



# **Habib-ADM Ltd.**

***35th Annual Report  
for the year ended  
June 30, 2015***



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## COMPANY INFORMATION

### **BOARD OF DIRECTORS**

#### **Executive Directors**

Mr. Owais G. Habib  
Mr. Tufail Y. Habib

Managing Director

#### **Non Executive Directors**

Mr. Gaffar A. Habib  
Dr. Howard J. Synenberg  
Ms. Fatemah G. Habib  
Dr. Salma Habib  
Mr. Daniyal Ghani

Chairman

### **BOARD OF AUDIT COMMITTEE**

Mr. Gaffar A. Habib  
Ms. Fatemah G. Habib  
Dr. Salma Habib  
Mr. Daniyal Ghani

### **BOARD OF HR AND REMUNERATION COMMITTEE**

Mr. Tufail Y. Habib  
Ms. Fatemah G. Habib  
Dr. Salma Habib

### **CHIEF EXECUTIVE OFFICER**

Mr. Owais G. Habib

### **CHIEF FINANCIAL OFFICER**

Mr. S. M. Vakil

### **COMPANY SECRETARY**

Mr. Ali Asghar Rajani

### **AUDITORS**

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

### **REGISTERED OFFICE**

2nd Floor, UBL Building  
I. I. Chundrigar Road,  
Karachi - 74000  
Pakistan.  
Telephone : (021) 32411887  
Fax : (021) 32414581

### **ADMINISTRATIVE OFFICES & FACTORY**

Ahmad Habib Boulevard,  
Hub - 90250  
Pakistan.  
Telephone : (0853) 363963-5  
Fax : (0853) 363819



## CHAIRMAN'S REVIEW / DIRECTORS' REPORT



**Dear Shareholders,**

We bow our heads in gratitude to Allah the Beneficent, the Merciful, the Provider, for the Blessing He continues to bestow on us which are partly reflected in the Company's performance for the year ended 30 June 2015.

The Financial Highlights and the Directors' proposed appropriations are as follow:

	<b>RUPEES in '000</b>	
	<b>2015</b>	<b>2014</b>
Profit before Tax	148,579	203,558
Provision for Tax	26,448	48,712
Net Profit after Tax	122,131	154,846
Un-appropriated Profit Brought Forward	454,406	379,559
Total Available for Appropriations	576,537	534,406
<b>Proposed Appropriations:</b>		
Final Dividend @ 60% (2014: 40%)	120,000	80,000
Un-Appropriated Profit Carried Forward	456,537	454,406
Earnings per Share (EPS) -Net of Tax	3.05	3.87
Dividend per Share of Rs. 5 each	3.00	2.00

### **The Year In Review**

Notwithstanding the constant surge in Sales Tax free Indian Sorbitol Imports, by the Grace of Allah, thus far we have been able to maintain over all operations on a reducing but profitable level. However with Indian producers getting more aggressive - we will need a substantial relief from the National Tariff Commission of Pakistan in terms of Anti Dumping Duty on import of Sorbitol from India.

### **Tax Demand**

Tax demand has been set aside - all except for about half a million rupees - because some of our investments in BMR were not fully recognized, this tax has since been paid.

With the dark tax cloud now cleared away, the Company can go back to its normal dividend level and thus the Directors have recommended 60% (Rs.3 per share of Rs.5) dividend for the year ending 30 June 2015.

Please join us in our prayers to Allah the Beneficent, the Provider to continue to guide us and bless us with Bounties as befit His Glory, Aameen.

On behalf of the Board,



**GAFFAR A. HABIB**  
Chairman

Karachi: 27 August 2015

## Post Script to the Chairman Report

### COMPANY'S CONTRIBUTION TO THE ECONOMY

A Quick glance at the numbers below shows the contribution our Company has made to the Pakistan Economy.

Description	2015 Amount	2014 Amount	2013 Amount	2012 Amount
----- Rupees in millions -----				
Total Revenue	<u>1,144</u>	<u>1,382</u>	<u>1,229</u>	<u>1,432</u>
Taxes Paid				
Sales Tax	87	109	81	100
Income Tax	<u>69</u>	<u>83</u>	<u>119</u>	<u>81</u>
	156	192	200	181
Employees Salaries & Other Benefits	134	130	126	124
Investors	106	71	126	144
<b>Grand Total</b>	<u><b>396</b></u>	<u><b>393</b></u>	<u><b>452</b></u>	<u><b>449</b></u>
<b>Export Sales</b>	<u><b>200</b></u>	<u><b>240</b></u>	<u><b>300</b></u>	<u><b>366</b></u>

## STATEMENTS ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- a. The Financial Statements prepared by the management of the Company, present fairly its state of affairs and the result of its operations.
- b. The Company has maintained proper books of accounts.
- c. In preparation of Financial Statements, appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgment.
- d. In preparation of Financial Statement International Accounting Standards, as applicable in Pakistan, have been followed and non-applicability, if any, has been adequately disclosed.
- e. The existing system of internal control and other procedures are being continuously reviewed by the internal auditor. The process of review will continue and any weakness in controls will have immediate attention of the management.
- f. There are no doubts about the Company's ability to continue as a going concern.
- g. The Corporate Governance Regulations, as detailed in the Listing Regulations, have been fully implemented.
- h. Key operating and financial data for the last six years in summarized form is annexed.
- i. The following is the value of total assets based on-respective un-audited accounts as on 30 June 2015.

Provident Fund Rs. 180.95 million (2014 Rs.166.84 million)

- j. Pattern of Share Holding of the Company is shown on the page 7.
- k. During the year (4) meetings of the Board of Directors were held. Attendance by each Director is as follows:-

Name of Directors	No. of Meeting Attended
1. Mr. Gaffar A. Habib	4
2. Mr. Owais G. Habib	4
3. Dr. Howard J. Synenberg	-
4. Mr. Tufail Y. Habib	3
5. Ms. Fatemah G. Habib	4
6. Dr. Salma Habib	2
7. Mr. Daniyal Ghani	4

## AUDITORS

The auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire and have offered themselves for reappointment. The Board of Audit Committee of the Company have recommended their re-appointment for the financial year ending June 30, 2016.



**GAFFAR A. HABIB**  
Chairman

Karachi: August 27, 2015



## SIX YEARS AT A GLANCE

(Rupees in '000)

PARTICULARS	2015	2014	2013	2012	2011	2010
<b>FINANCIAL POSITION</b>						
Paid up Capital	200,000	200,000	200,000	200,000	200,000	200,000
Revenue and Reserves	60,000	60,000	60,000	60,000	60,000	60,000
Unappropriated Profit	576,537	534,406	519,559	537,603	412,805	376,200
Total Share Holder Equity	836,537	794,406	779,559	797,603	672,805	636,200
Fixed Assets at Cost	944,892	936,897	897,632	880,439	849,975	778,510
Accumulated Depreciation	617,548	586,351	555,878	521,159	485,479	447,338
Fixed Assets Net of Depreciation	327,344	350,546	341,754	359,280	364,496	331,171
Current Assets	617,985	551,689	558,263	603,230	400,566	433,780
Total Assets Net of Depreciation	945,329	902,235	900,017	962,510	765,062	764,951
Non Current Liabilities	34,999	37,920	41,450	43,460	42,050	45,548
Current Liabilities	77,895	73,987	83,251	125,705	54,370	106,413
Total Liabilities	112,894	111,907	124,701	169,165	96,420	151,961
<b>INCOME</b>						
Consolidated Gross Sales	1,166,036	1,403,132	1,241,106	1,481,175	1,424,436	1,322,464
Net Sales(Habib-ADM Ltd)	1,113,985	1,335,973	1,183,698	1,404,005	1,300,918	1,174,755
Dividend from Subsidiary Company	793	12,121	6,987	4,449	8,226	19,445
Other Income	28,892	28,253	33,342	21,317	4,321	10,313
Total Net Revenue	1,143,670	1,376,346	1,224,027	1,429,771	1,313,466	1,204,512
Profit before Taxation	148,579	203,558	198,686	306,004	169,196	203,867
Taxation	26,448	48,712	56,730	101,207	52,591	61,378
Profit after Taxation	122,131	154,846	141,956	204,798	116,606	142,489
<b>STATISTICS AND RATIOS</b>						
Pre-Tax Profit to Sales %	0.13	0.15	0.17	0.22	0.13	0.17
Pre-Tax Profit to Capital %	0.74	1.02	0.99	1.53	0.85	1.02
Current Ratio	7.93	7.46	6.71	4.80	7.37	4.08
Paid-Up Value Per Share (Rs)	5.00	5.00	5.00	5.00	5.00	5.00
Earning Per Share Before Tax(Rs)	3.71	5.09	4.97	7.65	4.23	5.10
Earning Per Share After Tax(Rs)	3.05	3.87	3.55	5.12	2.92	3.56
Cash Dividend %(Rs.)	* 3.00(60%)	2.00(40%)	3.50(70%)	4.00(80%)	2.00(40%)	2.00(40%)
Bonus Share %	-	-	-	-	-	-
Retained Earning Per Share (Rs)	0.05	1.87	0.05	5.12	0.92	1.56
Break-Up Value Per Share (Rs)	20.91	19.86	19.49	19.94	16.82	15.90

\* The Board of Directors in their meeting of August 27, 2015 has recommended cash dividend in respect of the year ended June 30,2015 @ 60% i.e. Rs. 3.00 per share of Rs. 5 each.

## PATTERN OF SHARE HOLDING AS ON JUNE 30, 2015

NO. OF SHARE HOLDERS	SHARE HOLDING	TOTAL SHARES HELD
1034	0000001 TO 0000100	30,567
597	0000101 TO 0000500	172,055
296	0000501 TO 0001000	232,008
425	0001001 TO 0005000	1,051,794
79	0005001 TO 0010000	584,942
24	0010001 TO 0015000	312,368
16	0015001 TO 0020000	295,381
10	0020001 TO 0025000	233,611
3	0025001 TO 0030000	89,466
6	0030001 TO 0035000	198,756
3	0035001 TO 0040000	114,548
5	0040001 TO 0050000	222,812
6	0050001 TO 0070000	363,372
6	0070001 TO 0075000	438,600
7	0075001 TO 0100000	631,217
8	0100001 TO 0200000	1,180,264
5	0200001 TO 0300000	1,282,680
3	0350001 TO 0500000	1,145,450
1	0800001 TO 1000000	908,670
3	1000001 TO 2000000	4,578,795
2	2000001 TO 2500000	4,390,905
4	3000001 TO 4000000	14,341,739
1	4000001 TO 7200000	7,200,000
2544		40,000,000

S.NO.	CATEGORY OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE OF ISSUED CAPITAL
1	INDIVIDUALS	2,501	31,343,561	78.36%
2	JOINT STOCK COMPANIES	29	7,783,314	19.46%
3	INSURANCE COMPANIES	3	638,700	1.60%
4	FINANCIAL INSTITUTIONS	6	25,429	0.06%
5	CHARITABLE & OTHER TRUSTS	5	208,996	0.52%
	<b>TOTAL</b>	<b>2,544</b>	<b>40,000,000</b>	<b>100%</b>

## PATTERN OF SHAREHOLDING AS ON JUNE 30, 2015

Category #	Shareholders' Category	Number of Shareholders	Number of Shares Held	Category Wise Shares Held	Percentage
<b>1</b>	<b>Associated Companies</b>			19,573	0.05
	M/s. Hydari Boring & Pilling (Pvt) Limited	1	18,000		
	M/s. Abbas Builders (Pvt) Limited	1	1,373		
	M/s. Indus Oil Expellers (Pvt) Limited	1	200		
<b>2</b>	<b>NIT</b>			12,730	0.03
	M/s. National Investment Trust Limited	3	12,730		
<b>3</b>	<b>Directors, Chief Executive Officer &amp; Their Spouses</b>		18,099,887	45.25	
	Mr. Gaffar A. Habib	1	3,820,036		
	Mr. Owais G. Habib	1	3,826,633		
	Mr. Tufail Y. Habib	1	2,150,152		
	Ms. Fatemah G. Habib	1	3,347,851		
	Dr. Salma Habib	1	3,347,219		
	Mr. Daniyal Ghani	1	100		
	Directors' Spouse				
	Mrs. Gaffar A. Habib	1	1,607,896		
<b>4</b>	<b>Banks, DFIs, NBFIs, Insurance &amp; Modaraba Companies</b>	7	651,565	651,565	1.63
<b>5</b>	<b>Joint Stock Companies</b>	24	563,575	563,575	1.41
<b>6</b>	<b>Charitable &amp; Other Trusts</b>	5	208,996	208,996	0.52
<b>7</b>	<b>Individuals</b>	2,493	11,002,921	11,002,921	27.51
<b>8</b>	<b>Foreign Investors</b>			9,440,753	23.60
	Holding 10% or more voting Interest (M/s. ADM International Ltd)	1	7,200,000		
	Holding less than 10% voting Interest	1	2,240,753		
	<b>Total</b>	<b>2,544</b>	<b>40,000,000</b>	<b>40,000,000</b>	<b>100.00</b>

## SHARE HOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY

Name(s) of Shareholder(s)	Number of Shareholders	Number of Shares Held	Percentage
M/s. ADM International Ltd	1	7,200,000	18.00%
Mr. Owais G. Habib	1	3,826,633	9.57%
Mr. Gaffar A. Habib	1	3,820,036	9.55%
Ms. Fatemah G. Habib	1	3,347,851	8.37%
Dr. Salma Habib	1	3,347,219	8.37%
Dr. Howard J. Synenberg	1	2,240,753	5.60%
Mr. Tufail Y. Habib	1	2,150,152	5.38%
<b>TOTAL</b>		<b>25,932,644</b>	<b>64.83%</b>

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE Year Ended June 30, 2015

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent Non-Executive Directors and Directors representing minority interests on its Board of Directors (the Board). At present the Board constitutes of:

Category	Names
Independent Director	Mr. Daniyal Ghani
Executive Directors	Mr. Owais G. Habib Mr. Tufail Y. Habib
Non-Executive Directors	Mr. Gaffar A. Habib Dr. Howard J. Synenberg Ms. Fatemah G. Habib Dr. Salma Habib

The independent directors meets the criteria of independence under clause i (b) of the Code of Corporate Governance.

2. The Directors have confirmed that none of them is serving as a Director in more than seven Listed Companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a Development Financial Institution (DFI) or Non-banking financial Institution (NBFI) or, being a members of stock exchange, has been declared as a defaulter by that stock exchange.
4. No Casual Vacancy occurred in the Board during the year ended June 30, 2015.
5. 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.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other Executive and Non-Executive Directors, have been taken by the Board.
8. 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 met at least once in every quarter. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the Meetings. The Minutes of Meetings were appropriately recorded and circulated in time.
9. In accordance with the criteria specified in clause (xi) of CCG, two Directors of the Company are exempted from the requirements of Directors training program on account of experience and qualification, while four Directors have already completed Training Program through PICG and remaining one director will attain orientation course within time specified in the Code.
10. The Board approves appointment, remuneration and terms and condition of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit as recommended by HR and Remuneration Committee.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The Financial Statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises four members of whom one is an independent director and three are non-executive directors and the Chairman of the Committee is an Independent Director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company, as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has an HR and Remuneration Committee. It comprises three members, of whom two are Non-Executive Directors and the Chairman of the committee is Non-Executive Director.
18. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. 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, 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.
20. The statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the Auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'Closed Period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material / Price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. All related party transactions during the year were on arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by the Audit Committee and Board of Directors along with pricing method.
24. We confirm that all other material principles enshrined in the Code have been complied with, except a mechanism for an annual evaluation of the Board's own performance are not defined, towards which reasonable progress will be made by the Company to seek compliance in due course.

On behalf of the Board of Directors



Karachi: 27 August 2015

Chief Executive Officer

## **REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Habib-ADM Limited (the Company) for the year ended 30 June 2015 to comply with the requirements of Listing Regulation No. 35 Chapter XI of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended 30 June 2015.

Further, we draw your attention to clause 24 of the Statement of Compliance which explains the status of formalisation of a mechanism for an annual evaluation of the Board's own performance. Our conclusion is not qualified in respect of this matter.



Chartered Accountants

Date: 27 August 2015

Place: Karachi



# **Habib-ADM Ltd. and Subsidiaries**

**Consolidated Financial Statements  
For The Year Ended June 30, 2015**







## **AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS TO THE MEMBERS**

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Habib-ADM Limited (the Holding Company)** and its subsidiary company (together referred to as Group) as **at 30 June 2015** and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary company Habib Mirco fine (Private) Limited (under members' voluntary winding up). These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary company as **at 30 June 2015** and the results of their operations for the year then ended.

*Ernst & Young Feroz Khan Lodhi*

**Chartered Accountants**

**Audit Engagement Partner:** Riaz A. Rehman Chamdia

**Date:** 27 August 2015

**Place:** Karachi



## CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2015

	NOTE	2015 RUPEES	2014 RUPEES
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	327,344,241	351,384,330
Long term deposits	7	3,102,001	3,078,001
		<u>330,446,242</u>	<u>354,462,331</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	8	56,792,386	48,649,229
Stock-in-trade	9	193,789,452	172,567,086
Trade debts	10	11,991,630	55,117,398
Advances	11	3,405,494	6,013,422
Trade deposits and short term prepayments	12	2,088,206	2,330,325
Accrued income		452,592	-
Other receivables	13	376,786	2,346,177
Short term investments	14	250,254,450	-
Taxation-net	15	17,390,136	5,444,514
Cash and bank balances	16	81,738,774	260,585,206
		<u>618,279,906</u>	<u>553,053,357</u>
<b>TOTAL ASSETS</b>		<u><u>948,726,148</u></u>	<u><u>907,515,688</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital 60,000,000 (2014: 60,000,000) Ordinary shares of Rs.5/- each		<u>300,000,000</u>	<u>300,000,000</u>
Issued, subscribed and paid up capital	17	200,000,000	200,000,000
Reserves		<u>636,598,338</u>	<u>594,405,604</u>
		<u>836,598,338</u>	<u>794,405,604</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred taxation	18	34,999,061	37,920,000
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	77,128,749	75,190,084
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>	20	<u><u>948,726,148</u></u>	<u><u>907,515,688</u></u>

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

**OWAIS G. HABIB**  
Chief Executive

**GAFFAR A. HABIB**  
Chairman



## CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2015

	NOTE	2015 RUPEES	2014 RUPEES
Turnover-net	21	1,115,498,021	1,353,714,005
Cost of sales	22	(848,727,563)	(1,009,722,799)
<b>Gross profit</b>		<u>266,770,458</u>	<u>343,991,206</u>
Distribution costs	23	(69,625,844)	(84,600,230)
Administrative expenses	24	(65,297,348)	(66,703,036)
		(134,923,192)	(151,303,266)
		<u>131,847,266</u>	<u>192,687,940</u>
Other expenses	25	(11,007,076)	(16,011,524)
Other income	26	28,888,546	28,240,636
Finance costs	27	(1,052,805)	(1,083,451)
		16,828,665	11,145,661
<b>Profit before taxation</b>		<u>148,675,931</u>	<u>203,833,601</u>
<b>Taxation</b>			
Current		(28,855,660)	(52,517,183)
Prior		(548,476)	-
Deferred		2,920,939	3,530,000
	28	(26,483,197)	(48,987,183)
<b>Profit after taxation</b>		<u>122,192,734</u>	<u>154,846,418</u>
		(Rupees)	
<b>Earnings per share - basic and diluted</b>	29	<u>3.05</u>	<u>3.87</u>

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

**OWAIS G. HABIB**  
Chief Executive

**GAFFAR A. HABIB**  
Chairman

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	2015 RUPEES	2014 RUPEES
Profit after taxation	122,192,734	154,846,418
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u>122,192,734</u>	<u>154,846,418</u>

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

**OWAIS G. HABIB**  
Chief Executive

**GAFFAR A. HABIB**  
Chairman



## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	NOTE	2015 RUPEES	2014 RUPEES
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	30	201,815,988	372,486,590
Finance costs paid		(1,052,805)	(1,083,451)
Taxes paid		(41,349,758)	(63,431,521)
Net cash generated from operating activities		159,413,425	307,971,618
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(12,604,407)	(42,912,915)
Proceeds from disposal of property, plant and equipment		4,623,000	6,324,000
Long term deposits		(24,000)	165,000
Net cash used in investing activities		(8,005,407)	(36,423,915)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(80,000,000)	(140,000,000)
Net cash used in financing activities		(80,000,000)	(140,000,000)
Net increase in cash and cash equivalents		71,408,018	131,547,703
Cash and cash equivalents at the beginning of the year		260,585,206	129,037,503
Cash and cash equivalents at the end of the year		331,993,224	260,585,206
<b>CASH AND CASH EQUIVALENTS COMPRISE</b>			
Cash and bank balances	16	81,738,774	260,585,206
Short-term investments	14	250,254,450	-
		331,993,224	260,585,206

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

**OWAIS G. HABIB**  
Chief Executive

**GAFFAR A. HABIB**  
Chairman



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2015

PARTICULARS	Issued, subscribed and paid -up capital	Reserves			Total reserves	TOTAL
		Capital Reserves- Share Premium	General reserve	Unappropriated profit		
----- Rupees -----						
Balance at June 30, 2013	200,000,000	10,000,000	50,000,000	519,559,186	579,559,186	779,559,186
Final dividend @ 70% for the year ended June, 2013	-	-	-	(140,000,000)	(140,000,000)	(140,000,000)
Total comprehensive income for the year	-	-	-	154,846,418	154,846,418	154,846,418
Balance at June 30, 2014	200,000,000	10,000,000	50,000,000	534,405,604	594,405,604	794,405,604
Final dividend @ 40% for the year ended June, 2014	-	-	-	(80,000,000)	(80,000,000)	(80,000,000)
Total comprehensive income for the year	-	-	-	122,192,734	122,192,734	122,192,734
Balance at June 30, 2015	200,000,000	10,000,000	50,000,000	576,598,338	636,598,338	836,598,338

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

**OWAIS G. HABIB**  
Chief Executive

**GAFFAR A. HABIB**  
Chairman



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015**

### **1. THE GROUP AND ITS OPERATIONS**

- 1.1 Habib-ADM Limited (the Holding Company) is a public listed company limited by shares incorporated in Pakistan on July 10, 1980 under the Companies Ordinance, 1984 and is listed on the Karachi & Lahore Stock Exchanges. The registered office of the Holding Company is situated at 2nd Floor, UBL Building I.I Chundrigar Road, Karachi. The Holding Company is engaged in the production of rice based Starch Sugar and Proteins.
- 1.2 The holding Company's primary production facilities are located at its industrial complex at Hub. The Group comprises of the Holding Company and Habib Microfine (Private) Limited (the Subsidiary Company). The Subsidiary Company was incorporated in Pakistan on 20th September 1993 as a private limited company, under the Companies Ordinance, 1984. The registered office of the Subsidiary Company is situated at 2nd Floor, UBL Building I.I Chundrigar Road, Karachi. The Subsidiary Company was engaged in manufacturing of microfine processed products and trading and export of goods.
- 1.3 During the year, due to various practical constraints, dearth of profitable business and limited market of the Subsidiary Company's products, the group has discontinued its business operations, retrenched the employees effective 30 September 2014 and disposed off its fixed assets. Subsequently, the members of the Subsidiary Company in their extra ordinary general meeting held on 22 April 2015 have decided to go into members' voluntary winding up and a liquidator has been appointed under Section 361 of the Companies Ordinance, 1984.

### **2. STATEMENT OF COMPLIANCE**

- 2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

### **3. BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Holding Company and its Subsidiary Company for the year ended June 30, 2015. The Subsidiary Company's assets, liabilities, income and expenses have been consolidated on a line by line basis from the date of its incorporation. The financial statements of the Subsidiary Company are prepared, using accounting policies consistent with those of the Holding Company. All intra-group balances, transaction, gains and losses resulting from intra-group transactions and dividends are eliminated in full.

### **4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with approved accounting standards 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 historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In the process of applying the Group's accounting policies, management has made the following estimates and judgments which are significant to these financial statements:

## **Property, plant and equipment**

The Group has made certain estimations with respect to residual value, depreciation method and depreciable lives of property, plant and equipment as disclosed in note 5.5 to these consolidated financial statements. Further, the Company reviews the value of assets for possible impairment on each reporting period.

## **Provision for stores and spares and stock-in-trade**

The Group has made estimation with respect to provision for slow moving, damaged and obsolete items and their net realizable value as disclosed in 5.7 and 5.8 to these financial statements.

## **Provision for doubtful debts and other receivables**

The Group reviews the recoverability of its trade debts and other receivables, to assess the amount required for provision for doubtful debts as disclosed in note 5.9 to these financial statements.

## **Income taxes**

In making the estimates for income taxes payable by the Group, the management considers current Income Tax law and the decisions of appellate authorities on certain cases issued in the past.

## **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 events.

## **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- 5.1** These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies.
- 5.2** These financial statements are presented in Pak Rupees which is the Group's functional and presentation currency.
- 5.3** Standards, interpretations and amendments to approved accounting standards that became effective during the year :





The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

## New / Revised Standards, interpretations and Amendments

The Group has adopted the following amendments and improvements to accounting standards which became effective for the current year:

- IAS 19 - Employee Benefits - (Amendment) - Defined Benefit Plans: Employee Contributions
- IAS 32 - Financial Instruments : Presentation - (Amendment)
  - Offsetting Financial Assets and Financial Liabilities
- IAS 36 - Impairment of Assets - (Amendment)
  - Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 - Financial Instruments: Recognition and Measurement - (Amendment)
  - Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 - Levies

## Improvements to accounting standards issued by the IASB

- IFRS 2 - Share-based Payment - Definitions of vesting conditions
- IFRS 3 - Business Combinations - Accounting for contingent consideration in a business combination
- IFRS 3 - Business Combinations - Scope exceptions for joint ventures
- IFRS 8 - Operating Segments - Aggregation of operating segments
- IFRS 8 - Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
- IFRS 13 - Fair Value Measurement - Scope of paragraph 52 (portfolio exception)
- IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method - proportionate restatement of accumulated depreciation / amortisation
- IAS 24 - Related Party Disclosures - Key management personnel
- IAS 40 - Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above amendments and improvements to accounting standards did not have any effect on the financial statements.

## 5.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective

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



Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 10 - Consolidated Financial Statements	01 January 2015
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements - Investment Entities (Amendment)	01 January 2015
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements - Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	01 January 2016
IFRS 11 - Joint Arrangements	01 January 2015
IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2015
IFRS 13 - Fair Value Measurement	01 January 2015
IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)	01 January 2016
IAS 16 - Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January 2016
IAS 16 - Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment)	01 January 2016

The above standards and amendments are not expected to have any material impact on the Group's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Group expects that such improvements to the standards will not have any material impact on the Group's consolidated financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods Beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 15 - Revenue from Contracts with Customers	01 January 2018



## **5.5 Property, plant and equipment**

These are stated at cost less accumulated depreciation and impairment loss except for freehold land and capital work in progress which is stated at cost less impairment losses, if any.

Depreciation on fixed assets is charged to the profit and loss account applying the reducing balance method. Depreciation on additions is charged from the quarter in which addition is made and in case of deletion up to the quarter preceding the disposal. Maintenance and normal repairs are charged to profit and loss account as and when incurred, while major renewals and improvements are capitalized. Gains or losses on disposals of fixed assets, if any, are included in income currently.

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or related cash-generating units are written down to their recoverable amount

## **5.6 Investments**

### **Held-to-maturity**

Investments with fixed maturity where management has both the intent and ability to hold to maturity are classified as held-to-maturity.

Gains or losses on held-to-maturity investments are recognised in income when the investments are derecognised or impaired.

## **5.7 Stores, spare parts and loose tools**

These are stated at the lower of cost and Net Realisable Value (NRV) except for goods-in-transit which are stated at invoice price plus other charges incurred thereon upto the date of the balance sheet. Cost is determined on weighted moving average basis.

Stores, spares and loose tools are regularly reviewed by the management and any obsolete items are brought down to their NRV.

## **5.8 Stock in trade**

Stock-in-trade is valued at the lower of weighted average cost and net realisable value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

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

## **5.9 Trade debts and other receivables**

Trade debts originated by the Group are recognised and carried at original invoice amount less provision for impairment. Other receivables are carried at cost less provision for impairment. Provision for impairment is based on the management's assessment of customers' outstandings and creditworthiness. Bad debts are written-off as and when identified.



## **5.10 Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and short term investments with a maturity of three months or less from the date of acquisition net of short-term running finance. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

## **5.11 Financial assets and liabilities**

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the profit and loss account for the period in which it arises.

Financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights under the instruments are realized, expired or surrendered. Any gain or loss on recognition or derecognition of the financial assets and financial liabilities is taken to the profit and loss account.

### **Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

## **5.12 Employees' benefits**

### **Provident fund**

The Group operates a recognised provident fund scheme (defined contribution plan) for all its employees who are eligible for the scheme in accordance with the Group's policy. Contributions in respect thereto are made in accordance with the terms of the scheme.

## **5.13 Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Group or not.

## **5.14 Provisions**

Provisions are recognized when the Group has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

## **5.15 Revenue recognition**

Sale is recognized upon passage of title to the customers which generally coincides with physical delivery.

Dividend income is recognised when the right to receive such dividend is established.

Profit on term deposit receipts is recognised on constant rate of return to maturity.

Profit on deposit accounts is recognised on accrual basis.



## 5.16 Foreign currency transactions

Transactions denominated in foreign currencies are recorded on initial recognition in Pak. Rupees, by applying to the foreign currency amount the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak. Rupees equivalents using the exchange rate at the balance sheet date. Exchange differences are included in profit and loss account.

## 5.17 Dividends and appropriation to reserve

Dividend and appropriation to reserve are recognised in the consolidated financial statements in the period in which these are approved.

## 5.18 Impairment

At each balance sheet date, the carrying amount of assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account.

## 5.19 Taxation

### Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, or minimum tax on turnover or Alternate Corporate Tax whichever is higher and tax paid on final tax regime basis. Alternate Corporate Tax is calculated in accordance with the provisions of Section 113C of Income Tax Ordinance..

### Deferred

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and the liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which these can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan.

	Note	2015 RUPEES	2014 RUPEES
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	6.1	327,344,241	351,384,330
Capital work in progress	6.4	-	-
		<u>327,344,241</u>	<u>351,384,330</u>



## 6.1 Operating fixed assets

2015	COST				DEPRECIATION				Net book value at June 30, 2015	Rate
	As at July 01, 2014	Additions / transfers*	Disposals	As at June 30, 2015	As at July 01, 2014	For the year	Disposals	As at June 30, 2015		
Freehold land	50,905,696	-	-	50,905,696	-	-	-	-	50,905,696	-
Buildings on leasehold land:										
- Factory building	106,694,290	-	-	106,694,290	72,294,825	3,439,948	-	75,734,773	30,959,517	10%
- Factory office	7,086,750	-	-	7,086,750	1,502,459	279,216	-	1,781,675	5,305,075	5%
- Pavement and ponds	9,303,700	-	-	9,303,700	4,407,454	244,812	-	4,652,266	4,651,434	5%
Larkana office premises	759,358	-	-	759,358	439,640	15,984	-	455,624	303,734	5%
Plant and machinery	683,478,076	1,100,000 1,269,586*	-	685,847,662	471,566,436	21,276,339	-	492,842,775	193,004,887	10%
Tubewell	175,000	-	-	175,000	142,046	3,296	-	145,342	29,658	10%
Office and electrical equipment	4,974,636	-	(21,675)	4,952,961	3,893,710	111,397	(21,675)	3,983,432	969,529	10%
Computers	4,274,154	-	-	4,274,154	3,566,086	212,420	-	3,778,506	495,648	30%
Laboratory equipment	3,303,870	-	-	3,303,870	2,935,178	36,868	-	2,972,046	331,824	10%
Furniture and fixtures	4,957,888	396,521	-	5,354,409	3,090,855	201,741	-	3,292,596	2,061,813	10%
Vehicles	82,461,608	9,838,300	(5,381,250)	86,918,658	43,307,665	8,699,541	(3,270,692)	48,736,514	38,182,144	20%
Boat	415,000	-	-	415,000	384,377	6,124	-	390,501	24,499	20%
Godown	218,996	-	-	218,996	93,961	6,252	-	100,213	118,783	5%
	959,009,022	11,334,821 1,269,586*	(5,402,925)	966,210,504	607,624,692	34,533,938	(3,292,367)	638,866,263	327,344,241	

2014	COST				DEPRECIATION				Net book value at June 30, 2014	Rate
	As at July 01, 2013	Additions / transfers*	Disposals	As at June 30, 2014	As at July 01, 2013	For the year	Disposals	As at June 30, 2014		
Freehold land	50,905,696	-	-	50,905,696	-	-	-	-	50,905,696	-
Buildings on leasehold land:										
- Factory building	105,302,130	1,392,160*	-	106,694,290	68,588,677	3,706,148	-	72,294,825	34,399,465	10%
- Factory office	7,086,750	-	-	7,086,750	1,208,551	293,908	-	1,502,459	5,584,291	5%
- Pavement and ponds	9,303,700	-	-	9,303,700	4,149,758	257,696	-	4,407,454	4,896,246	5%
Larkana office premises	759,358	-	-	759,358	422,812	16,828	-	439,640	319,718	5%
Plant and machinery	657,124,770	2,985,050 23,368,256*	-	683,478,076	450,216,807	21,349,629	-	471,566,436	211,911,640	10%
Tubewell	175,000	-	-	175,000	138,386	3,660	-	142,046	32,954	10%
Office and electrical equipment	4,974,636	-	-	4,974,636	3,773,606	120,104	-	3,893,710	1,080,926	10%
Computers	4,274,154	-	-	4,274,154	3,262,630	303,456	-	3,566,086	708,068	30%
Laboratory equipment	3,303,870	-	-	3,303,870	2,894,214	40,964	-	2,935,178	368,692	10%
Furniture and fixtures	4,563,107	394,781	-	4,957,888	2,883,407	207,448	-	3,090,855	1,867,033	10%
Vehicles	70,119,903	15,990,120	(3,648,415)	82,461,608	39,055,962	6,965,566	(2,713,863)	43,307,665	39,153,943	20%
Boat	415,000	-	-	415,000	376,721	7,656	-	384,377	30,623	20%
Godown	218,996	-	-	218,996	87,381	6,580	-	93,961	125,035	5%
	918,527,070	19,369,951 24,760,416*	(3,648,415)	959,009,022	577,058,912	33,279,643	(2,713,863)	607,624,692	351,384,330	



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

	Note	2015 RUPEES	2014 RUPEES
Cost of sales	22.1	29,888,807	29,444,250
Administration expenses	24	4,645,131	3,835,393
		<u>34,533,938</u>	<u>33,279,643</u>

## 6.3 The following operating fixed assets were disposed off during the year:

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain	Mode of Sale	Particulars of Purchaser
HONDA CITY Reg # AQS-374 Model 2008	925,875	731,705	194,170	870,000	675,830	Tender	Mr. Akhter Shafiq North Karachi,
HONDA CITY Reg # 1AQU-068 Model 2008	925,875	731,705	194,170	850,000	655,830	Tender	Mrs. Rubina Flat No 102, Perdesi Heights, Britto Road, Karachi
HONDA CITY Reg # AQU-509 Model 2008	925,875	741,413	184,462	857,000	672,538	Tender	Ms. Kaneez Zehra Qasim House# 55, Khayab -e-Behria, Phase 5, DHA , Karachi
SUZUKI CULTUS VXR Engine #PKF 602660 Model 2015	1,039,000	-	1,039,000	1,039,000	-	Negotiation	Mr. Asif S/o Shauket Ali House # 278, I Area Korangi 5. Karachi
SUZUKI BOLAN Reg # CR-1760 Model 2006	484,000	428,783	55,217	280,000	224,783	Tender	Mohammed Raza S/o Yaqoob Ali Flat # B-14, Gulshan-e-Iqbal, Karachi
SUZUKI CULTUS Reg # AWW-158 Model 2012	1,014,625	573,060	441,565	720,000	278,435	Tender	Mohammed Raza S/o Yaqoob Ali Flat # B-14, Gulshan-e-Iqbal, Karachi
HONDA Motorcycle KCT-0601	66,000	64,026	1,974	7,000	5,026	Tender	Farhan Mohammed House # B-72, Hussain "D" Silva Town North Nazimabad Block 'P' Karachi
<b>Total</b>	<b>5,381,250</b>	<b>3,270,692</b>	<b>2,110,558</b>	<b>4,623,000</b>	<b>2,512,442</b>		

## 6.4 Movement of capital work-in-progress

	Plant & Machinery	Total
	-----Rupees-----	
Balance as at July 01, 2014	-	-
Capital expenditure incurred / advances made during the year	1,269,586	1,269,586
Transferred to operating fixed assets.	(1,269,586)	(1,269,586)
<b>Balance as at June 30, 2015</b>	<u>-</u>	<u>-</u>



	Note	2015 RUPEES	2014 RUPEES
<b>7. LONG TERM DEPOSITS</b>			
Security deposits		3,102,001	3,078,001
<b>8. STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores - in hand		27,078,425	23,450,711
- in transit		684,863	-
Spare parts		28,592,679	24,762,099
Loose tools		436,419	436,419
		56,792,386	48,649,229
<b>9. STOCK IN TRADE</b>			
Raw materials - in hand	22.1.1	116,014,363	102,393,988
- in transit		2,814,385	231,878
		118,828,748	102,625,866
Work-in-process	22.1	2,957,958	4,101,625
Finished goods	22	72,002,746	65,839,595
		193,789,452	172,567,086
<b>10. TRADE DEBTS - considered good</b>			
- Local		119,416	133,417
- Foreign		11,872,214	54,983,981
	10.1	11,991,630	55,117,398
<b>10.1 The aging of trade debts as at June 30 is as follows:</b>			
Neither past due nor impaired:		11,872,214	54,983,981
Past due but not impaired:			
- within 90 days		38,060	103,276
- 91 - 180 days		-	30,141
- over 365 days		81,356	-
		11,991,630	55,117,398
<b>11. ADVANCES - unsecured, considered good</b>			
Employees		8,290	809,435
Suppliers and contractors		3,397,204	5,454,887
		3,405,494	6,264,322
Less: provision for doubtful advances to employees	11.1	-	(250,900)
		3,405,494	6,013,422





	Note	2015 RUPEES	2014 RUPEES
<b>11.1 Provision for doubtful advances:</b>			
Opening balance		250,900	-
(Reversal) / charge for the year		(250,900)	250,900
Closing balance		-	250,900
<b>12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Security deposits		125,000	200,000
Short term prepayments		1,963,206	2,130,325
		2,088,206	2,330,325
<b>13. OTHER RECEIVABLES</b>			
Sales tax refundable		-	1,779,562
Export rebate		376,786	307,775
Insurance claim		-	258,840
		376,786	2,346,177
<b>14. SHORT TERM INVESTMENTS</b>			
Term deposit receipt	14.1	250,254,450	-
14.1 Represents three month term deposit receipts with a commercial bank carrying profit rate ranging from 7% to 9.25% (2014: 8.5% to 9.5%) per annum.			
<b>15. TAXATION - net</b>			
Opening refundable / (payable)		5,444,514	(5,469,824)
Add: Tax paid / deducted at source during the year		41,349,758	63,431,521
		46,794,272	57,961,697
Less:			
- provision for the current year		(28,855,660)	(52,517,183)
- prior year		(548,476)	-
Closing refundable		17,390,136	5,444,514
<b>16. CASH AND BANK BALANCES</b>			
Cash in hand		1,828,448	1,560,539
Cash with banks			
- current accounts		14,488,098	7,422,951
- saving accounts	16.1	65,422,228	251,601,716
		79,910,326	259,024,667
		81,738,774	260,585,206
16.1 This carries mark up at the rate 5.30% (2014: 7.75%) per annum.			



## 17. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2015	2014		2015	2014
Number of Shares			-----Rupees-----	
15,000,000	15,000,000	Ordinary shares of Rs.5/- each fully paid up in cash	75,000,000	75,000,000
25,000,000	25,000,000	Ordinary shares of Rs.5/- each issued	125,000,000	125,000,000
<u>40,000,000</u>	<u>40,000,000</u>		<u>200,000,000</u>	<u>200,000,000</u>

17.1 Related parties held 19,573 (2014: 19,753) ordinary shares of Rs. 5/- each in the Company at year end.

## 18. DEFERRED TAX LIABILITY

	2015 RUPEES	2014 RUPEES
Taxable temporary differences arising due to: Accelerated tax depreciation	34,999,061	38,000,000
Deductable temporary differences arising due to: Provisions	-	(80,000)
	<u>34,999,061</u>	<u>37,920,000</u>

## 19. TRADE AND OTHER PAYABLES

Creditors	3,244,269	5,275,028
Accrued liabilities	24,633,224	24,833,786
Advance from customers	29,677,290	24,985,472
Sales tax payable	3,148,072	1,626,167
Unclaimed dividend	12,018,776	11,072,471
Security deposit from customers	254,450	254,450
Workers' profit participation fund	506,393	2,623,580
Workers' welfare fund	3,030,934	4,407,234
Others	615,341	111,896
	<u>77,128,749</u>	<u>75,190,084</u>

### 19.1 Provident Fund

Size of the trust	180,954,424	166,837,126
Cost of investments made	89,451,387	105,724,606
Fair value of investments	95,113,880	111,471,078

	----- (Percentage) -----	
Percentage of investment made	49%	63%
	2015	2014

The breakup value of fair value of investment is

	-----Rupees-----	
Bank balances	4,323,604	3,666,204
Term deposit receipts	90,790,276	107,804,874
	<u>95,113,880</u>	<u>111,471,078</u>

Investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.



	Note	2015 RUPEES	2014 RUPEES
<b>19.2 Workers' profit participation fund</b>			
Opening balance		2,623,580	2,649,350
Interest on funds utilized by the Company	27	30,251	41,998
		2,653,831	2,691,348
Allocation for the year	25	7,976,142	10,932,232
		10,629,973	13,623,580
Less: Amount paid during the year		(10,123,580)	(11,000,000)
Closing balance		506,393	2,623,580

**20. CONTINGENCIES AND COMMITMENTS**

**20.1** In September 2014, the Federal Government promulgated Gas Infrastructure Development Cess (GIDC) Ordinance No.VI of 2014 to circumvent earlier decision of the Honorable Supreme Court on the subject, where it upheld that the earlier introduction of GIDC Act of 2011 was unconstitutional and ultravires on the grounds that GIDC was a 'Fee' and not a 'Tax'. In May 2015, the Government passed the GIDC Act., 2015.

The Group has challenged the GIDC Act, 2015 and filed writ petition in the High Court of Sindh (HCS) including retrospective treatment of the provision of the GIDC Act. The Court has granted stay against charging of the GIDC under the GIDC Act., 2015. The Group has not made provision of GIDC amounting to Rs. 20.896 million in these consolidated financial statements as it is confident, based on the advise of its legal consultant, that the decision of the case will be in its favor.

<b>20.2 Outstanding letters of credit</b>		3,499,000	2,330,000
<b>20.3</b> Guarantee issued in favour of:			
- Sui Southern Gas Company Limited		36,435,000	36,435,000
- Habib Microfine (Private) Limited		100,000,000	100,000,000

**21. TURNOVER - net**

Local sales		966,389,675	1,160,979,884
Export sales		199,547,466	242,034,975
Add: rebate		98,934	117,303
		1,166,036,075	1,403,132,162
Less:			
Sales tax on local sales		(50,538,054)	(49,418,157)
		1,115,498,021	1,353,714,005

**22. COST OF SALES**

Opening stock - finished goods		65,839,595	105,360,173
Cost of goods manufactured	22.1	854,938,529	970,413,599
Less: Closing stock - finished goods	9	(72,002,746)	(65,839,595)
Insurance claim against finished goods		(47,815)	(211,378)
		848,727,563	1,009,722,799



	Note	2015 RUPEES	2014 RUPEES
<b>22.1 Cost of goods manufactured</b>			
Raw and packaging materials consumed	22.1.1	521,091,454	623,649,386
Salaries, wages and benefits	22.1.2	88,386,647	80,401,734
Repairs, maintenance and stores consumed		45,483,429	47,862,705
Utilities		150,846,200	173,402,430
Vehicles running and maintenance		5,086,424	5,956,573
Insurance		6,633,971	6,315,348
Depreciation	6.2	29,888,807	29,444,250
Others		6,377,930	5,552,721
		853,794,862	972,585,147
Work in process			
Opening stock		4,101,625	1,930,077
Closing stock	9	(2,957,958)	(4,101,625)
		1,143,667	(2,171,548)
		854,938,529	970,413,599

## 22.1.1 Raw and packing materials consumed

Opening stock		102,393,988	69,697,857
Purchases		534,711,829	656,345,517
		637,105,817	726,043,374
Less: Closing stock	9	(116,014,363)	(102,393,988)
		521,091,454	623,649,386

22.1.2 Salaries, wages and benefits include Rs.4.79 million (2014: Rs.4.34 million) in respect of staff retirement benefits.

## 23. DISTRIBUTION COSTS

Salaries, wages and benefits	23.1	10,802,648	9,103,473
Rent, rates and taxes		312,000	346,284
Vehicle running expenses		678,075	831,498
Repairs and maintenance		30,286	25,050
Travelling		223,094	1,960
Utilities (fuel, powers and water)		14,880	16,582
Postage and telephone		464,573	854,653
Printing and stationary		139,645	85,341
Advertisement		529,460	798,380
Insurance		367,136	406,327
Sampling		32,152	96,215
Conveyance		502,746	533,733
Entertainment		120,213	89,881
ISO and HACCP certification expenses		145,000	450,906
Kosher certification expenses		1,018,000	1,021,968
Organic certification expenses		991,475	908,218
Freight and commission		53,067,717	68,970,674
Others		186,744	59,087
		69,625,844	84,600,230

23.1 Salaries, wages and benefits include Rs.0.67 million (2014: Rs.0.58 million) in respect of staff retirement benefits.



	Note	2015 RUPEES	2014 RUPEES
<b>24. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and benefits	24.1	31,058,487	32,001,527
Rent, rates and taxes		3,900	3,120
Vehicle running expenses		2,330,151	2,363,878
Repairs and maintenance		161,905	86,835
Travelling and conveyance		14,011,524	16,351,796
Utilities		267,836	301,174
Postage and telephone		1,265,025	1,475,798
Printing and stationery		1,576,950	1,550,426
Advertisement		603,208	337,546
Legal and professional charges		2,206,212	1,079,475
Insurance		1,122,631	980,788
Conveyance		537,616	568,408
Entertainment		1,814,120	1,805,337
Directors' fee		70,000	55,000
Auditors' remuneration	24.2	978,610	724,260
Donations and Corporate social responsibility		783,265	642,794
Depreciation	6.2	4,645,131	3,835,393
Share Registrar service charges		858,000	858,000
(Reversal) / Provision for doubtful advances to employees		(250,900)	250,900
Others		1,253,677	1,430,581
		<u>65,297,348</u>	<u>66,703,036</u>
24.1 Salaries, wages and benefits include Rs.1.9 million (2014: Rs.2.03 million) in respect of staff retirement benefits.			
<b>24.2 Auditors' remuneration</b>			
<b><u>Holding Company</u></b>			
Audit fee		650,000	575,000
Fee for half yearly review		100,000	29,000
Fee for consolidation		50,000	23,000
Fee for Corporate Governance certificate		50,000	17,000
Out of pocket expenses		28,610	39,260
<b><u>Subsidiary Company</u></b>			
Audit Fee		50,000	35,000
Fee for half yearly review		50,000	6,000
		<u>978,610</u>	<u>724,260</u>
<b>25. OTHER EXPENSES</b>			
Workers' Profit Participation Fund		7,976,142	10,932,232
Workers' welfare fund		3,030,934	4,407,234
Exchange loss		-	672,058
		<u>11,007,076</u>	<u>16,011,524</u>



	Note	2015 RUPEES	2014 RUPEES
<b>26. OTHER INCOME</b>			
Income from financial assets			
Income from bank deposits		3,926,591	5,911,190
Income from short term investment		20,665,556	16,939,999
Exchange gain		1,783,957	-
		26,376,104	22,851,189
Income from non financial assets			
Gain on disposal of property, plant and equipment		2,512,442	5,389,447
		<u>28,888,546</u>	<u>28,240,636</u>
<b>27. FINANCE COSTS</b>			
Mark-up / interest on:			
Short term borrowings		63,548	-
Workers' Profit Participation Fund	19.2	30,251	41,998
		93,799	41,998
Bank charges and commission		959,006	1,041,453
		<u>1,052,805</u>	<u>1,083,451</u>
<b>28. TAXATION</b>			
The tax assessments of the Group have been finalized upto and including the tax year 2014.			
<b>28.1 Reconciliation between tax expense accounting profit</b>			
Accounting profit for the year before taxation		148,675,931	203,833,601
Tax at applicable rate of 33% (2014: 34%)		49,063,057	69,303,424
Tax effect of:			
Export sales		(23,360,636)	(18,290,680)
Dividend income attracting lower tax		(182,483)	(2,909,033)
Prior year taxation		548,476	-
Others		414,783	883,472
		<u>26,483,197</u>	<u>48,987,183</u>
<b>29. EARNINGS PER SHARE</b>			
Profit after taxation (Rs.)		<u>122,192,734</u>	<u>154,846,418</u>
Weighted average number of ordinary shares in issue		<u>40,000,000</u>	<u>40,000,000</u>
Basic earnings per share (Rs.)	29.1	<u>3.05</u>	<u>3.87</u>
<b>29.1</b> There is no dilutive effect on basic earnings per share.			



	2015 RUPEES	2014 RUPEES
<b>30. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	148,675,931	203,833,601
Adjustments for non-cash charges and other items:		
Depreciation	34,533,938	33,279,643
Gain on disposal of property, plant and equipment	(2,512,442)	(5,389,448)
Finance costs	1,052,805	1,083,451
	33,074,301	28,973,646
	181,750,232	232,807,247
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(8,143,157)	(5,629,381)
Stock-in-trade	(21,222,366)	4,421,021
Trade debts	43,125,768	(54,972,360)
Short term investment	-	200,000,000
Loans, advances, trade deposits, short term prepayments and other receivables	4,819,438	(1,910,686)
Accrued income	(452,592)	801,096
	18,127,091	142,709,690
Increase / (decrease) in current liabilities		
Trade and other payables	1,938,665	(3,030,347)
	40,961,635	139,679,343
	201,815,988	372,486,590

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks i.e. market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Group's senior management oversees the management of these risks. The Board's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, financial instruments and investment of excess liquidity. It is the Board's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors reviews policies for managing each of these risks which are summarized below:

### 31.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk, interest rate risk and other price risk, such as equity risk.

#### 31.1.1 Interest 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 the market interest rates. The Group presently has no borrowings as at June 30, 2015, though it has sanctioned limit of Rs.100 million



Instead the Group's financial instruments are balances placed on deposits with banks where changes in interest rates may have impact on the future profit/cash flows. Treasury account with a schedule bank of Rs.65.42 million (2014: Rs.251.6 million). The Group places its most of the funds in bank Al-Habib Limited having good credit rating. As of the balance sheet date the Group is not materially exposed to interest rate risk.

## Sensitivity Analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax:

	Increase / (decrease) in basis points	Effect on profit before tax Rupees
<b>2015</b>		
<b>KIBOR</b>	+200	130,844
<b>KIBOR</b>	-200	(130,844)
<b>2014</b>		
<b>KIBOR</b>	+200	503,203
<b>KIBOR</b>	-200	(503,203)

## 31.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expenses are denominated in a different currency from the Group's functional currency).

	2015	2014
Trade debts - US Dollar	115,770	547,995

The following significant exchange rates have been applied at reporting dates:

Exchange rate - US Dollar	102.55	100.34
---------------------------	--------	--------

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Change in rate (%)	Effect of translation of foreign currency asset on profit or (loss) ----- Rupees -----	Effect on equity
<b>30 June 2015-US Dollar</b>	+10	11,577	11,577
	-10	11,577	11,577
<b>30 June 2014-US Dollar</b>	+10	54,799	54,799
	-10	54,799	54,799





## 31.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Group manages credit risk by limiting significant exposure to any individual customers, by obtaining advance against sales and does not have significant exposure to any individual customer. As of the balance sheet date, the Group is exposed to credit risk on the following assets:

	2015 RUPEES	2014 RUPEES
Long-term deposits	3,102,001	3,078,001
Trade debts	11,991,630	55,117,398
Loans and advances	3,405,494	6,013,422
Trade deposits and short term prepayments	2,088,206	2,330,325
Accrued income	452,592	-
Other receivables	376,786	2,346,177
Bank balances	79,910,326	259,024,667
	<u>101,327,035</u>	<u>327,909,990</u>

### Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings agencies or the historical information about counter party default rates as shown below:

#### Trade debts

Neither past due nor impaired	11,872,214	54,983,981
Past due but not impaired	119,416	133,417
	<u>11,991,630</u>	<u>55,117,398</u>

#### Cash at bank

Current accounts		
A-1 +	10,108,339	2,107,122
P-1	393,764	479,831
A1+	3,985,995	4,835,998
Saving accounts		
A1+	65,422,228	251,601,716
	<u>79,910,326</u>	<u>259,024,667</u>

## 31.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Board applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date the Board has unavailed credit facility of Rs.200 million (2014: Rs.200 million).

Table below summarises the maturity profile of the Group's financial liabilities at the following reporting dates based on contractual undiscounted payments.



	2015					2014				
	INTEREST BEARING					INTEREST BEARING				
	Less than one year	One to five years	Total	NON-INTEREST BEARING	Total	Less than one year	One to five years	Total	NON-INTEREST BEARING	Total
Financial Assets										
Deposits	-	-	-	3,227,001	3,227,001	-	-	-	3,078,001	3,078,001
Trade debts	-	-	-	11,991,630	11,991,630	-	-	-	55,117,398	55,117,398
Advance to staff	-	-	-	3,397,204	3,397,204	-	-	-	558,535	558,535
Short term investments	250,254,450	-	250,254,450	-	250,254,450	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	258,840	258,840
Financial Liabilities										
Trade and other payables	506,393	-	506,393	76,622,356	77,128,749	2,623,580	-	2,623,580	72,566,504	75,190,084
	250,760,843	-	250,760,843	95,238,191	345,999,034	2,623,580	-	2,623,580	131,579,278	134,202,858

## 31.4 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction. As of the balance sheet date, the carrying value of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

## 31.5 CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the year ended June 30, 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings including any finance cost thereon less cash and bank balances. Capital signifies equity as shown in the balance sheet plus net debt.

During the year, the Group's strategy was to minimize leveraged gearing. The Group finances its expansion projects through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk. As of the balance sheet date the Group has no gearing (gearing ratio - 2014: Nil).

## 32. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

32.1 Aggregate amounts charged in the financial statements are as follows:

	2015			2014		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees)					
Managerial remuneration	6,667,918	3,893,839	25,447,503	6,135,629	6,832,784	18,768,591
Other benefits	611,017	356,048	1,338,892	581,920	678,186	1,359,884
Contribution to provident fund	553,993	322,820	2,074,424	511,302	569,399	1,564,051
	7,832,928	4,572,707	28,860,819	7,228,851	8,080,369	21,692,526
Number of persons	1	1	23	1	2	18

32.2 The aggregate amount paid to the Directors as a fee for attending the Board of Directors' meetings amount to Rs.70,000 (2014: Rs.55,000).

32.3 In addition, the Chief Executive, Directors and the ten Executives are provided free use of Group maintained cars as per term of employment. Telephone at residence and club bills are also paid by the Group.



## 33. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group companies, directors, executives and retirement funds. Transactions and balances with related parties other than those disclosed elsewhere in the financial statements are as follows:

Relationship	Nature of transactions	2015	2014
		-----Rupees-----	
Associates	Dividends paid	2,369,146	4,146,006

## 34. NUMBER OF EMPLOYEES

Total number of persons employed as at the year-end were 405 (2014: 419) and average number of employees during the year were 447 (2014: 455).

## 35. CAPACITY

Annual installed capacity as of June 30 (In M. Tons)	45,000	45,000
Actual production for the year	33.33%	37.34%

## 36. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Holding Company in its meeting held on 27 August 2015 (i) approved the transfer of Rs. Nil from un-appropriated profit to general reserve; and (ii) proposed final cash dividend of Rs. 3/- per share for the year ended June 30, 2015 amounting to Rs. 120 million for approval of the members at the Annual General Meeting to be held on 03 October 2015.

The Finance Act, 2015 introduced a tax on every public company at the rate of 10% of such undistributed reserves which exceeds the amount of its paid up capital. However, this tax shall not applied in case of a public company which distribute cash dividend equal to at least either 40% of its after tax profits or 50% of its paid up capital, within the prescribed time after the end of the relevant tax year.

Based on the fact that the Board of Directors of the Holding Company has proposed 60% dividend for the financial and tax year 2015 which exceeds the prescribed minimum dividend requirement as aforesaid, the Holding Company believes that it would not eventually be liable to pay tax on its undistributed reserves as of 30 June 2015.

## 37. GENERAL

37.1 Figures have been rounded off to the nearest Rupees unless otherwise stated.

37.2 There was no reclassification that could affect the financial statements materially.

**OWAIS G. HABIB**  
Chief Executive

**GAFFAR A. HABIB**  
Chairman





# **Habib-ADM Ltd.**

**Financial Statements  
For The Year Ended June 30, 2015**



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Habib-ADM Limited** (the Company) as at **30 June 2015** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.3 to the accompanying financial statements with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as **at 30 June 2015**, and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The annual financial statements for the year ended 30 June 2014 were audited by another firm of Chartered Accountants, whose audit report dated 9 September 2014 expressed an unmodified opinion on those statements.



**Chartered Accountants**

**Audit Engagement Partner:** Riaz A. Rehman Chamdia

**Date:** 27 August 2015

**Place:** Karachi

## BALANCE SHEET AS AT JUNE 30, 2015

	NOTE	2015 RUPEES	2014 RUPEES
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	327,344,241	350,546,137
Long term investments in a subsidiary	6	1,000,000	1,000,000
Long term deposits	7	3,102,001	3,078,001
		<u>331,446,242</u>	<u>354,624,138</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	8	56,792,386	48,649,229
Stock-in-trade	9	193,789,452	172,567,086
Trade debts	10	11,991,630	55,851,502
Advances	11	3,405,494	6,013,422
Trade deposits and short term pre-payments	12	2,088,206	2,330,325
Accrued income		452,592	-
Other receivables	13	376,786	538,284
Short term investments	14	250,254,450	-
Taxation-net	15	17,390,136	5,443,932
Cash and bank balances	16	81,443,942	260,294,825
		<u>617,985,074</u>	<u>551,688,605</u>
<b>TOTAL ASSETS</b>		<u><u>949,431,316</u></u>	<u><u>906,312,743</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital 60,000,000 (2014: 60,000,000) Ordinary shares of Rs.5/- each		<u>300,000,000</u>	<u>300,000,000</u>
Issued, subscribed and paid up capital	17	200,000,000	200,000,000
Reserves		60,000,000	60,000,000
Unappropriated profit		<u>576,537,021</u>	<u>534,405,604</u>
		<u>836,537,021</u>	<u>794,405,604</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred taxation	18	34,999,061	37,920,000
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	77,895,234	73,987,139
<b>CONTINGENCIES AND COMMITMENTS</b>			
	20		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>949,431,316</u></u>	<u><u>906,312,743</u></u>

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



**OWAIS G. HABIB**  
Chief Executive



**GAFFAR A. HABIB**  
Chairman



## PROFIT & LOSS ACCOUNT

### FOR THE YEAR ENDED JUNE 30, 2015

	NOTE	2015 RUPEES	2014 RUPEES
Turnover-net	21	1,113,984,560	1,335,972,817
Cost of sales	22	(848,580,705)	(1,009,405,948)
<b>Gross profit</b>		<u>265,403,855</u>	<u>326,566,869</u>
Distribution costs	23	(69,365,869)	(80,152,346)
Administrative expenses	24	(65,100,598)	(66,454,736)
		(134,466,467)	(146,607,082)
		<u>130,937,388</u>	<u>179,959,787</u>
Other expenses	25	(11,007,076)	(15,758,894)
Other income	26	29,684,953	40,373,607
Finance costs	27	(1,035,986)	(1,016,340)
		17,641,891	23,598,373
<b>Profit before taxation</b>		<u>148,579,279</u>	<u>203,558,160</u>
<b>Taxation</b>			
Current		(28,820,325)	(52,241,742)
Prior		(548,476)	-
Deferred		2,920,939	3,530,000
	28	(26,447,862)	(48,711,742)
<b>Profit after taxation</b>		<u>122,131,417</u>	<u>154,846,418</u>
(Rupees)			
<b>Earnings per share - basic and diluted</b>	29	<u>3.05</u>	<u>3.87</u>

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



**OWAIS G. HABIB**  
Chief Executive



**GAFFAR A. HABIB**  
Chairman

## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED JUNE 30, 2015

	2015 RUPEES	2014 RUPEES
Profit after taxation	122,131,417	154,846,418
Other comprehensive income	-	-
Total comprehensive income for the year	<u>122,131,417</u>	<u>154,846,418</u>

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



**OWAIS G. HABIB**  
Chief Executive



**GAFFAR A. HABIB**  
Chairman

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	NOTE	2015 RUPEES	2014 RUPEES
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	30	202,531,896	172,128,169
Finance costs paid		(1,035,986)	(1,016,340)
Taxes paid		(41,315,005)	(63,156,377)
Net cash generated from operating activities		<u>160,180,905</u>	<u>107,955,452</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(13,376,338)	(42,912,915)
Proceeds from disposal of property, plant and equipment		4,623,000	6,324,000
Long-term deposits		(24,000)	165,000
Short term investments		-	200,000,000
Net cash (used in) / generated from investing activities		<u>(8,777,338)</u>	<u>163,576,085</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(80,000,000)	(140,000,000)
Net cash used in financing activities		<u>(80,000,000)</u>	<u>(140,000,000)</u>
Net increase in cash and cash equivalents		<u>71,403,567</u>	<u>131,531,537</u>
Cash and cash equivalents at the beginning of the year		<u>260,294,825</u>	<u>128,763,288</u>
Cash and cash equivalents at the end of the year		<u><u>331,698,392</u></u>	<u><u>260,294,825</u></u>
<b>CASH AND CASH EQUIVALENTS COMPRISE</b>			
Cash and bank balances	16	81,443,942	260,294,825
Short-term investments	14	<u>250,254,450</u>	-
		<u><u>331,698,392</u></u>	<u><u>260,294,825</u></u>

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



**OWAIS G. HABIB**  
Chief Executive



**GAFFAR A. HABIB**  
Chairman

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2015

PARTICULARS	Issued, subscribed and paid -up capital	Reserves			Total reserves	TOTAL
		Capital Reserves- Share Premium	General reserve	Unappropriated profit		
----- Rupees -----						
Balance at June 30, 2013	200,000,000	10,000,000	50,000,000	519,559,186	579,559,186	779,559,186
Final dividend @ 70% for the year ended June, 2013	-	-	-	(140,000,000)	(140,000,000)	(140,000,000)
Total comprehensive income for the year	-	-	-	154,846,418	154,846,418	154,846,418
Balance at June 30, 2014	200,000,000	10,000,000	50,000,000	534,405,604	594,405,604	794,405,604
Final dividend @ 40% for the year ended June, 2014	-	-	-	(80,000,000)	(80,000,000)	(80,000,000)
Total comprehensive income for the year	-	-	-	122,131,417	122,131,417	122,131,417
Balance at June 30, 2015	200,000,000	10,000,000	50,000,000	576,537,021	636,537,021	836,537,021

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



**OWAIS G. HABIB**  
Chief Executive



**GAFFAR A. HABIB**  
Chairman

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015**

### **1. THE COMPANY AND ITS OPERATIONS**

- 1.1** Habib-ADM Limited (the Company) is a public listed company limited by shares incorporated in Pakistan on July 10, 1980 under the Companies Ordinance, 1984 and is listed on the Karachi & Lahore Stock Exchanges. The registered office of the Company is situated at 2nd Floor, UBL Building I.I Chundrigar Road, Karachi. The Company is engaged in the production of rice based Starch Sugar and Proteins.
- 1.2** The Company's primary production facilities are located at its industrial complex at Hub. The Company also owns a wholly owned subsidiary namely Habib Microfine (Private) Limited which was engaged in the business of microfine processed products, trading and export of goods. During the year, the Subsidiary Company has shut down its operations and members of the Company have decided to go into members' voluntary winding up.
- 1.3** These are the separate financial statements of the Company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest and are not consolidated or accounted for using equity method.

### **2. STATEMENT OF COMPLIANCE**

- 2.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

### **3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with approved accounting standards 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 historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to these financial statements:

#### **Property, plant and equipment**

The Company has made certain estimations with respect to residual value, depreciation method and depreciable lives of property, plant and equipments as disclosed in note 4.5 to these financial statements. Further, the Company reviews the value of assets for possible impairment on each reporting period.

### **Provision for stores and spares and stock-in-trade**

The Company has made estimation with respect to provision for slow moving, damaged and obsolete items and their net realizable value as disclosed in 4.7 and 4.8 to these financial statements.

### **Provision for doubtful debts and other receivables**

The Company reviews the recoverability of its trade debts and other receivables, to assess the amount required for provision for doubtful debts as disclosed in note 4.9 to these financial statements.

### **Income taxes**

In making the estimates for income taxes payable by the Company, the management considers current Income Tax law and the decisions of appellate authorities on certain cases issued in the past.

### **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 events.

## **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- 4.1** These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies.
- 4.2** These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.
- 4.3 Standards, interpretations and amendments to approved accounting standards that became effective during the year :**

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

### **New / Revised Standards, interpretations and Amendments**

The Company has adopted the following amendments and improvements to accounting standards which became effective for the current year:

- IAS 19 - Employee Benefits - (Amendment) - Defined Benefit Plans: Employee Contributions
- IAS 32 - Financial Instruments : Presentation - (Amendment)
  - Offsetting Financial Assets and Financial Liabilities
- IAS 36 - Impairment of Assets - (Amendment)
  - Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 - Financial Instruments: Recognition and Measurement - (Amendment)
  - Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 - Levies

### Improvements to accounting standards issued by the IASB

IFRS 2	- Share-based Payment - Definitions of vesting conditions
IFRS 3	- Business Combinations - Accounting for contingent consideration in a business combination
IFRS 3	- Business Combinations - Scope exceptions for joint ventures
IFRS 8	- Operating Segments - Aggregation of operating segments
IFRS 8	- Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13	- Fair Value Measurement - Scope of paragraph 52 (portfolio exception)
IAS 16	- Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method - proportionate restatement of accumulated depreciation / amortisation
IAS 24	- Related Party Disclosures - Key management personnel
IAS 40	- Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above amendments and improvements to accounting standards did not have any effect on the financial statements.

#### 4.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation.

	<b>Effective date (annual periods beginning on or after)</b>
IFRS 10 - Consolidated Financial Statements	01 January 2015
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements - Investment Entities (Amendment)	01 January 2015
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements - Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	01 January 2016
IFRS 11 - Joint Arrangements	01 January 2015
IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2015
IFRS 13 - Fair Value Measurement	01 January 2015
IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)	01 January 2016
IAS 16 - Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January 2016
IAS 16 - Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment)	01 January 2016

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods Beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 15 - Revenue from Contracts with Customers	01 January 2018

#### 4.5 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment loss except for freehold land and capital work in progress which is stated at cost less impairment losses, if any

Depreciation on fixed assets is charged to the profit and loss account applying the reducing balance method. Depreciation on additions is charged from the quarter in which addition is made and in case of deletion up to the quarter preceding the disposal. Maintenance and normal repairs are charged to profit and loss account as and when incurred, while major renewals and improvements are capitalized. Gains or losses on disposals of fixed assets, if any, are included in income currently.

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceeds the estimated recoverable amount, the assets or related cash-generating units are written down to their recoverable amount.

#### 4.6 Investments

##### Subsidiaries and associates

Investment in a subsidiary is stated at cost less impairment, if any.

##### Held-to-maturity

Investments with fixed maturity where management has both the intent and ability to hold to maturity are classified as held-to-maturity.

Gains or losses on held-to-maturity investments are recognised in income when the investments are derecognised or impaired.



#### **4.7 Stores, spare parts and loose tools**

These are stated at the lower of cost and Net Realisable Value (NRV) except for goods-in-transit which are stated at invoice price plus other charges incurred thereon upto the date of the balance sheet. Cost is determined on weighted moving average basis.

Stores, spares and loose tools are regularly reviewed by the management and any obsolete items are brought down to their NRV.

#### **4.8 Stock in trade**

Stock-in-trade is valued at the lower of weighted average cost and net realisable value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

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

#### **4.9 Trade debts and other receivables**

Trade debts originated by the Company are recognised and carried at original invoice amount less provision for impairment. Other receivables are carried at cost less provision for impairment. Provision for impairment is based on the management's assessment of customers' outstandings and creditworthiness. Bad debts are written-off as and when identified.

#### **4.10 Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and short term investments with a maturity of three months or less from the date of acquisition net of short-term running finance. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

#### **4.11 Financial assets and liabilities**

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit and loss account for the period in which it arises.

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. Financial liabilities are removed from the balance sheet when the obligation is extinguished, discharged, cancelled or expired.

Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

## **Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

### **4.12 Employees' benefits**

#### **Provident fund**

The Company operates a recognised provident fund scheme (defined contribution plan) for all its employees who are eligible for the scheme in accordance with the Company's policy. Contributions in respect thereto are made in accordance with the terms of the scheme.

### **4.13 Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.

### **4.14 Provisions**

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### **4.15 Revenue recognition**

Sale is recognized upon passage of title to the customers which generally coincides with physical delivery.

Dividend income is recognised when the Company's right to receive such dividend is established.

Profit on term deposit receipts is recognised on constant rate of return to maturity.

Profit on deposit accounts is recognised on accrual basis.

Dividend income is recognised when the right to receive the dividend is established.

### **4.16 Foreign currency transactions**

Transactions denominated in foreign currencies are recorded on initial recognition in Pak. Rupees, by applying to the foreign currency amount the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak. Rupees equivalents using the exchange rate at the balance sheet date. Exchange differences are included in profit and loss account.

### **4.17 Dividends and appropriation to reserve**

Dividend and appropriation to reserve are recognised in the financial statements in the period in which these are approved.

#### 4.18 Impairment

At each balance sheet date, the carrying amount of assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account.

#### 4.19 Taxation

##### Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, or minimum tax on turnover or Alternate Corporate Tax whichever is higher and tax paid on final tax regime basis. Alternate Corporate Tax is calculated in accordance with the provisions of Section 113C of Income Tax Ordinance.

##### Deferred

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and the liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which these can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan.

	Note	2015 RUPEES	2014 RUPEES
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	5.1	327,344,241	350,546,137
Capital work in progress	5.4	-	-
		<u>327,344,241</u>	<u>350,546,137</u>

## 5.1 Operating fixed assets

2015	COST				DEPRECIATION				Net book value at June 30, 2015	Rate
	As at July 01, 2014	Additions / transfers*	Disposals	As at June 30, 2015	As at July 01, 2014	For the year	Disposals	As at June 30, 2015		
Freehold land	50,905,696	-	-	50,905,696	-	-	-	-	50,905,696	-
Buildings on leasehold land:										
- Factory building	105,438,096	-	-	105,438,096	71,038,631	3,439,948	-	74,478,579	30,959,517	10%
- Factory office	7,086,750	-	-	7,086,750	1,502,459	279,216	-	1,781,675	5,305,075	5%
- Pavement and ponds	9,303,700	-	-	9,303,700	4,407,454	244,812	-	4,652,266	4,651,434	5%
Larkana office premises	759,358	-	-	759,358	439,640	15,984	-	455,624	303,734	5%
Plant and machinery	662,643,583	1,871,931 1,269,586*	-	665,785,100	451,566,463	21,213,750	-	472,780,213	193,004,887	10%
Tubewell	175,000	-	-	175,000	142,046	3,296	-	145,342	29,658	10%
Office & electrical equipment	4,952,961	-	-	4,952,961	3,875,708	107,724	-	3,983,432	969,529	10%
Computers	4,274,154	-	-	4,274,154	3,566,086	212,420	-	3,778,506	495,648	30%
Laboratory equipment	3,303,870	-	-	3,303,870	2,935,178	36,868	-	2,972,046	331,824	10%
Furniture and fixtures	4,957,888	396,521	-	5,354,409	3,090,855	201,741	-	3,292,596	2,061,813	10%
Vehicles	82,461,608	9,838,300	(5,381,250)	86,918,658	43,307,665	8,699,541	(3,270,692)	48,736,514	38,182,144	20%
Boat	415,000	-	-	415,000	384,377	6,124	-	390,501	24,499	20%
Godown	218,996	-	-	218,996	93,961	6,252	-	100,213	118,783	5%
	936,896,660	12,106,752 1,269,586*	(5,381,250)	944,891,748	586,350,523	34,467,676	(3,270,692)	617,547,507	327,344,241	

2014	COST				DEPRECIATION				Net book value at June 30, 2014	Rate
	As at July 01, 2013	Additions / transfers*	Disposals	As at June 30, 2014	As at July 01, 2013	For the year	Disposals	As at June 30, 2014		
Freehold land	50,905,696	-	-	50,905,696	-	-	-	-	50,905,696	-
Buildings on leasehold land:										
- Factory building	104,045,936	1,392,160*	-	105,438,096	67,332,483	3,706,148	-	71,038,631	34,399,465	10%
- Factory office	7,086,750	-	-	7,086,750	1,208,551	293,908	-	1,502,459	5,584,291	5%
- Pavement and ponds	9,303,700	-	-	9,303,700	4,149,758	257,696	-	4,407,454	4,896,246	5%
Larkana office premises	759,358	-	-	759,358	422,812	16,828	-	439,640	319,718	5%
Plant and machinery	636,290,277	2,985,050 23,368,256*	-	662,643,583	430,309,558	21,256,905	-	451,566,463	211,077,120	10%
Tubewell	175,000	-	-	175,000	138,386	3,660	-	142,046	32,954	10%
Office & electrical equipment	4,952,961	-	-	4,952,961	3,756,012	119,696	-	3,875,708	1,077,253	10%
Computers	4,274,154	-	-	4,274,154	3,262,630	303,456	-	3,566,086	708,068	30%
Laboratory equipment	3,303,870	-	-	3,303,870	2,894,214	40,964	-	2,935,178	368,692	10%
Furniture and fixtures	4,563,107	394,781	-	4,957,888	2,883,407	207,448	-	3,090,855	1,867,033	10%
Vehicles	70,119,903	15,990,120	(3,648,415)	82,461,608	39,055,962	6,965,566	(2,713,863)	43,307,665	39,153,943	20%
Boat	415,000	-	-	415,000	376,721	7,656	-	384,377	30,623	20%
Godown	218,996	-	-	218,996	87,381	6,580	-	93,961	125,035	5%
	896,414,708	19,369,951 24,760,416*	(3,648,415)	936,896,660	555,877,875	33,186,511	(2,713,863)	586,350,523	350,546,137	

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

	Note	2015 RUPEES	2014 RUPEES
Cost of sales	22.1	29,822,545	29,351,118
Administration expenses	24	4,645,131	3,835,393
		<u>34,467,676</u>	<u>33,186,511</u>

## 5.3 The following operating fixed assets were disposed off during the year:

(Rupees)							
Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain	Mode of Sale	Particulars of Purchaser
HONDA CITY Reg # AQS-374 Model 2008	925,875	731,705	194,170	870,000	675,830	Tender	Mr. Akhter Shafiq North Karachi,
HONDA CITY Reg # AQU-068 Model 2008	925,875	731,705	194,170	850,000	655,830	Tender	Mrs. Rubina Flat No 102, Perdesi Heights, Britto Road, Karachi
HONDA CITY Reg # AQU-509 Model 2008	925,875	741,413	184,462	857,000	672,538	Tender	Ms. Kaneez Zehra Qasim House# 55, Khayab -e-Behria, Phase 5, DHA , Karachi
SUZUKI CULTUS VXR Engine # PKF 602660 Model 2015	1,039,000	-	1,039,000	1,039,000	-	Negotiation	Mr. Asif S/o Shauket Ali House # 278, I Area Korangi 5. Karachi
SUZUKI BOLAN Reg # CR-1760 Model 2006	484,000	428,783	55,217	280,000	224,783	Tender	Mr. Mohammed Raza S/o Yaqoob Ali Flat # B-14, Gulshan-e-Iqbal, Karachi
SUZUKI CULTUS Reg # AWW-158 Model 2012	1,014,625	573,060	441,565	720,000	278,435	Tender	Mr. Mohammed Raza S/o Yaqoob Ali Flat # B-14, Gulshan-e-Iqbal, Karachi
HONDA Motorcycle KCT-0601	66,000	64,026	1,974	7,000	5,026	Tender	Mr. Farhan Mohammed House # B-72, Hussain "D"Silva Town North Nazimabad Block 'P' Karachi
<b>Total</b>	<b>5,381,250</b>	<b>3,270,692</b>	<b>2,110,558</b>	<b>4,623,000</b>	<b>2,512,442</b>		

	Plant & Machinery	Total
	-----Rupees-----	
Balance as at July 01, 2014	-	-
Capital expenditure incurred / advances made during the year	1,269,586	1,269,586
Transferred to operating fixed assets.	(1,269,586)	(1,269,586)
<b>Balance as at June 30, 2015</b>	<u>-</u>	<u>-</u>

	Note	2015 RUPEES	2014 RUPEES
<b>6. LONG TERM INVESTMENT IN A SUBSIDIARY</b>			
Unquoted - Subsidiary	6.1	<u>1,000,000</u>	<u>1,000,000</u>

**6.1** Represents investment of 100,000 Ordinary share of Rs.10/- each in a wholly owned subsidiary i.e. Habib Microfine (Private) Limited.

	Note	2015 RUPEES	2014 RUPEES
<b>7. LONG TERM DEPOSITS</b>			
Security deposits		3,102,001	3,078,001
<b>8. STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores - in hand		27,078,425	23,450,711
- in transit		684,863	-
Spare parts		28,592,679	24,762,099
Loose tools		436,419	436,419
		56,792,386	48,649,229
<b>9. STOCK IN TRADE</b>			
Raw materials - in hand	22.1.1	116,014,363	102,393,988
- in transit		2,814,385	231,878
		118,828,748	102,625,866
Work-in-process	22.1	2,957,958	4,101,625
Finished goods	22	72,002,746	65,839,595
		193,789,452	172,567,086
<b>10. TRADE DEBTS - considered good</b>			
Related parties	10.1	-	734,104
Others			
- Local		119,416	133,417
- Foreign		11,872,214	54,983,981
	10.2	11,991,630	55,851,502
<b>10.1 Related parties (neither past due nor impaired)</b>			
Habib Microfine (Private) Limited		-	734,104
<b>10.2 The aging of trade debts as at June 30 is as follows:</b>			
Neither past due nor impaired:		11,872,214	55,718,085
Past due but not impaired:			
- within 90 days		38,060	103,276
- 91 - 180 days		-	30,141
- over 365 days		81,356	-
		11,991,630	55,851,502

	Note	2015 RUPEES	2014 RUPEES
<b>11. ADVANCES - unsecured, considered good</b>			
Suppliers and contractors		3,397,204	5,454,887
Employees		8,290	809,435
		<u>3,405,494</u>	<u>6,264,322</u>
Less: provision for doubtful advances to employees	11.1	-	(250,900)
		<u>3,405,494</u>	<u>6,013,422</u>
<b>11.1 Provision for doubtful advances:</b>			
Opening balance		250,900	-
(reversal) / charge for the year		(250,900)	250,900
Closing balance		<u>-</u>	<u>250,900</u>
<b>12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Security deposits		125,000	200,000
Short term prepayments		1,963,206	2,130,325
		<u>2,088,206</u>	<u>2,330,325</u>
<b>13. OTHER RECEIVABLES</b>			
Export rebate		376,786	279,444
Insurance claim		-	258,840
		<u>376,786</u>	<u>538,284</u>
<b>14. SHORT TERM INVESTMENTS</b>			
Term deposit receipt	14.1	<u>250,254,450</u>	<u>-</u>
<b>14.1</b>	Represents three month term deposit receipts with a commercial bank carrying profit rate ranging from 7% to 9.25% (2014: 8.5% to 9.5%) per annum.		
<b>15. TAXATION - net</b>			
Opening refundable / (payable)		5,443,932	(5,470,703)
Add: Tax paid / deducted at source during the year		41,315,005	63,156,377
		<u>46,758,937</u>	<u>57,685,674</u>
Less:			
- provision for the current year		(28,820,325)	(52,241,742)
- prior year		(548,476)	-
Closing refundable		<u>17,390,136</u>	<u>5,443,932</u>
<b>16. CASH AND BANK BALANCES</b>			
Cash in hand		1,828,448	1,560,539
Cash with banks			
- Current accounts		14,193,266	7,132,570
- Saving accounts	16.1	65,422,228	251,601,716
		<u>79,615,494</u>	<u>258,734,286</u>
		<u>81,443,942</u>	<u>260,294,825</u>
<b>16.1</b>	This carries mark up at the rate 5.30% (2014: 7.75%) per annum.		

**17. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL**

2015	2014		2015	2014
Number of Shares			-----Rupees-----	
15,000,000	15,000,000	Ordinary shares of Rs.5/- each fully paid up in cash	75,000,000	75,000,000
25,000,000	25,000,000	Ordinary shares of Rs.5/- each issued	125,000,000	125,000,000
<u>40,000,000</u>	<u>40,000,000</u>		<u>200,000,000</u>	<u>200,000,000</u>

**17.1** Related parties held 19,573 (2014: 19,753) ordinary shares of Rs. 5/- each in the Company at year end.

**18. DEFERRED TAX LIABILITY**

	2015 RUPEES	2014 RUPEES
Taxable temporary differences arising due to: Accelerated tax depreciation	34,999,061	38,000,000
Deductable temporary differences arising due to: Provisions	-	(80,000)
	<u>34,999,061</u>	<u>37,920,000</u>

**19. TRADE AND OTHER PAYABLES**

Creditors	3,244,269	5,275,028
Accrued liabilities	24,633,224	23,883,827
Advance from customers	29,677,290	24,985,472
Security deposit from customers	254,450	254,450
Sales tax payable	3,148,072	1,626,167
Unclaimed dividend	12,018,776	11,072,471
Workers' profit participation fund	506,393	2,623,580
Workers' welfare fund	3,030,934	4,154,248
Others	1,381,826	111,896
	<u>77,895,234</u>	<u>73,987,139</u>

**19.1 Provident Fund**

Size of the trust	180,954,424	166,837,126
Cost of investments made	89,451,387	105,724,606
Fair value of investments	95,113,880	111,471,078

----- (Percentage) -----

Percentage of investment made	49%	63%
-------------------------------	-----	-----

**2015** **2014**

The breakup value of fair value of investment is ----- (Rupees) -----

Bank Balances	4,323,604	3,666,204
Term Deposit Receipts	90,790,276	107,804,874
	<u>95,113,880</u>	<u>111,471,078</u>

Investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.



	Note	2015 RUPEES	2014 RUPEES
<b>19.2 Workers' profit participation fund</b>			
Opening balance		2,623,580	2,649,350
Interest on funds utilized by the Company	27	30,251	41,998
		2,653,831	2,691,348
Allocation for the year	25	7,976,142	10,932,232
		10,629,973	13,623,580
Less: Amount paid during the year		(10,123,580)	(11,000,000)
Closing balance		506,393	2,623,580

## 20. CONTINGENCIES AND COMMITMENTS

**20.1** In September 2014, the Federal Government promulgated Gas Infrastructure Development Cess (GIDC) Ordinance No.VI of 2014 to circumvent earlier decision of the Honorable Supreme Court on the subject, where it upheld that the earlier introduction of GIDC Act of 2011 was unconstitutional and ultravires on the grounds that GIDC was a 'Fee' and not a 'Tax'. In May 2015, the Government passed the GIDC Act., 2015.

The Company has challenged the GIDC Act, 2015 and filed writ petition in the High Court of Sindh (HCS) including retrospective treatment of the provision of the GIDC Act. The Court has granted stay against charging of the GIDC under the GIDC Act., 2015. The Company has not made provision of GIDC amounting to Rs. 20.896 million in these financial statements as it is confident, based on the advise of its legal consultant, that the decision of the case will be in its favor.

<b>20.2 Outstanding letters of credit</b>		3,499,000	2,330,000
<b>20.3</b> Guarantee issued in favour of:			
- Sui Southern Gas Company Limited		36,435,000	36,435,000
- Habib Microfine (Private) Limited		100,000,000	100,000,000

## 21. TURNOVER - net

Local sales		968,025,425	1,170,796,184
Export sales		196,399,847	214,491,375
Add: rebate		97,342	103,415
		1,164,522,614	1,385,390,974
Less:			
Sales tax on local sales		(50,538,054)	(49,418,157)
		1,113,984,560	1,335,972,817

## 22. COST OF SALES

Opening stock - finished goods		65,839,595	105,360,173
Cost of goods manufactured	22.1	854,791,671	970,096,748
Less: Closing stock - finished goods	9	(72,002,746)	(65,839,595)
Insurance claim against finished goods		(47,815)	(211,378)
		848,580,705	1,009,405,948

	Note	2015 RUPEES	2014 RUPEES
<b>22.1 Cost of goods manufactured</b>			
Raw and packaging materials consumed	22.1.1	521,091,454	623,649,386
Salaries, wages and benefits	22.1.2	88,328,347	80,204,181
Repairs, maintenance and stores consumed		45,483,429	47,862,705
Utilities		150,846,200	173,402,430
Vehicles running and maintenance		5,086,424	5,956,573
Insurance		6,612,935	6,294,312
Depreciation	5.2	29,822,545	29,351,118
Others		6,376,670	5,547,591
		853,648,004	972,268,296
Work in process			
Opening stock		4,101,625	1,930,077
Closing stock	9	(2,957,958)	(4,101,625)
		1,143,667	(2,171,548)
		854,791,671	970,096,748
<b>22.1.1 Raw and packing materials consumed</b>			
Opening stock		102,393,988	69,697,857
Purchases		534,711,829	656,345,517
		637,105,817	726,043,374
Less: Closing stock	9	(116,014,363)	(102,393,988)
		521,091,454	623,649,386
<b>22.1.2 Salaries, wages and benefits include Rs.4.79 million (2014: Rs.4.34 million) in respect of staff retirement benefits.</b>			
<b>23. DISTRIBUTION COSTS</b>			
Salaries, wages and benefits	23.1	10,802,648	9,103,473
Rent, rates and taxes		312,000	346,284
Vehicle running expenses		678,075	831,498
Repairs and maintenance		30,286	25,050
Travelling		223,094	1,960
Utilities(Fuel, powers & water)		14,880	16,582
Postage and telephone		464,573	854,653
Printing and stationary		139,645	85,341
Advertisement		529,460	798,380
Insurance		367,136	406,327
Sampling		32,152	96,215
Conveyance		502,746	533,733
Entertainment		120,213	89,881
ISO and HACCP certification expenses		145,000	450,906
Kosher certification expenses		1,018,000	1,021,968
Organic certification expenses		991,475	908,218
Freight and commission		52,487,645	64,522,790
Others		506,841	59,087
		69,365,869	80,152,346
<b>23.1 Salaries, wages and benefits include Rs.0.67 million (2014: Rs.0.58 million) in respect of staff retirement benefits.</b>			

	Note	2015 RUPEES	2014 RUPEES
<b>24. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and benefits	24.1	31,058,487	31,823,502
Rent, rates and taxes		3,900	3,120
Vehicle running expenses		2,330,151	2,363,878
Repairs and maintenance		161,905	86,835
Travelling and conveyance		14,011,524	16,351,796
Utilities		267,836	301,174
Postage and telephone		1,265,025	1,475,798
Printing and stationery		1,576,950	1,550,426
Advertisement		603,208	337,546
Legal and professional charges		2,109,462	1,050,200
Insurance		1,122,631	980,788
Conveyance		537,616	568,408
Entertainment		1,814,120	1,805,457
Directors' fee		70,000	55,000
Auditors' remuneration	24.2	878,610	683,260
Donations and Corporate social responsibility		783,265	642,794
Depreciation	5.2	4,645,131	3,835,393
Share Registrar service charges		858,000	858,000
(Reversal) / provision for doubtful advances to employees		(250,900)	250,900
Others		1,253,677	1,430,581
		<u>65,100,598</u>	<u>66,454,736</u>
<b>24.1</b>	Salaries, wages and benefits include Rs.1.9 million (2014: Rs. 2.03 million) in respect of staff retirement benefits.		
<b>24.2 Auditors' remuneration</b>			
Audit fee		650,000	575,000
Fee for half yearly review		100,000	29,000
Fee for consolidation		50,000	23,000
Fee for Corporate Governance certificate		50,000	17,000
Out of pocket expenses		28,610	39,260
		<u>878,610</u>	<u>683,260</u>
<b>25. OTHER EXPENSES</b>			
Workers' profit participation fund		7,976,142	10,932,232
Workers' welfare fund		3,030,934	4,154,248
Exchange loss		-	672,414
		<u>11,007,076</u>	<u>15,758,894</u>

	Note	2015 RUPEES	2014 RUPEES
<b>26. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Income from bank deposits		3,926,591	5,911,190
Income from short term investment		20,665,556	16,939,999
Exchange gain		1,783,957	-
Dividend income from a subsidiary company		793,407	12,120,970
		27,169,511	34,972,159
<b>Income from non financial assets</b>			
Rent income from a subsidiary Company		3,000	12,000
Gain on disposal of property, plant and equipment		2,512,442	5,389,448
		2,515,442	5,401,448
		29,684,953	40,373,607
<b>27. FINANCE COSTS</b>			
Mark-up / interest on:			
Short term borrowings		63,548	-
Workers' Profit Participation Fund	19.2	30,251	41,998
		93,799	41,998
Bank charges and commission		942,187	974,342
		1,035,986	1,016,340
<b>28. TAXATION</b>			
The tax assessments of the Company have been finalized upto and including the tax year 2014.			
<b>28.1 Reconciliation between tax expense accounting profit</b>			
Account profit for the year before taxation		148,579,279	203,558,160
Tax at applicable rate of 33% (2014: 34%)		49,031,162	69,209,774
Tax effect of:			
Export sales		(23,364,076)	(14,351,341)
Dividend income attracting lower tax		(182,483)	(2,909,033)
Prior year taxation		548,476	-
Others		414,783	(3,237,658)
		26,447,862	48,711,742
<b>29. EARNINGS PER SHARE</b>			
Profit after taxation (Rs.)		122,131,417	154,846,418
Weighted average number of ordinary shares in issue		40,000,000	40,000,000
Basic earnings per share (Rs.)	29.1	3.05	3.87

**29.1** There is no dilutive effect on basic earnings per share.

	2015 RUPEES	2014 RUPEES
<b>30. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	148,579,279	203,558,160
Adjustments for non-cash charges and other items:		
Depreciation	34,467,676	33,186,511
Gain on disposal of property, plant and equipment	(2,512,442)	(5,389,448)
Finance costs	1,035,986	1,016,340
	32,991,220	28,813,403
	<u>181,570,499</u>	<u>232,371,563</u>
<b>(Increase) / decrease in current assets</b>		
Stores, spare parts and loose tools	(8,143,157)	(5,629,381)
Stock-in-trade	(21,222,366)	4,421,021
Trade debts	43,859,872	(54,126,099)
Loans, advances, trade deposits, short term		
prepayments and other receivables	3,011,545	(1,916,798)
Accrued income	(452,592)	801,096
	<u>17,053,302</u>	<u>(56,450,161)</u>
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	3,908,095	(3,793,233)
	<u>20,961,397</u>	<u>(60,243,394)</u>
	<u>202,531,896</u>	<u>172,128,169</u>

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e. market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Company's senior management oversees the management of these risks. The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, financial instruments and investment of excess liquidity. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors reviews policies for managing each of these risks which are summarized below:

#### 31.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk, interest rate risk and other price risk, such as equity risk.

##### 31.1.1 Interest 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 the market interest rates. The Company presently has no borrowings as at June 30, 2015, though it has sanctioned limit of Rs.100 million

Instead the Company's financial instruments are balances placed on deposits with banks where changes in interest rates may have impact on the future profit/cash flows. Treasury account with a schedule bank of Rs.65.42 million (2014: Rs.251.6 million). The Company places its most of the funds in bank Al-Habib Limited having good credit rating. As of the balance sheet date the Company is not materially exposed to interest rate risk.

#### Sensitivity Analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

	<b>Increase / (decrease) in basis points</b>	<b>Effect on profit before tax Rupees</b>
<b>2015</b>		
<b>KIBOR</b>	<b>+200</b>	<u>130,844</u>
<b>KIBOR</b>	<b>-200</b>	<u>(130,844)</u>
<b>2014</b>		
<b>KIBOR</b>	<b>+200</b>	<u>503,203</u>
<b>KIBOR</b>	<b>-200</b>	<u>(503,203)</u>

#### 31.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expenses are denominated in a different currency from the Company's functional currency).

	<b>2015</b>	<b>2014</b>
Trade debts - US Dollar	<u>115,770</u>	<u>547,995</u>
The following significant exchange rates have been applied at reporting dates:		
Exchange rate - US Dollar	<u>102.55</u>	<u>100.34</u>

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax and the Company's equity.

	<b>Change in rate (%)</b>	<b>Effect of translation of foreign currency asset on profit or (loss) ----- Rupees -----</b>	<b>Effect on equity</b>
30 June 2015-US Dollar	+10	<u>11,577</u>	<u>11,577</u>
	-10	<u>11,577</u>	<u>11,577</u>
30 June 2014-US Dollar	+10	<u>54,799</u>	<u>54,799</u>
	- 10	<u>54,799</u>	<u>54,799</u>

### 31.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company manages credit risk by limiting significant exposure to any individual customers, by obtaining advance against sales and does not have significant exposure to any individual customer. As of the balance sheet date, the Company is exposed to credit risk on the following assets:

	2015 RUPEES	2014 RUPEES
Long-term deposits	3,102,001	3,078,001
Trade debts	11,991,630	55,851,502
Loans and advances	3,405,494	6,013,422
Trade deposits and short term prepayments	2,088,206	2,330,325
Accrued income	452,592	-
Other receivables	376,786	538,284
Bank balances	79,615,494	258,734,286
	<u>101,032,203</u>	<u>326,545,820</u>

#### Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings agencies or the historical information about counter party default rates as shown below:

##### Trade debts

Neither past due nor impaired	11,872,214	55,718,085
Past due but not impaired	119,416	133,417
	<u>11,991,630</u>	<u>55,851,502</u>

##### Cash at bank

Current accounts		
A-1 +	13,799,502	2,092,722
P-1	393,764	393,764
Saving accounts		
A1+	65,422,228	256,247,800
	<u>79,615,494</u>	<u>258,734,286</u>

### 31.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date the Company has unavailed credit facility of Rs.100 million (2014: Rs.100 million).

Table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates based on contractual undiscounted payments.



	2015					2014				
	INTEREST BEARING					INTEREST BEARING				
	Less than one year	One to five years	Total	NON-INTEREST BEARING	Total	Less than one year	One to five years	Total	NON-INTEREST BEARING	Total
Financial Assets										
Deposits	-	-	-	3,227,001	3,227,001	-	-	-	3,278,001	3,278,001
Trade debts	-	-	-	11,991,630	11,991,630	-	-	-	55,851,502	55,851,502
Advance to staff	-	-	-	8,290	8,290	-	-	-	558,535	558,535
Short term investments	250,254,450	-	250,254,450	-	250,254,450	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	258,840	258,840
Financial Liabilities										
Trade and other payables	506,393	-	506,393	77,388,841	77,895,234	2,623,580	-	2,623,580	71,363,559	73,987,139
	250,760,843	-	250,760,843	92,615,762	343,376,605	2,623,580	-	2,623,580	131,310,437	133,934,017

### 31.4 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction. As of the balance sheet date, the carrying value of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

### 31.5 CAPITAL RISK MANAGEMENT

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the year ended June 30, 2015.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings including any finance cost thereon less cash and bank balances. Capital signifies equity as shown in the balance sheet plus net debt.

During the year, the Company's strategy was to minimize leveraged gearing. The Company finances its expansion projects through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk. As of the balance sheet date the Company has no gearing (gearing ratio - 2014: Nil).

## 32. REMUNERATION OF THE CHAIRMAN, CHIEF EXECUTIVE AND EXECUTIVES

32.1 Aggregate amounts charged in the financial statements are as follows:

	2015			2014		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees)					
Managerial remuneration	6,667,918	3,893,839	25,447,503	6,135,629	6,832,784	18,768,591
Other benefits	611,017	356,048	1,338,892	581,920	678,186	1,359,884
Contribution to provident fund	553,993	322,820	2,074,424	511,302	569,399	1,564,051
	7,832,928	4,572,707	28,860,819	7,228,851	8,080,369	21,692,526
Number of persons	1	1	23	1	2	18

32.2 The aggregate amount paid to the Directors as a fee for attending the Board of Directors' meetings amount to Rs. 70,000 (2014: Rs. 55,000).

32.3 In addition, the Chief Executive, Directors and the ten Executives are provided free use of Company maintained cars as per terms of employment. Telephone at residence and club bills are also paid by the Company.



### 33. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group companies, directors, executives and retirement funds. Transactions and balances with related parties other than those disclosed elsewhere in the financial statements are as follows:

Relationship	Nature of transactions	2015	2014
		-----Rupees-----	
Subsidiary	Rent received	3,000	12,000
	Sales	1,635,750	9,816,300
	Dividends received	793,407	12,120,970
	Purchase of property, plant and equipment	771,931	-
	Expenses paid on behalf of the Company	766,485	-
Associates	Dividends paid	2,369,146	4,146,006

### 34. NUMBER OF EMPLOYEES

Total number of persons employed as at the year-end were 405 (2014: 417) and average number of employees during the year were 447 (2014: 453).

### 35. CAPACITY

Annual installed capacity as of June 30 (In M. Tons)	45,000	45,000
Actual production for the year	33.33%	37.34%

### 36. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on 27 August 2015 (i) approved the transfer of Rs. Nil from un-appropriated profit to general reserve; and (ii) proposed final cash dividend of Rs.3/- per share for the year ended June 30, 2015 amounting to Rs. 120 million for approval of the members at the Annual General Meeting to be held on 03 October 2015.

The Finance Act, 2015 introduced a tax on every public company at the rate of 10% of such undistributed reserves which exceeds the amount of its paid up capital. However, this tax shall not apply in case of a public company which distribute cash dividend equal to at least either 40% of its after tax profits or 50% of its paid up capital, within the prescribed time after the end of the relevant tax year.

Based on the fact that the Board of Directors of the Company has proposed 60% dividend for the financial and tax year 2015 which exceeds the prescribed minimum dividend requirement as aforesaid, the Company believes that it would not eventually be liable to pay tax on its undistributed reserves as of 30 June 2015.

### 37. GENERAL

- 37.1 Figures have been rounded off to the nearest Rupees unless otherwise stated.
- 37.2 There was no reclassification that could affect the financial statements materially.



**OWAIS G. HABIB**  
Chief Executive



**GAFFAR A. HABIB**  
Chairman

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 35th Annual General Meeting of the members of the Company will be held on Saturday, October 03, 2015 at 11:30 a.m. at HAH Muslim Gymkhana Auditorium, Aiwan-e-Sadar Road, Karachi.

### ORDINARY BUSINESS:

1. To confirm the minutes of the Annual General Body Meeting held on October 22, 2014.
2. To receive and adopt the Director's Report and Audited Financial Statements of the Company for the year ended June 30, 2015.
3. To approve the Final Cash Dividend for the year ended June 30, 2015 @ 60% i.e. Rs. 3.00 per share of Rs.5 each to the members as recommended by the Board of Directors.
4. To appoint Auditors for the year ending on June 30, 2016 and fix their remuneration.
5. To transact such other business as may be placed before the meeting with the permission of the Chairman.

By Order of the Board

Ali Asghar Rajani  
Company Secretary

Karachi: 27 August 2015

### NOTES:

- i. The share transfer books of the Company will remain closed from September 21, 2015 to October 03, 2015 (both days inclusive).
- ii. A member of the company entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies must be received at the Company's Share Registrar office not later than 48 hours prior to the meeting.
- iii. The CDC account / Sub account holders are requested to bring with them their Computerized National Identity Cards (CNIC) along with the participant(s) ID number and their account numbers at the time of attending the AGM in order to facilitate identification of the respective shareholders. In case of corporate entity, the Board of Directors Resolution / Power of attorney with specimen signature must be produced at the time of meeting.
- iv. The shareholders are requested to promptly communicate any change in their address to our Share Registrar: Secretarial Services (Pvt) Limited.

- v. Pursuant to the directives of the Securities & Exchange Commission of Pakistan, CNIC number is mandatory required to be mentioned on dividend warrants. Shareholders holding share certificate are therefore requested to submit a copy of their valid CNIC, if not already provided to M/s. Secretarial Services (Pvt.) Limited, 2nd Floor, UBL Building, I.I. Chundrigar Road, Karachi (the Share Registrar). In case of non-receipt of the copy of valid CNIC, Habib - ADM Limited would be unable to comply with SRO 831 (1) 2012 dated July 05, 2012 of SECP and therefore will be constrained under Section 251(2)(a) of the Companies Ordinance, 1984 to withhold dispatch of dividend warrant of such Shareholders.
- vi. The Government of Pakistan through Finance Act, 2014 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the Companies. These tax rates are as under:

(a)	For filers of income tax returns	12.5%
(b)	For non-filers of income tax returns	17.5%

To enable the Company to make tax deduction on the amount of cash dividend @ 12.5% instead of 17.5%, all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date for payment of the cash dividend, otherwise tax on their cash dividend will be deducted @ 17.5% instead of 12.5%.

For any query / clarification / information, the shareholder may contact the Share Registrar at the following address:

M/s. Secretarial Services (Pvt.) Limited  
2nd Floor, UBL Building,  
I.I. Chundrigar Road,  
Karachi.

## **PROXY FORM**

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member(s) of HABIB-ADM LIMITED, and a holder of \_\_\_\_\_

Ordinary Shares as per Share Register Folio Number \_\_\_\_\_

and/or CDC Account and participant's I.D. Numbers \_\_\_\_\_

hereby appoint \_\_\_\_\_ Folio No. \_\_\_\_\_ of \_\_\_\_\_

or failing him/her \_\_\_\_\_ Folio No. \_\_\_\_\_ of \_\_\_\_\_

another member of HABIB-ADM LIMITED as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on October 03, 2015, and at any adjournment thereof.

Signed this \_\_\_\_\_ Day of \_\_\_\_\_

Revenue Stamp  
Five  
Rupees

SIGNATURE OF MEMBER(S)

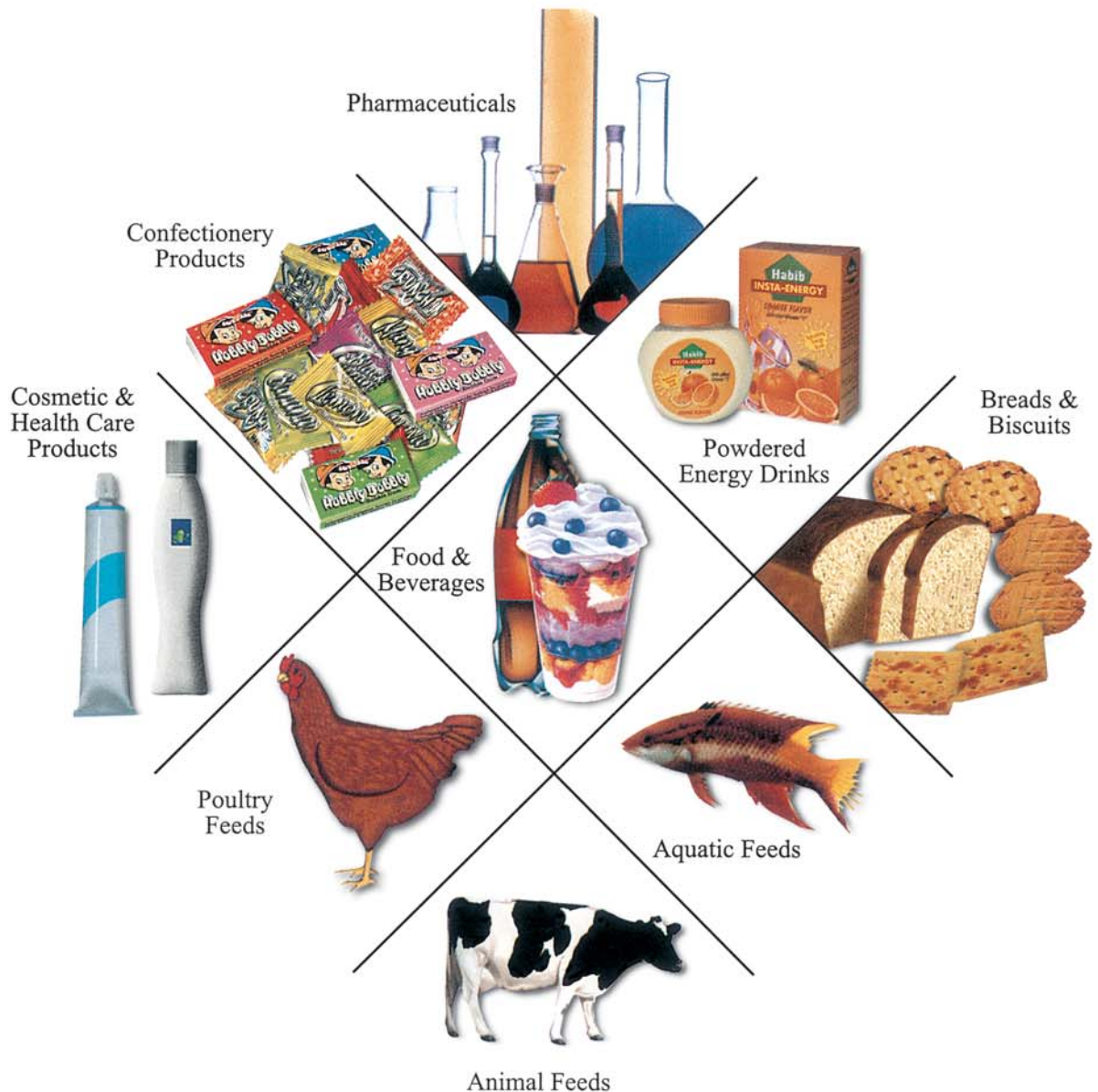
(Signature should agree with the specimen signature registered with the Company)



# Habib-ADM Ltd.

## Pioneer Producers of Rice Based Starch Sugars and Proteins

Habib-ADM Limited pioneered the conversion of Rice into Glucose, Dextrose, Fructose, Sorbitol and Maltodextrine - all essential ingredients for:



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contributing to a sweeter tomorrow