

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BARKAT FRISIAN PASTEURIZED EGG COMPANY (PRIVATE) LIMITED**

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Barkat Frisian Pasteurized Egg Company (Private) Limited** (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the loss and other comprehensive loss, 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 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.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

Board of directors are responsible for overseeing the Company's financial reporting process.

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

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity 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;

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- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;
- 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 **Ahsan Elahi Vohra - FCA**

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Chartered Accountants

Dated : 16 NOV 2020
Karachi :

BARKAT FRISIAN PASTEURIZED EGG COMPANY (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30,2020

	Note	2020 -----Rupees-----	2019
Equity and Liabilities			
Authorized capital			
1,000,000 (2019: 1,000,000) Ordinary shares of Rs. 100/-		<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid up capital	4	<u>90,000,000</u>	90,000,000
Accumulated loss		<u>(26,193,618)</u>	(8,803,461)
		63,806,382	81,196,539
Non Current Liabilities			
Long term financing	5	203,454,093	211,867,932
Current Liabilities			
Current portion of long term financing	5	<u>51,566,788</u>	13,651,772
Short term borrowings	6	<u>72,476,749</u>	16,378,704
Trade and other payables	7	<u>6,508,154</u>	6,768,823
Sales tax payable	14	<u>5,487,812</u>	-
Accrued expenses		<u>7,712,359</u>	3,236,746
		<u>143,751,862</u>	40,036,045
		411,012,337	333,100,516
Contingencies and commitments	8	-	-
NON CURRENT ASSETS			
Property, plant and equipment	9	<u>249,302,437</u>	255,938,230
Long term deposits	10	<u>1,921,000</u>	1,921,000
		251,223,437	257,859,230
CURRENT ASSETS			
Stock in trade		<u>32,731,692</u>	9,470,756
Stores and spares		-	126,900
Trade debts - considered good		<u>48,880,334</u>	554,580
Advance against purchase of land	11	<u>45,000,000</u>	45,000,000
Advances, deposits and prepayments	12	<u>5,810,092</u>	497,327
Taxation - net of provision	13	<u>2,260,105</u>	393,447
Sales tax receivable	14	-	9,341,828
Cash and bank balances	15	<u>25,106,677</u>	9,856,449
		<u>159,788,900</u>	75,241,286
		411,012,337	333,100,516

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

CHIEF EXECUTIVE



DIRECTOR

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BARKAT FRISIAN PASTEURIZED EGG COMPANY (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 -----Rupees-----	2019
Sales	16	233,357,784	674,000
Cost of sales	17	<u>(214,478,546)</u>	<u>(2,033,976)</u>
Gross loss		18,879,238	(1,359,976)
Administrative expenses	18	<u>(27,692,473)</u>	<u>(4,136,869)</u>
Operating (oss)		(8,813,235)	(5,496,845)
Financial costs	19	<u>(8,173,148)</u>	<u>(3,770,290)</u>
Other income		<u>1,346,409</u>	<u>467,044</u>
		(6,826,739)	(3,303,246)
Loss before taxation		(15,639,974)	(8,800,091)
Taxation	13	<u>(1,750,183)</u>	<u>(3,370)</u>
Loss after taxation		(17,390,157)	(8,803,461)
Other comprehensive income		-	-
Total comprehensive Loss		<u>(17,390,157)</u>	<u>(8,803,461)</u>

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


CHIEF EXECUTIVE

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DIRECTOR

BARKAT FRISIAN PASTEURIZED EGG COMPANY (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	-----Rupees-----	
Cash flow from operating activities		
(Loss) before taxation	(15,639,974)	(8,800,091)
Adjustments for:		
Depreciation	20,646,211	742,936
Finance costs	8,173,148	3,770,290
	13,179,385	(4,286,865)
Changes in working capital		
(Increase) / decrease in current assets:		
Stock in trade	(23,260,936)	(9,470,756)
Stores and spares	126,900	(126,900)
Trade debts-considered good	(48,325,754)	(554,580)
Advance against purchase of land	-	(13,500,000)
Advances, deposits and prepayments	(5,312,765)	36,121,579
Increase in current liabilities:		
Trade and other payables	(260,669)	5,503,085
Short term borrowing	11,388,785	-
Accrued expenses	4,475,613	1,616,068
Cash flows from operating activities	(47,989,442)	15,301,631
Taxes adjusted / (paid)	11,212,799	(6,531,298)
Finance costs paid	(8,173,148)	(2,182,612)
	3,039,651	(8,713,910)
Net cash (used in) / generated from operating activities	(44,949,791)	6,587,722
Cash flow from investing activities		
Capital expenditure incurred	(14,010,418)	(227,720,000)
Long term deposits paid	-	(1,501,000)
Net cash (used in) investing activities	(14,010,418)	(229,221,000)
Cash flow from financing activities		
Net Proceeds from long term financing	29,501,176	218,532,204
Receipts / (repayment) of loan from related parties	44,709,260	12,328,500
Net cash generated from financing activities	74,210,436	230,860,704
Net increase in cash and cash equivalents	15,250,228	8,227,426
Cash and cash equivalents at beginning of the year	9,856,449	1,629,023
Cash and cash equivalents at end of the year	25,106,677	9,856,449

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


CHIEF EXECUTIVE

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DIRECTOR

BARKAT FRISIAN PASTEURIZED EGG COMPANY (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

	Share Capital	Accumulated loss	Total
	----- Rupees -----		
Balance as at July 01, 2018	15,000,000	-	15,000,000
Right shares issue	75,000,000	-	75,000,000
Total comprehensive loss for the year ended June 30, 2018	-	(8,803,461)	(8,803,461)
Balance as at June 30, 2019	90,000,000	(8,803,461)	81,196,539
Total comprehensive loss for the year ended June 30, 2019	-	(17,390,157)	(17,390,157)
Balance as at June 30, 2020	<u>90,000,000</u>	<u>(26,193,618)</u>	<u>63,806,381</u>

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


CHIEF EXECUTIVE

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DIRECTOR

BARKAT FRISIAN PASTEURIZED EGG COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1 COMPANY AND ITS OPERATIONS

Barkat Frisian Pasteurized Egg Company (Pvt.) Ltd ("the Company") was incorporated on 05 January 2017 as Private Limited Company under the Companies Ordinance, 1984 (now Companies Act, 2017). The principle activity of the company is poultry egg processing.

The registered office of the Company is situated at H#M 74/1, Khayaban-e-Ittehad, Phase VII, DHA , Karachi.

The factory is situated at Plot # WL 36-37, Bin Qasim Industrial Park, Pakistan Steel Mills, Karachi.

1.1 Impact of COVID-19

The rapid spread of COVID-19 pandemic all across the world, has not only endangered human lives but has also adversely impacted the global economy. This situation posed a range of business and financial challenges to the businesses globally and across various sectors of the economy in Pakistan. On March 20, 2020, the Government of Sindh announced a temporary lock down as a measure to reduce the spread of the COVID-19. However, the lockdown excluded companies involved in the business of necessary consumer supplies.

In line with the directives of the Government and after implementing all necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company continued its operations during the lock down and took all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity.

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 in these financial statements.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standard for Small and Medium Sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB);
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP); as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS for SMEs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention except, for certain property and equipment and intangible assets, which have been stated at revalued amounts and financial assets and financial liabilities which have been stated at their fair values.

2.3 Functional and presentation currency

These financial statements have been presented in Pakistan Rupees, which is the functional currency of the Company and rounded off to the nearest rupee.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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BARKAT FRISIAN PASTEURIZED EGG COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is 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.

3 SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies adopted in the preparation of financial statements are set out below. These policies have consistently applied to all years presented unless otherwise stated.

3.1 Property, plant and equipment

Operating fixed assets except leasehold land and capital work in progress, are stated at cost less accumulated depreciation and impairment in value, if any, Leasehold land, capital work-in-progress and stores held for capital expenditure are stated at cost.

Depreciation is charged to income applying reducing balance method at the rates specified in fixed assets note. Depreciation is charged from the month the asset is available for the use up to the month prior to disposal. Gains or losses on disposal of assets, if any, are recognised as and when incurred.

The carrying value of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value exceeds the estimated recoverable amount, the assets are written down to the recoverable amount. All expenditures connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

Right-of-use asset

Effective July 1, 2019, the right-of-use asset is initially measured based on the initial measurement of lease liability, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently measured at cost model. The right of use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The Company has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments

3.2 Stock-in-trade

3.2.1 Stock in trade except for stock in transit are valued at lower of cost or net realizable value. Cost in relation to raw material is determined by using first in first out method except for stock in transit.

Stock in transit is valued at cost comprising invoice value plus other charges incurred thereon. Work in process and finished goods consists of direct material costs, labour cost and appropriate proportion of manufacturing overheads.

3.2.2 Stores and Spares

These are valued at lower of moving average cost and net realizable value, except items in transit, which are stated at cost. Obsolete and used items are recorded at nil value. Value of items is reviewed at each balance sheet date to record provision for any slow moving items.

Net realizable value signifies the selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale.

3.3 Trade debts and Other receivable

Trade debts and other receivables are recognised and carried at cost, which is the fair value of the consideration to be received less allowance for expected credit losses (ECL). Expected credit loss is based on the management's assessment of customers' outstanding balances and credit worthiness. Bad debts are written-off when identified.

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BARKAT FRISIAN PASTEURIZED EGG COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

3.4 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost for the purpose of cash flow statements. Cash and cash equivalents comprises of cash in hand with banks on current and deposit accounts and running finance under markup arrangement. Running finance in mark up arrangement as shown under current liabilities.

3.5 Long term and short term borrowings

These are recorded at the proceeds received. Financial charges are accounted for on accrual basis and are disclosed as accrued interest/mark-up to the extent of the amount remaining unpaid.

3.6 Trade and other payables

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

3.7 Provisions

Provisions are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of past event and it is probable that the outflow of resources / economic benefit will be required to settle the obligation and reliable estimate can be made to the amount of obligation. However provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.8 Taxation

Current

Provision for taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rate. The charge for the figure of provision for tax made in previous years is effected arising from assessment framed during the year for such years.

3.9 Revenue recognition

Revenue from the sales of goods is recognized when the significant risk and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods to the customers.

Return on Bank deposits is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

3.10 Foreign currency transactions

Transactions in foreign currency are accounted for in rupees at the rates prevailing on the date of the transactions. Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange which approximate those ruling at the balance sheet date. The gain and losses are included in the income currently.

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BARKAT FRISIAN PASTEURIZED EGG COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 'Business Combinations' and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when an entity increases its interest in a joint operation that meets the definition of a business. An entity remeasures its previously held interest in a joint operation when it obtains control of the business. An entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that an entity treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

4 INITIAL APPLICATION OF IFRS 16

An overview of the new lease accounting requirements for lessees

With effect from July 01, 2019, the Company has adopted the International Financial Reporting Standard (IFRS) 16 Leases which replaced the previous lease accounting requirements contained in IAS 17 Leases, IFRIC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC Interpretation 15 Operating Leases— Incentives and SIC Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single on-balance sheet lease accounting model for lessees whereby, at the date of commencement of lease, a lessee is required to recognize a right-of-use asset and a lease liability (except in case short term leases and leases of low value assets). The right-of-use asset represents the lessee's right to use an underlying asset during the lease term and the corresponding lease liability represents the lessee's obligation to make payments to the lessor for providing the right to use that asset. In the IASB's view, this new lessee accounting model reflects the economics of a lease because, at the commencement date, a lessee obtains the right to use an underlying asset for a period of time, and the lessor had delivered that right by making the asset available for use by the lessee.

The aforesaid new accounting model materially differs from the previous lease accounting requirements for lessees risks and rewards incidental to ownership were substantially transferred to the lessee. Under the previous standard, at the commencement of the lease term, the lessee recognized finance leases as assets and liabilities in its statement of financial position. However, the lessee recognized the payments made under operating leases as an expense on a straight line basis over the lease term unless another systematic basis was more representative of the time pattern of the user's benefit.

Method of transition to the new lease accounting model

IFRS 16 specifies that a lessee shall apply the standard to its leases either retrospectively to each prior reporting period presented applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ('the full retrospective method') or retrospectively with the cumulative effect of initially applying the standard recognized as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application without restating comparative information ('the cumulative catch-up transition method').

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BARKAT FRISIAN PASTEURIZED EGG COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

As of the date of initial application (i.e. of July 01, 2019), the Company measured the right-of use asset and the related lease liability (arising from its rights under lease arrangements existing as of that date) as follows:

(a) As permitted under paragraph C8(b) of IFRS 16, the Company measured the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of related prepaid lease payments recognized in its statement of financial position as on June 30, 2019.

(b) The Company measured the lease liability at the present value of the remaining lease payments, discounted using its aforementioned incremental borrowing rate of 8.89% per annum as of July 01, 2019.

Accounting Policy With Respect To Subsequent Measurement Of The Right-Of-Use Asset And The

Right -of-use asset

After the commencement date, the Company measures the right-of-use asset applying a cost model whereby the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability.

The right-of-use asset is depreciated on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the lease transfers ownership of the that the Company will exercise a purchase option in which case the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset.

Lease liability

After the commencement date, the Company measures the lease liability by:

- (a) increasing the carrying amount to reflect interest on the lease liability;
- (b) reducing the carrying amount to reflect the lease payments made; and
- (c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

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BARKAT FRISIAN PASTEURIZED EGG COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

		2020	2019
		-----Rupees-----	
4 Issued, subscribed and paid up capital			
900,000 (2019 : 900,000) Ordinary shares of Rupees 100 each fully paid in cash		90,000,000	90,000,000
Deposits against shares		-	-
		90,000,000	90,000,000
5 Long term financing			
Diminishing Musharka - Meezan Bank	5.2	105,381,504	105,381,504
Less: Current maturity		(7,527,250)	-
		97,854,254	105,381,504
From related party - Frisian Egg International BV	5.3	149,639,377	120,138,200
Less: Current maturity		(44,039,538)	(13,651,772)
		105,599,839	106,486,428
		203,454,093	211,867,932
5.1 Non-current portion of long term financing		203,454,093	211,867,932
Current maturity of diminishing musharka		7,527,250	-
Current maturity of loan from related party		44,039,538	13,651,772
Current portion of long term financing		51,566,788	13,651,772
		255,020,881	225,519,704
5.2 The Company has entered into a diminishing musharka of Rs. 105.38 million for plant and machinery with the Meezan Bank Limited- Islamic Banking. The arrangement carry profit at the rate of KIBOR + 3% and with monthly rental repayments. The arrangement is for a tenure of five years from the date of disbursement and are structured in such a way first principal repayment installment will commence from the thirteenth installment. Arrangement is secured against exclusive equitable mortgage over properties of directors, Lien over Euro deposit and personal guarantee of all sponsors.			
5.3 This long term finance has been obtained for plant and machinery from Frisian Egg International. The arrangement carry profit at the rate of LIBOR + 1.5% and with quartely repayments. The arrangement is for a tenure of five years.			
6 Short term financing			
Tijarah Financing - Meezan Bank	6.1	11,388,785	-
From related party - Frisian Egg International BV			
Opening balance		16,378,704	4,050,204
Receipts during the year		49,989,364	12,328,500
Repayments during the year		(5,280,104)	-
Closing Balance	6.2	61,087,964	16,378,704
		72,476,749	16,378,704
6.1 The Company has entered into a tijarah financing of Rs. 30 million for meeting day to day operational needs. The arrangement carry profit at the rate of KIBOR + 3%. Repayment of loan is subject to the sale of stock against which the financing has been disbursed maximum upto 90 days from the date of disbursement of loan. Arrangement is secured against stock of raw material and finished goods of the company.			
6.2 This represents interest free loan taken from directors for working capital and it is payable on demand.			

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BARKAT FRISIAN PASTEURIZED EGG COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	-----Rupees-----	
7 Trade and other payables		
Creditors	6,442,923	6,260,646
Withholding tax payable	65,231	304,125
Other payables	-	204,052
	<u>6,508,154</u>	<u>6,768,823</u>
8 Contingencies and commitments		
8.1 Contingencies		
There are no contingencies (2019 : Nil) at the balance sheet date.		
8.2 Commitments		
The amount of future rentals for Ijarah financing and the period in which these payments will become due are as follows:		
Not later than one year	2,471,364	2,727,782
Later than one year and not later than five years	4,806,447	7,714,448
	<u>7,277,811</u>	<u>10,442,230</u>
8.3		
The total Ijarah rentals due under the Ijarah agreements aggregate Rs. 7.278 million (June 30, 2019 : 10.442 million) and are payable in equal monthly installments. The Ijarah is partially secured by a personal guarantee of all local sponsors and post dated cheques. The company intend to exercise the option of purchasing the assets under Ijarah at residual value upon completion of Ijarah term.		
9 Property, plant and equipment		
Operating fixed assets	9.1 249,302,437	229,933,052
Capital work in progress - at cost		
- Building and free hold land	9.2 -	26,005,178
	<u>249,302,437</u>	<u>255,938,230</u>
9.2 Capital work in progress - at cost		
Factory Building	-	<u>26,005,178</u>
The movement in capital work in progress is as follows		
Balance at the beginning of the year	26,005,178	28,451,846
Additions during the year		
Factory Building	-	26,005,178
Transfer to operating fixed assets		
Plant and machinery	<u>(26,005,178)</u>	<u>(28,451,846)</u>
Balance at the end of the year	<u>-</u>	<u>26,005,178</u>
10 Long term advances and deposits		
Deposits against Ijarah finance	901,000	901,000
Others	1,020,000	1,020,000
	<u>1,921,000</u>	<u>1,921,000</u>
11 Advance against purchase of land	11.1 45,000,000	45,000,000
11.1		
This represents amount paid against purchase of Industrial Freehold land at Bin Qasim Industrial Park, Pakistan Steel, Karachi.		

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BARKAT FRISIAN PASTEURIZED EGG COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

9.1 Operating fixed assets

Particulars	2020										
	Cost				Depreciation				Net book value as at		
	As at July 01 2019	Additions	Transfer	Disposals	As at June 30 2020	As at July 01 2019	For the year	On disposal	As at June 30 2020	June 30 2020	Rate
Owned Assets											
Factory Building	101,523,006	2,067,405	26,005,178	-	129,595,589	208,609	6,469,349	-	6,677,958	122,917,631	5%
Plant and Machinery	123,845,001	10,586,462	-	-	134,431,463	508,952	13,392,251	-	13,901,203	120,530,260	10%
Furniture and fixture	2,463,089	411,758	-	-	2,874,847	10,122	286,473	-	296,595	2,578,252	10%
Office Equipment	1,978,153	597,456	-	-	2,575,609	8,129	256,748	-	264,877	2,310,732	10%
Computer	866,739	72,500	-	(16,000)	923,239	7,124	183,223	-	190,347	732,892	20%
Vehicle	-	290,837	-	-	290,837	-	58,167	-	58,167	232,670	20%
Rupees	230,675,988	14,026,418	26,005,178	(16,000)	270,691,584	742,936	20,646,211	-	21,389,147	249,302,437	

Particulars	2019										
	Cost				Depreciation				Net book value as at		
	As at July 01 2018	Additions	Transfer	Disposals	As at June 30 2019	As at July 01 2018	For the year	On disposal	As at June 30 2019	June 30 2019	Rate
Owned Assets											
Factory Building	-	101,523,006	-	-	101,523,006	-	208,609	-	208,609	101,314,397	5%
Plant and Machinery	509,320	94,883,835	28,451,846	-	123,845,001	-	508,952	-	508,952	123,336,049	10%
Furniture and fixture	-	2,463,089	-	-	2,463,089	-	10,122	-	10,122	2,452,967	10%
Office Equipment	-	1,978,153	-	-	1,978,153	-	8,129	-	8,129	1,970,024	10%
Computer	-	866,739	-	-	866,739	-	7,124	-	7,124	859,615	20%
Rupees	509,320	201,714,822	28,451,846	-	230,675,988	-	742,936	-	742,936	229,933,052	

9.1 Depreciation is allocated as under:

	2020	2019
Cost of sales	19,861,600	717,561
Administrative expenses	784,611	25,375
	20,646,211	742,936

N2M

BARKAT FRISIAN PASTEURIZED EGG COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	-----Rupees-----	
12 Advance, deposits and prepayments		
Advance to employees	451,302	-
Advance for services and supplies	2,093,923	36,390
Advances against import	1,910,728	-
Prepayments	1,354,139	460,937
	<u>5,810,092</u>	<u>497,327</u>
13 Taxation - Net of provision		
Tax receivable as at 01 July	393,447	28,146
Tax payments / adjustments made during the year	3,616,841	368,671
	<u>4,010,288</u>	<u>396,817</u>
Less: Provision for tax - current year	(1,750,183)	(3,370)
Tax receivable as at 30 June	<u>2,260,105</u>	<u>393,447</u>
14 Sales tax		
Sales tax refundable / (payable)	<u>(5,487,812)</u>	<u>9,341,828</u>
15 Cash and bank balances		
Cash in hand	-	-
Cash at bank-in current account	25,106,677	9,856,449
	<u>25,106,677</u>	<u>9,856,449</u>
16 Sales - (Trial production) - Net		
Sales	272,875,608	788,580
Less: Sales tax	(39,517,824)	(114,580)
	<u>233,357,784</u>	<u>674,000</u>
17 Cost of sales		
Raw material consumed	17.1 172,078,402	180,127
Direct labour	3,444,127	-
Analytical lab chemicals	84,500	40,900
CIP Chemicals Factory	965,250	-
Conveyance	303,320	25,900
Foreign Technical Assistance	-	-
Lab glassware and accessories	163,035	8,420
Micro Biology Lab Media	214,100	-
Plant hygiene supplies	462,741	-
Salaries wages and other benefits	5,702,010	536,000
Testing charges	487,120	-
Lab / factory supplies	621,830	-
Depreciation	19,861,600	717,561
Electricity charges	4,461,489	453,704
Generator expenses	4,017,883	-
Repairs and maintenance	171,942	-
Water charges	1,215,291	-
Other	223,905	71,364
	<u>214,478,546</u>	<u>2,033,976</u>

N2M

BARKAT FRISIAN PASTEURIZED EGG COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	-----Rupees-----	
17.1 Raw material consumed		
Opening stock	9,470,756	-
Purchases	<u>195,339,338</u>	<u>9,650,883</u>
	<u>204,810,094</u>	<u>9,650,883</u>
Less: Closing stock	<u>(32,731,692)</u>	<u>(9,470,756)</u>
	<u><u>172,078,402</u></u>	<u><u>180,127</u></u>
18 Administrative expenses		
Salaries wages and other benefits	5,489,029	812,913
Director Remuneration	1,575,000	-
Travelling and conveyance	2,368,427	32,450
Auditors' remuneration	81,000	75,000
Rent	722,694	288,187
Charity and donations	12,500	50,769
Communication	260,141	59,862
Entertainment	1,640,999	41,210
Exhibition	497,725	171,000
Fees and subscriptions	115,880	180,335
Fuel and power	1,175,464	661,730
Ijaraah rentals	1,384,108	800,819
Insurance expenses	663,624	80,693
Printing and stationery	348,966	89,148
repair and maintenance	221,315	33,774
Security services	1,055,300	292,001
Professional charges	519,866	-
Freight Outward	7,094,635	-
Utilities	-	190,000
Depreciation	784,611	25,375
Rates, Taxes & Cess	49,000	-
Waste Disposal Expense	235,500	-
Miscellaneous expenses	<u>1,396,689</u>	<u>251,603</u>
	<u><u>27,692,473</u></u>	<u><u>4,136,869</u></u>
19 Financial costs		
Bank charges	55,250	144,758
Markup on diminishing musharika	3,098,008	2,037,854
Markup on related party loan	4,758,208	1,587,678
Markup on Tijarah financing	<u>261,682</u>	<u>-</u>
	<u><u>8,173,148</u></u>	<u><u>3,770,290</u></u>

N24

BARKAT FRISIAN PASTEURIZED EGG COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

20 Balances and transactions with related parties

The related parties comprise associated undertakings, directors of the Company and key management personnel. The Company in the normal course of business carries out transactions with various related parties at arm's length basis, unless otherwise disclosed. Amounts due from and due to related parties are shown under respective notes to the accounts. Other significant transactions and balances with related parties are as follows:

Transactions with related parties

Name of related party	Relationship and %age shareholding	Transaction during the year and year end balances	Note	2020 (Rupees)	2019 (Rupees)
Adil Poultry Farm	Associate	Purchase of raw material		33,896,710	3,491,450
		Amount due at the year end		540,866	-
Buksh Farms	Associate	Purchase of raw material		22,311,028	2,417,100
		Amount due at the year end		2,781,993	512,200
Sultan Poultry Farm	Associate	Purchase of raw material		2,797,830	1,855,000
		Amount due at the year end		-	165,250
Muhammad Ali	Shareholder 4%	General Supplier		568,190	9,284,009
		Amount due at the year end		5,835	706,242
Frisian Eggs International	Parent Company 50% Shareholding	Supplier		258,942	359,769
		Amount due at the year end		618,711	359,769
Frisian Eggs International	Parent Company 50% Shareholding	Loan received during the year		32,994,927	113,150,700
		Loan payable to related party		149,639,377	120,138,200
B&Z Enterprises (Pvt.) Ltd.	Shareholder 30%	Loan received during the year		29,005,564	-
		Loan payable to related party		29,005,564	-
Yasir Ali	Associate person Sibling of CEO holds 0.33%	Loan received during the year		-	1,000,000
		Loan paid during the year		-	-
		Loan payable to related party		2,000,000	2,000,000

N2M

BARKAT FRISIAN PASTEURIZED EGG COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Naheed Ali	Associate person lineal Ascendent of CEO holds 1.67%	Loan received during the year	-	1,500,600
		Loan paid during the year	-	-
		Loan payable to related party	1,500,600	1,500,600
Mr Shoukat Ali	Associate person	Loan received during the year	2,085,000	1,778,500
		Loan paid during the year	3,863,500	-
		Loan payable to related party	-	1,778,500
Mr Muhammad Arif	Associate person	Loan received during the year	5,000,000	600,000
		Loan paid during the year	-	-
		Loan payable to related party	5,600,000	600,000
Mr Anwar Ali	Associate person lineal Ascendent of CEO holds 4%	Loan received during the year	1,800,000	1600000
		Loan paid during the year	-	-
		Loan payable to related party	3,400,000	1,600,000
Muhammad Ali	Associate person	Loan received during the year	1,400,000	4,095,000
		Loan paid during the year	1,000,000	-
		Loan payable to related party	7,000,000	6,600,000
Waqas Gulzar	Director holds 10.00%	Loan received during the year	10,281,800	1,300,000
		Loan paid during the year	-	-
		Loan payable to related party	11,581,800	1,300,000
Muhammad Adil Ali	CEO / Director Shareholder 4%	Loan received during the year	417,000	950,000
		Loan paid during the year	367,000	-
		Loan payable to related party	1,000,000	950,000

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BARKAT FRISIAN PASTEURIZED EGG COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

21 Financial instruments and related disclosures

21.1 Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management frame work. The Company has exposure to the following risks from its use of finances instruments:

- Credit risk
- Liquidity risk
- Market risk

21.2 Risk management framework

The Board meets frequently throughout the year 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 risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in 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.

21.3 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 economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

21.4 Exposure to credit risk

Credit risk arises when changes in economic or industry factors similarly affects Company's of counter parties whose aggregate credit exposure is significant in relation the Company's total credit exposure. Credit risk of the Company arise principally from the trade debts, advances, trade deposits, other receivables and balances with banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risks at the reporting date is as follows:

	2020	2019
	----- Rupees -----	
Trade debts	48,880,334	554,580
Advance against purchase of land	45,000,000	45,000,000
Advances and deposits	5,810,092	497,327
Cash and Bank balances	25,106,677	9,856,449
	124,797,103	55,908,356

Bank balances are held only with reputable banks with high quality credit ratings.

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BARKAT FRISIAN PASTEURIZED EGG COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

21.5 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. 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. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

	Weighted average effective rate of interest	Within one year	More than one year	Total
2020		Rupees		
Loan from related parties	0%	72,476,749	-	72,476,749
Trade and other payables	0%	6,508,154	-	6,508,154
Accrued expenses	0%	7,712,359	-	7,712,359
		<u>86,697,262</u>	-	<u>86,697,262</u>

	Weighted average effective rate of interest	Within one year	More than one year	Total
2019		Rupees		
Loan from related parties	0%	16,378,704	-	16,378,704
Trade and other payables	0%	6,768,823	-	6,768,823
Accrued expenses	0%	3,236,746	-	3,236,746
		<u>26,384,273</u>	-	<u>26,384,273</u>

21.6 Market risk

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

21.7 Interest rate risk

Interest/ mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of 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 long-term financing and short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offered Rate (KIBOR) as indicated in respective notes. At the balance sheet date, the Company's does not hold interest bearing financial instruments.

21.8 Fair value of financial assets and liabilities

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

N2M

BARKAT FRISIAN PASTEURIZED EGG COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

The carrying values of financial assets and financial liabilities reported in balance sheet approximate their fair values.

22 Corresponding figures

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. Major reclassification are detailed hereunder:

22.1 Reclassification

Corresponding figures have been reclassified / rearranged for the purpose of presentation.

From	To	Rupees
Taxation - Net of provision	Sales tax receivable	9,341,828

23 Number of employees

The total number of employees at the balance sheet date were 36 (2019: 11)

24 Plant capacity and production

	2020	2019
	Eggs Per Hour	
Installed capacity	<u>36,000</u>	<u>36,000</u>
Actual production	<u>13,100</u>	<u>-</u>

25 Date of Authorization for Issue

These financial statements were authorized for issue on 16-11-2020 by the Board of Directors.

26 General

Figures are rounded off to the nearest rupee.


CHIEF EXECUTIVE

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DIRECTOR