,592</u>	<u>21,122,871</u>
<b>15. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL</b>				
	2018	2017		
	<u>No. of shares</u>			
	<u>10,005</u>	<u>10,005</u>	Ordinary shares of Rs. 10 each, fully paid up in cash	
				100,050
				<u>100,050</u>
<b>15.1</b>	As at the balance sheet date, shares of the Company are held by the Government entities through their nominees as detailed below:			
	2018	2017		
	<u>No. of shares</u>			
	2,001	2,001	Ministry of Industries and Production	20,010
	4,002	4,002	Small and Medium Enterprises Development Authority	40,020
	4,002	4,002	Punjab Small Industries Corporation	40,020
	<u>10,005</u>	<u>10,005</u>		<u>100,050</u>
				<u>100,050</u>
<b>15.2</b>	Ministry of Industries and Production has implied powers to appoint any of its official on the board of the company and takes decisions for the selection of board members.			
<b>16. CONTRIBUTION BY THE SPONSORS</b>			<u>400,000</u>	<u>400,000</u>
	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.			
<b>17. CAPITAL RESERVE</b>				Restated
<b>Surplus on revaluation of property, plant and equipment</b>		17.1	<u>114,125,982</u>	<u>119,115,771</u>
<b>17.1</b>	The reconciliation of this head of account is as follows:			
	<b>Gross Surplus</b>			
			119,115,771	-
			-	120,396,581
			(4,989,789)	(1,280,810)
			<u>114,125,982</u>	<u>119,115,771</u>
	This reserve is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.			
<b>18. Revenue reserves</b>				
General Reserve		18.1	<u>4,311,336</u>	<u>2,560,346</u>
<b>18.1</b>	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. 1,750,990 (2017: Rs. 1,370,869) on account of this general reserve has been made in these financial statements.			

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	Note	2018 Rupees	2017 Rupees
<b>19. DEFERRED GOVERNMENT GRANT</b>			
Balance as at June 30,		283,348,292	283,348,292
<b>Accumulated Amortization:</b>			
Balance as at July 01,		(150,324,443)	(138,266,541)
Add: Adjustment of excess amortization of prior year		-	6,090
Amortization (equivalent to depreciation charge) for the year	6.3	(10,795,479)	(12,063,992)
Balance as at June 30,		(161,119,922)	(150,324,443)
		<u>122,228,370</u>	<u>133,023,849</u>
<b>20. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Creditors	20.1	7,204,836	8,488,681
Accrued liabilities		6,390,703	2,447,827
Advances from customers	20.2	8,910,029	2,530,900
Retention money payable	20.3	1,500,000	600,000
Payable to Employees Gratuity Fund Trust	20.4	834,787	-
Income tax deducted at source payable		281,135	-
Sales tax payable on services		2,956,186	-
		<u>28,077,676</u>	<u>14,067,408</u>
<p>20.1. These include Rs. 5.705 million (2017: 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 terminal date (Note - 21.1).</p> <p>20.2. These represent advances received @ 10% of total order value from customers at the terminal date. These are interest free and adjustable on completion of agreed activities and dispatch of goods to the customers.</p> <p>20.3. This represents performance security for the construction of fruit sheds being deducted from the five progressive billings made by the contractor for an equal amount of Rs. 300,000 each in order to arrive at a total sum of Rs. 1,500,000 equivalent to 5% of the total contract price amounting to Rs. 30,000,000.</p> <p>20.4. The movement in this head of account is as under:</p>			
Balance as at July 01,		-	1,552,175
Add: Provision for the year		834,787	762,445
Less: Transferred to Gratuity Fund Trust during the year		-	(2,314,620)
Balance as at June 30,		<u>834,787</u>	<u>-</u>

## 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- 6.7.2). During the year, the case is 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, Messr SMEDA is appointed to act as arbitrator for the resolution of disputes between the parties concerned. The arbitration proceedings in the instar case have been initiated and are in progress at the terminal date. The company and its legal counsel are of the firm belief that the contract has not executed its performance regarding the commissioning of the machinery under the contract and that the machinery has not produce the desired results; consequently the case will be decided in favor of the company and the contractor will have to discharge its obligation arising under the contract before the payment is demanded.

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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 now is in the process of attaining Non-Profit Organization (NPO) certificate under the Income Tax Ordinance 2001. Moreover, Pakistan Centre of Philanthropy (PCP) has also successfully completed its procedural audit. The PCP officials vide email dated May 30, 2017, informed the company that PCP will not forward its case for approval as NPO unless the auditors' qualification as regards to the transfer of the title of land is not removed. The management of the company is optimistic that the title of land will be transferred in due course of time, as all the concerned authorities have given their consent for the same. Moreover PSIC has appointed RD-Multan (AFF Director), as focal person to oversee the matter as regards to the proposed transfer of assets in the name of AFP. Accordingly, no provision for income tax has been accounted for in these financial statements as per provisions of section 100C of the said Ordinance. The estimated accumulated provision for tax not accounted for in these financial statements amounted to Rs. 33.225 million (2017: Rs. 24.430 million).

21.3. The company is contingently liable to the levy of Workers Profit Participation Fund (WPPF) in the sum of Rs. 7,415,504 including interest (computed on the basis of The Companies Profits (Workers Participation) Act, 1968 till date). However, as per the management and the legal advisor of the company, this law cannot be applied to the company in view of the order dated November 10, 2016 of the Honorable Supreme Court of Pakistan as well as for not promulgating the Provincial Act for such levy by the Government of Punjab in view of the 18<sup>th</sup> Constitutional Amendments. Further, due to the status of existing law and structure of the company, the Trust and categories of workers for the payment of this fund are not determinable; and as such the same is not applicable in case of the company at present. Accordingly, no provision of this levy has been incorporated in these financial statements.

	Note	2018 Rupees	2017 Rupees
<b>Commitments</b>			
Company is committed to pay the following amounts within the next twelve months:			
• against plant and machinery		13,242,300	-
• against civil works		-	17,199,000
<b>22. INCOME FROM OPERATIONS</b>			
<b>Gross sales - local</b>			
Fruit processing charges		103,251,559	81,100,603
Fruit grading charges		337,017	-
Cold storage charges		4,776,919	5,374,202
		108,365,495	86,474,805
Less: sales tax	22.1	(14,946,965)	(11,927,559)
<b>Net sales</b>		<b>93,418,530</b>	<b>74,547,246</b>
<b>22.1. Sales tax includes sales tax on services charged under section 3 of the Punjab Sales Tax on Services Act, 2012.</b>			
<b>23. OPERATING EXPENSES</b>			
Salaries, wages and other benefits	23.1	19,844,798	15,914,520
Utilities		15,107,855	7,162,818
Plant running expenses		972,346	827,059
Stores consumed		699,355	575,959
Repair and maintenance		6,664,655	8,344,732
Depreciation	6.2	10,859,925	9,131,006
Less: Government grant amortized during the year	6.2	(7,356,496)	(8,233,885)
	6.2	3,503,429	897,121
Other operating expenses		481,313	-
		<b>47,273,751</b>	<b>33,722,205</b>
<b>23.1. These include contribution to gratuity fund amounting to Rs. 0.464 million (2017: Rs. 0.409 million) and provident fund amounting to Rs. 0.497 million (2017: Rs. 0.386 million).</b>			

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	Note	2018 Rupees	2017 Rupees
<b>24. ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Director's / chief executive remuneration		3,693,548	3,623,490
Salaries, wages and other benefits	24.1	9,169,743	8,906,904
Travelling expenses		1,569,023	1,096,575
Communication expenses		86,073	87,103
Utilities		1,439,707	560,289
Advertisement and promotional expenses		263,340	160,901
Entertainment		352,245	349,857
Security expenses		518,906	498,403
Repair and maintenance		497,469	376,234
Printing, stationery and newspapers		31,990	47,804
Legal and professional charges		29,500	169,000
Fee and subscription		31,269	68,473
Rent, rates and taxes		3,100	4,640
Consultancy and certification fee		485,500	574,400
Auditors' remuneration - annual audit fee		100,000	100,000
Depreciation	6.2	7,815,037	4,300,789
Less: Government grant amortized during the year	6.2	(3,438,983)	(3,830,107)
	6.2	4,376,054	470,682
Amortization on intangible asset	7	29,000	29,000
Janitorial expenses		125,345	120,939
Others		64,223	435,890
		<u>22,866,035</u>	<u>17,680,584</u>

24.1. These include contribution to gratuity fund amounting to Rs. 0.371 million (2017: Rs. 0.353 million) and provident fund amounting to Rs. 0.547 million (2017: Rs. 0.520 million).

#### 25. OTHER INCOME

##### Income from financial assets

Profit on short term investments / deposits	11	3,819,401	3,515,055
Profit on deposits with suppliers		14,828	-
Profit on deposit with SNGPL	8	206,895	357,950
Recovery of doubtful debts	10.3	-	364,770
		4,041,124	4,237,775

##### Income from assets other than financial assets / other items

Sale of pulp waste		743,530	499,376
Sale of drums / packing material		1,232,350	-
Tender fee		13,500	16,000
		1,989,380	515,376
		<u>6,030,504</u>	<u>4,753,151</u>

#### 26. SURPLUS PER SHARE - basic and diluted

Surplus for the year attributable to ordinary shareholders		<u>29,309,248</u>	<u>27,897,604</u>
Weighted average number of ordinary shares	Number -	<u>10,005</u>	<u>10,005</u>
Surplus per share - basic		<u>2,929</u>	<u>2,788</u>

There is no dilutive effect on the basic surplus per share as the company has no such commitments at the terminal date.

*KIRB*

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Managerial remuneration including allowances and benefits given during the year to Chief Executive and executives of the company are as follows:

	2018		
	Chief Executive	Executives	Total
	----- Rs. -----		
Managerial remuneration:			
Salary - basic	1,935,480	-	1,935,480
Housing	870,972	-	870,972
Utilities	193,548	-	193,548
Compensation for additional services / Honorarium	500,000	-	500,000
Contribution to provident fund	193,548	-	193,548
	<u>3,693,548</u>	<u>-</u>	<u>3,693,548</u>
Number of persons	<u>1</u>	<u>-</u>	<u>1</u>

	2017		
	Chief Executive	Executives	Total
	----- Rs. -----		
Managerial remuneration:			
Salary - basic	1,893,336	-	1,893,336
Housing	852,008	-	852,008
Utilities	189,333	-	189,333
Compensation for additional services / Honorarium	500,000	-	500,000
Contribution to provident fund	188,813	-	188,813
	<u>3,623,490</u>	<u>-</u>	<u>3,623,490</u>
Number of persons	<u>1</u>	<u>-</u>	<u>1</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 (2017: Nil)

No meeting fee was paid to directors during the year (2017: Rs. Nil).

*ICUBS*

## 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.

#### Credit risk and concentration of credit risk

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:

	2018 Rupees	2017 Rupees
Financial assets		
Long term deposits	7,699,000	7,699,000
Trade debts	10,361,674	2,480,098
Short term investments	78,428,340	69,684,682
Advances, deposits and other receivables	4,782,017	4,862,017
Bank balances	29,460,042	21,025,344
	<u>130,731,073</u>	<u>105,751,141</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:

Customers	10,361,674	2,480,098
Banks and financial institutions		
<i>deposits in current accounts</i>	29,460,042	21,025,344
<i>investments - held to maturity</i>	78,428,340	69,684,682
Other financial assets	12,481,017	12,561,017
	<u>130,731,073</u>	<u>105,751,141</u>

ICIB

### 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		2018 Rupees	2017 Rupees
	Short term	Agency		
<b>Balances with banks:</b>				
The Bank of Punjab	A1+	PACRA	1,485,893	78,031
Allied Bank Limited	A1+	PACRA	27,974,149	20,947,313
			<u>29,460,042</u>	<u>21,025,344</u>
<b>Short term deposits / investments:</b>				
National Bank of Pakistan	A1+	PACRA	4,782,017	4,782,017
Allied Bank Limited	A1+	PACRA	14,770,466	20,792,329
The Bank of Punjab	A1+	PACRA	63,657,874	48,892,353
			<u>83,210,357</u>	<u>74,466,699</u>

#### Exposure to credit risk - cash deposits

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 sale 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:

Year	Neither past due nor impaired	Past due but not impaired					Past due and Impaired	Total
		Less than 90 days	90-180 days	180-365 days	1 to 3 Years	Above 3 Years		
Rupees								
2018	-	10,361,674	-	-	-	-	8,212,030	18,573,704
2017	-	2,480,098	-	-	-	-	8,212,030	10,692,128

#### Exposure to credit risk - trade receivables

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 balance have been recovered in full. The balance is written off or expensed out by creating "provision for doubtful debts" if the Company expects that it couldn't recover the balance due from the counterparties. Any subsequent recovery in relation to the amount written off is credited directly to income and expenditure account as "bad debts recovered". The company is not exposed to credit risk from trade debts.

ICRB

## 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. Based on the financial results and solvency ratios as depicted from the statement of financial position, the company is not exposed to any liquidity risk at the terminal date.

The table below summarizes the maturity profiles of company's financial liabilities as on June 30, 2018 based on contractual undiscounted payments date and present market interest rates.

June 30, 2018	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
Creditors, accrued and other liabilities	7,890,703	-	7,204,836	-	15,095,539

June 30, 2017	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
Creditors, accrued and other liabilities	2,447,827	-	9,088,681	-	11,536,508

## 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 deposits.

### 23.3.1 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:

	2018 Rupees	2017 Rupees
<b>Variable interest rate financial assets</b>		
Term Deposit Receipts (TDRs) - Held to maturity	78,428,340	69,684,682

The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in the relevant notes to these financial statements. The company has no major interest rate risk at the terminal date.

ICMB

#### **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. 784,283 (2017: Rs. 696,847). This analysis is prepared without taking in account taxation effect and applying +/-1% discount factor on the outstanding balance of TDRs.

#### **23.3.2 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.

#### **23.3.3 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 held to maturity investments which are carried at amortized cost.

#### **28.5. Fair value hierarchy**

IFRS 13 Requires fair value measurement disclosures using following three level fair value hierarchy that reflects the significance of the inputs used in measuring fair value of financial instruments.

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).

The Company has no financial assets measured at above mentioned levels. As at June 30, 2018 and 2017, the Company did not hold any financial instruments carried at fair value.

#### **28.6. Financial instruments by category**

The Company finances its operations through the extraction of pulp of various fruits and provision of processing facilities to different parties and local growers alongwith 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.

*ICR/32*

Financial instruments by category	2018 Rupees	2017 Rupees
<b>Financial assets as per balance sheet</b>		
Long term deposits	7,699,000	7,699,000
Trade debts	10,361,674	2,480,098
Short term investments	78,428,340	69,684,682
Advances, deposits and other receivables	4,782,017	4,862,017
Cash and bank balances	29,467,592	21,122,871
	<b>130,738,623</b>	<b>105,848,668</b>
<b>Financial liabilities as per balance sheet</b>		
<b>Financial liabilities measured at amortized cost :</b>		
Creditors, accrued and other liabilities	15,095,539	11,536,508

## 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

	2018 .....(Number).....	2017
Number of employees at year end	27	27
Average number of employees during the year	27	25

### Breakup of no. of employees:

Number of administrative employees	11	11
Number of operating / factory employees	16	16
	<b>27</b>	<b>27</b>

## 31. RELATED PARTY DISCLOSURE

### A. Related Party Relationships

<u>Name of party</u>	<u>Nature of relationship</u>	<u>Basis of relationship</u>	<u>Percentage of shareholding</u>
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%

### 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 elsewhere in these financial statements. 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:

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Name of party	Relationship	Nature of transaction	2018	2017
			-----Rupees)-----	
Employees' Provident Fund Trust	Employees benefits	Employer's contribution	1,044,070	905,443
Employees' Gratuity Fund Trust	Employees benefits	Employer's contribution	834,787	762,445

### 32. CAPACITY AND PRODUCTION

	Hourly	Daily (24* hours/day)	Yearly (95 days)
<b>Standard / Installed input capacity - Season</b>			
Pulp production - Stoned fruit	10 tons	200 tons	12,000 tons
Pulp production - Non-stoned fruit	5 tons	100 tons	3,500 tons
<b>Standard / Installed output capacity - Season</b>			
Pulp production - Stoned fruit	5 tons	100 tons	6,000 tons
Pulp production - Non-stoned fruit	5 tons	80 tons	2,800 tons

\*Installed capacity is 10 tons / hour for input of stoned fruit and 5 tons / hour output of the same fruit. 4 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%.

#### Actual production remained at 5,173 tons (2017: 4,185 tons).

	2018	2017
Pulp production - Stoned fruit	3,975	3,216
Pulp production - Non-stoned fruit	1,198	969

#### Reasons for under-utilization of capacity

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

Mango	60 Days
Guava	35 Days

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

Citrus Grading	35 Days
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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 95.28% (2017: 93.79%) 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, 2018 are located in Pakistan.  
100% (2017: 100%) of the income from pulp extraction relates to customers in Pakistan.

#### 33.3 Information about customers

During the year, revenue from four customers (2017: four) comprises approximately 93.87% (2017: 99.58%) of the total revenue earned from operations of the Company.

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**34. PROVIDENT FUND DISCLOSURE**

As per the latest available audited financial statements of the Provident Fund Trust for the year ended June 30, 2018, the required information is given below:

	2018	2017
	-----Rupees)-----	
Fund Size	<u>6,528,296</u>	<u>4,413,956</u>

All the investments of provident fund trust are kept with banks in current accounts. However, the Trust is in the process in making investment and to make compliance with the provident fund rules formulated under the provisions of section 218 of the Companies Act 2017.

**35. TAX ASSESSMENT**

As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

	2017	2016	2015
Provision for taxation (refer note: 21.2)	24,430,307	17,426,437	10,781,000
Tax assessment	Accepted as such under section 120(1) of the Income Tax Ordinance, 2001		

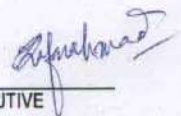
**36. DATE OF AUTHORIZATION**

These financial statements were authorized for issue on 19 SEP 2018 by the Board of Directors of the Company.

**37. GENERAL**

37.1 Figures of the corresponding period have been rearranged / regrouped where considered necessary for better comparison. However no material rearrangement in the corresponding figures has been made during the year except as disclosed in note 5.21 of these financial statements.

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

  
\_\_\_\_\_  
CHIEF EXECUTIVE

  
\_\_\_\_\_  
MANAGER FINANCE

  
\_\_\_\_\_  
DIRECTOR