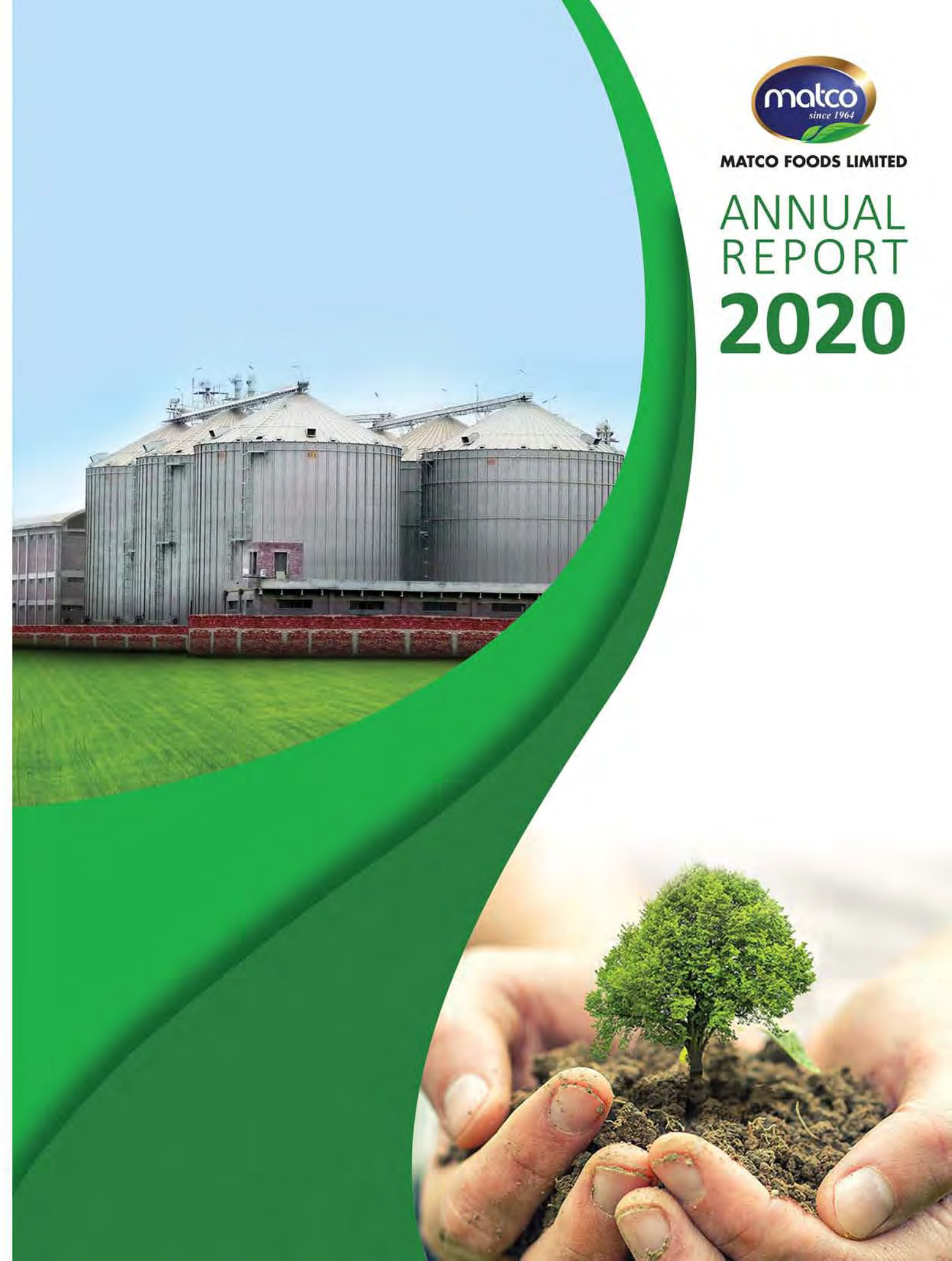




MATCO FOODS LIMITED

ANNUAL REPORT 2020



MATCO FOODS LIMITED

Head Office: B-1/A S.I.T.E Phase 1 Super Highway Industrial Area Karachi,-75340, Pakistan.

Tel: +92-300-8610651, +92-345-2002403

Email: contact@matcofoods.com | Website: www.matcofoods.com

Table of Contents

About Our Company

003	Our Legacy
004	Business Profile
005	Vision & Mission

Stakeholder Information

007	Company's Information
-----	-----------------------

Corporate Governance

009	Directors' Profile
013	Chairman's Review Report
015	Directors' Report

Financial Review

025	6 Years Financial Performance
028	Financial Ratios
029	Vertical Analysis
030	Horizontal Analysis
031	Pattern of Shareholding

Financial Reports

037	Statement of Compliance
040	Review Report by Auditors
041	Auditors Report on Unconsolidated Financial Statements
047	Unconsolidated Financial Statements
109	Auditors Report on Consolidated Financial Statements
115	Consolidated Financial Statements

Others

179	Notice of Annual General Meeting
198	Urdu Directors' Report
200	Urdu Chairman's Report
201	Proxy Form
202	Jama Punji Information

Our Legacy

The journey of Matco started with the entrepreneurial aptitude of Syed Sarfaraz Ali Ghor, who established his own company by the name of Muhammad Ali Trading Company (MATCO) in 1964 and initially began supplying and commissioning rice plant and equipment for the Government of Pakistan.

Today, Matco has over 150 global customers and exports its consumer products to over 50 countries worldwide. The company also holds Organic Certifications from the US NOP and EU Organic Certification from Control Union, and is an IFC investee company since 2012.

In 2015, Matco Rice Processing (Pvt.) Limited changed its name to Matco Foods (Pvt.) Limited, and subsequently to Matco Foods Limited before listing in PSX, reflecting its mission of becoming a leading food corporation. Matco is a committed member of the society and strives to make constructive efforts for the welfare of the community.



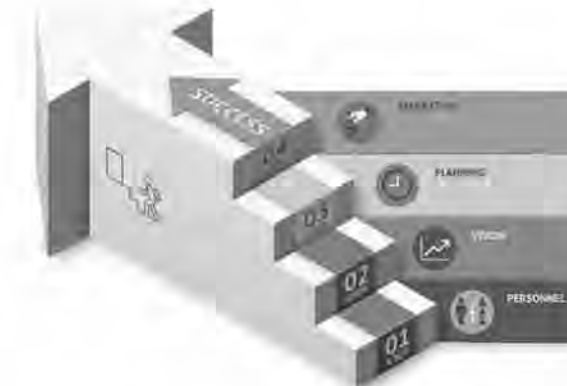
Business Profile

Matco Foods Limited is a leading Food Processing & Export Company in South-Asia which provides packed consumer foods products that offer convenience, and supplies quality ingredients to the pharmaceutical and confectionery industries. The company's products include basmati rice, rice glucose, rice protein, pink salt, masalas and spices, dessert mixes and more.

With over 50 years of experience in the rice industry, and a global portfolio of more than 150 corporate customers, the company is the largest basmati rice exporter from Pakistan, and its flagship brand "Falak Basmati Rice" is available in more than 70 countries worldwide. Matco also exports private label brands to over 70 countries across the globe. The company operates 5 rice processing and milling plants which include vertically-integrated paddy drying, storage, husking and processing facilities in Sadhoke, Punjab and Karachi, Sindh.

Matco Foods has recently diversified its operation within domain specialized products i.e. Rice Glucose and Rice Protein, with plant production capacity of 30,000 MT per annum of rice glucose and 3,000 MT of Rice Protein per annum.

The company aims to serve the changing needs and preferences of global consumers and therefore holds Organic Certification from the US NOP and EU Organic Certification from Control Union. Matco Foods Limited is also the only IFC investee company in its sector since 2012.



Vision

To become a leading global supplier of quality ingredients and consumer food products that offer convenience.

Mission

To provide customers with premium quality products; to be innovative, customer oriented and create strong enduring partnerships with suppliers, to continuously invest in our staff – which we believe are the biggest asset of our company and to create long-term values for all stakeholders, shareholders, staff, customers, suppliers and wider community.



Company Information

BOARD OF DIRECTORS

Mr. Jawed Ali Ghorl	Chairman
Mr. Khalid Sarfaraz Ghorl	Chief Executive Officer
Dr. Tariq Ghorl	Executive Director
Mr. Faizan Ali Ghorl- CFA	Executive Director
Syed Kamran Rasheed	Independent Director
Mr. Abdul Samad Khan	Independent Director
Mrs. Faryal Murtaza	Non-executive Director
Ms. Umme Habibah	Independent Director
Mr. Agha Ahmed Shah	Independent Director

AUDIT COMMITTEE

Syed Kamran Rasheed	Chairman
Mr. Abdul Samad Khan	Member
Mr. Agha Ahmed Shah	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Ms. Umme Habibah	Chairman
Mr. Jawed Ali Ghorl	Member
Mr. Khalid Sarfaraz Ghorl	Member
Mr. Faizan Ali Ghorl, CFA	Member
Mrs. Faryal Murtaza	Member

CHIEF FINANCIAL OFFICER

Mr. Muhammad Aamir Farooqui

COMPANY SECRETARY

Mr. Danish Ahmed

HEAD OF INTERNAL AUDIT

Mr. Saad Bin Aziz

LEGAL ADVISOR

Mr. Muhammad Javaid Akhter A-55/56 Federal B Area Karachi Pakistan

AUDITORS

Grant Thornton Anjum Rahman
Grant Thornton Anjum Rahman (GTAR)
1st and 3rd Floor, Modern Motor House
Beaumont Road Karachi, Pakistan
Tel (Office): +92 (21) 3567 2951-6
Fax: +92 (21) 3568 8834
Website: www.gtpak.com

SHARE REGISTRAR

CDC Share Registrar Services Limited

CDC House, 99-B, Block B,
S.M.C.H.S. Main Shahra-e-Faisal, Karachi- 74400
Tel: (92)) 0800-23275
Fax: (92-21) 34326053
URL: www.cdcsrsl.com
Email: info@cdcsrsl.com

BANKERS

Askari Bank Limited
Allied Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
Habib Metropolitan Bank Limited
Habib Bank Limited
Soneri Bank Limited
Pak Burnei Investment Company

JS Bank Limited
MCB Bank Limited
National Bank of Pakistan
Standard Chartered Bank
United Bank Limited
MCB Islamic Bank Limited
Pak Oman Investment Company Limited

COMPANY LOCATIONS

REGISTERED OFFICE

Matco Foods Limited
B-1/A, S.I.T.E. Phase 1, Super Highway Industrial Area,
Karachi, Pakistan P.O. Box No. 75340
Phone: +92(301) 8250969, +92(21) 3631 5099,
Fax: +92(21) 3632 0509
Email: contact@matcofoods.com

RICE PLANT

A 15-16, S.I.T.E. Super Highway,
Karachi, Pakistan
Phone: +92(21) 3688 1297, +92(333) 120 7780

RICE GLUCOSE PLANT

G-205, Gadap Road, S.I.T.E. Super highway Industrial Area,
Karachi, Pakistan

SADHOKE PLANT

50 KM, Main G.T. Road Sadhoke District, Gujranwala,
Punjab P.O. Box No. 52386
Phone: +92(55) 666 5774, +92(55) 666 5676

Web Address
Email Address

www.matcofoods.com
contact@matcofoods.com

Directors' Profile

JAWED ALI GHORI

Chairman

Jawed Ali Ghori completed his Diploma in Associate Engineering in 1968 and a BSc. In Economics and Political Science from University of Karachi in 1971. After graduation, he joined the family business and completed several government and semi-government projects that were awarded to Matco Engineering. A few of the notable projects were the Greater Hyderabad Water Project (1981), the Faisalabad Development Authority Water Project (1984), the Chitral Water Project (1989), OGDC and Attock Oil Projects and numerous telecommunication and SCADA Projects for both Sui Southern Gas Company (SSGC) and Sui Northern Gas Pipelines Limited (SNGPL). Jawed Ali Ghori's rice related projects include the supply of four rice plants to Rice Export Corporation of Pakistan at Pipri, Sindh in 1978. In 1985, he supplied and commissioned an automatic parboil rice plant of 10 MT/hour capacity on turn-key basis for P.N.P Rice Mills at Dhaunkal, Punjab. In further developments to the Dhaunkal project, Jawed Ali Ghori supplied and installed six color sorters for the parboil plant in 1988. When the private sector Basmati export in Pakistan was allowed, Jawed Ali Ghori conceptualized the idea of establishing a modern rice processing plant that would add sophistication to the existing rice processing standards. This marked the birth of Matco Rice Processing in 1990. As the Managing Director of Matco Foods, he has over 40 years of experience in rice processing, establishment of rice industries and worldwide rice exports. He has travelled extensively across the globe buying rice related machinery from many countries including China, Germany, Great Britain, India, Japan, Korea, Thailand and USA.

KHALID SARFARAZ GHORI

Chief Executive Officer

Khalid Ghori graduated from University of Karachi in 1981 and pursued an article ship from ICAP (Institute of Chartered Accountants of Pakistan) Karachi between 1981 and 1984. However, rapid growth in the business required his immediate presence at Dhaunkal turnkey projects in 1984, which involved the complete testing and operation of a parboil rice plant. Between 1986 and 1989, he was in charge of Jawed Rice Mills in Larkana. In 1990, when Matco Rice Processing was being set up in Karachi, Khalid Ghori contributed to the project from the drawing board stage to the final fabrication, installation and operations. In 1995, Khalid Ghori initiated setting up Matco Unit 2 for providing additional capacity, using in-house design and system engineering capabilities, consisting of Japanese, Thai and Chinese machinery. Working closely with growers and suppliers from the rice growing belt in Punjab, he established a unique Rice Cultivating Monitoring Program and opened a research and control office for Matco in Lahore to improve crop quality. With experience of over 30 years in the purchase and processing of rice, Khalid Ghori is rightly dubbed the "guru of rice buyers in Pakistan." He utilizes his vast experience in assessing the qualities of agri-products and pays special attention to the entire procurement and production process. Khalid Ghori has established a wide network of farmers who are linked to Matco's rice paddy supply chain, allowing them to get better prices for their produce by avoiding the middlemen. His insights into crop survey and harvest are aimed to help farmers and Matco to achieve procurement targets.

DR TARIQ GHORI

Executive Director

As the head of marketing and sales, Dr. Tariq Ghori has a vast experience in developing new markets for Matco Food's products and appointing distributors in strategic locations. He has been instrumental in the brand development and positioning of Falak Basmati Rice in over 35 countries. He is a regular participant in renowned world food fairs such as SIAL France, ANUGA Germany, Gulfoods Dubai, amongst many other food fair. He also has experience in managing the company's finances and its relationship with lending institutions and project finance institutes. Dr. Tariq Ghori is a graduate of Cadet College Petaro, where he demonstrated exceptional leadership skills as the College Junior Under Officer and a final year gold medalist. After graduating from Dow Medical College, Pakistan's premier medical institution, he made the decision to join the family business and went on to build his business knowledge by attending California State University, Long Beach. Dr. Tariq Ghori is a founding member of the Rice Exporters' Association of Pakistan (REAP) and has served as a member of REAP's Managing Committee as well as being the president of the Pakistan Basmati Rice Promotion Committee of REAP.

FAIZAN ALI GHORI

Executive Director

Faizan Ali Ghori joined Matco Foods in 2006 with the overall responsibility of Accounts and Finance Departments and the company's liaison with Financial Institutions. He spearheaded the company's backwards integration paddy project at Sadhoke, district Gujranwala and attracted the first foreign direct investment by the IFC (World Bank Group) in the agriculture sector of Pakistan through its investment in Matco. Prior to Matco Foods he worked with Bank of America in London, where he was an Analyst within the Corporate Finance and Mergers & Acquisitions Investment Banking Division, covering the European Energy & Power Sector. Faizan Ghori is also a CFA* charter holder. He graduated with honors (Cum Laude) from New York University's Leonard N. Stern School of Business, completing his Bachelor of Science degree with a double major in Finance and Accounting. Faizan Ghori has also completed his Master of Science degree in Finance and Accounting with honors (Merit) from The London School of Economics and Political Sciences. He is a certified director accredited by Risk Metrics Group USA having completed the Director Education programme conducted by the Pakistan Institute of Corporate Governance.

Directors' Profile

SYED KAMRAN RASHID

Independent Director

Mr. Syed Kamran Rashid is an elected Director in this Company. He is a graduate of the University of Karachi. He joined EFU General Insurance Company Limited in 1989 as Business Development Officer. He has served in different capacities and locations in EFU and at present he is Executive Director of the Central Division Karachi of the said Company.

ABDUL SAMAD KHAN

Independent Director

Abdul Samad Khan holds an MBA degree from the IBA, Karachi and currently working as Chief Executive officer of AGVEN Private limited. Previously, He was Chief Executive Officer of Engro Eximp (Private) Limited and Vice President of Engro Corporation Limited. Mr. Khan also served on the Board of Engro Foods Limited, Engro Eximp (Private) Limited, Engro Eximp Agri Products (Private) Limited and Engro Polymer and Chemicals Limited.

As CEO of Engro EXIMP has reached him extensive experience of Rice Industry and involved in driving initiatives in commodity trading for Engro EXIMP. He has worked in various functions in Engro Group, which include Sales and Marketing and international trade.

FARYAL MURTAZA

Non-Executive Director

Faryal Murtaza holds a BBA and an MBA degree from the prestigious Institute of Business Administration (IBA), Karachi. After graduation, she worked at Matco Foods Limited till 2017. During her stay at Matco Foods, Faryal launched our flagship brand "FALAK" in Pakistan and was responsible for pioneering the branded rice segment in the market. Faryal was actively involved in marketing 'FALAK' with a focus on TV and multi-media communication. Before joining Matco, Faryal has also worked on assignments at British Petroleum, Colgate-Palmolive and American Express.

UMME HABIBAH

Independent Director

Umme Habibah is a diversified Human Resource specialist with over 15 years of experience in core and strategic activities of Human Resource Management. She is currently working as Director of People and Organization in Novo Nordisk Pharma (Private) Limited. She holds a master's degree in human resource from Karachi University and has previously been associated with Walmart and Unilever Pakistan Limited in the Human Resource department.

AGHA AHMED SHAH

Independent Director

Mr. Agha Ahmed Shah is a career banker with over 35 years of banking experience in the field of Corporate & Investment Banking and Risk Management. He started his career with American Express Bank Limited where he also attended a one year intensive program at the bank's head office in New York.

In MCB Bank Limited, Mr. Shah worked as Head of Corporate South and Head of Investment Banking Group. He prepared the Credit and Risk Manual of MCB Bank Limited and was responsible for restructuring of the Corporate and Investment Bank to bring it in line with the emerging challenges faced by the bank. His last job was as Chief Executive Officer of MCB Financial Services Ltd, a wholly owned subsidiary of MCB Bank Ltd.

Mr. Shah was also a director in the following companies:

- Pak Oman Microfinance Bank
- Pak Oman Asset Management Company Limited
- CNBC Pakistan Limited

He was also a member of the Executive Committee of the Pakistan Banks Association and is a certified Director from the Pakistan Institute of Corporate Governance. He was also chairman of the advisory committee of Pak Oman Micro Finance Bank Limited.

Chairman's Review

I am pleased to present annual review as Chairman of the Board of Directors of Matco Foods Limited for the year ended June 30, 2020.

The year 2020 has been a challenging year for the world. The COVID-19 pandemic has delivered a global economic shock of enormous magnitude, leading to steep recessions in many countries. The pandemic has also taken a devastating blow on Pakistan's economy and public health system. The country's economy has to deal with multiple challenges of the pandemic as well as the already lowering GDP growth and economic slowdown.

The Company has implemented a strong governance framework that supports an effective and prudent management of business matters, which is regarded as instrumental in achieving the long term success of the Company. During the course of the financial year 2019-2020, the Board of Directors and its Sub-Committees worked with a marked level of diligence and proficiency to best advice and guide the Company towards achieving its potential in the face of a significantly challenging economic scenario, which has been compounded by the impacts of the COVID-19 pandemic.

The Company has a diverse and competent Board of Directors which holds to the Company's vision and mission with the ultimate goal of serving the interests of stakeholders. The Board of Directors lead and guide the Company through strategic planning with a focus on the future. The Board of Directors as a whole has reviewed the Annual Report and Financial Statements, and is pleased to confirm that in its view the Annual Report and the Financial Statements, taken as a whole, are fair, balanced and comprehensive.

As required under the Code of Corporate Governance, the Board conducts a self-evaluation of its performance on an annual basis. The assessment also includes the assessment of the performance of the Executive Directors, Independent Directors, its Sub Committees. The Board of Directors believe that continuous assessment is critical to assess how effectively the Board has performed against the objectives and goals that they have set for themselves. Based on the results, the areas of improvements are identified, and corrective action plans are prepared.

The assessment of the Board is conducted against the defined parameters including but not limited to the overall structure and size of the Board, integrity, credibility and trustworthiness in decision making, clarity in setting the Board's own performance targets, preparedness for the Board meetings, agility and effectiveness of the Board and quality of contribution by the members.

The overall performance of the Board and its subcommittees measured on the basis of approved criteria remained satisfactory.

The Board would like to thank all stakeholders for their support and loyalty. Your faith in these challenging times has allowed us to perform and show positive results in a difficult business environment.

We continue to pray to Allah for the continued success of your Company and the benefit of all stakeholders, as well as for Pakistan in general.



Mr. Jawed Ali Ghori

Chairman

Karachi: September 10, 2020



Directors' Report

By the Grace of ALLAH (SWT), the Directors of your Company take pleasure in presenting the Annual Report along with the audited financial statements of Matco Foods Limited ("the Company") for the year ended June 30, 2020.

FINANCIAL RESULTS

	Unconsolidated		Consolidated	
	2020	2019	2020	2019
	-----Rupees-----			
Sales - net	11,289,961,893	7,863,052,901	11,296,930,227	7,870,367,253
Cost of sales	(10,273,971,964)	(6,948,543,163)	(10,273,971,964)	(6,948,543,163)
GROSS PROFIT	1,015,989,929	914,509,738	1,022,958,263	921,824,090
Selling and Distribution	(207,020,855)	(161,007,642)	(218,475,909)	(164,659,650)
Administrative expenses	(271,369,378)	(240,332,519)	(273,160,683)	(244,865,613)
	(478,390,233)	(401,340,161)	(491,636,592)	(409,525,263)
	537,599,696	513,169,577	531,321,671	512,298,827
Impairment loss on financial assets	-	(6,103,372)	-	(6,103,372)
Finance cost	(350,287,990)	(275,503,177)	(350,646,282)	(275,840,060)
Other income	56,513,137	106,655,675	56,513,137	106,655,675
Share of loss from associated company	-	-	(5,852,147)	-
Exchange gain - net	14,015,389	152,934,910	14,015,389	152,934,910
Provision for worker's welfare fund	(7,113,214)	(7,270,451)	(7,113,214)	(7,270,451)
Provision for worker's profit participation fund	(12,218,347)	(23,388,267)	(12,218,347)	(23,388,267)
PROFIT BEFORE TAX	238,508,671	460,494,895	226,020,207	459,287,262
Income tax expense	(86,580,493)	(46,658,608)	(86,580,493)	(46,658,608)
PROFIT FOR THE YEAR	151,928,178	413,836,287	139,439,714	412,628,654
EARNINGS PER SHARE - BASIC AND DILUTED	1.24	3.38	1.14	3.37

Generally this has been a very challenging year globally for everyone. The COVID pandemic has created an unprecedented situation in recent memory where it had been unimaginable that the whole world could come to a standstill in terms of movements of people, restrictions on businesses and individuals. Across the globe, governments have struggled to formulate policy responses to contain spread of COVID while balancing the economic impact of lockdown measures.

In the food industry space, where Matco operates, Out of home consumption of rice and other food products such as Hotels, Restaurants, Catering (HORECA) segment has been badly affected by COVID related lockdown measures. Tourism related demand and sales has been deeply affected, sales to Middle East especially due to curtailed Hajj season in Saudi Arabia and no pilgrimage for Umrah has deeply affected demand in that region. However, there has been a surge in demand for home based consumption, and retail market has seen a jump in demand as people globally have stock piled food and grocery items.

Under these circumstances your company has put the health and safety of its staff and stakeholders as a key priority. Even prior to official government policy of closing all offices, the company started encouraging staff to work from home. Subsequently safety information was widely disseminated; and measures and SOPs announced by WHO and the government were adopted.

In spite of all challenges, the management and staff of the Company performed admirably well. Fulfilling customer orders, they were in the front line to ensure adequate supply of essential food items for people globally.

COVID has had a significant impact on costs due to supply chain disruptions globally. While government has announced favourable State Bank measures to prevent job losses, the burden still remains especially in light of delayed payments of sales tax refunds and income tax refunds. Further, the recent judgement on GIDC will likely cause additional burden on utilities cost.

The Company reported net sales of Rs. 11,290 million as against sales of Rs. 7,863 million representing a sales growth of 43.58%. The gross profit for the year was Rs. 1,016 million as compared to Rs. 914 million showing an increase of 11.10%. Besides this net profit has witnessed a decrease of 63.29 % i.e. Rs. 151.93 million in the current year which was Rs. 413.84 million last year. Brown basmati rice shipments have been the cause of lower profitability for the Company compared to previous year, even after removing one-off gains in other income. During the year, the Company's basmati average export prices were USD 980 against USD 1,045 last year.

Pakistan overall rice exports increased by 24.63% in value term and 34.97% in quantitative terms whereas Matco recorded export sales growth by 22.89% in value terms and 31.12% in quantity terms which is line with overall Pakistan rice export growth.

In fourth quarter, the Company suffered due to extreme volatility of FX rates. The new policy of market based rate, needs to be reconsidered as it creates severe problems for exporters and their raw material suppliers.

COVID-19 EFFECTS AND MEASURES

The Government of Pakistan, keeping in view the pandemic situation in the World, locked down all of Pakistan from March 24th, 2020. Being a food industry, your Company was allowed to operate its factory but closed down its support services and instructed the employees to work from home as the Company had to deliver the orders to foreign and local customers as per the contract terms to avoid any shortage of foods in the world. The Company took strict measures to comply with all the Government provided SOP's in the factory and offices. Despite the additional costs of these safety measures, your Company continues to keep the health and safety of our employees as its top priority. We will continue to adopt these measures till the Pandemic is fully eradicated.

APPROPRIATION

Considering financial performance of the Company for the year ended June 30, 2020, the Board of Directors of the Company at its meeting held on September 10, 2019 has proposed a final cash dividend, of Rs. 0.45 per share (i.e. 4.5%). The approval of shareholders will be obtained at the Annual General Meeting. The dividend recommended has not been recognized as a liability in these financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is exposed to certain inherent risks and uncertainties. However, we consider the following as key risks:

- High cost of doing business and high cost of manufacturing as well;
- High volatility in the local and export rice prices;
- Government regulations;
- Adverse fluctuations in foreign exchange rates;
- Overall production and harvesting of rice crop; and
- Uncertainties relating COVID 19 on the Sales side, as well as on the Production side.

The Company is proactive to minimize the risk to an acceptable level and the likely impacts of aforesaid risks with internal and external stakeholders.

BRIEF ON BARENTZ PAKISTAN (PRIVATE) LIMITED

The Company has started its commercial operations during the year after incorporation on June 28, 2019 and has incurred a loss of Rs. 11.94 million till June 30, 2020 due to preliminary expenses and fixed expenses of staff in the starting period of the Company. The Company is expected to recover the losses as the sales increases.

In a recent development, Barentz Pakistan has been awarded a distribution contract of Oily Blend Vitamin to Oil and Ghee Industry by multinational company which will surely increase the sales of the Company. To ensure to have adequate working capital requirement, the Company has requested the Parent Company and Matco Foods Limited to provide the Shareholders' loan at the prevailing interest rate and also approaching different banks for running finance facility.

The Board of Directors of Matco Foods Limited after consideration has approved the further investment of up to Rs. 50 million as per Section 199 of the Companies Act, 2017 as shareholders' loan, subject to approval of shareholders in Annual General Meeting.

COMPOSITION OF BOARD

The board consists of 7 male and 2 female directors with following composition:

Independent directors	4
Non-executive directors	2
Executive directors	3
Total number of directors	9

The above directors have been elected in the Annual General Meeting which was held on October 31, 2018.

On June 1, 2020, Late Mr. Naeem ur Rehman Akhoond has passed away which has created the casual vacancy on the Board, thereafter, on August 24, 2020, Mr. Agha Ahmed Shah has been appointed as Independent Director by the Board of Directors through circular by resolution.

REMUNERATION POLICY OF NON-EXECUTIVE DIRECTORS

The remuneration of the Board members is approved by the Board itself. However, in accordance with the Listed Companies (Code of Corporate Governance), 2017, it is ensured that no director takes part in deciding his own remuneration. We do not pay remuneration to non-executive directors except fee for attending meetings of the Board. In order to retain the best talent, our remuneration policies are structured in line with prevailing industry trends and best business practices.

REMUNERATION PACKAGE OF CHIEF EXECUTIVE AND EXECUTIVE DIRECTORS

Remuneration package of Chief Executive and other directors is disclosed in note 41 to the financial statements.

MEETINGS OF THE BOARD AND ATTENDANCE

During the year under review, four (04) Board meetings were held and attendance by each director is given below:

Members Name	Attendance
Mr. Jawed Ali Ghori – Chairman	4
Mr. Khalid Sarfaraz Ghori	2
Dr. Tariq Ghori	3
Mr. Faizan Ali Ghori	4
Mr. Naeem Ur Rehman Akhoond	4
Syed Kamran Rashid	4
Mr. Abdul Samad Khan	4
Mrs. Faryal Murtaza	4
Ms. Umme Habibah	3

Leave of absence was granted to directors who could not attend some of the Board meetings.

Directors' Report

BOARD AUDIT COMMITTEE

During the year under review, four (04) Board Audit Committee meetings were held and attendance by each member is given below;

Members Name	Attendance
Mr. Naeem Ur Rehman Akhoond – Chairman	4
Syed Kamran Rashid	4
Mr. Abdul Samad Khan	4

HUMAN RESOURCE AND REMUNERATION COMMITTEE

During the year under review, one (01) Human Resource and Remuneration Committee meeting was held and attendance by each member is given below;

Members Name	Attendance
Ms. Umme Habibah – Chairman	1
Mr. Jawed Ali Ghor	1
Mr. Khalid Sarfaraz Ghor	1
Mrs. Faryal Murtaza	1
Mr. Faizan Ali Ghor	1

DIRECTORS' TRAINING PROGRAMS

Five of the Directors of the Company are certified as per requirement of Directors' Training program.

APPOINTMENT OF AUDITORS

The present auditors M/s Grant Thornton Anjum Rahman, Chartered Accountants are set to retire this year. As recommended by the Audit Committee, the Board of Directors has recommended the re-appointment of M/s Grant Thornton Anjum Rahman as auditors of the Company for year ended June 2020-21 subject to approval of the shareholders on a fee mutually agreed.

PATTERN OF SHAREHOLDING

The pattern of shareholding has been annexed to this report.

HEALTH, SAFETY AND ENVIRONMENT

Your Company is committed to protecting the health, safety, and welfare of not only our employees but also others who may be affected by our business and the environment in which we operate. This means we ensure that all stakeholders are protected from direct harm due to our operations and that we effectively mitigate any risk to environment, injury or health that could arise at the workplace.

During the year, the Company has arranged the HSE refresher trainings to the staff and conducted periodic fire drills and emergency evacuation drills for the emergency situations. We have developed Standard Operating Procedures (SOPs) for Covid-19 and formed Emergency Response Teams at all locations to implement and monitor these SOPs and provide safe workplace for all staff members during this emergency period. We have also provided PPEs to all staff members and installed disinfecting walk through gates and hand sanitizer points at all locations for employees' health and safety against Covid-19.

We have introduced work from home, alternate days working and less staff policies to avoid staff gatherings in offices to control cross contamination and installed passenger lift at head office to facilitate our senior staff members.

Further, keeping in view the polluted environment and energy shortage in the country, Matco has widened the option of energy production from solar power by installing solar power panels of 1 MW at Sadhoke plant and 100 KW at Karachi Head Office which would result in the reduction of annual CO2 emission and saving of energy cost and its smooth availability all the time.

CORPORATE SOCIAL RESPONSIBILITY

The Company's vision is to support community service initiatives in the spheres of education and health in Pakistan. To this end, the Company has in the past always contributed in relief efforts at the natural calamities such as flood or earthquake. First priority is offered to Company's employees for expenses related to marriage, social welfare and educational purpose.

INTERNAL FINANCIAL CONTROLS

The directors are aware of their responsibility with respect to internal financial controls. Through discussions with management and auditors (both internal and external), they confirm that adequate controls have been implemented by the Company.

Directors' Report

FINANCIAL & CORPORATE REPORTING FRAMEWORK

In compliance with the provisions of the listing regulations of the Pakistan Stock Exchange, the Board members are pleased to place the following statements on record:

- The financial statements prepared by the management of the Company present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements. During the year, the Company has adopted IFRS 16 "Leases" and required adjustment has been made accordingly in the audited financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts on the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Summary of key operational and financial data for the last six years annexed in this annual report.
- Information about taxes and levies is given in the notes to and forming part of financial statements.
- There is no likelihood of any delayed payments or default in respect of all loans availed by the Company.

SALES & MARKETING STRATEGY

Being a Brand Leader in Pakistan in Rice Category, we always conducted ATL and BTL activities nationwide as well, in ATL we use Regional channels and Cables and advertised FALAK ads in the regional languages. In BTL campaigns we engaged our end users with Chef Mehboob, the Brand Ambassador of Falak Brand. People love to interact with Chef Mehboob, we invited them all in exhibitions, malls and stores activities where Chef Mehboob create more hype of FALAK brand. Chef Mehboob also travel with us in all major cities of Pakistan to endorse Falak Brand as No. 1 Choice of every household.

This year Company's flagship brand FALAK became an official partner of COTHM Institute – The College of Tourism and Hotel Management. Falak & COTHM Institute conducted cooking competition events called "FOOD CAMP PAKISTAN". That event was conducted in Emporium Mall, Lahore and Expo Center, Karachi.

Company also uses Social Media platform very effectively to engage users, we are regularly uploading cooking of Rice Dishes including Biryani, Pulao, Gur Kay Chawal and many more recipes. For these recipes we have hired Food Fusion the top online cooking channel, their followers are in millions and they are using FALAK Rice in their rice dishes.

In 2019-20 Company has conducted Mega event in Karachi, Lahore & Islamabad. The event called Family Festival where company invited all the IMTs', LMTs', retailers, wholesalers and distributors with their full family. All were invited in theme parks where Company provided them Breakfast and free unlimited rides.

Company also participated in different Consumer Exhibitions like

- HUM Masala Family Festival Lahore & Karachi
- My Karachi Exhibition – Conducted by KCCI

INDUSTRY OUTLOOK

As mentioned above, Pakistani basmati rice export growth recorded by 34.97% in quantitative terms and by 24.63% in value terms as compared to last year. Growth in Pakistani Basmati rice exports has been driven primarily by surge in food products in the world due to COVID-19. The same trend is expected in the next year as many countries is still adversely affected by the coronavirus pandemic and India being the major exporter of basmati rice has been adversely affected by the on-going pandemic which may result in transfer of orders to Pakistan as the virus is under-controlled in Pakistan.

There could be a negative impact on the upcoming rice crops due to severe attack of locusts in the rice producing regions of Pakistan like upper Punjab and interior Sindh although the Government have taken the proactive steps to prevent the adverse outcome due to attack of locusts. The possible adverse impact this scenario will surely increase the procurement price of paddy which will result in higher cost of production.

On 11th September, 2020, India has filed for GI tag of Basmati in EU, which is a further challenge to outlook of Basmati exports. This will be challenged by Pakistan during the 90 days opposition period, and also perhaps by European Millers who in recent years have been securing greater share of their supply from Pakistan.

SUBSEQUENT EVENTS

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year and the date of this report.

Directors' Report

FUTURE OUTLOOK

Gradual lifting of lockdown restriction worldwide and in Pakistan as well coupled with economic stimulus measures introduced by the Government in collaboration with the State Bank of Pakistan to support businesses by providing salaries loan at concessional rates and deferment of long term loans for one year in these challenging times are expected to bode well for recovery of economic growth leading to improved demand for industrial output.

Due to on-going pandemic, the unemployment and loss of businesses is increasing rapidly which may reduce purchasing power of the consumers resulting in decrease in sales volume of premium products. Further, strict compliance of SOPs to prevent the pandemic to increase has risen the cost of doing business and increased the expenses over employees' health, environmental safety and medical expenses.

Management is following the strategy of volume maximization and cost minimization with appropriate adjustment in selling prices wherever necessary to ensure sustainable financial performance of the Company. The Company is continuing to focus on growing exports in branded category, more products being added under Falak umbrella.

In the Rice Glucose division, the Company is focusing on exports, finding new markets and increasing sales with existing customers. However, there is significant pricing pressure in local sales of glucose especially due to increasing competition.

RETIREMENT FUND

The company is maintaining unfunded gratuity, during the year, the Company have made a provision of Rupees 31.12 million on the basis of actuarial valuation.

RETIREMENT FUND

The details of all related party transactions have been provided in the notes to the financial statements.

TRADING IN SHARES OF THE COMPANY

Following trade in the shares of the Company were carried out by the Directors, Executives and Related Parties:

Director/Related Party	Shares	Nature of Transaction
Mr. Faizan Ali Ghori	274,000	Buy
Mr. Faizan Ali Ghori	169,000	Gift to Mr. Jawed Ali Ghori
Mr, Jawed Ali Ghori	169,000	Gift from Mr. Faizan Ali Ghori

ACKNOWLEDGEMENT

The Directors would like to place on record their sincere appreciation for the hard work and dedication shown by the management and the employees of the Company throughout the year. On behalf of the Board of Directors and employees of the Company, we express our gratitude and appreciation to all our valued customers, distributors, stockists, dealers and bankers for the trust and confidence reposed in the Company and look forward to their continued support and participation in sustaining the growth of the Company in the coming years.

For and on behalf of the Board of Directors



Khalid Sarfaraz Ghori
Chief Executive Officer



Faizan Ali Ghori
Director

FINANCIAL SUMMARY

	2019-20 Rupees	2018-19 Rupees	2017-18 Rupees	2016-17 Rupees	2015-16 Rupees	2014-15 Rupees
EQUITY AND LIABILITIES						
Share capital and reserves						
Authorized capital	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
Issued, subscribed and paid up share capital	1,224,006,980	1,224,006,980	1,165,720,940	874,290,940	874,290,940	874,290,940
Capital reserve	594,786,731	680,467,220	739,367,162	318,382,823	318,382,823	318,382,823
Unappropriated profit	2,327,060,847	2,157,355,170	1,676,797,324	1,378,821,835	1,072,183,422	1,043,309,602
	4,145,854,558	4,061,829,370	3,581,885,426	2,571,495,598	2,264,857,185	2,235,983,365
Surplus on revaluation of property, plant and equipment	2,622,193,143	445,144,929	546,781,614	571,665,218	738,407,686	782,294,111
Total shareholders' equity	6,768,047,701	4,506,974,299	4,128,667,040	3,143,160,816	3,003,264,871	3,018,277,476
Non-current liabilities						
Long term finances-secured	396,447,541	265,191,113	246,556,904	322,791,864	144,790,827	198,624,235
Liabilities against assets subject to finance lease	120,977,441	44,763,773	29,284,420	17,162,341	9,408,482	6,540,244
Deferred liability-staff gratuity	205,636,300	146,803,371	143,634,827	158,304,034	41,775,828	33,292,746
Deferred grant	2,317,051	-	632,508	995,175	664,350	743,572
Deferred income	-	269,842	-	-	-	-
Total non-current liabilities	725,378,333	457,028,099	420,108,659	499,253,414	196,639,487	239,200,797
Current liabilities						
Trade and other payables	1,015,172,075	240,103,601	225,928,452	332,612,662	195,186,075	326,933,333
Advance from customers-secured	51,979,051	58,666,494	24,883,671	193,592,016	202,101,374	277,272,392
Accrued mark-up	56,305,363	64,696,362	48,767,428	46,056,163	49,935,930	35,801,437
Due to related party	6,970,908	7,974,096	-	-	-	-
Short term borrowings-secured	5,115,897,038	4,139,227,403	4,081,779,753	3,886,835,593	3,197,027,943	3,487,154,044
Current portion of deferred-grant	3,807,127	-	-	-	-	-
Current portion of long-term finances-secured	57,673,116	86,709,085	84,029,706	96,733,247	58,372,319	53,413,597
Current portion of lease-liabilities to finance lease	21,497,206	13,094,930	12,226,289	7,999,276	4,475,892	2,568,696
Unpaid Dividend	13,555,468	489,804	761,095	-	-	-
Provision for taxation-net	-	-	21,260,847	28,936,787	-	7,832,111
Total current liabilities	6,342,857,352	4,610,961,775	4,499,637,241	4,592,765,744	3,707,099,533	4,190,975,610
Total liabilities	7,068,235,685	5,067,989,874	4,919,745,900	5,092,019,158	3,903,739,020	4,430,176,407
Contingencies and commitments	-	-	-	-	-	-
Total equity and liabilities	13,836,283,386	9,574,964,173	9,048,412,940	8,235,179,974	6,907,003,891	7,448,453,883

	2019-20 Rupees	2018-19 Rupees	2017-18 Rupees	2016-17 Rupees	2015-16 Rupees	2014-15 Rupees
ASSETS						
Non-current assets						
Property, plant and equipment	4,938,035,706	2,620,484,642	2,168,585,255	2,141,308,121	1,790,412,727	1,886,558,277
Right-of-use assets	159,940,356	83,094,097	-	-	-	-
Intangible assets	-	-	-	-	4,903,588	9,807,177
Long term deposits	12,578,078	9,938,831	13,048,793	10,990,923	11,421,331	8,498,631
Long term investment	55,582,707	31,082,707	31,082,707	23,582,747	23,582,747	23,582,747
Total non-current assets	5,166,136,847	2,744,600,277	2,212,716,755	2,175,881,791	1,830,320,393	1,928,446,832
Current assets						
Stores, spares and loose tools	45,022,530	23,107,682	18,727,268	13,829,554	15,183,208	18,339,382
Stock in trade	6,642,523,350	5,204,978,692	5,138,980,796	5,240,490,964	4,505,685,485	4,829,588,256
Trade debts-considered good	1,334,500,510	941,093,236	674,463,623	541,532,773	384,215,522	481,802,657
Short-term Loans and-advances	118,619,714	355,385,133	83,732,051	58,171,589	12,655,050	15,760,817
Trade deposits and short-term prepayments	8,164,088	5,268,471	10,843,438	8,973,160	14,179,556	13,096,968
Short-term investment	263,440	255,362	500,000	500,000	-	-
Other receivables	171,694,202	188,843,920	85,369,946	84,745,163	51,264,224	43,815,544
Advance tax- net	51,068,680	33,050,458	-	-	4,287,321	-
Cash and bank balances	298,290,025	78,380,942	823,079,063	111,054,980	89,213,132	117,603,427
Total current assets	8,670,146,539	6,830,363,896	6,835,696,185	6,059,298,183	5,076,683,498	5,520,007,051
Total assets	13,836,283,386	9,574,964,173	9,048,412,940	8,235,179,974	6,907,003,891	7,448,453,883

VERTICAL ANALYSIS

Statement of Financial Position	2019 - 20		2018 - 19		2017 - 18		2016 - 17		2015 - 16		2014-15	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Property Plant and Equipment	4,938,035,706	35.7%	2,620,484,642	27.4%	2,168,585,255	24.0%	2,141,308,121	26.0%	1,790,412,727	25.9%	1,886,558,277	25.3%
Right-of-use assets	159,940,356	1.2%	83,094,097	0.9%	-	-	-	-	-	-	-	-
Other Non-current assets	68,160,785	0.5%	41,021,538	0.4%	44,131,500	0.5%	34,573,670	0.4%	39,907,666	0.6%	41,888,555	0.6%
Current assets	8,670,146,539	62.7%	6,830,363,896	71.3%	6,835,696,185	75.5%	6,059,298,183	73.6%	5,076,683,498	73.5%	5,520,007,051	74.1%
Total Assets	13,836,283,386	100%	9,574,964,173	100%	9,048,412,940	100%	8,235,179,974	100%	6,907,003,891	100%	7,448,453,883	100%
Shareholders' Equity	6,768,047,701	48.9%	4,506,974,299	47.1%	4,128,667,040	45.6%	3,143,160,816	38.2%	3,003,264,871	43.5%	3,018,277,476	40.5%
Non-Current Liabilities	725,378,333	5.2%	457,028,099	4.8%	420,108,659	4.6%	499,253,414	6.1%	196,639,487	2.8%	239,200,797	3.2%
Current Liabilities	6,342,857,352	45.8%	4,610,961,775	48.2%	4,499,637,241	49.7%	4,592,765,744	55.8%	3,707,099,533	53.7%	4,190,975,610	56.3%
Total Shareholders' Equity & Liabilities	13,836,283,386	100%	9,574,964,173	100%	9,048,412,940	100%	8,235,179,974	100%	6,907,003,891	100%	7,448,453,883	100%
Statement of Comprehensive Income	2019 - 20		2018 - 19		2017 - 18		2016 - 17		2015 - 16		2014-15	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Net sales	11,289,961,893	100%	7,863,052,901	100%	6,722,731,288	100%	6,134,424,678	100%	5,577,876,046	100%	6,088,889,764	100%
Cost of Products Sold	10,273,971,964	-91%	6,948,543,163	-88.37%	5,862,040,117	-87.2%	5,169,060,783	-84.3%	4,939,056,502	-88.5%	5,193,911,699	-85.3%
Gross Profit	1,015,989,929	9%	914,509,738	11.63%	860,691,171	12.8%	965,363,895	15.7%	638,819,544	11.5%	894,978,065	14.7%
Operating Profit	537,599,696	4.76%	507,066,205	6.45%	509,115,517	7.6%	498,243,520	8.1%	195,673,701	3.5%	455,350,982	7.5%
Profit before taxation	238,508,671	2.11%	460,494,895	5.86%	337,788,513	5.0%	342,044,529	5.6%	37,947,912	0.7%	159,879,723	2.6%
Profit for the year	151,928,178	1.35%	413,836,287	5.26%	308,292,955	5%	268,968,909	4%	3,915,742	0%	97,775,518	2%

HORIZONTAL ANALYSIS

Statement of Financial Position	2019 - 20		2018 - 19		2017 - 18		2016 - 17		2015 - 16		2014 - 15	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Property Plant and Equipment	4,938,035,706	88%	2,620,484,642	21%	2,168,585,255	1%	2,141,308,121	20%	1,790,412,727	-5%	1,886,558,277	-4%
Right-of-use assets	159,940,356	92%	83,094,097	100%	-	-	-	-	-	-	-	-
Other Non-current assets	68,160,785	66%	41,021,538	-7%	44,131,500	28%	34,573,670	-13%	39,907,666	-5%	41,888,555	33%
Current assets	8,670,146,539	27%	6,830,363,896	0%	6,835,696,185	13%	6,059,298,183	19%	5,076,683,498	-8%	5,520,007,051	2%
Total Assets	13,836,283,386	45%	9,574,964,173	6%	9,048,412,940	10%	8,235,179,974	19%	6,907,003,891	-7%	7,448,453,883	1%
Shareholders' Equity	6,768,047,701	50%	4,506,974,299	9%	4,128,667,040	31%	3,143,160,816	5%	3,003,264,871	0%	3,018,277,476	3%
Non-Current Liabilities	725,378,333	59%	457,028,099	9%	420,108,659	-16%	499,253,414	154%	196,639,487	-18%	239,200,797	5%
Current Liabilities	6,342,857,352	38%	4,610,961,775	2%	4,499,637,241	-2%	4,592,765,744	24%	3,707,099,533	-12%	4,190,975,610	-1%
Total Shareholders' Equity & Liabilities	13,836,283,386	45%	9,574,964,173	6%	9,048,412,940	10%	8,235,179,974	19%	6,907,003,891	-7%	7,448,453,883	1%
Statement of Comprehensive Income	2019 - 10		2018 - 19		2017 - 18		2016 - 17		2015 - 16		2014 - 15	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Net sales	11,289,961,893	43.58%	7,863,052,901	16.96%	6,722,731,288	10%	6,134,424,678	10%	5,577,876,046	-8%	6,088,889,764	-25%
Cost of Products Sold	10,273,971,964	47.86%	6,948,543,163	18.53%	5,862,040,117	13%	5,169,060,783	5%	4,939,056,502	-5%	5,193,911,699	-29%
Gross Profit	1,015,989,929	11.10%	914,509,738	6.25%	860,691,171	-11%	965,363,895	51%	638,819,544	-29%	894,978,065	2%
Operating Profit	537,599,696	6.02%	507,066,205	-0.40%	509,115,517	2%	498,243,520	155%	195,673,701	-57%	455,350,982	11%
Profit before taxation	238,508,671	-48.21%	460,494,895	36.33%	337,788,513	-1%	342,044,529	801%	37,947,912	-76%	159,879,723	-37%
Profit for the year	151,928,178	-63.29%	413,836,287	34.23%	308,292,955	15%	268,968,909	6769%	3,915,742	-96%	97,775,518	-45%

FINANCIAL SUMMARY

	2019-20 Rupees	2018-19 Rupees	2017-18 Rupees	2016-17 Rupees	2015-16 Rupees	2014-15 Rupees
Sales - net	11,289,961,893	7,863,052,901	6,722,731,288	6,134,424,678	5,577,876,046	6,088,889,764
Cost of sales	(10,273,971,964)	(6,948,543,163)	(5,862,040,117)	(5,169,060,783)	(4,939,056,502)	(5,193,911,699)
GROSS PROFIT	1,015,989,929	914,509,738	860,691,171	965,363,895	638,819,544	894,978,065
Distribution expenses	(207,020,855)	(167,111,014)	(153,476,336)	(291,888,742)	(284,254,590)	(273,849,205)
Administrative expenses	(271,369,378)	(240,332,519)	(198,099,318)	(175,231,633)	(158,891,253)	(165,777,878)
OPERATING PROFIT	537,599,696	507,066,205	509,115,517	498,243,520	195,673,701	455,350,982
Finance cost	(350,287,990)	(275,503,177)	(239,704,316)	(211,904,903)	(203,748,693)	(294,054,686)
Other income	56,513,137	106,655,675	17,849,819	36,616,630	17,958,134	2,405,886
Exchange gain - net	14,015,389	152,934,910	72,858,009	34,999,406	32,647,079	1,082,414
Provision for worker's welfare fund	(7,113,214)	(7,270,451)	(7,066,909)	(3,073,894)	(4,582,309)	(4,904,873)
Provision for worker's profit participation fund	(12,218,347)	(23,388,267)	(15,263,606)	(12,836,230)	-	-
PROFIT BEFORE TAX	238,508,671	460,494,895	337,788,513	342,044,529	37,947,912	159,879,723
Income tax expense	(86,580,493)	(46,658,608)	(29,495,558)	(73,075,620)	(34,032,170)	(62,104,205)
PROFIT / (LOSS) FOR THE YEAR	151,928,178	413,836,287	308,292,955	268,968,909	3,915,742	97,775,518
Basic Earning per share	1.24	3.38	2.96	3.08	0.04	1.12

KEY OPERATING AND FINANCIAL DATA FOR SIX YEARS FROM 2014-15 TO 2019-20

		2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
Summary of Cashflow Statement		2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
Cash Flows of operating activities	UoM	(422,187,291)	(163,931,752)	123,417,960	(408,988,365)	362,415,346	(67,908,656)
Cash Flows of investing activities		(333,475,941)	(593,944,570)	(184,167,679)	(459,776,813)	(37,726,071)	(85,583,755)
Cash Flows of financing activities		975,536,030	12,890,618	77,196,607	890,550,677	(353,140,151)	170,708,105
Effect of exchange rate changes		36,285	287,583	577,195	56,349	60,581	100,426
Net change in cash and cash equivalents		219,872,798	(744,985,704)	711,446,888	21,785,499	(28,450,876)	17,215,694
Cash & cash equivalents at end of the year		298,290,025	78,380,942	823,079,063	111,054,980	89,213,132	117,603,427
Profitability and Operating Ratios		2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
Gross profit	Percent	9.00%	11.63%	12.80%	15.74%	11.45%	14.70%
Net profit to sales	Percent	1.35%	5.26%	4.59%	4.38%	0.07%	1.61%
EBITDA margins to sales	Percent	6.78%	8.62%	9.99%	10.36%	6.10%	10.00%
Operating leverage	Percent						
Return on equity	Percent	2.24%	9.18%	7.47%	8.56%	0.13%	3.24%
Return on capital employed	Percent	7.17%	10.21%	11.19%	13.68%	6.11%	13.98%
Liquidity ratios		2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
Current	Times	1.37	1.48	1.38	1.32	1.37	1.32
Quick / Acid test ratio	Times	0.26	0.22	0.19	0.14	0.13	0.14
Cash to current liabilities	Times	0.05	0.01	0.04	0.02	0.02	0.03
Cash flows from operations to sales - (Operating cash flow / Net sales)		-4%	-2%	2%	-7%	6%	-1%
Activity / Turn Over Ratios		2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
Inventory turnover	Times	1.72	1.34	1.13	1.06	1.05	1.09
No. of days in inventory	Days	212.21	272.39	323.01	344.34	347.62	334.86
Debtors turnover	Times	9.92	9.73	11.06	13.25	12.88	12.15
No. of days in receivables	Days	36.79	37.51	33.00	27.55	28.34	30.04
Creditors turnover	Times	16.27	29.32	20.99	19.59	18.92	15.04
No. of days in payables	Days	22.43	12.45	17.39	18.63	19.29	24.27
Total assets turnover	Times	0.82	0.82	0.74	0.74	0.81	0.82
Fixed Assets turnover	Times	2.29	3.00	3.10	2.86	3.12	3.23
Operating Cycle		249.00	309.90	356.01	371.89	375.96	364.90
Investment / Market Ratios		2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
Earning per share	Rs.	1.24	3.38	2.96	3.08	0.04	1.12
Cash Dividend per share	Rs.	0.70	0.40	0.30	0.4118	0.2859	0.50
Dividend	%	7.00%	4.00%	3.00%	4.12%	2.86%	5.00%
Market value per share as at June 30	Rs.	19.06	27.02	37.58	-	-	-
Price earning (Market value price per share / EPS)	Times	15.37	7.99	12.70	-	-	-
Price to book ratio	Times	0.34	0.73	1.06	-	-	-
Dividend Yield	%	3.67%	1.48%	0.80%	-	-	-
Dividend payout	%	0.56	0.12	0.10	0.13	7.15	0.45
Dividend cover	Times	1.77	8.45	9.87	7.48	0.14	2.24
Bonus shares issued	Rs.	-	58,286,050	-	-	-	-
Bonus per share	%	-	5%	-	-	-	-
Break-up value per share without surplus on revaluation of property, plant and equipment	Rs.	33.87	33.18	30.73	29.41	25.91	25.57
Break-up value per share with surplus on revaluation of property, plant and equipment	Rs.	55.29	36.82	35.42	35.95	34.35	34.52
Capital Structure Ratios		2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
Financial leverage	Times	1.04	1.12	1.19	1.62	1.30	1.47
Debt to Equity	%	11 : 89	11 : 89	11 : 89	16 : 84	8 : 92	9 : 91
Interest cover	Times	1.53	1.84	2.12	2.35	0.96	1.55

PATTERN OF SHAREHOLDING

As on June 30,2020

Form 34

Sr. No.	No of Shares Holders	Shareholding		Total Shareheld	Percentage
		From	To		
1	316	1	100	10,009	0.01%
2	241	101	500	94,173	0.08%
3	873	501	1,000	539,965	0.44%
4	996	1,001	5,000	2,174,978	1.78%
5	230	5,001	10,000	1,713,862	1.40%
6	76	10,001	15,000	925,695	0.76%
7	61	15,001	20,000	1,125,700	0.92%
8	43	20,001	25,000	976,500	0.80%
9	19	25,001	30,000	540,150	0.44%
10	14	30,001	35,000	465,375	0.38%
11	16	35,001	40,000	610,407	0.50%
12	9	40,001	45,000	383,853	0.31%
13	12	45,001	50,000	595,775	0.49%
14	5	50,001	55,000	259,000	0.21%
15	5	55,001	60,000	282,954	0.23%
16	4	60,001	65,000	253,500	0.21%
17	1	65,001	70,000	70,000	0.06%
18	3	70,001	75,000	216,875	0.18%
19	2	75,001	80,000	158,750	0.13%
20	2	80,001	85,000	168,000	0.14%
21	1	85,001	90,000	88,500	0.07%
22	2	90,001	95,000	186,500	0.15%
23	5	95,001	100,000	500,000	0.41%
24	3	100,001	105,000	314,000	0.26%
25	3	105,001	110,000	321,250	0.26%
26	1	110,001	115,000	112,556	0.09%
27	1	115,001	120,000	120,000	0.10%
28	3	120,001	125,000	368,000	0.30%
29	1	125,001	130,000	130,000	0.11%
30	3	130,001	135,000	395,275	0.32%
31	1	135,001	140,000	140,000	0.11%
32	3	145,001	150,000	448,500	0.37%
33	1	160,001	165,000	160,500	0.13%
34	2	185,001	190,000	376,500	0.31%
35	2	195,001	200,000	400,000	0.33%

As on June 30,2020

Form 34

Sr. No.	No of Shares Holders	Shareholding		Total Shareheld	Percentage
		From	To		
36	1	240,001	245,000	245,000	0.20%
37	2	255,001	260,000	519,326	0.42%
38	1	300,001	305,000	300,750	0.25%
39	1	360,001	365,000	361,973	0.30%
40	1	395,001	400,000	397,500	0.32%
41	1	415,001	420,000	420,000	0.34%
42	1	425,001	430,000	425,250	0.35%
43	2	445,001	450,000	897,750	0.73%
44	1	450,001	455,000	451,000	0.37%
45	1	485,001	490,000	489,500	0.40%
46	1	490,001	495,000	493,250	0.40%
47	1	805,001	810,000	806,000	0.66%
48	1	1,205,001	1,210,000	1,206,500	0.99%
49	1	1,495,001	1,500,000	1,500,000	1.23%
50	1	2,170,001	2,175,000	2,174,500	1.78%
51	1	2,805,001	2,810,000	2,809,500	2.30%
52	1	2,865,001	2,870,000	2,865,500	2.34%
53	1	18,360,001	18,365,000	18,360,109	15.00%
54	1	23,960,001	23,965,000	23,964,021	19.58%
55	1	24,030,001	24,035,000	24,031,271	19.63%
56	1	24,050,001	24,055,000	24,054,896	19.65%
	2,983			122,400,698	100.00%

CATEGORIES OF SHAREHOLDERS

As on June 30, 2020

Sr. No	Categories	Number of Shareholders	Shares Held	Percentage
1	Directors, Chief Executive Officer, their Spouses and Children	12	74,230,411	60.65%
2	Executives	8	14,825	0.01%
3	Bank, Development Finance Institution, Non Banking Finance Companies	1	2,800	0.00%
4	Insurance Companies	1	2,809,500	2.30%
5	Associated Companies, undertakings & related parties	2	18,780,109	15.34%
6	Mutual Funds	8	1,559,026	1.27%
7	General Public (Local)	2,912	18,752,957	15.32%
8	General Public (Foreign)	3	4,575	0.00%
9	Miscellaneous	36	6,246,495	5.10%
	Total	2,983	122,400,698	100%

INFORMATION REQUIRED

Under Companies Act, 2017

	Number of Shareholders	Shares Held
DIRECTORS, THEIR SPOUSES AND MINOR CHILDREN		
MR. JAWED ALI GHORI	1	23,964,021
MR. KHALID SARFARAZ GHORI	1	24,031,271
DR. TARIQ GHORI	1	24,054,896
MR. FAIZAN ALI GHORI	1	493,250
MRS. NAHEED JAWED	1	448,875
MRS. NUZHAT KHALID GHORI	1	448,875
MRS. SADAF TARIQ	1	425,250
SYED KAMRAN RASHEED	1	500
MR. ABDUL SAMAD KHAN	1	500
MRS. FARYAL MURTAZA	1	500
MR. MURTAZA MAHFOOZ TALIB	1	361,973
MS. UMME HABIBAH	1	500
	12	74,230,411

EXECUTIVES:

FALAK JAWED GHORI	1	7,875
WAJEEHA KHAN	1	2,100
SHAIKH SOHAIL ASIF	1	1,050
AKHTARUL HAQUE	1	525
MUHAMMAD IFTIKHAR UDDIN FAROOQUI	1	125
IQBAL HUSSAIN	1	2,100
MUHAMMAD YAWAR IQBAL	1	525
MUHAMMAD ARFAT KHAN	1	525
	8	14,825

ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES

INTERNATIONAL FINANCE CORPORATION	1	18,360,109
TRUSTEES OF GHORI TRUST	1	420,000
	2	18,780,109

BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE COMPANIES

FIRST CREDIT & INVESTMENT BANK LIMITED	1	2,800
	1	2,800

INSURANCE COMPANIES

EFU LIFE ASSURANCE LTD	1	2,809,500
	1	2,809,500

MUTUAL FUNDS

CDC- TRUSTEE AKD OPPORTUNITY FUND	1	806,000
CDC- TRUSTEE NBP STOCK FUND	1	15,450
CDC- TRUSTEE NBP BALANCED FUND	1	131,000
CDC- TRUSTEE NBP SARMAYA IZAFAT FUND	1	1,250
MCBFSL- TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	1	3,000
CDC- TRUSTEE AWT STOCK FUND	1	83,000
CDC- TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	259,663
CDC- TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	259,663
	8	1,559,026

MISCELLANEOUS	PERCENTAGE	SHARES
RETIREMENT FUNDS	7	150,537
PUBLIC, PRIVATE AND OTHER ENTITIES	28	6,095,905
OTHERS	1	53
	36	6,246,495

SHARE HOLDERS HOLDING 5% OR MORE	PERCENTAGE	SHARES
DR. TARIQ GHORI	19.65%	24,054,896
MR. KHALID SARFARAZ GHORI	19.63%	24,031,271
MR. JAWED ALI GHORI	19.58%	23,964,021
INTERNATIONAL FINANCE CORPORATION	15.00%	18,360,109
	73.86%	90,410,297

TRADES IN SHARES BY DIRECTORS, EXECUTIVES, THEIR SPOUSES AND MINOR CHILDREN DURING 2019-20:

Following transactions were made by directors and related party:

- Director:- Mr. Faizan Ali Ghorri bought 274,000 shares.
 Director:- Mr. Faizan Ali Ghorri gifted 169,000 shares to Mr. Jawed Ali Ghorri.
 Director:- Mr. Jawed Ali Ghorri received 169,000 shares from Mr. Faizan Ali Ghorri as gift.

Other than above, no trade in shares was made by Directors, Executives, their spouses and minor children from July 01, 2019 to June 30, 2020 in the shares of Company.

إِنَّا لِلّٰهِ وَإِنَّا إِلَيْهِ رَاجِعُونَ

CONDOLENCE

The Directors, Management and Staff of Matco Foods Limited express profound grief on the sad demise of

Engr. NAEEM UR REHMAN AKHOOND

(Ex. Sr General Manager SSGC)

Independent Director Matco Foods Limited

on the 01st of June, 2020.

May ALLAH Almighty rest his soul in peace and give courage to his family and loved ones to bear this loss with fortitude.

His services and contributions for the Company will be long remembered.



MATCO FOODS LIMITED

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Company: MATCO FOODS LIMITED
Year Ended: June 30, 2020

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are nine as per the following:
 - a. Male: Seven
 - b. Female: Two
2. The composition of the Board is as follows:

Category	Names
a) Independent	Mr. Agha Ahmed Shah* Syed Kamran Rasheed Mr. Abdul Samad Khan Ms. Umme Habibah
b) Other Non-executive Directors	Mr. Jawed Ali Ghorri Mrs. Faryal Murtaza
c) Executive Director	Mr. Khalid Sarfaraz Ghorri Mr. Tariq Ghorri Mr. Faizan Ali Ghorri

* Due to sad demise of former director Mr. Naeem ur Rehman Akhoond (late). New Director has been appointed by the Board through resolution by circular on August 24, 2020.

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and these Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Company stands complied with the requirement of having half of the directors of the board Director's Training Program (DTP) certified as prescribed under the sub clause 1(i) of regulation no. 19 of the Regulations as out of total seven (9) directors, the total number of certified directors of the Company stands five (5). The remaining four (4) directors shall obtain certification under the DTP in due course of time.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. Chief Executive Officer and Chief Financial Officer duly endorsed the financial statements before the approval of the Board.

12. The Board has formed Committees comprising of members given below:

a) Audit Committee:

Syed Kamran Rasheed- Chairman
Mr. Abdul Samad Khan – Member
Mr. Agha Ahmed Shah – Member*

* He has replaced the former director Mr. Naeem ur Rehman Akhoond (late) as member of Audit Committee, whereas, Syed Kamran Rasheed has been designated as Chairman of the Committee.

a) HR and Remuneration Committee:

Ms. Umme Habibah – Chairman
Mr. Jawed Ali Ghorri- Member
Mr. Khalid Sarfaraz Ghorri- Member
Mrs. Faryal Murtaza- Member
Mr. Faizan Ali Ghorri- Member

b) Risk Management Committee: (No separate committee formed, as its issues are deliberated in Board meetings)

c) Nomination Committee (No separate committee formed, as its issues are deliberated in Board meetings)

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.

14. The frequency of meetings of the committee were as per following:

- a. Audit Committee – 04 Meetings were held during FY 2019-20
- b. HR and Remuneration Committee – 01 Meeting were held during FY 2019-20

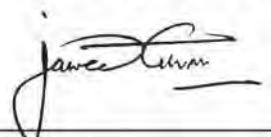
15. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and conversant with the policies and procedures of the Company;

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), and registered with Audit Oversight Board of Pakistan that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan (ICAP) and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all other requirements of the Regulations 3,6,7,8,27,32,33 and 36 have been complied with.

For and on behalf of Board of Directors



Jawed Ali Ghor
Chairman

Karachi
Dated: September 10, 2020

Independent Auditor's Review Report

To the members of Matco Foods Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Matco Foods Limited (the Company) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the Regulations as applicable to the Company for the year ended June 30, 2020.

Grant Thornton Anjum Rahman
Chartered Accountants
Karachi
September 25, 2020

Independent Auditor's Report

TO THE MEMBERS OF MATCO FOODS LIMITED

REPORT ON THE AUDIT OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the annexed unconsolidated financial statements of Matco Foods Limited (the Company), which comprise the unconsolidated statement of financial position as at June 30, 2020, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated 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 unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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 profit and 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 Unconsolidated 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. NO.	KEY AUDIT MATTERS	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
1.	<p>Revaluation of property, plant and equipment</p> <p>As of June 30, 2020 the carrying amount of Operating fixed assets as disclosed in note 20 of accompanying unconsolidated financial statements amounted to Rs. 4,876 million (2019: Rs. 2,614 million), which represents 35% of the Company's total assets.</p> <p>The highly judgmental and subjective nature of valuation coupled with the significance to the financial statements results in operating fixed assets being an area of audit focus. The Company last valued its operating fixed assets in 2014.</p> <p>Management engaged an independent valuer approved by the Pakistan Bankers Association (PBA) to determine the fair value of these assets. As a result of full scope valuation a revaluation surplus of Rs. 2,234 million has been recorded in accompanying unconsolidated statement of financial position to increase the carrying amount of assets to Rs. 4,876 million to its fair value.</p> <p>Valuation of operating fixed assets was significant to our audit due to its magnitude and is highly dependent on a range of estimates that require significant management judgement</p>	<ul style="list-style-type: none"> As part of our audit, we have performed the following audit procedures: <ul style="list-style-type: none"> Assessed the competence, qualifications, independence and objectivity of the external valuer; Assessed the significant assumptions applied by the valuer including the valuation methods applied, replacement cost assumptions, assets condition assessments and the effect of optimization on the overall value; Considered the data provided by the Company to the independent valuer, for use as inputs to the valuations on a sample basis to assess accuracy and completeness; Engaged auditor's expert to evaluate appropriateness of valuation of management experts; and Evaluated the appropriateness an adequacy of disclosures in the unconsolidated financial statements; and Ensured that all assets of the class were revalued
2.	<p>Initial application of IFRS 16</p> <p>As stated in note 6 to the unconsolidated financial statements, with effect from July 01, 2019, the International Financial Reporting Standard (IFRS) 16 "Leases" became applicable to the Company. Accordingly, the Company has applied the said new standard for the first time in the preparation of its unconsolidated financial statements for the year ended June 30, 2020</p>	<p>As part of our audit, we have performed the following audit procedures:</p> <ul style="list-style-type: none"> Obtained an understanding of the Company's processes and related internal controls for lease accounting, including those relating to assessment of discount rates, lease term and extension options and considered their appropriateness; <p>On a sample basis, tested the lease data by comparing the lease agreement with related IFRS 16 lease calculations</p>

S. NO.	KEY AUDIT MATTERS	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
	Under the requirement of IFRS 16, the Company recognized right of use assets and lease liabilities for certain lease payments- i.e. these leases are on the statement of financial position. The application of this standard requires management to make judgements, estimates and assumptions with regard to lease term and discount rate for calculation of lease liabilities and consequently considered as a key audit matter.	<ul style="list-style-type: none"> Tested, on a sample basis, the calculation of right of use asset and lease liabilities by performing recalculations and tracing the terms with relevant supporting documents; We also considered the adequacy of the related disclosures and assessed these are in accordance with the applicable financial reporting standards and the Companies Act, 2017.
3.	Valuation of Stock in Trade As at June 30, 2020, the Company held stock in trade amounting to Rs. 6,642 million (2019: Rs. 5,205 million) as disclosed in note 25 of accompanying unconsolidated financial statements. The stock in trade account for 76.6% (2019: 76.2%) of the total current assets. The value of stock is based on the purchase price using weighted average method. Therefore, the Company is exposed to the risk of valuation of stock in trade as a result of volatility in prices. The Company is required to measure its stock in trade at the lower of cost and net realizable value (NRV). There is an element of judgement involved relating to the valuation, which is required for the estimation of the NRV and allowance for slow-moving and obsolete stock in trades. Such estimation is made after taking into consideration factors such as movement in prices, current and expected future market demands and pricing competitions. This was the key audit mater because of its materiality and significance in terms of judgments involved in estimating the NRV of underlying inventories.	As part of our audit, we have performed the following audit procedures: <ul style="list-style-type: none"> Attended the stock counts at locations to observe the stock count process and evaluate the condition of stock in trade. Tested the valuation method used by the management in valuation of stock in trade. Compared on sample basis specific purchases with underlying supporting documents. Evaluated the appropriateness of the basis and processes used by management in determining the net realizable value of stock in trade. Performed testing on sample of items to assess the NRV of the inventories held and evaluating the adequacy of provision for slow moving and obsolete stock. Reviewed the adequacy of the disclosures on stock in trade in the unconsolidated financial statements

Information other than the Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the unconsolidated financial statements and our auditor's report thereon.

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

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated 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.

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

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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.

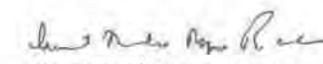
From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation 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 unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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


Chartered Accountants

Karachi
Date: September 25, 2020

MATCO FOODS LIMITED

Unconsolidated Statement of Financial Position

As At June 30, 2020

		2020	2019
		-----Rupees-----	
EQUITY AND LIABILITIES			
Share capital and reserves	Note		
Authorized share capital	7.1	2,000,000,000	2,000,000,000
Issued, subscribed and paid up share capital	7.2	1,224,006,980	1,224,006,980
Capital reserve	8	680,467,220	680,467,220
Unappropriated profit		2,241,380,358	2,157,355,170
Surplus on revaluation of property, plant and equipment - net of tax	9	2,622,193,143	445,144,929
Total shareholders' equity		6,768,047,701	4,506,974,299
Non-current liabilities			
Long-term finances-secured	10	396,447,541	265,191,113
Lease liabilities	11	120,977,441	44,763,773
Deferred liabilities	12	205,636,300	146,803,371
Deferred grant	13	2,317,051	-
Deferred income		-	269,842
Total non-current liabilities		725,378,333	457,028,099
Current liabilities			
Trade and other payables	14	1,015,172,075	240,103,601
Advance from customers - secured		51,979,051	58,666,494
Accrued mark-up	15	56,305,363	64,696,362
Due to related party	16	6,970,908	7,974,096
Short-term borrowings-secured	17	5,115,897,038	4,139,227,403
Current portion of deferred grant	13	3,807,127	-
Current portion of long term finances-secured	10	57,673,116	86,709,085
Current portion of lease liabilities	11	21,497,206	13,094,930
Unpaid dividend	18	13,555,468	489,804
Total current liabilities		6,342,857,352	4,610,961,775
Total liabilities		7,068,235,685	5,067,989,874
Contingencies and commitments	19		
Total equity and liabilities		13,836,283,386	9,574,964,173

The annexed notes from 1 to 52 form an integral part of these unconsolidated financial statements.

MATCO FOODS LIMITED

Unconsolidated Statement of Financial Position

As At June 30, 2020

		2020	2019
		-----Rupees-----	
ASSETS	Note		
Non-current assets			
Property, plant and equipment	20	4,938,035,706	2,620,484,642
Right-of-use assets	21	159,940,356	83,094,097
Intangible assets	22	-	-
Long term deposits		12,578,078	9,938,831
Long term investments	23	55,582,707	31,082,707
Total non-current assets		5,166,136,847	2,744,600,277
Current assets			
Stores, spares and loose tools	24	45,022,530	23,107,682
Stock in trade	25	6,642,523,350	5,204,978,692
Trade debts	26	1,334,500,510	941,093,236
Loans and advances	27	118,619,714	355,385,133
Trade deposits and short term prepayments	28	8,164,088	5,268,471
Short-term investment		263,440	255,362
Other receivables	29	171,694,202	188,843,920
Taxation - net		51,068,680	33,050,458
Cash and bank balances	30	298,290,025	78,380,942
Total current assets		8,670,146,539	6,830,363,896
Total assets		13,836,283,386	9,574,964,173

The annexed notes from 1 to 52 form an integral part of these unconsolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director



Chief Executive Officer



Chief Financial Officer



Director

MATCO FOODS LIMITED

Unconsolidated Statement of Profit Or Loss
For The Year Ended June 30, 2020

	Note	2020 -----Rupees-----	2019
Sales - net	31	11,289,961,893	7,863,052,901
Cost of sales	32	(10,273,971,964)	(6,948,543,163)
GROSS PROFIT		1,015,989,929	914,509,738
Selling and Distribution	33	(207,020,855)	(161,007,642)
Administrative expenses	34	(271,369,378)	(240,332,519)
		(478,390,233)	(401,340,161)
		537,599,696	513,169,577
Impairment loss on financial assets	26.4	-	(6,103,372)
Finance cost	35	(350,287,990)	(275,503,177)
Other income	36	56,513,137	106,655,675
Exchange gain - net	37	14,015,389	152,934,910
Provision for worker's welfare fund	14.1	(7,113,214)	(7,270,451)
Provision for worker's profit participation fund	14.2	(12,218,347)	(23,388,267)
PROFIT BEFORE TAX		238,508,671	460,494,895
Income tax expense	38	(86,580,493)	(46,658,608)
PROFIT FOR THE YEAR		151,928,178	413,836,287
EARNINGS PER SHARE - BASIC AND DILUTED	43	1.24	3.38

The annexed notes from 1 to 52 form an integral part of these unconsolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

MATCO FOODS LIMITED

Unconsolidated Statement of Comprehensive Income
For The Year Ended June 30, 2020

	Note	2020 -----Rupees-----	2019
PROFIT FOR THE YEAR		151,928,178	413,836,287
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified subsequently to the unconsolidated statement of profit or loss</i>		-	-
<i>Items that will not to be reclassified subsequently to the unconsolidated statement of profit or loss</i>			
- Remeasurement of defined benefits obligation	12.2.5	(1,657,557)	(2,409,511)
- Surplus on revaluation of fixed assets - net of deferred tax		2,196,483,270	-
- Deferred tax on disposal of land and building		-	4,789,032
- Deferred tax on incremental depreciation		-	9,334,191
Other comprehensive income		2,194,825,713	11,713,712
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,346,753,891	425,549,999

The annexed notes from 1 to 52 form an integral part of these unconsolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

MATCO FOODS LIMITED

Consolidated Statement of Cash Flow
For The Year Ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		238,508,671	460,494,895
Adjustments for:			
Depreciation	20	228,317,653	171,098,344
Depreciation on right of use		22,924,119	-
Exchange gain - net	37	(14,051,674)	(152,934,910)
Provision of doubtful debts		-	6,103,372
Short-term investment		(8,078)	-
(Reversal)/Provision for slow moving stock		(10,467,381)	9,916,664
Finance cost	35	362,335,465	275,503,177
Provision for staff gratuity	12.2	31,124,823	18,316,536
Amortization of deferred income	36	(269,842)	(362,666)
Gain on disposal of property, plant and equipment	36	(1,235,627)	(73,325,589)
		618,669,458	254,314,928
		857,178,129	714,809,823
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spares and loose tools		(21,914,848)	(4,380,414)
Stock-in-trade		(1,427,077,277)	(75,914,560)
Trade debts - considered good		(379,391,885)	(119,798,075)
Loans and advances		236,765,419	(271,653,082)
Trade deposits and prepayments		(2,895,617)	5,574,967
Other receivables		17,149,718	(103,473,974)
		(1,577,364,490)	(569,645,138)
Increase / (decrease) in current liabilities			
Trade and other payables		775,068,474	22,149,245
Due to related party		(1,003,188)	-
Deferred grant		6,124,178	-
Advances from customers		(6,687,443)	33,782,823
		773,502,021	55,932,068
Cash generated from operations		53,315,660	201,096,753
Finance cost paid		(358,678,989)	(259,574,243)
Income taxes paid		(112,928,026)	(102,019,982)
Gratuity paid	12.2	(3,895,936)	(3,434,280)
Net cash used in operating activities		(422,187,291)	(163,931,752)

MATCO FOODS LIMITED

Unconsolidated Statement of Cash Flow
For The Year Ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure including capital work in progress		(314,791,494)	(806,386,032)
Proceeds from disposal of property, plant and equipment		8,454,800	209,331,500
Investment in Joint Venture		(24,500,000)	-
Long-term deposits		(2,639,247)	3,109,962
Net cash used in investing activities		(333,475,941)	(593,944,570)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term finances - net		102,220,459	21,313,624
lease rentals paid during the year		(30,739,239)	(19,731,622)
Dividend paid		(72,614,825)	(46,139,034)
Short-term borrowings - net		976,669,635	57,447,650
Net cash generated from financing activities		975,536,030	12,890,618
Net change in cash and cash equivalents during the year		219,872,798	(744,985,704)
Cash and cash equivalents as at the beginning of year		78,380,942	823,079,063
Effects of exchange rate changes on cash and cash equivalents		36,285	287,583
Cash and cash equivalents as at the end of year	30	298,290,025	78,380,942

The annexed notes from 1 to 52 form an integral part of these unconsolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

MATCO FOODS LIMITED

Unconsolidated Statement of Changes In Equity For The Year Ended June 30, 2020

	Issued, subscribed and paid up share capital	Capital reserve Share premium reserve	Unappropriated profit	Surplus on revaluation of property, plant and equipment -net of	Total
	-----Rupees-----				
Balance as on June 30, 2018	1,165,720,940	739,367,162	1,676,797,324	546,781,614	4,128,667,040
Total comprehensive income for the year					
Profit for the year	-	-	413,836,287	-	413,836,287
Other comprehensive income	-	-	11,713,712	-	11,713,712
Total comprehensive income	-	-	425,549,999	-	425,549,999
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation net of tax - (note 9)	-	-	21,779,780	(21,779,780)	-
Transferred from surplus on revaluation of property, plant and equipment on account of disposal of land and building	-	-	79,856,905	(79,856,905)	-
Preliminary expenses incurred for IPO	-	(613,902)	-	-	(613,902)
Transactions with owners					
Bonus shares issued in the ratio of 5 shares for every 100 shares held	58,286,040	(58,286,040)	-	-	-
Dividend paid @ Re. 0.4 per share	-	-	(46,628,838)	-	(46,628,838)
Balance as on June 30, 2019	<u>1,224,006,980</u>	<u>680,467,220</u>	<u>2,157,355,170</u>	<u>445,144,929</u>	<u>4,506,974,299</u>
Balance as on July 01, 2019	<u>1,224,006,980</u>	<u>680,467,220</u>	<u>2,157,355,170</u>	<u>445,144,929</u>	<u>4,506,974,299</u>
Total comprehensive income for the year					
Profit for the year	-	-	151,928,178	-	151,928,178
Other comprehensive income	-	-	(1,657,557)	2,196,483,270	2,194,825,713
Total comprehensive income	-	-	150,270,621	2,196,483,270	2,346,753,891
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation net of tax -	-	-	19,435,056	(19,435,056)	-
Transactions with owners					
Dividend paid @ Re. 0.7 per share	-	-	(85,680,489)	-	(85,680,489)
Balance as on June 30, 2020	<u>1,224,006,980</u>	<u>680,467,220</u>	<u>2,241,380,358</u>	<u>2,622,193,143</u>	<u>6,768,047,701</u>

The annexed notes from 1 to 52 form an integral part of these unconsolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

1 STATUS AND NATURE OF BUSINESS

Matco Foods Limited, ('the Company') was incorporated on April 14, 1990 in Karachi as a private limited company under the repealed Companies Ordinance, 1984 (Now: Companies Act, 2017). The Company was listed on Pakistan Stock Exchange Limited on February 13, 2018. The principal activity of the Company is to carry out the business of processing, export of rice, rice glucose, rice protein and trade of biscuits, pink salt, bran oil, masala and kheer. The registered office of the Company is situated at B-1/A, S.I.T.E.-II Phase 1, Super Highway Industrial Area, Karachi; whereas the factories of the Company are situated at (i) Plot A-15 & 16, SITE-II, Super highway Karachi; (ii) A-21, SITE-II, Super highway Karachi; (iii) G-205, SITE-II, Super highway Karachi and (iv) 50 KM G.T Road, Sadhoke, Tehsil Kamoke, District Gujranwala.

The Company has 100% ownership in JKT General Trading FZE (subsidiary) a U.A.E. based company which is situated at P.O.Box 123347, Sharjah- U.A.E, and registered with Government of Sharjah. The business of the subsidiary is purchasing and selling of processed rice.

The Company has 99.99% ownership in Matco Marketing (Private) Limited (subsidiary) which was incorporated on June 16, 2016 with authorized and paid-up share capital of PKR 10,000,000 and PKR 7,500,000 respectively. The subsidiary is situated at B-1/A, S.I.T.E. Phase 1, Super Highway Industrial Area, Karachi. However, no business activity has been carried out by the subsidiary since its incorporation.

These are the separate financial statements of the Company in which investments in subsidiaries and joint venture are stated at cost less impairment losses, if any.

2 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

During the year, revaluation carried out on property, plant and equipment that has resulted in a revaluation surplus of Rs. 2,235 million as at June 30, 2020.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These unconsolidated 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 Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- 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 Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed in preparation of these unconsolidated financial statements.

MATCO FOODS LIMITED
Notes To The Unconsolidated Financial Statements
For The Year Ended June 30, 2020

3.2 Basis of measurement

These unconsolidated financial statements have been prepared under the historical cost convention except as stated otherwise in these unconsolidated financial statements.

3.3 Functional and presentation currency

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

3.4 Standards, Amendments and Interpretations to Approved Accounting Standards

3.4.1 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)
IFRS 14 'Regulatory Deferral accounts'	July 1, 2019
IFRS 16 'Leases'	January 1, 2019
IAS 12 'Income tax consequences of payments on financial instruments classified as equity'	January 1, 2019
IAS 23 Borrowing costs eligible for capitalization	January 1, 2019
IFRS 3 Previously held interest in a joint operation	January 1, 2019
IFRS 9 Prepayment features with negative compensation	January 1, 2019
IFRS 11 Previously held interest in a joint operation	January 1, 2019
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
IAS 19 'Plan Amendment, Curtail or Settlement' (Amendments to IAS 19)	January 1, 2019
Annual improvements to IFRSs 2015 - 2017 Cycle	January 1, 2019

The impact of IFRS-16 has been disclosed in the note 6 of these unconsolidated financial statements. Further, the adoption of other standards does not have any impact on these unconsolidated financial statements.

MATCO FOODS LIMITED
Notes To The Unconsolidated Financial Statements
For The Year Ended June 30, 2020

3.4.2 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 July 01, 2019 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.

3.4.3 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 3 'Definition of a business' Amendment to IFRS 3	January 1, 2020
IAS 1/IAS 8 'Definition of Material' (Amendments to IAS 1 and IAS 8)	January 1, 2020

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 7, IFRS 9, and IAS 39 - Interest Rate Benchmark Reform	January 1, 2020
Various Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020

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

3.4.4 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 17 - Insurance Contracts	January 1, 2021
IFRS 1 - First time adoption of International Financial Reporting Standards	July 01, 2009

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements

For The Year Ended June 30, 2020

4

CRITICAL ASSUMPTIONS AND ESTIMATES

The preparation of these unconsolidated financial statements in conformity with approved financial reporting framework requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events 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 estimates are revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the unconsolidated financial statements are as follows:

	Note
(a) useful lives of property, plant and equipment	5.1
(b) impairment of financial assets	5.5
(c) staff retirement plan	5.9
(d) income taxes	5.12
(e) trade and other payables	5.16
(f) contingencies	5.17
(g) provisions	5.22
(h) impairment of non-financial asset	5.24

5

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies have been applied on consistent basis except as disclosed in note 6. These policies have been adopted in the preparation of these unconsolidated financial statements are as follows:

5.1

Property, plant and equipment

Items of property, plant and equipment other than land, factory buildings, plant and machinery and generators are measured at cost less accumulated depreciation and impairment loss (if any).

Land, factory buildings, plant and machinery and generators are measured at the revalued amount less accumulated depreciation and impairment loss (if any).

Revaluation model

Any revaluation increase arising on the revaluation of land, factory buildings, plant and machinery and generators is recognised in statement of other comprehensive income and presented as a separate component of equity as “Revaluation surplus on property, plant and equipment- net of tax”, except to the

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements

For The Year Ended June 30, 2020

extent that it reverses a revaluation decrease for the same asset previously recognised in statement of profit or loss, in which case the increase is credited to statement of profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation is charged to profit or loss to the extent that it exceeds the balance, if any, held in the Revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The surplus on revaluation of buildings, plant and machinery and generators to the extent of incremental depreciation charged (net of deferred tax) is transferred to unappropriated profit.

Depreciation

Depreciation is charged so as to write off the cost or revalued amount of assets (other than land and capital work in progress) over their estimated useful lives, using the diminishing balance method at rates specified in note 20.1 to the unconsolidated financial statements. Depreciation on addition is charged from the day an asset is available for use upto the day prior to its disposal.

Gains and losses on disposal of assets are taken to the statement of profit or loss, and related surplus on revaluation of property and plant is transferred directly to retained earnings / unappropriated profits.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The Company's estimate of residual value of property, plant and equipment as at June 30, 2020 did not require any adjustment.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. Cost also includes applicable borrowing cost. These are transferred to specific assets as and when assets are available for use.

5.2

Right-of-use assets and related liabilities

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 underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects 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. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

Intangible assets

Intangible assets having definite useful life are stated at cost less accumulated amortization and impairment losses, if any however, Intangible assets having indefinite life are stated at cost less impairment losses, if any.

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements

For The Year Ended June 30, 2020

Subsequent cost is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization is charged to the statement of profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Amortization on additions to intangible assets are charged from the month in which an asset is acquired or capitalized while no amortization is charged in the month in which the asset is disposed of.

All intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Where the carrying amount of an asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount. The carrying amount of other intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists than the assets recoverable amount is estimated. The recoverable amount is the greater of its value and fair value less cost to sell.

Useful lives of intangibles assets are reviewed at each reporting date and us adjusted if the impact on amortization is material.

5.4 Investments

5.4.1 Investment in subsidiary, joint venture and associated companies

Investment in subsidiary, joint venture and associated companies is initially recognized and carried at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in statement of profit or loss.

5.4.2 Other investments

All regular way purchases / sales of investment are recognized on the trade date, i.e., the date the Company commits to purchase / sell the investments. Regular way purchases or sales of investment require delivery of securities within the time frame generally established by regulation or convention in the market place.

5.5 IFRS 9 - Financial Instruments - initial recognition and subsequent measurement

Initial recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value or amortized cost as the case may be.

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements

For The Year Ended June 30, 2020

Classification of financial assets

The Company classifies its financial instruments in the following categories:

- at fair value through profit or loss ("FVTPL")
- at fair value through other comprehensive income ("FVTOCI"), or
- at amortized cost.

The Company determines the classifications of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

'By default, all other financial assets are subsequently measured at FVTPL.

Classification of financial liabilities

The Company classifies its financial liabilities in the following categories:

- at fair value through profit or loss ("FVTPL"), or
- at amortized cost

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instrument held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Subsequent measurement

i) Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognized in unconsolidated statement of other comprehensive income.

MATCO FOODS LIMITED
Notes To The Unconsolidated Financial Statements
For The Year Ended June 30, 2020

ii) Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost, and in the case of financial assets, less any impairment.

iii) Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the unconsolidated statement of profit or loss. Realised and unrealised gains and losses arising from changes in the fair value of financial assets and liabilities held at FVTPL are included in the unconsolidated statement of profit or loss in the period in which they arise.

Where the management has opted to recognise a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognised in other comprehensive income/(loss). Currently, there are no financial liabilities designated at FVTPL.

Impairment of financial assets

The Company recognises loss allowance for Expected Credit Loss (ECL) on financial assets measured at amortized cost and FVTOCI at an amount equal to life time ECLs except for the financial assets in which there is no significant increase in credit risk since initial recognition or financial assets which are determine to have low credit risk at the reporting date, in which case twelve months' ECL is recorded. The following were either determined to have low or there was no credit risk since initial recognition and at the reporting date:

- bank balances;
- deposits; and
- loan and advances

Loss allowance for trade receivables are always measured at an amount equal to life time ECLs.

Life time ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Twelve months ECLs are portion of ECL that result from default events that are possible within twelve months after the reporting date.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured at the present value of all cash short falls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the company expects to receive).

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in entirety or a portion thereof.

Derecognition

i) Financial assets

The Company derecognises financial assets only when the contractual rights to cash flows from the financial

MATCO FOODS LIMITED
Notes To The Unconsolidated Financial Statements
For The Year Ended June 30, 2020

assets expire or when it transfer the financial assets and substantially all the associated risks and reward of ownership to another entity. On derecognition of financial assets measured at amortized cost, the difference between the assets carrying value and the sum of the consideration received and receivable recognised in unconsolidated statement of profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve reclassified to unconsolidated statement of profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to unconsolidated statement of profit or loss, but is transferred to statement of changes in equity.

ii) Financial liabilities

The Company derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in unconsolidated statement of profit or loss account. The Company's financial liabilities include long term finances, trade and other payables, accrued markup and short term borrowing.

5.6 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the dates on which the derivative contracts are entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative instruments is taken to the unconsolidated statement of profit or loss.

5.7 Stores, spares and loose tools

These are valued at the cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice value plus other charges incurred thereon, up to the reporting date.

5.8 Stock-in-trade

These are valued at lower of cost and net realizable value less impairment loss, if any. Raw material is valued at moving weighted average cost, packing material is valued at cost, work in process is valued at manufacturing cost and finished goods is valued at cost allocated on sales value of finish and by-product for each job completion or net realizable value (NRV) whichever is lower.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

5.9 Staff retirement benefits

Defined benefit plan

The Company operates an unapproved gratuity scheme for its employees completing the eligibility period of service as defined under the plan. The scheme provides for a graduated scale of benefits dependent on the

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements

For The Year Ended June 30, 2020

length of service of an employee on terminal date, subject to the completion of minimum qualifying period of service. Gratuity is based on employees' last drawn basic salary.

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation carried out annually by an external expert, using the 'Projected Unit Credit Method'. All re-measurement gains and losses are recognized in 'Other Comprehensive Income' as these occur. The amount recognized in the statement of financial position represents the present value of defined benefit obligations.

5.10 Trade debts

These are measured at original invoice amount less an estimate made for allowance for expected credit loss based on the probability of default at reporting period. Bad debts are written off when identified.

5.11 Cash and cash equivalents

Cash and cash equivalents are carried in the unconsolidated statement of financial position at cost. For the purpose of statement cash flows, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amounts of cash and are subject to insignificant risk of change in value.

5.12 Taxation

Current

The charge for current tax is based on taxable income at current rates of taxation after taking into account tax credits, rebates and exemptions available, if any, or in accordance with the final tax regime, where applicable, of the Income Tax Ordinance, 2001 (the Ordinance) or the minimum tax under section 113 of the Ordinance or Alternate Corporate Tax (ACT) under section 113C of the said Ordinance, whichever is higher.

Deferred

Deferred tax is recognized using the statement of financial position liability method on all temporary differences between the carrying amount of the assets and liabilities and their tax bases.

Deferred tax liabilities are recognized for all major taxable temporary differences.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it becomes probable that future taxable profit will allow deferred tax asset to be recovered.

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

5.13 Borrowings and their costs

All borrowings are recorded at the proceeds received net of transaction cost. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements

For The Year Ended June 30, 2020

assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to unconsolidated statement of profit or loss in the period in which these are incurred.

5.14 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i. Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the entity's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

ii. Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

5.15 Deferred grant

The Company has obtained long term financing facility under State Bank of Pakistan Refinance Scheme for payment of wages and salaries to the Workers and Employees of Business Concerns ('Refinance Scheme'). It carries mark-up SBP rate plus 1%, payable on annual basis, which is below prevailing market-rate. The government's underlying objective for introducing the said Refinance Scheme for businesses is to support the employment of workers in the face of economic challenges posed by the spread of novel coronavirus (COVID-19).

The Refinance Scheme shall be considered as the transfer of resources from government as reflected by below-market mark-up rate on the loans obtained under the Refinance Scheme. The said transfer shall be accounted for as Government grant in accordance with the circular # 11 of 2020 issued by Institute of Chartered Accountants of Pakistan (ICAP).

Government grants are first recognised in the statement of financial position and then subsequently accounted for in the statement of profit or loss on a systematic basis over the periods in which the Company recognises as expense the related cost for which the grants were intended to compensate.

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

5.16 Trade and other payables

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

5.17 Contingencies

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

5.18 IFRS 15 'Revenue from Contracts with Customers'

The Company is in the business of the manufacture and sale of goods. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer and thereby the performance obligations are satisfied, at amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

The Company has concluded that based on the contractual arrangement control of goods are transferred and performance obligations are satisfied at a point in time when the goods are dispatched to the customers.

In case of export the control is transferred when the goods are shipped to the destination and Bill of Lading has been prepared, thus completing the performance obligation. Whereas in case of local sales, control is transferred when the goods are dispatched to customers from the warehouse.

5.19 Interest income

Interest income is recognized on a time proportion basis that takes into account the effective yield.

5.20 Foreign currency transaction & translation

Transactions in foreign currencies are accounted for in Pak Rupee at the rate of exchange prevailing on the date of transaction. Monetary assets and monetary liabilities in foreign currencies as at the reporting date are expressed in Rupee at rates of exchange prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Exchange differences are taken to the unconsolidated statement of profit or loss.

5.21 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are off-set and the net amount is reported in the unconsolidated financial statements only when the Company has a legally enforceable right to off-set the recognized amounts and the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

5.22 Provisions

A provision is recognized in the unconsolidated statement of financial position 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.

5.23 Operating segments

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. As the operations of the Company are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

The Company accounts for segment reporting using the business segments as the primary reporting format based on the Company's practice of reporting to the management on the same basis.

5.24 Impairment of non-financial assets

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated and accordingly an impairment loss is recognized in the statement of profit or loss account for the carrying amount of the asset that exceeds its recoverable amount.

5.25 Related party transactions

All related party transactions are carried out by the Company on arm's length basis.

5.26 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

5.27 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's unconsolidated financial statements in the period in which such dividends are approved by the Board.

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

6 CHANGE IN ACCOUNTING POLICY

i) IFRS 16 - Leases

During the year, SECP adopted IFRS 16 which supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of July 01, 2019. The reclassifications and the adjustments arising from adoption are therefore recognized in the opening statement of financial position as at July 1, 2019.

The effect of adoption IFRS 16 as at July 01, 2019 (increase/ (decrease)) is, as follows:

	---Rupees---
Assets	
Right-of-use assets	175,491,636
Property, plant and equipment	(83,094,097)
	---Rupees---
Liabilities	
Lease liabilities	150,256,242
Liabilities against assets subject to finance lease	(57,858,703)

The Company recognized right-of-use assets and lease liability for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount and the use of incremental borrowing rate (14%) at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liability, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liability were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

7 SHARE CAPITAL

7.1 Authorized Share Capital

2020	2019	
Number of shares		
200,000,000	200,000,000	Ordinary shares of Rs. 10 (2019: Rs. 10)

7.2 Issued, Subscribed And Paid Up Share Capital

2020	2019	
Number of shares		
50,340,213	50,340,213	Ordinary shares of Rs. 10 each:
6,002,950	6,002,950	- fully paid in cash
66,057,535	66,057,535	- issued for consideration other than cash
122,400,698	122,400,698	- issued as fully paid bonus shares

7.3 Shares held by the related parties of the Company

	2020	2019
Name of the shareholders	---Number of shares---	
Mr. Jawed Ali Ghori	23,964,021	23,795,021
Mr. Khalid Sarfaraz Ghori	24,031,271	24,031,271
Mr. Tariq Ghori	24,054,896	24,054,896
Ms. Naheed Jawed	448,875	448,875
Ms. Nuzhat Khalid Ghori	448,875	448,875
Ms. Sadaf Tariq	425,250	425,250
Mr. Faizan Ali Ghori	493,250	378,250
Mr. Syed Kamran Rasheed	500	500
Mr. Abdul Samad Khan	500	500
Mrs. Faryal Murtaza	342,973	340,473
Ms. Umme Habibah	500	500
International Finance Corporation	18,360,109	18,360,109

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

7.4 Reconciliation of number of shares outstanding is as under:

	2020	2019
	---Number of shares---	
Shares at the beginning of the year	122,400,698	116,572,094
Shares issued during the year in cash	-	-
Bonus shares issued during the year	-	5,828,604
Shares at the end of the year	122,400,698	122,400,698

7.5 The Company has issued 15% shares to International Finance Corporation (IFC) (registered with World Bank) under an agreement with the Company. During the year 2012, the Company offered shares as fully paid right shares which were declined by the existing members and the directors issued those shares to the IFC. These shares have been issued at a price of Rs. 39.28 per share resulting in overall premium from IFC on issue of shares amounting to Rs. 341.311 million.

8 CAPITAL RESERVE

Note

	2019	2018
	-----Rupees-----	
Share premium	680,467,220	680,467,220

8.1 - premium received over and above face value of the shares issued to IFC amounting to Rs. 341 million out of which Rs. 22.9 million had been utilized under section 83 of the repealed Companies Ordinance, 1984 (now section 81 of the Companies Act, 2017) during the year ended June 30, 2014.

- premium received over and above face value of the shares issued to general public through IPO amounting to Rs. 466.3 million out of which Rs. 45.9 million had been utilized under section 81 of the Companies Act, 2017 during the year ended June 30, 2018.

8.2 Premium received have been utilized for the purpose of distribution of dividend in accordance with Section 81 of the Companies Act, 2017.

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

9 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX

This represents surplus arising on revaluation of land, buildings, plant and machinery and generators, net of deferred tax. The revaluation was carried by Oceanic Surveyors (Private) Limited on June 29, 2020.

	Note	2020	2019
		-----Rupees-----	
Surplus on revaluation at the beginning of the year		515,233,189	630,993,097
Surplus on revaluation recognized during the year		2,234,759,065	-
Transferred to unappropriated profit in respect of disposal of property, plant and equipment		-	(84,645,937)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(27,764,366)	(31,113,971)
Surplus on revaluation of operating fixed assets as at June 30		2,722,227,888	515,233,189
Less: related deferred tax liability:			
- at beginning of the year		(70,088,260)	(84,211,483)
- on surplus arising on revaluation during the year		(38,275,795)	-
- on adjustment due to change in tax rate		-	-
- on disposed off during the year		-	4,789,032
- on incremental depreciation charged during the year		8,329,310	9,334,191
		2,622,193,143	445,144,929

10 LONG TERM FINANCES - SECURED

Note

From banking companies and financial institution:

		2020	2019
		-----Rupees-----	
- MCB Bank Limited	10.1 & 10.2	166,074,698	204,517,070
- Pak Oman Investment Company Limited	10.3	24,565,572	36,063,952
- United Bank Limited		-	5,557,076
- Soneri Bank Limited	10.4	30,000,000	48,000,000
- Habib Bank Limited	10.5 & 10.6	98,828,850	37,485,000
- Meezan Bank Limited	10.7	65,018,300	20,277,100
- MCB Islamic Bank Limited	10.8	69,633,237	-
		454,120,657	351,900,198
Current portion of long term finances		(57,673,116)	(86,709,085)
		396,447,541	265,191,113

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements

For The Year Ended June 30, 2020

- 10.1** This includes long term financing facility (LTFF) of Rs. 250 million (2019: Rs 250 million) for rice protein/rice glucose plant. It is secured by 1st pari passu hypothecation charge of Rs. 382.667 million (2019: Rs 382.667 million) over all present and future fixed assets (excluding land and building) of the Company. Further secured by 1st pari passu mortgage charge of Rs. 382.667 million over land and building (2019: Rs. 382.667 million). It carries mark-up at SBP rate plus 1.0% per annum (2019: SBP rate plus 1%). The Loan is repayable in quarterly installments starting from 15th month from first disbursement i.e. September 2017.
- 10.2** This also include LTFF/demand finance (DF) financing facility of Rs. 51.4 million (2019: Rs. 51.4 million) for plant & machinery expansion. It is secured by 1st hypothecation charge of Rs. 382.667 million (2019: Rs. 382.667 million) over all present and future fixed assets (excluding land and building). Further secured by 1st mortgage charge of Rs. 382.667 million (2019: Rs. 382.667 million) over land and building. It carries mark-up at 3 months KIBOR plus 1.0% per annum (2019: 3 months KIBOR plus 1.0% per annum). The loan is repayable in semi annual installments.
- 10.3** This also include LTFF financing facility of Rs. 60 million (2019: 60 million) for financing the import of paddy processing machinery at the Company's auto rice mill in Sadhoki Punjab. It is secured by 1st pari passu charge of Rs. 133 million (2019: Rs. 133 million) over fixed assets of the Company. This facility swap to Term Finance Facility and carries mark up at SBP rate plus 1% per annum.(2019: SBP rate plus 1% per annum). The loan is repayable in quarterly installments and shall be repaid by June 2023.
- 10.4** This include financing facility of DF Rs. 48 million (2019: 48 million) for acquisition of fixed assets to be utilized as a Godown and extension of business facility at Sadhoki Punjab. The facility is secured by 1st exclusive equitable mortgage charge of Rs. 73.478 million (2019: Rs. 73.478 million) duly registered with SECP, including TRM of Rs. 0.1 million and rest through EM over industrial property situated at Sadhoki, Punjab. DF carries mark up at 3 months KIBOR plus 1.5% (2019: 3 months KIBOR plus 1.5%). The loan is repayable in quarterly installments and shall be repaid by May 2022.
- 10.5** This include financing facility of LTFF Rs. 100 million (2019: 100 million) to meet in-house energy requirements under SBP renewable energy scheme. The facility is secured by ranking charge over plant and machinery of Rs. 134 million with 25% margin. LTFF carries mark up at SBP rate plus 1% (2019: SBP rate plus 1%). The loan is repayable in quarterly installments and shall be repaid in 10 years with one year Grace period.
- 10.6** This also includes financing facility of LTFF Rs. 62 million (2019: Nil) to meet in-house energy requirements under SBP renewable energy scheme. This facility is secured by fresh ranking charges over Land & Building and Plant & Machinery of Rs. 82.67Mn each (with 25% margin) will be registered for disbursement of Fresh LTF/TL. This charge will be upgraded within 120 days from the date of 1st disbursement. After the upgradation/perfection of HBL, ranking charge will be vacated. LTFF carries mark up at SBP rate plus 1% (2019: Nil). The loan is repayable in quarterly installments and repayment shall start from at the end of one or up to Feb 28, 2021 whichever is earlier.
- 10.7** This include Diminishing Musharakah Islamic long term financing facility(ILTFF) of Rs.100 million (2019: Rs. 100 million) to finance the import of various machineries & equipment. The facility is secured by exclusive hypothecation charge over specific DM asset. It carries mark up at SBP rate plus 2.5% (2019: SBP rate plus 2.5%). The loan is repayable in quarterly installments and shall be repaid in 05 years.

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements

For The Year Ended June 30, 2020

- 10.8** This include Diminishing Musharakah islamic long term financing facility(ILTFF) of Rs.160 million (2019: Nil) under SBP Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees as per the SBP Circular # 06 of 2020 dated: April 10, 2020. The facility is secured by 1st Pari Passu charge over plant and machinery / Exclusive charge over specific Machinery Assets with 25% margin. (Initial disbursement be against Ranking Charge, to be made exclusive within 180 days from the last disbursement), Assets will remain cover under Takaful coverage, till the full settlement of captioned facility. It carries mark up at SBP rate plus 1%. The loan is repayable in 8 quarterly installments.

	Note	2020	2019
		-----Rupees-----	
11 LEASE LIABILITIES			
Opening balance		57,858,703	41,510,709
Impact of adoption of IFRS-16		92,397,539	-
At July 1, 2019		150,256,242	41,510,709
Additions for the year		10,910,170	35,711,708
Accrued interest during the year		20,420,744	5,427,855
		181,587,155	82,650,272
Payment made during the year		(39,112,508)	(24,791,569)
		142,474,647	57,858,703
Current portion of lease liabilities		21,497,206	13,094,930
Non-current		120,977,441	44,763,773
11.1 Maturity analysis of lease liabilities			
Upto one year		21,497,206	13,094,930
After one year		120,977,441	44,763,773
Lease liabilities		142,474,647	57,858,703
12 DEFERRED LIABILITIES			
Deferred tax liability	12.1	100,034,745	70,088,260
Staff gratuity scheme - unfunded	12.2	105,601,555	76,715,111
		205,636,300	146,803,371

- 12.1** This represent deferred tax on surplus on revaluation of property, plant and equipment. Further, the Company has deferred tax asset amounting to Rs. 12.93 million (Rs. 2019: 16.69 million). However, the Company has not recorded deferred tax asset in the books of these unconsolidated financial statements.

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

		2020	2019
		-----Rupees-----	
12.2 Staff gratuity scheme - unfunded	Note		
Balance at beginning of the year		76,715,111	59,423,344
Charge for the year	12.2.7	31,124,823	18,316,536
Actuarial losses		1,657,557	2,409,511
Payments made during the year		(3,895,936)	(3,434,280)
Balance at end of the year	12.2.3	105,601,555	76,715,111

12.2.1 Staff retirement benefits - unfunded

In accordance with the requirements of IAS-19 "Employee Benefits", actuarial valuation was carried out as at June 30, 2020, using the "Projected Unit Credit Method". Provision has been made in these unconsolidated financial statements to cover obligations in accordance with the actuarial recommendations. Details of significant assumptions used for the valuation in respect of above-mentioned schemes are as follows:

	2020	2019
Discount rate - per annum	8.50%	14.25%
Expected rate of increase in salaries - per annum	7.50%	13.25%
Mortality rate	SLIC (2001-05)	SLIC (2001-05)

		2020	2019
		-----Rupees-----	
12.2.2 The amounts recognized in the unconsolidated statement of financial position are as follows:	Note		
Present value of defined benefit obligation	12.2.3	105,601,555	76,715,111
12.2.3 Movements in the net liability recognized in the unconsolidated statement of financial position are as follows:			
Opening liability		76,715,111	59,423,344
Charge for the year	12.2.4	31,124,823	18,316,536
Actuarial losses		1,657,557	2,409,511
Benefits paid		(3,895,936)	(3,434,280)
Balance at end of the year		105,601,555	76,715,111
12.2.4 The amounts recognized in the unconsolidated statement of profit or loss against defined benefit scheme are as follows:			
Current service cost		20,470,505	13,122,978
Interest cost		10,654,318	5,193,558
Charge for the year		31,124,823	18,316,536

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

		2020	2019
		-----Rupees-----	
12.2.5 The amounts recognized in the other comprehensive against defined benefit scheme are as follows:	Note		
Actuarial loss arising from			
- experience adjustment		1,657,557	2,409,511
		1,657,557	2,409,511
12.2.6 Expense chargeable to unconsolidated statement of profit or loss for the next year			
Current service cost		21,793,588	18,512,771
Interest cost		8,893,344	10,809,557
Charge for the year		30,686,932	29,322,328
12.2.7 The expense for the staff retirement benefit scheme has been allocated as follows:			
Cost of sales	32.4	19,889,269	9,524,599
Selling and distribution	33.1	2,332,958	1,901,246
Administrative expenses	34.1	8,902,596	6,890,691
		31,124,823	18,316,536

12.2.8 Sensitivity analysis of actuarial assumptions

The sensitivity analysis is prepared using same computation model and assumptions as used to determine defined benefit obligation based on Projected Credit Unit Method. There is no change from prior year in respect of methods and assumptions used to prepare sensitivity analysis. The impact of 1% change in following variables on defined benefit obligation is as follows:

	Increase in assumptions	Decrease in assumptions
	-----Rupees-----	-----Rupees-----
Discount rate	94,427,849	119,039,200
Expected salary increase	119,039,200	94,236,607

12.2.9 Risks on account of defined benefit scheme

The Company faces the following risks on account of defined benefit scheme:

Final salary risk

The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

Discount rate fluctuation

The defined benefit liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase defined benefit liabilities.

12.2.10 Maturity profile	2020	2019
Average expected remaining working lifetime of members	11 Years	11 Years
Average duration of liability	10 Years	10 Years

13 DEFERRED GRANT

During the year, State Bank of Pakistan introduced a temporary Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns to support payment of salaries and wages under economic challenges due to COVID-19.

The Company has availed this facility from MCB Islamic Bank. The loan carries mark-up at SBP rate plus 1%. However, the effective interest rate is calculated as 8.95% and the loan has been recognised at the present value. The differential markup has been recognised as government grant which will be amortised to interest income over the period of facility.

	Note	2020 -----Rupees-----	2019
Opening Balance		-	-
Grant recognized during the year		6,247,476	-
Amortization of grant	35.1	(123,298)	-
		6,124,178	-
Less: current portion of deferred grant		(3,807,127)	-
		2,317,051	-

The grant is conditional upon the fact that the Group would not terminate any employee, due/owing to cash flow limitations, for a period of three months from the date of receipt of the first tranche.

14 TRADE AND OTHER PAYABLES

Creditors		962,037,573	154,254,453
Accrued liabilities		26,888,244	45,801,411
Tax deducted at source and payable to statutory authorities		6,432,888	1,796,816
Sales tax payable		466,053	447,584
Worker's welfare fund	14.1	7,113,214	14,415,070
Worker's profit participation fund	14.2	12,234,103	23,388,267
		1,015,172,075	240,103,601

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

14.1 Worker's welfare fund

	2020 -----Rupees-----	2019
Opening balance	14,415,070	10,140,803
Allocation for the year	7,113,214	7,270,451
Reversal of WWF	(12,780,790)	-
Amount paid	(1,634,280)	(2,996,184)
Closing balance	7,113,214	14,415,070

14.2 Worker's profit participation fund

Opening balance	23,388,267	15,263,606
Allocation for the year	12,218,347	23,388,267
Amount paid	(23,372,511)	(15,263,606)
Closing balance	12,234,103	23,388,267

15 ACCRUED MARK-UP

Mark-up on long term finances	4,895,627	5,825,361
Mark-up on short term borrowings	51,409,736	58,871,001
	56,305,363	64,696,362

16 DUE TO RELATED PARTY

This represents amount received from the Matco Marketing (Private) Limited for the purpose of expenses to be incurred by the Company on their behalf. The maximum aggregate amount at the end of any month during the year was Rs. 6.97 million (2019: Rs. 7.97 million).

17 SHORT-TERM BORROWINGS SECURED

	Note	2020 -----Rupees-----	2019
Export re-finance	17.1	3,931,349,000	2,949,349,000
Own resource	17.2	893,066,241	1,181,875,767
FE-25 Scheme	17.3	266,615,306	-
Foreign bills purchased/negotiated	17.4	24,866,491	8,002,636
		5,115,897,038	4,139,227,403

17.1 The Company has short term running finance facility under Export Refinance Scheme of the State Bank of Pakistan from commercial banks. The effective rates of mark-up on these facilities vary from SBP rate plus 0.75% to 1% per annum (2019: SBP rate plus 0.75% to 1% per annum).

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements

For The Year Ended June 30, 2020

17.2 The Company has short term running finance facility under own resource from commercial banks. The effective rates of mark-up on these facilities vary from 3-month/6-month KIBOR plus 0.75% to 1% per annum (2019: 3-month/6-month KIBOR plus 0.75% to 1% per annum).

17.3 The Company has short term running finance facility under FE-25 loan scheme of the State Bank of Pakistan from commercial banks. The effective rates of mark-up on these facilities is 3.85% to 5.25% per annum (2019: Nil).

17.4 The sanctioned limit is Rs. 250 million (2019: Rs. 250 million). It carries mark-up that is to be negotiated on case to case basis. (2019: to be negotiated on case to case basis). This facility is secured by ranking hypothecation charge of Rs. 133 million over stocks and receivables duly insured in bank's favor covering all risks with premium payment receipt.

17.5 The facilities available from various banks amount to Rs. 5,730 million (2019: Rs. 4,400 million). These facilities are secured by way of hypothecation charge of all present and future cash collateral/TDR, receivable, stocks & current assets. These facilities are registered by mortgage charge of land, building, plant and machinery and all present & future fixed assets.

17.6 As at June 30, 2020, the unavailed facilities from above borrowings amounting to Rs. 614 million (2019: 261 million)

18 UNPAID DIVIDEND

This represents part of interim dividend for the half year ended December 31, 2017 and final dividend for the year ended June 30, 2018 and June 30, 2019 which remained unpaid to the shareholders who have not provided their valid Central Depository System (CDS) Account no. and International Bank Account Number (IBAN). The Company has already sent letters to those shareholders for the purpose of above stated information.

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

19.1.1 The civil suit No. 1635 of 2009 for possession and injunction was filed by the Company. The Company had filed the suit for possession of land as it was dispossessed by the defendants to be restored to it and a permanent injunction to restrain the defendants from alienation or transferring the land. The Honorable High Court of Sindh passed an order on November 19, 2009, thereafter the Honorable High Court of Sindh has granted permanent injunction in above suit on December 11, 2018 as we understand that the Company is not likely to suffer any losses on account of the above suit.

The Company has filed an appeal no. 157/2018 in the High Court of Sindh against order passed in appeal no. 311/2017. We have apprised the learned judge that the order passed in appeal no. 311/2017 was not in accordance with law, we have further submitted that the instant proceedings were a third round of litigation and not only both the earlier suit dismissed but indeed the dismissal order so passed were upheld in appeals. We further highlighted that law does not permit fresh proceeding having same cause of action which issue has already been adjudicated by the Courts and the suit (2141/2015) was dismissed by the trial court. In appeal no. 311/2017, the additional district judge committed a error of law in setting aside the suit

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements

For The Year Ended June 30, 2020

dismissal order passed in suit no. 2141/2015. The learned judge on the basis of facts and applicable law granted us stay order duly suspending the operation of the impugned judgement passed in appeal no. 311/2017. We understand that the Company is not likely to suffer any losses on account of proceeding in this suit.

19.1.2 The Petition No. 3358/2011 and 1823/2013 were filed on December 13, 2011 and April 29, 2013 by the Company against Federal Board of Revenue (FBR) and Others, whereby, the chargeability of the customs duty against import of storage silos has been challenged. It is pertinent to point out that the said import was exempt from duties and taxes vide SRO No. 575(I) 2006. Now through SRO dated October 23, 2012, the said silos have been added as clarificatory being exempt. The said chargeability of customs duty has been challenged of the intervening period through Writ Petition No. 3358/11 and 1823/13. The Company has filed intra court appeal ICA no. 84/2015 and 85/2015 both are pending in honorable Islamabad High Court, Islamabad as notice are issued and no proceeding till to date. We believe that the Company is not likely to suffer any losses on account of the above petition.

19.1.3 In prior years Government of Sindh imposed infrastructure cess @ 0.85% of import value on all imports into Pakistan. A large number of importers including the Company challenged the matter in the Honorable High Court of Sindh. Honorable High Court of Sindh has issued an interim order allowing release of imported goods on 50% payment and 50% bank guarantee. The litigation is pending adjudication. This suit was filed on June 10, 2013 and there are no proceedings conducted till date and we understand that the Company is not likely to suffer any losses due to above suit.

19.1.4 The Company has filed an appeal no. KAR-83/2019 in Sindh Labour Appellate Tribunal against the order/judgment passed in Application No. 211/2010. We have notified the Court that the order in Application No. 211/2010 is bad in law, hence the order/judgment against the Company should be set aside. The matter is fixed for hearing in the said Court. We understand that the Company is not likely to suffer any losses due to above suit.

19.1.5 The Company has filed a suite for peaceful possession of the extended portion of 0.5 acres of land located at Plot No. G-205 SITE Super Highway Phase II Karachi, that was regularized in favor of the Company in favor of the Company on February 7, 2020. The Company has asked the Honorable Court to declare that Defendant is wrongfully and illegally claiming the owner of the said plot. Through an order dated May 19, 2020, the Honorable Court restrained Defendant from creating any interference in the Company's extended portion of the said plot. The outcome of the matter can not be predicted at this stage.

19.1.6 In 2011, Government of Pakistan (GoP) impose a levy on gas consumers in the industrial sector, known as The Gas Infrastructure Development Cess (GIDC). The amount collected was to be used for the construction of infrastructure projects.

GIDC was challenged in Honorable Peshawar High Court (PHC) in December 2013, PHC declared the levy of GIDC unconstitutional. PHC further directed the GoP to return the collected amount, GoP challenged the decision of PHC in the Honorable Supreme Court of Pakistan (SCP), however, SCP upheld the decision of PHC by declaring GIDC a fee and not a tax that can be charged.

In 2015, the Gas Infrastructure Development Cess Act, 2015 was introduced which re-imposed the GIDC. The affected industrialist again approached the SCP stating that the earlier tax money was not used for the construction of infrastructure projects. SCP granted stay order against payment of any GIDC levies.

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements

For The Year Ended June 30, 2020

In 2020, SCP dismissed all petitions against the GIDC levy and ruled in favor of the GoP which would collect the GIDC from different companies.

As a gas consumer, the Company is also subject to GIDC levy and the management estimates that potential exposure in respect of GIDC would be Rs. 16 million. The management in consultation with legal advisor are of the view that as no demand has been initiated by the GoP in lieu of recovery of GIDC levy along with ambiguity regarding the procedure of recovery of outstanding liability, the Company is not under any liability as on the date to pay GIDC Cess. Hence, no provision has been recorded in these unconsolidated financial statements.

Except for the above, there are no material changes in the status of the income tax and sales tax contingencies as reported in the annual audited financial statements for the year ended June 30, 2019.

19.2 Commitments

Letter of credit
Letter of guarantees

2020	2019
-----Rupees-----	
24,580,350	-
15,397,650	1,514,650
39,978,000	1,514,650

20 PROPERTY PLANT AND EQUIPMENT

Note

Operating fixed assets
Capital work in progress

2020	2019
-----Rupees-----	
4,876,056,124	2,614,226,559
61,979,582	6,258,083
4,938,035,706	2,620,484,642

20.1 Operating fixed assets

Particulars	2020					2019				
	Cost at July 01, 2019	Additions	Transfers in / (out)	Revaluation surplus	Disposals	Cost at June 30, 2020	Accumulated depreciation at July 01, 2019	Depreciation for the year	Depreciation on disposals	Accumulated depreciation at June 30, 2020
Owned Assets										
Leasehold land	-	-	-	-	-	-	-	-	-	-
Factory land	531,894,744	4,812,176	-	2,107,173,081	-	2,643,880,001	-	-	-	2,643,880,001
Factory building	1,170,181,171	57,782,848	-	57,923,282	-	1,285,887,301	379,089,995	82,797,303	-	461,887,298
Plant and machinery	1,716,823,306	109,965,534	5,112,482	38,345,012	11,545,253	1,858,701,081	570,579,117	117,713,843	8,104,870	680,188,090
Electric cables and fitting	40,151,420	18,514,898	-	-	-	58,666,318	21,883,690	3,626,778	-	25,510,468
Furniture and fixture	11,293,730	2,482,404	370,769	-	-	14,146,903	6,062,631	736,477	-	6,799,108
Motor vehicles	74,579,303	10,942,938	-	-	1,076,900	84,445,341	59,943,473	8,734,768	835,440	67,842,801
Office equipment	23,256,790	4,311,935	136,628	-	-	27,705,353	12,298,813	1,412,961	-	13,711,774
Factory equipment	54,298,987	27,329,250	516,443	-	-	82,144,680	8,212,426	5,938,452	-	14,150,878
Computers	17,709,621	3,070,946	99,000	-	-	20,879,567	14,171,775	1,583,736	-	15,755,511
Camera	3,498,668	838,295	7,561	-	-	4,344,524	3,311,574	202,980	-	3,514,554
Godown & Shops	23,881,972	9,154,079	-	-	-	33,036,051	10,146,279	1,795,457	-	11,941,736
Sewing machine	1,319,205	50,000	-	-	-	1,369,205	822,775	50,861	-	873,636
Mobile phone	3,113,419	511,860	15,200	-	-	3,640,479	2,274,832	366,995	-	2,641,827
Generator	68,738,366	3,044,750	-	31,317,690	-	103,100,806	37,716,763	3,357,043	-	41,073,806
Total	3,740,740,702	252,811,912	6,258,083	2,234,759,065	12,622,153	6,221,947,609	1,126,514,143	228,317,653	8,940,310	1,345,891,486

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements

For The Year Ended June 30, 2020

Particulars	2019					2018				
	Cost at July 01, 2018	Additions	Transfers in / (out)	Revaluation surplus	Disposals	Cost at June 30, 2019	Accumulated depreciation at July 01, 2018	Depreciation for the year	Depreciation on disposals	Accumulated depreciation at June 30, 2019
Owned Assets										
Leasehold land	90,000,000	-	-	-	90,000,000	-	-	-	-	-
Factory land	531,894,744	-	-	-	-	531,894,744	-	-	-	-
Factory building	898,105,927	3,422,074	336,871,170	-	68,218,000	1,170,181,171	350,725,499	55,128,935	26,764,439	379,089,995
Plant and machinery	1,304,296,569	37,499,485	375,027,252	-	-	1,716,823,306	487,596,408	82,982,709	-	570,579,117
Electric cables and fitting	39,576,420	575,000	-	-	-	40,151,420	19,891,884	1,991,806	-	21,883,690
Furniture and fixture	9,945,997	1,347,733	-	-	-	11,293,730	5,555,169	507,462	-	6,062,631
Motor vehicles	77,063,646	9,129,157	-	-	11,613,500	74,579,303	58,223,861	9,547,426	7,827,814	59,943,473
Office equipment	20,406,020	463,067	2,387,703	-	-	23,256,790	11,350,739	948,074	-	12,298,813
Factory equipment	16,624,025	37,674,962	-	-	-	54,298,987	7,083,754	1,128,672	-	8,212,426
Computers	16,941,349	768,272	-	-	-	17,709,621	12,653,898	1,517,877	-	14,171,775
Camera	3,468,608	30,060	-	-	-	3,498,668	3,229,239	82,335	-	3,311,574
Godown & Shops	23,881,972	-	-	-	-	23,881,972	8,550,401	1,595,878	-	10,146,279
Sewing machine	1,279,205	40,000	-	-	-	1,319,205	770,100	52,675	-	822,775
Mobile phone	2,799,027	314,392	-	-	-	3,113,419	1,948,770	326,062	-	2,274,832
Generator	70,038,366	-	-	-	1,300,000	68,738,366	34,670,513	3,579,586	533,336	37,716,763
Total	3,106,321,875	91,264,202	714,286,125	-	171,131,500	3,740,740,702	1,002,250,235	159,389,497	35,125,589	1,126,514,143

20.1.1 The depreciation charge for the year has been allocated as follows:

Note

2020	2019
-----Rupees-----	
182,654,122	136,878,676
11,415,883	8,554,917
34,247,648	25,664,752
228,317,653	171,098,345

20.1.2 Factory land includes a plot in which a law suit has been filed by the plaintiff who is claiming the possession and injunction of the property. The case is in process under the Honorable High Court Sindh Karachi (refer note 19.1.1).

20.1.3 Operating fixed assets include assets that are subject to mortgage with various banks against long-term finances and short-term borrowings (refer note 10 and 17).

20.1.4 Details of forced sale value of revalued property, plant and equipment

Description of Assets	Forced sale value
	Rupees
Land	2,362,524,000
Building	700,400,000
Plant and machinery	886,259,750
Generators	46,645,250

The above forced sale value has been taken from revaluation report of Oceanic Surveyors (Private) Limited as on June 29, 2020.

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

20.1.5 Following items of property, plant and equipment having book value above Rs. 500,000 were disposed off during the year:

	Cost / Revaluation	Accumulated depreciation	Net book amount	Sale proceeds	Gain / Loss	Mode of disposal	Particulars of buyer
..... Rupees							
Vehicles							
Honda Civic	2,598,900	1,371,890	1,227,010	2,265,000	1,037,990	Tender	Syed Muhammad Haris
Suzuki Cultus	2,367,000	344,772	2,022,228	2,303,300	281,072	Insurance Claim	EFU General Insurance Takaful
Plant & Machinery							
Sorter Machine	11,545,253	8,104,870	3,440,383	2,000,000	(1,440,383)	Tender	Ammeejee Valleejee and Sons

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

Locations	Total Area in Acres	Covered Area in Square Feet
Plot A-15 & 16, SITE-II, Super highway Karachi	2	79155
A-21, SITE-II, Super highway, Karachi	1.5	49631
G-205, SITE-II, Super highway, Karachi	4	76566
50 KM G.T Road, Sadhoke District, Gujranwala	15	133024
Plot G-06, Port Qasim Authority, Karachi	10	-
B1-A, SITE-II, Super highway, Karachi	0.97	34850
Plot H-162, SITE-II, Super highway, Karachi	2.5	-
Plot F-193, SITE-II, Super highway, Karachi	2	60871
50 KM G.T Road, Sadhoke District, Gujranwala	3.38	-

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

20.2 Capital work in progress

Tangibles

Plant and machinery
Civil and electric work
Office equipment
Factory equipment

Note

	2020 -----Rupees-----	2019
-	-	3,901,110
-	-	2,356,973
4,225,158	4,225,158	-
57,754,424	57,754,424	-
61,979,582	61,979,582	6,258,083

20.3 Movement in capital work in progress is as under:

	Cost			
	As at July 01, 2019	Additions / (adjustment) during the year	(Transferred) to Property, plant and equipment	As at June 30, 2020
	-----Rupees-----			
Plant and machinery	3,901,110	-	(3,901,110)	-
Civil works	2,356,973	-	(2,356,973)	-
Office equipment	-	4,225,158	-	4,225,158
Factory equipment	-	57,754,424	-	57,754,424
	6,258,083	61,979,582	(6,258,083)	61,979,582

	Cost			
	As at July 01, 2018	Additions / (adjustment) during the year	(Transferred) to Property, plant and equipment	As at June 30, 2019
	-----Rupees-----			
Plant and machinery	-	365,250,812	(361,349,702)	3,901,110
Civil works	5,422,378	349,871,018	(352,936,423)	2,356,973
	5,422,378	715,121,830	(714,286,125)	6,258,083

20.4 Had there been no revaluation, the net book value of specific classes of operating property, plant and equipment would have been amounted to:

Net book value

Factory land
Factory building
Plant and machinery
Generators

	2020 -----Rupees-----	2019
261,959,558	261,959,558	161,484,005
631,496,033	631,496,033	288,480,713
1,030,260,205	1,030,260,205	355,108,559
25,318,478	25,318,478	21,666,294
1,949,034,273	1,949,034,273	826,739,571

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

21 RIGHT-OF-USE ASSETS

	2020			2019		
	Vehicle	Godown	Total	Vehicle	Godown	Total
Cost						
Opening balance	110,430,143	-	110,430,143	74,718,435	-	74,718,435
Impact of adoption of IFRS-16	-	92,397,539	92,397,539	-	-	-
As at July 1, 2019	110,430,143	92,397,539	202,827,682	74,718,435	-	74,718,435
Additions during the year	10,910,170	-	10,910,170	35,711,708	-	35,711,708
Disposal during the year	(6,215,900)	-	(6,215,900)	-	-	-
Total	115,124,413	92,397,539	207,521,952	110,430,143	-	110,430,143
Accumulated depreciation						
Opening balance	27,336,046	-	27,336,046	15,627,199	-	15,627,199
Charge for the year	14,524,343	8,399,776	22,924,119	11,708,847	-	11,708,847
Disposal adjustment	(2,678,570)	-	(2,678,570)	-	-	-
Closing	39,181,819	8,399,776	47,581,595	27,336,046	-	27,336,046
Net book value	75,942,594	83,997,762	159,940,356	83,094,097	-	83,094,097
Lease term	5 Years	10 Years		5 Years	-	

21.1 The following are the amounts recognised in unconsolidated statement of profit or loss:

	Note	2020 -----Rupees-----	2019
Depreciation expense of right-of-use assets	32	22,924,119	-
Interest expense on lease liabilities	32	12,047,475	-
Interest expense on lease liabilities	35	8,373,269	-
Expenses related to short-term leases	32	6,308,486	-
Total amount recognised in unconsolidated statement of profit or loss		49,653,349	-

22 INTANGIBLE ASSETS

Cost		
Opening	14,710,766	14,710,766
Addition during the year	-	-
Closing	14,710,766	14,710,766
Amortization		
Opening	(14,710,766)	(14,710,766)
Charge for the year	-	-
Closing	(14,710,766)	(14,710,766)
Balance as at June 30	-	-

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

23 LONG TERM INVESTMENTS

Subsidiary

JKT General Trading FZE

Matco Marketing (Private) Limited

Joint Venture

Barentz Pakistan Private Limited

Note

- 23.1** On October 8, 2013, the Company incorporated a new wholly owned subsidiary, JKT General Trading FZE in U.A.E. The principal activities are general trading, export / import and other related activities. The Company has made an equity investment of USD 255,000 out of which shares of USD 40,872 have been issued. Shares for the remaining amount would be issued after completion of necessary regulatory formalities.
- 23.2** On November 13, 2017, the Company has subscribed 749,996 shares of Matco Marketing (Private) Limited. However, Matco Marketing (Private) Limited has not commenced its operations since incorporation.
- 23.3** On June 28, 2019, the Company has been incorporated in Pakistan as per agreement between Barentz International B.V. and Matco Foods Limited. Matco Foods Limited has subscribed 49% of total shareholding of Rs. 50 Million, thereby, constituting a Joint Venture. During the current year, the Company has commenced its operations.

The following table provides summarized financial information for the joint venture. The information disclosed reflects the amounts presented in the financial statements of the associates and not the Company's share of those amounts. The financial information presented below are based on the interim financial statements for the period ended June 30, 2020.

	2020 -----Rupees-----	2019
Assets	63,591,014	45,667,066
Liabilities	25,534,172	6,389,221
Revenues	52,694,578	-
Loss for the period	(1,221,003)	-
Other comprehensive income	-	-

- 23.4** Further, no such terms and conditions has been made at the time of investment. The Company has beneficial ownership of the investee companies. No return on investment has been made since incorporation. No litigation has been received against the subsidiaries.

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements
For The Year Ended June 30, 2020

24	STORES, SPARES AND LOOSE TOOLS	Note	2020	2019
			-----Rupees-----	
	Stores and spares	32.3	46,566,459	24,651,611
	Provision for slow moving / obsolete items	24.1	(1,543,929)	(1,543,929)
			<u>45,022,530</u>	<u>23,107,682</u>
24.1	Movement in provision for slow moving / obsolete items			
	Balance at beginning of the year		1,543,929	1,543,929
	Charge for the year		-	-
	Balance at end of the year		<u>1,543,929</u>	<u>1,543,929</u>
25	STOCK IN TRADE			
	Raw materials	25.2	5,435,050,944	4,282,666,523
	Packing materials	32.2	85,444,225	70,078,406
	Work in process	32	-	-
	Finished goods	25.3	1,141,722,539	882,395,502
			<u>6,662,217,708</u>	<u>5,235,140,431</u>
	Provision for slow moving / obsolete items	25.1	(19,694,358)	(30,161,739)
			<u>6,642,523,350</u>	<u>5,204,978,692</u>
25.1	Movement in provision for slow moving / obsolete items			
	Opening balance		30,161,739	20,245,075
	(Reversal) / Charge for the year	36 / 32	(10,467,381)	9,916,664
	Closing balance		<u>19,694,358</u>	<u>30,161,739</u>
25.2	This includes pledged raw material with various banks under long term and short term borrowing arrangements (refer note 10 and 17).			
25.3	This includes by product amounting to Rs. 87.7 million (2019: Rs. 104.28 million) and stock-in-transit amounting to Rs. 92.0 million (2019: Nil)			

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements
For The Year Ended June 30, 2020

26	TRADE DEBTS	Note	2020	2019
			-----Rupees-----	
	Considered good			
	Export - secured	26.2	1,192,598,184	687,939,989
	Local - unsecured		141,902,326	253,153,247
	Considered doubtful			
	Local - unsecured		13,567,967	13,567,967
	Less: Allowance for expected credit losses	26.4	(13,567,967)	(13,567,967)
			<u>1,334,500,510</u>	<u>941,093,236</u>
26.1	Borrowings are secured by way of charge over book debts of the Company (refer notes 10 and 17).			
26.2	It includes the amount of Rs. Nil (2019: Rs. Nil) due from JKT General Trading FZE (related party). The maximum aggregate amount due from related party at the end of any month during the year was Rs. 10.06 million (2019: Rs. 19.98 million).			
26.3	As of June 30, 2020, the age analysis of trade debts is as follows:	Note	2020	2019
			-----Rupees-----	
	Not yet due		-	-
	Past due:			
	- Up to 3 months		1,285,897,006	832,884,094
	- 3 to 6 months		48,600,034	66,751,178
	- 6 to 12 months		3,470	35,468,655
	- More than 12 months		-	5,989,309
			<u>1,334,500,510</u>	<u>941,093,236</u>
	Trade debts-Gross		<u>1,334,500,510</u>	<u>941,093,236</u>
26.4	Allowance for expected credit losses			
	Opening balance		13,567,967	7,464,595
	Charge during the year		-	6,103,372
	Closing balance		<u>13,567,967</u>	<u>13,567,967</u>
27	LOANS AND ADVANCES			
	Loans			
	Staff - unsecured, considered good	27.1	10,470,682	10,086,964
	Advances			
	- against services and others		2,160,875	2,480,047
	- against purchases	27.3	105,369,356	339,112,025
	- to contractors		618,801	3,706,097
			<u>118,619,714</u>	<u>355,385,133</u>

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

- 27.1** It represent interest free loans to various staff in accordance with the Company's policy.
- 27.2** The maximum aggregate amount due from executives at the end of any month during the year was Rs. 0.64 milion (2019: Rs. 2 million).
- 27.3** It represents the amount provided to suppliers of rice, stores & spares and packaging which is adjustable against future purchases.

28	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS	Note	2020	2019
			-----Rupees-----	
	Deposits			
	- Capital management account		681,549	681,549
	- Guarantee margin		1,604,650	1,514,650
			2,286,199	2,196,199
	Prepayments			
	- Prepaid expense	28.1	1,813,704	2,520,226
	- Prepaid insurance		4,064,185	552,046
			5,877,889	3,072,272
			8,164,088	5,268,471

- 28.1** This include prepaid expense relating to godown rent and system maintenance charges.

29	OTHER RECEIVABLES	Note	2020	2019
			-----Rupees-----	
	Sales tax refundable	29.1	166,389,331	183,026,846
	Receivable from related parties	29.2	5,304,871	5,817,074
			171,694,202	188,843,920
29.1	Movement in sales tax refundable is as under:			
	Balance at beginning of the year		183,026,846	84,564,331
	Refunds claim for the year		87,903,560	127,147,327
	Received during the year		(99,412,295)	(18,346,176)
	Adjusted during the year		(5,128,780)	(10,338,636)
	Balance at end of the year		166,389,331	183,026,846
29.2	Receivable from related parties			
	Matco Engineering Company Private Limited	29.2.1	1,617,096	528,446
	Barentz Pakistan Private Limited	29.2.2	686,671	4,992,797
	Ghuri Trust	29.2.3	2,705,273	-
	JKT General Trading FZE	29.2.4	295,831	295,831
			5,304,871	5,817,074

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

- 29.2.1** The maximum aggregate amount due from Matco Engineering Company Pvt. Ltd. at the end of any month during the year was Rs. 1.6 million (2019: Rs. 0.5 million).
- 29.2.2** The maximum aggregate amount due from Barentz Paksitan Private Limited at the end of any month during the year was Rs. 0.7 million (2019: Rs. 5.0 million).
- 29.2.3** The maximum aggregate amount due from Ghori Trust at the end of any month during the year was Rs. 2.7 million (2019: Rs. Nil).
- 29.2.4** The maximum aggregate amount due from JKT General Trading FZE at the end of any month during the year was Rs. 0.3 million (2019: Rs. 0.3 million).
- 29.2.5** Aging analysis of receivables from related parties.

	Matco Engineering Company Private	Barentz Pakistan Private Limited	Ghuri Trust	JKT General Trading FZE
Up to 3 Months	-	686,671	1,220,953	-
3 to 6 Months	1,088,650	-	902,130	-
06 to 12 Months	-	-	582,190	-
More than 12 Months	528,446	-	-	295,831
	1,617,096	686,671	2,705,273	295,831

30	CASH AND BANK BALANCES	Note	2020	2019
			-----Rupees-----	
	Cash in hand		5,138,682	955,741
	Cash at bank			
	- current accounts		180,942,223	48,179,637
	- deposit accounts		111,009,120	28,045,564
	- term deposit certificates	30.1	1,200,000	1,200,000
			293,151,343	77,425,201
			298,290,025	78,380,942

- 30.1** These represent term deposit certificates of Askari Bank Limited amounting to Rs. 1.2 million respectively. The rate of profit on these certificates is 11% per annum (2019: 5.5% to 5.75%). These term deposit certificates matured within a year.

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements
For The Year Ended June 30, 2020

31	SALES - NET	Note	2020 -----Rupees-----	2019
	Export sales		8,891,517,562	5,852,786,231
	Local sales			
	Rice		906,464,760	940,776,907
	By-products		1,819,136,310	1,346,225,608
			2,725,601,070	2,287,002,515
			11,617,118,632	8,139,788,746
	Sales discount / return		(45,188,233)	(89,678,230)
	Freight		(203,506,658)	(127,594,616)
	Clearing and forwarding		(62,328,156)	(48,381,884)
	Sales tax		(16,133,692)	(11,081,115)
			11,289,961,893	7,863,052,901

31.1 Disaggregation of sales

The Company disaggregated revenue recognised from customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

In the following table, revenue is disaggregated by primary geographical markets and major product lines:

Major product Lines	2020 -----Rupees-----	2019
Rice	10,807,408,760	7,797,472,962
Others	809,709,872	342,315,784
	11,617,118,632	8,139,788,746

Primary geographical Markets	2020 -----Rupees-----	2019
Local	2,725,601,070	2,287,002,515
Africa	583,556,046	479,369,015
Asia	2,892,851,041	1,020,068,913
Australia & New Zealand	1,313,240,873	954,985,711
Europe	2,973,586,295	2,479,850,904
USA & Canada	1,128,283,308	918,511,687
	11,617,118,632	8,139,788,746

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements
For The Year Ended June 30, 2020

32	COST OF SALES	Note	2020 -----Rupees-----	2019
	Rice consumed	32.1	9,068,715,584	5,850,699,539
	Packing materials consumed	32.2	375,523,643	294,053,509
	Stores and spares consumed	32.3	111,374,473	86,957,852
	Processing expenses			
	Salaries, wages and benefits	32.4	389,934,350	281,819,663
	Electricity and power		101,575,663	77,590,989
	Telephone and mobile		1,246,808	685,188
	Gas charges		30,864,582	21,645,320
	Insurance		9,227,714	9,276,928
	Repairs and maintenance		46,539,901	30,215,882
	Other purchases		32,089,541	17,382,351
	Provision for slow moving stock		-	9,916,664
	Fumigation charges		21,458,678	13,136,044
	Water charges		42,869,891	35,526,495
	Canteen		11,103,263	9,016,779
	Diesel and oil		1,810,901	3,610,747
	Staff welfare		2,700,307	2,096,772
	Security expenses		13,819,959	12,257,018
	Godown expenses		1,393,495	19,724,925
	Rent, rates and taxes		440,817	1,527,692
	Vehicle running expenses		6,696,395	5,530,700
	Medical		1,831,522	1,181,490
	Depreciation	20.1.1	182,654,122	136,878,676
	Depreciation on right-of-use assets		22,924,119	-
	Interest expense on lease liabilities		12,047,475	-
	Expenses related to short-term lease		6,308,486	-
	Processing charges		19,697,246	17,309,551
	Inspection charges		18,450,066	9,779,315
	Cost of goods manufactured		10,533,299,001	6,947,820,089
	Work in process			
	Opening stock		-	-
	Closing stock	25	-	-
			-	-
	Cost of goods available for sale		10,533,299,001	6,947,820,089
	Finished goods			
	Opening stock		882,395,502	883,118,576
	Closing stock	25	(1,141,722,539)	(882,395,502)
			(259,327,037)	723,074
			10,273,971,964	6,948,543,163

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements
For The Year Ended June 30, 2020

			2020	2019
			-----Rupees-----	
32.1 Rice consumed	Note			
Opening stock of raw material			4,282,666,523	4,180,456,923
Purchases			10,005,112,067	5,815,239,642
Cartage inwards			215,987,938	137,669,497
Closing stock of raw material	25		(5,435,050,944)	(4,282,666,523)
			<u>9,068,715,584</u>	<u>5,850,699,539</u>
32.2 Packing material consumed				
Opening stock			70,092,717	95,650,372
Purchases			390,875,151	268,481,543
			<u>460,967,868</u>	<u>364,131,915</u>
Closing stock-gross	25		(85,444,225)	(70,078,406)
			<u>375,523,643</u>	<u>294,053,509</u>
32.3 Stores and spares consumed				
Opening stock			24,651,612	20,271,197
Purchases			133,289,320	91,338,266
			<u>157,940,932</u>	<u>111,609,463</u>
Closing stock-gross	24		(46,566,459)	(24,651,611)
			<u>111,374,473</u>	<u>86,957,852</u>
32.4		It includes provision for gratuity amounting to Rs. 19.89 million (2019: Rs. 9.524 million).		
33 SELLING AND DISTRIBUTION	Note		2020	2019
			-----Rupees-----	
Salaries and benefits	33.1		45,738,255	39,523,023
Travelling			16,939,980	19,998,837
Sales promotion			35,461,891	37,289,753
Insurance			1,201,190	1,703,721
Export charges			59,999,008	36,546,923
Export commission			28,605,381	11,326,345
Depreciation	20.1.1		11,415,883	8,554,917
Shop rent			1,572,000	632,400
General			6,087,267	5,431,723
			<u>207,020,855</u>	<u>161,007,642</u>

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements
For The Year Ended June 30, 2020

33.1 It includes provision for gratuity amounting to Rs. 2.33 million (2019: Rs. 1.9 million).

			2020	2019
			-----Rupees-----	
34 ADMINISTRATIVE EXPENSES	Note			
Salaries and benefits	34.1		174,537,728	156,302,374
Vehicle running			5,716,381	4,299,897
Entertainment			1,265,054	997,710
Printing and stationery			1,543,286	1,837,011
Fee and subscription			13,814,375	9,579,097
Legal and professional			1,709,000	610,000
Auditor remuneration	34.2		3,174,570	3,245,270
Postage and telegrams			2,420,208	1,985,005
General expenses			3,113,139	1,290,717
Newspaper and periodicals			58,960	34,554
Electricity and gas charges			965,762	795,439
Taxes, duty and fee			2,953,733	7,567,552
Medical			1,706,874	977,574
Insurance			2,638,420	2,782,017
Software maintenance			505,034	628,785
Computer expenses			4,407,794	5,460,862
Depreciation	20.1.1		34,247,648	25,664,752
Lease ijarah rentals			-	75,792
Donations	34.3		770,000	405,760
Advertisement			52,750	91,090
Others			15,768,662	15,701,261
			<u>271,369,378</u>	<u>240,332,519</u>

34.1 It includes directors' remuneration amounting to Rs. 26.82 million (2019: Rs. 27.24 million) and provision for gratuity amounting to Rs. 8.903 million (2019: Rs. 6.9 million).

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

34.2 Auditor's remuneration	Note	2020	2019
		-----Rupees-----	
- audit fee of unconsolidated financial statements		1,900,000	1,900,000
- audit fee of consolidated financial statements		100,000	100,000
- audit fee of half yearly review		492,070	492,070
- fee for review code of corporate governance		150,000	150,000
- other certifications		100,700	221,400
- out of pocket expenses		175,000	125,000
- other services	34.2.1	256,800	256,800
		3,174,570	3,245,270

34.2.1 This represents services relating to taxation.

34.3 Donation includes amount of Rs.600,000 paid to Rice Exporters Association of Pakistan for purchasing of ventilators.

35 FINANCE COST	Note	2020	2019
		-----Rupees-----	
Mark up			
- long term finances - net	35.1	22,754,683	21,309,362
- short term borrowings		316,443,289	246,682,457
- interest expense on lease liabilities		8,373,269	5,427,855
Bank charges and commission		2,716,749	2,083,503
		350,287,990	275,503,177

35.1 The markup presented is net of amortization of grant amounting to Rs.123,298 (2019: Nil)

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

36 OTHER INCOME	Note	2020	2019
		-----Rupees-----	
<i>From financial assets and liabilities</i>			
- Profit on bank/short term deposits		5,628,059	15,432,156
<i>From non-financial assets</i>			
- Amortization of deferred income		269,842	362,666
- Reversal of Worker's Welfare Fund		12,780,790	-
- Gain or (loss) on sale of operating fixed assets		1,235,627	73,325,589
- Reversal of provision for slow moving stock	25.1	10,467,381	-
- Scrap sales		24,031,438	17,535,264
- Rental income		2,100,000	-
		56,513,137	106,655,675

37 EXCHANGE GAIN - NET

This represents exchange gain incurred on foreign currency denominated trade debts, advances from customers, creditors and bank balances.

38 INCOME TAX EXPENSE	Note	2020	2019
		-----Rupees-----	
- Current		94,909,803	67,919,455
- Prior year		-	(21,260,847)
- Deferred		(8,329,310)	-
		86,580,493	46,658,608

38.1 Current year taxation has been charged on the basis of provisions in Income Tax Ordinance, 2001 and accounted for after taking effect of admissible expenses in normal taxation with proportion of local sales and on final tax regime applicable to the Company based on tax withheld from export proceeds which is deemed as full and final discharge of the tax liability.

38.2 Since the Company is chargeable to tax under FTR and minimum tax, therefore numerical reconciliation between accounting profit and income tax has not been presented in these unconsolidated financial statements.

38.3 Return of 2015-16 filed on January 10 2017, is an assessment order under section 120 unless amended under section 122 of the Income Tax Ordinance, 2001. The Additional Commissioner Inland Revenue (ADCIR) initiated the proceeding u/s 122(5A) of the Income Tax Ordinance, 2001 vide notice dated 16-02-2017 for amendment of deemed assessment. Response submitted by the representative of the Company.

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements

For The Year Ended June 30, 2020

Proceeding initiated u/s 122(5A) for amendment by ACIR and issued the notice u/s 122(9). In response thereof, all the requisite information/documents were submitted. However, the ADCIR passed the order and disallowed the Finance Cost. Against the treatment of learned ADCIR, appeal was filed on 20-09-2017. The Commissioner Inland Revenue (CIR) has rejected the grounds of appeal made by the Company and ordered to add back WWF and disallowed finance cost in the normal taxable income. But inspite of the above disallowance of expenses, the tax liability is higher in minimum tax u/s 113c of the Income Tax Ordinance as claimed under the income tax return 2016 of the Company, therefore no adverse impact on the Company due to above order.

38.4 Return of 2016-17 filed on January 17, 2018, is an assessment order u/s 120 unless amended under section 122 of the Income Tax Ordinance, 2001. The ADCIR initiated the proceeding u/s 122(5A) of the Income Tax Ordinance, 2001 vide notice dated 21-05-2018 for amendment of deemed assessment. The response of the above notice submitted by the Company till November 15, 2018, no further notice has been received.

39 NUMBER OF EMPLOYEES

Number of employees as at June 30
Average number of employees during the year

	2020	2019
Number of employees as at June 30	809	729
Average number of employees during the year	794	716

40 TRANSACTION WITH RELATED PARTIES

Related parties include subsidiary company, entities under common directorship, directors, major shareholders, key management personnel and retirement benefit funds. Transactions with related parties essentially entail rent expense and transactions with key management personnel. Details of transactions with related parties and the balances with them as at year end other than those which have been disclosed else where are as follows:

Nature of relationship	Percentage of Holding	Transactions / Balance Outstanding	Note	2020	2019
Directors					
		Godown rent paid to director		15,449,118	15,044,430
Subsidiary					
JKT General Trading FZE	100%	Sales		49,568,468	65,279,118
Matco Marketing (Private) Limited	100%	Paid expense on behalf		136,728	27,000
Common Directors					
Matco Engineering (Private) Limited	0%	Paid expenses on behalf		1,088,650	38,862
Joint Venture					
Barentz Pakistan (Private) Limited	49%	Paid expenses on behalf		29,521,063	4,992,797
		Disposal of fixed assets		236,688	-
Trust operated by the company					
Ghori Trust	0%	Paid expenses on behalf		3,671,733	2,636,960

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements

For The Year Ended June 30, 2020

40.1 Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place:

S. No.	Company Name	Registered Address	Country of Incorporation	Basis of Association	Name of Chief Executive / Principal Officer / Authorized Agent	Aggregate % of shareholding	Operational Status	Auditor's Opinion
1	JKT General Trading FZE	P.O.Box 123347, Sharjah	UAE	Subsidiary Company	Jawed Ali Ghori	100%	Active	Clean

40.2 Consideration for services is determined with mutual agreement considering the level of services provided. Expenses charged by / to the Company are determined on actual cost basis. Particulars of remuneration of chief executive officer, directors and executives are disclosed in note 41 to these unconsolidated financial statements.

40.3 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Company considers all members of its management team, including the chief executive officer and the directors to be key management personnel.

41 REMUNERATION OF THE CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

For the purpose of disclosure those employees are considered as executives whose basic salary exceed twelve hundred thousands rupees in financial year.

	Chief Executive Officer		Directors		Executives		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	Rupees							
Short-term employee benefits								
Managerial remuneration	3,574,800	3,360,000	9,739,600	8,982,000	29,031,091	19,192,843	42,345,491	31,534,843
House rent allowances	1,608,660	1,512,000	4,382,820	4,041,900	13,063,991	8,636,779	19,055,471	14,190,679
Utilities	1,195,637	768,297	2,553,044	2,123,620	1,846,328	1,277,352	5,595,009	4,169,269
Bonus	396,000	385,000	2,218,500	1,055,000	1,905,635	1,652,900	4,520,135	3,092,900
Fuel expense	760,262	244,296	1,317,345	895,897	3,066,000	1,918,511	5,143,607	3,058,704
Medical expense	63,176	27,109	120,020	94,009	335,255	188,543	518,451	309,661
Vehicle expense	96,650	210,055	392,327	255,718	383,961	229,920	872,938	695,693
Other expense	575,804	484,499	438,762	806,394	-	-	1,014,566	1,290,893
	8,270,989	6,991,256	21,162,418	18,254,538	49,632,260	33,096,848	79,065,667	58,342,642
Value of motor vehicles	8,406,800	10,508,500	32,004,000	40,005,000	50,917,531	50,844,373	91,328,331	101,357,873
Number of Persons	1	1	2	2	17	12		

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

41.1 In addition to the above, chief executive officer and directors are provided with the use of the Company's vehicles. Certain executives are also provided with Company maintained cars.

41.2 The Company considers its chief executive officer and the executive director as its key management personnel i.e. the personnel having authority and responsibility for planning, directing and controlling the activities of the Company.

42 PLANT CAPACITY AND PRODUCTION

Annual Plant Capacity

	2020 (Tons)	2019 (Tons)
- Rice processing	134,700	134,700
- Rice Glucose	30,000	10,000

Actual Production

	2020	2019
- Rice processing	109,731	82,091
- Rice Glucose	9,170	4,155

42.1 Actual production is less than installed capacity due to planned maintenance shutdown and production planned as per market demand.

43 EARNINGS PER SHARE - BASIC AND DILUTED

	2020 -----Rupees-----	2019
Profit for the year	151,928,178	413,836,287
Number of ordinary shares	122,400,698	122,400,698
Weighted average number of ordinary shares	122,400,698	122,400,698
Earning per share - basic and diluted	1.24	3.38

There is no dilutive effect on earnings per share as the Company does not have any convertible instruments as at June 30, 2020 and June 30, 2019.

44 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.. The Company's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance which are as follows:

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

44.1 Market risk

Market risk refers to fluctuation in value of financial instruments as a result of changes in market prices. Market risk comprise of currency risk, interest rate risk and price risk.

44.1.1 Currency risk

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. It arises mainly where receivables, bank balances, borrowings and payables exist due to transactions entered into foreign currencies.

Exposure to Foreign currency risk

The Company is exposed to foreign exchange risk arising from currency value fluctuations due to the following:

Trade debts
Cash and bank balances
Borrowings from financial institutions
Advance from customer

Off balance sheet exposures

Forward rate agreements

Net Exposure

The following significant exchange rates were applied during the year.

Average rate

Reporting date rate

	2020 ----- Amount in USD -----	2019
Trade debts	7,096,661	4,307,999
Cash and bank balances	14,514	7,457
Borrowings from financial institutions	-	-
Advance from customer	(236,322)	(321,583)
	6,874,853	3,993,873
Off balance sheet exposures	-	-
Net Exposure	6,874,853	3,993,873

	2020 Rupee per USD	2019
Average rate	158.02	136.23
Reporting date rate	168.06	160.05

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements

For The Year Ended June 30, 2020

Foreign currency sensitivity analysis

A 10% strengthening of the PKR against the USD at June 30, 2020 would have effect on the equity and statement of profit or loss of the company as shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2020.

	2020	2019
	-----Rupees-----	
Strengthening of PKR against respective currencies	(115,536,030)	(63,921,944)
Weakening of PKR against respective currencies	115,536,030	63,921,944

A 10 percentage weakening of the PKR against the USD at June 30, 2020 would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

41.1.2 Price risk

Price risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest or currency rate risk), whether those changes are caused by factors specified to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is exposed to price risk because of investments in mutual funds amounting to Rs. 263,440 (2019: Rs. 255,362) as changes in Net Assists Value (NAV) of mutual funds affect the Company. The Company is not exposed to commodity price risk.

As of June 30, 2020, if fair value (NAV) had been 1% higher/ (lower) with all the variables held constant, profit before tax for the year would have been higher / (lower) by Rs. 2,634.4 (2019: Rs. 2,553.6)

41.1.3 Interest/Mark-up rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Company has long term and short term finance at variable rates. The Company is exposed to interest/mark-up rate risk on long and short term financing and these are covered by holding "Prepayment Option" and "Rollover Option". Interest rate risk on short term borrowings is covered by holding "Prepayment Option" which can be exercised upon any adverse movement in the underlying interest rates. The local and foreign currency loans carry mark up at the prevailing rate of SBP plus 0.75% to 2.5%, KIBOR plus .75% to 1.5% and LIBOR plus 1.25% respectively. Applicable interest rates for financial assets and liabilities are given in respective notes.

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements

For The Year Ended June 30, 2020

Financial assets

Amortised cost

Long term deposits	
Long term investments	
Trade debts - considered goods	
Loans and advances	
Deposits	
Other receivables	
Cash and bank balances	

Fair value through profit or loss

Short-term investment	
-----------------------	--

Financial liabilities

At amortized cost

Long term finances - secured	
Due to related party	
Trade and other payables	
Accrued mark-up	
Short term borrowings - secured	
Unpaid dividend	
Lease liabilities	

On balance sheet gap

Off balance sheet items

Guarantees	
------------	--

Letter of credit	
------------------	--

Financial assets

Amortised cost

Long term deposits	
Long term investments	
Trade debts - considered goods	
Loans and advances	
Deposits	
Other receivables	
Cash and bank balances	

Fair value through profit or loss

Short-term investment	
-----------------------	--

Financial liabilities

At amortized cost

Long term finances - secured	
Due to related party	
Trade and other payables	
Accrued mark-up	
Short term borrowings	
Unpaid dividend	
Lease liabilities	

On balance sheet gap

Off balance sheet items

Guarantees	
------------	--

Letter of credit	
------------------	--

Note	2020				
	Mark-up / profit bearing			Non mark-up /	Total
	Less than	One year to	Over five years	profit bearing	
	-----Rupees-----				
	-	-	-	12,578,078	12,578,078
23	-	-	-	55,582,707	55,582,707
26	-	-	-	1,334,500,510	1,334,500,510
27	-	-	-	10,470,682	10,470,682
28	-	-	-	2,286,199	2,286,199
29	-	-	-	5,304,871	5,304,871
30	112,209,120	-	-	186,080,905	298,290,025
	112,209,120	-	-	1,606,803,952	1,719,013,072
	-	-	-	263,440	263,440
10	57,673,116	396,447,541	-	-	454,120,657
16	-	-	-	6,970,908	6,970,908
14	-	-	-	988,925,817	988,925,817
15	-	-	-	56,305,363	56,305,363
17	5,115,897,038	-	-	-	5,115,897,038
18	-	-	-	13,555,468	13,555,468
11	21,497,206	62,035,258	58,942,183	-	142,474,647
	5,195,067,360	458,482,799	58,942,183	1,065,757,556	6,778,249,898
	(5,082,858,240)	(458,482,799)	(58,942,183)	541,046,396	(5,059,236,826)
19.2	-	-	-	15,397,650	15,397,650
19.2	-	-	-	24,580,350	24,580,350
Note	2019				
	Mark-up / profit bearing			Non mark-up /	Total
	Less than	One year to	Over five years	profit bearing	
	-----Rupees-----				
	-	-	-	9,938,831	9,938,831
23	-	-	-	31,082,707	31,082,707
26	-	-	-	941,093,236	941,093,236
27	-	-	-	10,086,964	10,086,964
28	-	-	-	2,196,199	2,196,199
29	-	-	-	5,817,074	5,817,074
30	29,245,564	-	-	49,135,378	78,380,942
	29,245,564	-	-	1,049,350,389	1,078,595,953
	-	-	-	255,362	255,362
10	86,709,085	265,191,113	-	-	351,900,198
16	-	-	-	7,974,096	7,974,096
14	-	-	-	200,055,864	200,055,864
15	-	-	-	64,696,362	64,696,362
17	5,115,897,038	-	-	-	5,115,897,038
18	-	-	-	489,804	489,804
11	13,094,930	44,763,773	-	-	57,858,703
	5,215,701,053	309,954,886	-	273,216,126	5,798,872,065
	(5,186,455,489)	(309,954,886)	-	776,134,263	(4,720,276,112)
19.2	-	-	-	1,514,650	1,514,650
19.2	-	-	-	-	-

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

- (a) On balance sheet gap represents the net amounts of balance sheet items.
(b) Effective rates of return/mark-up on financial liabilities are as follows:

Financial liabilities	2020	2019
Long term finances - secured	SBP rate+ 0.75% to 2.5% & KIBOR + .75% to 1.5%	SBP rate + 1% to 2% and KIBOR + 1% to 2%
Short term borrowings	SBP rate+ 0.75% to 1% & KIBOR + .75% to 1%	SBP rate+ 0.75% to 2% & KIBOR + 1 to 2%

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2020, if interest rates on long term financing had been 1% higher / lower with all other variables held constant, pre tax profit for the year would have been Rs. 7.68 million (2019: Rs. 2.65 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

At June 30, 2020, if interest rates on short term borrowings had been 1% higher / lower with all other variables held constant, pre tax profit for the year would have been Rs. 6.06 million (2019: Rs. 42.26 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

44.2 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter-parties failed completely to perform as contracted. The Company does not have significant exposure to any individual counter-party. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also regularly monitors the credit exposure towards the customers and makes allowance for ECLs against those balances considered doubtful of recovery. To mitigate the risk, the Company has a system of assigning credit limits to its customers based on evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Some customers are also secured, where possible, by way of inland letters of credit, cash security deposit, bank guarantees and insurance guarantees.

The Company's gross maximum exposure to credit risk at the reporting date is as follows:

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

Financial assets	Note	2020 -----Rupees-----	2019
Long term investments		55,582,707	31,082,707
Long term deposits		12,578,078	9,938,831
Trade debts		1,334,500,510	941,093,236
Loans and advances		10,470,682	10,086,964
Trade deposit		2,286,199	2,196,199
Other receivables		5,304,871	5,817,074
Short-term investment		263,440	255,362
Bank balances		293,151,343	77,425,201
		1,714,137,830	1,077,895,574

The ageing of trade debts and related movement of ECL has been disclosed in note 26.3 of these unconsolidated financial statements.

Bank balances

The Company limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counter-parties that have stable credit rating. Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations.

The bank balances along with the credit ratings are tabulated below:

	Short-term Ratings	2020 -----Rupees-----	2019
MCB Bank Limited	A1+	42,626,019	24,572,778
Meezan Bank Limited	A1+	17,529,038	864,391
National Bank of Pakistan	A1+	3,576,211	1,866,284
Standard Chartered Bank Limited	A1+	61,200,962	821,995
United Bank Limited	A1+	9,888,465	(13,326,113)
Allied Bank Limited	A1+	10,323,377	11,309,788
Askari Bank Limited	A1+	14,366,508	13,826,089
Bank Alfalah Limited	A1+	9,095,473	10,424,355
Faysal Bank Limited	A1+	6,414,061	1,947,918
Habib Bank Limited	A1+	35,049,085	1,271,793
Habib Metropolitan Bank Limited	A1+	9,627,588	1,783,305
Soneri Bank Limited	A1+	341,378	995,182
Bank Al Habib Limited	A1+	9,551,501	146,159
JS Bank	A1+	93,277	11,586
MCB Islamic Bank	A1	62,268,399	19,709,688
		291,951,342	76,225,201

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

		2020	2019
		-----Rupees-----	
	Note		
Trade debts	26	1,334,500,510	941,093,236
Loans and advances	27	10,470,682	10,086,964
Bank balances	30	293,151,343	77,425,201
		1,638,122,535	1,028,605,401

44.3 Liquidity risk

The Company finances its operations through equity and borrowings with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular continued credit lines.

As on reporting date, the Company had cash and bank balances amounting to Rs 298 million (2019: 78 million), and utilized credit limit of 614 million (2019: 261 million)

45 FAIR VALUE HIERARCHY

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the:

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Company's policy for determining when transfers between levels in the hierarchy have occurred includes monitoring of the following factors:

- changes in market and trading activity (e.g., significant increases / decreases in activity)
- changes in inputs used in valuation techniques (e.g. inputs becoming / ceasing to be observable in the market)

There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year.

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

The following table represents the Company's assets that are measured at fair value as at June 30, 2020 and June 30, 2019

	2020			
	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
<i>Non-financial assets</i>				
Property, plant and equipment	-	-	4,708,419,995	4,708,419,995
<i>Financial assets</i>				
Financial assets held at fair value through profit or loss	263,440	-	-	263,440
	2019			
	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
<i>Non-financial assets</i>				
Property, plant and equipment	-	-	2,518,519,442	2,518,519,442
<i>Financial assets</i>				
Financial assets held at fair value through profit or loss	255,362	-	-	255,362

Certain categories of operating fixed assets (land, buildings, plant and machinery and generators include revaluation surplus) (level 3 measurement) determined by a professional valuer based on their assessment of the market values as disclosed in note 9 to these unconsolidated financial statements. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these unconsolidated financial statements.

46 CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring its debt levels and liquid assets and keeping in view future investments requirements and expectations of the shareholders. Debt is calculated as total borrowings (short term borrowings, long term finances and current portion of long term finances as shown in the balance sheet). Capital signifies equity as reported in statement of financial position and includes share capital, share premium and unappropriated profits.

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

During 2020, the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2020 and 2019 were as follows:

	Note	2020 -----Rupees-----	2019
Total borrowings		5,712,492,342	4,548,986,304
Less: Cash and bank	30	(298,290,025)	(78,380,942)
Net debt		5,414,202,317	4,470,605,362
Total equity		6,768,047,701	4,506,974,299
Total equity and debt		12,182,250,018	8,977,579,661
Gearing ratio (%)		44%	50%

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix amongst various sources of finance to minimize risk.

47 OPERATING SEGMENTS

These financial statements have been prepared on the basis of a single reportable segment.

47.1 Revenue from sale of rice represents 93.0% (2019: 89.3%) of the total revenue of the Company. Whereas 6.38% (2019: 6.75%) represents revenue from sale of rice glucose and remaining represents other items.

47.2 All non-current assets of the Company as at June 30, 2020 are located in Pakistan except for investment in JKT General Trading (FZE) which is disclosed in note 23 of these unconsolidated financial statements. Further, debtors from rice represents 96.39% (2019: 97.04%) of the total debtors.

48 CORRESPONDING FIGURES

Previous year figures have been rearranged and/or reclassified, wherever necessary, for the purpose of comparison in the financial statements. For better presentation, reclassification made in the financial statements were as follows:

Reclassification from	Rupees	Reclassification to	Rupees
Selling and distribution	6,103,372	Allowance for expected credit losses	6,103,372
Trade and other payable	7,974,096	Due to related party	7,974,096

MATCO FOODS LIMITED

Notes To The Unconsolidated Financial Statements For The Year Ended June 30, 2020

49 UTILIZATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING

Till June 30, 2020, the Company has utilized the proceeds of the initial public offer of 29,143,000 ordinary shares to finance the project of expansion of its Rice Glucose / Syrup and Rice Protein plant. Refer 2.3.13 of the Prospectus issued for the Project detail. As at June 30, 2020, the utilization of proceeds from IPO is as follows:

	2020 Rupees
Proceeds from IPO	757,718,000
IPO related expenses	(45,917,563)
Funds utilized till June 30, 2020	(711,800,437)
Un-utilized funds as on June 30, 2020	-

As at June 30, 2020, the proceeds from initial public offering has been fully utilized and the related asset has been transferred from capital work-in-progress to property, plant and equipment.

50 IMPACT OF COVID-19 ON FINANCIAL STATEMENTS

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on 11 March 2020, impacting countries globally including Pakistan. Government of Pakistan has taken certain measures to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown, disruptions to various business and significant volatility in the Pakistan Stock Exchange (PSX). However, currently, the potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. The Company is conducting business with some modifications to employee working from home, among other modifications while following all necessary Standard Operating Procedures (SOPs). The Company will continue to actively monitor the situation and may take further actions that alter its business operations as may be required by federal, provincial or local authorities or that are in the best interests of our employees, customers, partners, suppliers and stockholders. However, the management based on its assessment considered that there would be no material implications of COVID-19 that adversely affect its businesses, results of operations and financial condition in future period or that require specific disclosure in these unconsolidated financial statements.

51 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on 10 September 2020.

MATCO FOODS LIMITED
Notes To The Unconsolidated Financial Statements
For The Year Ended June 30, 2020

51.1 Non-adjusting events after the reporting date

Subsequent to year ended June 30, 2020, The Board of Directors in its meeting held on September 10, 2020 has proposed final cash dividend of Rs. 0.45 per share (2019: Rs. 0.7 per share) for the approval of members at the Annual general Meeting. The effect of such dividend and transfer shall be accounted for in the financial statements for the year ending June 30, 2021.

52 GENERAL

52.1 Figures have been rounded off to the nearest Rupee.

52.2 Corresponding figures have also been rearranged and reclassified, wherever necessary, for better presentation. However, there has been no material reclassification to report.

A handwritten signature in black ink, appearing to be "Chaudhary", written over a horizontal line.

Chief Executive Officer

A handwritten signature in black ink, appearing to be "G. S.", written over a horizontal line.

Chief Financial Officer

A handwritten signature in black ink, appearing to be "Anand", written over a horizontal line.

Director

Independent Auditor's Report

TO THE MEMBERS OF MATCO FOODS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the annexed consolidated financial statements of Matco Foods Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of the 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. NO.	KEY AUDIT MATTERS	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
1.	<p>Revaluation of property, plant and equipment</p> <p>As of June 30, 2020 the carrying amount of Operating fixed assets as disclosed in note 19 of accompanying consolidated financial statements amounted to Rs. 4,876 million (2019: Rs. 2,614 million), which represents 35% of the Group's total assets.</p> <p>The highly judgmental and subjective nature of valuation coupled with the significance to the financial statements results in operating fixed assets being an area of audit focus. The Group last valued its operating fixed assets in 2014.</p> <p>Management engaged an independent valuer approved by the Pakistan Bankers Association (PBA) to determine the fair value of these assets. As a result of full scope valuation a revaluation surplus of Rs. 2,235 million has been recorded in accompanying consolidated statement of financial position to increase the carrying amount of assets to Rs. 4,876 million to its fair value.</p> <p>Valuation of operating fixed assets was significant to our audit due to its magnitude and is highly dependent on a range of estimates that require significant management judgement.</p>	<ul style="list-style-type: none"> As part of our audit, we have performed the following audit procedures: Assessed the competence, qualifications, independence and objectivity of the external valuer; Assessed the significant assumptions applied by the valuer including the valuation methods applied, replacement cost assumptions, assets condition assessments and the effect of optimization on the overall value; Considered the data provided by the Group to the independent valuer, for use as inputs to the valuations on a sample basis to assess accuracy and completeness; Engaged auditor's expert to evaluate appropriateness of valuation of management experts; and Evaluated the appropriateness and adequacy of disclosures in the consolidated financial statements; and Ensured that all assets of the class were revalued
2.	<p>Initial application of IFRS 16</p> <p>As stated in note 6 to the consolidated financial statements, with effect from July 01, 2019, the International Financial Reporting Standard (IFRS) 16 "Leases" became applicable to the Group. Accordingly, the Group has applied the said new standard for the first time in the preparation of its consolidated financial statements for the year ended June 30, 2020.</p>	<p>As part of our audit, we have performed the following audit procedures:</p> <ul style="list-style-type: none"> Obtained an understanding of the Group's processes and related internal controls for lease accounting, including those relating to assessment of discount rates, lease term and extension options and considered their appropriateness; On a sample basis, tested the lease data by comparing the lease agreement with related IFRS 16 lease calculations;

S. NO.	KEY AUDIT MATTERS	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
	Under the requirement of IFRS 16, the Group recognized right of use assets and lease liabilities for certain lease payments- i.e. these leases are on the statement of financial position. The application of this standard requires management to make judgements, estimates and assumptions with regard to lease term and discount rate for calculation of lease liabilities and consequently considered as a key audit matter.	<ul style="list-style-type: none"> Tested, on a sample basis, the calculation of right of use asset and lease liabilities by performing recalculations and tracing the terms with relevant supporting documents; We also considered the adequacy of the related disclosures and assessed these are in accordance with the applicable financial reporting standards and the Companies Act, 2017.
3.	Valuation of Stock in Trade As at June 30, 2020, the Group held stock in trade amounting to Rs. 6,642 million (2019: Rs. 5,205 million) as disclosed in note 24 of accompanying consolidated financial statements. The stock in trade account for 76.6% (2019: 76.2%) of the total current assets. The value of stock is based on the purchase price using weighted average method. Therefore, the Company is exposed to the risk of valuation of stock in trade as a result of volatility in prices. The Group is required to measure its stock in trade at the lower of cost and net realizable value (NRV). There is an element of judgement involved relating to the valuation, which is required for the estimation of the NRV and allowance for slow-moving and obsolete stock in trades. Such estimation is made after taking into consideration factors such as movement in prices, current and expected future market demands and pricing competitions. This was the key audit mater because of its materiality and significance in terms of judgments involved in estimating the NRV of underlying inventories.	As part of our audit, we have performed the following audit procedures: <ul style="list-style-type: none"> Attended the stock counts at locations to observe the stock count process and evaluate the condition of stock in trade. Tested the valuation method used by the management in valuation of stock in trade. Compared on sample basis specific purchases with underlying supporting documents. Evaluated the appropriateness of the basis and processes used by management in determining the net realizable value of stock in trade. Performed testing on sample of items to assess the NRV of the inventories held and evaluating the adequacy of provision for slow moving and obsolete stock. Reviewed the adequacy of the disclosures on stock in trade in the consolidated financial statements.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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.

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



Chartered Accountants

Karachi

Dated: September 25, 2020

MATCO FOODS LIMITED

Consolidated Statement of Financial Position

As At June 30, 2020

		2020	2019
		-----Rupees-----	
EQUITY AND LIABILITIES	Note		
Share capital and reserves			
Authorized share capital	7.1	2,000,000,000	2,000,000,000
Issued, subscribed and paid up share capital	7.2	1,224,006,980	1,224,006,980
Capital reserve	8	680,467,220	680,467,220
Exchange revaluation reserve		19,584,625	18,361,478
Unappropriated profit		2,238,960,309	2,167,423,585
Surplus on revaluation of property, plant and equipment - net of tax	9	2,622,193,143	445,144,929
Total shareholders' equity		6,785,212,277	4,535,404,192
Non-current liabilities			
Long-term finances-secured	10	396,447,541	265,191,113
Lease liabilities	11	120,977,441	44,763,773
Deferred liabilities	12	205,905,853	147,086,095
Deferred grant	13	2,317,051	-
Deferred income		-	269,842
Total non-current liabilities		725,647,886	457,310,823
Current liabilities			
Trade and other payables	14	1,015,809,588	241,230,081
Advance from customers - secured		51,979,051	58,666,494
Accrued mark-up	15	56,305,363	64,696,362
Short-term borrowings-secured	16	5,115,897,038	4,139,227,403
Current portion of deferred grant	13	3,807,127	-
Current portion of long term finances-secured	10	57,673,116	86,709,085
Current portion of lease liabilities	11	21,497,206	13,094,930
Unpaid dividend	17	13,555,468	489,804
Total current liabilities		6,336,523,957	4,604,114,159
Total liabilities		7,062,171,843	5,061,424,982
Contingencies and commitments	18		
Total equity and liabilities		13,847,384,120	9,596,829,174

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

MATCO FOODS LIMITED

Consolidated Statement of Financial Position

As At June 30, 2020

		2020	2019
		-----Rupees-----	
ASSETS	Note		
Non-current assets			
Property, plant and equipment	19	4,938,035,706	2,620,484,642
Right-of-use assets	20	159,940,356	83,094,097
Intangible assets	21	-	-
Long term deposits		12,578,078	9,938,831
Long term investments	22	18,647,853	-
Total non-current assets		5,129,201,993	2,713,517,570
Current assets			
Stores, spares and loose tools	23	45,022,530	23,107,682
Stock in trade	24	6,642,523,350	5,204,978,692
Trade debts	25	1,374,152,042	988,520,276
Loans and advances	26	118,619,714	355,385,133
Trade deposits and short term prepayments	27	9,883,749	5,268,471
Short-term investment		263,440	255,362
Other receivables	28	171,398,371	188,548,089
Taxation - net		51,068,680	33,050,458
Cash and bank balances	29	305,250,251	84,197,441
Total current assets		8,718,182,127	6,883,311,604
Total assets		13,847,384,120	9,596,829,174

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

MATCO FOODS LIMITED
Consolidated Statement of Profit Or Loss
For The Year Ended June 30, 2020

	Note	2020 -----Rupees-----	2019
Sales - net	30	11,296,930,227	7,870,367,253
Cost of sales	31	(10,273,971,964)	(6,948,543,163)
GROSS PROFIT		1,022,958,263	921,824,090
Selling and Distribution	32	(218,475,909)	(164,659,650)
Administrative expenses	33	(273,160,683)	(244,865,613)
		(491,636,592)	(409,525,263)
		531,321,671	512,298,827
Impairment loss on financial assets	25.4	-	(6,103,372)
Finance cost	34	(350,646,282)	(275,840,060)
Other income	35	56,513,137	106,655,675
Share of loss from associated company	22	(5,852,147)	-
Exchange gain - net	36	14,015,389	152,934,910
Provision for worker's welfare fund	14.1	(7,113,214)	(7,270,451)
Provision for worker's profit participation fund	14.2	(12,218,347)	(23,388,267)
PROFIT BEFORE TAX		226,020,207	459,287,262
Income tax expense	37	(86,580,493)	(46,658,608)
PROFIT FOR THE YEAR		139,439,714	412,628,654
Attributable to:			
Shareholders of Holding Company		139,439,714	412,628,654
Non-controlling interest		-	-
		139,439,714	412,628,654
EARNINGS PER SHARE - BASIC AND DILUTED	42	1.14	3.37

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.


Chief Executive Officer


Chief Financial Officer


Director

MATCO FOODS LIMITED
Consolidated Statement of Comprehensive Income
For The Year Ended June 30, 2020

	Note	2020 -----Rupees-----	2019
PROFIT FOR THE YEAR		139,439,714	412,628,654
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified subsequently to the consolidated statement of profit or loss</i>		-	-
- Exchange difference on translation of foreign operations		1,223,147	13,201,223
<i>Items that will not to be reclassified subsequently to the consolidated statement of profit or loss</i>			
- Remeasurement of defined benefits obligation	12.2.5	(1,657,557)	(2,409,511)
- Surplus on revaluation of fixed assets - net of deferred tax		2,196,483,270	-
- Deferred tax on disposal of land and building		-	4,789,032
- Deferred tax on incremental depreciation		-	9,334,191
Other comprehensive income		2,194,825,713	11,713,712
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,335,488,574	437,543,589
Attributable to:			
Shareholders of Holding Company		2,335,488,574	437,543,589
Non-controlling interest		-	-
		2,335,488,574	437,543,589

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.


Chief Executive Officer


Chief Financial Officer


Director

MATCO FOODS LIMITED

Consolidated Statement of Cash Flow
For The Year Ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		226,020,207	459,287,262
Adjustments for:			
Depreciation	19	228,317,653	171,098,344
Depreciation on right of use		22,924,119	-
Exchange gain - net	36	(14,064,845)	(152,934,910)
Provision of doubtful debts		-	6,103,372
Short-term investment		(8,078)	-
(Reversal)/Provision for slow moving stock		(10,467,381)	9,916,664
Share of loss from associate	22	5,852,147	-
Finance cost	34	350,646,282	275,840,060
Interest on lease liabilities		12,047,475	-
Provision for staff gratuity	12.2	31,124,823	18,316,536
Amortization of deferred income	35	(269,842)	(362,666)
Gain on disposal of property, plant and equipment	35	(1,235,627)	(73,325,589)
		624,866,726	254,651,811
		850,886,933	713,939,073
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spares and loose tools		(21,914,848)	(4,380,414)
Stock-in-trade		(1,427,077,277)	(75,914,560)
Trade debts - considered good		(371,616,377)	(131,983,419)
Loans and advances		236,765,419	(271,653,082)
Trade deposits and prepayments		(4,615,278)	8,466,060
Other receivables		17,149,718	(103,473,974)
		(1,571,308,643)	(578,939,389)
Increase / (decrease) in current liabilities			
Trade and other payables		774,579,507	21,247,097
Deferred grant		6,124,178	-
Advances from customers		(6,687,443)	33,782,823
		774,016,242	55,029,920
Cash generated from operations			
		53,594,532	190,029,604
Finance cost paid		(359,037,281)	(259,911,126)
Income taxes paid		(112,928,026)	(102,019,982)
Gratuity paid	12.2	(3,895,936)	(3,434,280)
Net cash used in operating activities		(422,266,711)	(175,335,784)

MATCO FOODS LIMITED

Consolidated Statement of Cash Flow
For The Year Ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure including capital work in progress		(314,791,494)	(807,151,692)
Proceeds from disposal of property, plant and equipment		8,454,800	210,097,160
Investment in Joint Venture		(24,500,000)	-
Long-term deposits		(2,639,247)	3,109,962
Net cash used in investing activities		(333,475,941)	(593,944,570)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term finances - net		102,220,459	21,313,624
Lease rentals paid during the year		(30,739,239)	(19,644,841)
Dividend paid		(72,614,825)	(46,139,034)
Short-term borrowings - net		976,669,635	57,447,650
Net cash generated from financing activities		975,536,030	12,977,399
Net change in cash and cash equivalents during the year		219,793,378	(756,302,955)
Effect of exchange rate changes on value of foreign operation		1,223,147	13,201,223
Cash and cash equivalents as at the beginning of year		84,197,441	827,011,590
Effects of exchange rate changes on cash and cash equivalents		36,285	287,583
Cash and cash equivalents as at the end of year	29	305,250,251	84,197,441

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

MATCO FOODS LIMITED

Consolidated Statement of Changes In Equity

For The Year Ended June 30, 2020

	Issued, subscribed and paid up share capital	Capital reserve Share premium reserve	Exchange Revaluation Reserve	Unappropriated profit	Surplus on revaluation of property, plant and equipment - net of tax	Equity attributable to the Holding Company 's shareholders	Total
	Rupees						
Balance as on June 30, 2018	1,165,720,940	739,367,162	5,160,255	1,688,073,372	546,781,614	4,145,103,343	4,145,103,343
Total comprehensive income for the year							
Profit for the year	-	-	-	412,628,654	-	412,628,654	412,628,654
Other comprehensive income	-	-	13,201,223	11,713,712	-	24,914,935	24,914,935
Total comprehensive income	-	-	13,201,223	424,342,366	-	437,543,589	437,543,589
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation net of tax - (note 9)	-	-	-	21,779,780	(21,779,780)	-	-
Transferred from surplus on revaluation of property, plant and equipment on account of disposal of land and building net of tax	-	-	-	79,856,905	(79,856,905)	-	-
Preliminary expenses incurred for IPO	-	(613,902)	-	-	-	(613,902)	(613,902)
Transactions with owners							
Bonus shares issued in the ratio of 5 shares for every 100 shares held	58,286,040	(58,286,040)	-	-	-	-	-
Dividend paid @ Re. 0.4 per share	-	-	-	(46,628,838)	-	(46,628,838)	(46,628,838)
Balance as on June 30, 2019	1,224,006,980	680,467,220	18,361,478	2,167,423,585	445,144,929	4,535,404,192	4,535,404,192
Balance as on July 01, 2019	1,224,006,980	680,467,220	18,361,478	2,167,423,585	445,144,929	4,535,404,192	4,535,404,192
Total comprehensive income for the year							
Profit for the year	-	-	-	139,439,714	-	139,439,714	139,439,714
Other comprehensive income	-	-	1,223,147	(1,657,557)	2,196,483,270	2,196,048,860	2,196,048,860
Total comprehensive income	-	-	1,223,147	137,782,157	2,196,483,270	2,335,488,574	2,335,488,574
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation net of tax - (note 9)	-	-	-	19,435,056	(19,435,056)	-	-
Transactions with owners							
Dividend paid @ Re. 0.7 per share	-	-	-	(85,680,489)	-	(85,680,489)	(85,680,489)
Balance as on June 30, 2020	1,224,006,980	680,467,220	19,584,625	2,238,960,309	2,622,193,143	6,785,212,277	6,785,212,277

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

1 STATUS AND NATURE OF BUSINESS

The 'Group' consists of:

Holding Company

- Matco Foods Limited (the Holding Company)

Subsidiary Group

- JKT General Trading FZE
- Matco Marketing (Private) Limited

Associated Company

- Barentz Pakistan (Private) Limited

The Group is engaged in the business of processing and export of rice, glucose, protein and flour, manufacturing, general trading, exports/imports and other related activities. Brief profile of the Holding Company and its subsidiaries is as under:

a) Matco Foods Limited

Matco Foods Limited, ('The Group') was incorporated on April 14, 1990 in Karachi as a private limited company under the repealed Companies Ordinance, 1984 (Now: Companies Act, 2017). The Group was listed on Pakistan Stock Exchange Limited on February 13, 2018. The principal activity of the Group is to carry out the business of processing, export of rice, rice glucose, rice protein and trade of biscuits, pink salt, bran oil, masala and kheer. The registered office of the Group is situated at B-1/A, S.I.T.E.-II Phase 1, Super Highway Industrial Area, Karachi; whereas the factories of the Group are situated at (i) Plot A-15 & 16, SITE-II, Super highway Karachi; (ii) A-21, SITE-II, Super highway Karachi; (iii) G-205, SITE-II, Super highway Karachi and (iv) 50 KM G.T Road, Sadhoke, Tehsil Kamoke, District Gujranwala.

The Group has 100% ownership in JKT General Trading FZE (subsidiary) a UAE based Company and 99.9% in Matco Marketing (Private) Limited based in Pakistan.

b) JKT General Trading FZE

JKT General Trading FZE, ('the establishment') is a free zone establishment with limited liability registered in Saif-Zone, Sharjah, United Arab Emirates (UAE) under general trading license no. 12689. The principal activity of the establishment is purchasing and selling of processed rice.

The registered office of the establishment is at PO Box 123347, Sharjah, UAE.

The subsidiary has been established on October 8, 2013.

c) Matco Marketing (Private) Limited

The Group has incorporated another subsidiary Matco Marketing (Private) Limited through 100% ownership. The subsidiary is situated at B-01/A, S.I.T.E, Phase 1, Super Highway Industrial Area, Karachi. Matco Marketing (Private) Limited was incorporated on June 16, 2016 with authorized and paid-up share capital of PKR 10 million and PKR 7.5 million respectively. However, no business carried out by the Subsidiary Company since its incorporation.


Chief Executive Officer


Chief Financial Officer


Director

MATCO FOODS LIMITED
Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

d) Barentz Pakistan (Private) Limited

The Barentz Pakistan (Private) Limited (a joint venture between Barentz International B.V and Matco Foods Limited with holding of 51% and 49% respectively) has been incorporated in Pakistan on June 28, 2019 with the approval of Securities & Exchange Commission of Pakistan and Competition Commission of Pakistan.

2 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE GROUP'S FINANCIAL POSITION AND PERFORMANCE

During the year, revaluation carried out on property, plant and equipment that has resulted in a revaluation surplus of Rs. 2,235 million as at June 30, 2020.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These consolidated 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 Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- 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 Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed in preparation of these consolidated financial statements.

3.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except as stated otherwise in these consolidated financial statements.

3.3 Functional and presentation currency

These consolidated financial statements are presented in Pakistani Rupees which is the Group's functional currency and presentation currency.

3.4 Standards, Amendments and Interpretations to Approved Accounting Standards

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

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

MATCO FOODS LIMITED
Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

Standard or Interpretation

**Effective Date
(Annual periods beginning
on or after)**

IFRS 14 'Regulatory Deferral accounts'

July 1, 2019

IFRS 16 'Leases'

January 1, 2019

IAS 12 'Income tax consequences of payments on financial instruments classified as equity'

January 1, 2019

IAS 23 Borrowing costs eligible for capitalization

January 1, 2019

IFRS 3 Previously held interest in a joint operation

January 1, 2019

IFRS 9 Prepayment features with negative compensation

January 1, 2019

IFRS 11 Previously held interest in a joint operation

January 1, 2019

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

Standard or Interpretation

**Effective Date
(Annual periods beginning
on or after)**

IAS 19 'Plan Amendment, Curtail or Settlement' (Amendments to IAS 19)

July 1, 2019

Annual improvements to IFRSs 2015- 2017 Cycle

January 1, 2019

The impact of IFRS-16 has been disclosed in the note 6 of these consolidated financial statements. Further, the adoption of other standards does not have any impact on these consolidated financial statements.

3.4.2 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 July 01, 2019 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations and are therefore not presented here.

MATCO FOODS LIMITED
Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

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

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 3 'Definition of a business' Amendment to IFRS 3	January 1, 2020
IAS 1/IAS 8 'Definition of Material' (Amendments to IAS 1 and IAS 8)	January 1, 2020
IFRS 7, IFRS 9, and IAS 39- Interest Rate Benchmark Reform	January 1, 2020
Various Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020

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

3.4.4 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 17- Insurance Contracts	January 01, 202
IFRS 1- First time adoption of International Financial Reporting Standards	July 01, 2009

MATCO FOODS LIMITED
Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

4 CRITICAL ASSUMPTIONS AND ESTIMATES

The preparation of these consolidated financial statements in conformity with approved financial reporting framework requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events 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 estimates are revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

	Note
(a) useful lives of property, plant and equipment	5.2
(b) impairment of financial assets	5.6
(c) staff retirement plan	5.10
(d) income taxes	5.13
(e) trade and other payables	5.17
(f) contingencies	5.18
(g) provisions	5.23
(h) impairment of non-financial asset	5.25

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies have been applied on consistent basis except as disclosed in note 6. These policies have been adopted in the preparation of these consolidated financial statements are as follows:

5.1 Business of consolidation

The consolidated financial statements consists of financial statements of the Parent Company and its subsidiary companies as disclosed in note 1 to these consolidated financial statements (here in after referred as Group).

The financial statements of the Parent Company and its subsidiary companies are prepared up to the same reporting date and are combined on a line-by-line basis.

Business Combination

The Group accounts for business combination using the acquisition method when control is transferred to the Group. The consideration transferred (including contingent consideration) in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that acquire is not amortized but tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction cost are expensed as incurred, except if related to the issue of debt or equity securities. When the initial accounting for a business combination is incomplete at the end of a reporting period, provisional amounts are used. During the measurement period, the provisional amounts are retrospectively adjusted and additional assets and liabilities may be recognized, to reflect new information

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

obtained about the facts and circumstances that existed at the acquisition date which would have affected the measurement of the amounts recognized at that date, had they been known the measurement period does not exceed twelve months from the date of acquisition.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity generally accompanying a shareholding of more than fifty percent of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and up to the date when the control ceases. Non-controlling interest is that portion of equity in a subsidiary that is not attributable, directly or indirectly, to the Parent Company. Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Non-controlling interests are presented as a separate item in the consolidated financial statements.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in the equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Changes in the Group interest in a subsidiary that do not result in a loss of control are accounted for as equity as transactions.

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in consolidated profit and loss account. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated.

5.2 Property, plant and equipment

Items of property, plant and equipment other than land, factory buildings, plant and machinery and generators are measured at cost less accumulated depreciation and impairment loss (if any).

Land, factory buildings, plant and machinery and generators are measured at the revalued amount less accumulated depreciation and impairment loss (if any).

Revaluation model

Any revaluation increase arising on the revaluation of land, factory buildings, plant and machinery and generators is recognised in statement of other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment- net of tax", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in statement of profit or loss, in which case the increase is credited to statement of profit or loss to the extent of the

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

decrease previously charged.

Any decrease in carrying amount arising on the revaluation is charged to profit or loss to the extent that it exceeds the balance, if any, held in the Revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The surplus on revaluation of buildings, plant and machinery and generators to the extent of incremental depreciation charged (net of deferred tax) is transferred to unappropriated profit.

Depreciation

Depreciation is charged so as to write off the cost or revalued amount of assets (other than land and capital work in progress) over their estimated useful lives, using the diminishing balance method at rates specified in note 19.1 to the consolidated financial statements. Depreciation on addition is charged from the day an asset is available for use upto the day prior to its disposal.

Gains and losses on disposal of assets are taken to the statement of profit or loss, and related surplus on revaluation of property and plant is transferred directly to retained earnings / unappropriated profits.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The Group's estimate of residual value of property, plant and equipment as at June 30, 2020 did not require any adjustment.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. Cost also includes applicable borrowing cost. These are transferred to specific assets as and when assets are available for use.

5.3 Right-of-use assets and related liabilities

After the commencement date, the Group 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 underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group 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. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

5.4 Intangible assets

Intangible assets having definite useful life are stated at cost less accumulated amortization and impairment losses, if any however, Intangible assets having indefinite life are stated at cost less impairment

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

losses, if any.

Subsequent cost is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization is charged to the statement of profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Amortization on additions to intangible assets are charged from the month in which an asset is acquired or capitalized while no amortization is charged in the month in which the asset is disposed of.

All intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Where the carrying amount of an asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount. The carrying amount of other intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists than the assets recoverable amount is estimated. The recoverable amount is the greater of its value and fair value less cost to sell.

Useful lives of intangibles assets are reviewed at each reporting date and us adjusted if the impact on amortization is material.

5.5 Investments

5.5.1 Investment in associates

Investment in an Associate is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss of the investee after the date of acquisition. The Group's share of post acquisition profit or loss is recognised in the statement of profit or loss, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with the corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an Associate equals or exceeds its interest in the Associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the Associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the Associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the Associate and its carrying value and recognises the amount adjacent to share of profit / loss of an Associate in the consolidated statement of profit or loss.

5.5.2 Other investments

All regular way purchases / sales of investment are recognized on the trade date, i.e., the date the Group commits to purchase / sell the investments. Regular way purchases or sales of investment require delivery of securities within the time frame generally established by regulation or convention in the market place.

5.6 IFRS 9 - Financial Instruments - initial recognition and subsequent measurement

Initial recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value or amortized cost as the case may be.

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

Classification of financial assets

The Group classifies its financial instruments in the following categories:

- at fair value through profit or loss ("FVTPL")
- at fair value through other comprehensive income ("FVTOCI"), or
- at amortized cost.

The Group determines the classifications of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Group's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Classification of financial liabilities

The Group classifies its financial liabilities in the following categories:

- at fair value through profit or loss ("FVTPL"), or
- at amortized cost

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instrument held for trading or derivatives) or the Group has opted to measure them at FVTPL.

Subsequent measurement

i) Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognized in consolidated statement of other comprehensive income.

MATCO FOODS LIMITED
Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

ii) Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost, and in the case of financial assets, less any impairment.

iii) Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statement of profit or loss. Realised and unrealised gains and losses arising from changes in the fair value of financial assets and liabilities held at FVTPL are included in the consolidated statement of profit or loss in the period in which they arise.

Where the management has opted to recognise a financial liability at FVTPL, any changes associated with the Group's own credit risk will be recognised in other comprehensive income/(loss). Currently, there are no financial liabilities designated at FVTPL.

Impairment of financial assets

The Group recognises loss allowance for Expected Credit Loss (ECL) on financial assets measured at amortized cost and FVTOCI at an amount equal to life time ECLs except for the financial assets in which there is no significant increase in credit risk since initial recognition or financial assets which are determine to have low credit risk at the reporting date, in which case twelve months' ECL is recorded. The following were either determined to have low or there was no credit risk since initial recognition and at the reporting date:

- bank balances;
- deposits; and
- loan and advances

Loss allowance for trade receivables are always measured at an amount equal to life time ECLs. Life time ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Twelve months ECLs are portion of ECL that result from default events that are possible within twelve months after the reporting date.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured at the present value of all cash short falls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Group expects to receive).

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset in entirety or a portion thereof.

Derecognition

i) Financial assets

The Group derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfer the financial assets and substantially all the associated risks and reward of ownership to another entity.

MATCO FOODS LIMITED
Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

On derecognition of financial assets measured at amortized cost, the difference between the assets carrying value and the sum of the consideration received and receivable recognised in consolidated statement of profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve reclassified to consolidated statement of profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to consolidated statement of profit or loss, but is transferred to statement of changes in equity.

ii) Financial liabilities

The Group derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of profit or loss account. The Group's financial liabilities include long term finances, trade and other payables, accrued markup and short term borrowing.

5.7 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the dates on which the derivative contracts are entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative instruments is taken to the consolidated statement of profit or loss.

5.8 Stores, spares and loose tools

These are valued at the cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice value plus other charges incurred thereon, up to the reporting date.

5.9 Stock-in-trade

These are valued at lower of cost and net realizable value less impairment loss, if any. Raw material is valued at moving weighted average cost, packing material is valued at cost, work in process is valued at manufacturing cost and finished goods is valued at cost allocated on sales value of finish and by-product for each job completion or net realizable value (NRV) whichever is lower.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

5.10 Staff retirement benefits

Defined benefit plan

The Group operates an unapproved gratuity scheme for its employees completing the eligibility period of service as defined under the plan. The scheme provides for a graduated scale of benefits dependent on the length of service of an employee on terminal date, subject to the completion of minimum qualifying period of service. Gratuity is based on employees' last drawn basic salary.

MATCO FOODS LIMITED
Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation carried out annually by an external expert, using the 'Projected Unit Credit Method'. All re-measurement gains and losses are recognized in 'Other Comprehensive Income' as these occur. The amount recognized in the consolidated statement of financial position represents the present value of defined benefit obligations.

5.11 Trade debts

These are measured at original invoice amount less an estimate made for allowance for expected credit loss based on the probability of default at reporting period. Bad debts are written off when identified.

5.12 Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated statement of financial position at cost. For the purpose of statement cash flows, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amounts of cash and are subject to insignificant risk of change in value.

5.13 Taxation

Current

The charge for current tax is based on taxable income at current rates of taxation after taking into account tax credits, rebates and exemptions available, if any, or in accordance with the final tax regime, where applicable, of the Income Tax Ordinance, 2001 (the Ordinance) or the minimum tax under section 113 of the Ordinance or Alternate Corporate Tax (ACT) under section 113C of the said Ordinance, whichever is higher.

Deferred

Deferred tax is recognized using the statement of financial position liability method on all temporary differences between the carrying amount of the assets and liabilities and their tax bases.

Deferred tax liabilities are recognized for all major taxable temporary differences.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it becomes probable that future taxable profit will allow deferred tax asset to be recovered.

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

5.14 Borrowings and their costs

All borrowings are recorded at the proceeds received net of transaction cost. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to consolidated statement of profit or loss in the period in which these are incurred.

MATCO FOODS LIMITED
Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

5.15 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the entity's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

ii. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

5.16 Deferred grant

The Group has obtained long term financing facility under State Bank of Pakistan Refinance Scheme for payment of wages and salaries to the Workers and Employees of Business Concerns ('Refinance Scheme'). It carries mark-up SBP rate plus 1%, payable on annual basis, which is below prevailing market-rate. The government's underlying objective for introducing the said Refinance Scheme for businesses is to support the employment of workers in the face of economic challenges posed by the spread of novel coronavirus (COVID-19).

The Refinance Scheme shall be considered as the transfer of resources from government as reflected by below-market mark-up rate on the loans obtained under the Refinance Scheme. The said transfer shall be accounted for as Government grant in accordance with the circular # 11 of 2020 issued by Institute of Chartered Accountants of Pakistan (ICAP).

Government grants are first recognised in the statement of financial position and then subsequently accounted for in the statement of profit or loss on a systematic basis over the periods in which the Group recognises as expense the related cost for which the grants were intended to compensate.

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

5.17 Trade and other payables

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

5.18 Contingencies

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

5.19 IFRS 15 'Revenue from Contracts with Customers'

The Group is in the business of the manufacture and sale of goods. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer and thereby the performance obligations are satisfied, at amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

The Group has concluded that based on the contractual arrangement control of goods are transferred and performance obligations are satisfied at a point in time when the goods are dispatched to the customers.

In case of export the control is transferred when the goods are shipped to the destination and Bill of Lading has been prepared, thus completing the performance obligation. Whereas in case of local sales, control is transferred when the goods are dispatched to customers from the warehouse.

5.20 Interest income

Interest income is recognized on a time proportion basis that takes into account the effective yield.

5.21 Foreign currency transaction & translation

Transactions in foreign currencies are accounted for in Pak Rupee at the rate of exchange prevailing on the date of transaction. Monetary assets and monetary liabilities in foreign currencies as at the reporting date are expressed in Rupee at rates of exchange prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Exchange differences are taken to the consolidated statement of profit or loss.

5.22 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are off-set and the net amount is reported in the consolidated financial statements only when The Group has a legally enforceable right to off-set the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

5.23 Provisions

A provision is recognized in the consolidated statement of financial position when the Group 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.

5.24 Operating segments

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. As the operations of the Group are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

The Group accounts for segment reporting using the business segments as the primary reporting format based on the Group's practice of reporting to the management on the same basis.

5.25 Impairment of non-financial assets

The carrying amount of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated and accordingly an impairment loss is recognized in the consolidated statement of profit or loss account for the carrying amount of the asset that exceeds its recoverable amount.

5.26 Related party transactions

All related party transactions are carried out by the Group on arm's length basis.

5.27 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

5.28 Dividend

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which such dividends are approved by the Board.

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

6 CHANGE IN ACCOUNTING POLICY

i) IFRS 16 - Leases

During the year, SECP adopted IFRS 16 which supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of July 01, 2019. The reclassifications and the adjustments arising from adoption are therefore recognized in the opening statement of financial position as at July 1, 2019.

The effect of adoption IFRS 16 as at July 01, 2019 (increase/ (decrease)) is, as follows:

Assets	---Rupees---
Right-of-use assets	175,491,636
Property, plant and equipment	(83,094,097)
Liabilities	
Lease liabilities	150,256,242
Liabilities against assets subject to finance lease	(57,858,703)

The Group recognized right-of-use assets and lease liability for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount and the use of incremental borrowing rate (14%) at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liability, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liability were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

7 SHARE CAPITAL

7.1 Authorized Share Capital

2020	2019	Note
Number of shares		
200,000,000	200,000,000	Ordinary shares of Rs. 10 (2019: Rs. 10)

7.2 Issued, Subscribed And Paid Up Share Capital

2020	2019	
Number of shares		
50,340,213	50,340,213	Ordinary shares of Rs. 10 each:
6,002,950	6,002,950	- fully paid in cash
66,057,535	66,057,535	- issued for consideration other than cash
122,400,698	122,400,698	- issued as fully paid bonus shares

7.3 Shares held by the related parties of the Group

Name of the shareholders	2020	2019
Mr. Jawed Ali Ghori	23,964,021	23,795,021
Mr. Khalid Sarfaraz Ghori	24,031,271	24,031,271
Mr. Tariq Ghori	24,054,896	24,054,896
Ms. Naheed Jawed	448,875	448,875
Ms. Nuzhat Khalid Ghori	448,875	448,875
Ms. Sadaf Tariq	425,250	425,250
Mr. Faizan Ali Ghori	493,250	378,250
Mr. Syed Kamran Rasheed	500	500
Mr. Abdul Samad Khan	500	500
Mrs. Faryal Murtaza	342,973	340,473
Ms. Umme Habibah	500	500
International Finance Corporation	18,360,109	18,360,109

7.4 Reconciliation of number of shares outstanding is as under:

Shares at the beginning of the year	122,400,698	116,572,094
Shares issued during the year in cash	-	-
Bonus shares issued during the year	-	5,828,604
Shares at the end of the year	122,400,698	122,400,698

7.5 The Group has issued 15% shares to International Finance Corporation (IFC) (registered with World Bank) under an agreement with the Group. During the year 2012, the Group offered shares as fully paid right

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

shares which were declined by the existing members and the directors issued those shares to the IFC. These shares have been issued at a price of Rs. 39.28 per share resulting in overall premium from IFC on issue of shares amounting to Rs. 341.311 million.

8	CAPITAL RESERVE	Note	2020	2019
			-----Rupees-----	
	Share premium	8.1	680,467,220	680,467,220
8.1	<p>- premium received over and above face value of the shares issued to IFC amounting to Rs. 341 million out of which Rs. 22.9 million had been utilized under section 83 of the repealed Companies Ordinance, 1984 (now section 81 of the Companies Act, 2017) during the year ended June 30, 2014.</p> <p>- premium received over and above face value of the shares issued to general public through IPO amounting to Rs. 466.3 million out of which Rs. 45.9 million had been utilized under section 81 of the Companies Act, 2017 during the year ended June 30, 2018.</p>			
8.2	Premium received have been utilized for the purpose of distribution of dividend in accordance with Section 81 of the Companies Act, 2017.			

9 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX

This represents surplus arising on revaluation of land, buildings, plant and machinery and generators, net of deferred tax. The revaluation was carried by Oceanic Surveyors (Private) Limited on June 29, 2020.

	Note	2020	2019
		-----Rupees-----	
Surplus on revaluation at the beginning of the year		515,233,189	630,993,097
Surplus on revaluation recognized during the year		2,234,759,065	-
Transferred to unappropriated profit in respect of disposal of property, plant and equipment		-	(84,645,937)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(27,764,366)	(31,113,971)
Surplus on revaluation of operating fixed assets as at June 30		2,722,227,888	515,233,189
Less: related deferred tax liability:			
- at beginning of the year		(70,088,260)	(84,211,483)
- on surplus arising on revaluation during the year		(38,275,795)	-
- on adjustment due to change in tax rate		-	-
- on disposed off during the year		-	4,789,032
- on incremental depreciation charged during the year		8,329,310	9,334,191
		2,622,193,143	445,144,929

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

10 LONG TERM FINANCES - SECURED

From banking companies and financial institution:

		2020	2019
		-----Rupees-----	
- MCB Bank Limited	10.1 & 10.2	166,074,698	204,517,070
- Pak Oman Investment Company Limited	10.3	24,565,572	36,063,952
- United Bank Limited		-	5,557,076
- Soneri Bank Limited	10.4	30,000,000	48,000,000
- Habib Bank Limited	10.5 & 10.6	98,828,850	37,485,000
- Meezan Bank Limited	10.7	65,018,300	20,277,100
- MCB Islamic Bank Limited	10.8	69,633,237	-
		454,120,657	351,900,198
Current portion of long term finances		(57,673,116)	(86,709,085)
		396,447,541	265,191,113

- 10.1** This includes long term financing facility (LTFF) of Rs. 250 million (2019: Rs 250 million) for rice protein/rice glucose plant. It is secured by 1st pari passu hypothecation charge of Rs. 382.667 million (2019: Rs 382.667 million) over all present and future fixed assets (excluding land and building) of the Group. Further secured by 1st pari passu mortgage charge of Rs. 382.667 million over land and building (2019: Rs. 382.667 million). It carries mark-up at SBP rate plus 1.0% per annum (2019: SBP rate plus 1%). The Loan is repayable in quarterly installments starting from 15th month from first disbursement i.e. September 2017.
- 10.2** This also include LTFF/demand finance (DF) financing facility of Rs. 51.4 million (2019: Rs. 51.4 million) for plant & machinery expansion. It is secured by 1st hypothecation charge of Rs. 382.667 million (2019: Rs. 382.667 million) over all present and future fixed assets (excluding land and building). Further secured by 1st mortgage charge of Rs. 382.667 million (2019: Rs. 382.667 million) over land and building. It carries mark-up at 3 months KIBOR plus 1.0% per annum (2019: 3 months KIBOR plus 1.0% per annum). The loan is repayable in semi annual installments.
- 10.3** This also include LTFF financing facility of Rs. 60 million (2019: 60 million) for financing the import of paddy processing machinery at The Group's auto rice mill in Sadhoki Punjab. It is secured by 1st pari passu charge of Rs. 133 million (2019: Rs. 133 million) over fixed assets of the Group. This facility swap to Term Finance Facility and carries mark up at SBP rate plus 1% per annum.(2019: SBP rate plus 1% per annum). The loan is repayable in quarterly installments and shall be repaid by June 2023.
- 10.4** This include financing facility of DF Rs. 48 million (2019: 48 million) for acquisition of fixed assets to be utilized as a Godown and extension of business facility at Sadhoki Punjab. The facility is secured by 1st exclusive equitable mortgage charge of Rs. 73.478 million (2019: Rs. 73.478 million) duly registered with SECP, including TRM of Rs. 0.1 million and rest through EM over industrial property situated at Sadhoki, Punjab. DF carries mark up at 3 months KIBOR plus 1.5% (2019: 3 months KIBOR plus 1.5%). The loan is repayable in quarterly installments and shall be repaid by May 2022.

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements For The Year Ended June 30, 2020

- 10.5** This include financing facility of LTFF Rs. 100 million (2019: 100 million) to meet in-house energy requirements under SBP renewable energy scheme. The facility is secured by ranking charge over plant and machinery of Rs. 134 million with 25% margin. LTFF carries mark up at SBP rate plus 1% (2019: SBP rate plus 1%). The loan is repayable in quarterly installments and shall be repaid in 10 years with one year Grace period.
- 10.6** This also includes financing facility of LTFF Rs. 62 million (2019: Nil) to meet in-house energy requirements under SBP renewable energy scheme. This facility is secured by fresh ranking charges over Land & Building and Plant & Machinery of Rs. 82.67Mn each (with 25% margin) will be registered for disbursement of Fresh LTF/TL. This charge will be upgraded within 120 days from the date of 1st disbursement. After the upgradation/perfection of HBL, ranking charge will be vacated. LTFF carries mark up at SBP rate plus 1% (2019: Nil). The loan is repayable in quarterly installments and repayment shall start from at the end of one or up to Feb 28, 2021 whichever is earlier.
- 10.7** This include Diminishing Musharakah Islamic long term financing facility(ILTFF) of Rs.100 million (2019: Rs. 100 million) to finance the import of various machineries & equipment. The facility is secured by exclusive hypothecation charge over specific DM asset. It carries mark up at SBP rate plus 2.5% (2019: SBP rate plus 2.5%). The loan is repayable in quarterly installments and shall be repaid in 05 years.
- 10.8** This include Diminishing Musharakah Islamic long term financing facility(ILTFF) of Rs.160 million (2019: Nil) under SBP Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees as per the SBP Circular # 11 of 2020 dated: April 10, 2020. The facility is secured by 1st Pari Passu charge over plant and machinery / Exclusive charge over specific Machinery Assets with 25% margin. (Initial disbursement be against Ranking Charge, to be made exclusive within 180 days from the last disbursement), Assets will remain cover under Takaful coverage, till the full settlement of captioned facility. It carries mark up at SBP rate plus 1%. The loan is repayable in 8 quarterly installments.

11	LEASE LIABILITIES	Note	2020	2019
			-----Rupees-----	
	Opening balance		57,858,703	41,510,709
	Impact of adoption of IFRS-16		92,397,539	-
	At July 1, 2019		150,256,242	41,510,709
	Additions for the year		10,910,170	35,711,708
	Accrued interest during the year		20,420,744	5,427,855
			181,587,155	82,650,272
	Payment made during the year		(39,112,508)	(24,791,569)
			142,474,647	57,858,703
	Current portion of lease liabilities		21,497,206	13,094,930
	Non-current		120,977,441	44,763,773

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements For The Year Ended June 30, 2020

11.1	Maturity analysis of lease liabilities	Note	2020	2019
			-----Rupees-----	
	Upto one year		21,497,206	13,094,930
	After one year		120,977,441	44,763,773
	Lease liabilities		142,474,647	57,858,703
12	DEFERRED LIABILITIES			
	Deferred tax liability	12.1	100,034,745	70,088,260
	Staff gratuity scheme - unfunded	12.2	105,601,555	76,715,111
	Employees' end of service benefit	12.3	269,553	282,724
			205,905,853	147,086,095
12.1	This represent deferred tax on surplus on revaluation of property, plant and equipment. Further, the Group has deferred tax asset amounting to Rs. 12.93 million (Rs. 2019: 16.69 million). However, the Group has not recorded deferred tax asset in the books of these consolidated financial statements.			

12.2	Staff gratuity scheme - unfunded	Note	2020	2019
			-----Rupees-----	
	Balance at beginning of the year		76,715,111	59,423,344
	Charge for the year	12.2.7	31,124,823	18,316,536
	Actuarial losses		1,657,557	2,409,511
	Payments made during the year		(3,895,936)	(3,434,280)
	Balance at end of the year	12.2.3	105,601,555	76,715,111

12.2.1 Staff retirement benefits - unfunded

In accordance with the requirements of IAS-19 "Employee Benefits", actuarial valuation was carried out as at June 30, 2020, using the "Projected Unit Credit Method". Provision has been made in these consolidated financial statements to cover obligations in accordance with the actuarial recommendations. Details of significant assumptions used for the valuation in respect of above-mentioned schemes are as follows:

	2020	2019
Discount rate - per annum	8.50%	14.25%
Expected rate of increase in salaries - per annum	7.50%	13.25%
Mortality rate	SLIC (2001-05)	SLIC (2001-05)

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

	Note	2020 -----Rupees-----	2019
12.2.2 The amounts recognized in the consolidated statement of financial position are as follows:			
Present value of defined benefit obligation	12.2.3	105,601,555	76,715,111
12.2.3 Movements in the net liability recognized in the consolidated statement of financial position are as follows:			
Opening liability		76,715,111	59,423,344
Charge for the year	12.2.4	31,124,823	18,316,536
Actuarial losses		1,657,557	2,409,511
Benefits paid		(3,895,936)	(3,434,280)
Balance at end of the year		105,601,555	76,715,111
12.2.4 The amounts recognized in the consolidated statement of profit or loss against defined benefit scheme are as follows:			
Current service cost		20,470,505	13,122,978
Interest cost		10,654,318	5,193,558
Charge for the year		31,124,823	18,316,536
12.2.5 The amounts recognized in the other comprehensive against defined benefit scheme are as follows:			
Actuarial loss arising from - experience adjustment		1,657,557	2,409,511
		1,657,557	2,409,511
12.2.6 Expense chargeable to consolidated statement of profit or loss for the next year			
Current service cost		21,793,588	18,512,771
Interest cost		8,893,344	10,809,557
Charge for the year		30,686,932	29,322,328
12.2.7 The expense for the staff retirement benefit scheme has been allocated as follows:			
Cost of sales	31.4	19,889,269	9,524,599
Selling and distribution	32.1	2,332,958	1,901,246
Administrative expenses	33.1	8,902,596	6,890,691
		31,124,823	18,316,536

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

12.2.8 Sensitivity analysis of actuarial assumptions

The sensitivity analysis is prepared using same computation model and assumptions as used to determine defined benefit obligation based on Projected Credit Unit Method. There is no change from prior year in respect of methods and assumptions used to prepare sensitivity analysis. The impact of 1% change in following variables on defined benefit obligation is as follows:

	Increase in assumptions -----Rupees-----	Decrease in assumptions -----Rupees-----
Discount rate	94,427,849	119,039,200
Expected salary increase	119,039,200	94,236,607

12.2.9 Risks on account of defined benefit scheme

The Group faces the following risks on account of defined benefit scheme:

Final salary risk

The risk that the final salary at the time of cessation of service is greater than what the Group has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Discount rate fluctuation

The defined benefit liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase defined benefit liabilities.

12.2.10 Maturity profile

	2020	2019
Average Expected Remaining Working Lifetime of members	11 Years	11 Years
Average Duration of Liability	10 Years	10 Years

12.3 Employees' end of service benefits

	Note	2020 -----Rupees-----	2019
Opening liability		282,724	169,153
Charge for the year		-	113,571
Payment during the year		(13,171)	-
Closing liability		269,553	282,724

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements For The Year Ended June 30, 2020

13 DEFERRED GRANT

During the year, State Bank of Pakistan introduced a temporary Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns to support payment of salaries and wages under economic challenges due to COVID-19.

The Group has availed this facility from MCB Islamic Bank. The loan carries mark-up at SBP rate plus 1%. However, the effective interest rate is calculated as 8.95% and the loan has been recognised at the present value. The differential markup has been recognised as government grant which will be amortised to interest income over the period of facility.

		2020	2019
		-----Rupees-----	
Opening Balance		-	-
Grant recognized during the year		6,247,476	-
Released to the consolidated statement of profit or loss	34.1	(123,298)	-
		6,124,178	-
Less: current portion of deferred grant		(3,807,127)	-
		2,317,051	-

13.1 The grant is conditional upon the fact that the Group would not terminate any employee, due/owing to cash flow limitations, for a period of three months from the date of receipt of the first tranche.

14 TRADE AND OTHER PAYABLES

Creditors		962,675,086	155,350,933
Accrued liabilities		26,888,244	45,831,411
Tax deducted at source and payable to statutory authorities		6,432,888	1,796,816
Sales tax payable		466,053	447,584
Worker's welfare fund	14.1	7,113,214	14,415,070
Worker's profit participation fund	14.2	12,234,103	23,388,267
		1,015,809,588	241,230,081

14.1 Worker's welfare fund

Opening balance		14,415,070	10,140,803
Allocation for the year		7,113,214	7,270,451
Reversal of WWF		(12,780,790)	-
Amount paid		(1,634,280)	(2,996,184)
Closing balance		7,113,214	14,415,070

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements For The Year Ended June 30, 2020

14.2 Worker's profit participation fund

Note

	2020	2019
	-----Rupees-----	
Opening balance	23,388,267	15,263,606
Allocation for the year	12,218,347	23,388,267
Amount paid	(23,372,511)	(15,263,606)
Closing balance	12,234,103	23,388,267

15 ACCRUED MARK-UP

Mark-up on long term finances	4,895,627	5,825,361
Mark-up on short term borrowings	51,409,736	58,871,001
	56,305,363	64,696,362

16 SHORT-TERM BORROWINGS SECURED

Export re-finance	16.1	3,931,349,000	2,949,349,000
Own resource	16.2	893,066,241	1,181,875,767
FE-25 scheme	16.3	266,615,306	-
Foreign bills purchased/negotiated	16.4	24,866,491	8,002,636
		5,115,897,038	4,139,227,403

16.1 The Group has short term running finance facility under Export Refinance Scheme of the State Bank of Pakistan from commercial banks. The effective rates of mark-up on these facilities vary from SBP rate plus 0.75% to 1% per annum(2019: SBP rate plus 0.75% to 1% per annum).

16.2 The Group has short term running finance facility under own resource from commercial banks. The effective rates of mark-up on these facilities vary from 3-month/6-month KIBOR plus 0.75% to 1% per annum(2019: 3-month/6-month KIBOR plus 0.75% to 1% per annum).

16.3 The Group has short term running finance facility under FE-25 loan scheme of the State Bank of Pakistan from commercial banks. The effective rates of mark-up on these facilities is 3.85% to 5.25% per annum(2019: Nil).

16.4 The sanctioned limit is Rs. 250 million (2019: Rs. 250 million). It carries mark-up that is to be negotiated on case to case basis. (2019: to be negotiated on case to case basis).This facility is secured by ranking hypothecation charge of Rs. 133 million over stocks and receivables duly insured in bank's favor covering all risks with premium payment receipt.

16.5 The facilities available from various banks amount to Rs. 5,730 million (2019: Rs.4,400 million). These facilities are secured by way of hypothecation charge of all present and future cash collateral/TDR, receivable, stocks & current assets. These facilities are registered by mortgage charge of land, building, plant and machinery and all present & future fixed assets.

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

16.6 As at June 30, 2020, the unavailed facilities from above borrowings amounting to Rs. 614 million (2019: 261 million).

17 UNPAID DIVIDEND

This represents part of interim dividend for the half year ended December 31, 2017 and final dividend for the year ended June 30, 2018 and June 30, 2019 which remained unpaid to the shareholders who have not provided their valid Central Depository System (CDS) Account no. and International Bank Account Number (IBAN). The Group has already sent letters to those shareholders for the purpose of above stated information.

18 CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

18.1.1 The civil suit No. 1635 of 2009 for possession and injunction was filed by the Group. The Group had filed the suit for possession of land as it was dispossessed by the defendants to be restored to it and a permanent injunction to restrain the defendants from alienation or transferring the land. The Honorable High Court of Sindh passed an order on November 19, 2009, thereafter the Honorable High Court of Sindh has granted permanent injunction in above suit on December 11, 2018 as we understand that the Group is not likely to suffer any losses on account of the above suit.

The Group has filed an appeal no. 157/2018 in the High Court of Sindh against order passed in appeal no. 311/2017. We have apprised the learned judge that the order passed in appeal no. 311/2017 was not in accordance with law, we have further submitted that the instant proceedings were a third round of litigation and not only both the earlier suit dismissed but indeed the dismissal order so passed were upheld in appeals. We further highlighted that law does not permit fresh proceeding having same cause of action which issue has already been adjudicated by the Courts and the suit (2141/2015) was dismissed by the trial court. In appeal no. 311/2017, the additional district judge committed a error of law in setting aside the suit dismissal order passed in suit no. 2141/2015. The learned judge on the basis of facts and applicable law granted us stay order duly suspending the operation of the impugned judgement passed in appeal no. 311/2017. We understand that the Group is not likely to suffer any losses on account of proceeding in this suit.

18.1.2 The Petition No. 3358/2011 and 1823/2013 were filed on December 13, 2011 and April 29, 2013 by the Group against Federal Board of Revenue (FBR) and Others, whereby, the chargeability of the customs duty against import of storage silos has been challenged. It is pertinent to point out that the said import was exempt from duties and taxes vide SRO No. 575(I) 2006. Now through SRO dated October 23, 2012, the said silos have been added as clarificatory being exempt. The said chargeability of customs duty has been challenged of the intervening period through Writ Petition No. 3358/11 and 1823/13. The Group has filed intra court appeal ICA no. 84/2015 and 85/2015 both are pending in honorable Islamabad High Court, Islamabad as notice are issued and no proceeding till to date. We believe that the Group is not likely to suffer any losses on account of the above petition.

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

18.1.3 In prior years Government of Sindh imposed infrastructure cess @ 0.85% of import value on all imports into Pakistan. A large number of importers including the Group challenged the matter in the Honorable High Court of Sindh. Honorable High Court of Sindh has issued an interim order allowing release of imported goods on 50% payment and 50% bank guarantee. The litigation is pending adjudication. This suit was filed on June 10, 2013 and there are no proceedings conducted till date and we understand that the Group is not likely to suffer any losses due to above suit.

18.1.4 The Group has filed an appeal no. KAR-83/2019 in Sindh Labour Appellate Tribunal against the order/judgment passed in Application No. 211/2010. We have notified the Court that the order in Application No. 211/2010 is bad in law, hence the order/judgment against the Group should be set aside. The matter is fixed for hearing in the said Court. We understand that the Group is not likely to suffer any losses due to above suit.

18.1.5 The Group has filed a suite for peaceful possession of the extended portion of 0.5 acres of land located at Plot No. G-205 SITE Super Highway Phase II Karachi, that was regularized in favor of the Group in favor of The Group on February 7, 2020. The Group has asked the Honorable Court to declare that Defendant is wrongfully and illegally claiming the owner of the said plot. Through an order dated May 19, 2020, the Honorable Court restrained Defendant from creating any interference in the Group's extended portion of the said plot. The outcome of the matter can not be predicted at this stage.

18.1.6 In 2011, Government of Pakistan (GoP) impose a levy on gas consumers in the industrial sector, known as The Gas Infrastructure Development Cess (GIDC). The amount collected was to be used for the construction of infrastructure projects.

GIDC was challenged in Honorable Peshawar High Court (PHC) in December 2013, PHC declared the levy of GIDC unconstitutional. PHC further directed the GoP to return the collected amount, GoP challenged the decision of PHC in the Honorable Supreme Court of Pakistan (SCP), however, SCP upheld the decision of PHC by declaring GIDC a fee and not a tax that can be charged.

In 2015, the Gas Infrastructure Development Cess Act, 2015 was introduced which re-imposed the GIDC. The affected industrialist again approached the SCP stating that the earlier tax money was not used for the construction of infrastructure projects. SCP granted stay order against payment of any GIDC levies.

In 2020, SCP dismissed all petitions against the GIDC levy and ruled in favor of the GoP which would collect the GIDC from different companies.

As a gas consumer, The Group is also subject to GIDC levy and the management estimates that potential exposure in respect of GIDC would be Rs. 16 million. The management in consultation with legal advisor are of the view that as no demand has been initiated by the GoP in lieu of recovery of GIDC levy along with ambiguity regarding the procedure of recovery of outstanding liability, the Group is not under any liability as on the date to pay GIDC Cess. Hence, no provision has been recorded in these consolidated financial statements.

Except for the above, there are no material changes in the status of the income tax and sales tax contingencies as reported in the annual audited financial statements for the year ended June 30, 2019.

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

		2020	2019
		-----Rupees-----	
18.2	Commitments		
	Letter of credit	24,580,350	-
	Letter of guarantees	15,397,650	1,514,650
		39,978,000	1,514,650
		2020	2019
		-----Rupees-----	
19	PROPERTY PLANT AND EQUIPMENT		
	Operating fixed assets	4,876,056,124	2,614,226,559
	Capital work in progress	61,979,582	6,258,083
		4,938,035,706	2,620,484,642

19.1

Operating fixed assets

Particulars	2020					Depreciation					Book value at June 30, 2020	Rate per annum %
	Cost / Revaluation											
	Cost at July 01, 2019	Additions	Transfers in / (out)	Revaluation surplus	Disposals	Cost at June 30, 2020	Accumulated depreciation at July 01, 2019	Depreciation for the year	Depreciation on disposals	Accumulated depreciation at June 30, 2020		
Owned Assets												
Leasehold land	-	-	-	-	-	2,643,880,001	-	-	-	-	-	-
Factory land	531,894,744	4,812,176	-	2,107,173,081	-	2,643,880,001	-	-	-	-	2,643,880,001	-
Factory building	1,170,181,171	57,782,848	-	57,923,282	-	1,285,887,301	379,089,995	82,797,303	-	461,887,298	824,000,003	10
Plant and machinery	1,716,823,306	109,965,534	5,112,482	38,345,012	11,545,253	1,858,701,081	570,579,117	117,713,843	8,104,870	680,188,090	1,178,512,991	10
Electric cables and fitting	40,151,420	18,514,898	-	-	-	58,666,318	21,883,690	3,626,778	-	25,510,468	33,155,850	10
Furniture and fixture	11,293,730	2,482,404	370,769	-	-	14,146,903	6,062,631	736,477	-	6,799,108	7,347,795	10
Motor vehicles	74,579,303	10,942,938	-	-	1,076,900	84,445,341	59,943,473	8,734,768	835,440	67,842,801	16,602,540	20
Office equipment	23,256,790	4,311,935	136,628	-	-	27,705,353	12,298,813	1,412,961	-	13,711,774	13,993,579	10
Factory equipment	54,298,987	27,329,250	516,443	-	-	82,144,680	8,212,426	5,938,452	-	14,150,878	67,993,802	10
Computers	17,709,621	3,070,946	99,000	-	-	20,879,567	14,171,775	1,583,736	-	15,755,511	5,124,056	33
Camera	3,498,668	838,295	7,561	-	-	4,344,524	3,311,574	202,980	-	3,514,554	829,970	33
Godown & Shops	23,881,972	9,154,079	-	-	-	33,036,051	10,146,279	1,795,457	-	11,941,736	21,094,315	10
Sewing machine	1,319,205	50,000	-	-	-	1,369,205	822,775	50,861	-	873,636	495,569	10
Mobile phone	3,113,419	511,860	15,200	-	-	3,640,479	2,274,832	366,995	-	2,641,827	998,652	33
Generator	68,738,366	3,044,750	-	31,317,690	-	103,100,806	37,716,763	3,357,043	-	41,073,806	62,027,000	10
Total	3,740,740,702	252,811,912	6,258,083	2,234,759,065	12,622,153	6,221,947,609	1,126,514,143	228,317,653	8,940,310	1,345,891,486	4,876,056,124	

Particulars	2019											Rate per annum %
	Cost / Revaluation					Depreciation						
	Cost at July 01, 2018	Additions	Transfers in / (out)	Revaluation surplus	Disposals	Cost at June 30, 2019	Accumulated depreciation at July 01, 2018	Depreciation for the year	Depreciation on disposals	Accumulated depreciation at June 30, 2019	Book value at June 30, 2019	
Owned Assets												
Leasehold land	90,000,000	-	-	-	90,000,000	-	-	-	-	-	-	-
Factory land	531,894,744	-	-	-	-	531,894,744	-	-	-	-	531,894,744	-
Factory building	898,105,927	3,422,074	336,871,170	-	68,218,000	1,170,181,171	350,725,499	55,128,935	26,764,439	379,089,995	791,091,176	10
Plant and machinery	1,304,296,569	37,499,485	375,027,252	-	-	1,716,823,306	487,596,408	82,982,709	-	570,579,117	1,146,244,189	10
Electric cables and fitting	39,576,420	575,000	-	-	-	40,151,420	19,891,884	1,991,806	-	21,883,690	18,267,730	10
Furniture and fixture	9,945,997	1,347,733	-	-	-	11,293,730	5,555,169	507,462	-	6,062,631	5,231,099	10
Motor vehicles	77,063,646	9,129,157	-	-	11,613,500	74,579,303	58,223,861	9,547,426	7,827,814	59,943,473	14,635,830	20
Office equipment	20,406,020	463,067	2,387,703	-	-	23,256,790	11,350,739	948,074	-	12,298,813	10,957,977	10
Factory equipment	16,624,025	37,674,962	-	-	-	54,298,987	7,083,754	1,128,672	-	8,212,426	46,086,561	10
Computers	16,941,349	768,272	-	-	-	17,709,621	12,653,898	1,517,877	-	14,171,775	3,537,846	33
Camera	3,468,608	30,060	-	-	-	3,498,668	3,229,239	82,335	-	3,311,574	187,094	33
Godown & Shops	23,881,972	40,000	-	-	-	23,881,972	8,550,401	1,595,878	-	10,146,279	13,735,693	10
Sewing machine	1,279,205	-	-	-	-	1,319,205	770,100	52,675	-	822,775	496,430	10
Mobile phone	2,799,027	314,392	-	-	-	3,113,419	1,948,770	326,062	-	2,274,832	838,587	33
Generator	70,038,366	-	-	-	1,300,000	68,738,366	34,670,513	3,579,586	533,336	37,716,763	31,021,603	10
Total	3,106,321,875	91,264,202	714,286,125	-	171,131,500	3,740,740,702	1,002,250,235	159,389,497	35,125,589	1,126,514,143	2,614,226,559	

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

		2020	2019
		-----Rupees-----	
19.1.1	The depreciation charge for the year has been allocated as follows:		
	Note		
	Cost of sales	31	182,654,122
	Selling and distribution expenses	32	11,415,883
	Administrative expenses	33	34,247,648
			228,317,653
			171,098,345

19.1.2 Factory land includes a plot in which a law suit has been filed by the plaintiff who is claiming the possession and injunction of the property. The case is in process under the Honorable High Court Sindh Karachi (refer note 18.1.1).

19.1.3 Operating fixed assets include assets that are subject to mortgage with various banks against long-term finances and short-term borrowings (refer note 10 and 16).

19.1.4

Details of forced sale value of revalued property, plant and equipment

	Forced sale value
	Rupees
Land	2,362,524,000
Building	700,400,000
Plant and machinery	886,259,750
Generators	46,645,250

The above forced sale value has been taken from revaluation report of Oceanic Surveyors (Private) Limited as on June 29, 2020.

Following items of property, plant and equipment having book value above Rs. 500,000 were disposed off during the year:

	Cost / Revaluation	Accumulated depreciation	Net book amount	Sale proceeds	Gain / Loss	Mode of disposal	Particulars of buyer
 Rupees						
<i>Vehicles</i>							
Honda Civic	2,598,900	1,371,890	1,227,010	2,265,000	1,037,990	Tender	Syed Muhammad Haris
Suzuki Cultus	2,367,000	344,772	2,022,228	2,303,300	281,072	Insurance Claim	EFU General Insurance Takaful
<i>Plant & Machinery</i>							
Sorter Machine	11,545,253	8,104,870	3,440,383	2,000,000	(1,440,383)	Tender	Ammeejee Valleejee and Sons

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

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

Locations	Total Area in Acres	Covered Area in Square Feet
Plot A-15 & 16, SITE-II, Super highway Karachi	2	79155
A-21, SITE-II, Super highway, Karachi	1.5	49631
G-205, SITE-II, Super highway, Karachi	4	76566
50 KM G.T Road, Sadhoke District, Gujranwala	15	133024
Plot G-06, Port Qasim Authority, Karachi	10	-
B1-A, SITE-II, Super highway, Karachi	0.97	34850
Plot H-162, SITE-II, Super highway, Karachi	2.5	-
Plot F-193, SITE-II, Super highway, Karachi	2	60871
50 KM G.T Road, Sadhoke District, Gujranwala	3.38	-

19.2 Capital work in progress

Note

Tangibles

	2020	2019
	-----Rupees-----	
Plant and machinery	-	3,901,110
Civil and electric work	-	2,356,973
Office equipment	4,225,158	-
Factory equipment	57,754,424	-
	61,979,582	6,258,083

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

19.3 Movement in capital work in progress is as under:

	Cost			
	As at July 01, 2019	Additions / (adjustment) during the year	(Transferred) to Property, plant and equipment	As at June 30, 2020
	-----Rupees-----			
Plant and machinery	3,901,110	-	(3,901,110)	-
Civil works	2,356,973	-	(2,356,973)	-
Office equipment	-	4,225,158	-	4,225,158
Factory equipment	-	57,754,424	-	57,754,424
	6,258,083	61,979,582	(6,258,083)	61,979,582

	Cost			
	As at July 01, 2018	Additions / (adjustment) during the year	(Transferred) to Property, plant and equipment	As at June 30, 2019
	-----Rupees-----			
Plant and machinery	-	365,250,812	(361,349,702)	3,901,110
Civil works	5,422,378	349,871,018	(352,936,423)	2,356,973
	5,422,378	715,121,830	(714,286,125)	6,258,083

19.4 Had there been no revaluation, the net book value of specific classes of operating property, plant and equipment would have been amounted to:

	2020	2019
	-----Rupees-----	
Factory land	261,959,558	161,484,005
Factory building	631,496,033	288,480,713
Plant and machinery	1,030,260,205	355,108,559
Generators	25,318,478	21,666,294
	1,949,034,273	826,739,571

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

20 RIGHT-OF-USE ASSETS

	2020			2019		
	Vehicle	Godown	Total	Vehicle	Godown	Total
Cost						
Opening balance	110,430,143	-	110,430,143	74,718,435	-	74,718,435
Impact of adoption of IFRS-16	-	92,397,539	92,397,539	-	-	-
As at July 1, 2019	110,430,143	92,397,539	202,827,682	74,718,435	-	74,718,435
Additions during the year	10,910,170	-	10,910,170	35,711,708	-	35,711,708
Disposal during the year	(6,215,900)	-	(6,215,900)	-	-	-
Total	115,124,413	92,397,539	207,521,952	110,430,143	-	110,430,143
Accumulated depreciation						
Opening balance	27,336,046	-	27,336,046	15,627,199	-	15,627,199
Charge for the year	14,524,343	8,399,776	22,924,119	11,708,847	-	11,708,847
Disposal adjustment	(2,678,570)	-	(2,678,570)	-	-	-
Closing	39,181,819	8,399,776	47,581,595	27,336,046	-	27,336,046
Net book value	75,942,594	83,997,762	159,940,356	83,094,097	-	83,094,097
Lease term	5 Years	10 Years		5 Years	-	

20.1 The following are the amounts recognised in consolidated statement of profit or loss:

	Note	2020 -----Rupees-----	2019
Depreciation expense of right-of-use assets	31	22,924,119	-
Interest expense on lease liabilities	31	12,047,475	-
Interest expense on lease liabilities	34	8,373,269	-
Expenses related to short-term leases	31	6,308,486	-
Total amount recognised in consolidated statement of profit or loss		49,653,349	-

21 INTANGIBLE ASSETS

Cost		
Opening	14,710,766	14,710,766
Addition during the year	-	-
Closing	14,710,766	14,710,766
Amortization		
Opening	(14,710,766)	(14,710,766)
Charge for the year	-	-
Closing	(14,710,766)	(14,710,766)
Balance as at June 30	-	-

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

22 LONG TERM INVESTMENTS

	Note	2020 -----Rupees-----	2019
Unquoted			
Associate - equity accounted investment	22.1	18,647,853	-
		18,647,853	-
22.1 Equity accounted investment - Barentz International B.V			
Balance at beginning of the period		-	-
Investment in associate		24,500,000	-
Share of loss for the year - net of tax		(5,852,147)	-
Dividend received during the year		-	-
		18,647,853	-

22.1.1 On June 28, 2019, the company has been incorporated in Pakistan as per agreement between Matco Foods Limited and Barentz International B.V. Matco Foods Limited has subscribed 49% of total shareholding of Rs. 50 Million, thereby, constituting an associated company. During the period, the company has commenced its operations.

The following table provides summarized financial information for the joint venture. The information disclosed reflects the amounts presented in the financial statements of the associates and not the Group's share of those amounts. The financial information presented below are based on the interim financial statements for the period ended June 30, 2020.

	2020 -----Rupees-----	2019
Assets	63,591,014	45,667,066
Liabilities	25,534,172	6,389,221
Revenues	52,694,578	-
Loss for the period	(1,221,003)	-
Other comprehensive income	-	-

22.1.2 Further, no such terms and conditions has been made at the time of investment. The Group has beneficial ownership of the investee companies. No return on investment has been made since incorporation. No litigation has been received against the subsidiaries.

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

			2020	2019
			-----Rupees-----	
23	STORES, SPARES AND LOOSE TOOLS	Note		
	Stores and spares	31.3	46,566,459	24,651,611
	Provision for slow moving / obsolete items	23.1	(1,543,929)	(1,543,929)
			<u>45,022,530</u>	<u>23,107,682</u>
23.1	Movement in provision for slow moving / obsolete items			
	Balance at beginning of the year		1,543,929	1,543,929
	Charge for the year		-	-
	Balance at end of the year		<u>1,543,929</u>	<u>1,543,929</u>
24	STOCK IN TRADE			
	Raw materials	24.2	5,435,050,944	4,282,666,523
	Packing materials	31.2	85,444,225	70,078,406
	Work in process	31	-	-
	Finished goods	24.3	1,141,722,539	882,395,502
			<u>6,662,217,708</u>	<u>5,235,140,431</u>
	Provision for slow moving / obsolete items	24.1	(19,694,358)	(30,161,739)
			<u>6,642,523,350</u>	<u>5,204,978,692</u>
24.1	Movement in provision for slow moving / obsolete items			
	Opening balance		30,161,739	20,245,075
	(Reversal) / Charge for the year	35 / 31	(10,467,381)	9,916,664
	Closing balance		<u>19,694,358</u>	<u>30,161,739</u>
24.2	This includes pledged raw material with various banks under long term and short term borrowing arrangements (refer note 10 and 16).			
24.3	This includes by product amounting to Rs. 87.7 million (2019: Rs. 104.28 million) and stock-in-transit amounting to Rs. 92.0 million (2019: Nil)			

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

			2020	2019
			-----Rupees-----	
25	TRADE DEBTS	Note		
	Considered good			
	Export - secured	25.2	1,232,249,716	735,367,029
	Local - unsecured		141,902,326	253,153,247
	Considered doubtful			
	Local - unsecured		13,567,967	13,567,967
	Less: Allowance for expected credit losses	25.4	(13,567,967)	(13,567,967)
			<u>1,374,152,042</u>	<u>988,520,276</u>
25.1	Borrowings are secured by way of charge over book debts of the Group (refer notes 10 and 18).			
25.2	It includes the amount of Rs. Nil (2019: Rs. Nil) due from JKT General Trading FZE (related party). The maximum aggregate amount due from related party at the end of any month during the year was Rs. 10.06 million (2019: Rs. 19.98 million).			
25.3	As of June 30, 2020, the age analysis of trade debts is as follows:	Note		
	Not yet due		-	-
	Past due:			
	- Up to 3 months		1,325,548,538	832,884,094
	- 3 to 6 months		48,600,034	66,751,178
	- 6 to 12 months		3,470	35,468,655
	- More than 12 months		-	5,989,309
			<u>1,374,152,042</u>	<u>941,093,236</u>
	Trade debts-Gross		<u>1,374,152,042</u>	<u>941,093,236</u>
25.4	Allowance for expected credit losses			
	Opening balance		13,567,967	7,464,595
	Charge during the year		-	6,103,372
	Closing balance		<u>13,567,967</u>	<u>13,567,967</u>
26	LOANS AND ADVANCES			
	Loans			
	Staff - unsecured, considered good	26.1	10,470,682	10,086,964
	Advances			
	- against services and others		2,160,875	2,480,047
	- against purchases	26.3	105,369,356	339,112,025
	- to contractors		618,801	3,706,097
			<u>118,619,714</u>	<u>355,385,133</u>

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

- 26.1** It represent interest free loans to various staff in accordance with the Group's policy.
- 26.2** The maximum aggregate amount due from executives at the end of any month during the year was Rs. 0.64 milion (2019: Rs. 2 million).
- 26.3** It represents the amount provided to suppliers of rice, stores & spares and packaging which is adjustable against future purchases.

27	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS	Note	2020	2019
			-----Rupees-----	
	Deposits			
	- Capital management account		681,549	681,549
	- Guarantee margin		1,604,650	1,514,650
			2,286,199	2,196,199
	Prepayments			
	- Prepaid expense	27.1	3,533,365	2,520,226
	- Prepaid insurance		4,064,185	552,046
			7,597,550	3,072,272
			9,883,749	5,268,471

- 27.1** This include prepaid expense relating to godown rent and system maintenance charges.

28	OTHER RECEIVABLES	Note	2020	2019
			-----Rupees-----	
	Sales tax refundable	28.1	166,389,331	183,026,846
	Receivable from related parties	28.2	5,009,040	5,521,243
			171,398,371	188,548,089
28.1	Movement in sales tax refundable is as under:			
	Balance at beginning of the year		183,026,846	84,564,331
	Refunds claim for the year		87,903,560	127,147,327
	Received during the year		(99,412,295)	(18,346,176)
	Adjusted during the year		(5,128,780)	(10,338,636)
	Balance at end of the year		166,389,331	183,026,846
28.2	Receivable from related parties			
	Matco Engineering Company Private Limited	28.2.1	1,617,096	528,446
	Barentz Pakistan Private Limited	28.2.2	686,671	4,992,797
	Ghori Trust	28.2.3	2,705,273	-
			5,009,040	5,521,243

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

- 28.2.1** The maximum aggregate amount due from Matco Engineering Company Pvt. Ltd. at the end of any month during the year was Rs. 1.6 million (2019: Rs. 0.5 million).
- 28.2.2** The maximum aggregate amount due from Barentz Paksitan Private Limited at the end of any month during the year was Rs. 0.7 million (2019: Rs. 5.0 million).
- 28.2.3** The maximum aggregate amount due from Ghori Trust at the end of any month during the year was Rs. 2.7 million (2019: Rs. Nil).
- 28.2.4** The maximum aggregate amount due from JKT General Trading FZE at the end of any month during the year was Rs. 0.3 million (2019: Rs. 0.3 million).
- 28.2.5** Aging analysis of receivables from related parties.

	Matco Engineering Company Private Limited	Barentz Pakistan (Private) Limited	Ghori Trust
Up to 3 Months	-	686,671	1,220,953
3 to 6 Months	1,088,650	-	902,130
06 to 12 Months	-	-	582,190
More than 12 Months	528,446	-	-
	1,617,096	686,671	2,705,273

29	CASH AND BANK BALANCES	Note	2020	2019
			-----Rupees-----	
	Cash in hand		5,138,682	955,741
	Cash at bank			
	- current accounts		187,902,449	53,996,136
	- deposit accounts		111,009,120	28,045,564
	- term deposit certificates	29.1	1,200,000	1,200,000
			300,111,569	83,241,700
			305,250,251	84,197,441
29.1	These represent term deposit certificates of Askari Bank Limited amounting to Rs. 1.2 million respectively. The rate of profit on these certificates is 11% per annum (2019: 5.5% to 5.75%). These term deposit certificates matured within a year.			

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

30	SALES - NET	Note	2020	2019
			-----Rupees-----	
	Export sales		8,898,485,896	5,860,100,583
	Local sales			
	Rice		906,464,760	940,776,907
	By-products		1,819,136,310	1,346,225,608
			2,725,601,070	2,287,002,515
			11,624,086,966	8,147,103,098
	Sales discount / return		(45,188,233)	(89,678,230)
	Freight		(203,506,658)	(127,594,616)
	Clearing and forwarding		(62,328,156)	(48,381,884)
	Sales tax		(16,133,692)	(11,081,115)
			11,296,930,227	7,870,367,253

30.1 Disaggregation of sales

The Group disaggregated revenue recognised from customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

In the following table, revenue is disaggregated by primary geographical markets and major product lines:

Major product Lines	2020	2019
	-----Rupees-----	
Rice	10,814,377,094	7,804,787,314
Others	809,709,872	342,315,784
	11,624,086,966	8,147,103,098
Primary geographical Markets		
Local	2,725,601,070	2,287,002,515
Africa	583,556,046	479,369,015
Asia	2,899,819,375	1,027,383,265
Australia & New Zealand	1,313,240,873	954,985,711
Europe	2,973,586,295	2,479,850,904
USA & Canada	1,128,283,308	918,511,687
	11,624,086,966	8,147,103,098

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

31	COST OF SALES	Note	2020	2019
			-----Rupees-----	
	Rice consumed	31.1	9,068,715,584	5,850,699,539
	Packing materials consumed	31.2	375,523,643	294,053,509
	Stores and spares consumed	31.3	111,374,473	86,957,852
	Processing expenses			
	Salaries, wages and benefits	31.4	389,934,350	281,819,663
	Electricity and power		101,575,663	77,590,989
	Telephone and mobile		1,246,808	685,188
	Gas charges		30,864,582	21,645,320
	Insurance		9,227,714	9,276,928
	Repairs and maintenance		46,539,901	30,215,882
	Other purchases		32,089,541	17,382,351
	Provision for slow moving stock		-	9,916,664
	Fumigation charges		21,458,678	13,136,044
	Water charges		42,869,891	35,526,495
	Canteen		11,103,263	9,016,779
	Diesel and oil		1,810,901	3,610,747
	Staff welfare		2,700,307	2,096,772
	Security expenses		13,819,959	12,257,018
	Godown expenses		1,393,495	19,724,925
	Rent, rates and taxes		440,817	1,527,692
	Vehicle running expenses		6,696,395	5,530,700
	Medical		1,831,522	1,181,490
	Depreciation	19.1.1	182,654,122	136,878,676
	Depreciation on right-of-use assets	20.1	22,924,119	-
	Interest expense on lease liabilities	20.1	12,047,475	-
	Expenses related to short-term lease	20.1	6,308,486	-
	Processing charges		19,697,246	17,309,551
	Inspection charges		18,450,066	9,779,315
	Cost of goods manufactured		10,533,299,001	6,947,820,089
	Work in process			
	Opening stock		-	-
	Closing stock	24	-	-
			-	-
	Cost of goods available for sale		10,533,299,001	6,947,820,089
	Finished goods			
	Opening stock		882,395,502	883,118,576
	Closing stock	24	(1,141,722,539)	(882,395,502)
			(259,327,037)	723,074
			10,273,971,964	6,948,543,163

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

		2020	2019
		-----Rupees-----	
31.1 Rice consumed	Note		
Opening stock of raw material		4,282,666,523	4,180,456,923
Purchases		10,005,112,067	5,815,239,642
Cartage inwards		215,987,938	137,669,497
Closing stock of raw material	24	(5,435,050,944)	(4,282,666,523)
		<u>9,068,715,584</u>	<u>5,850,699,539</u>

		2020	2019
		-----Rupees-----	
31.2 Packing material consumed	Note		
Opening stock		70,092,717	95,650,372
Purchases		390,875,151	268,481,543
		<u>460,967,868</u>	<u>364,131,915</u>
Closing stock-gross	24	(85,444,225)	(70,078,406)
		<u>375,523,643</u>	<u>294,053,509</u>
31.3 Stores and spares consumed			
Opening stock		24,651,612	20,271,197
Purchases		133,289,320	91,338,266
		<u>157,940,932</u>	<u>111,609,463</u>
Closing stock-gross	23	(46,566,459)	(24,651,611)
		<u>111,374,473</u>	<u>86,957,852</u>

31.4 It includes provision for gratuity amounting to Rs. 19.89 million (2019: Rs. 9.524 million).

		2020	2019
		-----Rupees-----	
32 SELLING AND DISTRIBUTION	Note		
Salaries and benefits	32.1	45,738,255	39,523,023
Travelling		16,939,980	19,998,837
Sales promotion		46,916,945	40,941,761
Insurance		1,201,190	1,703,721
Export charges		59,999,008	36,546,923
Export commission		28,605,381	11,326,345
Depreciation	19.1.1	11,415,883	8,554,917
Shop rent		1,572,000	632,400
General		6,087,267	5,431,723
		<u>218,475,909</u>	<u>164,659,650</u>

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

32.1 It includes provision for gratuity amounting to Rs. 2.33 million (2019: Rs. 1.9 million).

		2020	2019
		-----Rupees-----	
33 ADMINISTRATIVE EXPENSES	Note		
Salaries and benefits	33.1	174,537,728	156,302,372
Office rent		-	1,076,848
Vehicle running		5,716,381	4,299,897
Entertainment		1,265,054	997,710
Printing and stationery		1,543,286	1,837,011
Fee and subscription		14,816,609	10,363,681
Legal and professional		1,709,000	610,000
Auditor remuneration	33.2	3,627,810	3,497,358
Postage and telegrams		2,420,208	1,987,181
General expenses		3,113,139	1,290,717
Newspaper and periodicals		58,960	34,554
Electricity and gas charges		965,762	795,439
Taxes, duty and fee		2,953,733	7,567,552
Medical		1,706,874	977,574
Insurance		2,638,420	5,199,417
Software maintenance		505,034	628,785
Computer expenses		4,407,794	5,460,862
Depreciation	19.1.1	34,247,648	25,664,752
Lease ijarah rentals		-	75,792
Donations	33.3	770,000	405,760
Advertisement		52,750	91,090
Others		16,104,493	15,701,261
		<u>273,160,683</u>	<u>244,865,613</u>

33.1 It includes directors' remuneration amounting to Rs. 26.82 million (2019: Rs. 27.24 million) and provision for gratuity amounting to Rs. 8.903 million (2019: Rs. 6.9 million).

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

33.2 Auditor's remuneration	Note	2020	2019
		-----Rupees-----	
Annual audit fee		2,297,512	2,152,088
Audit fee of consolidated financial statements		100,000	100,000
Audit fee of half yearly review		492,070	492,070
Fee for review code of corporate governance		150,000	150,000
Other certifications		100,700	221,400
Out of pocket expenses		175,000	125,000
Other services	33.2.1	312,528	256,800
		3,627,810	3,497,358

33.2.1 This represents services relating to taxation.

33.3 Donation includes amount of Rs.600,000 paid to Rice Exporters Association of Pakistan for purchasing of ventilators.

34 FINANCE COST	Note	2020	2019
		-----Rupees-----	
Mark up			
- long term finances - net	34.1	22,754,683	21,309,362
- short term borrowings		316,443,289	246,682,457
- interest expense on lease liabilities	20.1	8,373,269	5,427,855
Bank charges and commission		3,075,041	2,420,386
		350,646,282	275,840,060

34.1 The markup presented is net of amortization of grant amounting to Rs.123,298 (2019: Nil)

35 OTHER INCOME	Note	2020	2019
		-----Rupees-----	
<i>From financial assets and liabilities</i>			
- Profit on bank/short term deposits		5,628,059	15,432,156
<i>From non-financial assets</i>			
- Amortization of deferred income		269,842	362,666
- Reversal of Worker's Welfare Fund		12,780,790	-
- Gain on sale of operating fixed assets		1,235,627	73,325,589
- Reversal of provision for slow moving stock	24.1	10,467,381	-
- Scrap sales		24,031,438	17,535,264
- Rental income		2,100,000	-
		56,513,137	106,655,675

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

36 EXCHANGE GAIN - NET

This represents exchange gain incurred on foreign currency denominated trade debts, advances from customers, creditors and bank balances.

37 INCOME TAX EXPENSE

- Current
- Prior year
- Deferred

2020	2019
-----Rupees-----	
94,909,803	67,919,455
-	(21,260,847)
(8,329,310)	-
86,580,493	46,658,608

37.1 Current year taxation has been charged on the basis of provisions in Income Tax Ordinance, 2001 and accounted for after taking effect of admissible expenses in normal taxation with proportion of local sales and on final tax regime applicable to the Group based on tax withheld from export proceeds which is deemed as full and final discharge of the tax liability.

37.2 Since the Group is chargeable to tax under FTR and minimum tax, therefore numerical reconciliation between accounting profit and income tax has not been presented in these consolidated financial statements.

37.3 Return of 2015-16 filed on January 10 2017, is an assessment order under section 120 unless amended under section 122 of the Income Tax Ordinance, 2001. The Additional Commissioner Inland Revenue (ADCIR) initiated the proceeding u/s 122(5A) of the Income Tax Ordinance, 2001 vide notice dated 16-02-2017 for amendment of deemed assessment. Response submitted by the representative of the Group.

Proceeding initiated u/s 122(5A) for amendment by ACIR and issued the notice u/s 122(9). In response thereof, all the requisite information/documents were submitted. However, the ADCIR passed the order and disallowed the Finance Cost. Against the treatment of learned ADCIR, appeal was filed on 20-09-2017. The Commissioner Inland Revenue (CIR) has rejected the grounds of appeal made by the Group and ordered to add back WWF and disallowed finance cost in the normal taxable income. But in spite of the above disallowance of expenses, the tax liability is higher in minimum tax u/s 113c of the Income Tax Ordinance as claimed under the income tax return 2016 of the Group, therefore no adverse impact on the Group due to above order.

37.4 Return of 2016-17 filed on January 17, 2018, is an assessment order u/s 120 unless amended under section 122 of the Income Tax Ordinance, 2001. The ADCIR initiated the proceeding u/s 122(5A) of the Income Tax Ordinance, 2001 vide notice dated 21-05-2018 for amendment of deemed assessment. The response of the above notice submitted by the Group till November 15, 2018, no further notice has been received.

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements For The Year Ended June 30, 2020

38 NUMBER OF EMPLOYEES

Number of employees as at June 30
Average number of employees during the year

2020	2019
809	729
794	716

39 TRANSACTION WITH RELATED PARTIES

Related parties include subsidiary company, entities under common directorship, directors, major shareholders, key management personnel and retirement benefit funds. Transactions with related parties essentially entail rent expense and transactions with key management personnel. Details of transactions with related parties and the balances with them as at year end other than those which have been disclosed else where are as follows:

Nature of relationship	Percentage of Holding	Transactions / Balance Outstanding	Note	2020 -----Rupees-----	2019
Directors		Godown rent paid to director		15,449,118	15,044,430
Common Directors					
Matco Engineering (Private) Limited	0%	Paid expenses on behalf		1,088,650	38,862
Joint Venture					
Barentz Pakistan (Private) Limited	49%	Paid expenses on behalf Disposal of fixed assets		29,521,063 236,688	4,992,797 -
Trust operated by the company					
Ghori Trust	0%	Paid expenses on behalf		3,671,733	2,636,960

39.1 Following are the related parties with whom the Group had entered into transactions or have arrangement / agreement in place:

S. No.	Company Name	Registered Address	Country of Incorporation	Basis of Association	Name of Chief Executive / Principal Officer / Authorized Agent	Aggregate % of shareholding	Operational Status	Auditor's Opinion
1	JKT General Trading FZE	P.O.Box 123347, Sharjah	UAE	Subsidiary Company	Jawed Ali Ghori	100%	Active	Clean

39.2 Consideration for services is determined with mutual agreement considering the level of services provided. Expenses charged by / to the Group are determined on actual cost basis. Particulars of remuneration of chief executive officer, directors and executives are disclosed in note 40 to these consolidated financial statements.

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements For The Year Ended June 30, 2020

39.3 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Group considers all members of its management team, including the chief executive officer and the directors to be key management personnel.

40 REMUNERATION OF THE CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

For the purpose of disclosure those employees are considered as executives whose basic salary exceed twelve hundred thousands rupees in financial year.

	Chief Executive Officer		Directors		Executives		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	-----Rupees-----							
Short-term employee benefits								
Managerial remuneration	3,574,800	3,360,000	9,739,600	8,982,000	29,031,091	19,192,843	42,345,491	31,534,843
House rent allowances	1,608,660	1,512,000	4,382,820	4,041,900	13,063,991	8,636,779	19,055,471	14,190,679
Utilities	1,195,637	768,297	2,553,044	2,123,620	1,846,328	1,277,352	5,595,009	4,169,269
Bonus	396,000	385,000	2,218,500	1,055,000	1,905,635	1,652,900	4,520,135	3,092,900
Fuel expense	760,262	244,296	1,317,345	895,897	3,066,000	1,918,511	5,143,607	3,058,704
Medical expense	63,176	27,109	120,020	94,009	335,255	188,543	518,451	309,661
Vehicle expense	96,650	210,055	392,327	255,718	383,961	229,920	872,938	695,693
Other expense	575,804	484,499	438,762	806,394	-	-	1,014,566	1,290,893
	8,270,989	6,991,256	21,162,418	18,254,538	49,632,260	33,096,848	79,065,667	58,342,642
Value of motor vehicles	8,406,800	10,508,500	32,004,000	40,005,000	50,917,531	50,844,373	91,328,331	101,357,873
Number of Persons	1	1	2	2	17	12		

40.1 In addition to the above, chief executive officer and directors are provided with the use of the Group's vehicles. Certain executives are also provided with Company maintained cars.

40.2 The Group considers its chief executive officer and the executive director as its key management personnel i.e. the personnel having authority and responsibility for planning, directing and controlling the activities of the Group.

41 PLANT CAPACITY AND PRODUCTION

Annual Plant Capacity

	2020 (Tons)	2019 (Tons)
- Rice processing	134,700	134,700
- Rice Glucose	30,000	10,000

Actual Production

	2020 (Tons)	2019 (Tons)
- Rice processing	109,731	82,091
- Rice Glucose	9,170	4,155

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements For The Year Ended June 30, 2020

- 41.1** Actual production is less than installed capacity due to planned maintenance shutdown and production planned as per market demand.

42 EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the year

Number of ordinary shares

Weighted average number of ordinary shares

Earning per share - basic and diluted

2020	2019
-----Rupees-----	
139,439,714	412,628,654
122,400,698	122,400,698
122,400,698	122,400,698
1.14	3.37

There is no dilutive effect on earnings per share as the Group does not have any convertible instruments as at June 30, 2020 and June 30, 2019.

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance which are as follows:

43.1 Market risk

Market risk refers to fluctuation in value of financial instruments as a result of changes in market prices. Market risk comprise of currency risk, interest rate risk and price risk.

43.1.1 Currency risk

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. It arises mainly where receivables, bank balances, borrowings and payables exist due to transactions entered into foreign currencies.

Exposure to Foreign currency risk

The Group is exposed to foreign exchange risk arising from currency value fluctuations due to the following:

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements For The Year Ended June 30, 2020

Trade debts

Cash and bank balances

Borrowings from financial institutions

Advance from customer

Off balance sheet exposures

Forward rate agreements

Net Exposure

2020	2019
-----Amount in USD-----	
7,096,661	4,307,999
14,514	7,457
-	-
(236,322)	(321,583)
6,874,853	3,993,873
-	-
6,874,853	3,993,873

The following significant exchange rates were applied during the year.

Average rate

Reporting date rate

2020	2019
Rupee per USD	
158.02	136.23
168.06	160.05

Foreign currency sensitivity analysis

A 10% strengthening of the PKR against the USD at June 30, 2020 would have effect on the equity and statement of profit or loss of the Group as shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2020.

Strengthening of PKR against respective currencies

Weakening of PKR against respective currencies

2020	2019
-----Rupees-----	
(115,536,030)	(63,921,944)
115,536,030	63,921,944

A 10 percentage weakening of the PKR against the USD at June 30, 2020 would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

43.1.2 Price risk

Price risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest or currency rate risk), whether those changes are caused by factors specified to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is exposed to price risk because of investments in mutual funds amounting to Rs. 263,440 (2019: Rs. 255,362) as changes in Net Assets Value (NAV) of mutual funds affect the Group. The Group is not exposed to commodity price risk.

As of June 30, 2020, if fair value (NAV) had been 1% higher/ (lower) with all the variables held constant, profit before tax for the year would have been higher / (lower) by Rs. 2,634.4 (2019: Rs. 2,553.6)

43.1.3 Interest/Mark-up rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Group has long term and short term finance at variable rates. The Group is exposed to interest/mark-up rate risk on long and short term financing and these are covered by holding "Prepayment Option" and "Rollover Option". Interest rate risk on short term borrowings is covered by holding "Prepayment Option" which can be exercised upon any adverse movement in the underlying interest rates. The local and foreign currency loans carry mark up at the prevailing rate of SBP plus 0.75% to 2.5%, KIBOR plus .75% to 1.5% and LIBOR plus 1.25% respectively. Applicable interest rates for financial assets and liabilities are given in respective notes.

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

		2020				
		Mark-up / profit bearing			Non mark-up /	Total
	Note	Less than one year	One year to Five years	Over five years	profit bearing	
-----Rupees -----						
Financial assets						
Amortised cost						
Long term deposits		-	-	-	12,578,078	12,578,078
Long term investments	22	-	-	-	18,647,853	18,647,853
Trade debts - considered goods	25	-	-	-	1,374,152,042	1,374,152,042
Loans and advances	26	-	-	-	10,470,682	10,470,682
Deposits	27	-	-	-	2,286,199	2,286,199
Other receivables	28	-	-	-	5,009,040	5,009,040
Cash and bank balances	29	112,209,120	-	-	193,041,131	305,250,251
		112,209,120	-	-	1,616,185,025	1,728,394,145
Fair value through profit or loss						
Short-term investment		-	-	-	263,440	263,440
Financial liabilities						
At amortized cost						
Long term finances - secured	10	57,673,116	396,447,541	-	-	454,120,657
Trade and other payables	14	-	-	-	989,563,330	989,563,330
Accrued mark-up	15	-	-	-	56,305,363	56,305,363
Short term borrowings - secured	16	5,115,897,038	-	-	-	5,115,897,038
Unpaid dividend	17	-	-	-	13,555,468	13,555,468
Lease liabilities	11	21,497,206	62,035,258	58,942,183	-	142,474,647
		5,195,067,360	458,482,799	58,942,183	1,059,424,161	6,771,916,503
On balance sheet gap		(5,082,858,240)	(458,482,799)	(58,942,183)	556,760,864	(5,043,522,358)
Off balance sheet items						
Guarantees	18.2	-	-	-	15,397,650	15,397,650
Letter of credit	18.2	-	-	-	24,580,350	24,580,350
2019						
		Mark-up / profit bearing			Non mark-up /	Total
	Note	Less than one year	One year to Five years	Over five years	profit bearing	
-----Rupees -----						
Financial assets						
Amortised cost						
Long term deposits		-	-	-	9,938,831	9,938,831
Long term investments	22	-	-	-	-	-
Trade debts - considered goods	25	-	-	-	988,520,276	988,520,276
Loans and advances	26	-	-	-	10,086,964	10,086,964
Deposits	27	-	-	-	2,196,199	2,196,199
Other receivables	28	-	-	-	5,521,243	5,521,243
Cash and bank balances	29	29,245,564	-	-	54,951,877	84,197,441
		29,245,564	-	-	1,071,215,390	1,100,460,954
Fair value through profit or loss						
Short-term investment		-	-	-	255,362	255,362
Financial liabilities						
At amortized cost						
Long term finances - secured	10	86,709,085	265,191,113	-	-	351,900,198
Trade and other payables	14	-	-	-	201,182,344	201,182,344
Accrued mark-up	15	-	-	-	64,696,362	64,696,362
Short term borrowings	16	5,115,897,038	-	-	-	5,115,897,038
Unpaid dividend	17	-	-	-	489,804	489,804
Lease liabilities	11	13,094,930	44,763,773	-	-	57,858,703
		5,215,701,053	309,954,886	-	266,368,510	5,792,024,449
On balance sheet gap		(5,186,455,489)	(309,954,886)	-	804,846,880	(4,691,563,495)
Off balance sheet items						
Guarantees	18.2	-	-	-	1,514,650	1,514,650
Letter of credit	18.2	-	-	-	-	-

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements For The Year Ended June 30, 2020

- (a) On balance sheet gap represents the net amounts of balance sheet items.
(b) Effective rates of return/mark-up on financial liabilities are as follows:

Financial liabilities	2020	2019
Long term finances - secured	SBP rate+ 0.75% to 2.5% & KIBOR + .75% to 1.5%	SBP rate + 1% to 2% and KIBOR + 1% to 2%
Short term borrowings	SBP rate+ 0.75% to 1% & KIBOR + .75% to 1%	SBP rate+ 0.75% to 2% & KIBOR + 1 to 2%

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet would not affect profit or loss of the Group.

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2020, if interest rates on long term financing had been 1% higher / lower with all other variables held constant, pre tax profit for the year would have been Rs. 7.68 million (2019: Rs. 2.65 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

At June 30, 2020, if interest rates on short term borrowings had been 1% higher / lower with all other variables held constant, pre tax profit for the year would have been Rs. 6.06 million (2019: Rs. 42.26 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

43.2 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter-parties failed completely to perform as contracted. The Group does not have significant exposure to any individual counter-party. To reduce exposure to credit risk the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also regularly monitors the credit exposure towards the customers and makes allowance for ECLs against those balances considered doubtful of recovery. To mitigate the risk, the Group has a system of assigning credit limits to its customers based on evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Some customers are also secured, where possible, by way of inland letters of credit, cash security deposit, bank guarantees and insurance guarantees.

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements For The Year Ended June 30, 2020

The Group's gross maximum exposure to credit risk at the reporting date is as follows:

Financial assets	Note	2020	2019
-----Rupees-----			
Long term investments		18,647,853	-
Long term deposits		12,578,078	9,938,831
Trade debts		1,374,152,042	988,520,276
Loans and advances		10,470,682	10,086,964
Trade deposit		2,286,199	2,196,199
Other receivables		5,009,040	5,521,243
Short-term investment		263,440	255,362
Bank balances		300,111,569	83,241,700
		1,723,518,903	1,099,760,575

The ageing of trade debts and related movement of ECL has been disclosed in note 26.3 of these consolidated financial statements.

Bank balances

The Group limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counter-parties that have stable credit rating. Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations.

The bank balances along with the credit ratings are tabulated below:

	Short-term Ratings	2020	2019
-----Rupees-----			
MCB Bank Limited	A1+	49,586,246	24,572,778
Meezan Bank Limited	A1+	17,529,038	864,391
National Bank of Pakistan	A1+	3,576,211	1,866,284
Standard Chartered Bank Limited	A1+	61,200,962	821,995
United Bank Limited	A1+	9,888,465	(13,326,113)
Allied Bank Limited	A1+	10,323,377	11,309,788
Askari Bank Limited	A1+	14,366,508	13,826,089
Bank Alfalah Limited	A1+	9,095,473	10,424,355
Faysal Bank Limited	A1+	6,414,061	1,947,918
Habib Bank Limited	A1+	35,049,085	1,271,793
Habib Metropolitan Bank Limited	A1+	9,627,588	1,783,305
Soneri Bank Limited	A1+	341,378	995,182
Bank Al Habib Limited	A1+	9,551,501	146,159
JS Bank	A1+	93,277	11,586
MCB Islamic Bank	A1	62,268,399	19,709,688
		298,911,569	76,225,201

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

		2020	2019
	Note	-----Rupees-----	
Trade debts	25	1,374,152,042	988,520,276
Loans and advances	26	10,470,682	10,086,964
Bank balances	29	300,111,569	83,241,700
		1,684,734,293	1,081,848,940

43.3 Liquidity risk

The Group finances its operations through equity and borrowings with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular continued credit lines.

As on reporting date, the Group had cash and bank balances amounting to Rs 298 million (2019: 78 million), and utilized credit limit of 614 million (2019: 261 million).

44 FAIR VALUE HIERARCHY

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the:

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

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred.

The Group's policy for determining when transfers between levels in the hierarchy have occurred includes monitoring of the following factors:

- changes in market and trading activity (e.g., significant increases / decreases in activity)
- changes in inputs used in valuation techniques (e.g. inputs becoming / ceasing to be observable in the market)

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year.

The following table represents the Group's assets that are measured at fair value as at June 30, 2020 and June 30, 2019

	2020			
	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
<i>Non-financial assets</i>				
Property, plant and equipment	-	-	4,708,419,995	4,708,419,995
<i>Financial assets</i>				
Financial assets held at fair value through profit or loss	263,440	-	-	263,440
	2019			
	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
<i>Non-financial assets</i>				
Property, plant and equipment	-	-	2,518,519,442	2,518,519,442
<i>Financial assets</i>				
Financial assets held at fair value through profit or loss	255,362	-	-	255,362

Certain categories of operating fixed assets (land, buildings, plant and machinery and generators include revaluation surplus) (level 3 measurement) determined by a professional valuer based on their assessment of the market values as disclosed in note 9 to these consolidated financial statements. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements.

45 CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The objective of the Group when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure by monitoring its debt levels and liquid assets and keeping in view future investments requirements and expectations of the shareholders. Debt is calculated as total borrowings (short term borrowings, long term finances and current portion of long term finances as shown in the balance sheet). Capital signifies equity as reported in statement of financial position and includes share capital, share premium and unappropriated profits.

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

During 2020, the Group's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2020 and 2019 were as follows:

	Note	2020 -----Rupees-----	2019
Total borrowings		5,712,492,342	4,548,986,304
Less: Cash and bank	29	(305,250,251)	(84,197,441)
Net debt		5,407,242,091	4,464,788,863
Total equity		6,785,212,277	4,535,404,192
Total equity and debt		12,192,454,368	9,000,193,055
Gearing ratio (%)		44%	50%

The Group finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix amongst various sources of finance to minimize risk.

46 OPERATING SEGMENTS

These financial statements have been prepared on the basis of a single reportable segment.

46.1 Revenue from sale of rice represents 93.0% (2019: 89.3%) of the total revenue of the Group. Whereas 6.38% (2019: 6.75%) represents revenue from sale of rice glucose and remaining represents other items.

46.2 All non-current assets of the Group as at June 30, 2020 are located in Pakistan. Further, debtors from rice represents 96.39% (2019: 97.04%) of the total debtors.

47 CORRESPONDING FIGURES

Previous year figures have been rearranged and/or reclassified, wherever necessary, for the purpose of comparison in the financial statements. For better presentation, reclassification made in the financial statements were as follows:

Reclassification from	Rupees	Reclassification to	Rupees
Selling and distribution	6,103,372	Allowance for expected credit losses	6,103,372

MATCO FOODS LIMITED

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2020

48 UTILIZATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING

Till June 30, 2020, the Group has utilized the proceeds of the initial public offer of 29,143,000 ordinary shares to finance the project of expansion of its Rice Glucose / Syrup and Rice Protein plant. Refer 2.3.13 of the Prospectus issued for the Project detail. As at June 30, 2020, the utilization of proceeds from IPO is as follows:

	2020 Rupees
Proceeds from IPO	757,718,000
IPO related expenses	(45,917,563)
Funds utilized till June 30, 2020	(711,800,437)
Un-utilized funds as on June 30, 2020	-

As at June 30, 2020, the proceeds from initial public offering has been fully utilized and the related asset has been transferred from capital work-in-progress to property, plant and equipment.

49 IMPACT OF COVID-19 ON FINANCIAL STATEMENTS

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on 11 March 2020, impacting countries globally including Pakistan. Government of Pakistan has taken certain measures to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown, disruptions to various business and significant volatility in the Pakistan Stock Exchange (PSX). However, currently, the potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. The Group is conducting business with some modifications to employee working from home, among other modifications while following all necessary Standard Operating Procedures (SOPs). The Group will continue to actively monitor the situation and may take further actions that alter its business operations as may be required by federal, provincial or local authorities or that are in the best interests of our employees, customers, partners, suppliers and stockholders. However, the management based on its assessment considered that there would be no material implications of COVID-19 that adversely affect its businesses, results of operations and financial condition in future period or that require specific disclosure in these consolidated financial statements.

MATCO FOODS LIMITED
Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

50 **DATE OF AUTHORISATION FOR ISSUE**

These financial statements have been approved by the Board of Directors of the Group and authorized for issue on 10 September 2020.

50.1 **Non-adjusting events after the reporting date**

Subsequent to year ended June 30, 2020, The Board of Directors in its meeting held on September 10, 2020 has proposed final cash dividend of Rs. 0.45 per share (2019: Rs. 0.7 per share) for the approval of members at the Annual general Meeting. The effect of such dividend and transfer shall be accounted for in the financial statements for the year ending June 30, 2021.

51 **GENERAL**

51.1 Figures have been rounded off to the nearest Rupee.

51.2 Corresponding figures have also been rearranged and reclassified, wherever necessary, for better presentation. However, there has been no material reclassification to report.

MATCO FOODS LIMITED
Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2020

A handwritten signature in black ink, appearing to be "Chaudhary", written over a horizontal line.

Chief Executive Officer

A handwritten signature in black ink, appearing to be "Gupta", written over a horizontal line.

Chief Financial Officer

A handwritten signature in black ink, appearing to be "Singh", written over a horizontal line.

Director

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to the members that Annual General Meeting of Matco Foods Limited will be held on Saturday, October 24, 2020 at 11:00 am at Registered Office of the Company at B-1/A, S.I.T.E. Phase 1, Super Highway Industrial Area, Karachi through Video Conference to transact the following business:

A. Ordinary Business:

1. To read and confirm the minutes of the previous annual general meeting held on October 24, 2019.
2. To receive, consider and adopt the Audited Annual Financial Statements of the company together with the Directors' and Auditors' reports thereon for the year ended June 30, 2020 along with the Audited Consolidated Financial Statements of the company and Auditor's report thereon for the year ended June 30, 2020.
3. To approve the payment of final cash dividend @ Rs. 0.45 per share i.e. 4.5% for the year ended June 30, 2020 as recommended by the Board of Directors.
4. To appoint Auditors of the Company for the year ending June 30, 2020 at a mutually agreed rate of remuneration. The Board of Directors on the recommendation of the Audit Committee has proposed appointment of M/s Grant Thornton Anjum Rehman Chartered Accountants. The retiring Auditors being eligible offer themselves for re-appointment.

B. Special Business

5. To consider and if deemed fit, pass the following Special Resolutions with or without modification(s):

Investment in Associated Companies & Associated Undertakings:

"RESOLVED THAT the consent and approval be and is hereby accorded under Section 199 of the Companies Act, 2017 and "Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012" to further invest up to PKR 50,000,000 (Rupees Fifty Million) in Barentz Pakistan (Private) Limited ("BPPL"), an associated company in order to meet its working capital requirements / operational expenses subject to the terms and conditions mentioned in the Annexure-B of Statement under Section 134(3)."

"FURTHER RESOLVED THAT for the purpose of giving effect to the above investment, the Company's Chief Executive Mr. Khalid Sarfaraz Ghorri or Company's Director Mr. Faizan Ali Ghorri or Company Secretary Mr. Danish Ahmed be and are hereby singly empowered and authorized to do all acts, matters, deeds and things, take any or all necessary actions including signing and execution of agreement(s) and to complete all legal formalities including filing of applications for no objection certificate/permission from any authority / Commission as may be necessary or incidental or expedient for the purpose of implementing the aforesaid resolution."

C. Any Other Business

6. To transact any other business with the permission of the Chairman.

Statements as required under section 134(3) of the Companies Act, 2017 in respect of the special business is annexed to the notice of meeting circulated to the members of the Company.

Karachi
October 02, 2020

By order of the Board
Danish Ahmed
Company Secretary

NOTES

1) CLOSURE OF SHARE TRANSFER BOOK

The share transfer books of the Company will remain closed and no transfer of shares will be accepted for registration from October 19, 2020 to October 26, 2020 (both days inclusive). Transfers received in order at the Company's Registrar Office at CDC Share Registrar Services Limited, CDC House, 99-B, Block B, S.M.C.H.S. Main Shahra-e-Faisal, Karachi- 74400, by the close of business on October 16, 2020 will be treated in time for the purpose of payment of the final cash dividend, if approved by the shareholders.

2) PARTICIPATION IN THE ANNUAL GENERAL MEETING

(a) In light of the COVID-19 situation, the Securities and Exchange Commission of Pakistan ("SECP"), in terms of its Circular No.5 dated March 17, 2020 and Circular No. 25 dated August 31, 2020, has advised companies to modify their usual planning for general meetings for the safety and wellbeing of shareholders and the public at large with minimal physical interaction. Hence, the proceedings of the meeting will be carried out through video-link facility. In this regard, special arrangements have been made for the AGM which are as under:

(i) AGM will be held through Zoom application- a video link facility.

(ii) Shareholders interested in attending the AGM through Zoom application will be requested to get themselves registered with Share Registrars of the Company M/s. CDC Share Registrar Services Limited at least 48 hours before the time of AGM at cdcsr@cdcsrsl.com by providing the following details:

CDC Participant ID / Folio No.	Company	Name of Shareholder	CNIC No./ NTN No.	Cell No.	Email address
	Matco Foods Ltd.				

Video-link for the meeting will be sent to members at their provided email addresses enabling them to attend the meeting on the given date and time.

Login facility will be opened Sixty (60) minutes before the meeting time to enable the participants to join the meeting after the identification process. Shareholders will be able to login and participate in the AGM proceedings through their devices after completing all the formalities required for the identification and verification of the shareholders.

(i) Shareholders may send their comments and suggestions relating to the agenda items of the AGM to the Company Secretary Office at least two (2) working days before the AGM, at the given email address cdcsr@cdcsrsl.com or WhatsApp on 0321-8200864. Shareholders are requested to mention their full name, CNIC # and Folio/CDC Account # for this purpose.

(ii) Shareholders are encouraged to participate in the AGM to consolidate their attendance and participation through proxies.

(b) A member entitled to attend the meeting may appoint any other member as his/her proxy to attend the meeting through video-link. A proxy form is enclosed.

(c) The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of power of attorney must be deposited at the Share Registrar of the Company M/s. CDC Share Registrar Services Limited at least 48 hours before the time of the AGM (i.e. latest by Thursday, October 22, 2020 at 11:00 a.m.).

(d) For appointing proxies, the shareholders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:

(i) In case of individuals having physical shareholding or the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form accordingly.

(ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.

(iii) Notarized copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(iv) In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

3) CNIC/NTN NUMBER ON DIVIDEND WARRANT (MANDATORY)

As it has already been notified from time to time, SECP has directed vide its Notification S.R.O. 831(1)/2012 dated July 5, 2012 that the Dividend Warrant(s) should also bear the Computerized National Identity Card (CNIC) number of the registered shareholder or the authorized person, except in case of minor(s) and corporate shareholder(s).

In order to comply with the SECP's directives and in terms of Section 243(2)(a) of the Companies Act, 2017, the Company shall be constrained to withhold the Dividend Warrant(s), in case of non-availability of a copy of valid CNIC (for individuals) and National Tax Number (for corporate entities).

Accordingly, shareholders who have not yet submitted a copy of their valid CNIC or NTN are once again requested to immediately submit the same to the Company or Share Registrar, CDC Share Registrar Services Limited.

3) 1) TRANSMISSION OF ANNUAL AUDITED ACCOUNTS THROUGH EMAIL

The Securities and Exchange Commission of Pakistan through its notification SRO787(1)/2014 dated 8th September 2014 has permitted / allowed companies to circulate Annual Financial Statements along with the Notice of Annual General Meeting to its members through email. Accordingly, members are requested to send written request to the company's registered office at mentioned above along with your valid email address to provide you the financial statements at your valid email address. In case you don't wish to avail this facility, the financial statements will be sent to you at your registered address as per normal practice.

5) DEDUCTION OF WITHHOLDING INCOME TAX FROM DIVIDEND UNDER SECTION 150 THE INCOME TAX ORDINANCE, 2001 (MANDATORY)

i) The rates of deduction of income tax under Section 150 of the Income Tax Ordinance, 2001 from dividend payment, if any, effective July 1, 2019 are as follows:

1.	Rate of tax deduction for persons appearing in Active Taxpayer List (ATL)	15%
2.	Rate of tax deduction for persons not appearing in Active Taxpayer List (ATL)	30%

Shareholders who are filers are advised to make sure that their names are entered into latest Active Tax Payer List (ATL) provided on the website of FBR at the time of dividend payment otherwise they shall be treated as non-filers and tax on their dividend will be deducted at the rate of 30% instead of 15%.

The Federal Board of Revenue has clarified that withholding tax will be determined separately on filer and non-filer status of principal shareholder as well as joint holder (s) based on their shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to our Share Registrar, or if not so notified, each joint holder shall be assumed to have an equal number of shares.

Company Name	Folio/CDC Account No.	Total Shares	Principal Shareholder		Joint Holder	
			Name & CNIC No.	Shareholding Proportion No. of Shares	Name & CNIC No.	Shareholding Proportion No. of Shares

The above required information must be reached to the Company's Registrar Office at above mentioned address within ten (10) days of this notice otherwise it will be construed that the shares are equally held by principal shareholder and joint holder(s).

The shareholders who holds shares jointly are requested to provide shareholding proportions of the principal shareholder and joint holder (s) in respect of shares held by them (only if not provided) to our registrar in writing.

i) As per FBR circulars no. 1(29)WHT/2006 dated June 30, 2010 and No.1(43)DG(WHT)/2008-Volume-ii 66417R dated May 12, 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax u/s 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under clause 47B of part iv of second schedule is available. The shareholders who fall in the category mentioned in above clause and want to avail exemption u/s 150 of the ordinance must provide valid tax exemption certificate to the company at its registered address mentioned above before book closer positively otherwise tax will be deducted on dividend as per applicable rules.

ii) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or THK Associates (Pvt.) Ltd. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

6) PAYMENT OF CASH DIVIDEND ELECTRONICALLY

In accordance with the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed company to pay cash dividend to its shareholder only through electronic mode directly into the bank account designated by the entitled shareholder. Please note that giving bank mandate for dividend payments is mandatory and in order to comply with this regulatory requirement, you are requested to please provide the following information to your respective CDC Participant / CDC Investor Account Services:

	Details of Shareholder
Name of shareholder	
Folio/ CDS Account No.	
CNIC No.	
Cell number of shareholder	
Number of Shares	
Title of Bank Account	
International Bank Account Number (IBAN)	
Bank Name	
Branch Name and its code and address	

Please note that as per Section 243(3) of the Companies Act, 2017, listed companies are entitled to withhold payment of dividend, if necessary information is not provided by shareholders.

7) PLACEMENT OF FINANCIAL ACCOUNTS ON WEBSITE

Pursuant to the notification of the SECP (SRO 634(I)/2014) dated July 10, 2014, the financial statements of the Company have been placed on the Company's website at www.matcofoods.com.

8) CHANGE OF ADDRESS (IF ANY)

The shareholders are requested to notify the Company at its registered office at aforesaid address if there is any change in their addresses and update zakat status with their participants immediately.

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

INVESTMENTS IN ASSOCIATED COMPANIES & ASSOCIATED UNDERTAKINGS

The Board of Directors of the Company has approved the specific limits of investments in the form of loans / advances in the following associated companies and associated undertakings subject to the consent of members under Section 199 of the Companies Act, 2017 / Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017. The Board of Directors do hereby undertake / certify that necessary due diligence for the following proposed investments have been carried out.

(a) Disclosure for all types of Investments:																										
(A) Disclosure regarding associated company																										
1	Name of the associated company or associated undertaking	Barentz Pakistan (Private) Limited ("BPPL")																								
2	Basis of Relationship	Matco Foods Limited owns 49% shareholding in the Barentz Pakistan (Private) Limited																								
3	Earnings / (Loss) per share for the last three Years	2020: (0.24)* 2019: (2.14) 2018: N/A 2017: N/A																								
4	Break-up value per share, based on last audited financial statements	2020: PKR 7.61* 2019: PKR 7.86																								
5	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	<table border="1"> <thead> <tr> <th></th><th>2020*</th><th>2019</th></tr> <tr> <th></th><th colspan="2">Rs. in Million</th></tr> </thead> <tbody> <tr> <td>Total Equity</td><td>38.06</td><td>39.28</td></tr> <tr> <td>Total assets</td><td>63.59</td><td>45.67</td></tr> <tr> <td>Total liability</td><td>25.53</td><td>6.39</td></tr> <tr> <td>Gross profit</td><td>10.70</td><td>0.45</td></tr> <tr> <td>(Loss) / Profit before tax</td><td>2.25</td><td>(10.65)</td></tr> <tr> <td>(Loss) / Profit after tax</td><td>(1.22)</td><td>(10.72)</td></tr> </tbody> </table>		2020*	2019		Rs. in Million		Total Equity	38.06	39.28	Total assets	63.59	45.67	Total liability	25.53	6.39	Gross profit	10.70	0.45	(Loss) / Profit before tax	2.25	(10.65)	(Loss) / Profit after tax	(1.22)	(10.72)
	2020*	2019																								
	Rs. in Million																									
Total Equity	38.06	39.28																								
Total assets	63.59	45.67																								
Total liability	25.53	6.39																								
Gross profit	10.70	0.45																								
(Loss) / Profit before tax	2.25	(10.65)																								
(Loss) / Profit after tax	(1.22)	(10.72)																								
6	In case of Investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely:																									
	1. Description of the project and its history since conceptualization	Not Applicable																								
	2. Starting date and expected date of completion of work	Not Applicable																								
	3. Time by which such project shall become commercially operational	Not Applicable																								

	4. Expected time by which the project shall start paying return on investment	Not Applicable
	5. Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts	Not Applicable
(B) General Disclosure		
1	Maximum amount of investment to be made	PKR 50,000,000/- (Rupees Fifty Million Only).
2	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	<p>The investment amount will be utilized by the associated company to meet the working capital requirement of the Company as they have recently been awarded a distribution contract of Oily Blend Vitamin to Oil and Ghee Industry by multinational company which will surely increase the top and bottom line of the Company.</p> <p>Matco Foods Limited will be benefited ultimately through share of profit/dividend and interest income from the associated company.</p>
3	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,	The investment will be made from Company's own funds.
	1. Justification for investment through borrowings;	N/A
	2. Detail of collateral, guarantees provided and assets pledged for obtaining such funds; and	N/A
	3. Cost benefit analysis	N/A
4	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Not Applicable
5	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Directors of the Company have no interest in the investee Company except in their capacity as Director of Investee Company.
6	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs	Matco Foods Limited has made an investment in the shares of the associated company during the year 2019-20 by Rs. 24.5 Million, the Company has started its commercial operations during the year and started recognizing its sales. Losses have been occurred due to preliminary expenses and fixed expenses of staff, therefore, it is decided that no impairment requirement is needed to make as of today.

7	Any other important details necessary for the members to understand the transaction	None
(B) Additional disclosure regarding Loans and Advances		
1	category-wise amount of investment	Previously, Matco Foods Limited has subscribed the 2,450,000 shares of the associated company at Par Value Rs. 10 each. Now, Shareholders' loan will be provided to the associated company up to Rs. 50 Million.
2	average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, for the relevant period	Average borrowing cost of the investing Company ranges from 1 month KIBOR + 0.75% to 1.0% and 3 month KIBOR + 0.55% to 1.5% in 2019- 2020.
3	rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	10%.
4	particulars of collateral or security to be obtained in relation to the proposed investment	Will be decided with mutual consent at the time of extending the loan.
5	if the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable; and	Not Applicable
6	if the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable; and	The above facility will be repayable on demand.

* The financial year of the associated company have been linked with the Parent Company which is December 31 ended. Therefore, the figures as of June 30, 2020 (six months ended) reviewed by the statutory auditors of the associated company have been presented here for the better understanding of the Shareholders.

بسم اللہ الرحمن الرحیم

ڈائریکٹرز کی رپورٹ

اللہ کے فضل سے آپ کی کمپنی کے ڈائریکٹرز 30 جون 2020 کو ختم ہوئے سال کے لئے میٹکوفونڈز لمیٹڈ ("کمپنی") کے آڈٹ شدہ مالی بیانات کے ساتھ ساتھ سالانہ رپورٹ پیش کرنے میں خوشی محسوس کرتے ہیں۔

مالیاتی نتائج:

	Unconsolidated		Consolidated	
	2020	2019	2020	2019
	-----Rupees-----			
Sales - net	11,289,961,893	7,863,052,901	11,296,930,227	7,870,367,253
Cost of sales	(10,273,971,964)	(6,948,543,163)	(10,273,971,964)	(6,948,543,163)
GROSS PROFIT	1,015,989,929	914,509,738	1,022,958,263	921,824,090
Selling and Distribution	(207,020,855)	(161,007,642)	(218,475,909)	(164,659,650)
Administrative expenses	(271,369,378)	(240,332,519)	(273,160,683)	(244,865,613)
	(478,390,233)	(401,340,161)	(491,636,592)	(409,525,263)
	537,599,696	513,169,577	531,321,671	512,298,827
Impairment loss on financial assets	-	(6,103,372)	-	(6,103,372)
Finance cost	(350,287,990)	(275,503,177)	(350,646,282)	(275,840,060)
Other income	56,513,137	106,655,675	56,513,137	106,655,675
Share of loss from associated company	-	-	(5,852,147)	-
Exchange gain - net	14,015,389	152,934,910	14,015,389	152,934,910
Provision for worker's welfare fund	(7,113,214)	(7,270,451)	(7,113,214)	(7,270,451)
Provision for worker's profit participation fund	(12,218,347)	(23,388,267)	(12,218,347)	(23,388,267)
PROFIT BEFORE TAX	238,508,671	460,494,895	226,020,207	459,287,262
Income tax expense	(86,580,493)	(46,658,608)	(86,580,493)	(46,658,608)
PROFIT FOR THE YEAR	151,928,178	413,836,287	139,439,714	412,628,654
EARNINGS PER SHARE - BASIC AND DILUTED	1.24	3.38	1.14	3.37

عام طور پر یہ سال ہر ایک کے لئے عالمی سطح پر ایک بہت ہی مشکل چیلنج رہا ہے۔ کوویڈ وبائی بیماری نے حالیہ یاد میں ایک بے مثال صورتحال پیدا کر دی ہے جہاں یہ تصور بھی نہیں کیا جا سکتا تھا کہ لوگوں کی نقل و حرکت، کاروبار اور افراد پر پابندیوں کے معاملے میں پوری دنیا قفل کا شکار ہو سکتی ہے۔ پوری دنیا میں، حکومتی نے لاک ڈاؤن اقدامات کے معاشی اثر کو متوازن کرتے ہوئے COVID کے پھیلاؤ پر قابو پانے کے لئے پالیسی رد عمل وضع کرنے کی جدوجہد کی ہے۔

کھانے کی صنعت کی جگہ میں، جہاں میٹکوں کا کام کرتا ہے، چاول اور دیگر کھانے کی مصنوعات جیسے کہ ہوٹل، ریسٹوراں، کیٹرنگ HORECA کے گھروں میں کھیت سے باہر کو ویڈ سے متعلق لاک ڈاؤن اقدامات سے بری طرح متاثر ہوتا ہے۔ سیاحت سے متعلق طلب اور فروخت پر شدید اثر پڑا ہے، خاص طور پر سعودی عرب میں حج کے سیزن میں کمی

کے سبب مشرق وسطیٰ میں فروخت اور عمرہ کی زیارت نہ ہونے کی وجہ سے اس خطے میں طلب کو شدید متاثر کیا ہے، تاہم گھریلو استعمال پر مبنی کھپت کی طلب میں اضافے کا رجحان رہا ہے اور خود مارکیٹ میں طلب میں اضافہ دیکھنے میں آیا ہے کیونکہ عالمی سطح پر لوگوں نے کھانے اور گروسری کے سامان کو ذخیرہ کیا ہے۔

ان حالات میں آپ کی کمپنی نے اپنے عملے اور اسٹیک ہولڈرز کی صحت اور حفاظت کو ایک اولین ترجیح قرار دیا ہے۔ تک کہ تمام دفاتر کو بند کرنے کی سرکاری پالیسی سے قبل، کمپنی نے عملے کو گھر سے کام کرنے کی ترغیب دینا شروع کر دی۔ اس کے بعد حفاظت سے متعلق معلومات کو وسیع پیمانے پر پھیلا دیا گیا۔ اور اقدامات اور ڈبلیو ایچ او اور حکومت کے ذریعے اعلان کردہ ایس او پیز کو اپنایا گیا۔

تمام چیلنجوں کے باوجود، کمپنی کی انتظامیہ اور عملے نے عمدہ کارکردگی کا مظاہرہ کیا۔ صارفین کے احکامات کو پورا کرتے ہوئے، وہ عالمی سطح پر لوگوں کے لئے ضروری اشیائے خور و نوش کی مناسب فراہمی کو یقینی بنانے کے لئے صف اول میں تھے۔

کوویڈ کی وجہ سے، عالمی سطح پر سپلائی چین میں خلل پڑنے سے اخراجات پر نمایاں اثر پڑا ہے۔ اگرچہ حکومت نے ملازمت کے نقصانات کو روکنے کے لئے اسٹیٹ بینک کے سازگار اقدامات کا اعلان کیا ہے۔ خاص طور پر سیلز ٹیکس اور انکم ٹیکس کی واپسی کی تاخیر ادائیگی کی روشنی میں یہ بوجھ ابھی بھی باقی ہے مزید کہ جی آئی ڈی سی کے بارے میں حالیہ فیصلے سے ممکنہ طور پر افادیت لاگت پر اضافی بوجھ پڑ جائے گا۔

کمپنی کی خالص آمدنی 11,290 ملین روپے رہی جو کہ پچھلے سال 7,863 ملین روپے رہی تھی جو آمدن میں 43.58 فیصد اضافہ ظاہر کرتی ہے اس سال مجموعی منافع 1,016 ملین روپے رہا جو پچھلے سال 914 ملین روپے تھا جو پچھلے سال کی نسبت 11.10 فیصد کی شرح سے بڑھا۔ جبکہ خالص منافع میں 63.29 فیصد کمی واقع ہوئی جو کہ اس سال 151.93 ملین روپے رہا جبکہ پچھلے سال یہ رقم 413.8 ملین روپے تھی۔ براؤن باسیتی چاول کی ترسیل گزشتہ سال کے مقابلے میں کم آمدنی کا سبب بنی ہوئی ہے، یہاں تک کہ دوسری آمدنی میں یکطرفہ فائدہ حاصل کرنے کے بعد بھی۔ اس سال کے دوران کمپنی کے باسیتی چاول کی فی ٹن اوسط برآمدی قیمت 980 امریکی ڈالر رہی، جبکہ پچھلے سال 1,045 امریکی ڈالر تھی۔

پاکستان چاول کی مجموعی برآمدات کی قدر میں 24.63 فیصد اور مقداری لحاظ سے 34.97 فیصد کا اضافہ ہوا جبکہ میٹکوں نے مجموعی برآمدات کی قدر میں 22.89 فیصد اور مقداری لحاظ سے 31.12 فیصد اضافہ ریکارڈ کیا جو مجموعی طور پر پاکستان چاول برآمد میں اضافے کے ساتھ تھی۔

چوتھی سہ ماہی میں، کمپنی کو زرمبادلہ کی شرحوں میں انتہائی اتار چڑھاؤ کی وجہ سے دوچار ہونا پڑا۔ مارکیٹ پر منحصر شرح کی نئی پالیسی پر دوبارہ غور کرنے کی ضرورت ہے کیونکہ اس سے برآمد کنندگان اور ان کے خام مال فراہم کرنے والوں کو شدید پریشانی پیدا ہوتی ہے۔

عالمی وباء اور اقدامات COVID-19:

حکومت پاکستان نے دنیا کی وبائی صورتحال کو مد نظر رکھتے ہوئے 24 مارچ 2020 کو پورے پاکستان کو بند کر دیا۔ فوڈ انڈسٹری ہونے کے ناطے، آپ کمپنی کو اپنی فیکٹری چلانے کی اجازت تھی لیکن اس نے اپنی معاون خدمات بند کر دی تھیں اور ملازمین کو ہدایت کی تھی کہ وہ گھر سے کام کریں کیوں کہ کمپنی کو غیر ملکی اور مقام صارفین کو معاہدے کی شرائط کے مطابق آرڈر دینا تھا تاکہ دنیا میں کھانے کی کمی سے بچا جاسکے۔ کمپنی نے فیکٹری اور دفاتر میں حکومت کی فراہم کردہ SOP کی تعمیل کے لئے سخت اقدامات کیے۔ ان حفاظتی اقدامات کے اضافی اخراجات کے باوجود، آپ کی کمپنی ہمارے ملازمین کی صحت اور حفاظت کو اپنی اولین ترجیح کے طور پر برقرار رکھے گی۔ ہم ان اقدامات کو اپناتے رہیں گے جب تک کہ وبائی بیماری کا مکمل خاتمہ نہیں ہو جاتا۔

تخصیص:

30 جون 2020ء کے اختتام پر کمپنی کی مالی کارکردگی کو دیکھتے ہوئے کمپنی کے ڈائریکٹرز نے مورخہ 10 ستمبر 2020ء کو ہونے والی اپنی مینٹنگ میں حتی کیش منافع بحساب 4.5 فیصد یعنی 0.45 روپیہ فی حصص تجویز کیا ہے۔ اس کے لئے حصص داران کی منظوری سالانہ جنرل اجلاس میں حاصل کی جائے گی۔ تجویز کردہ منافع کو اس مالیاتی گوشواروں میں بطور ذمہ داری تسلیم نہیں کیا گیا۔

بنیادی خطرات اور غیر یقینی صورت حال:

کمپنی کو کچھ موروثی خطرات اور غیر یقینی صورتحال کا سامنا ہے البتہ ہم درج ذیل کو اہم خطرات تصور کرتے ہیں۔

- ۱۔ کاروبار کرنے کی زیادہ قیمت اور اس کے ساتھ ساتھ مینوفیکچرنگ کی بھی لاگت۔
- ۲۔ مقامی اور برآمد چاول کی قیمتوں میں اتار چڑھاؤ
- ۳۔ حکومت کے ضوابط
- ۴۔ زرمبادلہ کی شرح میں منفی ردوبدل
- ۵۔ چاول کی فصل کی مجموعی پیداوار اور کٹائی۔
- ۶۔ سیلز کے ساتھ ساتھ پیداوار کی طرف سے کوویڈ 19 سے متعلق غیر یقینی صورتحال

کمپنی داخلی اور بیرونی اسٹیک ہولڈرز کے ساتھ خطرہ کو قابل قبول سطح پر کم کرنے اور مذکورہ بالا خطرات کے ممکنہ اثرات کو کم کرنے کے لئے سرگرم عمل ہے۔

Barentz پاکستان (پرائیوٹ) لمیٹڈ کا مختصر جائزہ:

کمپنی نے سال کے دوران اپنی تجارتی کارروائیوں کا آغاز کیا ہے 28 جون 2019 کو قائم ہونے کے بعد، اور ابتدائی اخراجات اور کمپنی کے ابتدائی دور میں عملے کے مقررہ اخراجات کی وجہ سے 30 جون 2020 تک 11.94 ملین روپیہ کا نقصان ہوا ہے۔ توقع ہے کہ کمپنی کی فروخت میں اضافے کے ساتھ ہی نقصانات کی وصولی ہوگی۔

ایک حالیہ پیشرفت میں، بیرینٹز پاکستان کو ملٹی نیشنل کمپنی کے ذریعے تیل اور گھی انڈسٹری کو تیل بلینڈر ٹانم کی تقسیم کا معاہدہ دیا گیا ہے جس سے یقیناً اس کمپنی کو فروخت میں اضافہ ہوگا۔ ورکنگ سرمایہ کی مناسب ضرورت کو یقینی بنانے کے لئے، کمپنی نے پیرنٹ کمپنی اور میٹکو فوڈز لمیٹڈ سے درخواست کی ہے کہ وہ موجودہ سود کی شرح پر شیئر ہولڈرز کا قرض فراہم کرے اور فنانس کی سہولت چلانے کے لئے مختلف بینکوں سے رجوع کرے۔

میٹکو فوڈز لمیٹڈ کے بورڈ آف ڈائریکٹرز نے غور و خوض کے بعد 50 ملین روپیہ تک کی مزید سرمایہ کاری کی حصص یافتگان کے قرض کے طور پر منظوری دے دی ہے کمپنیز ایکٹ، 2017 کے سیکشن 199 کے تحت، سالانہ جنرل اجلاس میں حصص یافتگان کی منظوری سے مشروط ہے

بورڈ کا مجموعہ:

بورڈ کا امتزاج درج ذیل سات (7) مرد اور دو (2) خواتین ڈائریکٹرز پر مشتمل ہے۔ جن کی تفصیل یہ ہے۔

خود مختار ڈائریکٹرز	4
نان ایگزیکٹو ڈائریکٹرز	2
ایگزیکٹو ڈائریکٹرز	3
ڈائریکٹرز کی مجموعی تعداد	9

مذکورہ ڈائریکٹرز کا انتخاب سالانہ عام اجلاس میں 31 اکتوبر 2018ء کو ہوا تھا۔

کلیم جون، 2020 کو، مرحوم جناب نعیم الرحمن اخوند انتقال کر گئے، جس نے بورڈ پر عارضی خالی جگہ پیدا کر دی، اس کے بعد، 24 اگست 2020 کو، جناب آغا احمد شاہ کو بورڈ آف ڈائریکٹرز قرار دیا گیا۔

نان ایگزیکٹو ڈائریکٹرز کے معاوضے کی پالیسی:

بورڈ ممبروں کے معاوضے بورڈ نے خود منظور کیے۔ 2017 List Companies (Code Of Corporate Governance)، کے مطابق، اس بات کو یقینی بنایا گیا ہے کہ کوئی بھی ڈائریکٹر اپنی معاوضے کے فیصلے میں حصہ نہیں لیں۔ ہم نان ایگزیکٹو ڈائریکٹرز کو بورڈ کے اجلاسوں میں شرکت کے لئے فیس کے سوا کوئی معاوضہ ادا نہیں کرتے۔ بہترین ہنر کو برقرار رکھنے کے لئے، ہماری معاوضے کی پالیسیاں مروجہ صنعت کے رجحانات اور بہترین کاروباری طریقوں کے مطابق ہیں۔

چیف ایگزیکٹو اور ایگزیکٹو ڈائریکٹرز کے معاوضے کی پالیسی:

چیف ایگزیکٹو اور دیگرز کے معاوضے کے پیکج کو مالی بیانات کو نوٹ 4.1 میں انکشاف کیا گیا ہے۔

بورڈ کے اجلاس اور حاضری:

مذکورہ سال میں بورڈ کے چار اجلاس منعقد ہوئے اور ہر ڈائریکٹر کی حاضری درج ذیل ہے۔

ممبر کا نام:	حاضری
۱۔ جناب جاوید علی غوری، چیئرمین۔	4
۲۔ جناب خالد سرفراز غوری۔	2
۳۔ جناب ڈاکٹر طارق غوری۔	3
۴۔ جناب فیضان علی غوری۔	4
۵۔ جناب نعیم الرحمن اخوند۔	4
۶۔ جناب سید کامران رشید۔	4
۷۔ جناب عبدالصمد خان۔	4
۸۔ مسز فریال مرتضیٰ۔	4
۹۔ محترمہ امہ حبیبہ۔	3

بورڈ آڈٹ کمیٹی:

مذکورہ سال کے دوران آڈٹ کمیٹی کے چار (4) اجلاس ہوئے ہر ممبر کی حاضری درج ذیل ہے۔

ممبر کا نام:	حاضری
۱۔ جناب نعیم الرحمن اخوند	4
۲۔ جناب سید کامران رشید	4
۳۔ جناب عبدالصمد خان	4

انسانی وسائل اور معاوضہ کمیٹی:

ممبر کا نام:	حاضری
۱۔ محترمہ امہ حبیبہ، چیئرمین	1
۲۔ جناب جاوید علی غوری	1
۳۔ جناب خالد سرفراز غوری	1
۴۔ مسز فریال مرتضیٰ	1
۵۔ جناب فیضان علی غوری	1

ڈائریکٹر ٹریننگ پروگرام:

ڈائریکٹر کے ٹریننگ پروگرام کو ضرورت کے مطابق کے پانچ (5) ڈائریکٹر تصدیق شدہ ہے۔

آڈیٹر کا تقرر:

موجودہ آڈیٹر میسرز گرانٹ تھورنٹن انجمن رجن، چارٹرڈ اکاؤنٹنٹس رواں سال ریٹائر ہو گئے ہیں۔ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹر نے میسرز گرانٹ تھورنٹن انجمن رجن کو جون 2020-21 ختم ہونے تک بطور کمپنی آڈیٹر تعینات کرنے کی سفارش کی ہے۔ جس کا فیصلہ باہمی طے شدہ فیس کی بنیاد پر عام اجلاس میں حصہ داران کی منظوری سے مشروط ہے۔

حصہ داران کی تفصیل:

کمپنی کے حصوں داران کی تفصیل اس رپورٹ کے ساتھ منسلک ہے۔

صحت، سلامتی اور ماحول:

آپ کی کمپنی نہ صرف ہمارے ملازمین بلکہ دوسروں کی بھی صحت، حفاظت اور فلاحی و بہبود کے تحفظ کے لئے پرعزم ہے جو ہمارے کاروبار اور جس ماحول میں ہم کام کرتے ہیں اس سے متاثر ہو سکتے ہیں اس کا مطلب یہ ہے کہ ہم اس بات کو یقینی بناتے ہیں کہ تمام اسٹیک ہولڈرز ہمارے آپریشنوں کی وجہ سے برہ راست نقصان سے محفوظ ہیں اور ہم کام، ماحول یا چوٹ یا صحت کے کسی بھی خطرے کو موثر طریقے سے کم کریں جو کام کی جگہ پر پیدا ہو سکے۔

سال کے دوران، کمپنی نے عمل کو HSE ریفریٹر ٹریننگ کا اہتمام کیا ہے اور ہنگامی صورتحال کے لئے وقتاً فوقتاً فارڈرل اور ہنگامی اخلاقی مشقیں کیں۔ ہم نے کوویڈ-19 کے لئے معیاری آپریشننگ طریقہ کار ایس او پیز تیار کیا ہے اور ان ایس او پیز پر عمل درآمد اور نگرانی کرنے کے لئے تمام مقامات پر ہنگامی رسپانس ٹیمیں تشکیل دیں اور اس ہنگامی مدت کے دوران عملے کے تمام ممبروں کے لئے محفوظ کام کی جگہ فراہم کریں۔ ہم نے تمام عملے کے ممبروں کو پی پی ای بھی فراہم کی ہیں اور کوویڈ-19 کے خلاف ملازمین کی صحت اور حفاظت کے لئے تمام مقامات پر ہینڈ سینیٹائزر پوائنٹس اور ڈس انفیکٹنگ واک کے ذریعے گیٹ لگائے ہیں۔

ہم نے گھر سے کام، متبادل دن کام کرنے اور عملے کی کم پالسیاں متعارف کروائی ہیں تاکہ پار آلودگی پر قابو پانے کے لئے دفاتر میں عملے کے اجتماعات سے بچا جاسکے اور اپنے مینٹر عملے کے ممبروں کی سہولت کے لئے ہیڈ آفس مسافر لفٹ لگا ہی۔

مزید، ملک میں آلودہ ماحول اور توانائی کی قلت کو مد نظر رکھتے ہوئے، مینیکو نے سادھو کی پلانٹ میں 1 میگا واٹ اور کراچی ہیڈ آفس میں 100 کلو واٹ کے شمسی توانائی کے پینل لگا کر شمسی توانائی سے توانائی کی پیداوار کے آپشن کو وسیع کر دیا ہے جس کے نتیجے میں سالانہ CO2 اخراج کی میں واقع ہوگی اور توانائی کی لاگت کی بچت اور اس کی ہمہ وقت دستیابی ممکن ہوگی۔

کاروباری و سماجی ذمہ داری:

کمپنی کا وژن پاکستان میں تعلیم اور صحت کے شعبوں میں معاشرتی خدمات کے اقدامات کی حمایت کرنا ہے۔ اس مقصد کے لئے، کمپنی ماضی میں قدرتی آفات جیسے سیلاب یا زلزلے سے امدادی کاموں میں ہمیشہ تعاون کرتی ہے۔ پہلی ترجیح کمپنی کے ملازمین کو شادی، معاشرتی بہبود اور تعلیمی مقصد سے متعلق اخراجات کی پیش کش کی جاتی ہے۔

اندرونی مالیاتی کنٹرول:

اندرونی مالیاتی کنٹرول کے سلسلے میں ڈائریکٹرز اپنی ذمہ داری سے بخوبی واقف ہیں۔ مینجمنٹ اور آڈیٹرز (دونوں اندرونی اور بیرونی) کے ساتھ بات چیت کے ذریعے، وہ اس بات کی تصدیق کرتے ہیں کہ کمپنی کے ذریعہ مناسب کنٹرول نافذ کیے گئے ہیں

مالیاتی اور کارپوریٹ رپونگ فریم ورک:

پاکستان اسٹاک ایکسچینج کے لسٹنگ ضوابط کی شقوں کی تعمیل میں، بورڈ ممبران مندرجہ ذیل بیانات کو ریکارڈ پر رکھنے پر خوش ہیں:

1- کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشوارے اور اس کے معاملات اس کی کاروباری سرگرمیوں کے نتائج اور کیش فلوز اور ایکویٹی میں تبدیلی کی شفاف اور منصفانہ عکاسی کرتے ہیں۔

2- کمپنی نے اپنے اکاؤنٹس کے کھاتوں کو محفوظ اور درست انداز میں رکھا ہوا ہے۔

3- کمپنی نے مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی ہے اور شہریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔

4- بین الاقوامی مالیاتی رپورٹنگ معیارات، جیسا کہ پاکستان میں قابل اطلاق ہیں۔ مالی بیانات کی تیاری میں عمل کیا گیا ہے۔ اس سال کے دوران کمپنی

"IFRS-16" Leases کو اپنایا اور اس کے مطابق آڈیٹ شدہ مالیاتی گوشوارے میں مطلوبہ ایڈجسٹمنٹ کی گئی ہیں

5- اندرونی کنٹرول کا نظام مستحکم ہے اور اسے موثر انداز میں لاگو کیا گیا ہے اور اس کی نگرانی کی جاتی ہے۔

6- کمپنی کے کاروبار کو رواں دواں رکھنے کی صلاحیت شکوک و شبہات سے بالاتر ہے۔

7- لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کسی بھی پہلو کو نظر انداز نہیں کیا گیا۔

8- گزشتہ چھ سال کا اہم کاروباری اور مالیاتی معلومات گوشوارے اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

9- ٹیکسوں اور محصولات کے بارے میں معلومات مالیاتی گوشوارے کے نوٹس میں دی گئی ہیں۔ اور یہ مالیاتی گوشوارے کا حصہ ہیں۔

10- کسی بھی ادائیگی کی تاخیر کا کوئی امکان نہیں ہے اور کسی قرض میں نادمہ ہونے کا بھی کوئی امکان نہیں ہے۔

سیلز اور مارکیٹنگ کی حکمت عملی:

چاول کیٹیگری میں پاکستان میں برانڈ لیڈر ہونے کے ناطے، ہم نے ہمیشہ ملک بھر میں بھی اے ٹی ایل اور بی ٹی ایل سرگرمیاں انجام دی ہیں، اے ٹی ایل میں ہم علاقائی زبانوں میں علاقائی چینلز اور کیبلز اور اشتہارات دیتے ہیں۔ بی ٹی ایل کمپنیوں میں ہم نے اپنے صارفین کو فلک برانڈ کے برانڈ سفیر شیف محبوب کے ساتھ منسلک کیا۔ لوگ شیف محبوب کے ساتھ بات چیت کرنا پسند کرتے ہیں، ہم ان سب کو نمائشوں، مالز اور اسٹور سرگرمیاں میں مدعو کرتے ہیں جہاں شیف محبوب فلک برانڈ کا زیادہ ہانپ کرتے ہیں۔ شیف محبوب بھی ہمارے ساتھ پاکستان کے تمام بڑے شہروں میں سفر کرتے ہیں تاکہ ہر گھر کے نمبر 1 انتخاب کے طور پر فلک برانڈ کی توثیق کریں۔

اس سال کمپنی کا پرچم برانڈ COTHM انسٹی ٹیوٹ۔ دی کالج آف ٹورزم اینڈ ہوٹل مینجمنٹ کا باضابطہ شراکت دار بن گیا۔ فلک اینڈ COTHM انسٹی ٹیوٹ نے فوڈ

کیمپ پاکستان کے نام سے کھانا پکانے کے مقابلوں کا انعقاد کیا۔ یہ پروگرام ایمپو ریم مال، لاہور اور ایکسپوننٹر، کراچی میں کیا گیا۔

کمپنی صارفین کو شامل کرنے کے لئے سوشل میڈیا پلیٹ فارم کا استعمال بھی بہت موثر طریقے سے کرتی ہے۔ ہم باقاعدگی سے چاول ڈشز کو پکانا اپ لوڈ کر رہے ہیں جن میں بریانی، پلاؤ، گر کے چاول اور بہت سی ترکیبیں شامل ہیں۔ ان ترکیبوں کے لئے ہم نے فوڈ فیوژن کو آن لائن کھانا پکانے کے سب سے اوپر چینل پر رکھا ہے، ان کے پیروکار لاکھوں میں ہیں اور وہ چاول کے پکوان میں فلک چاول استعمال کر رہے ہیں۔

20-2019 میں کمپنی نے کراچی، لاہور اور اسلام آباد میں میگا اینٹ کا انعقاد کیا۔ فیملی فیسٹیول نامی اس پروگرام میں جہاں کمپنی نے تمام آئی ایم ٹی ایل ایم ٹی، خوردہ فرشتوں، تھوک فروش اور تقسیم کاروں کو اپنے پورے کنبے کے ساتھ مدعو کیا۔ سبھی کو تقسیم پارکس میں مدعو کیا گیا تھا جہاں کمپنی نے انہیں ناشتہ اور مفت لامحدود سواری فراہم کی۔

کمپنی کے مختلف صارفین نے نمائشوں میں بھی حصہ لیا۔

1- HUM مسالہ فیملی فیسٹیول لاہور اور کراچی

2- میری کراچی نمائش۔ کے سی سی آئی کے زیر اہتمام

صنعت کا جائزہ:

جیسا کہ اوپر ذکر کیا گیا ہے، پاکستانی باسیتی چاول کی برآمد میں گزشتہ سال کے مقابلہ میں مقداری لحاظ سے 34.97 فیصد اور قیمت کے لحاظ سے 24.63 فیصد اضافہ ریکارڈ کیا گیا ہے۔ پاکستانی باسیتی چاول کی برآمدات میں اضافہ بنیادی طور پر دنیا میں کھانے کی مصنوعات میں اضافہ کی وجہ سے COVID-19 کی وجہ سے ہوا ہے۔ اگلے سال میں بھی

اسی رجحان کی توقع کی جارہی ہے کیونکہ بہت سے ممالک ابھی تک کورونا وائرس وبائی مرض سے بری طرح متاثر ہیں اور ہندوستان باسستی چاول کا بڑا برآمد کنندہ ہونے کی وجہ سے جاری وبائی امراض سے بری طرح متاثر ہوا ہے جس کے نتیجے میں پاکستان کو آرڈر کی منتقلی کا امکان ہو سکتا ہے۔ پاکستان میں وائرس کا کنٹرول ہے۔

’ پاکستان کے چاول پیدا کرنے والے علاقوں جیسے بالائی پنجاب اور اندرون سندھ میں ٹڈیوں کے شدید حملے کی وجہ سے آنے والی چاول کی فصلوں پر منفی اثرات مرتب ہو سکتے ہیں حالانکہ حکومت نے ٹڈیوں کے حملے کے نتیجے میں ہونے والے منفی نتائج کو روکنے کے لئے عملی اقدامات اٹھائے ہیں۔ اس صورتحال کے ممکنہ منفی اثرات سے دھان کی خریداری کی قیمت میں یقیناً اضافہ ہوگا جس کے نتیجے میں پیداوار کی لاگت زیادہ ہوگی۔

11 ستمبر 2020 کو ہندوستان نے یورپی یونین میں باسستی کے جی آئی ٹیگ کے لئے درخواست دائر کی، جو باسستی برآمدات کے نقطہ نظر کے لئے ایک اور چیلنج ہے۔ اس کو 90 دن کی حزب اختلاف کی مدت کے دوران پاکستان چیلنج کرے گا، اور شاید یورو پیٹن ملرز بھی جو حالیہ برسوں میں پاکستان سے اپنی سپلائی میں زیادہ سے زیادہ حاصل کرتے ہیں۔

بعد از روٹا ہوئے واقعات:

مالی سالی کے اختتام اور اس رپورٹ کی تاریخ کے مابین کمپنی کی مالی حیثیت کو متاثر کرنے والی کوئی مادی تبدیلیاں اور وعدے نہیں ہوئے ہیں

مستقبل کا نقطہ نظر:

دنیا بھر اور پاکستان میں لاک ڈاون پابندی کو بتدریج اٹھانا اور اس کے ساتھ ساتھ اسٹیٹ بینک آف پاکستان کے اشتراک سے معاشی محرک کے اقدامات کے ساتھ ساتھ مراعات کی شرح پر تنخواہوں کے قرضوں کی فراہمی اور طویل المدت قرضوں کو ایک سال کے لئے موخر کرنا، توقع کی جاتی ہے کہ ان چیلنجز اوقات میں معاشی نمو کی بازیابی کے لئے بہتر ثابت ہوں گی جس کے نتیجے میں صنعتی پیداوار کی طلب میں بہتری واقع ہوگی۔

جاری وبائی بیماری کی وجہ سے، بے روزگاری اور کاروبار میں نقصان تیزی سے بڑھ رہا ہے جس کی وجہ سے صارفین کی قوت خرید کم ہو سکتی ہے جس کے نتیجے میں پریمیم مصنوعات کی فروخت کی مقدار میں کمی واقع ہو سکتی ہے۔ مزید یہ کہ وبائی مرض کو بڑھنے سے روکنے کے لئے ایس او پیز کی سخت تعمیل سے کاروبار کرنے کی لاگت میں اضافہ ہوا ہے اور ملازمین کی صحت، ماحولیاتی حفاظت اور طبی اخراجات سے زیادہ اخراجات بڑھ گئے ہیں۔

انتظامیہ حجم میں زیادہ سے زیادہ اور قیمت میں تخفیف کی حکمت عملی پر عمل پیرا ہے جہاں کمپنی کی پائیدار مالی کارکردگی کو یقینی بنانے کے لئے قیمتوں کی فروخت میں مناسب ایڈجسٹمنٹ کی جائے گی۔ کمپنی برانڈ ڈزمرے میں بڑھتی ہوئی برآمدات پر توجہ مرکوز کر رہی ہے، فلک برانڈ کے تحت مزید مصنوعات شامل کی جارہی ہیں۔

رائس گلوکوز ڈویژن میں، کمپنی برآمدات، نئی منڈیوں کی تلاش اور موجودگاہوں کے ساتھ فروخت میں اضافہ پر توجہ دے رہی ہے۔ تاہم، گلوکوز کی مقامی فروخت میں قیمتوں کا خاصہ دباؤ ہے۔ خاص طور پر بڑھتے ہوئے مقابلے کی وجہ سے۔

ریٹائرمنٹ فنڈ:

کمپنی نان فنڈڈ گریجویٹ فنڈ چلا رہی ہے، اس سال کے دوران کمپنی (Actuarial Valuation) کی بنیاد پر 31.12 ملین روپے گریجویٹ فنڈ کے لئے مختص کیے ہیں۔

متعلقہ پارٹی کے ساتھ ٹرازیکشنز:

متعلقہ پارٹیوں کے ساتھ ٹرازیکشنز (معاملات) کی تفصیل مالی گوشواروں کے نوٹس کے ساتھ مہیا کی گئی ہیں۔

کمپنی کے حصص میں تجارت:

ڈائریکٹرز، ایگزیکٹوز اور متعلقہ پارٹیوں کے ذریعے کمپنی کے حصص میں مندرجہ ذیل تجارت کی گئی۔

ڈائریکٹر متعلقہ پارٹی:	شیرز	ٹرازیکشنز کی قسم
۱۔ جناب فیضان علی غوری	274,000	خرید
۲۔ جناب فیضان علی غوری	169,000	جناب جاوید علی غوری کو تحفہ
۳۔ جناب جاوید علی غوری	169,000	جناب فیضان علی غوری کا تحفہ

اظہار تشکر:

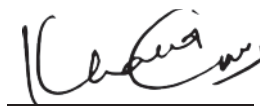
ڈائریکٹرز سال بھر انتظامیہ اور کمپنی کے ملازمین کی طرف سے دکھائی جانے والی محنت اور لگن کے لئے ان کی مخلصانہ تعریف کو ریکارڈ کرنا چاہتے ہیں۔ کمپنی کے بورڈ آف ڈائریکٹرز اور ملازمین کی جانب سے، ہم اپنے تمام قابل قدر گراہکوں، تقسیم کاروں، اسٹاکسٹس، ڈیلروں اور بینکروں سے کمپنی میں موجود اعتماد اور اعتماد کے لئے اظہار تشکر کرتے ہیں اور آنے والے سالوں میں کمپنی کی ترقی کو برقرار رکھنے میں ان کی مسلسل حمایت اور شراکت کے منتظر ہیں۔

ڈائریکٹر کی طرف سے:



فیضان علی غوری

ڈائریکٹر



خالد سرفراز غوری

چیف ایگزیکٹو آفس

چیرمین جائزہ

مجھے 30 جون 2020 کو ختم ہونے والے سال کے لئے میٹکو فوڈز لمیٹڈ کے بورڈ آف ڈائریکٹرز کے چیرمین کی حیثیت سے سالانہ جائزہ پیش کرنے پر خوشی ہے۔

سال 2020 دُنیا کے لئے ایک چیلنجنگ سال رہا۔ کوویڈ 19 وبائی بیماری نے بہت زیادہ پیمانے پر عالمی معاشی صدمہ پہنچایا ہے جس کی وجہ سے بہت سے ممالک میں تیزی سے مندی کا سامنا کرنا پڑا ہے۔ وبائی مرض نے پاکستان کی معیشت اور صحت عامہ کے نظام کو بھی تباہ کن دھچکا لگایا ہے۔ ملک کی معیشت کو وبائی امراض کے متعدد چیلنجوں کے ساتھ ساتھ پہلے ہی کم ہونے والی جی ڈی پی نمو اور معاشی سست روی کا مقابلہ کرنا ہے۔

کمپنی نے حکمرانی کا ایک مضبوط فریم ورک نافذ کیا ہے جو کاروباری معاملات کے موثر اور ذہین انتظام کی حمایت کرتا ہے، جو کمپنی کی طویل مدتی کامیابی کے حصول میں معاون سمجھا جاتا ہے۔ مالی سال 2020-19 کے دوران بورڈ آف ڈائریکٹرز اور اس کی ذیلی کمیٹیوں نے بہترین مشورے اور کمپنی کو نمایاں طور پر چیلنج کرنے والے معاشی منظر نامے کے پیش نظر اپنی صلاحیتوں کو حاصل کرنے کے لئے رہنمائی کے لئے واضح سطح پر تندرہی اور قابلیت کے ساتھ کام کیا، جس کو COVID-19 کے اثرات نے گھٹا دیا۔

کمپنی کے پاس متنوع اور مجاز بورڈ آف ڈائریکٹرز ہیں جو اسٹیک ہولڈرز کے مفادات کی خدمت کے حتمی مقصد کے ساتھ کمپنی کے وژن اور مشن پر قائم ہیں۔ بورڈ آف ڈائریکٹرز مستقبل کی توجہ کے ساتھ کمپنی کو اسٹریٹجک پلاننگ کے ذریعے رہنمائی کرتے ہیں۔ بورڈ آف ڈائریکٹرز نے مجموعی طور پر سالانہ رپورٹ اور مالیاتی بیانات کا جائزہ لیا ہے، اور اس بات کی تصدیق کرتے ہوئے خوشی ہے کہ اس کی نظر میں سالانہ رپورٹ اور مالیاتی بیانات، جو مجموعی طور پر لئے گئے ہیں، منصفانہ، متوازن اور جامع ہیں۔

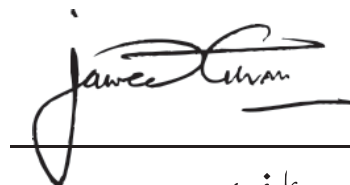
جیسا کہ کوڈ آف کارپوریٹ گورننس کے تحت مطلوب ہے، بورڈ سالانہ بنیاد پر اپنی کارکردگی کا خود جائزہ لیتا ہے۔ تشخیص میں ایگزیکٹو ڈائریکٹرز، آزاد ڈائریکٹرز، اس کی ذیلی کمیٹیوں کی کارکردگی کا جائزہ بھی شامل ہے۔ بورڈ آف ڈائریکٹرز کا خیال ہے کہ بورڈ نے اپنے مقاصد اور اہداف کے مقابلہ میں موثر کارکردگی کا مظاہرہ کیا ہے اس کی تشخیص کے لئے مستقبل تشخیص ضروری ہے۔ نتائج کی بنیاد پر، بہتری کے علاقوں کی نشاندہی کی گئی ہے، اور اصلاحی عمل کے منصوبے تیار کئے ہیں۔

بورڈ کی تشخیص بورڈ کے مجموعی ڈھانچے اور جسامت، سالمیت، سہاک اور فیصلہ سازی میں اعتماد کی صلاحیت، بورڈ کے اپنے اہداف کے تعین میں وضاحت، بورڈ میٹنگوں کی تیاری، چستی سمیت اور بورڈ کی تاثیر اور ممبروں کے تعاون کا معیار ان طے شدہ پیرامیٹرز کے مطابق کی جاتی ہے۔

بورڈ اور اس کی ذیلی کمیٹیوں کی مجموعی کارکردگی کو منظور شدہ معیار کی بنیاد پر ماپا گیا جو کہ تسلی بخش رہا۔

بورڈ تمام اسٹیک ہولڈرز کی حمایت اور وفاداری پر ان کا شکریہ ادا کرنا چاہتا ہے۔ ان مشکل وقت پر آپ کے اعتماد نے ہمیں مشکل کاروباری ماحول میں انجام دینے اور مثبت نتائج دکھانے کی اجازت دی ہے۔

ہم آپ کی کمپنی کی مستقل کامیابی اور تمام اسٹیک ہولڈرز کے ساتھ ساتھ عام طور پر پاکستان کے لئے اللہ سے دعا مانگتے رہتے ہیں۔



جاوید علی غوری

چیرمین

کراچی: ستمبر 10, 2020ء

The Company Secretary
Matco Foods Limited
B-1/A, S.I.T.E., Phase 1
Super Highway Industrial Area
Karachi

PROXY FORM

I/We _____ of _____ a member of MATCO FOODS LIMITED hereby appoint _____ of _____ or failing him/her _____ of _____ to act as my/our proxy and to vote for me/us and on my/our behalf at the Annual General Meeting of the Shareholders of the Company to be held on the 24th day of October 2020 and at any adjournment thereof.

Signed this _____ day of _____, 2020.

Folio No.	CDC Participant ID No.	CDC Account / Sub-Account No.	No. of shares held

PLEASE AFFIX
REVENUE
STAMP OF RS. 5

Witness 1:

Signature _____
Name _____
CNIC No. _____
Address _____

Witness 2:

Signature _____
Name _____
CNIC No. _____
Address _____

Note

- The proxy must be a member of the company.
- The signature must tally with the specimen signature/s registered with the Company.
- If a proxy is granted by a member who has deposited his/her shares into Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and account/sub-account number alongwith attested photocopies of Computerized National Identity Card (CNIC) or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.
- The instrument of Proxy properly completed should be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.



www.jamapunji.pk



Be aware, Be alert, Be safe

Learn about investing at www.jamapunji.pk

Key features:

- Licensed Entities Verification
- Scam meter*
- Jamapunji games*
- Tax credit calculator*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered
- Stock trading simulator (based on live feed from KSE)
- Knowledge center
- Risk profiler*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes

jamapunji.pk @jamapunji_pk

*Mobile apps are also available for download for android and ios devices



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan