



**Habib Rice Products Ltd.**

***41st Annual Report  
for the year ended  
June 30, 2021***

# Contents

	<b>Page No</b>
Company Information	2
Chairman's Review / Directors' Report	3
Company's Contribution to the Economy	5
Statement on Corporate and Financial Reporting Framework	6
Six Years at a Glance	7
Pattern of Shareholding	8
Statement of Compliance with listed Companies (Code of Corporate Governance) Regulation, 2019	10
Independent Auditors' Review Report	12
Independent Auditors' Report on Financial Statements	13
Statement of Financial Position	17
Statement of Profit or Loss	18
Statement of Other Comprehensive Income	19
Statement of Changes in Equity	20
Statement of Cash Flows	21
Notes to the Financial Statements	22
Notice of Annual General Meeting	55
Proxy Form	

## **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  
Mr. Asad R. Premjee

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  
Mr. Daniyal Ghani

### **CHIEF EXECUTIVE OFFICER**

Mr. Owais G. Habib

### **CHIEF FINANCIAL OFFICER**

Mr. Jamshed Ali Khan

### **COMPANY SECRETARY**

Mr. Ali Asghar Rajani

### **AUDITORS**

EY Ford Rhodes  
Chartered Accountants

### **SHARE REGISTRAR**

M/s. THK Associates (Pvt.) Limited  
Plot No. 32-C, Jami Commercial Street-2, D.H.A.,  
Phase-VII, Karachi-75500, Pakistan.  
UAN: (021) 111-000-322 Fax: (021) 35310190

### **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  
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## 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 2021.

During the year, the Board of the Company comprised of:

Mr. Gaffar A. Habib	Chairman, Non-Executive Director
Mr. Owais G. Habib	Chief Executive Officer
Dr. Howard J. Synenberg	Independent Director
Mr. Tufail Y. Habib	Executive Director
Ms. Fatemah G. Habib	Non-Executive Director
Dr. Salma Habib	Non-Executive Director
Mr. Daniyal Ghani	Independent Director
Mr. Asad R. Premjee	Independent Director

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

	RUPEES in '000	
	2021	2020
Profit before Tax	223,373	208,663
Provision for Tax (Net)	(1,722)	(34,145)
Net Profit after Tax	221,651	174,518
Un-appropriated Profit Brought Forward	534,681	480,162
Total Available for Appropriations	756,332	654,680
Calculated gain on discounting of provision for GIDC - net	28,367	-
	784,699	654,680
<b>Proposed Appropriations:</b>		
Final Dividend @ 60% (2020: 60%)	120,000	120,000
Interim Dividend @40% (2020: Nil)	80,000	-
Un-Appropriated Profit Carried Forward	584,699	534,680
Earnings per Share (EPS) -Net of Tax	6.25	4.36
Interim Dividend per Share of Rs. 5 each	2.00	-
Final Dividend per Share of Rs. 5 each	3.00	3.00

### The Year In Review

During the year under review, our business as usual resulted in bottom line slightly better than last year. The Board has decided to recommend a Final Dividend of 60% (Rs. 3.00 per share of Rs. 5) in addition to the Interim Dividend of (40%) making the total Dividend 100% (Rs. 5.00 per share of Rs. 5) for the year.

The Board is consistent in its opinion that the gain calculated by discounting the provision of GIDC as required by the regulators is illogical and have therefore decided to show the calculated so called "Gain" separately.

In closing, please join me in my prayers to Allah the Beneficent, the Merciful, the Provider, to Bless our operation with the Bounties as Befits His Glory, Aameen.

On behalf of the Board,



**OWAIS G. HABIB**  
Chief Executive Officer



**GAFFAR A. HABIB**  
Chairman

Karachi: 16 September 2021

Post Script to the Chairman Report

## COMPANY'S CONTRIBUTION TO THE ECONOMY

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

Description	2021 Amount	2020 Amount	2019 Amount	2018 Amount	2017 Amount
----- Rupees in millions -----					
<b>Total Revenue</b>	<b>1,840</b>	<b>1,740</b>	<b>1,593</b>	<b>1,447</b>	<b>1,156</b>
<b>Export Sales (Pak Rupees in Million)</b>	<b>294</b>	<b>214</b>	<b>471</b>	<b>186</b>	<b>263</b>
Taxes Paid					
Sales Tax	165	165	152	138	94
Income Tax	103	110	73	79	66
	268	275	225	217	160
Employees Salaries & Other Benefit	237	217	199	171	158
Investors	167	103	84	42	42
<b>Grand Total</b>	<b>671</b>	<b>596</b>	<b>507</b>	<b>430</b>	<b>360</b>

## STATEMENTS ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The Financial Statements prepared by the management of the Company, present fairly its state of affairs and the result of its operations.
- The Company has maintained proper books of accounts.
- In preparation of Financial Statements, appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgment.
- In preparation of Financial Statement International Accounting Standards, as applicable in Pakistan, have been followed and non-applicability, if any, has been adequately disclosed.
- The existing system of internal control and other procedures have been continuously reviewed by the internal auditor. The process of review will continue and any weakness in controls will have immediate attention of the management.
- There are no doubts about the Company's ability to continue as a going concern.
- The Corporate Governance Regulations, as detailed in the Listing Regulations, have been fully implemented.
- Key operating and financial data for the last six years in summarized form is annexed.
- The following is the value of total assets based on-respective un-audited accounts as on 30 June 2021.  
Provident Fund Rs. 230.82 million - (2020 Rs.228.55 million)
- Pattern of Share Holding of the Company is shown on the page 8 & 9.
- During the year (4) meetings of the Board of Directors were held. Attendance by each Director is as follows:-

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

## AUDITORS

The auditors M/s. EY Ford Rhodes, 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, 2022.



**OWAIS G. HABIB**  
Chief Executive Officer



**GAFFAR A. HABIB**  
Chairman

Karachi: September 16, 2021



## SIX YEARS AT A GLANCE

(Rupees in '000)

PARTICULARS	2021	2020	2019	2018	2017	2016
<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	704,699	654,681	580,162	506,913	488,031	489,380
Total Share Holder Equity	964,699	914,681	840,162	766,913	748,031	749,380
Fixed Assets at Cost	1,386,869	1,163,595	1,138,177	1,069,681	971,762	959,550
Accumulated Depreciation	810,034	773,290	734,336	702,001	675,066	649,428
Fixed Assets Net of Depreciation	576,835	390,305	403,841	367,680	296,696	310,122
Right-of-use assets	4,922	14,014				
Long Term Investment	26,491	20,130	5,093	4,593	4,343	3,102
Deferred Taxation -Net	33,329	28,937	16,497	22,814	-	-
Current Assets	833,076	861,691	739,360	668,184	634,598	571,147
Total Assets Net of Depreciation	1,474,653	1,315,077	1,164,792	1,063,271	935,637	884,371
Non Current Liabilities	76,459	695	-	-	2,930	7,878
Current Liabilities	433,495	399,700	324,630	296,357	184,676	127,114
Total Liabilities	509,954	400,395	324,630	296,357	187,606	134,992
<b>INCOME</b>						
Net Sales	1,772,259	1,699,067	1,562,700	1,430,162	1,138,211	1,041,050
Gain on discounting of provision for GIDC	28,367	-	-	-	-	-
Other Income	39,811	41,384	29,836	16,485	18,103	18,811
Total Net Revenue	1,840,437	1,740,451	1,592,536	1,446,647	1,156,314	1,059,861
Profit before Taxation	251,740	208,663	137,977	60,535	43,985	17,137
Taxation	1,722	34,145	14,728	(8,347)	5,334	(15,706)
Profit after Taxation	250,018	174,518	123,249	68,882	38,651	32,843
<b>STATISTICS AND RATIOS</b>						
Pre-Tax Profit to Sales	14	12	9	4	4	2
Pre-Tax Profit to Capital	126	104	69	30	22	9
Current Ratio	1.92	2.16	2.28	2.25	3.44	4.49
Paid-Up Value Per Share (Rs)	5	5	5	5	5	5
Earning Per Share Before Tax(Rs)	6.29	5.22	3.45	1.51	1.10	0.43
Earning Per Share After Tax(Rs)	6.25	4.36	3.08	1.72	0.97	0.82
Cash Dividend %(Rs.)	5.00(100%)	3.00(60%)	2.50(50%)	1.25(25%)	1.25(25%)	1.00(20%)
Retained Earning Per Share (Rs)	1.25	1.36	0.58	0.47	(0.28)	(0.18)
Break-Up Value Per Share (Rs)	24.12	22.87	21.00	19.17	18.70	18.73

\* The Board of Directors in their meeting of September 16, 2021 has recommended final cash dividend @ 60% i.e. Rs.3.00 per share of Rs. 5 each. In addition to 40% interim cash dividend already declared/paid for the year ended 30 June 2021



## PATTERN OF SHARE HOLDING AS ON JUNE 30, 2021

NO. OF SHARE HOLDERS	SHARE HOLDING	TOTAL SHARES HELD
917	0000001 TO 0000100	28,461
594	0000101 TO 0000500	174,802
304	0000501 TO 0001000	240,365
399	0001001 TO 0005000	969,502
68	0005001 TO 0010000	531,468
22	0010001 TO 0015000	276,602
14	0015001 TO 0020000	254,048
4	0020001 TO 0025000	90,000
5	0025001 TO 0030000	145,450
4	0030001 TO 0035000	128,008
2	0035001 TO 0040000	74,548
3	0040001 TO 0050000	141,828
5	0070001 TO 0075000	363,600
6	0075001 TO 0100000	530,017
6	0100001 TO 0200000	751,196
5	0200001 TO 0300000	1,157,044
3	0300001 TO 0500000	1,106,754
2	0500001 TO 1000000	1,588,170
2	1000001 TO 2000000	2,655,637
4	2000001 TO 3000000	9,729,305
2	3000001 TO 5000000	8,899,160
2	5000001 TO 6000000	10,164,035
<b>2373</b>		<b>40,000,000</b>

S.NO.	CATEGORY OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE OF ISSUED CAPITAL
1	INDIVIDUALS	2,338	38,924,368	97.31%
2	JOINT STOCK COMPANIES	20	307,341	0.77%
3	INSURANCE COMPANIES	3	553,700	1.38%
4	FINANCIAL INSTITUTIONS	8	25,595	0.06%
5	CHARITABLE & OTHER TRUSTS	4	188,996	0.47%
	<b>TOTAL</b>	<b>2,373</b>	<b>40,000,000</b>	<b>100%</b>



## PATTERN OF SHAREHOLDING AS ON JUNE 30, 2021

Category #	Shareholders' Category	Number of Shareholders	Number of Shares Held	Category Wise Shares Held	Percentage
<b>1</b>	<b>Directors, Chief Executive Officer &amp; Their Spouses</b>			<b>24,059,033</b>	<b>60.15</b>
	Mr. Gaffar A. Habib	1	5,077,633		
	Mr. Owais G. Habib	1	5,086,402		
	Mr. Tufail Y. Habib	1	2,858,005		
	Ms. Fatemah G. Habib	1	4,450,000		
	Dr. Salma Habib	1	4,449,160		
	Mr. Daniyal Ghani	1	100		
	Mr. Asad R. Premjee	1	500		
	Directors' Spouse				
	Mrs. Nishat G. Habib	1	2,137,233		
<b>2</b>	<b>Associated Companies, Undertakings and Related Parties</b>			<b>5,530,368</b>	<b>13.83</b>
	M/s. Hydari Boring & Pilling (Pvt) Limited	1	18,000		
	M/s. Abbas Builders (Pvt) Limited	1	1,373		
	M/s. Indus Oil Expellers (Pvt) Limited	1	200		
	Related Parties	6	5,510,795		
<b>3</b>	<b>NIT</b>			<b>12,730</b>	<b>0.03</b>
	M/s. National Investment Trust Limited	3	12,730		
<b>4</b>	<b>Bank DFIs, NBFIs</b>	4	12,699	12,699	0.03
<b>5</b>	<b>Insurance Companies</b>	3	553,700	553,700	1.38
<b>6</b>	<b>Modarabas and Mutual Funds</b>	1	166	166	0.00
<b>7</b>	<b>Individuals</b>	2,323	7,113,787	7,113,787	17.78
<b>8</b>	<b>Joint Stock Companies</b>	17	287,768	287,768	0.72
<b>9</b>	<b>Charitable &amp; Other Trusts</b>	4	188,996	188,996	0.47
<b>10</b>	<b>Foreign Investors</b>			<b>2,240,753</b>	<b>5.60</b>
	Holding less than 10% voting Interest	1	2,240,753		
	<b>Total</b>	<b>2,373</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
Mr. Owais G. Habib	1	5,086,402	12.72%
Mr. Gaffar A. Habib	1	5,077,633	12.69%
Ms. Fatemah G. Habib	1	4,450,000	11.13%
Dr. Salma Habib	1	4,449,160	11.12%
Mr. Tufail Y. Habib	1	2,858,005	7.15%
Mr. Ghulam Abbas Y. Habib	1	2,493,314	6.23%
Dr. Howard J. Synenberg	1	2,240,753	5.60%
Mrs. Nishat G. Habib	1	2,137,233	5.34%
<b>TOTAL</b>		<b>28,792,500</b>	<b>71.98%</b>

## STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

### Habib Rice Products Ltd. Year Ended June 30, 2021

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

1. The total number of Directors are 8 as per the following:

- a. Male: 6
- b. Female: 2

2. The composition of board is as follows:

Category	Names
i. Independent Director	Mr. Daniyal Ghani Dr. Howard J. Synenberg Mr. Asad R. Premjee
ii. Non-Executive Directors	Mr. Gaffar A. Habib
iii. Executive Directors	Mr. Owais G. Habib Mr. Tufail Y. Habib
iv. Female Directors	Ms. Fatemah G. Habib Dr. Salma Habib

3. The Directors have confirmed that none of them is serving as a director on more than seven listed Companies, including this Company;
4. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. Four directors have been trained under Directors' Training Program. One director of the Company is exempt from the requirement of Directors' Training Program. Training under Directors' Training Program for one of the director elected last year could not be completed within the prescribed time due to Covid-19 restrictions and is plan to be completed in due course.
10. The board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:-

a) Audit Committee:

Name	Designation
Mr. Gaffar A. Habib	Member
Ms. Fatemah G. Habib	Member
Dr. Salma Habib	Member
Mr. Daniyal Ghani	Chairman

b) HR and Remuneration Committee:

Name	Designation
Mr. Daniyal Ghani	Chairman
Mr. Tufail Y. Habib	Member
Ms. Fatemah G. Habib	Member
Dr. Salma Habib	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings (quarterly/half yearly/yearly) of the committee were as per following:
  - a) Audit Committee Quarterly
  - b) HR and Remuneration Committee Yearly
15. The Board has set up an effective internal audit function / or has outsourced the internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.



**OWAIS G. HABIB**  
Chief Executive Officer



**GAFFAR A. HABIB**  
Chairman

Karachi: 16 September, 2021



**Habib Rice Products Ltd.**



Ey Ford Rhodes  
Chartered Accountants  
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Pakistan

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## **INDEPENDENT AUDITOR'S REVIEW REPORT**

**To the members of Habib Rice Products Limited (the Company)**

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Habib Rice Products Limited for the year ended 30 June 2021 in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2021.

*Ey Ford Rhodes*

**Chartered Accountants**

**Place: Karachi**

**Date: 24 September 2021**

A member firm of Ernst & Young Global Limited



Ey Ford Rhodes  
Chartered Accountants  
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## INDEPENDENT AUDITOR'S REPORT

### To the members of Habib Rice Products Limited

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the annexed financial statements of **Habib Rice Products Limited (the Company)**, which comprise the statement of financial position as at **June 30, 2021**, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

##### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key Audit Matter

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

Following is the Key audit matter:

Key audit matter	How our audit addressed the Key audit matter
<p><b>1. Existence and valuation of Stock-in-trade</b></p> <p>As at reporting date, the Company held stock-in-trade amounting to Rs. 227,257,878 which constitutes 15.41% of total assets, as disclosed in note 13 to the financial statements.</p> <p>As described in note 7.7 to the financial statements, stock-in-trade is measured at lower of cost and Net Realizable Value (NRV). The cost of finished goods is determined at average manufacturing cost including a proportion of production overheads. Judgements are required to determine the appropriate basis for costing and its valuation.</p> <p>Given the significance of the amount involved and the level of judgements and estimates required to value the stock-in-trade, we have identified valuation of stock-in-trade as a key audit matter</p>	<p>Our key audit procedures in this area amongst others included the following:</p> <ul style="list-style-type: none"> <li>- Obtained an understanding of the Company's valuation process for stock-in-trade and tested controls relevant to such process.</li> <li>- Tested the calculations of per unit cost of finished goods and assessed the appropriateness of management's basis for the allocation of cost and production overheads.</li> <li>- Observed physical stock count activities to ascertain the condition and existence of stock-in-trade, performed testing on a sample of items to assess their NRV and evaluated the adequacy of NRV adjustment for stock-in-trade as at the year end.</li> <li>- Assessed the adequacy of the related disclosures in accordance with the applicable financial reporting standards.</li> </ul>

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

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

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

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

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

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

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

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



### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



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#### **Report on Other Legal and Regulatory Requirements**

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is **Tariq Feroz Khan**.

*EY Ford Rhodes*

**Chartered Accountants**

**Place:** Karachi

**Date:** 24 September 2021

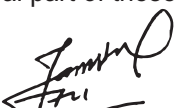
## STATEMENT OF FINANCIAL POSITION

### AS AT JUNE 30, 2021

	NOTE	2021 RUPEES	2020 RUPEES
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	576,834,849	390,304,262
Right-of-use assets	9	4,922,349	14,014,221
Long-term deposits	10	26,490,870	20,129,760
Deferred taxation	11	33,328,539	28,937,342
		<u>641,576,607</u>	<u>453,385,585</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	12	83,684,342	56,343,377
Stock-in-trade	13	227,257,878	245,961,411
Trade debts	14	20,868	56,466
Loans and advances	15	5,703,924	5,210,542
Trade deposits and prepayments	16	4,419,614	4,571,406
Sales tax receivable		11,944,668	-
Short-term investments	17	305,712,268	382,760,245
Taxation - net		60,770,298	92,283,352
Cash and bank balances	18	133,562,359	74,503,789
		<u>833,076,219</u>	<u>861,690,588</u>
		<u>1,474,652,826</u>	<u>1,315,076,173</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 60,000,000 (2020: 60,000,000) ordinary shares of Rs. 5/- each		<u>300,000,000</u>	<u>300,000,000</u>
Issued, subscribed and paid-up capital	19	200,000,000	200,000,000
Reserves		<u>764,699,028</u>	<u>714,680,794</u>
		964,699,028	914,680,794
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	20	219,341	695,481
Provision for Gas Infrastructure Development Cess	21	76,239,416	-
		<u>76,458,757</u>	<u>695,481</u>
<b>CURRENT LIABILITIES</b>			
Current maturity of lease liabilities	20	476,140	9,594,195
Current maturity of Gas Infrastructure Development Cess	21	130,900,226	198,527,294
Trade and other payables	22	184,444,499	89,198,718
Provision for gas rate revision	23	86,150,001	81,692,706
Unclaimed dividend		31,524,175	20,686,985
		<u>433,495,041</u>	<u>399,699,898</u>
		<u>1,474,652,826</u>	<u>1,315,076,173</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	24		

The annexed notes from 1 to 44 form an integral part of these financial statements.

  
**OWAIS G. HABIB**  
 Chief Executive Officer

  
**JAMSHED ALI KHAN**  
 Chief Financial Officer

  
**GAFFAR A. HABIB**  
 Chairman



## STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2021

	NOTE	2021 RUPEES	2020 RUPEES
Turnover - net	25	1,772,259,303	1,699,066,706
Cost of sales	26	(1,348,613,817)	(1,321,455,852)
<b>Gross profit</b>		<u>423,645,486</u>	<u>377,610,854</u>
Distribution costs	27	(107,140,901)	(85,062,272)
Administrative expenses	28	(105,491,302)	(105,625,629)
Other expenses	29	(17,371,213)	(18,421,388)
Other income	30	39,810,920	44,099,354
Finance costs	31	(10,079,567)	(3,937,534)
		<u>223,373,423</u>	<u>208,663,385</u>
Gain on remeasurement of provision for GIDC - net		28,366,750	-
<b>Profit before taxation</b>		<u>251,740,173</u>	<u>208,663,385</u>
Taxation	32	(1,721,939)	(34,144,596)
<b>Profit for the year</b>		<u><u>250,018,234</u></u>	<u><u>174,518,789</u></u>
Earnings per share	33	<u><u>6.25</u></u>	<u><u>4.36</u></u>

The annexed notes from 1 to 44 form an integral part of these financial statements.

**OWAIS G. HABIB**  
Chief Executive Officer

**JAMSHED ALI KHAN**  
Chief Financial Officer

**GAFFAR A. HABIB**  
Chairman

## STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2021

	2021 RUPEES	2020 RUPEES
Profit for the year	250,018,234	174,518,789
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u>250,018,234</u>	<u>174,518,789</u>

The annexed notes from 1 to 44 form an integral part of these financial statements.



**OWAIS G. HABIB**  
Chief Executive Officer



**JAMSHED ALI KHAN**  
Chief Financial Officer



**GAFFAR A. HABIB**  
Chairman



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2021

Particulars	Issued, subscribed and paid -up capital	Reserves				Total Equity
		Capital reserves	Revenue reserves		Total Reserves	
			Share premium	General reserve		
----- Rupees -----						
As at June 30, 2019	200,000,000	10,000,000	50,000,000	580,162,005	640,162,005	840,162,005
Final dividend @ 50% for the year ended June 30, 2019	-	-	-	(100,000,000)	(100,000,000)	(100,000,000)
Profit for the year	-	-	-	174,518,789	174,518,789	174,518,789
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	174,518,789	174,518,789	174,518,789
As at June 30, 2020	200,000,000	10,000,000	50,000,000	654,680,794	714,680,794	914,680,794
Final dividend @ 60% for the year ended June 30, 2020	-	-	-	(120,000,000)	(120,000,000)	(120,000,000)
Interim dividend @ 40% for the year ended June 30, 2021	-	-	-	(80,000,000)	(80,000,000)	(80,000,000)
Profit for the year	-	-	-	250,018,234	250,018,234	250,018,234
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	250,018,234	250,018,234	250,018,234
As at June 30, 2021	200,000,000	10,000,000	50,000,000	704,699,028	764,699,028	964,699,028

The annexed notes from 1 to 44 form an integral part of these financial statements.

**OWAIS G. HABIB**  
Chief Executive Officer

**JAMSHED ALI KHAN**  
Chief Financial Officer


**GAFFAR A. HABIB**  
Chairman

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021

	NOTE	2021 RUPEES	2020 RUPEES
<b>Cash generated from operations</b>	34	350,344,650	273,883,995
Finance costs paid		(3,368,166)	(1,826,662)
Taxes received / paid		25,399,918	(21,843,910)
Long-term deposits - net		(6,361,110)	(15,036,579)
Net cash generated from operating activities		366,015,292	235,176,844
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Short-term investments - net		154,903,834	(209,984,288)
Capital expenditure		(223,440,408)	(25,423,450)
Profit on term deposit receipts and interest on savings accounts received		46,799,704	28,609,862
Dividend income on listed equity securities and mutual fund units received	30	14,232,369	-
Proceeds from disposal of operating fixed assets		109,000	10,000
Net cash used in investing activities		(7,395,501)	(206,787,876)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(189,162,810)	(94,719,896)
Lease rentals paid	20.1	(10,143,961)	(9,325,020)
Net cash used in financing activities		(199,306,771)	(104,044,916)
Net increase / (decrease) in cash and cash equivalents		159,313,020	(75,655,948)
Cash and cash equivalents at the beginning of the year		74,503,789	150,159,737
<b>Cash and cash equivalents at the end of the year</b>	35	<u>233,816,809</u>	<u>74,503,789</u>

The annexed notes from 1 to 44 form an integral part of these financial statements.

  
**OWAIS G. HABIB**  
Chief Executive Officer

  
**JAMSHED ALI KHAN**  
Chief Financial Officer

  
**GAFFAR A. HABIB**  
Chairman

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 1. THE COMPANY AND ITS OPERATIONS

**1.1** Habib Rice Products Limited (the Company) is a public company limited by shares, incorporated in Pakistan on July 10, 1980 and is listed on the Pakistan Stock Exchange. The Company is engaged in the production of rice based starch sugar and proteins. The registered office of the Company is situated at 2nd Floor, UBL Building, I.I Chundrigar Road, Karachi, Sindh.

### 1.2 Impact of Covid-19 on the financial statements

Covid-19 is a global pandemic which has affected the whole world and Pakistan is not an exception. Businesses are badly affected due to lockdowns to fight Covid-19 since March 2020. The situation, however, has now improved on the back of steps taken by the Government of Pakistan. The Company has taken all necessary measures for the health and safety of its employees. Employees were also allowed to work from their homes during Covid-19. The management fully supports the Government's stance of vaccination. Based on the assessment performed by the management, there is no significant accounting impact of Covid-19 in these financial statements.

### 2. GEOGRAPHICAL LOCATION AND ADDRESS OF BUSINESS UNITS / PLANT:

Location	Purpose	Covered area
Plot # A-25, A-26, A-27 Quetta Industrial Area and Trading Estate, Quetta, Baluchistan	Freehold land	1.21 acres
Hub Industrial Area, District Lasbela, Baluchistan	Freehold land	42 acres
Hub Industrial Area, District Lasbela, Baluchistan	Production plant	32 acres
Khayaban e Muhafiz, Phase 6, Pakistan Defence Officers Housing Authority, Karachi, Sindh	Admin office	-
Plot # 92, New Anaj Mandi, Miro Khan Road, Quetta Road, Larkana, Sindh	Warehouse	0.0436 acres
House # 4F, 7/3 Nazimabad # 4 near Hadi Market, Karachi, Sindh	Sales office and warehouse	-
Plot # S/42, SITE, Karachi, Sindh	Freehold land	1 Acre

### **3. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board (IASB) as notified under Companies Act, 2017 (the Act) and, provisions of and directives issued under the Act. Where the provisions of and directives issued under the Act differ from the IFRS standards, the provisions of and directives issued under the Act have been followed.

### **4. BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention except as disclosed in the relevant accounting policies.

### **5. NEW STANDARDS, AMENDMENTS, IMPROVEMENTS TO APPROVED ACCOUNTING STANDARDS AND THE FRAMEWORK FOR FINANCIAL REPORTING**

#### **5.1 Amendments to approved accounting standards and the framework for financial reporting that became effective during the current year**

The Company has adopted the following amendments to International Financial Reporting Standards (IFRSs) and the framework for financial reporting which became effective for the current year:

#### **Amendment or conceptual framework**

IFRS 3 - Business Combinations - Definition of a Business (Amendments)

IFRS 9 / IAS 39 / IFRS 7 - Interest Rate Benchmark Reform (Amendments)

IAS 1 / IAS 8 - Definition of Material (Amendments)

Conceptual Framework for Financial Reporting

The adoption of above amendments to the approved accounting standards and the conceptual framework for financial reporting did not have any material impact on the Company's financial statements.

#### **5.2 Standards, amendments and improvements to the approved accounting standards that are not yet effective**

The following amendments and improvements to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective amendments or improvements:

<b>Amendment or improvement</b>		<b>Effective date (annual periods beginning on or after)</b>
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform - Phase 2 (Amendment)	January 01, 2021
IFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendments)	April 01, 2021
IFRS 3	Reference to the Conceptual Framework (Amendments)	January 01, 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use (Amendments)	January 01, 2022
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	January 01, 2022
IAS 1	Classification of Liabilities as Current or Non-current (Amendments)	January 01, 2023
IAS 1	Disclosure of Accounting Policies (Amendments)	January 01, 2023
IAS 8	Definition of Accounting Estimates (Amendments)	January 01, 2023
IAS 12	Deferred tax related to Assets and Liabilities arising from a single transaction (Amendments)	January 01, 2023
IFRS 10 / IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalised

**Improvements to accounting standards issued by the IASB (2018-2020 cycle)**

IFRS 9	Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities	January 01, 2022
IAS 41	Agriculture – Taxation in fair value measurements	January 01, 2022
IFRS 16	Leases: Lease incentives	January 01, 2022

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

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan and are not expected to have any material impact on the Company's financial statements in the period of initial application.

<b>Standard</b>	<b>IASB effective date (annual periods beginning on or after)</b>
IFRS 1 January 01, 2004	First-time Adoption of International Financial Reporting Standards
IFRS 17 January 01, 2023	Insurance Contracts

## **6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

- depreciation method, residual values and useful lives of operating fixed assets (note 7.1.1 and 8.1)
- depreciation method, residual values and useful lives of right-of-use assets (note 7.2 and 9)
- impairment of non-financial and financial assets (note 7.3 and 7.4.3)
- provision for slow moving and obsolete stores, spare parts and loose tools and stock-in-trade (note 7.6 and 7.7)
- taxation (note 7.18, 11 and 32)
- contingencies (note 24)
- leases (note 7.14 and 7.15)
- provisions (note 7.13)

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

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

#### **7.1.1 Operating fixed assets**

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

Depreciation on operating fixed assets is charged to the statement of profit or loss applying the reducing balance method at the rates specified in note 8.1 to the financial statements. Depreciation on additions is charged from the quarter in which addition is made and in case of disposal up to the quarter preceding the disposal. Maintenance and normal repairs are charged to the statement of profit or loss as and when incurred, while major renewals and improvements are capitalised when it is probable that respective future economic benefits will flow to the entity. Gains or losses on disposals of operating fixed assets, if any, are included in the statement of profit or loss in the period in which they arise.

### **7.1.2 Capital work-in-progress**

These are stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period, including advances are carried under this head. These are transferred to specific assets as and when these assets are available for use.

## **7.2 Right-of-use assets**

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated using straight line method over the lease term. Right-of-use assets are subject to impairment. The depreciation rates used are stated in note 9 to the financial statements.

## **7.3 Impairment of non-financial assets**

The carrying amounts of non-financial assets other than inventories and deferred tax assets are assessed at date of statement of financial position to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in the statement of profit or loss. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets.

## **7.4 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### **7.4.1 Financial assets**

The financial assets of the Company mainly include trade debts, loans, deposits, short-term investments and cash and bank balances.

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit or Loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Based on the business model of the Company, the financial assets of the Company are measured and classified as follows:

- Short-term investments in listed equity securities and mutual fund units are designated at FVTPL at initial recognition. These are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.
- Trade debts and other financial assets are measured at amortised cost using the effective interest rate method less an allowance for expected credit losses, if any.

#### **7.4.2 Financial liabilities**

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs. For the purpose of subsequent measurement financial liabilities are either classified at amortised cost or fair value through profit or loss. The Company does not have any financial liability at fair value through profit or loss.

#### **7.4.3 Impairment of financial assets**

The Company recognises an allowance for Expected Credit Losses (ECLs) for all debts instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

At each date of statement of financial position, the Company assesses whether financial assets are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the respective asset.

The Company uses the standard's simplified approach and calculates ECLs based on life time ECLs on its financial assets. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the economic environment.

## **7.5 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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

These are stated at cost determined on weighted average basis less provision for slow moving and obsolete items. Goods-in-transit are stated at invoice price plus other charges incurred thereon up to the date of the statement of financial position.

Stores, spare parts and loose tools are regularly reviewed by the management and provision is created for any slow moving and obsolete items to bring down to their cost to its Net Realisable Value (NRV).

## **7.7 Stock-in-trade**

Stock-in-trade, except goods-in-transit, is stated at the lower of NRV and cost determined as follows:

- Raw and packing material - Purchase cost and other direct expenses on weighted average basis;
- Finished goods - Cost of direct material, labour and proportion of manufacturing overheads;

Stock-in-transit is valued at purchase price, freight value and other charges incurred thereon up to the date of the statement of financial position,

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

Provision, if required is made in the financial statements for slow moving, obsolete and unusable items to bring their carrying value down to NRV.

## **7.8 Trade debts, loans, deposits and short-term investments in term deposits receipts**

Trade debts, loans, deposits short-term investments in term deposits receipts are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Allowance is made on the basis of lifetime expected credit losses (ECLs) that result from all possible default events over the expected life of the trade debts, loans, deposits and short-term investments in term deposits receipts. Bad debts, if any, are written off when considered irrecoverable.

## **7.9 Investments at fair value through profit or loss**

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuation in prices are classified as 'financial assets at fair value through profit or loss' category.

These investments are initially recognized at fair value, relevant transaction costs are taken directly to the statement of profit or loss and subsequently measured at fair value. Net gains and losses arising on changes in fair value of these financial assets are taken to the statement of profit or loss in the period in which they arise.

#### **7.10 Cash and cash equivalents**

These are stated at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise of cash in hand, bank balances and short-term investments in term deposits receipts with a maturity of three months from the date of statement of financial position.

#### **7.11 Employee retirement benefits – defined contribution plan**

A defined contribution plan is a plan under which the Company pays fixed contributions into a separate entity. The Company has no legal and constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

The Company operates a recognised provident fund scheme for all its employees who are eligible for the scheme in accordance with the Company's policy. Contributions in respect thereto are made at the rate of 8.33 percent of employees monthly basic salaries as per the terms of the scheme.

#### **7.12 Trade and other payables**

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

#### **7.13 Provisions**

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

#### **7.14 Lease liabilities**

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

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

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the commencement date of the lease if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### **7.15 Short-term leases and leases of low value assets**

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

#### **7.16 Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

#### **7.17 Revenue recognition**

Revenue is measured at fair value of the consideration received or receivable and is recognised on the following basis:

- Revenue from sale of goods is recognised when or as control of goods have been transferred to a customer at a point in time, when the performance obligations are met;
- Interest on short-term investments in term deposits receipts and savings accounts is recognised on effective interest rate method;
- Dividend income is recognised when the right to receive such payment is established; and
- Other income is recognised on accrual basis

## **7.18 Taxation**

### **7.18.1 Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, or minimum tax on turnover or Alternate Corporate Tax whichever is higher and tax paid on final tax regime basis, in accordance with the provisions of Income Tax Ordinance, 2001.

### **7.18.2 Deferred**

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the reporting date, between the tax bases of the assets and the liabilities and their carrying amounts.

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

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

## **7.19 Dividends and appropriations to reserves**

Dividends and appropriations to reserves are recognised in the financial statements in the period in which these are approved. Transfer between reserves made subsequent to the statement of financial position date is considered as a non-adjusting event and is recognised in the financial statements in the period in which such transfers are made.

## **7.20 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees (Pak. Rupee) which is the Company's functional and presentation currency.

## **7.21 Foreign currency transactions**

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

## 7.22 Operating segments

For management purposes, the activities of the Company are organized into one operating segment i.e., production of rice based starch sugar and proteins. The Company operates in the said reportable operating segment based on the nature of the products, risks and returns, organizational and management structure, and internal financial reporting systems. Accordingly, the figures reported in the financial statements are related to the Company's only reportable segment.

## 7.23 Earnings per share

The Company presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares.

## 7.24 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of obligation cannot be measured with sufficient reliability.

	Note	2021 RUPEES	2020 RUPEES
<b>8. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	8.1	367,820,889	390,304,262
Capital work-in-progress	8.3	209,013,960	-
		<u>576,834,849</u>	<u>390,304,262</u>



## 8.1 Operating fixed assets

	COST				ACCUMULATED DEPRECIATION				NET BOOK VALUE	Rate
2021	As at July 01, 2020	Additions	Disposals	As at June 30, 2021	As at July 01, 2020	Charge for the year	On Disposals	As at June 30, 2021	As at June 30, 2021	
	Rupees									
Freehold land	51,205,696	-	-	51,205,696	-	-	-	-	51,205,696	-
Buildings on freehold land:										
- Factory building	105,438,096	-	-	105,438,096	87,156,811	1,828,128	-	88,984,939	16,453,157	10%
- Factory office	7,086,750	-	-	7,086,750	2,981,783	205,248	-	3,187,031	3,899,719	5%
- Pavement and ponds	9,303,700	-	-	9,303,700	5,704,510	179,960	-	5,884,470	3,419,230	5%
Larkana office premises	759,358	-	-	759,358	524,332	11,752	-	536,084	223,274	5%
Plant and machinery	869,951,573	12,666,172	-	882,617,745	584,012,823	29,422,334	-	613,435,157	269,182,588	10%
Furniture and fixtures	5,433,219	275,988	-	5,709,207	4,160,888	151,846	-	4,312,734	1,396,473	10%
Tubewell	175,000	-	-	175,000	157,486	1,752	-	159,238	15,762	10%
Office and electrical equipment	5,214,241	-	-	5,214,241	4,392,928	60,052	-	4,452,980	761,261	10%
Computers	5,798,630	760,838	-	6,559,468	5,014,776	372,496	-	5,387,272	1,172,196	30%
Laboratory equipment	7,541,895	427,050	-	7,968,945	4,840,314	320,664	-	5,160,978	2,807,967	10%
Vehicles	95,052,598	296,400	166,462	95,182,536	73,809,781	4,282,047	99,120	77,992,708	17,189,828	20%
Boat	415,000	-	-	415,000	406,973	1,604	-	408,577	6,423	20%
Godown	218,996	-	-	218,996	127,085	4,596	-	131,681	87,315	5%
	1,163,594,752	14,426,448	166,462	1,177,854,738	773,290,490	36,842,479	99,120	810,033,849	367,820,889	

	COST				ACCUMULATED DEPRECIATION				NET BOOK VALUE	Rate
2020	As at July 01, 2019	Additions	Disposals	As at June 30, 2020	As at July 01, 2019	Charge for the year	On Disposals	As at June 30, 2020	As at June 30, 2020	
	Rupees									
Freehold land	51,205,696	-	-	51,205,696	-	-	-	-	51,205,696	-
Buildings on freehold land:										
- Factory building	105,438,096	-	-	105,438,096	85,125,555	2,031,256	-	87,156,811	18,281,285	10%
- Factory office	7,086,750	-	-	7,086,750	2,765,731	216,052	-	2,981,783	4,104,967	5%
- Pavement and ponds	9,303,700	-	-	9,303,700	5,515,078	189,432	-	5,704,510	3,599,190	5%
Larkana office premises	759,358	-	-	759,358	511,964	12,368	-	524,332	235,026	5%
Plant and machinery	849,050,903	20,900,670	-	869,951,573	553,479,755	30,533,068	-	584,012,823	285,938,750	10%
Furniture and fixtures	5,433,219	-	-	5,433,219	4,019,520	141,368	-	4,160,888	1,272,331	10%
Tubewell	175,000	-	-	175,000	155,542	1,944	-	157,486	17,514	10%
Office and electrical equipment	4,993,461	220,780	-	5,214,241	4,326,200	66,728	-	4,392,928	821,313	10%
Computers	5,720,630	78,000	-	5,798,630	4,617,648	397,128	-	5,014,776	783,854	30%
Laboratory equipment	7,541,895	-	-	7,541,895	4,478,172	362,142	-	4,840,314	2,701,581	10%
Vehicles	90,834,448	4,224,000	5,850	95,052,598	68,813,386	5,001,956	5,561	73,809,781	21,242,817	20%
Boat	415,000	-	-	415,000	404,965	2,008	-	406,973	8,027	20%
Godown	218,996	-	-	218,996	122,249	4,836	-	127,085	91,911	5%
	1,138,177,152	25,423,450	5,850	1,163,594,752	734,335,765	38,960,286	5,561	773,290,490	390,304,262	

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

	Note	2021 RUPEES	2020 RUPEES
Cost of sales	26.1	34,237,174	35,963,257
Administrative expenses	28	2,605,305	2,997,029
		<u>36,842,479</u>	<u>38,960,286</u>

**8.3 Capital work-in-progress - plant and machinery**

At the beginning of the year	-	-
Capital expenditure incurred / advances made	209,013,960	-
Transferred to operating fixed assets	-	-
At the end of the year	<u>209,013,960</u>	<u>-</u>

**9. RIGHT-OF-USE ASSETS**

Cost

At the beginning of the year	23,106,095	-
Impact of initial application of IFRS 16	-	23,106,095
At the end of the year	<u>23,106,095</u>	<u>23,106,095</u>

Accumulated depreciation

At the beginning of the year	9,091,874	-
Charge	9,091,872	9,091,874
At the end of the year	<u>18,183,746</u>	<u>9,091,874</u>

Net book value at the end of the year	<u>4,922,349</u>	<u>14,014,221</u>
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Years

Useful life	<u>2.5 - 3.5</u>	<u>2.5 - 3.5</u>
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**9.1 The depreciation charge for the year has been allocated as follows:**

Distribution costs	27	410,626	410,628
Administrative expenses	28	8,681,246	8,681,246
		<u>9,091,872</u>	<u>9,091,874</u>

**10. LONG-TERM DEPOSITS - unsecured, considered good**

Security deposits

Nazir of High Court of Sindh	21,397,689	15,036,579
Others	5,093,181	5,093,181
	<u>26,490,870</u>	<u>20,129,760</u>



	Note	2021 RUPEES	2020 RUPEES
<b>11. DEFERRED TAXATION – net</b>			
Taxable temporary differences arising due to:			
Accelerated tax depreciation		(35,796,006)	(38,931,744)
Deductible temporary differences arising due to:			
Provisions		68,961,177	65,465,204
Lease liabilities		163,368	2,403,882
		<u>33,328,539</u>	<u>28,937,342</u>
<b>12. STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores			
in-hand		36,046,175	26,209,526
in-transit		9,096,966	1,939,449
		<u>45,143,141</u>	<u>28,148,975</u>
Spare parts		37,847,179	27,521,880
Loose tools		694,022	672,522
		<u>83,684,342</u>	<u>56,343,377</u>
<b>13. STOCK-IN-TRADE</b>			
Raw and packing materials			
in-hand		140,159,316	135,316,952
in-transit		3,613	23,789,763
Finished goods		87,094,949	86,854,696
		<u>227,257,878</u>	<u>245,961,411</u>
<b>14. TRADE DEBTS – unsecured, considered good</b>			
Local	14.1	<u>20,868</u>	<u>56,466</u>
<b>14.1 The aging of unimpaired trade debts is as follows:</b>			
Neither past due nor impaired:		-	-
Past due but not impaired:			
within 90 days		-	31,383
91 - 180 days		20,868	25,083
		<u>20,868</u>	<u>56,466</u>
		<u>20,868</u>	<u>56,466</u>

	Note	2021 RUPEES	2020 RUPEES
<b>15. LOANS AND ADVANCES - considered good</b>			
Loans to:			
Employees – secured	15.1	971,877	-
Advances to:			
Employees – unsecured		10,000	734,937
Suppliers – unsecured		4,722,047	4,475,605
		<u>5,703,924</u>	<u>5,210,542</u>
<b>15.1</b>	Represents interest free loans given to the employees of the Company in accordance with their employment terms and are secured against the employees' retirement benefits.		
	Note	2021 RUPEES	2020 RUPEES
<b>16. TRADE DEPOSITS AND PREPAYMENTS</b>			
Security deposits - unsecured, considered good		1,540,267	1,351,188
Prepayments		2,879,347	3,220,218
		<u>4,419,614</u>	<u>4,571,406</u>
<b>17. SHORT-TERM INVESTMENTS</b>			
<b>At amortised cost</b>			
Term deposit receipts			
- maturity within 3 months		100,254,450	-
- maturity more than 3 months		-	360,238,738
	17.1	<u>100,254,450</u>	<u>360,238,738</u>
Accrued profit		122,914	22,521,507
		<u>100,377,364</u>	<u>382,760,245</u>
<b>At fair value through profit or loss</b>			
Listed equity securities	17.2	195,023,284	-
Mutual fund units - open ended	17.3	10,311,620	-
	17.4	<u>305,712,268</u>	<u>382,760,245</u>
<b>17.1 Term deposits receipts are held with the following:</b>			
Bank AL Habib Limited		254,450	254,450
Pak Oman Investment Company Limited		100,000,000	359,984,288
	17.1.1	<u>100,254,450</u>	<u>360,238,738</u>



## Habib Rice Products Ltd.

- 17.1.1** These carry profit at rates ranging from 5.50% to 7.30% (2020: 7.50% to 13.50%) per annum and have maturity latest by July 14, 2021.
- 17.2** Represents 2,781,279 (2020: Nil) fully paid-up ordinary shares of Bank AL Habib Limited.
- 17.3** Represents 206,232 (2020: Nil) units of Meezan Rozana Amdani Fund, having net asset value of Rs. 50 (2020: Nil) each at the reporting date.
- 17.4** **Net unrealised diminution on remeasurement of investment recognised as financial assets at fair value through profit or loss is as follows:**

	2021			2020		
	Market value	Carrying value	Net unrealised loss	Market value	Carrying value	Net unrealised loss
	----- (Rupees) -----					
Listed equity securities	195,023,284	195,251,985	(228,701)	-	-	-
Mutual fund units	10,311,620	10,311,620	-	-	-	-
	<u>205,334,904</u>	<u>205,563,605</u>	<u>(228,701)</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Note	2021 RUPEES	2020 RUPEES
<b>18. CASH AND BANK BALANCES</b>			
Cash in-hand		1,706,096	1,973,231
Bank balances			
Current accounts		9,279,660	7,429,625
Savings accounts			
Local currency		103,686,619	62,388,331
Foreign currency		18,889,984	2,712,602
	18.1	<u>122,576,603</u>	<u>65,100,933</u>
		<u>133,562,359</u>	<u>74,503,789</u>

- 18.1** These carry interest at the rates ranging from 5.5% to 6.10% (2020: 6.5% to 11.25%) per annum.

**19. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

2021	2020		Note	2021 RUPEES	2020 RUPEES
---Number of Shares---					
		Ordinary shares of			
		Rs. 5/- each issued as:			
15,000,000	15,000,000	fully paid in cash		75,000,000	75,000,000
25,000,000	25,000,000	bonus shares		125,000,000	125,000,000
<u>40,000,000</u>	<u>40,000,000</u>		19.1	<u>200,000,000</u>	<u>200,000,000</u>

- 19.1** The shareholders are entitled to receive all distributions including dividends and other entitlements in the form of cash, bonus and right shares as and when declared by the Company. All shares carry one vote per share without restriction.

## **20. LEASE LIABILITIES**

The Company has lease contracts for the admin office premises and a business unit. These leases generally have lease terms between 2.5 to 3.5 years. The lease contracts include extension and termination options subject to the mutual consent of the Company and the lessors.

	Note	2021 RUPEES	2020 RUPEES
Lease liabilities		695,481	10,289,676
Current maturity		(476,140)	(9,594,195)
	20.1	<u>219,341</u>	<u>695,481</u>

### **20.1 Movement of lease liabilities is as follows:**

At the beginning of the year		10,289,676	-
Impact of initial application of IFRS 16		-	17,503,824
Accretion of interest	31	549,766	2,110,872
Lease rentals paid		(10,143,961)	(9,325,020)
At the end of the year		<u>695,481</u>	<u>10,289,676</u>
Current maturity		<u>(476,140)</u>	<u>(9,594,195)</u>
		<u>219,341</u>	<u>695,481</u>

### **20.2 The amount of future minimum lease payments, together with the present value of the minimum lease payments, and the periods during which they fall due are as follows:**

	2021		2020	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
	(Rupees)			
Within one year	528,000	476,140	10,644,560	9,594,195
Later than one year but not later than five years	220,000	219,341	772,740	695,481
Total lease payments	<u>748,000</u>	<u>695,481</u>	<u>11,417,300</u>	<u>10,289,676</u>
Finance charges allocated to future periods	(52,519)	-	(1,127,624)	-
Present value of lease payments	<u>695,481</u>	<u>695,481</u>	<u>10,289,676</u>	<u>10,289,676</u>
Current maturity	(476,140)	(476,140)	(9,594,195)	(9,594,195)
	<u>219,341</u>	<u>219,341</u>	<u>695,481</u>	<u>695,481</u>

	Note	2021 RUPEES	2020 RUPEES
<b>21. PROVISION FOR GAS INFRASTRUCTURE DEVELOPMENT CESS</b>			
At the beginning of the year		198,527,294	158,925,294
Provision		30,817,463	39,602,000
Derecognition of existing provision	21.1	(179,806,966)	-
	21.2	49,537,791	198,527,294
Recognition of new provision at present value		147,736,826	-
Unwinding of finance cost	31	6,161,635	-
		203,436,252	-
Remeasurement of provision at year end		3,703,390	-
		207,139,642	198,527,294
Current maturity	21.2 & 21.3	(130,900,226)	(198,527,294)
		76,239,416	-

- 21.1** The Honourable Supreme Court of Pakistan on August 13, 2020 decided the Gas Infrastructure Development Cess (GIDC) case and held that the levy of GIDC under the GIDC Act 2015 is constitutional. The Apex Court further stated that all industrial and commercial entities which consume natural gas pass on the burden to their customers, have to pay the GIDC that became due up to July 31, 2020.

Subsequent to the Order passed by the Apex Court, the Sui Southern Gas Company Limited (SSGC) issued GIDC bill to the Company being to the Company the first instalment of total aggregate demand amounting to Rs. 229.34 million, which was later revised to Rs. 179.80 million pursuant to the decision of Honourable High Court of Sindh (HCS) (note 21.2), to be recovered in 48 monthly instalments.

The above demand of the SSGC was not acknowledged as liability by the Company as the Company contends that it had not passed the burden to its customers / clients. The Company filed an appeal before the Honourable HCS on the ground that no burden of GIDC had been passed to its customers / clients and thus the Company is not liable to pay GIDC under GIDC Act 2015.

The HCS has granted stay vide order dated September 18, 2020 against the aforementioned demand raised by the SSGC and restrained the SSGC to take any coercive action.

Keeping in view the financial reporting guidance of ICAP and giving due consideration to the latest available information and the expected timing of the settlement, the Company has remeasured its previously undiscounted provision at its present value using risk free discount rate to incorporate the effect of time value of money arising from the expected settlement based on an instalment plan.

- 21.2** Pursuant to the decision of Honourable HCS, a provision of Rs. 49.54 million in respect of the differential of GIDC captive power rate and the GIDC being charged at the industrial rate has been maintained in full by the Company.

- 21.3** Corresponding liability of GIDC was classified as current liability up till June 30, 2020 until the decision of the Honourable Supreme Court of Pakistan.

	Note	2021 RUPEES	2020 RUPEES
<b>22. TRADE AND OTHER PAYABLES</b>			
Creditors		11,165,113	3,999,184
Accrued liabilities		54,887,756	31,606,570
Contract liabilities	22.1	103,498,730	38,850,017
Workers' Welfare Fund	22.2	12,478,038	7,919,397
Workers' Profit Participation Fund	22.3	1,996,425	618,462
Sales tax payable		418,437	6,205,088
		<u>184,444,499</u>	<u>89,198,718</u>

**22.1** Represents advance received from various customers. Revenue recognised during the year from amounts included in contract liabilities at the beginning of the year amounted to Rs. 31.19 million (2020: Rs. 44.61 million).

	Note	2021 RUPEES	2020 RUPEES
<b>22.2 Movements in the balance is as follows:</b>			
At the beginning of the year		7,919,397	3,432,012
Provision	29	4,558,641	4,487,385
At the end of the year		<u>12,478,038</u>	<u>7,919,397</u>

**22.3 Movements in the balance is as follows:**

At the beginning of the year		618,462	2,410,135
Provision	29	11,996,425	11,218,462
Payments		(10,618,462)	(13,010,135)
At the end of the year		<u>1,996,425</u>	<u>618,462</u>

## **23. PROVISION FOR GAS RATE REVISION**

In August 2015, Sui Southern Gas Company Limited (SSGC) increased rates of natural gas vide notification No. SRO 876(1)2015 dated August 31, 2015 issued by Oil and Gas Regulatory Authority (OGRA) whereby prices for natural gas for industrial sector were increased from Rs. 488 to Rs. 600 per MMBTU. Whereas those for the captive power sector were increased from Rs. 573 to Rs. 600 per MMBTU and the Company was subject to charge within both categories. The Company challenged the OGRA notification and filed writ petition in the Honourable High Court of Sindh (HCS). Thereafter, HCS vide its order dated May 18, 2016, decided the case in Company's favor and concluded that the OGRA notification lacks the sanctity of law and it cannot be validated in terms of Section 7 and 8 of the OGRA Ordinance 2002. SSGC filed an appeal in the HCS which was dismissed on August 15, 2017. Subsequently, SSGC has taken the matter to the Honourable Supreme Court of Pakistan and filed the petition to appeal against the order dated August 15, 2017.

Further, OGRA in suppression of its Notification No. SRO 876(1)2015 dated August 31, 2015, issued notification No. SRO 1185 dated December 30, 2016 notifying the sale price, in respect of natural gas to industrial customers with effect from December 15, 2016 being flat rate of Rs. 600 per MMBTU. The Company challenged the impugned notification dated December 30, 2016 before the HCS. HCS has passed ad-interim orders dated January 20, 2017 suggesting stay on the rates aforementioned, while ordering plaintiffs to deposit the differential amount in terms of impugned notification as security till further orders. Due to the inherent uncertainties involved in the matter, the Company, on a prudent basis, has provided Rs. 66.97 million (2020: 66.97 million) in these financial statements.

Moreover OGRA in suppression of its notification No. SRO 1185(I)2016 dated December 30, 2016 issued notification dated October 04, 2018 stating that the sale prices and minimum charges in respect of natural gas to industrial customers with effect from September 27, 2018 will be at flat rate of Rs. 780 per MMBTU. The Company challenged the impugned notification dated October 04, 2018 before HCS. However, the Company has under protest paid the bills from October 2018 to December 2019 on increased tariff rate. The HCS in September 2019 dismissed all the petitions challenging the Gas Tariff 2018. However, the Company, along with other companies in the industry, challenged the HCS order and filed a petition in the Honourable Supreme Court of Pakistan which is at the stage of hearing.

Further, OGRA in suppression of its Notification No. SRO 1234(1)2018 dated October 04, 2018, SRO 1284(i) dated October 18, 2018 SRO 1523(i) dated December 14, 2018 and SRO 234(I) 2018 dated February 21, 2019 issued notification SRO 795(I) dated June 29, 2019 which was superseded by SRO 931(I) 2019 dated August 09, 2019 and further by SRO 1076(1) 2019 dated September 13, 2019, stating that the sale prices and minimum charges in respect of natural gas to industrial customer with effect from July 01, 2019 shall be at flat rate of Rs.1,021 per MMBTU. The Company challenged the said impugned notification before HCS. The HCS has passed interim order dated November 22, 2019 suggesting stay on the rates aforementioned, while ordering plaintiffs to deposit the differential amount of notified price and prescribed price of estimated revenue requirement (ERR) of OGRA (Rs. 937.57 per MMBTU) amounting to Rs. 83.43 per MMBTU as security till further orders. Due to the inherent uncertainties involved in the matter, the Company has provided Rs. 19.18 million (2020: 14.72 million) in these financial statements on a prudent basis.

Thereafter, OGRA in suppression of its Notification No. SRO 1931(1) 2019 dated August 09, 2019 and SRO 1076(1)2019 dated September 13, 2019 issued notification No. SRO 10-3(8) / 2020 dated October 23, 2020 notifying the sale price in respect of general industrial sector and captive power sector as flat rate of Rs. 1,054 per MMBTU and Rs. 1,087 per MMBTU respectively with effect from September 01, 2020. The Company has been paying the bills on the said rates.

## **24. CONTINGENCIES AND COMMITMENTS**

### **24.1 Contingencies**

- 24.1.1** SECP Corporate Supervision Division issued winding up orders for Hyderi Construction Company Limited (HCCL) on October 14, 2017 and accordingly the petition for winding up has been filed by Securities and Exchange Commission of Pakistan (SECP) in the Honourable High Court of Sindh. Following the winding up petition, a case (Suit no. 560, 2018) has been filed by RAH Securities Limited (a shareholder of HCCL) against multiple defendants, including the Company, claiming several losses and damages amounting to Rs. 98.8 million severally and jointly. The management, based on the advise of its legal advisor, is confident that the Company has the reasonable grounds to defend the above case. Accordingly, no provision has been made in these financial statements.
- 24.1.2** The Company has filed a Suit 722 of 2020 in the Honourable High Court of Sindh (HCS) challenging the demand of non-utilization fee by Sindh Industrial Trading Estates Limited (SITE Limited) amounting to Rs. 11.95 million in relation to Plot No. S-42, SITE, Karachi on the grounds that the matter regarding demand of non-utilization fee has already been decided by a judgement of the Honourable HCS dated May 04, 2002 in C.P No. D-333/2020 (M/s Indus Battery Industries vs SITE Limited). The Honourable HCS in its order dated July 02, 2020 has restrained SITE Limited from taking any coercive action against the Company. The matter is currently at the stage of hearing.
- 24.1.3** The Company was selected for sales tax audit under section 25 of the Sales Tax Act, 1990 for the tax periods from July 2017 to June 2018. Thereafter, Deputy Commissioner Inland Revenue (DCIR) passed an order in original dated 28 September 2020 and created sales tax demand of Rs. 200.114 million on certain matters. The Company has challenged the impugned order before the Commissioner Inland Revenue Appeals (CIR-A) and the decision has been passed by CIR-A wherein some matters were remanded back with directions to reconsider the facts of the case and some matters were deleted by the CIR(A). The remand proceedings were initiated by the DCIR whereby the notice dated 24 May 2021 was issued to the Company against which detailed response has been filed by the Company before DCIR. However, no final order has yet been passed in this regard.
- 24.1.4** The Company had received show cause notice under section 122(9) of the Income Tax Ordinance, 2001 (the Ordinance) against amendment of assessment under section 122(5A) of the Ordinance in respect of tax year 2016. After providing an opportunity of being heard, the Additional Commissioner Inland Revenue Audit passed an amended assessment order dated February 03, 2021 under section 122(5A) of the Ordinance creating a demand of Rs. 22.27 million. The Company has filed an appeal against the impugned order with the Commissioner Inland Revenue Appeal which is pending adjudication. The management believes that it has relevant grounds in the appeal and consequently has not provided the said amount in the financial statements based on the advice of its tax advisor.



## Habib Rice Products Ltd.

	Note	2021 RUPEES	2020 RUPEES
<b>24.2 Commitments</b>			
Outstanding letters of credit		29,677,374	26,739,844
Guarantee issued in favour of Sui Southern Gas Company Limited	24.2.1	73,845,865	66,345,865
Cheques issued in favor of Nazir of Honourable High Court of Sindh in relation to OGRA case	23	63,380,287	57,019,177
<b>24.2.1</b> Guarantees have been issued by a commercial bank on behalf of the Company to Sui Southern Gas Company Limited in the normal course of business.			
	Note	2021 RUPEES	2020 RUPEES
<b>25. TURNOVER – net</b>			
Local sales		1,536,288,403	1,583,818,894
Export sales		297,253,179	213,859,887
		1,833,541,582	1,797,678,781
Sales return		(3,551,092)	-
Sales tax		(57,731,187)	(98,612,075)
		1,772,259,303	1,699,066,706
<b>26. COST OF SALES</b>			
Cost of goods manufactured	26.1	1,348,854,070	1,306,431,129
Finished goods at the beginning of the year		86,854,696	101,879,419
Finished goods at the end of the year	13	(87,094,949)	(86,854,696)
		1,348,613,817	1,321,455,852
<b>26.1 Cost of goods manufactured</b>			
Raw and packing materials consumed	26.1.1	747,958,742	750,506,173
Utilities		317,306,305	324,295,898
Salaries, wages and benefits	26.1.2	149,765,140	136,222,594
Repairs and maintenance and stores, spare parts and loose tools consumed		75,371,193	44,433,019
Depreciation on operating fixed assets	8.2	34,237,174	35,963,257
Vehicle running and maintenance		9,101,744	8,078,312
Insurance		4,034,027	3,546,851
Others		11,079,745	3,166,924
		1,348,854,070	1,306,213,028
Work-in-process			
At the beginning of the year		-	218,101
At the end of the year		-	-
		-	218,101
		1,348,854,070	1,306,431,129

		2021 RUPEES	2020 RUPEES
<b>26.1.1 Raw and packing materials consumed</b>	<b>Note</b>		
At the beginning of the year		135,316,952	141,679,930
Purchases		752,801,106	744,143,195
		888,118,058	885,823,125
At the end of the year	13	(140,159,316)	(135,316,952)
		<u>747,958,742</u>	<u>750,506,173</u>
<b>26.1.2</b>	Salaries, wages and benefits include Rs 6.85 million (2020: Rs.6.65 million) in respect of staff retirement benefits.		
<b>27. DISTRIBUTION COSTS</b>	<b>Note</b>	<b>2021 RUPEES</b>	<b>2020 RUPEES</b>
Freight and commission		87,328,206	63,360,001
Salaries, wages and benefits	27.1	12,008,011	11,224,530
Organic certification expenses		1,764,716	2,929,442
Advertisement expenses		254,373	3,081,646
Kosher certification expenses		1,112,753	-
Travelling and conveyance		663,836	1,316,279
Vehicle running expenses		672,816	650,858
Depreciation on right-of-use assets	9.1	410,626	410,628
Postage and telephone		2,081,661	742,882
ISO and HACCP certification expenses		36,000	663,921
Insurance		408,069	252,720
Printing and stationery		99,253	133,947
Entertainment		88,739	75,484
Utilities		103,440	75,462
Others		108,402	144,472
		<u>107,140,901</u>	<u>85,062,272</u>
<b>27.1</b>	Salaries, wages and benefits include Rs 0.74 million (2020: Rs.0.69 million) in respect of staff retirement benefits.		
<b>28. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and benefits	28.1	55,672,361	51,707,529
Travelling and conveyance		8,157,035	16,431,370
Rent, rates and taxes		3,120	537,400
Legal and professional charges		3,326,039	2,108,641
Depreciation on operating fixed assets	8.2	2,605,305	2,997,029
Depreciation on right-of-use assets	9.1	8,681,246	8,681,246
Vehicle running expenses		4,424,079	3,260,444
Postage and telephone		1,773,521	1,762,885
Printing and stationery		1,548,089	1,683,409
Auditor's remuneration	28.2	3,540,405	2,813,807
Utilities		1,290,141	1,270,986
Entertainment		1,556,967	1,365,956
Donations and corporate social responsibility	28.3	6,101,901	3,128,830
Advertisement expenses		749,280	1,232,985
Share registrar service charges		431,954	366,693
Insurance		654,632	624,509
Repairs and maintenance		1,008,255	554,120
Directors' fee		143,750	143,750
Others		3,823,222	4,954,040
		<u>105,491,302</u>	<u>105,625,629</u>



## Habib Rice Products Ltd.

**28.1** Salaries, wages and benefits include Rs. 3.16 million (2020 Rs.2.93 million) in respect of staff retirement benefits.

	Note	2021 RUPEES	2020 RUPEES
<b>28.2 Auditor's remuneration</b>			
Statutory audit		880,000	800,000
Half yearly review		170,500	155,000
Tax services		2,110,405	1,513,807
Others		379,500	345,000
		<u>3,540,405</u>	<u>2,813,807</u>

**28.3** Donation to following parties exceeds the higher of 10% of the Company's total donations or Rs. 1 million:

	Note	2021 RUPEES	2020 RUPEES
Habib Education Trust		1,250,000	-
Habib Medical Trust		1,250,000	-
Khoja Girls Orphanage Trust		1,250,000	-
Habib Ismail Benevolent Trust		1,250,000	-
		<u>5,000,000</u>	<u>-</u>

**28.4** None of the directors or their spouses had any interest in the donees.

### **29. OTHER EXPENSES**

Workers' Welfare fund	22.2	4,558,641	4,487,385
Workers' Profit Participation Fund	22.3	11,996,425	11,218,462
Exchange loss - net		587,446	2,715,541
Net unrealised loss on listed equity securities		228,701	-
		<u>17,371,213</u>	<u>18,421,388</u>

### **30. OTHER INCOME**

Income from financial assets			
Interest on savings accounts		6,252,314	8,961,467
Profit on term deposits receipts		18,148,797	35,128,176
Gain on disposal of listed equity securities		1,135,782	-
Dividend income on listed equity securities		13,865,756	-
Dividend income on mutual fund units		366,613	-
		<u>39,769,262</u>	<u>44,089,643</u>
Income from non-financial assets			
Gain on disposal of operating fixed assets		41,658	9,711
		<u>39,810,920</u>	<u>44,099,354</u>

	Note	2021 RUPEES	2020 RUPEES
<b>31. FINANCE COSTS</b>			
Bank charges and commission		2,913,648	1,826,662
Accretion of interest on lease liabilities	20.1	549,766	2,110,872
Unwinding of finance cost on provision for GIDC	21	6,161,635	-
Brokerage charges		454,518	-
		<u>10,079,567</u>	<u>3,937,534</u>
<b>32. TAXATION</b>			
Current		27,390,405	45,693,970
Prior		(21,277,269)	890,677
Deferred		(4,391,197)	(12,440,051)
	32.1	<u>1,721,939</u>	<u>34,144,596</u>
<b>32.1</b>	Income tax assessments of the Company have been finalised up to and including the tax year 2020.		
			<b>2020 RUPEES</b>
<b>32.2 Relationship between tax expense and accounting profit</b>			
Accounting profit before taxation			<u>208,663,385</u>
Tax rate			29%
Tax on accounting profit			60,512,382
Tax for prior years			890,677
Tax effect of:			
Expenses that are not deductible in determining taxable profit			314,266
Applying lower tax rates to certain income			(30,736,411)
Others (including the impact arising as a consequence of reversal of deferred tax asset and change in allocation ratio of revenue chargeable under FTR and Non-FTR)			3,163,682
			<u>34,144,596</u>
<b>32.3</b>	Provision for taxation for the current year was based on Minimum Tax u/s 113 of the Income Tax Ordinance 2001. Accordingly reconciliation between tax expense and accounting profit has not been presented for the year ended June 30, 2021.		
			<b>2021 RUPEES</b>
<b>33. EARNINGS PER SHARE</b>			<b>2020 RUPEES</b>
Profit for the year		<u>250,018,234</u>	<u>174,518,789</u>
Weighted average number of ordinary shares in issue	19	<u>40,000,000</u>	<u>40,000,000</u>
Basic and diluted earnings per share		<u>6.25</u>	<u>4.36</u>

	Note	2021 RUPEES	2020 RUPEES
<b>34. CASH GENERATED FROM OPERATIONS</b>			
<b>Profit before taxation</b>		251,740,173	208,663,385
Adjustments			
Depreciation on operating fixed assets	8.2	36,842,479	38,960,286
Depreciation on right-of-use assets	9.1	9,091,872	9,091,874
Gain on disposals of operating fixed assets	30	(41,658)	(9,711)
Provision for GIDC and other charges		35,274,758	52,152,295
Gain on remeasurement of provision for GIDC - net		(28,366,750)	-
Dividend income on listed equity securities and mutual fund units	30	(14,232,369)	-
Profit on term deposits receipts and interest on savings accounts	30	(24,401,111)	(44,089,643)
Finance costs	31	10,079,567	3,937,534
		<u>24,246,788</u>	<u>60,042,635</u>
		275,986,961	268,706,020
Decrease / (increase) in current assets			
Stores, spare parts and loose tools		(27,340,965)	(4,539,270)
Stock-in-trade		18,703,533	4,778,366
Trade debts		35,598	66,638
Loans and advances		(493,382)	(1,674,365)
Trade deposits and pre-payments		151,792	(1,496,821)
Sales tax receivable		(11,944,668)	-
		<u>(20,888,091)</u>	<u>(2,865,452)</u>
Increase in current liability			
Trade and other payables		95,245,781	8,043,427
		<u>350,344,650</u>	<u>273,883,995</u>
<b>35. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		133,562,359	74,503,789
Term deposits receipts - maturity within three months		<u>100,254,450</u>	<u>-</u>
		<u>233,816,809</u>	<u>74,503,789</u>

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company finances its operations through equity 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 is exposed to market risk (including interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The Company's principal financial liabilities comprise trade and other payables, unclaimed dividend and lease liabilities. The main purpose of these financial liabilities other than unclaimed dividend is to manage working capital requirements for the Company's operations. The Company has various financial assets such as trade debts, loans, deposits, short-term investments and cash and bank balances which are directly related to its operations.

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

### 36.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. The Company is not materially exposed to other price risk.

#### 36.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to its investment in term deposit receipts, deposits in savings accounts and lease liabilities.

Management of the Company estimates that 1% increase in the market interest rate, with all other factors remaining constant, would increase the Company's profit by Rs. 2.21 million (2020: Rs. 4.15 million) and a 1% decrease would result in decrease in the Company's profit by the same amount.

#### 36.1.2 Currency risk

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

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

	Note	2021 RUPEES	2020 RUPEES
Exchange rate – US Dollar		157.54	168.35

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

		Effect on profit before tax	
	Change in rate (%)	2021 RUPEES	2020 RUPEES
June 30	1%	188,904	271,749
	-1%	(188,904)	(271,749)

### 36.1.3 Equity risk

Equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Management of the Company estimates that 1% increase in the market rate of equity securities and mutual fund units rate, with all other factors remaining constant, would increase the Company's profit before tax by Rs. 2.05 million (2020: Nil) and a 1% decrease would result in decrease in the Company's profit before tax by the same amount.

### 36.2 Credit risk

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

	Note	2021 RUPEES	2020 RUPEES
Long-term deposits	10	26,490,870	20,129,760
Trade debts	14	20,868	56,466
Loans to employees	15	971,877	-
Trade deposits	16	1,540,267	1,351,188
Short-term investments	17	305,712,268	382,760,245
Bank balances	18	131,856,263	72,530,558
		<u>466,592,413</u>	<u>476,828,217</u>

#### Credit quality of financial assets

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

	2021 RUPEES	2020 RUPEES
<b>Trade debts</b>		
Customers without default in past one year	<u>20,868</u>	<u>56,466</u>
<b>Cash at bank</b>		
Current accounts		
A-1 +	9,279,660	7,429,625
Savings accounts		
A-1 +	<u>122,576,603</u>	<u>65,100,933</u>
	<u>131,856,263</u>	<u>72,530,558</u>

### 36.3 Liquidity risk

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

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

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

	2021				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	(Rupees)				
Financial liabilities					
Trade and other payables	-	66,052,869	-	-	66,052,869
Lease liabilities	-	-	476,140	219,341	695,481
Un-claimed dividend	31,524,175	-	-	-	31,524,175
	<u>31,524,175</u>	<u>66,052,869</u>	<u>476,140</u>	<u>219,341</u>	<u>98,272,525</u>

	2020				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	(Rupees)				
Financial liabilities					
Trade and other payables	-	35,605,755	-	-	35,605,755
Lease liabilities	-	-	9,594,195	695,481	10,289,676
Un-claimed dividend	20,686,985	-	-	-	20,686,985
	<u>20,686,985</u>	<u>35,605,755</u>	<u>9,594,195</u>	<u>695,481</u>	<u>66,582,416</u>

### 36.4 Capital risk management

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

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

### 36.5 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted market price

Level 2: Valuation techniques (market observable); and

Level 3: Valuation techniques (non-market observables)

	Level 1	Level 2	Level 3	Total
	(Rupees)			
<b>2021</b>				
Listed equity securities	195,023,284	-	-	195,023,284
Mutual fund units - open ended	10,311,620	-	-	10,311,620
	<u>205,334,904</u>	<u>-</u>	<u>-</u>	<u>205,334,904</u>
<b>2020</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 36.6 Changes in liabilities to cash flows arising from financing activities:

	2021		2020	
	Dividend	Lease liabilities	Dividend	Lease liabilities
	(Rupees)			
At the beginning of the year	20,686,985	10,289,676	15,406,881	-
<b>Changes from financing cash flows</b>				
Dividend paid during the year	(189,162,810)	-	(94,719,896)	-
Lease rentals paid	-	(10,143,961)	-	(9,325,020)
	<u>(189,162,810)</u>	<u>(10,143,961)</u>	<u>(94,719,896)</u>	<u>(9,325,020)</u>
<b>Other changes</b>				
Dividend approved during the year	200,000,000	-	100,000,000	-
Impact of initial application of IFRS 16	-	-	-	17,503,824
Accretion of interest	-	549,766	-	2,110,872
	<u>200,000,000</u>	<u>549,766</u>	<u>100,000,000</u>	<u>19,614,696</u>
<b>At the end of the year</b>	<u>31,524,175</u>	<u>695,481</u>	<u>20,686,985</u>	<u>10,289,676</u>

### 36.7 Unutilised credit facilities

At June 30, 2021 the Company has a sanctioned limit of Rs.100 million for a running finance facility which carries interest at the rate of three months average KIBOR plus 2.50 percent and is secured against first pari passu hypothecation charge over the stocks and book debts (combined) of the Company for Rs.175 million, lien over Letters of Credit / contract, import documents consigned to the bank and 10% cash margin on all Letters of Credit. Moreover a registered charge is also created by way of equitable mortgage over fixed assets including land, building, machinery and equipment situated at Hub Industrial Area, District Lasbela, Baluchistan.



### 37. REMUNERATION OF THE CHIEF EXECUTIVE , DIRECTOR AND EXECUTIVES

#### 37.1 Aggregate amounts charged in the financial statements are as follows:

	2021			2020		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees)					
Managerial remuneration	9,816,250	5,720,050	24,751,221	9,523,059	5,549,206	24,472,478
Bonus	864,387	503,688	2,207,566	834,581	486,319	2,277,133
Leave encashment	890,219	518,741	1,992,214	847,827	494,041	2,238,177
Contribution to provident fund	818,021	476,671	2,062,601	793,588	462,434	2,039,375
	<u>12,388,877</u>	<u>7,219,150</u>	<u>31,013,602</u>	<u>11,999,055</u>	<u>6,992,000</u>	<u>31,027,163</u>
Number of persons	<u>1</u>	<u>1</u>	<u>10</u>	<u>1</u>	<u>1</u>	<u>11</u>

37.2 The aggregate amount paid to the directors as a fee for attending the Board of Directors' meetings amounted to Rs. 0.143 million (2020: Rs. 0.143 million).

37.3 In addition, the Chief Executive, Director and all Executives are provided free use of Company maintained cars as per terms of employment.

### 38. TRANSACTIONS WITH RELATED PARTIES

38.1 The related parties of the Company comprise of associated companies, directors, retirement funds, and key management personnel of the Company. The Company enters into transactions with related parties on agreed terms as approved by the Board of Directors. Transactions with related parties other than those disclosed elsewhere in the financial statements, are as follows:

Relationship	Nature of transactions	2021	2020
		-----Rupees-----	
Associated Company	Dividend paid	<u>97,865</u>	<u>48,933</u>
Directors and other	Dividend paid	<u>131,498,930</u>	<u>65,749,465</u>
Staff provident fund	Contributions made	<u>10,747,760</u>	<u>9,430,967</u>

38.2 Following are the associated companies with whom the Company had entered into transactions or has arrangements:

Company Name	Basis of relationship	Aggregate % of shareholding in the Company
Hydari Boring & Pilling (Private) Limited	Common directorship	0.050%
Abbas Builders (Private) Limited	Common directorship	0.003%
Indus Oil Expellers (Private) Limited	Common directorship	0.001%



### 39. NUMBER OF EMPLOYEES

The number of employees including contractual employees of the Company are as follows:

	2021	2020
	-----Numbers-----	
At year end	319	320
Average employees during the year	312	317

### 40. CAPACITY

	2021	2020
Annual installed capacity as of June 30,	45,000	45,000
Actual production for the year	14,268	16,267

40.1 Actual production is less than the installed capacity due to low industry demand.

### 41. OPERATING SEGMENTS

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

Sales of the Company relate to starch sugar and proteins.

Total sales of the Company relating to customers in Pakistan were 83% during the year ended June 30, 2021 (2020: 87%).

All non-current assets of the Company as at the June 30, 2021 and June 30, 2020 were located in Pakistan.

Sales to a major customer of the Company are around 12.75% of the Company's total sales during the year ended 30 June 2020 (2020: 14%)

### 42. POST REPORTING DATE EVENTS

42.1 Subsequent to the year end, the Board of Directors of the Company in their meeting held on 16 September, 2021 have proposed a final cash dividend of 60% i.e. Rs. 3.00 per share in addition to interim cash dividend of 40% i.e. Rs. 2.00 per share already declared / paid (2020: 60% i.e. Rs.3.00) per share.

### 43. RECLASSIFICATION

Certain corresponding figures have been reclassified for better presentation, however, there is no material reclassification to report except as follows:

From	To	Rupees
Interest accrued	Short-term investments	22,521,507

#### 44. GENERAL

**44.1** Figures have been rounded off to the nearest Pak. Rupee.

**44.2** Investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the regulation formulated for this purpose.

**44.3** These financial statements were authorised for issue on 16 September, 2021 by the Board of Directors of the Company.



**OWAIS G. HABIB**  
Chief Executive Officer



**JAMSHED ALI KHAN**  
Chief Financial Officer



**GAFFAR A. HABIB**  
Chairman

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 41st Annual General Meeting of the Shareholders of Habib Rice Products Ltd. will be held virtually via video-link / Zoom Cloud meetings for the wellbeing of shareholders in light of the threat posed by the evolving COVID-19 situation, on Tuesday, October 26, 2021 at 11:00 a.m. at Karachi, to transact the following business.

### ORDINARY BUSINESS:

1. To confirm the minutes of the Annual General Meeting held on Wednesday, October 28, 2020.
2. To receive and adopt the Director's Report and Audited Financial Statements of the Company for the year ended June 30, 2021.
3. To approve the Final Cash Dividend for the year ended June 30, 2021 @ 60% i.e. Rs.3.00 per share of Rs.5 each in addition to 40% Interim Cash Dividend already declared / paid to the members as recommended by the Board of Directors.
4. To appoint Auditors for the year ending on June 30, 2022 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: 16 September 2021.

### NOTES:

#### 1. Attendance of AGM through video-link

The entitled shareholders whose name appear in the Books of the Company by the close of business on 15 October, 2021 who are interested to attend AGM through online platform are hereby requested to get themselves registered with the Company Secretary Office by providing the following details at the earliest but not later than 48 hours before the time of AGM at **hal-adm@hotmail.com**.

Name of Shareholders	CNIC No.	Folio No. / CDS No.	Cell Number	Email address

Upon receipt of the above information from interested shareholders, the Company will send the login details at their email addresses. The Company will convene the meeting through "Zoom Cloud Meetings" which can be downloaded from Google Play or Apple App store. Our shareholders are therefore requested to download the application ahead of the meeting. On the AGM day, shareholders will be able to login and participate in the AGM proceedings through their smart phones or computer devices from any convenient location.

The login facility will be opened 30 minutes before the meeting time to enable the participants to join the meeting after identification and verification process.

The entitled shareholders (whose name appeared in the Books of the Company by the close of business on 15 October, 2021) along with the details mentioned above may send their comments / suggestions for the proposed Agenda items at the above email address at least 48 hours before the meeting.

## **2. Electronic Notice of AGM**

The Company has been dispatching the Notice of AGM to all the members through post to their registered address. In addition, the Notice along with proxy form is available on the Company's website <https://www.hal-financialstatement.com> and has been sent to the PSX via the PUCARS system. In the event of any difficulty in accessing the Notice or the proxy form, members can contact the Company by e-mail at [hal-adm@hotmail.com](mailto:hal-adm@hotmail.com). The Company will send a copy of the Notice and proxy form via e-mail only to those members who place a request in writing and have provided their e-mail addresses to the Share Registrar of the Company THK Associates (Pvt) Limited.

## **3. Closure of Share Transfer Books**

The share transfer books of the Company will remain closed from October 18, 2021 to October 26, 2021 (both days inclusive). Transfers received in order at the office of our Share Registrar M/s. THK Associates (Pvt.) Limited, Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase - VII, Karachi at the close of the business on 15 October, 2021 will be treated in time to determine the right to attend the Annual General Meeting.

## **4. Participation in General Meeting**

A member of the company entitled to attend and, speak and vote at this meeting may appoint any other member as his/her proxy to attend, speak and vote in his/her behalf. Proxies, in order must be received at the Company's Share Registrar office not later than 48 hours prior to the meeting.

CDC Account holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan (SECP).

### **A. For Attending the Meeting:**

- I. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting through video-link.
- II. In case of Corporate Entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting through video-link.

**B. For Appointing Proxies:**

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by two persons whose names, address and CNIC/Passport Numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.

In case of Corporate Entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

**5. Change of Address**

Members are requested to notify any change in their addresses and their contact numbers immediately to our Share Registrar: M/s. THK Associates (Pvt.) Limited.

**6. Submission of CNIC or Passport**

Pursuant to the directive of the Securities & Exchange Commission of Pakistan (SECP), it is mandatory to mention CNIC number of member on members' register and other statutory returns. Those shareholders who have not submitted copy of their CNIC to the Company are once again requested to submit copy of their CNIC, otherwise the Company will be constrained under section 243(2)(a) of the Companies Act, 2017 to withhold dividend of such shareholders.

**7. E-Dividend (Mandatory)**

In accordance with the provision of Section 242 of the Companies Act and Companies (Distribution of Dividends), Regulation 2017, a listed Company, is required to pay cash dividend to the shareholders ONLY through electronic mode directly into the bank account designated by the entitled shareholders. In this regard, Habib Rice Products Ltd. has already sent letters with Electronic Credit Mandate Forms to the shareholders. E-Dividend form is also available on Company's website i.e. [www.hal-financialstatement.com](http://www.hal-financialstatement.com)

Those shareholders who have still not provided their IBAN are once again requested to fill in "Electronic Credit Mandate Form" as reproduced below and send it duly signed along with a copy of valid CNIC to their respective CDC participant / CDC Investor account service (in case of shareholding in Book Entry Form) or to the Company's Share Registrar M/s. THK Associates (Pvt.) Limited, Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase - VII, Karachi. (in case of shareholding in Physical Form).

<b>Details of Shareholder Of Habib Rice Products Ltd</b>	
Name of the shareholder	
Father / Husband Name	
Folio # / CDC Account and Participant's I.D	
CNIC No NICOP No.	
Passport No. (in case of foreign shareholder)	
NTN (in case of corporate shareholders)	
Mobile / Landline number	
Email Address	
Shareholders' Bank details	
Title of Bank Account (the bank account title must be in the name of the title holder/principle holder of the shares)	
International Bank Account Number (IBAN) - 24 Digits "Mandatory"	PK
(Kindly Provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the HABIB RICE PRODUCTS LTD., and Central Depository Company of Pakistan Limited (CDC) will not be held responsible, in any manner, for any loss or delay in your cash dividend payment).	
Bank's Name	
Branch's Name and Address	

## 8. Deduction of Income Tax

The withholding tax rates on the amount of dividend are as under:

- |     |   |     |
|-----|---|-----|
| (a) | Rate of tax deduction appearing in Active Taxpayer List (ATL)     | 15% |
| (b) | Rate of tax deduction not appearing in Active Taxpayer List (ATL) | 30% |

To enable the Company to make tax deduction on the amount of cash dividend @15% instead of 30%, all the shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of approval of the cash dividend, at the Annual General Meeting on 26th October 2021, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

In case of Joint account, each holder is to be treated individually as appearing in ATL or not appearing in ATL and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to our Share Registrar, or if not so notified, each joint holder shall be assumed to have an equal number of shares.



## **Habib Rice Products Ltd.**

Company Name	Folio/CDC Account No.	Total Shares	Principal Shareholders		Joint Shareholders	
			Name and CNIC #	Shareholding Proportion (No. of Share)	Name and CNIC #	Shareholding Proportion (No. of Share)

The Corporate shareholders having CDC account are required to have their National Tax Number (NTN) updated with their respective participants, whereas physical shareholders should send a copy of their NTN certificate to the Company or Company's Share Registrar M/s. THK Associates (Pvt.) Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective Folio numbers.

### **9. Transmission of Financial Statements and Notices through Electronically**

Shareholders have an option to receive Annual Audited Financial Statements and Notice of Annual General Meeting through email. Shareholders of the Company are requested to give their consent on prescribed format placed on the Company's website [www.hal-financialstatement.com](http://www.hal-financialstatement.com) to our Shares Registrar, M/s THK Associates (PVT) Ltd. at Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase - VII, Karachi, to update our record if they wish to receive Annual Audited Financial Statements and Notice of Annual General Meeting through email. However, if a shareholder, in addition, requests for a hard copy of the Audited Financial Statements, the same shall be provided free of cost within seven (07) days of receipt of such request.

For any query / clarification / information, the shareholder may contact the Company. and/or the Share Registrar at the following addresses:

#### **Company Address:**

##### **Habib Rice Products Ltd.**

2nd Floor, UBL Building,  
I.I. Chundrigar Road, Karachi.  
Phone: (+92-21) 32411887  
Fax: (+92-21) 32414581  
e-mail: [hal-adm@hotmail.com](mailto:hal-adm@hotmail.com)

#### **Share Registrar Address:**

##### **M/s. THK Associates (Pvt.) Limited**

Plot No. 32-C, Jami Commercial Street 2,  
D.H.A., Phase - VII, Karachi.  
UAN: (021) 111-000-322  
Fax: (021) 34168271  
e-mail: [secretariat@thk.com.pk](mailto:secretariat@thk.com.pk)





**Habib Rice Products Ltd.**

## **PROXY FORM**

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

of \_\_\_\_\_

being a member(s) of HABIB RICE PRODUCTS LTD., 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 RICE PRODUCTS LTD., 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 26, 2021,

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)

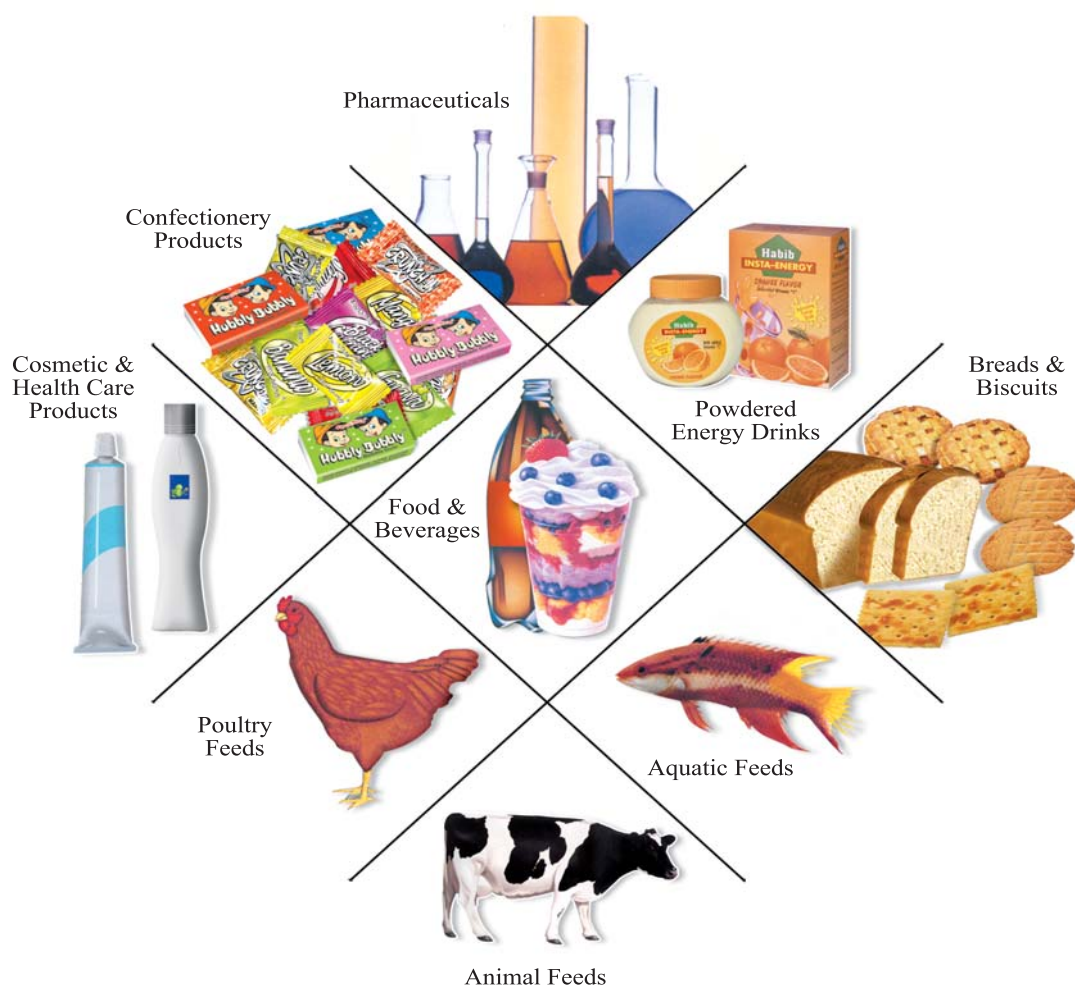


**Habib Rice Products Ltd.**

## **Pioneer Producers of Rice Derives Products and Proteins**

Habib Rice Products Limited pioneered the conversion of Rice into:-

- **Glucose**
- **Sorbitol**
- **Dextrose**
- **Maltodextrin**
- **High Fructose**
- **Rice Protein**



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Website : [www.habibriceproducts.com](http://www.habibriceproducts.com)