



**Habib-ADM Ltd.**

***34th Annual Report  
for the year ended  
June 30, 2014***

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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**

M/s. Kreston Hyder Bhimji & Co.  
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 2014.

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

	<b>RUPEES in '000</b>	
	<b>2014</b>	<b>2013</b>
Profit before Tax	203,558	198,686
Provision for Tax	48,712	56,730
Net Profit after Tax	154,846	141,956
Un-appropriated Profit Brought Forward	379,559	377,602
Total Available for Appropriations	534,406	519,559
<b>Proposed Appropriations:</b>		
Final Dividend @ 40% (2013: 70%)	80,000	140,000
Un-Appropriated Profit Carried Forward	454,406	379,559
Earnings per Share (EPS) -Net of Tax	3.87	3.55
Dividend per Share of Rs. 5 each	2.00	3.50

### **The Year In Review**

Notwithstanding the challenges of cheap imports of Sorbitol favored by a 5% import duty and no sales tax, we have by the grace of Allah been able to retain the business of our loyal customers to stabilize our overall sales - However this challenge continues to haunt us as we make presentations to the authorities for rectification.

**Future out look**  
**Raw Material**

The world is expected to Harvest record bumper crops of corn, soya, wheat etc. This will in all likely hood bring down the prices of these commodities' and perhaps our raw material (Rice). On the other hand - it will also permit foreign producers to lower their prices for products competing in our markets.

**Water Supply**

Hub Dam catchment area has been under drought like conditions for an extended period reducing the live water storage from 815000 acre feet to just 31700 acre feet. We as all the industries in the Hub area are working towards:-

- A) Asking the authorities to activate the K-3 project which would pump water to Hub from Indus river water source.
- B) Working to install Reverse Osmosis Plant to purify saline ground water to make it suitable for plant operation. However only time will tell the availability of the ground water.

**Tax Demand**

During the audit for year end 2012, The tax authority has disallowed 90% of our total Cost of Production - including 100% Raw Material, Salaries & Wages - even Export Freight etc. - there by raising the taxable income to 900 million with a tax liability of 313 million v/s the 100 million already paid - thus demanding further 231 million as tax.

This has been taken up in the proper appellate procedure. Our tax advisers are confident that this demand will be set aside.

In view of these challenges the Board decided to temper the dividend payout for the year @ 40% (i.e. Rs 2 per share of Rs 5 each.).

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: 09 September 2014

## 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 2014.

Provident Fund Rs. 167.48 million (2013 Rs.153.38 million)

- j. Pattern of Share Holding of the Company is shown on the page 7.
- k. During the year (5) 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	5
2. Mr. Owais G. Habib	5
3. Dr. Howard J. Synenberg	-
4. Mr. Tufail Y. Habib	4
5. Ms. Fatemah G. Habib	5
6. Dr. Salma Habib	1
7. Mr. Daniyal Ghani	5

## AUDITORS

The auditors M/s. Kreston Hyder Bhimji & Co. 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, 2015.

Karachi: September 09, 2014



**GAFFAR A. HABIB**  
Chairman

## SIX YEARS AT A GLANCE

(Rupees in '000)

PARTICULARS	2014	2013	2012	2011	2010	2009
<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	534,406	519,559	537,602	412,805	376,200	313,710
Total Share Holder Equity	794,406	779,559	797,602	672,805	636,200	573,710
Fixed Assets at Cost	936,897	897,632	880,439	849,975	778,510	751,538
Accumulated Depreciation	586,351	555,878	521,159	485,479	447,338	408,886
Fixed Assets Net of Depreciation	350,546	341,754	359,280	364,496	331,171	342,651
Current Assets	551,689	558,263	603,230	400,566	433,780	321,541
Total Assets Net of Depreciation	902,235	900,017	962,510	765,062	764,951	664,192
Non Current Liabilities	37,920	41,450	43,460	42,050	45,548	40,490
Current Liabilities	73,987	83,251	125,075	54,370	106,413	70,205
Total Liabilities	111,907	124,701	168,535	96,420	151,961	110,695
<b>INCOME</b>						
Consolidated Gross Sales	1,403,132	1,241,106	1,481,175	1,424,436	1,322,464	1,349,164
Net Sales(Habib-ADM Ltd)	1,335,973	1,183,698	1,404,005	1,300,918	1,174,755	1,131,768
Dividend from Subsidiary Company	12,121	6,987	4,449	8,226	19,445	84,340
Other Income	28,253	33,342	21,317	4,321	10,313	4,018
Total Net Revenue	1,376,346	1,224,027	1,429,771	1,313,466	1,204,512	1,220,126
Profit before Taxation	203,558	198,686	306,004	169,196	203,867	198,197
Taxation	48,712	56,730	101,207	52,591	61,378	56,961
Profit after Taxation	154,846	141,956	204,798	116,606	142,489	141,237
<b>STATISTICS AND RATIOS</b>						
Pre-Tax Profit to Sales %	0.15	0.17	0.22	0.13	0.17	0.18
Pre-Tax Profit to Capital %	1.02	0.99	1.53	0.85	1.02	0.99
Current Ratio	7.46	6.71	4.82	7.37	4.08	4.58
Paid-Up Value Per Share (Rs)	5	5	5	5	5	5
Earning Per Share Before Tax(Rs)	5.09	4.97	7.65	4.23	5.10	4.95
Earning Per Share After Tax(Rs)	3.87	3.55	5.12	2.92	3.56	3.53
Cash Dividend %(Rs.)	2.00(40%)	3.50(70%)	4.00(80%)	2.00(40%)	2.00(40%)	2.00(40%)
Bonus Share %	-	-	-	-	-	-
Retained Earning Per Share (Rs)	1.87	0.05	1.12	0.92	1.56	1.53
Break-Up Value Per Share (Rs)	19.86	19.49	19.94	16.82	15.90	14.34

\* The Board of Directors in their meeting of September 09, 2014 has recommended cash dividend in respect of the year ended June 30,2014 @40% i.e. Rs. 2.00 per share of Rs. 5 each.

## PATTERN OF SHARE HOLDING AS ON JUNE 30, 2014

NO. OF SHARE HOLDERS	SHARE HOLDING	TOTAL SHARES HELD
1011	0000001 TO 0000100	30,888
604	0000101 TO 0000500	171,236
297	0000501 TO 0001000	232,329
399	0001001 TO 0005000	980,047
75	0005001 TO 0010000	574,108
25	0010001 TO 0015000	319,515
16	0015001 TO 0020000	298,881
6	0020001 TO 0025000	137,942
5	0025001 TO 0030000	145,132
5	0030001 TO 0035000	165,906
3	0035001 TO 0040000	114,548
4	0040001 TO 0050000	175,312
6	0050001 TO 0070000	363,722
6	0070001 TO 0075000	438,489
7	0075001 TO 0100000	631,217
8	0100001 TO 0175000	1,095,764
6	0200001 TO 0300000	1,564,880
2	0350001 TO 0500000	775,348
2	0800001 TO 1000000	1,714,820
3	1000001 TO 2000000	4,137,272
2	2000001 TO 2500000	4,390,905
4	3000001 TO 4000000	14,341,739
1	4000001 TO 7200000	7,200,000
<b>2497</b>		<b>40,000,000</b>



## PATTERN OF SHAREHOLDING AS ON JUNE 30, 2014

Category #	Shareholders' Category	Number of Shareholders	Number of Shares Held	Category Wise Shares Held	Percentage
<b>1</b>	<b>Associated Companies</b>			1,184,573	2.96
	M/s. Abbas Builders (Pvt) Limited	1	1,166,373		
	M/s. Hydari Boring & Pilling (Pvt) Limited	1	18,000		
	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>			16,914,639	42.29
	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	422,648		
<b>4</b>	<b>Banks, DFIs, NBFIs, Insurance &amp; Modaraba Companies</b>	9	946,351	946,351	2.37
<b>5</b>	<b>Joint Stock Companies</b>	29	660,872	660,872	1.65
<b>6</b>	<b>Charitable &amp; Other Trusts</b>	4	204,996	204,996	0.51
<b>7</b>	<b>Individuals</b>	2,440	10,635,086	10,635,086	26.59
<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>2,497</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, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in related clauses of Listing Regulations of Karachi Stock Exchange Ltd and Lahore Stock Exchange Limited, 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.

Habib-ADM Limited (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. At present the Board includes:

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

The independent director meets the criteria of independence under clause i (b) of the CCG.

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 DFI or an NBFIs or, being a members of stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year No Casual Vacancy occurred in the Board of Directors during the current year.
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 and 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.
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 while four Directors have completed Training Program through PICG and remaining one director will attained orientation course by required time.
10. The Board has approved appointment of CFO, Company Secretary and head of Internal Audit, including their remuneration and terms and conditions of employment.
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 an Audit Committee. It comprises of four members including one independent director and three non-executive directors.
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 and 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 an Executive Director.

18. The Board has set up an effective internal audit function who are 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 programmed 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. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board of Directors



Karachi: 09 September 2014

Chief Executive Officer

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2014 prepared by the Board of Directors of HABIB- ADM LIMITED to comply with the Listing Regulation no. 35 of the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. 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 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal controls covers all controls and the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, Sub-regulation (x) of Listing Regulation no. 35 of the Karachi and Lahore Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval of 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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 status of Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2014.



**KRESTON HYDER BHIMJI & CO.**  
CHARTERED ACCOUNTANTS  
Engagement Partner:  
Mohammad Hanif Razzak

Karachi: 09 September 2014



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

**Consolidated Financial Statements  
For The Year Ended June 30, 2014**





## **AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

We have audited the annexed Consolidated Financial Statements comprising Consolidated Balance Sheet of HABIB - ADM LIMITED (The Holding Company) and its Subsidiary Company HABIB MICROFINE (PVT) LIMITED as at June 30, 2014 and the related Consolidated Profit & Loss Account, 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 opinion on the Financial Statements of HABIB - ADM LIMITED and HABIB MICROFINE (PVT) LIMITED. 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 HABIB - ADM LIMITED and its Subsidiary Company as at June 30, 2014 and the results of their operations for the year then ended.

**KRESTON HYDER BHIMJI & CO.**

Chartered Accountants

Engagement Partner:

Mohammad Hanif Razzak

Karachi: 09 September, 2014



## CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2014

	NOTE	2014 RUPEES	2013 RUPEES
<b>AUTHORISED SHARE CAPITAL</b>			
60,000,000 Ordinary Shares of Rs. 5 each		<u>300,000,000</u>	<u>300,000,000</u>
<b>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>			
40,000,000 Ordinary Shares of Rs. 5 each	4	200,000,000	200,000,000
<b>RESERVES AND SURPLUS</b>			
Capital Reserve	5	10,000,000	10,000,000
Revenue Reserve - General	6	50,000,000	50,000,000
Unappropriated Profit		534,405,604	519,559,186
		794,405,604	779,559,186
Deferred Taxation	7	37,920,000	41,450,000
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	8	75,190,084	78,220,431
Short Term Borrowings (Secured)	9	-	-
Provision for Income Tax Net of Payment	10	-	5,470,703
		75,190,084	83,691,134
<b>CONTINGENCIES &amp; COMMITMENTS</b>			
	11	-	-
		<u>907,515,688</u>	<u>904,700,320</u>

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.



## CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2014

	NOTE	2014 RUPEES	2013 RUPEES
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	12	351,384,330	342,685,610
Long Term Deposits	13	3,078,001	3,243,001
		354,462,331	345,928,611
<b>CURRENT ASSETS</b>			
Stores, Spare Parts and Loose Tools	14	48,649,229	43,019,848
Stock in Trade	15	172,567,086	176,988,107
Trade Debts - Considered Good	16	55,117,398	145,038
Advances - Unsecured	17	6,013,422	3,263,174
Trade Deposits and Short Term Pre-Payments	18	2,330,325	2,788,655
Accrued Income	19	-	801,096
Other Receivables	20	2,346,177	2,727,409
Short Term Investments	21	-	200,000,000
Income Tax Refundable net of Provisions	22	5,444,514	879
Cash and Bank Balances	23	260,585,206	129,037,503
		553,053,357	558,771,709
		<u>907,515,688</u>	<u>904,700,320</u>

**OWAIS G. HABIB**  
Chief Executive

**GAFFAR A. HABIB**  
Chairman





## CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2014

	NOTE	2014 RUPEES	2013 RUPEES
SALES			
Gross Sales		1,403,132,162	1,241,106,233
Less: Sales Tax on local sales		49,418,157	45,383,794
Net Sales	24	1,353,714,005	1,195,722,439
Cost of Goods Sold	25	1,009,722,799	856,822,201
<b>Gross Profit</b>		<b>343,991,206</b>	<b>338,900,238</b>
LESS:			
Selling & Distribution Cost	26	84,600,230	90,555,362
Administrative Expenses	27	66,703,036	65,447,683
		151,303,266	156,003,045
<b>Operating Profit</b>		<b>192,687,940</b>	<b>182,897,193</b>
LESS:			
Finance Cost	28	1,083,451	1,374,462
Other Operating Charges	29	16,011,524	16,001,067
		17,094,975	17,375,529
		175,592,965	165,521,664
ADD:			
Other Operating Income			
Income from Financial Assets			
Income from Bank Deposits		5,911,190	8,810,695
Income from Short Term Investment		16,939,999	17,944,383
Exchange Gain		-	3,521,603
		22,851,189	30,276,681
Income from Non Financial Assets			
Gain on Sale of Property, Plant & Equipment	12.2	5,389,447	3,053,666
Total Other Operating Income		28,240,636	33,330,347
<b>Net Profit Before Taxation</b>		<b>203,833,601</b>	<b>198,852,011</b>
Provision for Taxation	30	48,987,183	56,895,612
<b>Net Profit For The Year</b>		<b>154,846,418</b>	<b>141,956,399</b>
Other Comprehensive Income for the Year		-	-
<b>Total Comprehensive Income for the Year</b>		<b>154,846,418</b>	<b>141,956,399</b>
Earning per Share of Rs. 5 each	31	3.87	3.55

The annexed notes 1 to 43 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, 2014**

	NOTE	2014 RUPEES	2013 RUPEES
<b>Cash Flows from Operating Activities</b>			
Cash Generated from Operations	33	372,486,590	312,798,730
Finance Cost Paid		(1,083,451)	(1,374,462)
Payment of Income Tax during the year		(63,431,521)	(95,384,464)
Net Cash Generated from Operating Activities		307,971,618	216,039,804
<b>Cash Flows from Investing Activities</b>			
Addition in Property, Plant & Equipment		(42,912,915)	(18,116,509)
Sale Proceeds from Disposal of Property, Plant & Equipment		6,324,000	3,349,603
Decrease/(Increase) in Long Term Deposits		165,000	15,000
Net Cash generated in Investing Activities		(36,423,915)	(14,751,906)
Net Cash flows available from Operating and Investing Activities		271,547,703	201,287,898
<b>Cash Flows from Financing Activities</b>			
Dividend Paid		(140,000,000)	(160,000,000)
Net Cash used in Financing Activities		(140,000,000)	(160,000,000)
Net Increase in Cash and Bank Balances		131,547,703	41,287,898
Cash and Bank Balances at the beginning of the Year		129,037,503	87,749,605
Cash and Bank Balances at the end of the Year		260,585,206	129,037,503

The annexed notes 1 to 43 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, 2014

PARTICULARS	ISSUED, SUBSCRIBED AND PAID UP CAPITAL	CAPITAL RESERVE	REVENUE RESERVE GENERAL	UNAPPRO- PRIATED PROFIT	TOTAL
Balance as at July 01, 2012	200,000,000	10,000,000	50,000,000	537,602,787	797,602,787
Transaction with owners					
Final Cash Dividend for the year ended June 30, 2012 @ 80% i.e. Rs. 4 per share of Rs.5 each	-	-	-	(160,000,000)	(160,000,000)
Total Comprehensive income for the year ended June 30, 2013	-	-	-	141,956,399	141,956,399
	-	-	-	(18,043,601)	(18,043,601)
Balance as at June 30, 2013	200,000,000	10,000,000	50,000,000	519,559,186	779,559,186
Transaction with owners					
Final Cash Dividend for the year ended June 30, 2013 @ 70% i.e. Rs. 3.50 per share of Rs.5 each	-	-	-	(140,000,000)	(140,000,000)
Total Comprehensive income for the year ended June 30, 2014	-	-	-	154,846,418	154,846,418
	-	-	-	14,846,418	14,846,418
Balance as at June 30, 2014	200,000,000	10,000,000	50,000,000	534,405,604	794,405,604

The annexed notes 1 to 43 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, 2014**

### **1. LEGAL STATUS AND OPERATIONS**

- 1.1 The Consolidated Financial Statements include the Financial Statements of the following entities:

Habib-ADM Limited  
Habib Microfine (Pvt) Limited

Habib-ADM Limited was incorporated in 1980 as a Public Limited Company and its share are quoted 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 principal activity of the Parent Company is to produce rice based Starch Sugar and Proteins .

The principal activity of Habib Microfine (Pvt) Limited is the production of microfine processed products, trading and export of goods. Products sold during the year did not require to be microfined, therefore the plant remained unutilized. The Registered Office of the Company is also situated at 2nd Floor, UBL Building, I.I.Chundrigar Road, Karachi.

### **1.2 Basis of Consolidation**

The assets and liabilities of the Subsidiary Company have been consolidated on a line by line basis and the carrying value of investment held by the Holding Company is eliminated against the Subsidiary's share capital in the Consolidated Financial Statements.

Subsidiary company financial are consolidated from the date on which more than 50% voting rights are transferred to the holding company or power to govern the financial and operating policies over the subsidiary is established and is excluded from consolidation from the date of disposal of cessation of control. Presently Habib-ADM Limited owns 100% share holding of Subsidiary Company Habib Microfine (Pvt.) Ltd.

The financial statements of the subsidiary are prepared for the same reporting period as the holding company, using consistent accounting policies.

Material intra group balances and transactions are eliminated.

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of Compliance**

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



### **2.2 Significant Accounting Judgments and Estimates:**

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 event that are believed to be reasonable under the circumstances. Revisions to accounting estimate is recognized 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 judgment which are significant to the Financial Statements.

#### **Property, Plant and Equipment:**

The Company has made certain estimation with respect to residual value, depreciation method and depreciable lives of items of property, plant and equipment. Further, the Company reviews the value of assets for possible impairment on each financial year end. Any change in the estimates in future years might effect the remaining amounts of respective items of Property, plant and equipment's with a corresponding effect on the depreciation charge and impairment.

#### **Income Taxes :**

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

#### **Future Estimation of Export Sales :**

Deferred tax calculation has been made based on estimate of future ratio of export and local sales based on past history.

#### **Provision for Obsolescence :**

Provision for Obsolescence and slow moving items is based on parameters set out by management.

#### **Contingencies:**

Contingencies are evaluated based on the element of issue involved and opinion of legal counsel.

#### **Stock in Trade:**

Net realizable value of stock in trade is obtained from prevailing market rates and estimate of selling expenses to be incurred thereon.

#### **Provision for Bad Debts:**

A provision for Bad trade debts and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the amount is impaired. Debts, considered irrecoverable, are written off, as and when identified.



## **Impairment in Investment:**

The impairment in investment is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. An investment impairment is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that investment.

## **2.3 Standards and interpretation that became effective but not relevant to the Company**

There were certain new amendments to the approved accounting standards and a new interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations.

**IAS -19 Employees Benefits:** The amendment removes the options for accounting for the liability and requires that the liabilities arising from such plans is recognized in full which actuarial gains and losses being recognized in other comprehensive income (eliminate corridor method for recognition of actuarial gains and losses). it also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short term and other long term employee benefits is now based on whether the benefits are expected to be settled wholly with in 12 months after the reporting date.

**IFRS-7 Financial Instruments: Disclosures-** Disclosures about offsetting of financial assets and liabilities: These amendments require entities to disclose gross amount subject to right of set off, amount set off in accordance with accounting standards followed. and the related net credit exposure. These disclosures are intended to facilitate the evaluation of the effect or potential effect of netting arrangements on an entity's financial position.

**IAS-27 Separate Financial Statements (2011) - Amendment:** The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments / IAS 39 Financial Instruments. Recognition and Measurement, The Standard also deals with the recognition of dividends, certain group reorganizations and includes a number of disclosure requirements.

**IAS-28 Investments in Associate and Joint Ventures - Amendments:** This standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines significant influence and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying equity method in some cases). it also prescribes how investments in associates and joint ventures should be tested for impairment.

## **2.4 Standards and Interpretations issued but not yet effective**

The following new standards, amendments to existing standards and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2014 and the Company does not expect to have any material / significant changes in its accounting policy except for disclosures, where applicable:

**IFRIC 21- Levies** 'an Interpretation on the Accounting for Levies Imposed by Governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.



Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The Amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

Amendment to IAS 36 'Impairment of Assets' Recoverable Amount Disclosures for Non-Financial Assets' (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 'Impairment of Assets' address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' - Continuing Hedge Accounting after Derivative Novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

Amendments to IAS 19 'Employee Benefits' Employee contributions – a Practical Approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets are inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 'Property, Plant and Equipment' for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 'Agriculture'. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.





IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further, IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision-maker. This change aligns the disclosure requirements with those for segment liabilities.

Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

### **New Standards issued by ISAB and notified by SECP but not yet effective**

The following new standards issued by IASB have been adopted by the SECP for the purpose of applicability in Pakistan through SRO 633(1) / 2014 dated July 10, 2014 and will be effective for annual period beginning on or after January 01, 2015. These new standard are either irrelevant or will not have any materials effect on the Company's Financial statements.

**IFRS-10 Consolidated Financial Statements:** This new standard that replaces the consolidation requirements in SIC-12 Consolidation: Special Purpose Entities and IAS 27 - Consolidated and Separate Financial Statements. The proposed standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

**IFRS-11 Joint Arrangements:** This is new standard that deals with the accounting for joint arrangements and focuses on the right and obligations of the arrangements, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.

**IFRS-12 Disclosure of Interest in Other Entities:** This is new and comprehensive standard on disclosure requirements for all forms of interest in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

**IFRS-13 Fair Value Measurement:** This standard applies to IFRSs that require or permit fair value measurement or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. The standard defines fair value on the basis of an exit-price notion and uses a fair value hierarchy, which results in market-based, rather than entity-specific measurement.





## **3 SIGNIFICANT ACCOUNTING POLICIES**

### **3.1 Accounting Convention**

These Financial Statements have been prepared under the historical cost convention, except as otherwise specifically disclosed in the accounting policies below.

### **3.2 Functional and Presentation Currency**

These Financial Statements are presented in Pakistani Rupee which is the Company's Functional and presentation Currency.

### **3.3 Property, Plant and Equipment**

#### **Owned assets**

Property, plant and equipment, except leasehold land and capital work-in-progress, are stated at cost less accumulated depreciation and impairment, if any. Leasehold land is stated at cost. Capital work-in-progress is stated at cost less impairment if any. No amortization is provided on lease hold land since the leases are renewable at the option of lessee at nominal cost and their realizable values are expected to be higher than respective carrying values.

Depreciation is charged to income applying the Reducing Balance Method, whereby the depreciable amount of an asset is written off over its estimated useful life. Depreciation is charged including on additions on quarterly basis, whereas no depreciation is charged on the assets disposed off during the quarter.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvement are capitalised and the assets so replaced, if any are retired.

Gains or losses on disposals of items of property plant and equipment, if any are included in profit and loss account.

Assets residual values, useful lives and methods of depreciation are reviewed, and adjusted, if appropriate at each financial year end.

### **3.4 Capital Work in Progress**

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when assets are available for use.

### **3.5 Trade and Other Payables**

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

### **3.6 Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized at the time when the Company loses control of the contractual rights that comprises the financial assets. All financial liabilities are derecognized at the time when they are extinguished, that is when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account.



### 3.7 Stores, Spare Parts and Loose Tools.

Stores and Spare Parts	Valued at moving average cost except for items in transit which are valued at actual cost.
Loose Tools	Stated at actuals

### 3.8 Stock in Trade

Raw Material	Valued at lower of monthly weighted average cost and net realizable value.
Packing Material	Valued at lower of weighted average cost and net realizable value.
Work-in-Process	Valued at lower of weighted average cost of raw material plus appropriate portion of the manufacturing expenses and net realizable value
Finished Goods	Valued at lower of weighted average manufacturing cost and net realizable value.
Raw Material in Transit	Stated at actuals

### 3.9 Trade Debts

These are recognized and carried at original invoice amount which is the fair consideration. An estimate for doubtful debts is made when collection of the amount is no longer probable. Debts considered irrecoverable are written off when identified.

### 3.10 Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, Cash and Cash Equivalents comprises of Cash in hand and at Bank.

### 3.11 Borrowing Cost

Loans and borrowings are recorded as and when the proceeds are received.

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing cost, if any, is capitalized as part of the cost of that asset.

### 3.12 Taxation

#### Current :

Provision for current taxation is based on taxability of certain income streams of the Company under Final Tax Regime at the applicable tax rates and remaining income streams are chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and rebates available, if any, or minimum tax under section 113 of the Income Tax Ordinance, 2001 whichever is higher. The charge for current income tax is recorded after adjustment, if any, to the provision for tax made in prior year including those arising from assessment and amendments in assessments during the year in such years.



## **Deferred :**

The Company accounts for Deferred Taxation on all temporary differences using the Liability Method. Deferred Tax debit balances are recognized only to the extent that it is probable that future taxable profit 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 at 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. Deferred tax is charged or credited to profit & loss account.

### **3.13 Impairment**

The carrying amounts of the assets are reviewed at each financial year end to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognized in the Profit and Loss Account.

### **3.14 Offsetting of Financial Assets and Liabilities**

A Financial Asset and Financial Liability is offset and net amount is reported in the Balance Sheet if the Company has a legal enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets value and settle the liability simultaneously.

### **3.15 Provision**

A provision is recognized in the financial statements when the Company has a legal constructive obligation as a result of a past event, if, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

### **3.16 Staff Retirement Benefits**

The Company operates an approved defined contribution scheme of provident fund for eligible employees. Matching monthly contributions are made both by the Company and the employees to the fund at 8.33% of salary.

### **3.17 Compensated Unavailed leaves**

The Company accounts for its estimated liability towards unavailed leaves accumulated by employees at the end of the year, if any.

### **3.18 Revenue Recognition**

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and government levies. Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of goods to customers. Dividend Income is recorded when the right to receive payment is established. Rent Income and Interest Income is recognized on accrual basis.

**3.19 Dividend & Appropriation to reserves**

Dividend and appropriation to reserves are recognized in the Financial Statements in the period in which these are approved.

**3.20 Foreign Currency Translations**

Foreign currency transactions are translated into Pak Rupees using the exchange rate prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end the exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Profit and loss account.

	2014 RUPEES	2013 RUPEES
<b>4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		
15,000,000 Ordinary Shares of Rs. 5 each allotted for consideration paid in Cash.	75,000,000	75,000,000
25,000,000 Ordinary Shares of Rs. 5 each allotted as Fully Paid Bonus Shares.	125,000,000	125,000,000
	<u>200,000,000</u>	<u>200,000,000</u>
<b>5 CAPITAL RESERVE</b>		
Share Premium on 5,000,000 Right Shares @ Rs. 2 per share issued in the year 1995-96	<u>10,000,000</u>	<u>10,000,000</u>
<b>6 REVENUE RESERVE - General</b>	<u>50,000,000</u>	<u>50,000,000</u>
This reserve is created out of appropriation in past year and retained to meet future exigencies.		
<b>7 DEFERRED TAXATION</b>		
<u>Deferred Tax Liability arising due to :</u>		
Accelerated Depreciation Allowance	38,000,000	41,450,000
<u>Deferred Tax Asset arising due to :</u>		
Provisions	(80,000)	-
	<u>37,920,000</u>	<u>41,450,000</u>



	2014 RUPEES	2013 RUPEES
<b>8 TRADE &amp; OTHER PAYABLES</b>		
Trade Creditors	5,275,028	3,698,343
Accrued Liabilities	24,833,786	20,807,436
Advance from Customers	24,985,472	34,579,879
Security Deposit from Customers (Refundable on Cessation of Business Dealings Free of Interest)	254,450	254,450
Workers' Profits Participation Fund - Note 8.1	2,623,580	2,649,350
Workers' Welfare Fund	4,407,234	4,054,823
Others - Note 8.2	12,810,534	12,176,150
	<u>75,190,084</u>	<u>78,220,431</u>
<b>8.1 Workers' Profits Participation Fund</b>		
Opening Balance	2,649,350	7,334,183
Add: Interest on funds utilized for Company's business	41,998	144,579
	<u>2,691,348</u>	<u>7,478,762</u>
Add: Allocation for the year	10,932,232	10,670,588
	<u>13,623,580</u>	<u>18,149,350</u>
Less: Amount paid to trustees	11,000,000	15,500,000
Closing Balance	<u>2,623,580</u>	<u>2,649,350</u>
<b>8.2 Others</b>		
Income Tax Deducted at Source	108,381	20,043
Sales Tax & Special Excise Duty Payable	1,626,167	2,203,604
Unclaimed Dividend	11,072,471	9,948,988
Unclaimed Cheques For Right and Bonus Share Fraction	3,515	3,515
	<u>12,810,534</u>	<u>12,176,150</u>

**9 SHORT TERM BORROWING - Secured**

The sanctioned limit of short term borrowings (Running Finance with sub limit in Finance against Packing Credit, Finance against Foreign Bills and Foreign Currency Export Finance) aggregates to Rs. 100 million (2013: Rs. 100 million) and unavailed facility during the year as well as at the Balance Sheet date amounted to Rs.100 million (2013 Rs. 100 million). Facility is valid upto December 31, 2014. The mark up is linked with 3-Months KIBOR plus the spread of 2.5% per annum. The short term facility of the bank is for one year which is renewable after expiry of the term on revolving basis. These finance facilities are secured against hypothecation of Stocks and book debts, Lien over LC/Contract and import document, Furthermore, the Company has also provided collateral security to Bank being an equitable mortgage over plant & machinery and land & building.



	2014 RUPEES	2013 RUPEES
<b>10 PROVISION FOR INCOME TAX NET OF PAYMENTS</b>		
Opening Balance Payable	-	41,950,252
Tax Paid during the year including advance tax	-	(95,219,498)
	-	(53,269,246)
Provision for current year	-	58,278,960
Tax for prior year	-	460,989
Net Payable	-	5,470,703
<b>11 CONTINGENCIES &amp; COMMITMENTS</b>		
<b>11.1 CONTINGENCIES</b>		
11.1.1 Upon completion of tax audit for the year 2012, a tax demand of Rs.313.127 million has been created by making several disallowances of claimed expenses as well as arbitrary allocation of cost against normal tax regime and final tax income and workers welfare fund of Rs. 18.252 million has been levied whereas the company has provided Rs.97.461 Million and Rs.6.245 Million respectively there-against. Company has filed an appeal before the Commissioner-Inland Revenue-(Appeals) against the order by challenging the legality as well as on factual plain. Based upon the income tax advisors contesting the appeal, it is a fit case and eventually tax demand so created is likely to be quashed at appellate forums. Hence no provision for the differential amount of Rs.215.666 Million and Rs.12.007 Million for income tax and WWF has been recorded in the annexed financial statements.		
<b>11.2 COMMITMENTS</b>		
11.2.1 Guarantees have been issued by Commercial Bank on behalf of the Company to Sui Southern Gas Company Limited for gas supply which is secured against assets disclosed in Note 9 in the normal course of the business for aggregating to Rs. 36.435 million (2013 : Rs 36.435 million)		
11.2.2 Shipping Guarantee has been issued by Commercial Bank on behalf of the Company which is secured against assets disclosed in Note 9 in the normal course of the business aggregating to Rs. 8.600 million (2013 : Nil)		
11.2.3 Habib - ADM Limited being parent Company has provided to Commercial Bank Guarantee of Rs.100 million on behalf of its wholly owned Subsidiary Company Habib Microfine (Pvt.) Limited to cover the loan sanctioned by bank on mark up basis. (Also refer Note 9)		
11.2.4 The Company Commitment as on June 30, 2014 amounting to Rs. 2.33 million (2013: Rs 0.877 million) against letter of credit for raw materials.		



2014  
RUPEES

2013  
RUPEES

## 12 PROPERTY, PLANT & EQUIPMENT

Operating Fixed Assets - Tangible	12.1	351,384,330	341,468,158
Capital Work -in- Progress	12.3	-	1,217,452
		<u>351,384,330</u>	<u>342,685,610</u>

### 12.1 Carrying Value Reconciliation of Property, Plant & Equipment for 2014

Particulars of Assets	2014									
	Cost as at July 01, 2013	Depreciation as at July 01, 2013	Carrying Value at the beginning of the year	Additions during the year	Disposals during the year	Transfer from Capital work in progress	Rate %	Depreciation for the year	Accumulated Depreciation as at June 30, 2014	Carrying Value of assets as at June 30, 2014
Land ( Lease hold) at Hub & Karachi	50,905,696	-	50,905,696	-	-	-	-	-	-	50,905,696
On Lease Hold Land	-	-	-	-	-	-	-	-	-	-
Factory Building	105,302,130	68,588,677	36,713,453	-	-	1,392,160	10	3,706,148	72,294,825	34,399,465
Office at Factory	7,086,750	1,208,551	5,878,199	-	-	-	5	293,908	1,502,459	5,584,291
Pavement and Ponds	9,303,700	4,149,758	5,153,942	-	-	-	5	257,696	4,407,454	4,896,246
Larkana Office Premises	759,358	422,812	336,546	-	-	-	5	16,828	439,640	319,718
Plant & Machinery	657,124,770	450,216,807	206,907,963	2,985,050	-	23,368,256	10	21,349,629	471,566,436	211,911,640
Tube Well	175,000	138,386	36,614	-	-	-	10	3,660	142,046	32,954
Office & Electrical Equipment	4,974,636	3,773,606	1,201,030	-	-	-	10	120,104	3,893,710	1,080,926
Computers	4,274,154	3,262,630	1,011,524	-	-	-	30	303,456	3,566,086	708,068
Laboratory Equipment	3,303,870	2,894,214	409,656	-	-	-	10	40,964	2,935,178	368,692
Furniture & Fixtures	4,563,107	2,883,407	1,679,700	394,781	-	-	10	207,448	3,090,855	1,867,033
Vehicles	70,119,903	39,055,962	31,063,941	15,990,120	934,552	-	20	6,965,566	43,307,665	39,153,943
Boat	415,000	376,721	38,279	-	-	-	20	7,656	384,377	30,623
Godown at Karachi	218,996	87,381	131,615	-	-	-	5	6,580	93,961	125,035
<b>Total June 30, 2014</b>	<b>918,527,070</b>	<b>577,058,912</b>	<b>341,468,158</b>	<b>19,369,951</b>	<b>934,552</b>	<b>24,760,416</b>		<b>33,279,643</b>	<b>607,624,692</b>	<b>351,384,330</b>

### Carrying Value Reconciliation of Property, Plant & Equipment for 2013

Particulars of Assets	2013									
	Cost as at July 01, 2012	Depreciation as at July 01, 2012	Carrying Value at the beginning of the year	Additions during the year	Disposals during the year	Transfer from Capital work in progress	Rate %	Depreciation for the year	Accumulated Depreciation as at June 30, 2013	Carrying Value of assets as at June 30, 2013
Land ( Lease hold) at Hub & Karachi	50,774,480	-	50,774,480	131,216	-	-	-	-	-	50,905,696
On Lease Hold Land	-	-	-	-	-	-	-	-	-	-
Factory Building	105,302,130	64,509,405	40,792,725	-	-	-	10	4,079,272	68,588,677	36,713,453
Office at Factory	7,086,750	899,171	6,187,579	-	-	-	5	309,380	1,208,551	5,878,199
Pavement and Ponds	9,303,700	3,878,498	5,425,202	-	-	-	5	271,260	4,149,758	5,153,942
Larkana Office Premises	759,358	405,100	354,258	-	-	-	5	17,712	422,812	336,546
Plant & Machinery	645,250,609	427,717,341	217,533,268	11,874,161	-	-	10	22,499,466	450,216,807	206,907,963
Tube Well	175,000	134,318	40,682	-	-	-	10	4,068	138,386	36,614
Office & Electrical Equipment	4,875,636	3,648,411	1,227,225	99,000	-	-	10	125,195	3,773,606	1,201,030
Computers	4,221,654	2,841,772	1,379,882	52,500	-	-	30	420,858	3,262,630	1,011,524
Laboratory Equipment	3,303,870	2,848,698	455,172	-	-	-	10	45,516	2,894,214	409,656
Furniture & Fixtures	4,523,107	2,699,273	1,823,834	40,000	-	-	10	184,134	2,883,407	1,679,700
Vehicles	66,341,153	32,207,430	34,133,723	4,702,180	295,937	-	20	7,476,025	39,683,455	31,063,941
Boat	415,000	367,149	47,851	-	-	-	20	9,572	376,721	38,279
Godown at Karachi	218,996	80,453	138,543	-	-	-	5	6,928	87,381	131,615
<b>Total June 30, 2013</b>	<b>902,551,443</b>	<b>542,237,019</b>	<b>360,314,424</b>	<b>16,899,057</b>	<b>295,937</b>	<b>-</b>		<b>35,449,386</b>	<b>577,686,405</b>	<b>341,468,158</b>





Note:

2014  
RUPEES

2013  
RUPEES

Depreciation has been allocated  
and charged as under :

Cost of Sales

29,444,046

31,306,036

Administrative Expenses

3,835,597

4,143,350

33,279,643

35,449,386

## 12.2 The following is the statement of Fixed Assets sold during the year.

Particulars of Assets	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain	Mode Of Sale	Sold to
HONDA CITY Reg # ALT-435 Model 2006	128,590	83,820	44,770	735,000	690,230	BY TENDER	Mr. Wazir Ali S/o Abdul Hakeem Street# 6, Baluch khan Rind colony Hub Chowki
HONDA CITY Reg # ALT-437 Model 2006	128,590	83,820	44,770	800,000	755,230	BY TENDER	Mr. Mohammed Raza S/o Yaqoob Ali Flat# B14, Gulshan-e-Sabir, Soldier Bazar, Karachi
HONDA CITY Reg # ALT-923 Model 2006	128,590	83,820	44,770	785,000	740,230	BY TENDER	Mr. Ather Shafique S/o Shafique Anwer House # R-403, Sector 10, North Karachi
HONDA CITY Reg # ALT-903 Model 2006	128,590	83,820	44,770	800,000	755,230	BY TENDER	Mr. Muhammed Rafiq S/o Nabi Buksh Akram Colony, Hub dist, Lasbela.
HONDA CITY Reg # AKY-875 Model 2006	929,990	797,367	132,623	785,000	652,377	BY TENDER	Mr. Ather Shafique S/o Shafique Anwer House # R-403, Sector 10, North Karachi
HONDA CITY Reg # ALT-932 Model 2006	128,590	83,820	44,770	800,000	755,230	BY TENDER	Mr. Waqar ahmed Khan S/o Ataullah Khan West Point Tower Flat # 307 DHA Ext 2 Block B Karachi
HONDA CITY Reg # ARF-428 Model 2008	1,022,225	737,506	284,719	889,000	604,281	BY TENDER	Mr. Asif Majeed S/o M.A.Majeed Flat # L-13, Hassan Appartment, Gulshan-e-Iqbal Karachi.
HONDA CITY Reg # ARC-068 Model 2008	1,053,250	759,890	293,360	730,000	436,640	BY TENDER	Mr. Muhammed Arif S/o Muhammed Ilyas House # B-30, Sector 11-C/1 North Karachi
Total June 30, 2014	3,648,415	2,713,863	934,552	6,324,000	5,389,448		
Total June 30, 2013	923,430	627,493	295,937	3,349,603	3,053,666		

## 12.3 The following is the movement in capital work in progress during the year

Building & Civil Works  
Plant & Machinery & Other Assets  
Total June 30, 2014

2014			
Opening Balance	Additions	Transferred to Operating Fixed Assets	Closing Balance
-	1,392,160	1,392,160	-
1,217,452	22,150,804	23,368,256	-
1,217,452	23,542,964	24,760,416	-

Plant & Machinery & Other Assets  
Total June 30, 2013

2013			
Opening Balance	Additions	Transferred to Operating Fixed Assets	Closing Balance
-	7,101,155	5,883,703	1,217,452
-	7,101,155	5,883,703	1,217,452





	2014 RUPEES	2013 RUPEES
<b>13 LONG TERM DEPOSITS</b>		
Security Deposits	3,078,001	3,243,001
<b>14 STORES, SPARE PARTS &amp; LOOSE TOOLS</b>		
Stores	23,450,711	20,439,664
Spare Parts	24,762,099	21,582,672
Loose Tools	436,419	436,419
Stores in Transit	-	561,093
	48,649,229	43,019,848
<b>15 STOCK IN TRADE</b>		
Raw & Packing Material	102,393,988	69,697,857
Work-in-Process	4,101,625	1,930,077
Finished Goods	65,839,595	105,360,173
Raw Material-in-Transit	231,878	-
	172,567,086	176,988,107
<b>16 TRADE DEBTS - Considered Good</b>		
Local - unsecured	133,417	145,038
Foreign - secured	54,983,981	-
	55,117,398	145,038
16.1 Foreign debtors are secured against irrecoverable letter of credit.		
<b>17 ADVANCES - Unsecured</b>		
To Employee other than Directors,CEO and Executives	809,435	122,616
Against - Purchases & Supplies to suppliers & contractors	5,454,887	3,140,558
	6,264,322	3,263,174
Less: Provision for doubtful advances to employees -Note 17.1	250,900	-
	6,013,422	3,263,174
17.1 Reconciliation of Provisions		
Opening	-	-
Charge for the year	250,900	-
	250,900	-
<b>18 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>		
Security Deposits	200,000	110,000
Prepayments	2,130,325	2,678,655
	2,330,325	2,788,655
<b>19 ACCRUED INCOME</b>		
Interest accrued on PLS term deposit receipt with Bank Al Habib Ltd	-	801,096



	2014 RUPEES	2013 RUPEES
<b>20 OTHER RECEIVABLES</b>		
Sales Tax Refundable	1,779,562	1,779,562
Export Rebate	307,775	190,472
Insurance Claim	258,840	757,375
	<u>2,346,177</u>	<u>2,727,409</u>
<b>21 SHORT TERM INVESTMENTS</b>		
PLS term deposit receipt with Bank Al Habib Ltd	-	<u>200,000,000</u>
21.1 It carries profit @ 9.25% p.a (2013: 8.50% p.a ) paid at the time of maturity /rollover ( 3 months period).		
<b>22 INCOME TAX REFUNDABLE NET OF PROVISION</b>		
Opening Balance (Payable) / Refundable	(5,469,824)	1,576
Add: Tax Paid during the year	63,431,521	164,966
	<u>57,961,697</u>	<u>166,542</u>
Less: Provision for current year	52,517,183	165,663
Net Refundable	<u>5,444,514</u>	<u>879</u>
<b>23 CASH &amp; BANK BALANCES</b>		
Cash in Hand	1,560,539	2,575,629
Balances with Banks:		
Local Currency :		
In Current Account	7,422,951	4,172,019
In Call Treasury Account - Note 23.1	251,601,716	122,289,855
	<u>259,024,667</u>	<u>126,461,874</u>
	<u>260,585,206</u>	<u>129,037,503</u>
23.1 It carries interest @ 7.75% p.a (2013 - 8.25% p.a)		
<b>24 SALES</b>		
Local Sales	1,160,979,884	948,849,963
Export Sales	242,034,975	292,117,694
Add: Rebate	117,303	138,576
Total Gross Consolidated Sales	<u>1,403,132,162</u>	<u>1,241,106,233</u>
Less: Sales Tax on local sales	49,418,157	45,383,794
Net Sales	<u>1,353,714,005</u>	<u>1,195,722,439</u>



	2014 RUPEES	2013 RUPEES
<b>25 COST OF GOODS SOLD</b>		
Raw & Packing Material Consumed - Note 25.1	623,649,386	576,436,368
Repair Maintenance & Stores Consumed	47,862,705	19,703,299
Utilities (Fuel, Power & Water)	173,402,430	147,003,678
Salaries, Wages including Bonus, Staff Welfare and Contribution to Provident Fund - Note 32	80,401,734	78,260,847
Vehicle Running Expense	5,956,573	4,943,458
Insurance	6,315,348	6,462,942
Other Manufacturing Expenses - Note 25.2	5,552,721	6,608,185
Depreciation	29,444,250	31,306,036
	<u>972,585,147</u>	<u>870,724,813</u>
Add: Opening Stock of Work-in-Process	1,930,077	649,895
	<u>974,515,224</u>	<u>871,374,708</u>
Less: Closing Stock of Work-in-Process	4,101,625	1,930,077
Cost of Goods Produced	<u>970,413,599</u>	<u>869,444,631</u>
Add: Opening Stock of Finished Goods	105,360,173	92,737,743
	<u>1,075,773,772</u>	<u>962,182,374</u>
Less: Closing Stock of Finished Goods	65,839,595	105,360,173
	<u>1,009,934,177</u>	<u>856,822,201</u>
Insurance Claim Against Finished Goods	211,378	-
Cost of Goods Sold	<u>1,009,722,799</u>	<u>856,822,201</u>

**25.1 Raw & Packing Material Consumed**

	Raw Material	Packing Material		
Opening Stock	59,863,576	9,834,281	69,697,857	97,351,529
Add: Purchases	622,503,302	33,842,215	656,345,517	548,782,696
Available for Manufacturing	<u>682,366,878</u>	<u>43,676,496</u>	<u>726,043,374</u>	<u>646,134,225</u>
Less: Closing Stock	85,919,459	16,474,529	102,393,988	69,697,857
	<u>596,447,419</u>	<u>27,201,967</u>	<u>623,649,386</u>	<u>576,436,368</u>



	2014 RUPEES	2013 RUPEES
25.2 Other Manufacturing Expenses		
Traveling	95,168	5,415
Cartage	85,050	24,495
Printing & Stationery	332,414	461,954
Postage and Telephone	354,970	365,673
Rent, Rates & Taxes	187,020	179,718
Conveyance	27,705	72,697
Entertainment	317,422	329,793
Independent Laboratory Testing Expenses	258,674	758,452
Security Expense	3,478,743	3,817,663
Others	415,555	592,325
	<u>5,552,721</u>	<u>6,608,185</u>
25.3 The break-up of cost of sales attributable to sales/export sales is as follows:		
Local	904,120,241	696,946,481
Export	105,602,558	159,875,720
	<u>1,009,722,799</u>	<u>856,822,201</u>
26 SELLING & DISTRIBUTION COST		
Salaries, Wages including Bonus, Staff Welfare and Contribution to Provident Fund - Note 32	9,103,473	8,690,790
Rent, Rates and Taxes	346,284	297,000
Vehicle Running Expense	831,498	899,179
Repair & Maintenance	25,050	5,887
Traveling	1,960	51,935
Utilities (Fuel, Powers & Water)	16,582	23,607
Postage and Telephone	854,653	602,625
Printing & Stationery	85,341	194,158
Advertisement	798,380	875,940
Insurance	406,327	300,472
Samples	96,215	4,216
Conveyance	533,733	515,467
Entertainment	89,881	81,476
ISO & HACCP Certification Expenses	450,906	85,000
Kosher Certification Expenses	1,021,968	985,645
Organic Certification Expenses	908,218	1,094,177
Freight and Commission	68,970,674	75,795,418
Others	59,087	52,370
	<u>84,600,230</u>	<u>90,555,362</u>
26.1 The break-up of Distribution Cost attributable to sales/export sales is as follows:		
Local	29,183,046	23,700,849
Export	55,417,184	66,854,513
	<u>84,600,230</u>	<u>90,555,362</u>



	2014 RUPEES	2013 RUPEES
<b>27 ADMINISTRATIVE EXPENSES</b>		
Salaries, Wages including Bonus, Staff Welfare and Contribution to Provident Fund - Note 32	32,001,527	31,269,658
Rent, Rates and Taxes	3,120	11,007
Vehicle Running Expense	2,363,878	2,906,057
Repair & Maintenance	86,835	80,750
Traveling	16,351,796	15,485,776
Utilities (Fuel, Powers & Water)	301,174	282,090
Postage and Telephone	1,475,798	1,327,726
Printing & Stationery	1,550,426	1,595,511
Advertisement	337,546	77,641
Legal & Professional	1,079,475	999,034
Insurance	980,788	990,145
Conveyance	568,408	542,266
Entertainment	1,805,337	1,543,043
Directors' Fee	55,000	60,000
Auditors' Remuneration - Note 27.1	724,260	726,825
Charity, Donations and Corporate Social Responsibility Costs - Note 27.2	642,794	1,123,827
Depreciation	3,835,393	4,143,350
Others	1,430,581	1,424,977
Share Registrar Service Charges	858,000	858,000
Provision for doubtful advances to employees	250,900	-
	<u>66,703,036</u>	<u>65,447,683</u>
<b>27.1 Auditors' Remuneration</b>		
<u>Holding Company</u>		
Annual Audit Fee	575,000	575,000
Review of Half Yearly Accounts	29,000	29,000
Fee for Consolidation of Habib-ADM & Subsidiary Company	23,000	23,000
Review of Statement of Compliance with Code of Corporate Governance	17,000	17,000
Out of Pocket Expenses	39,260	41,825
<u>Subsidiary Company</u>		
Annual Audit Fee	35,000	35,000
Review of Half Yearly Accounts	6,000	6,000
	<u>724,260</u>	<u>726,825</u>
<b>27.2</b> None of the Directors or their spouses had any interest in the donee's fund.		
<b>28 FINANCE COST</b>		
Interest on Workers' Profit Participation Fund	41,998	144,579
Bank Guarantee Commission	497,918	324,127
Bank Charges	544,029	905,756
	<u>1,083,451</u>	<u>1,374,462</u>



		2014 RUPEES	2013 RUPEES
<b>29 OTHER OPERATING CHARGES</b>			
Workers' Profit Participation Fund		10,932,232	10,670,588
Workers' Welfare Fund - Current Year		4,407,234	4,200,803
- Prior Years		-	673,278
Exchange Loss		672,058	456,398
		<u>16,011,524</u>	<u>16,001,067</u>
<b>30 PROVISION FOR TAXATION</b>			
Income Tax - Current Year		52,517,183	58,444,623
- Prior Year		-	460,989
Deferred Tax		(3,530,000)	(2,010,000)
		<u>48,987,183</u>	<u>56,895,612</u>
<b>30.1 Relationship Between Tax Expense and Accounting Profit</b>			
Net Profit as per Profit and Loss Account		203,833,601	198,852,011
Tax @ 34% (2013 @ 35%)		69,303,424	69,598,204
Tax Effect From:			
Export Sales		(18,290,680)	(11,948,341)
Dividend Income attracting Lower Tax		(2,909,033)	(1,746,844)
Prior year Taxation		-	460,989
Others		883,472	531,604
		<u>48,987,183</u>	<u>56,895,612</u>
<b>31 EARNING PER SHARE - BASIC AND DILUTED</b>			
Net Profit after Taxation		<u>154,846,418</u>	<u>141,956,399</u>
Weighted average number of ordinary shares of Rs.5 each		<u>40,000,000</u>	<u>40,000,000</u>
Earning per share		<u>3.87</u>	<u>3.55</u>
There is no dilutive effect on the basic earning per share of the Company.			
<b>32 DEFINED CONTRIBUTION SCHEME</b>			
An amount of Rs. 6.94 million (2013 Rs.6.78 million) has been charged during the year in respect of contributory Provident Fund scheme maintained by the Company which has been included in Salaries, Wages including Bonus, Contribution to Provident Fund & Staff Welfare Fund			
Cost of Goods Sold	25	4,336,346	4,256,155
Distribution Cost	26	579,084	531,170
Administrative Expenses	27	2,028,191	1,994,916
		<u>6,943,621</u>	<u>6,782,241</u>



	2014 RUPEES	2013 RUPEES
<b>33 CASH GENERATED FROM OPERATIONS</b>		
Profit Before Taxation	203,833,601	198,852,011
Adjustments for Non Cash Charges and Other Items:		
Depreciation	33,279,643	35,449,386
(Gain) on Disposal of Property, Plant & Equipment	(5,389,448)	(3,053,666)
Finance Cost	1,083,451	1,374,462
Working Capital Changes - Note 33.1	139,679,343	80,176,537
	<u>372,486,590</u>	<u>312,798,730</u>
<b>33.1 Working Capital Changes</b>		
(Increase) / Decrease in Current Assets		
Stores, Spare Parts & Loose Tools	(5,629,381)	9,282,754
Stock in Trade	4,421,021	15,219,581
Trade Debts	(54,972,360)	63,269,393
Advances	(2,750,248)	(2,206,454)
Trade Deposits and Short Term Pre-Payments	458,330	(177,808)
Short Term Investment	200,000,000	-
Accrued Income	801,096	1,187,945
Other Receivables	381,232	(195,810)
	<u>142,709,690</u>	<u>86,379,601</u>
Increase /(Decrease) in Current Liabilities		
Trade and Other Payables	(3,030,347)	(6,203,064)
Working Capital Changes	<u>139,679,343</u>	<u>80,176,537</u>

## 34. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES:

PARTICULARS	Directors		Chief Executive		Executives		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013
Meeting Fee - 3 Directors	55,000	60,000	-	-	-	-	55,000	60,000
Managerial Remuneration	6,832,784	6,936,000	6,135,629	5,951,400	18,768,591	19,681,380	31,737,004	32,568,780
Other Benefit (Leave Encashment)	678,186	905,534	581,920	529,013	1,359,884	1,454,798	2,619,990	2,889,345
Contribution to Provident Fund	569,399	577,992	511,302	495,948	1,564,051	1,640,148	2,644,752	2,714,088
Total Rupees	8,135,369	8,479,526	7,228,851	6,976,361	21,692,526	22,776,326	37,056,746	38,232,213
Number of persons	2	2	1	1	16	18	19	21

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



## 35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE.

### 35.1 Financial Assets and Liabilities 2014

PARTICULARS	INTEREST/MARKUP BEARING			NON-INTEREST/MARKUP BEARING			Total 2014
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	
Financial Assets :							
Deposits	-	-	-	200,000	3,078,001	3,278,001	3,278,001
Trade Debts	-	-	-	55,117,398	-	55,117,398	55,117,398
Advances to Employee	-	-	-	558,535	-	558,535	558,535
Other Receivables	-	-	-	258,840	-	258,840	258,840
Cash & Bank Balances (see Note 23)	251,601,716	-	251,601,716	8,983,490	-	8,983,490	260,585,206
Total Financial Assets 2014	251,601,716	-	251,601,716	65,118,263	3,078,001	68,196,264	319,797,980
Financial Liabilities :							
Trade & Other Payables	2,623,580	-	2,623,580	72,566,504	-	72,566,504	75,190,084
Total Financial Liabilities 2014	2,623,580	-	2,623,580	72,566,504	-	72,566,504	75,190,084

### Financial Assets and Liabilities 2013

PARTICULARS	INTEREST/MARKUP BEARING			NON-INTEREST/MARKUP BEARING			Total 2013
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	
Financial Assets :							
Deposits	-	-	-	110,000	3,243,001	3,353,001	3,353,001
Trade Debts	-	-	-	145,038	-	145,038	145,038
Advances to Employee	-	-	-	122,616	-	122,616	122,616
Short Term Investment (see Note 19 )	200,000,000	-	200,000,000	-	-	-	200,000,000
Other Receivables	-	-	-	1,970,034	-	1,970,034	1,970,034
Cash & Bank Balances (see Note 23)	122,289,855	-	122,289,855	6,747,648	-	6,747,648	129,037,503
Total Financial Assets 2013	322,289,855	-	322,289,855	9,095,336	3,243,001	12,338,337	334,628,192
Financial Liabilities :							
Trade & Other Payables	2,649,350	-	2,649,350	76,016,827	-	76,016,827	78,666,177
Total Financial Liabilities 2013	2,649,350	-	2,649,350	76,016,827	-	76,016,827	78,666,177

### 35.2 Financial Risk Management Objectives and Policies

The company finances its operations through equity borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

#### 35.2.1 Financial Instruments and Related Disclosures

The company's activities expose it to certain financial risks. Such financial risks emanate from various factors that include, but not limited to market risk, credit risk and liquidity risk. The company's over all risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.





## 35.2.2 Credit Risk and Concentration of Credit Risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

The Company manages credit risk interalia by setting out credit limits in relation to individual worthiness of customers and /or by obtaining advances against sales /or through letter of credits and/ or by making providing for doubtful debts. Also the Company does not have significant exposure in relation to individual customer. Consequently the Company believes that it is not exposed to any major concentration of credit risk.

	2014 RUPEES	2013 RUPEES
The maximum exposure of Financial Assets as at the balance sheet date are as follows;		
Long term Deposits	3,078,001	3,243,001
Trade Debts	55,117,398	145,038
Advances	558,535	122,616
Trade Deposits	200,000	110,000
Short Term Investment	-	200,000,000
Other Receivables	566,615	947,847
Bank Balances	259,024,667	126,461,874
	<u>318,545,216</u>	<u>331,030,376</u>

The Financial Assets that are neither past due are as follows;

Trade Debts	55,117,398	145,038
Advances	558,535	122,616
Trade Deposits	200,000	110,000
Other Receivables	566,615	947,847

## 35.2.3 Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. The company manage liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

As at June 30, 2014, the company had an aggregate available borrowing limits amounting to Rs. 100 million (2013: 100 million) from various financial institutions and Rs. 260.585 million (2013: 129.037 million) cash and Bank balances. Base on the above, the management of the Company believe that the liquidity risk at present is insignificant.

The management forecasts the liquidity of the company on basis of expected cash flow considering the level of liquid assets necessary to meet such risk. This involves monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.



## 35.2.4 Market Risk:

Market risk refers to fluctuation in value of financial instruments as a result of changes in market prices. The Company manages market risk as follows:

### a) Foreign Exchange Risk Management

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arise mainly from future economic transactions or receivables and payables that exist due to transaction in foreign exchange.

The Company is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US Dollar (USD), Euro and Pounds(GBP).

Currently, the Company's foreign exchange risk exposure is restricted to the amount receivable / payable from / to the foreign entities and outstanding letters of credit.

### Sensitivity Analysis

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

	Change in foreign Currency rate %	Effect on Tax Profit or (Loss)
June 30, 2014	+5	2,749,199
	-5	(2,749,199)
June 30, 2013	+5	-
	-5	-

### b) Interest rate risk

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates the value of financial instruments. The company presently has no borrowing as at June 30, 2014.

However the Company's financial instruments are balances placed on deposits with banks where changes in markup rates do not have any impact on the future profit/cash flows. Treasury account with a schedule bank of Rs 251.60 million ( 2013: 122.29 million) The Company places its funds in banks having good credit ratings wherein the following funds are places.

However the Company's financial instruments are balances placed on deposits with banks where changes in markup rates do not have any impact on the future profit/cash flows. The effects of changes in interest rates on the future profit arising on the balances placed in deposits with banks if the interest rate varied by 1% with all other variable held constant, profit before tax for the year would have been approximately higher/ lower by Rs.52 million(2013: 122 million) . The Company places its funds in banks having good credit ratings wherein the following funds are places.



## c) Price Risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, (other than those arising from interest or currency rate risk), whether those changes are caused by factors specified to the individual financial instrument or its issuer, or factors affecting all similar financial traded in the market. The Company is only exposed to equity price risk with respect to its investment in wholly owned subsidiary which is strategic. The Company monitors other price risk by closely monitoring the suppliers and commodity situation.

### 35.2.5 Trade debts

Trade debts are essentially due from local and foreign companies and the company does not expect that these companies will fail to meet their obligations.

The Company establishes an allowance for the doubtful trade debts that represent its estimate of incurred losses in respect of trade debts. This allowance is based on the management assessment of a specific loss component that relates to individually significant exposures.

### 35.2.6 Bank Balances

The Company limits its exposure to credit risk by investigating in liquid securities and maintaining bank accounts only with counterparties that have stable credit rating. Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations. Following are the details of the respective credit ratings of the Banks.

Credit Quality of Financial Assets;		2014 RUPEES	2013 RUPEES
Short Term Credit Rating	Rating Agency		
A1+	PACRA	256,437,714	124,120,797
A-1+	JCR - VIS	2,107,122	1,792,786
P-1	Moody's	479,831	548,291
Total		<u>259,024,667</u>	<u>126,461,874</u>

### 35.2.7 Fair Value of Financial Instruments

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

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values except those which are described policy notes.

## 36 CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as on going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

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 the new shares or sell assets to reduce debt.



	2014 RUPEES	2013 RUPEES
<b>37 TRANSACTION WITH RELATED PARTIES</b>		
Payment of Dividend to Associated Companies	<u>4,146,006</u>	<u>4,738,292</u>

There are no transaction with related parties except with the key management personnel under the terms of employment which are disclosed in Note 34

	2014	2013
<b>38 PRODUCTION CAPACITY</b>		
Capacity Utilized		
Habib-ADM Limited Note 38.1	37.34%	36.76%
Habib Microfine (Pvt) Ltd Note 38.2	0.00%	0.00%

38.1 The initial designed capacity of the plant is 45,000 M.Tons of High Fructose Syrup. Later additions and modifications to the plant have enabled production of a wider range of products including liquid glucose, maltodextrins, dextrose powder, sorbitol, etc.

38.2 The designed capacity of the plant is 10,000 M.Tons of Microfine processed goods. Product sold during the year did not require to be microfined, therefore the plant was unutilized.

## 39 PROVIDENT FUND RELATED DISCLOSURE

The following information is based on latest un-audited Financial Statements of the funds:

	2014 RUPEES	2013 RUPEES
Size of the Fund - Total Assets	<u>167,478,671</u>	<u>153,379,291</u>
Cost of Investment	<u>105,724,606</u>	<u>105,932,501</u>
Percentage of Investment made	<u>63.13%</u>	<u>69.07%</u>
Fair Value of Investment made	<u>111,471,078</u>	<u>113,798,238</u>

The break up value of fair value of investment is

	2014	2013		
Bank Balances	3.29%	4.96%	3,666,204	5,649,625
Term Deposit Receipts	96.71%	95.04%	107,804,874	108,148,613
	<u>100%</u>	<u>100%</u>	<u>111,471,078</u>	<u>113,798,238</u>

The investment out of the 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.



## 40 NUMBER OF EMPLOYEES

The Total Average number of employees during the year and as at June 30, 2014 and 2013

	2014	2013
	No. of employees	
Average number of employees during the year	455	429
Number of Employees as at June 30, 2014 / 2013	419	408

## 41 DATE OF AUTHORIZATION FOR ISSUE

These Financial Statements were authorized for issue on September 09, 2014 by the Board of Directors of the Company.

## 42 NON ADJUSTMENT EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on September 09, 2014 has proposed a cash dividend in respect of the year ended June 30, 2014 at the rate of 40% i.e. Rs.2.00 per Share of Rs. 5 each. Which is subject to the approval of the forth coming Annual General Meeting. The Financial Statements for the year ended June 30, 2014 do not include the effect of this appropriation which will be accounted for in the Financial Statements for the year ending June 30, 2015.

## 43 GENERAL

Figures have been rounded off to the nearest rupee.

**OWAIS G. HABIB**  
Chief Executive

**GAFFAR A. HABIB**  
Chairman



# **Habib-ADM Ltd.**

**Financial Statements  
For The Year Ended June 30, 2014**



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of HABIB -ADM LIMITED as at June 30, 2014 and the related Profit & Loss Account, 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 explanation 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 statements 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 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 & 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 the accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and;
  - iii) the business conducted, investments made and 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 & Loss Account, 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 June 30, 2014 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.



**KRESTON HYDER BHIMJI & CO.**

Chartered Accountants  
Engagement Partner:

Mohammad Hanif Razzak

Karachi: September 09, 2014



## BALANCE SHEET

	NOTE	2014 RUPEES	2013 RUPEES
<b>AUTHORISED SHARE CAPITAL</b>			
60,000,000 Ordinary Shares of Rs. 5 each		300,000,000	300,000,000
<b>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>	4	200,000,000	200,000,000
40,000,000 Ordinary Shares of Rs. 5 each			
<b>RESERVES AND SURPLUS</b>			
Capital Reserve	5	10,000,000	10,000,000
Revenue Reserve - General	6	50,000,000	50,000,000
Unappropriated Profit		534,405,604	519,559,186
		794,405,604	779,559,186
Deferred Taxation	7	37,920,000	41,450,000
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	8	73,987,139	77,780,372
Short Term Borrowings (Secured)	9	-	-
Provision for Income Tax Net of Payment	10	-	5,470,703
		73,987,139	83,251,075
<b>CONTINGENCIES &amp; COMMITMENTS</b>	11	-	-
		906,312,743	904,260,261

The annexed notes 1 to 45 form an integral part of these financial statements.

## AS AT JUNE 30, 2014

	NOTE	2014 RUPEES	2013 RUPEES
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	12	350,546,137	341,754,285
Long Term Investment in Share Capital of Subsidiary Company	13	1,000,000	1,000,000
Long Term Deposits	14	3,078,001	3,243,001
		354,624,138	345,997,286
<b>CURRENT ASSETS</b>			
Stores, Spare Parts and Loose Tools	15	48,649,229	43,019,848
Stock in Trade	16	172,567,086	176,988,107
Trade Debts - Considered Good	17	55,851,502	1,725,403
Advances - Unsecured	18	6,013,422	3,263,174
Trade Deposits and Short Term Pre-Payments	19	2,330,325	2,768,655
Accrued Income	20	-	801,096
Other Receivables	21	538,284	933,404
Short Term Investments	22	-	200,000,000
Income Tax Refundable Net of Provision	23	5,443,932	-
Cash and Bank Balances	24	260,294,825	128,763,288
		551,688,605	558,262,975
		<u>906,312,743</u>	<u>904,260,261</u>



**OWAIS G. HABIB**  
Chief Executive



**GAFFAR A. HABIB**  
Chairman

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2014

	NOTE	2014 RUPEES	2013 RUPEES
<b>SALES</b>			
Gross Sales		1,385,390,974	1,229,081,559
Less: Sales Tax on local sales		49,418,157	45,383,794
Sales Net	25	1,335,972,817	1,183,697,765
Cost of Goods Sold	26	1,009,405,948	856,479,957
<b>Gross Profit</b>		<b>326,566,869</b>	<b>327,217,808</b>
Less:			
Selling & Distribution Cost	27	80,152,346	87,220,448
Administrative Expenses	28	66,454,736	65,183,321
		146,607,082	152,403,769
<b>Operating Profit</b>		<b>179,959,787</b>	<b>174,814,039</b>
Less:			
Finance Cost	29	1,016,340	1,303,731
Other Operating Charges	30	15,758,894	15,153,681
		16,775,234	16,457,412
		163,184,553	158,356,627
Add: Other Operating Income			
Income from Financial Assets			
Income from Bank Deposits		5,911,190	8,810,695
Income from Short Term Investment		16,939,999	17,944,383
Exchange Gain		-	3,521,603
Dividend Income from Subsidiary Company		12,120,970	6,987,374
		34,972,159	37,264,055
Income from Non Financial Assets	31	5,401,448	3,065,666
Total Other Operating Income		40,373,607	40,329,721
<b>Net Profit Before Taxation</b>		<b>203,558,160</b>	<b>198,686,348</b>
Provision for Taxation	32	48,711,742	56,729,949
<b>Net Profit for the Year</b>		<b>154,846,418</b>	<b>141,956,399</b>
Other Comprehensive Income for the Year		-	-
<b>Total Comprehensive Income for the Year</b>		<b>154,846,418</b>	<b>141,956,399</b>
Earning per Share of Rs. 5 each	33	3.87	3.55

The annexed notes 1 to 45 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, 2014

	NOTE	2014 RUPEES	2013 RUPEES
<b>Cash Flows from Operating Activities</b>			
Cash Generated from Operations	35	372,128,169	313,097,702
Finance Cost Paid		(1,016,340)	(1,303,731)
Payment of Income Tax during the Year		(63,156,377)	(95,219,498)
Net Cash Generated From Operating Activities		307,955,452	216,574,473
<b>Cash Flows from Investing Activities</b>			
Additions in Property, Plant & Equipment		(42,912,915)	(18,116,509)
Sale Proceeds from Disposal of Property, Plant & Equipment		6,324,000	3,349,603
Decrease/(Increase) in Long Term Deposits		165,000	15,000
Net Cash generated in Investing Activities		(36,423,915)	(14,751,906)
Net Cash flows available from Operating and Investing Activities		271,531,537	201,822,567
<b>Cash Flows from Financing Activities</b>			
Dividend Paid		(140,000,000)	(160,000,000)
Net Cash used in Financing Activities		(140,000,000)	(160,000,000)
Net Increase in Cash and Bank Balances		131,531,537	41,822,567
Cash and Bank Balances at the beginning of the Year		128,763,288	86,940,721
Cash and Bank Balances at the end of the Year		260,294,825	128,763,288

The annexed notes 1 to 45 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, 2014

PARTICULARS	ISSUED, SUBSCRIBED AND PAID UP CAPITAL	CAPITAL RESERVE	REVENUE RESERVE GENERAL	UNAPPRO- PRIATED PROFIT	TOTAL
Balance as at July 01, 2012	200,000,000	10,000,000	50,000,000	537,602,787	797,602,787
Transaction with owners					
Final Cash Dividend for the year ended June 30, 2012 @ 80% i.e. Rs. 4 per share of Rs.5 each	-	-	-	(160,000,000)	(160,000,000)
Total Comprehensive income for the year ended June 30, 2013	-	-	-	141,956,399	141,956,399
	-	-	-	(18,043,601)	(18,043,601)
Balance as at June 30, 2013	200,000,000	10,000,000	50,000,000	519,559,186	779,559,186
Transaction with owners					
Final Cash Dividend for the year ended June 30, 2013 @ 70% i.e. Rs. 3.50 per share of Rs.5 each	-	-	-	(140,000,000)	(140,000,000)
Total Comprehensive income for the year ended June 30, 2014	-	-	-	154,846,418	154,846,418
	-	-	-	14,846,418	14,846,418
Balance as at June 30, 2014	200,000,000	10,000,000	50,000,000	534,405,604	794,405,604

The annexed notes 1 to 45 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, 2014**

### **1 LEGAL STATUS AND OPERATIONS**

Habib-ADM Limited was incorporated in Pakistan on 10th July, 1980 as a Public Limited Company and its shares are quoted 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 principal activity of the Company is to produce rice based Starch Sugar and Proteins.

The Company's primary production facilities are located at its industrial complex at Hub. The Company also owns a wholly owned subsidiary namely M/s Habib Microfine (Private) Limited which is engaged in business of microfine processed products, trading and export of goods.

### **2 BASIS OF PREPARATION**

#### **2.1 Statement of Compliance**

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

#### **2.2 Significant Accounting Judgments and Estimates:**

The preparation of Financial Statements in conformity with approved accounting standards require the use of certain critical accounting estimates. It also require 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. Revisions to accounting estimate are recognized in the period in which the estimate are revised and in any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgment which are significant to the Financial Statements.

##### **Property, Plant and Equipment:**

The Company has made certain estimation with respect to residual value, depreciation method and depreciable lives of items of property, plant and equipment. Further, the Company reviews the value of assets for possible impairment on each financial year end. Any change in the estimates in future years might effect the remaining amounts of respective items of Property, plant and equipment's with a corresponding effect on the depreciation charge and impairment.

##### **Income Taxes :**

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

##### **Future Estimation of Export Sales :**

Deferred tax calculation has been made based on estimate of future ratio of export and local sales based on past history.

**Provision for Obsolescence :**

Provision for Obsolescence and slow moving items is based on parameters set out by management.

**Contingencies:**

Contingencies are evaluated based on the element of issue involved and opinion of legal counsel.

**Stock in Trade:**

Net realizable value of stock in trade is obtained from prevailing market rates and estimate of selling expenses to be incurred thereon.

**Provision for Bad Debts:**

A provision for Bad trade debts and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the amount is impaired. Debts, considered irrecoverable, are written off, as and when identified.

**Impairment in Investment:**

The impairment in investment is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. An investment impairment is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that investment.

**2.3 Standards and interpretation that became effective but not relevant to the Company**

There were certain new amendments to the approved accounting standards and a new interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations.

**IAS -19 Employees Benefits:** The amendment removes the options for accounting for the liability and requires that the liabilities arising from such plans is recognized in full which actuarial gains and losses being recognized in other comprehensive income (eliminate corridor method for recognition of actuarial gains and losses). it also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short term and other long term employee benefits is now based on whether the benefits are expected to be settled wholly with in 12 months after the reporting date.

**IFRS-7 Financial Instruments: Disclosures-** Disclosures about offsetting of financial assets and liabilities: These amendments require entities to disclose gross amount subject to right of set off, amount set off in accordance with accounting standards followed. and the related net credit exposure. These disclosures are intended to facilitate the evaluation of the effect or potential effect of netting arrangements on an entity's financial position.

**IAS-27 Separate Financial Statements (2011) - Amendment:** The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments / IAS 39 Financial Instruments. Recognition and Measurement, The Standard also deals with the recognition of dividends, certain group reorganizations and includes a number of disclosure requirements.

IAS-28 Investments in Associate and Joint Ventures - Amendments: This standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines significant influence and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

## **2.4 Standards and Interpretations issued but not yet effective**

The following new standards, amendments to existing standards and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2014 and the Company does not expect to have any material / significant changes in its accounting policy except for disclosures, where applicable:

IFRIC 21- Levies 'an Interpretation on the Accounting for Levies Imposed by Governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The Amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

Amendment to IAS 36 'Impairment of Assets' Recoverable Amount Disclosures for Non-Financial Assets' (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets' address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' - Continuing Hedge Accounting after Derivative Novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

Amendments to IAS 19 'Employee Benefits' Employee contributions – a Practical Approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets are inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.



Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 'Property, Plant and Equipment' for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 'Agriculture'. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further, IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision-maker. This change aligns the disclosure requirements with those for segment liabilities.

Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

#### **New Standards issued by ISAB and notified by SECP but not yet effective**

The following new standards issued by IASB have been adopted by the SECP for the purpose of applicability in Pakistan through SRO 633(1) / 2014 dated July 10, 2014 and will be effective for annual period beginning on or after January 01, 2015. These new standard are either irrelevant or will not have any materials effect on the Company's Financial statements.

IFRS-10 Consolidated Financial Statements: This new standard that replaces the consolidation requirements in SIC-12 Consolidation: Special Purpose Entities and IAS 27 - Consolidated and Separate Financial Statements. The proposed standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

**IFRS-11 Joint Arrangements:** This is new standard that deals with the accounting for joint arrangements and focuses on the right and obligations of the arrangements, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.

**IFRS-12 Disclosure of Interest in Other Entities:** This is new and comprehensive standard on disclosure requirements for all forms of interest in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

**IFRS-13 Fair Value Measurement:** This standard applies to IFRSs that require or permit fair value measurement or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. The standard defines fair value on the basis of an exit-price notion and uses a fair value hierarchy, which results in market-based, rather than entity-specific measurement.

### **3 SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Accounting Convention**

These Financial Statements have been prepared under the historical cost convention, except as otherwise specifically disclosed in the accounting policies below.

#### **3.2 Functional and Presentation Currency**

These Financial Statements are presented in Pakistani Rupee which is the Company's Functional and presentation Currency.

#### **3.3 Property, Plant and Equipment**

##### **Owned assets**

Property, plant and equipment, except leasehold land and capital work-in-progress, are stated at cost less accumulated depreciation and impairment, if any. Leasehold land is stated at cost. Capital work-in-progress is stated at cost less impairment if any. No amortization is provided on lease hold land since the leases are renewable at the option of lessee at nominal cost and their realizable values are expected to be higher than respective carrying values.

Depreciation is charged to income applying the Reducing Balance Method, whereby the depreciable amount of an asset is written off over its estimated useful life. Depreciation is charged including on additions on quarterly basis, whereas no depreciation is charged on the assets disposed off during the quarter.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvement are capitalised and the assets so replaced, if any are retired.

Gains or losses on disposals of items of property plant and equipment, if any are included in profit and loss account.

Assets residual values, useful lives and methods of depreciation are reviewed, and adjusted, if appropriate at each financial year end.

#### **3.4 Capital Work in Progress**

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when assets are available for use.

#### **3.5 Trade and Other Payables**

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

### 3.6 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized at the time when the Company loses control of the contractual rights that comprises the financial assets. All financial liabilities are derecognized at the time when they are extinguished, that is when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account.

### 3.7 Investment

Investment in wholly owned subsidiary company is stated at cost less impairment, if any.

### 3.8 Stores, Spare Parts and Loose Tools.

Stores and Spare Parts	Valued at moving average cost except for items in transit which are valued at actual cost
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Loose Tools	Stated at actuals
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### 3.9 Stock in Trade

Raw Material	Valued at lower of monthly weighted average cost and net realizable value.
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Packing Material	Valued at lower of weighted average cost and net realizable value.
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Work-in-Process	Valued at lower of weighted average cost of raw material plus appropriate portion of the manufacturing expenses and net realizable value
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Finished Goods	Valued at lower of weighted average manufacturing cost and net realizable value.
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Raw Material in Transit	Stated at actuals
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### 3.10 Trade Debts

These are recognized and carried at original invoice amount which is the fair consideration. An estimate for doubtful debts is made when collection of the amount is no longer probable. Debts considered irrecoverable are written off when identified.

### 3.11 Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, Cash and Cash Equivalents comprises of Cash in hand and at Bank.

### 3.12 Borrowing Cost

Loans and borrowings are recorded as and when the proceeds are received.

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing cost, if any, is capitalized as part of the cost of that asset.

### **3.13 Taxation**

#### **Current :**

Provision for current taxation is based on taxability of certain income streams of the Company under Final Tax Regime at the applicable tax rates and remaining income streams are chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and rebates available, if any, or minimum tax under section 113 of the Income Tax Ordinance, 2001 whichever is higher. The charge for current income tax is recorded after adjustment, if any, to the provision for tax made in prior year including those arising from assessment and amendments in assessments during the year in such years.

#### **Deferred :**

The Company accounts for Deferred Taxation on all temporary differences using the Liability Method. Deferred Tax debit balances are recognized only to the extent that it is probable that future taxable profit 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 at 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. Deferred tax is charged or credited to profit & loss account.

### **3.14 Impairment**

The carrying amounts of the assets are reviewed at each financial year end to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognized in the Profit and Loss Account.

### **3.15 Offsetting of Financial Assets and Liabilities**

A Financial Asset and Financial Liability is offset and net amount is reported in the Balance Sheet if the Company has a legal enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets value and settle the liability simultaneously.

### **3.16 Provision**

A provision is recognized in the financial statements when the Company has a legal constructive obligation as a result of a past event, if, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

### **3.17 Staff Retirement Benefits**

The Company operates an approved defined contribution scheme of provident fund for eligible employees. Matching monthly contributions are made both by the Company and the employees to the fund at 8.33% of salary.

### **3.18 Compensated Unavailed leaves**

The Company accounts for its estimated liability towards unavailed leaves accumulated by employees at the end of the year, if any.

### 3.19 Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and government levies. Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of goods to customers. Dividend Income is recorded when the right to receive payment is established. Rent Income and Interest Income is recognized on accrual basis.

### 3.20 Dividend & Appropriation to reserves

Dividend and appropriation to reserves are recognized in the Financial Statements in the period in which these are approved.

### 3.21 Foreign Currency Translations

Foreign currency transactions are translated into Pak Rupees using the exchange rate prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end the exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Profit and loss account.

	2014 RUPEES	2013 RUPEES
<b>4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		
15,000,000 Ordinary Shares of Rs. 5 each fully paid issued for Cash.	75,000,000	75,000,000
25,000,000 Ordinary Shares of Rs. 5 each issued as Fully Paid Bonus Shares.	125,000,000 <u>200,000,000</u>	125,000,000 <u>200,000,000</u>
4.1 It include 1,184,573 (2013 : 1,184,573) shares held by related parties at the end of year.		
<b>5 CAPITAL RESERVE</b>		
Share Premium on 5,000,000 Right Shares @ Rs. 2 per share issued in the year 1995-96	10,000,000 <u>10,000,000</u>	10,000,000 <u>10,000,000</u>
<b>6 REVENUE RESERVE - General</b> This reserve is created out of appropriation in past year and retained to meet future exigencies	50,000,000 <u>50,000,000</u>	50,000,000 <u>50,000,000</u>
<b>7 DEFERRED TAXATION</b>		
Deferred Tax Liability arising due to : Accelerated Depreciation Allowance	38,000,000	41,450,000
Deferred Tax Asset arising due to : Provisions	(80,000)	-
	<u>37,920,000</u>	<u>41,450,000</u>

	2014 RUPEES	2013 RUPEES
<b>8 TRADE AND OTHER PAYABLES</b>		
Trade Creditors	5,275,028	3,698,343
Accrued Liabilities	23,883,827	20,615,373
Advance from Customers	24,985,472	34,331,883
Security Deposit from Customers (Refundable on Cessation of Business Dealings, Free of Interest)	254,450	254,450
Workers' Profit Participation Fund - Note 8.1	2,623,580	2,649,350
Workers' Welfare Fund	4,154,248	4,054,823
Others - Note 8.2	12,810,534	12,176,150
	<u>73,987,139</u>	<u>77,780,372</u>
<b>8.1 Workers' Profit Participation Fund</b>		
Opening Balance	2,649,350	7,334,183
Add: Interest on funds utilized for Company's business	41,998	144,579
	<u>2,691,348</u>	<u>7,478,762</u>
Add: Allocation for the year	10,932,232	10,670,588
	<u>13,623,580</u>	<u>18,149,350</u>
Less: Amount paid to trustees	11,000,000	15,500,000
Closing Balance	<u>2,623,580</u>	<u>2,649,350</u>
<b>8.2 Others</b>		
Income Tax Deducted at Source	108,381	20,043
Sales Tax and Special Excise Duty Payable	1,626,167	2,203,604
Unclaimed Dividend	11,072,471	9,948,988
Unclaimed Cheques For Right and Bonus Share Fraction	3,515	3,515
	<u>12,810,534</u>	<u>12,176,150</u>
<b>9 SHORT TERM BORROWINGS (Secured)</b>		
The sanctioned limit of short term borrowings (Running Finance with sub limit in Finance against Packing Credit, Finance against Foreign Bills and Foreign Currency Export Finance) aggregates to Rs. 100 million (2013: Rs. 100 million) and unavailed facility during the year as well as at the Balance Sheet date amounted to Rs.100 million (2013 Rs. 100 million). Facility is valid upto December 31, 2014. The mark up is linked with 3-Months KIBOR plus the spread of 2.5% per annum. The short term facility of the bank is for one year which is renewable after expiry of the term on revolving basis. These finance facilities are secured against hypothecation of Stocks and book debts, Lien over LC/Contract and import document, Furthermore, the Company has also provided collateral security to Bank being an equitable mortgage over plant & machinery and land & building.		
<b>10 PROVISION OF INCOME TAX NET OF PAYMENTS</b>		
Opening Balance Payable	-	41,950,252
Tax Paid during the year including advance tax	-	(95,219,498)
	-	<u>(53,269,246)</u>
Provision for current year	-	58,278,960
Tax for prior year	-	460,989
Net Payable	-	<u>5,470,703</u>



## 11 CONTINGENCIES & COMMITMENTS

### 11.1 CONTINGENCIES

11.1.1 Upon completion of tax audit for the year 2012, a tax demand of Rs.313.018 million has been created by making several disallowances of claimed expenses as well as arbitrary allocation of cost against normal tax regime and final tax income and workers welfare fund of Rs. 18.252 million has been levied whereas the company has provided Rs.97.353 Million and Rs.6.245 Million respectively there-against. Company has filed an appeal before the Commissioner-Inland Revenue-(Appeals) against the order by challenging the legality as well as on factual plain. Based upon the income tax advisors contesting the appeal, it is a fit case and eventually tax demand so created is likely to be quashed at appellate forums. Hence no provision for the differential amount of Rs.215.666 Million and Rs.12.007 Million for income tax and WWF has been recorded in the annexed financial statements.

### 11.2 COMMITMENTS

11.2.1 Guarantees have been issued by Commercial Bank on behalf of the Company to Sui Southern Gas Company Limited for gas supply which is secured against assets disclosed in Note 9 in the normal course of the business for aggregating to Rs. 36.435 million (2013 : Rs 36.435 million).

11.2.2 Shipping Guarantee has been issued by Commercial Bank on behalf of the Company which is secured against assets disclosed in Note 9 in the normal course of the business aggregating to Rs. 8.600 million (2013 : Nil).

11.2.3 Habib-ADM Limited being parent Company has provided to Commercial Bank Guarantee of Rs.100 million on behalf of its wholly owned Subsidiary Company Habib Microfine (Pvt.) Limited to cover the loan sanctioned by bank on mark up basis. (Also refer Note 9).

11.2.4 The Company Commitment as on June 30, 2014 amounting to Rs. 2.33 million (2013: Rs 0.877 million) against letter of credit for raw materials.

**2014**                      **2013**  
**RUPEES**                      **RUPEES**

## 12. PROPERTY, PLANT & EQUIPMENT

Operating Fixed Assets - Tangible	12.1	350,546,137	340,536,833
Capital Work - in - Progress	12.3	-	1,217,452
		<u>350,546,137</u>	<u>341,754,285</u>

### 12.1 Carrying Value Reconciliation of Property, Plant & Equipment for 2014

Particulars of Assets	2014									
	Cost As at 1.7.2013	Depreciation As at 1.7.2013	Carrying Value at the beginning of the year	Additions during the year	Disposals during the year	Adjustment/ Transfer	Rate %	Depreciation for the year	Accumulated Depreciation As at 30.06.2014	Carrying Value of Assets As at 30.06.2014
Land ( Lease hold) at Hub & Karachi	50,905,696	-	50,905,696	-	-	-	-	-	-	50,905,696
On Lease Hold Land	-	-	-	-	-	-	-	-	-	-
Factory Building	104,045,936	67,332,483	36,713,453	-	-	1,392,160	10	3,706,148	71,038,631	34,399,465
Office at Factory	7,086,750	1,208,551	5,878,199	-	-	-	5	293,908	1,502,459	5,584,291
Pavement and Ponds	9,303,700	4,149,758	5,153,942	-	-	-	5	257,696	4,407,454	4,896,246
Larkana Office Premises	759,358	422,812	336,546	-	-	-	5	16,828	439,640	319,718
Plant & Machinery	636,290,277	430,309,558	205,980,719	2,985,050	-	23,368,256	10	21,256,905	451,566,463	211,077,120
Tube Well	175,000	138,386	36,614	-	-	-	10	3,660	142,046	32,954
Office & Electrical Equipment	4,952,961	3,756,012	1,196,949	-	-	-	10	119,696	3,875,708	1,077,253
Computers	4,274,154	3,262,630	1,011,524	-	-	-	30	303,456	3,566,086	708,068
Laboratory Equipment	3,303,870	2,894,214	409,656	-	-	-	10	40,964	2,935,178	368,692
Furniture & Fixtures	4,563,107	2,883,407	1,679,700	394,781	-	-	10	207,448	3,090,855	1,867,033
Vehicles	70,119,903	39,055,962	31,063,941	15,990,120	934,552	-	20	6,965,566	43,307,665	39,153,943
Boat	415,000	376,721	38,279	-	-	-	20	7,656	384,377	30,623
Godown at Karachi	218,996	87,381	131,615	-	-	-	5	6,580	93,961	125,035
Total as on June 30, 2014	896,414,708	555,877,875	340,536,833	19,369,951	934,552	24,760,416		33,186,511	586,350,523	350,546,137

### Carrying Value Reconciliation of Property, Plant & Equipment for 2013

Particulars of Assets	2013									
	Cost as at July 01, 2012	Depreciation as at July 01, 2012	Carrying Value at the beginning of the year	Additions during the year	Disposals during the year	Adjustment/ Transfer	Rate %	Depreciation for the year	Accumulated Depreciation as at June 30, 2013	Carrying Value of assets as at June 30, 2013
Land ( Lease hold) at Hub & Karachi	50,774,480	-	50,774,480	131,216	-	-	0	-	-	50,905,696
On Lease Hold Land	-	-	-	-	-	-	-	-	-	-
Factory Building	104,045,936	63,253,211	40,792,725	-	-	-	10	4,079,272	67,332,483	36,713,453
Office at Factory	7,086,750	899,171	6,187,579	-	-	-	5	309,380	1,208,551	5,878,199
Pavement and Ponds	9,303,700	3,878,498	5,425,202	-	-	-	5	271,260	4,149,758	5,153,942
Larkana Office Premises	759,358	405,100	354,258	-	-	-	5	17,712	422,812	336,546
Plant & Machinery	624,416,116	407,913,121	216,502,995	11,874,161	-	-	10	22,396,437	430,309,558	205,980,719
Tube Well	175,000	134,318	40,682	-	-	-	10	4,068	138,386	36,614
Office & Electrical Equipment	4,853,961	3,631,269	1,222,692	99,000	-	-	10	124,743	3,756,012	1,196,949
Computers	4,221,654	2,841,772	1,379,882	52,500	-	-	30	420,858	3,262,630	1,011,524
Laboratory Equipment	3,303,870	2,848,698	455,172	-	-	-	10	45,516	2,894,214	409,656
Furniture & Fixtures	4,523,107	2,699,273	1,823,834	40,000	-	-	10	184,134	2,883,407	1,679,700
Vehicles	66,341,153	32,207,430	34,133,723	4,702,180	295,937	-	20	7,476,025	39,683,455	31,063,941
Boat	415,000	367,149	47,851	-	-	-	20	9,572	376,721	38,279
Godown at Karachi	218,996	80,453	138,543	-	-	-	5	6,928	87,381	131,615
<b>Grand Total as on June 30, 2013</b>	<b>880,439,081</b>	<b>521,159,463</b>	<b>359,279,618</b>	<b>16,899,057</b>	<b>295,937</b>	<b>-</b>		<b>35,345,905</b>	<b>556,505,368</b>	<b>340,536,833</b>

Note:

Depreciation has been allocated and charged as under :

Cost of Sales

Administrative Expenses

**2014  
RUPEES**

**2013  
RUPEES**

29,351,118

3,835,393

33,186,511

31,202,555

4,143,350

35,345,905

### 12.2 The following is the statement of Fixed Assets sold during the year.

Particulars of Assets	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain	Mode of Sale	Sold to
HONDA CITY Reg # ALT-435 Model 2006	128,590	83,820	44,770	735,000	690,230	BY TENDER	Mr. Wazir Ali S/o. Abdul Hakeem Street No. 6 Baloch khan rind colony Hub Chowki,
HONDA CITY Reg # ALT-437 Model 2006	128,590	83,820	44,770	800,000	755,230	BY TENDER	Mr. Mohammad Raza S/o. Yaqoob Ali Flate B-14 Ghulshan-e-Sabir Soldier Bazar Karachi.
HONDA CITY Reg # ALT-923 Model 2006	128,590	83,820	44,770	785,000	740,230	BY TENDER	Mr. Athar Shafique S/o. Shafique Anwer House # R403, North Karachi Sector 10 Karachi.
HONDA CITY Reg # ALT-903 Model 2006	128,590	83,820	44,770	800,000	755,230	BY TENDER	Mr. Mohammad Rafique S/o Nabi Bakhs Akram Colony, Hub District Lasbella
HONDA CITY Reg # AKY-875 Model 2006	929,990	797,367	132,623	785,000	652,377	BY TENDER	Mr. Athar Shafique S/o. Shafique Anwer House # R 403, North Karachi Sector 10 Karachi.
HONDA CITY Reg # ALT-932 Model 2006	128,590	83,820	44,770	800,000	755,230	BY TENDER	Mr. Waqar Ahmed Khan S/o. Attallah Khan West Point Tower Flat 307, DHA Ext II Block B, Karachi.
HONDA CITY Reg # ARF-428 Model 2008	1,022,225	737,506	284,719	889,000	604,281	BY TENDER	Mr. Asif Majeed S/o. M.A Majeed Flate # L13 Hassan Apartment Ghulshan-e-Iqbal, Karachi.
HONDA CITY Reg # ARC-068 Model 2008	1,053,250	759,890	293,360	730,000	436,640	BY TENDER	Mr. Mohammad Arif S/o. Mohammad Ilyas House# B 30 Sector 11C/1 North Karachi, Karachi.
<b>Total as on June 30, 2014</b>	<b>3,648,415</b>	<b>2,713,863</b>	<b>934,552</b>	<b>6,324,000</b>	<b>5,389,448</b>		
<b>Total as on June 30, 2013</b>	<b>923,430</b>	<b>627,493</b>	<b>295,937</b>	<b>3,349,603</b>	<b>3,053,666</b>		



### 12.3 The following is the movement in capital work in progress during the Year

2014			
Opening Balance	Additions	Transferred to Operating Fixed Assets	Closing Balance
Building & Civil Works	-	1,392,160	-
Plant & Machinery	1,217,452	23,368,256	-
Total June 30, 2014	1,217,452	24,760,416	-

2013			
Opening Balance	Additions	Transferred to Operating Fixed Assets	Closing Balance
Plant & Machinery	-	5,883,703	1,217,452
Total June 30, 2013	-	5,883,703	1,217,452

	2014 RUPEES	2013 RUPEES
<b>13 LONG TERM INVESTMENT IN SHARE CAPITAL OF SUBSIDIARY COMPANY</b>		
In wholly owned Subsidiary Company namely Habib Microfine (Pvt) Limited		
100,000 ordinary shares of Rupees 10 each.	1,000,000	1,000,000
Name of the CEO of the investee is Mr.Gaffar A.Habib		
Net assets value of the investee company is Rs. One million based on audited financial statements for the year ended June 30, 2014.		
<b>14 LONG TERM DEPOSITS</b>		
Security Deposits	3,078,001	3,243,001
<b>15 STORES, SPARE PARTS &amp; LOOSE TOOLS</b>		
Stores	23,450,711	20,439,664
Spare Parts	24,762,099	21,582,672
Loose Tools	436,419	436,419
Stores in Transit	-	561,093
	48,649,229	43,019,848
<b>16 STOCK IN TRADE</b>		
Raw & Packing Material	102,393,988	69,697,857
Work-in-Process	4,101,625	1,930,077
Finished Goods	65,839,595	105,360,173
Raw Material-in-Transit	231,878	-
	172,567,086	176,988,107

	2014 RUPEES	2013 RUPEES
<b>17 TRADE DEBTS - Considered Good</b>		
Subsidiary Company- Habib Microfine (Pvt.) Ltd - Note 17.1 &17.2	734,104	1,580,365
Others - Local ( Unsecured)	133,417	145,038
- Foreign (Secured) - Note 17.3	54,983,981	-
	<u>55,851,502</u>	<u>1,725,403</u>
17.1 Maximum amount due from subsidiary Company at any month end was Rs.3.99 million (2013: Rs.1.58 million)		
17.2 As at June 30, 2014 and 2013, the aging analysis of related parties are as follows:		
Upto 3 months	734,104	1,580,365
More than 3 months	-	-
	<u>734,104</u>	<u>1,580,365</u>
17.3 Foreign debtors are secured against irrecoverable letters of credit.		
<b>18 ADVANCES - Unsecured</b>		
To Employee other than Directors, CEO and Executives	809,435	122,616
Against - Purchases & Supplies to suppliers & contractors	5,454,887	3,140,558
	6,264,322	3,263,174
Less: Provision for doubtful advances to employees Note-18.1	250,900	-
	<u>6,013,422</u>	<u>3,263,174</u>
18.1 Reconciliation of Provisions		
Opening	-	-
Charge for the year	250,900	-
	<u>250,900</u>	<u>-</u>
<b>19 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>		
Security Deposits	200,000	90,000
Prepayments	2,130,325	2,678,655
	<u>2,330,325</u>	<u>2,768,655</u>
<b>20 ACCRUED INCOME</b>		
Interest accrued on PLS term deposit receipt with Bank Al Habib Limited.	-	801,096
<b>21 OTHER RECEIVABLES</b>		
Export Rebate	279,444	176,029
Insurance Claim	258,840	757,375
	<u>538,284</u>	<u>933,404</u>
<b>22 SHORT TERM INVESTMENTS</b>		
PLS Term deposit receipt with Bank Al Habib Limited	-	200,000,000
22.1 It carries mark up @ 9.25% p.a (2013: 8.50% p.a ) paid at the time of maturity/rollover ( 3 months period).		

	2014 RUPEES	2013 RUPEES
<b>23 INCOME TAX REFUNDABLE NET OF PROVISION</b>		
Opening Balance Payable	(5,470,703)	-
Add: Tax Paid during the year	63,156,377	-
	<u>57,685,674</u>	<u>-</u>
Less: Provision for current year	52,241,742	-
Net Refundable	<u>5,443,932</u>	<u>-</u>
<b>24 CASH &amp; BANK BALANCES</b>		
Cash in Hand	1,560,539	2,575,629
Balances with Banks:		
Local Currency :		
In Current Accounts	7,132,570	3,897,804
In Treasury Accounts Note - 24.1	251,601,716	122,289,855
	<u>258,734,286</u>	<u>126,187,659</u>
	<u>260,294,825</u>	<u>128,763,288</u>
24.1 It carries profit @ 7.75% p.a (2013 - 8.25% p.a).		
<b>25 SALES</b>		
Local Sales	1,170,796,184	953,426,419
Export Sales	214,491,375	275,523,397
Add: Rebate	103,415	131,743
	<u>1,385,390,974</u>	<u>1,229,081,559</u>
Less: Sales Tax on local sales	49,418,157	45,383,794
Net Sales	<u>1,335,972,817</u>	<u>1,183,697,765</u>
<b>26 COST OF GOODS SOLD</b>		
Raw & Packing Materials Consumed - Note 26.1	623,649,386	576,436,368
Repairs, Maintenance & Stores Consumed	47,862,705	19,703,299
Utilities (Fuel, Power & Water)	173,402,430	147,003,678
Salaries, Wages including Bonus, Staff Welfare and Contribution to Provident Fund - Note 34	80,204,181	78,043,636
Vehicle Running Expense	5,956,573	4,943,458
Insurance	6,294,312	6,447,390
Other Manufacturing Expenses - Note 26.2	5,547,591	6,602,185
Depreciation	29,351,118	31,202,555
	<u>972,268,296</u>	<u>870,382,569</u>
Add: Opening Stock of Work-in-Process	1,930,077	649,895
	<u>974,198,373</u>	<u>871,032,464</u>
Less: Closing Stock of Work-in-Process	4,101,625	1,930,077
Cost of Goods Produced	<u>970,096,748</u>	<u>869,102,387</u>
Add: Opening Stock of Finished Goods	105,360,173	92,737,743
	<u>1,075,456,921</u>	<u>961,840,130</u>
Less: Closing Stock of Finished Goods	65,839,595	105,360,173
	<u>1,009,617,326</u>	<u>856,479,957</u>
Insurance Claim against Finished Goods	211,378	-
Cost of Goods Sold	<u>1,009,405,948</u>	<u>856,479,957</u>

**26.1 Raw & Packing Material Consumed**

	<b>Raw Material</b>	<b>Packing Material</b>	<b>2014 RUPEES</b>	<b>2013 RUPEES</b>
Opening Stock	59,863,576	9,834,281	69,697,857	97,351,529
Add: Purchases	622,503,302	33,842,215	656,345,517	548,782,696
Available for Manufacturing	682,366,878	43,676,496	726,043,374	646,134,225
Less: Closing Stock	85,919,459	16,474,529	102,393,988	69,697,857
	<u>596,447,419</u>	<u>27,201,967</u>	<u>623,649,386</u>	<u>576,436,368</u>

**26.2 Other Manufacturing Expenses**

Traveling	95,168	5,415
Cartage	85,050	24,495
Printing & Stationery	327,284	455,954
Postage & Telephone	354,970	365,673
Rent, Rates & Taxes	187,020	179,718
Conveyance	27,705	72,697
Entertainment	317,422	329,793
Independent Laboratory Testing Expenses	258,674	758,452
Security Expense	3,478,743	3,817,663
Others	415,555	592,325
	<u>5,547,591</u>	<u>6,602,185</u>

**26.3 The break-up of cost of sales attributable to sales/export sales is as follows:**

Local	904,120,241	696,946,481
Export	105,285,707	159,533,476
	<u>1,009,405,948</u>	<u>856,479,957</u>

**27 SELLING & DISTRIBUTION COST**

Salaries, Wages including Bonus, Staff Welfare and Contribution to Provident Fund - Note 34	9,103,473	8,690,790
Rent, Rates and Taxes	346,284	297,000
Vehicle Running Expense	831,498	899,179
Repair & Maintenance	25,050	5,887
Traveling	1,960	51,935
Utilities (Fuel, Powers & Water)	16,582	23,607
Postage & Telephone	854,653	602,625
Printing & Stationery	85,341	194,158
Advertisement	798,380	875,940
Insurance	406,327	300,472
Sampling	96,215	4,216
Conveyance	533,733	515,467
Entertainment	89,881	81,476
ISO & HACCP Certification Expenses	450,906	85,000
Kosher Certification Expenses	1,021,968	985,645
Organic Certification Expenses	908,218	1,094,177
Freight & Commission	64,522,790	72,460,504
Others	59,087	52,370
	<u>80,152,346</u>	<u>87,220,448</u>

	2014 RUPEES	2013 RUPEES
27.1 The break-up of Distribution Cost attributable to sales/export sales is as follows:		
Local	29,183,046	23,700,849
Export	50,969,300	63,519,599
	<u>80,152,346</u>	<u>87,220,448</u>
<b>28 ADMINISTRATIVE EXPENSES</b>		
Salaries, Wages including Bonus, Staff Welfare and Contribution of Provident Fund - Note 34	31,823,502	31,069,276
Rent, Rates and Taxes	3,120	11,007
Vehicle Running Expense	2,363,878	2,906,057
Repair & Maintenance	86,835	80,750
Traveling	16,351,796	15,485,776
Utilities (Fuel, Powers & Water)	301,174	282,090
Postage & Telephone	1,475,798	1,327,726
Printing & Stationery	1,550,426	1,595,511
Advertisement	337,546	77,641
Legal & Professional	1,050,200	976,054
Insurance	980,788	990,145
Conveyance	568,408	542,266
Entertainment	1,805,337	1,543,043
Directors' Fee	55,000	60,000
Audit Fee - Note 28.1	683,260	685,825
Charity, Donations and Corporate Social Responsibility Costs - Note 28.2	642,794	1,123,827
Depreciation	3,835,393	4,143,350
Others	1,430,581	1,424,977
Share Registrar Service Charges	858,000	858,000
Provision for doubtful advances to employees	250,900	-
	<u>66,454,736</u>	<u>65,183,321</u>
28.1 Audit Fee		
Annual Audit Fee	575,000	575,000
Review of Half Yearly Accounts	29,000	29,000
Fee for Consolidation of Habib-ADM & Subsidiary Company	23,000	23,000
Review of Statement of Compliance with Code of Corporate Governance	17,000	17,000
Out of Pocket Expenses	39,260	41,825
	<u>683,260</u>	<u>685,825</u>
28.2 None of the Directors or their spouses had any interest in the donee's fund.		
<b>29 FINANCE COST</b>		
Interest on Workers' Profits Participation Fund	41,998	144,579
Bank Guarantee Commission	497,918	324,127
Bank Charges	476,424	835,025
	<u>1,016,340</u>	<u>1,303,731</u>

		2014 RUPEES	2013 RUPEES
<b>30</b>	<b>OTHER OPERATING CHARGES</b>		
	Workers' Profits Participation Fund	10,932,232	10,670,588
	Workers' Welfare Fund	4,154,248	4,054,823
	Loss on disposal of Property, Plant & Equipment	-	428,270
	Exchange Loss	672,414	-
		<u>15,758,894</u>	<u>15,153,681</u>
<b>31</b>	<b>INCOME FROM NON FINANCIAL ASSETS</b>		
	Rent Income from Subsidiary Company	12,000	12,000
	Gain on disposal of Property, Plant & Equipment	5,389,448	3,053,666
		<u>5,401,448</u>	<u>3,065,666</u>
<b>32</b>	<b>PROVISION FOR TAXATION</b>		
	Income Tax - Current Year	52,241,742	58,278,960
	- Prior Year	-	460,989
	Deferred Tax Reversal	(3,530,000)	(2,010,000)
		<u>48,711,742</u>	<u>56,729,949</u>
<b>32.1</b>	<b>Relationship Between Tax Expense Accounting Profit</b>		
	Net Profit as per Profit and Loss Account	203,558,160	198,686,348
	Tax @ 34% (2013 @ 35%)	69,209,774	69,540,222
	Tax Effect of:		
	Export Sales	(14,351,341)	(10,138,058)
	Dividend Income attracting Lower Tax	(2,909,033)	(1,746,844)
	Prior year Taxation	-	460,989
	Others	(3,237,658)	(1,386,360)
		<u>48,711,742</u>	<u>56,729,949</u>
<b>33</b>	<b>EARNING PER SHARE - BASIC AND DILUTED</b>		
	Profit After Taxation	<u>154,846,418</u>	<u>141,956,399</u>
	Weighted Average Number of Ordinary Shares of Rs.5 each	<u>40,000,000</u>	<u>40,000,000</u>
	Earning Per Share	<u>3.87</u>	<u>3.55</u>
	There is no dilutive effect on the basic earning per share of the Company.		
<b>34</b>	<b>DEFINED CONTRIBUTION SCHEME</b>		
	An amount of Rs. 6.94 million (2013 Rs.6.78 million) has been charged during the year in respect of contributory Provident Fund scheme maintained by the Company which has been included in Salaries, Wages including Bonus, Contribution to Provident Fund & Staff Welfare Fund.		
	Cost of Goods Sold	26 4,336,346	4,256,155
	Distribution Cost	27 579,084	531,170
	Administration Expenses	28 2,028,191	1,994,916
		<u>6,943,621</u>	<u>6,782,241</u>

	2014 RUPEES	2013 RUPEES
<b>35 CASH GENERATED FROM OPERATIONS</b>		
Profit Before Taxation	203,558,160	198,686,348
Adjustments for Non Cash Charges and Other Items:		
Depreciation	33,186,511	35,345,905
(Gain) on Disposal of Property Plant & Equipment	(5,389,448)	(3,053,666)
Finance Cost	1,016,340	1,303,731
Working Capital Changes - Note 35.1	139,756,606	80,815,384
	<u>372,128,169</u>	<u>313,097,702</u>
<b>35.1 Working Capital Changes</b>		
(Increase) / Decrease in Current Assets		
Stores, Spare Parts & Loose Tools	(5,629,381)	9,282,754
Stock in Trade	4,421,021	15,219,581
Trade Debts	(54,126,099)	62,255,303
Advances	(2,750,248)	(2,206,454)
Trade Deposits and Short Term Pre-Payments	438,330	(177,808)
Other Receivables	395,120	1,228,409
Accrued Income	801,096	1,187,945
Short Term Investments	200,000,000	-
	<u>143,549,839</u>	<u>86,789,730</u>
Increase /(Decrease) in Current Liabilities		
Trade and Other Payables	(3,793,233)	(5,974,346)
Working Capital Changes	<u>139,756,606</u>	<u>80,815,384</u>

**36 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES:**

PARTICULARS	Directors		Chief Executive		Executives		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013
Meeting Fee - 3 Directors	55,000	60,000	-	-	-	-	55,000	60,000
Managerial Remuneration	6,832,784	6,936,000	6,135,629	5,951,400	18,768,591	19,681,380	31,737,004	32,568,780
Other Benefits (Leave Encashment )	678,186	905,534	581,920	529,013	1,359,884	1,454,798	2,619,990	2,889,345
Contribution to Provident Fund	569,399	577,992	511,302	495,948	1,564,051	1,640,148	2,644,752	2,714,088
Total Rupees	8,135,369	8,479,526	7,228,851	6,976,361	21,692,526	22,776,326	37,056,746	38,232,213
Number of persons	2	2	1	1	16	18	19	21

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



## 37 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE

### 37.1 Financial Assets and Liabilities 2014

PARTICULARS	INTEREST/MARKUP BEARING			NON-INTEREST/MARKUP BEARING			Total 2014
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	
Financial Assets :							
Deposits	-	-	-	200,000	3,078,001	3,278,001	3,278,001
Trade Debts	-	-	-	55,851,502	-	55,851,502	55,851,502
Advances to Staff	-	-	-	558,535	-	558,535	558,535
Other Receivables	-	-	-	258,840	-	258,840	258,840
Cash & Bank Balances (see note 24)	251,601,716	-	251,601,716	8,693,109	-	8,693,109	260,294,825
<b>Total Financial Assets 2014</b>	<b>251,601,716</b>	<b>-</b>	<b>251,601,716</b>	<b>65,561,986</b>	<b>3,078,001</b>	<b>68,639,987</b>	<b>320,241,703</b>
Financial Liabilities :							
Trade & Other Payables	2,623,580	-	2,623,580	71,363,559	-	71,363,559	73,987,139
<b>Total Financial Liabilities 2014</b>	<b>2,623,580</b>	<b>-</b>	<b>2,623,580</b>	<b>71,363,559</b>	<b>-</b>	<b>71,363,559</b>	<b>73,987,139</b>

### Financial Assets and Liabilities 2013

PARTICULARS	INTEREST/MARKUP BEARING			NON-INTEREST/MARKUP BEARING			Total 2013
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	
Financial Assets :							
Deposits	-	-	-	90,000	3,243,001	3,333,001	3,333,001
Trade Debts	-	-	-	1,725,403	-	1,725,403	1,725,403
Advances to Employee	-	-	-	122,616	-	122,616	122,616
Short Term Investment (see note 21)	200,000,000	-	200,000,000	-	-	-	200,000,000
Other Receivables	-	-	-	757,375	-	757,375	757,375
Cash & Bank Balances (see note 25)	122,289,855	-	122,289,855	6,473,433	-	6,473,433	128,763,288
<b>Total Financial Assets 2013</b>	<b>322,289,855</b>	<b>-</b>	<b>322,289,855</b>	<b>9,168,827</b>	<b>3,243,001</b>	<b>12,411,828</b>	<b>334,701,683</b>
Financial Liabilities :							
Trade & Other Payables	2,649,350	-	2,649,350	75,131,022	-	75,131,022	77,780,372
<b>Total Financial Liabilities 2013</b>	<b>2,649,350</b>	<b>-</b>	<b>2,649,350</b>	<b>75,131,022</b>	<b>-</b>	<b>75,131,022</b>	<b>77,780,372</b>

### 37.2 Financial Risk Management Objectives and Policies

The company finances its operations through equity borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

#### 37.2.1 Financial Instruments and Related Disclosures

The company's activities expose it to certain financial risks. Such financial risks emanate from various factors that include, but not limited to market risk, credit risk and liquidity risk. The company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

#### 37.2.2 Credit Risk and Concentration of Credit Risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

The Company manages credit risk inter alia by setting out credit limits in relation to individual worthiness of customers and /or by obtaining advances against sales /or through letter of credits and/ or by making providing for doubtful debts. Also the Company does not have significant exposure in relation to individual customer. Consequently the Company believes that it is not exposed to any major concentration of credit risk.



	2014 RUPEES	2013 RUPEES
The maximum exposure of Financial Assets as at the balance sheet date are as follows;		
Long term Deposits	3,078,001	3,243,001
Trade Debts	55,851,502	1,725,403
Advances	558,535	122,616
Trade Deposits	200,000	90,000
Short Term Investments	-	200,000,000
Other Receivables	538,284	933,404
Bank Balances	258,734,286	126,187,659
	<u>318,960,608</u>	<u>332,302,083</u>

The Financial Assets that are neither past due are as follows;

Trade Debts	55,851,502	1,725,403
Advances	558,535	122,616
Trade Deposits	200,000	90,000
Other Receivables	538,284	933,404

The Financial Assets that are either past due or impaired are as nil.

### 37.2.3 Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. The company manage liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

As at June 30, 2014, the company had an aggregate available borrowing limits amounting to Rs. 100 million (2013: 100 million) from Bank and Rs. 260.29 million (2013: 128.76 million) cash and Bank balances. Base on the above, the management of the Company believe that the liquidity risk at present is non-existent.

The management forecasts the liquidity of the company on basis of expected cash flow considering the level of liquid assets necessary to meet such risk. This involves monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

### 37.2.4 Market Risk:

Market risk refers to fluctuation in value of financial instruments as a result of changes in market prices. The Company manages market risk as follows:

#### a) Foreign Exchange Risk Management

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arise mainly from future economic transactions or receivables and payables that exist due to transaction in foreign exchange.

The Company is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US Dollar (USD), Euro and Pounds (GBP).

Currently, the Company's foreign exchange risk exposure is restricted to the amount receivable / payable from / to the foreign entities and outstanding foreign letters of credit.

### Sensitivity Analysis

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

	Change in foreign Currency rate %	Effect on tax profit or (loss)
June 30, 2014	+5	2,749,199
	-5	(2,749,199)
June 30, 2013	+5	-
	-5	-

### b) Interest rate risk

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates the value of financial instruments. The company presently has no short term borrowing as at June 30, 2014, though it has a 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. 251.601 million (2013:Rs. 122.289 million). The Company places its most of the funds in bank Al Habib having good credit ratings.

### c) Price Risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, (other than those arising from interest or currency rate risk), whether those changes are caused by factors specified to the individual financial instrument or its issuer, or factors affecting all similar financial traded in the market. The Company is only exposed to equity price risk with respect to its investment in wholly owned subsidiary which is strategic. The Company monitors other price risk by closely monitoring the suppliers and commodity situation.

### 37.2.5 Trade debts

Trade debts are essentially due from local and foreign companies and the company does not expect that these companies will fail to meet their obligations.

The Company establishes an allowance for the doubtful trade debts that represent its estimate of incurred losses in respect of trade debts. This allowance is based on the management assessment of a specific loss component that relates to individually significant exposures.

### 37.2.6 Bank Balances

The Company limits its exposure to credit risk by investigating in liquid securities and maintaining bank accounts only with counterparties that have stable credit rating.

Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations. Following are the details of the respective credit ratings of the Banks.

Credit Quality of Financial Assets; Short Term Credit Rating	Rating Agency	2014 RUPEES	2013 RUPEES
A1+	PACRA	256,247,800	123,947,049
A-1+	JCR-VIS	2,092,722	1,778,386
P-1	Moody's	393,764	462,224
Total		<u>258,734,286</u>	<u>126,187,659</u>

### 37.2.7 Fair Value of Financial Instruments

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

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values except those which are described policy notes.

## 38 CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as on going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

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 the new shares or sell assets to reduce debt, as the case may be.

	2014	2013
<b>39 PRODUCTION CAPACITY</b>		
Capacity Utilized	37.34%	36.76%

The initial designed capacity of the plant is 45,000 M.Tons of High Fructose Syrup. Later additions and modifications to the plant have enabled production of a wider range of products including liquid glucose, maltodextrins, dextrose powder, sorbitol, etc. Market demands has been the main constraint for low utilization of capacity.

	2014 RUPEES	2013 RUPEES
<b>40 PROVIDENT FUND RELATED DISCLOSURE</b>		

The following information is based on latest un-audited Financial Statements of the funds:

Size of the Fund _ Total Assets	167,478,671	153,379,291
Cost of Investment	105,724,606	105,932,501
Percentage of Investment made	63.13%	69.07%
Fair Value of Investment made	111,471,078	113,798,238

The break up value of fair value of investment is

	2014	2013		
Bank Balances	3.29%	4.96%	3,666,204	5,649,625
Term Deposit Receipts	96.71%	95.04%	107,804,874	108,148,613
	100%	100%	111,471,078	113,798,238

The investment out of the 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.

41	NUMBER OF EMPLOYEES	2014	2013
		No. of employees	
	Average number of employees during the year	453	427
	Number of Employees as at June 30, 2014 / 2013	417	406

42	TRANSACTIONS WITH RELATED PARTIES (SUBSIDIARY COMPANY)	2014 RUPEES	2013 RUPEES
	a. Rent Received	12,000	12,000
	b. Sale to Subsidiary Company	9,816,300	4,576,465
	c. Dividend from Subsidiary Company	12,120,970	6,987,374
	d. Payment of Dividend to Associated Companies	4,146,006	4,738,292
		<u>26,095,276</u>	<u>16,314,131</u>

There are no transaction with key management personnel other than under the terms of employment as disclosed in note 36

#### 43 DATE OF AUTHORIZATION FOR ISSUE

These Financial Statements were authorized for issue on 9 September 2014 by the Board of Directors of the Company.

#### 44 NON ADJUSTMENT EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on September 09, 2014 has proposed a cash dividend in respect of the year ended June 30, 2014 at the rate of 40% i.e. Rs.2.00 per Share of Rs. 5 each. Which is subject to the approval of the forth coming Annual General Meeting. The Financial Statements for the year ended June 30, 2014 do not include the effect of this appropriation which will be accounted for in the Financial Statements for the year ending June 30, 2015.

#### 45 GENERAL

Figures have been rounded off to the nearest rupee.



**OWAIS G. HABIB**  
Chief Executive



**GAFFAR A. HABIB**  
Chairman

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 34th Annual General Meeting of the members of the Company will be held on Wednesday, October 22, 2014 at 11:30 a.m. at HAH Muslim Gymkhana Auditorium, Aiwan-e-Sadar Road, Karachi.

### ORDINARY BUSINESS:

1. To confirm the minutes of the Extra Ordinary General Body Meeting held on June 04, 2014.
2. To receive and adopt the Director's Report and Audited Financial Statements of the Company for the year ended June 30, 2014.
3. To approve the Final Cash Dividend for the year ended June 30, 2014 @ 40% i.e. Rs. 2.00 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, 2015 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: 09 September 2014

### NOTES:

- i. The share transfer books of the Company will remain closed from October 14, 2014 to October 22, 2014 (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 send their CNIC and also to communicate any change in their address to the Company's Share Registrar: Secretarial Services (Pvt) Limited, at 2nd Floor, UBL Building, I.I.Chundrigar Road, Karachi. Shareholders's CNIC Numbers is now mandatory for every Company to have printed on Dividend Warrant else the Warrant may not be dispatched.

## **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 22, 2014, 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)

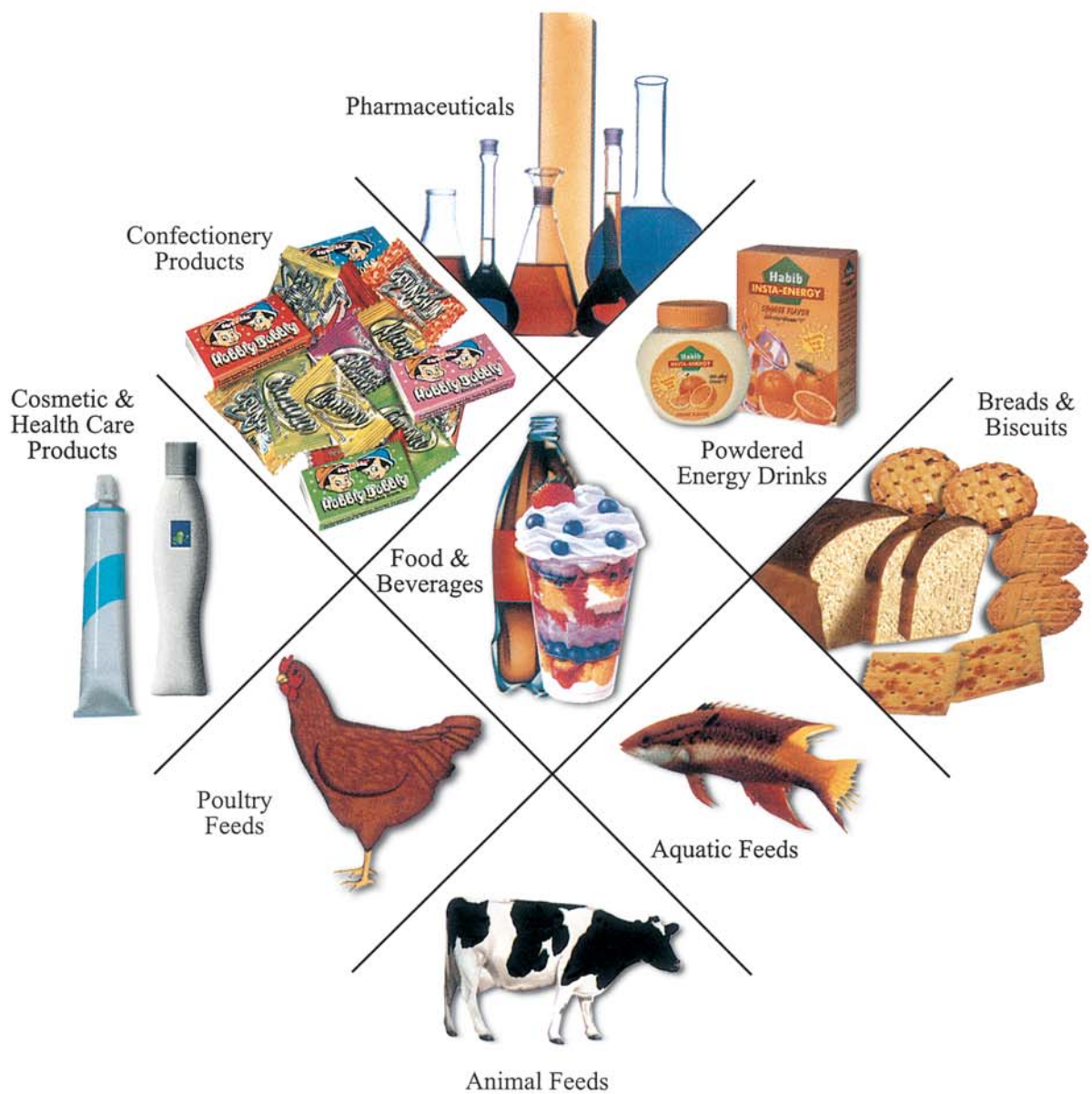




# Habib-ADM Ltd.

## 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