Grant Thornton

An instinct for growth™

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ORGANIC MEAT COMPANY (PRIVATE) LIMITED

GRANT THORNTON ANJUM RAHMAN
1st & 3rd Floor,
Modern Motors House
Beaumont Road,
Karachi 75530

T +92 021 3567 2951-56
F +92 021 3568 8834
www.gtpak.com

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **The Organic Meat Company (Private) Limited** (the Company), which comprise the balance sheet as at June 30, 2018, and the profit and loss account, statement of comprehensive income, the statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (here-in-after referred to as "the financial statements"), and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, the profit and loss account, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017, 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 profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the Code) as adopted by the Institute of Chartered Accountants of Pakistan (the institute) 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.

Information other than the Financial Statements and Auditor's Report thereon

The Board of directors is responsible for the other information. The other information comprises the information included in the annual report i.e., a more specific description of the other information, such as "the directors' report," may be used to identify the other information but does not include the financial statements and our auditor's report thereon.

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

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

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

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

Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements
Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the balance sheet, the profit and loss account, the statement of changes in equity and the cash flow statement 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 except for the change as explained in note 4 with which we concur;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

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

Grant Thornton Anjum Rahman

Grant Thornton Anjum Rahman
Chartered Accountants
Karachi

Date: October 1, 2018

THE ORGANIC MEAT COMPANY (PRIVATE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2018

	Note	2018	2017
		----------Rupees----------	
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized capital	5.1	**250,000,000**	100,000,000
Issued, subscribed and paid up capital	5.2	**100,000,000**	1,000,000
Retained earnings		**528,221,832**	384,945,926
Surplus on revaluation surplus on property, plant and equipment - net of tax	6	**636,275,327**	-
		1,264,497,159	385,945,926
Advance against issue of shares		**148,834,000**	211,962,456
Non-current liabilities			
Long term loans	7	**41,626,422**	90,035,247
Deferred taxation - net	8	**16,623,380**	-
Total non-current liabilities		**58,249,802**	90,035,247
Current liabilities			
Trade and other payables	9	**207,117,367**	73,939,977
Current maturity of long term loans	7	**57,973,840**	21,214,566
Accrued mark-up	10	**15,912,212**	8,168,377
Short term borrowings	11	**572,717,661**	547,839,185
Taxation - net		**7,319,063**	-
Total current liabilities		**861,040,143**	651,162,105
Total equity and liabilities		**2,332,621,104**	1,339,105,734
Contingencies and commitments	12		
ASSETS			
Non-current assets			
Property, plant and equipment	13	**1,257,005,562**	534,445,854
Deferred taxation - net	8	**-**	11,350,935
Total non-current assets		**1,257,005,562**	545,796,789
Current assets			
Stock-in-trade	14	**130,689,557**	131,991,566
Trade debts	15	**849,372,992**	356,289,179
Loans and advances	16	**79,871,163**	272,414,911
Advance taxation - net		**-**	13,430,128
Cash and bank balances	17	**15,681,830**	19,183,162
Total current assets		**1,075,615,542**	793,308,945
Total assets		**2,332,621,104**	1,339,105,734

The annexed notes from 1 to 32 form an integral part of these financial statements.

Chief Executive Officer

Director

THE ORGANIC MEAT COMPANY (PRIVATE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		----------Rupees----------	
Sales - net	18	**2,052,928,537**	921,896,540
Cost of sales	19	**(1,746,660,370)**	(762,679,951)
Gross profit		**306,268,167**	159,216,589
Administrative expenses	20	**(54,398,415)**	(34,572,417)
Selling expenses	21	**(7,494,250)**	(16,531,395)
		(61,892,665)	(51,103,812)
Operating profit		**244,375,501**	108,112,777
Finance costs	22	**(57,200,338)**	(36,579,973)
Other expenses	23	**(30,417,560)**	(16,674,980)
Profit before taxation		**156,757,603**	54,857,823
Taxation - net	24	**(13,481,697)**	(1,281,579)
Profit for the year		**143,275,906**	53,576,244

The annexed notes from 1 to 32 form an integral part of these financial statements.

Chief Executive Officer

Director

THE ORGANIC MEAT COMPANY (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	----------Rupees----------	
Profit for the year	**143,275,906**	53,576,244
Other comprehensive Income:		
Items that will not be reclassified to statement of profit or loss in subsequent periods		
Surplus on revaluation of property, plant and equipment - net	**636,275,327**	-
Total comprehensive income	**779,551,233**	53,576,244

The annexed notes from 1 to 32 form an integral part of these financial statements.

Chief Executive Officer

Director

THE ORGANIC MEAT COMPANY (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Issued, subscribed and paid-up share capital	Revaluation surplus	Retained earning	Total shareholder's equity
	----------Rupees----------			
Balance as at June 30, 2016	1,000,000	-	331,369,682	332,369,682
Total comprehensive income for the year	-	-	53,576,244	53,576,244
Balance as at June 30, 2017	**1,000,000**	**-**	**384,945,926**	**385,945,926**
Transactions with owners				
New shares issued	**99,000,000**	**-**	**-**	**99,000,000**
Total comprehensive income				
Profit for the year	**-**	**-**	**143,275,906**	**143,275,906**
Other comprehensive income				
Surplus on revaluation of property, plant and equipment - net of tax	**-**	**636,275,327**	**-**	**636,275,327**
Balance as at June 30, 2018	**100,000,000**	**636,275,327**	**528,221,832**	**1,264,497,159**

The annexed notes from 1 to 32 form an integral part of these financial statements.

Chief Executive Officer

Director

THE ORGANIC MEAT COMPANY (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		----------Rupees----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation for the year		**156,757,603**	54,857,823
Adjustment for non cash items:			
Depreciation on property, plant and equipment	13	**53,594,376**	54,718,774
Amortization on intangible assets		**-**	56,410
Impairment of intangible assets		**-**	1,071,785
Finance costs	22	**49,905,789**	35,363,473
Provision against trade debtors	15.1	**95,238,739**	25,533,202
Write off against loans to directors	16	**16,672,888**	-
Provision against advance to suppliers	16.1	**13,891,373**	13,260,897
Unrealized exchange gain on trade debtors		**66,670,109**	-
Provision for worker's profit participation fund		**7,308,005**	-
Provision for worker's welfare fund		**1,036,616**	-
		461,075,498	184,862,364
Working capital changes			
Stock-in-trade		**1,302,009**	18,682,860
Trade debts		**(654,992,661)**	(110,270,547)
Loans and advances		**161,979,487**	(78,669,087)
Trade deposits and short term prepayments		**-**	4,060,556
Trade and other payables		**144,729,211**	11,609,235
		(346,981,954)	(154,586,983)
Cash generated from operating activities		**114,093,544**	30,275,382
Income tax paid		**(14,533,391)**	(9,268,511)
Finance costs paid		**(42,161,954)**	(38,496,882)
Net cash generated from /(used in) operating activities		**57,398,199**	(17,490,011)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	13	**(110,000,000)**	(15,700,000)
Net cash used in investing activities		**(110,000,000)**	(15,700,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loan from financial institutions - net		**(11,649,551)**	(2,518,570)
Short term loan (repaid) / obtained - net		**(45,121,524)**	57,839,185
Amount raised for issuance of new shares		**35,871,544**	-
Net cash (used in) / generated from financing activities		**(20,899,531)**	55,320,615
Net (decrease) / increase in cash and cash equivalent		**(73,501,332)**	22,130,604
Cash and cash equivalent at beginning of the year		**(470,816,838)**	(492,947,442)
Cash and cash equivalent at end of the year	25	**(544,318,170)**	(470,816,838)

The annexed notes from 1 to 32 form an integral part of these financial statements.

Chief Executive Officer

Director

1 NATURE OF THE BUSINESS

The Company was incorporated on July 14, 2010. The principal office of the Company is situated at First Floor, 66 C - 68 C, 25th Street, Tauheed Commercial Area, Phase 5, DHA, Karachi, Pakistan. The plant is situated at Survey # 310, Deh Shah Mureed, Gadap, Karachi, Pakistan. The Company is principally engaged in the business of sale and purchase of livestock, slaughtering animal by Halal means and processing and packaging of meat.

2 BASIS OF PREPERATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017, and provisions of and directives issued under the Companies Act, 2017. In case requirements differ, the provisions or directives of the Companies Act, 2017 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention using accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupee which is the Company's functional and presentation currency.

2.4 Use of estimates and judgments

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

In the process of applying the Company's accounting policies, management has made the following estimates and judgment which are significant to the financial statements:

		Notes
a)	Useful life of property and equipment	3.1
b)	Provision for taxation	3.3
c)	Provision against trade debts and other receivables	3.5
d)	Impairment	3.8
e)	Revaluation of property,plant and equipment	3.1

2.5 Standards, Amendments and Interpretations to Approved Accounting Standards

2.5.1 Promulgation of Companies Act, 2017

The Companies Act 2017 applicable for periods ending after December 31, 2017 which result in additional disclosures and certain changes in financial statements presentation.

2.5.2 Standards, amendments and interpretations to the published standards that are relevant to the company and adopted in the current year

The Company has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)	January 1, 2017
IAS 7 - Disclosure Initiative (Amendments to IAS 7)	January 1, 2017
IFRS 12 - Annual Improvements to IFRS 2014-2016	January 1, 2017

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended June 30, 2017 and 2018.

2.5.3 Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 01, 2017 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are therefore not presented here.

2.5.4 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).	Postponed
IFRS 2 - Classification and Measurement of Share-based Payment Transaction (Amendements to IFRS 2	January 1, 2018
IFRS 1 and IAS 28 - Annual Improvements to IFRSs 2014-2016	January 1, 2018

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	January 1, 2018
IAS 40 - Transfers of Investment Property (Amendments to IAS 40)	January 1, 2018
IFRS 15 - Revenue from Contracts with Customers	July 1, 2018
IFRS 9 - Financial Instruments	July 1, 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	January 1, 2019
IFRS 16 - Leases	January 1, 2019
Annual Improvements to IFRSs 2015 - 2017 Cycle	January 1, 2019
IFRS 9 - Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019

The Company is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Company.

2.5.5 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation	IASB effective date (Annual periods beginning on or after)
IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
IFRS 17 - Insurance Contracts	January 1, 2021

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any: except for land, building and plant and machinery which are stated at revalued amounts less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is charged to profit and loss account by applying the reducing balance method on yearly basis at the rates specified in note 11. Depreciation on additions to property, plant and equipment is charged from the month in which an item is acquired i.e. available for use, while no depreciation is charged in the month in which the item is disposed off.

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If such an indication exists the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the estimated recoverable amount, assets are written down to the recoverable amount, and the impairment losses are recognized in the profit and loss account.

The residual value, depreciation method and the useful lives of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of assets, if any are included in profit and loss account for the current year.

Normal repairs and maintenance costs are charged to profit and loss account in the period of its occurrence, while major renovations and improvements are capitalized only when it is probable that the future economic benefits associated with the item will flow to the entity and its cost can be measured reliably. Disposal of assets is recognized when significant risk and rewards incidental to the ownership have been transferred to the buyers.

Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Any surplus on revaluation of fixed assets is credited to the surplus on revaluation of fixed assets account. Incremental depreciation arising on such revaluation is charge from subsequent month of revaluation.

3.2 Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupees at the foreign exchange rates ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Rupees at the exchange rate prevalent at balance sheet date. Exchange differences arising on translation are recognized in the profit and loss account. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial tranactions. Non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value of the item (i.e. translation difference on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss respectively.

3.3 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account, except to the extent that it relates to items recognized directly in equity or below equity, in which case it is recognized in equity or below equity respectively.

Current

The charge for current taxation is based on export income at the applicable rate of taxation after taking into account tax credits and tax rebates available, if any.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable

profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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 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.

3.4 Revenue recognition

- Revenue from sale of processed meat, frozen beef and other related items is recognized when the significant risks and rewards of ownership have been transferred to the customer.
- Other income is taken to profit and loss as and when incurred.

3.5 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less impairment losses. 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 receivables. Trade debts and other receivables considered irrecoverable are written off.

3.6 Stock-in-trade

Biological assets are stated at fair value less estimated cost of sale, with any resultant gain or loss recognized in the income statement. Selling costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market. The fair value of livestock is based on the market price of livestock of similar age, breed and generic merit.

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In the case of manufactured inventories and work in progress, cost includes a share of overheads based on normal operating capacity. The costs of items transferred from biological assets is their fair value less point-of-sale costs at the date of transfer.

3.7 Trade and other payables

These are recognized and carried at cost which is fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.8 Impairment

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if there is an objective evidence that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset and those cash flows can be measured reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor or indications that a debtor or issuer will enter bankruptcy.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and are reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss account.

Non-Financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are combined together into the smallest class of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Company's of assets (the "cash-generating unit, or CGU").

Impairment loss recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if a change occurs in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.9 Loans and advances

These are stated at cost less provision for doubtful balances, if any.

3.10 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting year.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balance with banks. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of short term borrowings which are repayable on demand or in the short term and form an integral part of Company's cash

3.12 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provision of the instruments. All the financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities are taken to profit and loss account.

Financial assets and liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at fair value or amortized cost as the case may be.

3.13 Off-setting for financial assets and financial liabilities

Financial assets and liabilities are off set and the net amount is reported in the balance sheet only when there is a legally enforceable right to set off the recognized amount and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

4 Change in Accounting Policy

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

	Factory Land - Leasehold	Factory building on Leasehold land	Furniture and fixture	Office equipment	Plant and machinery	Generator	Motor vehicles	Total
2018	---------- (Rupees) ----------							
Cost								
Opening balance	59,256,000	178,745,979	7,661,349	9,512,861	575,861,978	25,784,200	41,446,294	898,268,661
Additions during the year	-	110,000,000	-	-	-	-	-	110,000,000
Revaluation surplus	25,744,000	76,439,384	-	-	563,970,701	-	-	666,154,085
Closing balance	85,000,000	365,185,363	7,661,349	9,512,861	1,139,832,679	25,784,200	41,446,294	1,674,422,746
Accumulated depreciation								
Opening balance	-	75,226,776	3,560,701	4,391,926	246,940,535	12,409,486	21,293,384	363,822,808
Charge for the year	-	14,958,587	615,097	768,140	32,892,144	1,337,471	3,022,937	53,594,376
Closing balance	-	90,185,363	4,175,798	5,160,066	279,832,679	13,746,957	24,316,321	417,417,184
Written down values	85,000,000	275,000,000	3,485,551	4,352,795	860,000,000	12,037,243	17,129,973	1,257,005,562
	0%	10%	15%	15%	10%	10%	15%	

THE ORGANIC MEAT COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2018

	Factory Land - Leasehold	Factory building on Leasehold land	Furniture and fixture	Office equipment	Plant and machinery	Generator	Motor vehicles	Total
2017	(Rupees)							
Cost								
Opening balance	59,256,000	178,745,979	7,661,349	9,512,861	575,861,978	25,784,200	41,446,294	898,268,661
Additions during the year	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-	-
Closing balance	59,256,000	178,745,979	7,661,349	9,512,861	575,861,978	25,784,200	41,446,294	898,268,661
Accumulated depreciation								
Opening balance	-	63,724,642	2,837,057	3,488,231	210,393,708	10,923,407	17,736,988	309,104,033
Charge for the year	-	11,502,134	723,644	903,695	36,546,827	1,486,079	3,556,396	54,718,775
On disposals	-	-	-	-	-	-	-	-
Closing balance	-	75,226,776	3,560,701	4,391,926	246,940,535	12,409,486	21,293,384	363,822,808
Written down values	59,256,000	103,519,203	4,100,648	5,120,935	328,921,443	13,374,714	20,152,910	534,445,853
Depreciation rates	0%	10%	15%	15%	10%	10%	15%	

	Note	2018	2017
		----------Rupees----------	
13.1 Basis of allocation of depreciation			
Cost of sales	**19**	**42,875,501**	43,775,019
Administrative expense	**20**	**10,718,875**	10,943,755
		53,594,376	54,718,774

The Company charge 80 % of total depreciation in cost of sales and 20% in administrative expense respectively.

13.2 The Company as on June 30, 2018 revalued its land, building and plant and machinery. The revaluation exercise was carried out by independent valuer - Oceanic Surveyors (Private) Limited, (Approved valuers of Pakistan Banks' Association and Leasing Association of Pakistan) 11th street, Badar Commercial, Phase V Extension, D.H.A, Karachi. The valuer has estimated the remaining life of the buildings to be 20 years. Land was revalued on the basis of current market price whereas buildings and plant and machinery was revalued using Asset Base Valuation Method. Forced sales value of the revalued assets are follows;

	2018	2017
	----------Rupees----------	
Factory land	**72,250,000**	-
Building	**220,000,000**	-
Plant and machinery	**645,000,000**	-
	937,250,000	-

13.3 Had there been no revaluation of land, building and plant and machinery, the cost and written down values would have been as follows:

	Cost		Net book value under cost model	
	2018	2017	**2018**	2017
	----------Rupees----------		----------Rupees----------	
` Factory land	**59,256,000**	59,256,000	**59,256,000**	59,256,000
Building	**288,745,979**	178,745,979	**183,884,011**	103,519,204
Plant and machinery	**575,861,978**	575,861,978	**239,632,229**	328,921,443

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

	Location	Usage of immovable property	Total Area (In Acres)
a)	Deh Shah Mureed, Gadap, Karachi	Manufacturing Facility	9.825
b)	Deh Shah Mureed, Gadap, Karachi	Manufacturing Facility	5.895

5 SHARE CAPITAL

5.1 Authorized share capital

2018	2017		**2018**	2017
Number of shares			**----------Rupees----------**	
25,000,000	**10,000,000**	Ordinary shares of Rs. 10 each	**250,000,000**	100,000,000

5.2 Issued, subscribed and paid-up share capital

10,000,000	100,000	Ordinary shares of Rs. 10 each fully paid in cash	**100,000,000**	1,000,000

5.3 During the year ended December 31, 2018 the Company has issued share amounting to Rs. 99 million to Chief Executive Officer of the Company. The Company has also start process of allotment of further share amounting to Rs. 111 million which will be issued in due course.

6 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax

Revaluation surplus during the year	**666,154,085**	-
Less: related deferred tax liability	**29,878,758**	**-**
	636,275,327	-

7 LONG TERM LOAN - SECURED

	Note		
Habib Bank Limited	7.1	**41,360,324**	45,496,324
Al Baraka Pakistan Limited	7.2	**10,989,938**	13,253,489
Dubai Islamic Bank Limited	7.3	**47,250,000**	52,500,000
		99,600,262	111,249,813
Less: current maturity		**(57,973,840)**	(21,214,566)
		41,626,422	90,035,247

7.1 The Company has obtained demand finance facility amounting to Rs. 45.496 million to finance blast freezers, freezers and chillers installed at plant located Deh Shah Mureed, Gadap Town, Karachi. It carries mark-up at 3 months KIBOR + 2.25% per annum (to be serviced on quarterly basis for the tenure of the loan and mark-up rate to be reset at the beginning of each quarter). The facility is secured by way of first pari passu charge of Rs.156 million registered with SECP over existing and future stocks and receivables with 25% margin, lein on export doucments and export proceeds with 10% margin, Joint Pari Passu Hyphothecation charge over plant and machinery to the extent of Rs. 143 million, Joint Pari Passu charge over land and building to the extent of Rs. 57 million and personal guarantees of all directors/major shareholders.

7.2 The Company had obtained Diminishing Musharakah-II Facility amounting to Rs. 20 million to purchase new plant and machinery from local vendor/supplier for slaughter house for the period of 3 years, rentals are payable in 12 quaterly installments. The facility is secured by way of first registered Pari Passu Charge over present and future plant and machinery for Rs. 71.5 million including margin, and an equitable mortgage charge on land and building for Rs. 28.5 million. These are further secured by way of personal guarantees given by all of the directors of the Company.

7.3 The Company had obtained Shirkat ul Melk cum Ijara Facility amounting to Rs. 52.5 million to finance imported equipment and machineries for the period of 3 years. Rentals are payable quarterly and shall comprise of fixed and variable rentals. Fixed rental is Rs. 1.75 million and 3.5 million payable quarterly at a rate of KIBOR + 2.25%. The facility is secured by way of first registered pari passu charge over present and future plant and machinery for Rs.133.59 million including margin, and an equitable mortgage charge on land and building for Rs.49.41 million.These are further secured by way of personal guarantees given by all of the directors of the Company.

7.4 The KIBOR part of long-term loan from Dubai Islamic Bank Limited and Habib Bank Limited shall be paid by the Sindh enterprise development fund and will disburse it to the lending bank when it becomes due to be paid. The amount received in this respect for the year is Rs. Nil (2017: Rs. 9,483,356.

		2018	2017
		----------**Rupees**----------	
8	**DEFERRED TAXATION - NET**		
	Deductible temporary differences		
	Provision against trade debts	**14,501,873**	10,230,166
	Provision against advance to suppliers	**1,743,834**	1,120,769
	Taxable temporary differences		
	Unrealized gain on trade debts	**(2,990,329)**	-
	Revaluation surplus on property, plant and equipment	**(29,878,758)**	-
		(16,623,380)	11,350,935
9	**TRADE AND OTHER PAYABLES**		
	Trade creditors	**151,430,891**	29,033,399
	Accrued liabilities	**10,939,465**	5,995,483
	Advance from customers	**35,257,620**	34,869,467
	Due to related party	**-**	1,612,696
	Salaries, benefits and allowances payable	**-**	1,436,416
	Audit fee payable	**1,144,770**	992,515
	Worker's profit participation fund payable	**7,308,005**	-
	Worker's welfare fund payable	**1,036,616**	-
		207,117,367	73,939,976
10	**ACCRUED MARK-UP**		
	- On long term borrowing		
	Habib Bank Limited	**1,089,352**	319,207
	Dubai Islamic Bank Pakistan Limited	**3,691,992**	494,936
	Al Baraka Pakistan Limited	**1,262,919**	-
	- On short term borrowing		
	Bank Al Baraka Pakistan Limited	**3,549,168**	1,341,781
	Faysal Bank Limited	**-**	2,662,278
	Soneri Bank Limited	**2,040,073**	2,625,370
	Dubai Islamic Bank Pakistan Limited	**167,911**	724,805
	BankIslami Limited	**1,486,507**	-
	Habib Bank Limited	**2,624,290**	-
		15,912,212	8,168,377

		Note	2018	2017
			----------Rupees----------	
11	**SHORT TERM BORROWINGS**			
	Banking companies - secured			
	Habib Bank Limited	11.1	**125,000,000**	125,000,000
	Faysal Bank Limited	11.2	**100,000,000**	100,000,000
	Dubai Islamic Bank Limited	11.3	**85,000,000**	65,000,000
	Al Baraka Bank (Pakistan) Limited	11.4	**100,000,000**	100,000,000
	Soneri Bank Limited	11.5	**100,000,000**	100,000,000
	BankIslami Limited	11.6	**50,000,000**	-
			560,000,000	490,000,000
	From related party - unsecured	11.7	**12,717,661**	32,839,185
	Others- unsecured	11.8	**-**	25,000,000
			572,717,661	547,839,185

11.1 The Company has obtained running finance facility having a limit of Rs. 70 million for working capital requirements. It carries interest at the rate of 3 months KIBOR + 2% per annum. The facility is secured by way of First Pari Passu charge of Rs.156 million registered with SECP over existing and future stocks and receivables with 25% margin, lien on export documents and proceeds with 10% margin, Joint Pari Passu Hypothecation charge over Plant and Machinery to the extent of Rs. 143 million. Joint Pari Passu charge over land and Building to the extent of Rs. 57 million and personal guarantees of all directors/major shareholders.

The Company has obtained Export Refinance facility having a limit of Rs. 55 million to facilitate the customer for meeting their export requirements. It carries interest at SBP rate + 1% per annum. The facility is secured by way of First Pari Passu charge of Rs.156 million registered with SECP over existing and future stocks and receivables with 25% margin, lien on export documents and proceeds with 10% margin, Joint Pari Passu Hypothecation charge over Plant and Machinery to the extent of Rs. 143 million. Joint Pari Passu charge over land and building to the extent of Rs. 57 million and personal guarantees of all directors/major shareholders.

11.2 The Company has obtained Export Refinance facility having a limit of Rs. 100 million to meet pre-shipment working capital requirement backed by stand by letter of credit / contracts (existing buyers). It carries mark-up at SBP cost of funds + 1% per annum. The facility is secured by way of joint pari pari passu charge over the Company's fixed assets (land and Building) to the extent of Rs. 28.5 million, First Pari Passu hypothecation charge over land and Building upto 71.5 million, First Pari Passu Hypothecation charge over current asset of the Company Company amounting to Rs. 125 million and by way of personal guarantees of all the directors of the Company.

11.3 The Company has obtained running finance facility having a limit of Rs. 85 million for working capital requirements (for purchase of raw material) under Murbaha Scheme. It carries interest at relevant KIBOR rate + 2% per annum. The facility is secured by way of First Pari Passu hypothecation charge over the Companies present and future stock to the extent of Rs. 94 million with 10% margin, Joint Pari Passu Charge over the Company's fixed assets to the extent of Rs. 150 million, which includes land and buildings and by way of personal guarantees of all the directors of the Company.

11.4 The Company had obtained Murhaba (local)/Istisna amounting to Rs. 100 million for the purchase and processing of meat, edible offal's, etc. It carries profit at relevant KIBOR + 3% per annum. Tenor for this facility is maximum 180 days. The facility is secured by way of joint pari pari passu charge over the Company's fixed assets , which includes land and buildings up to the extent of Rs. 28,500,000 plant and machinery upto the extent of Rs. 71,500,000, and on current assets to the extent of Rs. 125, 0000 and by way of personal guarantees of all directors of the Company.

11.5 The Company has obtained Salam under Islamic Export Refinancing Scheme (IERS) I facility having a limit of Rs. 100 million for advance payment against future delivery of the Company's products. Profit of the bank on the sale of the goods under the Salam facility to be calculated at KIBOR + 2% per annum. Tenor of transaction is maximum up to 180 days. The facility is secured by way of lien on EE statement guarantee of agent First Joint Pari Passu charge over the Company's stocks-in-trade and trade debts amounting to Rs. 125 million and collateral security which includes Joint Pari Passu charge over land and building and and plant and machinery to the extent of Rs. 28.5 million and Rs. 71.5 million.

11.6 The Company has obtained Murabahah finance facility having a limit of Rs. 50 million for purchases of halal meat and it carries mark-up at a rate KIBOR + 3.5% per annum. The facility is secured by way of Joint Pari Passu Chrage over present and future fixed assets/ current assets of the company amounting to Rs. 66.67 million.

	Note	**2018**	2017
		----------Rupees----------	
11.7 From related party			
Mr. Faisal Hussain	10.7.1	**12,717,661**	32,839,185

10.7.1 This represents loan obtained for the purposes of working capital.

11.8 Other parties

Mr. Rizwan Abbass	**-**	15,000,000
` Mr. Mohammad Hussain	**-**	10,000,000
	-	25,000,000

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

There are no contingencies as on June 30, 2018 (2017: Nil).

12.2 Commitments

The Company has entered into Ijarah financing agreement with Dubai Islamic Bank for various motor vehicles, had termination dates till 2018. The aggregate amount of outstanding commitment in respect of the facility as at the year end amounts to Rs: Nil (2017: Rs: 0.96 million).

		Note	2018	2017
			----------Rupees----------	
14	**STOCK IN TRADE**			
	Finished goods		**78,211,710**	38,642,306
	Livestock		**2,496,000**	71,256,000
	Work in process		**47,250,000**	18,640,820
	Packing material		**2,731,847**	3,452,440
			130,689,557	131,991,566
15	**TRADE DEBTS**			
	Considered good, unsecured			
	- foreign debtors		**761,778,083**	289,557,765
	- local debtors		**87,594,909**	66,731,414
			849,372,992	356,289,179
	Considered doubtful		**216,281,651**	121,042,912
	Trade receivables - gross		**1,065,654,643**	477,332,090
	less: provision against doubtful debts	15.1	**(216,281,651)**	(121,042,912)
	Trade receivables - net		**849,372,992**	356,289,179
15.1	**Movement in provision against doubtful debts**			
	Balance at the beginning of the year		**121,042,912**	95,509,710
	Charge for the year		**95,238,739**	25,533,202
	Balance at the end of the year		**216,281,651**	121,042,912
16	**LOANS AND ADVANCES - unsecured**			
	Loans to directors			
	- considered good		**121,315**	27,079,249
	- considered doubtful		**16,672,888**	-
			16,794,203	27,079,249
	Less: loans written off		**16,672,888**	-
			121,315	27,079,249
	Loans to employees		**1,229,279**	393,365
	Total net loans		**1,350,594**	27,472,614
	Advance to suppliers			
	- considered good		**78,520,569**	244,942,297
	- considered doubtful		**27,152,270**	13,260,897
	Gross advance to suppliers		**105,672,839**	258,203,194
	Less: provision against doubtful advances	16.1	**(27,152,270)**	(13,260,897)
	Net advance to suppliers		**78,520,569**	244,942,297
	Grand Total		**79,871,163**	272,414,911

		Note	2018	2017
			----------Rupees----------	
16.1	**Movement in provision**			
	Balance at the beginning of the year		**13,260,897**	-
	Charge for the year		**13,891,373**	13,260,897
	Balance at the end of the year		**27,152,270**	13,260,897
17	**CASH AND BANK BALANCES**			
	Cash in hand		**101,852**	10,786
	Balances with banks - current account		**15,579,978**	19,172,376
			15,681,830	19,183,162
18	**SALES - NET**			
	Export sales		**1,946,790,118**	662,177,235
	Local sales		**106,138,419**	259,719,305
			2,052,928,537	921,896,540
19	**COST OF SALES**			
	Livestock and meat cost			
	Opening stock		**89,896,820**	58,826,436
	Purchases		**1,604,276,291**	585,144,326
	Closing stock		**(49,746,000)**	(89,896,820)
			1,644,427,111	554,073,942
	Conversion cost			
	Depreciation	13.1	**42,875,501**	43,775,019
	Clearing and forwarding charges		**49,294,257**	50,564,973
	Salaries and wages		**15,627,063**	17,037,134
	Packing materials consumed		**9,311,684**	13,063,281
	Consumables		**4,687,445**	10,403,598
	Utilities		**8,616,317**	5,852,223
	Cutting and deboning		**2,354,525**	4,914,561
	Transportation		**1,371,969**	4,204,455
	Fuel and power		**38,170**	3,968,549
	Repairs and maintenance		**1,606,796**	1,837,390
	Communication expense		**290,377**	168,985
	Others		**5,007,966**	3,062,598
			141,082,070	158,852,766
	Cost of goods available for sale		**1,785,509,181**	712,926,708
	Finished goods			
	Opening stock		**42,094,746**	91,847,990
	Closing stock		**(80,943,557)**	(42,094,746)
			(38,848,811)	49,753,244
			1,746,660,370	762,679,952

		Note	2018	2017
			----------Rupees----------	
20	**ADMINISTRATIVE EXPENSES**			
	Depreciation	13.1	**10,718,875**	10,943,755
	Salaries, benefits and other allowances		**4,276,593**	6,159,952
	Miscellaneous		**12,425,437**	1,973,551
	Legal and professional		**1,290,950**	1,497,740
	Quarantine charges		**3,779,648**	3,042,800
	Rent and other charges		**740,962**	2,129,011
	Insurance		**405,954**	1,971,591
	Lease rentals		**1,046,852**	1,952,688
	Travelling		**2,752,100**	1,003,860
	Auditor's remuneration	20.1	**966,575**	992,515
	Staff entertainment		**896,565**	942,406
	Repairs and maintenance		**282,735**	781,718
	Security		**71,200**	573,600
	Vehicle running and maintenance		**317,766**	324,580
	Printing and stationery		**127,256**	226,240
	Amortization of intangibles		**-**	56,410
	SBP penalty		**8,600,685**	-
	Others		**5,698,262**	-
			54,398,415	34,572,417
20.1	**Auditors' remuneration**			
	Audit fee		**840,500**	730,770
	Other certifications		-	178,200
	Out-of-pocket expenses		**126,075**	83,545
			966,575	992,515
21	**SELLING EXPENSES**			
	Acknowledgement		**17,640**	10,209,878
	Export duties		**6,789,760**	6,321,517
	Advertisement and promotion		**686,850**	-
			7,494,250	16,531,395
22	**FINANCE COST**			
	On borrowings	22.1	**49,905,789**	35,363,473
	Bank charges		**7,294,549**	1,216,500
			57,200,338	36,579,973

	Note	2018	2017
		----------Rupees----------	
22.1 On borrowings			
- Long term			
Habib Bank Limited		**4,546,787**	8,899,043
Dubai Islamic Bank Pakistan Limited		**4,094,710**	1,422,850
Al Baraka Pakistan Limited		**1,262,919**	-
		9,904,416	10,321,893
- Short term			
Bank Al Baraka Pakistan Limited		**5,669,503**	11,520,409
Soneri Bank Limited		**6,443,299**	10,288,436
Habib Bank Limited		**9,324,805**	5,274,665
Faysal Bank Limited		**8,009,177**	4,407,031
Dubai Islamic Bank Pakistan Limited		**6,688,630**	3,034,395
Bank Islami Limited		**3,865,959**	-
		40,001,373	34,524,936
Amount contributed from SEDF	7.4	**-**	(9,483,356)
		49,905,789	35,363,473
23 OTHER EXPENSES - Net			
- from financial assets / (liabilities)			
Provision against trade debts	15.1	**(95,238,739)**	(25,533,202)
Provision against advance to suppliers	16.1	**(13,891,373)**	(13,260,897)
Exchange gain / (loss)		**103,336,791**	(6,670,812)
Write off against loans to director	16	**(16,672,888)**	-
Interest on refund of subscription money	23.1	**(2,334,000)**	-
- from other than financial assets / (liabilities)			
Liabilities no longer payable written back		**-**	29,861,716
Impairment on intangible assets		**-**	(1,071,785)
Income from cutting charges		**2,727,270**	-
Worker' profit participation fund		**(7,308,005)**	-
Worker's welfare fund		**(1,036,616)**	-
		(30,417,560)	(16,674,980)

23.1 The Company has paid following amount as interest on refund of subscription money:

Muhammad Hussain	**1,084,000**	-
BRR Modaraba	**1,250,000**	-
	2,334,000	-

24 TAXATION		
Current tax expense	**(15,386,140)**	(12,632,514)
Deferred tax income	**1,904,443**	11,350,935
	(13,481,697)	(1,281,579)

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

	2017	2016	2015
	----------Rupees----------		
Tax provision as per accounts	12,632,514	11,256,151	7,645,670
Tax payable / paid as per tax return	8,647,180	9,574,328	6,632,853

	Note	**2018**	**2017**
		----------Rupees----------	
25 CASH AND CASH EQUIVALENTS			
Cash and bank balances	17	**15,681,830**	19,183,162
Short term borrowings - banking companies	11	**(560,000,000)**	(490,000,000)
		(544,318,170)	(470,816,838)
26 FINANCIAL INSTRUMENTS			
Financial assets			
- Loans and receivables			
Trade debts	15	**849,372,992**	356,289,179
Loans and advances	16	**79,871,163**	272,414,911
Cash and bank balance	17	**15,681,830**	19,183,162
		944,925,985	647,887,252
Financial liabilities			
- Financial liabilities measured at amortized cost			
Short term borrowings	11	**572,717,661**	547,839,185
Long term loans	7	**41,626,422**	90,035,247
Trade creditors	9	**151,430,891**	29,033,399
Advance from customers	9	**35,257,620**	34,869,467
Current maturity of long term loans	7	**57,973,840**	21,214,566
Accrued mark-up	10	**15,912,212**	8,168,377
		874,918,646	731,160,241

27 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial Risk Management

The Board of Directors (the Board) has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Company's activities. The Company through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversee how management monitors compliance with the Company's risk management policies and procedures, and review the adequacy of risk management framework in relation to the risks faced by the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

27.1 *Market Risk*

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. The objective of market risk management is to manage and control market risk exposures within an acceptable range. The market risk includes:

(i) Currency risk

Currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. The Company is engaged in export sales and therefore exposed to risk of incurring loss due to fluctuation in foreign currency exchange rates.

The Company's exposure to foreign currency risk is as follows:

	2018		2017	
	Rupees	**USD**	Rupees	USD
Trade debts	**761,778,083**	**6,272,360**	289,557,765	2,763,219

Currently, the Company does not obtain forward cover against the gross exposure. The following significant rates applied during the year:

	2018	2017	**2018**	2017
	Average rate		Balance sheet date rate	
US Dollar to PKR	**118.61**	104.82	**121.45**	104.79

Sensitivity analysis

At June 30, 2018, if the currency had weakened/strengthened by 1% against USD with all other variables held constant, post-tax profits for the year would have been lower/higher by Rs. 7,617,781 (2017: Rs. 2,895,578) mainly as a result of foreign exchange loss/gain on translation of foreign currency denominated trade debts.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments were as follows:

	Effective interest rate		Carrying amount	
	2018	2017	**2018**	2017
	----------%----------		----------Rupees----------	
Variable rate instruments				
Long term loans	**3 MK + 2% to 2.25%**	3 MK + 2% to 2.25%	**41,626,422**	90,035,247
Current maturity			**57,973,840**	21,214,566
Short term borrowings	**SBP rate 1% & 3 MK + 2% to 3.5%**	3 MK + 1% to 2%	**560,000,000**	490,000,000

(iii) Other price risk

Price risk is the risk that the fair value of future cash flows of the financial instruments 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. The Company is not exposed to such price risk as there are no such type of financial instruments available to the Company.

27.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to credit risk
Credit risk of the Company arises principally from the trade debts, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date is as follows:

	Note	**2018**	2017
		----------Rupees----------	
Trade debts	15	**849,372,992**	356,289,179
Loans and advances	16	**79,871,163**	272,414,911
Bank balances	17	**15,579,978**	19,172,376
		944,824,133	647,876,466

To reduce the exposure to the credit risk, the management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery (and also obtains security/advance payments, wherever considered necessary). Based on the past experience, consideration of financial position, past rack records and recoveries, the Company believes that trade debts past due do not require any impairment except as provided in the financial statements. None of the other financial assets are past due or impaired.

The credit quality of cash at bank (in Current accounts) as per credit rating agencies is as follows:

Bank	Rating	Rating		2018	2017
	Agency	Short Term	Long Term	--------Rupees--------	
Al Baraka Bank Limited	PACRA	A1	A	**34,041**	2,849,631
Habib Metropolitan Bank	PACRA	A1+	AA+	**7,844,121**	8,201,947
Faysal Bank Limited	PACRA/JCR-VIS	A1+/A-1+	AA/AA	**2,168,416**	9,800
Summit Bank Limited	JCR-VIS	A-1	A-	**61,837**	61,837
Standard Chartered Bank	PACRA	A1+	AAA	**2,197**	2,197
Dubai Islamic Bank Limited	JCR-VIS	A-1	AA-	**5,000,000**	8,095,729
Bank of Punjab	PACRA	A1+	AA	**950**	950
Soneri Bank Limited	PACRA	A1+	AA-	**150,337**	25,610
Habib Bank Limited	JCR-VIS	A-1+	AAA	**(17,552)**	(75,325)
Bank Islami Pakistan Limited	PACRA	A1	A+	**335,629**	-
				15,579,976	19,172,376

27.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As at June 30, 2018 the Company's financial liabilities have contractual maturities as summarized below:

	Less than 6 months	6 to 12 months	1 to 3 years	Total
	----------Rupees----------			
Long term loans	**-**	**57,973,840**	**41,626,422**	**99,600,262**
Short term borrowings	**560,000,000**	**12,717,661**	**-**	**572,717,661**
Trade creditors	**-**	**151,430,891**	**-**	**151,430,891**
Advance from customers	**-**	**35,257,620**	**-**	**35,257,620**
Accrued markup	**15,912,212**	**-**	**-**	**15,912,212**
	575,912,212	**257,380,012**	**41,626,422**	**874,918,646**

As at June 30, 2017 the Company's financial liabilities have contractual maturities as summarized below:

	Less than 6 months	6 to 12 months	1 to 3 years	Total
	----------Rupees----------			
Long term loans	-	21,214,566	90,035,247	111,249,813
Short term borrowings	522,839,185	25,000,000	-	547,839,185
Trade creditors	-	29,033,399	-	29,033,399
Advance from customers	-	34,869,467	-	34,869,467
Accrued markup	8,168,377	-	-	8,168,377
	531,007,562	110,117,432	90,035,247	731,160,241

27.4 Fair value of financial instruments

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market.
Level 2: Valuation techniques based on observable inputs.
Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Company determines fair values using valuation techniques unless the instruments do not have a market / quoted price in an active market and whose fair value cannot be reliably

Valuation techniques used by the Company include discounted cash flow model. Assumptions and inputs used in valuation techniques includes risk-free rates, bonds and equity prices, foreign currency exchange rates, equity and equity index prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the balance sheet date that would have been determined by market participants acting at arm's length.

'Valuation models for valuing securities for which there is no active market requires significant unobservable inputs and a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates.

Non-financial assets

	Carrying value	Level 1	Level 2	Level 3	Total
30 June 2018	----------Rupees in '000----------				
Factory Land	**85,000,000**	**-**	**-**	**85,000,000**	**85,000,000**
Factory building	**275,000,000**	**-**	**-**	**275,000,000**	**275,000,000**
Plant and machinery	**860,000,000**	**-**	**-**	**860,000,000**	**860,000,000**
	1,220,000,000	**-**	**-**	**1,220,000,000**	**1,220,000,000**
30 June 2017					
Factory Land	59,256,000	-	-	-	59,256,000
Factory building	103,519,203	-	-	-	103,519,203
Plant and machinery	328,921,443	-	-	-	328,921,443
	491,696,646	-	-	-	491,696,646

27.5 Capital Risk Management

The Board's policy is to maintain a strong capital base so as to maintain investors', creditors' and market's confidence and to sustain future development of the business, safeguard the Company's ability to continue as going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board monitor the return on capital, which the Company defines as net profit/(loss) after tax divided by total shareholders' equity. The Board also monitor the level of dividend to ordinary shareholders subject to the availability of funds.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. The Company monitors capital using a debt equity ratio, which is net debt divided by total capital plus net debt. Equity comprises of share capital, revaluation surplus on property, plant and equipment and advance against issue of shares. The gearing ratio as at 30 June, 2018 is as follows:

	Note	**2018**	2017
		----------Rupees----------	
Long term loans	7	**41,626,422**	90,035,247
Trade and other payables	9	**207,117,367**	73,939,977
Short term borrowings	11	**12,717,661**	57,839,185
Current maturity of long term loans	7	**57,973,840**	21,214,566
Accrued mark-up	10	**15,912,212**	8,168,377
Gross debt		**335,347,502**	251,197,352
Less: cash and cash equivalent	25	**544,318,170**	470,816,838
Net debt		**879,665,672**	722,014,190
Total shareholder's equity		**1,264,497,159**	385,945,926
Equity and net debt		**2,144,162,831**	1,107,960,116
Gearing ratio		**41%**	65%

27.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company, externally to the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for stakeholders.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

The senior management ensures that the Company's staff has adequate training and experience and fosters effective communication related to operational risk management.

28 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including certain benefits to the chief executive officer, directors and executives of the Company are as follows:

	2018			
	Chief Executive Officer	Directors	Executives	Total
	----------Rupees----------			
Managerial remuneration	-	-	1,440,000	1,440,000
	-	-	1,440,000	1,440,000
Number of persons	1	2	1	

	2017			
	Chief Executive Officer	Directors	Executives	Total
	----------Rupees----------			
Managerial remuneration	-	-	1,235,258	1,235,258
	-	-	1,235,258	1,235,258
Number of persons	1	3	1	

28.1 Executive means an employee, other than the chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

29 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise principal shareholders and their affiliates, directors, companies with common directors, employees retirement benefit funds and key management personnel. Remuneration of key management personnel are in accordance with their terms of engagements. Transactions with other related parties are entered into, at the rates negotiated with them.

Details of transactions and balances at year end with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	Note	2018	2017
		----------Rupees----------	
Balances with related parties			
Advance against issue of shares		**148,834,000**	211,962,456
Due from directors	**16**	**121,315**	27,079,249
Due to directors	**8 & 10**	**12,717,661**	34,451,881
Transactions with related parties			
Faisal Hussain			
Loan repaid - net		**20,121,524**	32,598,631
Hameeda Siddiqui			
Loan obtained		**-**	716,382
Ali Hussain			
Loan obtained - net		**-**	205,754
Rayyan Alam			
Loan repaid - net		**-**	41,640
Mohammad Saeed Mohammad Hussain			
Export sales		**32,584,335**	-
Cash received		**32,584,335**	-

NUMBER OF EMPLOYEES	2018	2017
Persons employed at head office	**6**	12
Persons employed at factory	**35**	46
Average persons employed during the year	**72**	67

DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue in the Board of Directors meeting held on _____.

GENERAL

The figures have been rounded off to nearest rupee.

Due to nature of the Company's business, the production capacity is not relevant.

Chief Executive Officer

Director