



***39th Annual Report
for the year ended
June 30, 2019***

Contents

	Page No
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, 2017	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 Cash Flows	20
Statement of Changes in Equity	21
Notes to the Financial Statements	22
Notice of Annual General Meeting	47
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

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
1st Floor, 40 - C, Block - 6, P.E.C.H.S., Karachi-75400
UAN: (021) 111-000-322 Fax: (021) 34168271

REGISTERED OFFICE

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

ADMINISTRATIVE OFFICES & FACTORY

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



CHAIRMAN'S REVIEW / DIRECTORS' REPORT



Dear Shareholders,

We bow our heads in gratitude to Allah the Beneficent, the Merciful, the Provider, for the Blessing He continues to bestow on us which are partly reflected in the Company's performance for the year ended 30 June 2019.

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	Non-Executive 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

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

	RUPEES in '000	
	2019	2018
Profit before Tax	137,977	60,535
Taxation		
Current	(10,150)	(16,818)
Prior	1,738	(579)
Deferred	(6,316)	25,744
Provision for Tax (Net)	<u>(14,728)</u>	<u>8,347</u>
Net Profit after Tax	123,249	68,882
Un-appropriated Profit Brought Forward - (Net of Dividend)	456,913	438,031
Total Available for Appropriations	<u>580,162</u>	<u>506,913</u>
Proposed Appropriations:		
Final Dividend @ 50% (2018: 25%)	100,000	50,000
Un-Appropriated Profit Carried Forward	480,162	456,913
Earnings per Share (EPS) -Net of Tax	3.08	1.72
Dividend per Share of Rs. 5 each	2.50	1.25

The Year In Review

Our main challenge is dumping of Sorbitol by India, further aggravated by 5% import duty and Zero Sales Tax.

All our representations to the various Government Departments have fallen on deaf ears. Out of sheer frustration - we have moved the court - but here too - time keeps dragging on without any substantial hearings.

Meanwhile, a spurt in demand for our product in the export market helped mitigate the situation and boost the bottom line.

The Board of Directors have recommended 50% (Rs. 2.50 per share of Rs. 5) dividend for the year ending 30 June 2019.

On 30th August 2019, at the request of ADM, the Habib Family bought out all the shares (7.2 Million - i.e. 18%) owned by ADM in the Company thus ending the happy partnership that lasted over 40 years.

I would like to place on record a tribute to the late Mr. Dwyne O Andreas, the then Chairman of ADM.

It was with his blessings that the partnership was formed in 1980.

As our Plant - Based on Rice - to produce Sweeteners was the first in the world, having ADM as partners provided added comfort to our lenders.

When the machinery suppliers failed to run the plant, ADM sent a team of engineers and equipment to set right the plant and trained our personnel to run it successfully.

It was with the help of ADM that we were able to expand into the field of Sorbitol.

ADM was there when we needed them - leaving us free to manage the operations without any interference.

For this and a lot more I salute Mr. Dwyne O Andreas and pray to Allah to rest his soul in peace in heaven, Aameen.

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,



GAFFAR A. HABIB
Chairman

Karachi: 14 September 2019

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	<u>2019 Amount</u>	<u>2018 Amount</u>	<u>2017 Amount</u>	<u>2016 Amount</u>	<u>2015 Amount</u>
	----- Rupees in millions -----				
Total Revenue	<u>1,593</u>	<u>1,447</u>	<u>1,156</u>	<u>1,060</u>	<u>1,144</u>
Export Sales (Pak Rupees in Million)	<u>471</u>	<u>186</u>	<u>263</u>	<u>239</u>	<u>200</u>
Taxes Paid					
Sales Tax	153	138	94	86	87
Income Tax	73	79	66	63	101
	<u>226</u>	<u>217</u>	<u>160</u>	<u>149</u>	<u>188</u>
Employees Salaries & Other Benefit	199	171	158	153	135
Investors	82	42	42	34	103
Grand Total	<u>507</u>	<u>430</u>	<u>360</u>	<u>336</u>	<u>426</u>

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- a. The Financial Statements prepared by the management of the Company, present fairly it's state of affairs and the result of it's operations.
- b. The Company has maintained proper books of accounts.
- c. In preparation of Financial Statements, appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgment.
- d. In preparation of Financial Statement International Accounting Standards, as applicable in Pakistan, have been followed and non-applicability, if any, has been adequately disclosed.
- e. The existing system of internal control and other procedures 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.
- f. There are no doubts about the Company's ability to continue as a going concern.
- g. The Corporate Governance Regulations, as detailed in the Listing Regulations, have been fully implemented.
- h. Key operating and financial data for the last six years in summarized form is annexed.
- i. The following is the value of total assets based on-respective un-audited accounts as on 30 June 2019.
Provident Fund Rs. 205.87 million - Note 33 (2018 Rs.191.21 million)
- j. Pattern of Share Holding of the Company is shown on the page 7.
- k. During the year (4) meetings of the Board of Directors were held. Attendance by each Director is as follows:-

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

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, 2020.



GAFFAR A. HABIB
Chairman

Karachi: 14 September 2019

Habib-ADM Ltd.

SIX YEARS AT A GLANCE

(Rupees in '000)

PARTICULARS	2019	2018	2017	2016	2015	2014
FINANCIAL POSITION						
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	580,162	506,913	488,031	489,380	576,537	534,406
Total Share Holder Equity	840,162	766,913	748,031	749,380	836,537	794,406
Fixed Assets at Cost	1,138,177	1,069,681	971,762	959,550	944,892	936,897
Accumulated Depreciation	734,336	702,001	675,066	649,428	617,548	586,351
Fixed Assets Net of Depreciation	403,841	367,680	296,696	310,122	327,344	350,546
Long Term Investment	5,093	4,593	4,343	3,102	4,102	4,078
Deferred Taxation -Net	16,497	22,814	-	-	-	-
Current Assets	739,360	668,184	634,598	571,147	617,985	551,689
Total Assets Net of Depreciation	1,164,792	1,063,271	935,637	884,371	949,431	906,313
Non Current Liabilities	-	-	2,930	7,878	34,999	37,920
Current Liabilities	324,630	296,357	184,676	127,114	77,895	73,987
Total Liabilities	324,630	296,357	187,606	134,992	112,894	111,907
INCOME						
Consolidated Gross Sales	1,631,224	1,509,346	1,190,345	1,088,511	1,166,036	1,403,132
Net Sales(Habib-ADM Ltd)	1,562,700	1,430,162	1,138,211	1,041,050	1,113,985	1,335,973
Dividend from Subsidiary Company	-	-	-	-	793	12,121
Other Income	29,836	16,485	18,103	18,811	28,776	28,253
Total Net Revenue	1,592,537	1,446,647	1,156,314	1,059,861	1,143,554	1,376,346
Profit before Taxation	137,977	60,535	43,985	17,137	148,579	203,558
Taxation	14,728	(8,347)	5,334	(15,706)	26,448	48,712
Profit after Taxation	123,249	68,882	38,651	32,843	122,131	154,846
STATISTICS AND RATIOS						
Pre-Tax Profit to Sales%	9	4	4	2	13	15
Pre-Tax Profit to Capital%	69	30	22	9	74	102
Current Ratio	2.28	2.25	3.44	4.49	7.93	7.46
Paid-Up Value Per Share (Rs)	5	5	5	5	5	5
Earning Per Share Before Tax(Rs)	3.45	1.51	1.10	0.43	3.71	5.09
Earning Per Share After Tax(Rs)	3.08	1.72	0.97	0.82	3.05	3.87
Cash Dividend (Rs.)%	2.50(50%)	1.25(25%)	1.25(25%)	1.00(20%)	3.00(60%)	2.00(40%)
Bonus Share %	-	-	-	-	-	-
Retained Earning Per Share (Rs)	0.58	0.47	(0.28)	(0.18)	0.05	1.87
Break-Up Value Per Share (Rs)	21.00	19.17	18.70	18.73	20.91	19.86

* The Board of Directors in their meeting of September 14, 2019 has recommended cash dividend in respect of the year ended June 30,2019 @ 50% i.e. Rs.2.50 per share of Rs. 5 each.

PATTERN OF SHARE HOLDING AS ON JUNE 30, 2019

NO. OF SHARE HOLDERS	SHARE HOLDING	TOTAL SHARES HELD
978	0000001 TO 0000100	28,457
561	0000101 TO 0000500	158,318
270	0000501 TO 0001000	206,484
354	0001001 TO 0005000	863,340
61	0005001 TO 0010000	469,499
16	0010001 TO 0015000	199,102
12	0015001 TO 0020000	217,548
3	0020001 TO 0025000	68,000
6	0025001 TO 0030000	173,450
4	0030001 TO 0035000	129,756
2	0035001 TO 0040000	74,548
1	0040001 TO 0050000	41,828
2	0050001 TO 0070000	137,500
5	0070001 TO 0075000	363,600
8	0075001 TO 0100000	684,217
6	0100001 TO 0200000	873,264
4	0200001 TO 0300000	997,380
1	0350001 TO 0500000	353,300
1	0800001 TO 1000000	908,670
2	1000001 TO 2000000	4,378,795
4	2000001 TO 3000000	7,131,205
4	3000001 TO 4000000	14,341,739
1	4000001 TO 7200000	7,200,000
2306		40,000,000

S.NO.	CATEGORY OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE OF ISSUED CAPITAL
1	INDIVIDUALS	2,266	31,675,416	79.19%
2	JOINT STOCK COMPANIES	24	7,536,293	18.84%
3	INSURANCE COMPANIES	3	553,700	1.38%
4	FINANCIAL INSTITUTIONS	8	25,595	0.06%
5	CHARITABLE & OTHER TRUSTS	5	208,996	0.53%
	TOTAL	2,306	40,000,000	100%

PATTERN OF SHAREHOLDING AS ON JUNE 30, 2019

Category #	Shareholders' Category	Number of Shareholders	Number of Shares Held	Category Wise Shares Held	Percentage
1	Associated Companies			19,573	0.05
	M/s. Hydari Boring & Pilling (Pvt) Limited	1	18,000		
	M/s. Abbas Builders (Pvt) Limited	1	1,373		
	M/s. Indus Oil Expellers (Pvt) Limited	1	200		
2	NIT			12,730	0.03
	M/s. National Investment Trust Limited	3	12,730		
3	Directors, Chief Executive Officer & Their Spouses			18,099,887	45.25
	Mr. Gaffar A. Habib	1	3,820,036		
	Mr. Owais G. Habib	1	3,826,633		
	Mr. Tufail Y. Habib	1	2,150,152		
	Ms. Fatemah G. Habib	1	3,347,851		
	Dr. Salma Habib	1	3,347,219		
	Mr. Daniyal Ghani	1	100		
	Directors' Spouse				
	Mrs. Gaffar A. Habib	1	1,607,896		
4	Banks, DFIs, NBFIs, Insurance & Modaraba Companies	8	566,565	566,565	1.42
5	Joint Stock Companies	20	316,720	316,720	0.79
6	Charitable & Other Trusts	5	208,996	208,996	0.52
7	Individuals	2,258	11,334,776	11,334,776	28.34
8	Foreign Investors			9,440,753	23.60
	Holding 10% or more voting Interest (M/s. ADM International Ltd)	1	7,200,000		
	Holding less than 10% voting Interest	1	2,240,753		
	Total	2,306	40,000,000	40,000,000	100.00

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

Name(s) of Shareholder(s)	Number of Shareholders	Number of Shares Held	Percentage
M/s. ADM International Ltd	1	7,200,000	18.00%
Mr. Owais G. Habib	1	3,826,633	9.57%
Mr. Gaffar A. Habib	1	3,820,036	9.55%
Ms. Fatemah G. Habib	1	3,347,851	8.37%
Dr. Salma Habib	1	3,347,219	8.37%
Mr. Munaf Ibrahim	1	2,540,000	6.35%
Dr. Howard J. Synenberg	1	2,240,753	5.60%
Mr. Tufail Y. Habib	1	2,150,152	5.38%
TOTAL		28,472,644	71.18%

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Habib - ADM Ltd. Year Ended June 30, 2019

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

1. The total number of Directors are 7 as per the following:

a. Male:	5
b. Female:	2

2. The composition of board is as follows:

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

3. The Director have confirmed that none of them is serving as director on more than five listed Companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decision on relevant matters have been taken by 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 board.
8. The Board of Directors have a formal policy and transparent procedure for remuneration of directors in accordance with the Act and these Regulations.
9. Following Directors have already gone through Director's Training Program:
- Mr. Gaffar A. Habib
Mr. Tufail Y. Habib
Ms. Fatemah G. Habib
Dr. Salma Habib
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

Habib-ADM Ltd.

11. CFO and CEO 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 committee 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 which is 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 or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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 have been complied with.

Karachi: 14 September 2019



Gaffar A. Habib
Chairman



Ey Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pak.ey.com
ey.com/pk

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Habib ADM Limited (the Company)

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Habib ADM Limited for the year ended 30 June 2019 in accordance with the requirements of regulation 40 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2019.

Chartered Accountants

Place: Karachi

Date: 19 September 2019



Ey Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pak.ey.com
ey.com/pk

INDEPENDENT AUDITOR'S REPORT

To the members of Habib ADM Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Habib ADM Limited (the Company)**, which comprise the statement of financial position as at **June 30, 2019**, 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, 2019 and of the profit, 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.

Habib-ADM Ltd.



Ey Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pak.ey.com
ey.com/pk

Following is the Key audit matter:

Key audit matter	How our audit addressed the Key audit matter
<p>1. Capital Expenditure</p> <p>As disclosed in note 7.1 to the accompanying financial statements, the Company has incurred significant amount of capital expenditure during the year.</p> <p>We focused on capital expenditure incurred during the year as this represents a significant transaction for the year and involves certain judgmental areas, such as management's estimates about the useful life of assets, capitalization of elements of eligible components of cost as per the applicable financial reporting standards, therefore, we have identified this as a key audit matter.</p>	<p>Our key audit procedures in this area included, amongst others, obtaining an understanding of the Company's process with respect to capital expenditure and testing controls relevant to such process.</p> <p>We performed substantive audit procedures through inspection of related documents supporting various components of the capitalized costs.</p> <p>We also considered whether the items of cost capitalized meet the recognition criteria of an asset in accordance with the applicable financial reporting standards.</p> <p>We reviewed management's estimates about the useful life of assets so capitalized and consequent depreciation rates used by the Company.</p> <p>We further assessed the adequacy of financial statement disclosures in accordance with the applicable financial reporting framework.</p>

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. *ERM*



Ey Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pak.ey.com
ey.com/pk

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.

EY



Ey Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pak.ey.com
ey.com/pk

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: 19 September 2019

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

	NOTE	2019 RUPEES	2018 RUPEES
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	403,841,387	367,679,727
Long-term deposits		5,093,181	4,593,181
Deferred taxation - net	8	<u>16,497,291</u>	<u>22,813,718</u>
		425,431,859	395,086,626
CURRENT ASSETS			
Stores, spare parts and loose tools	9	<u>51,804,107</u>	<u>57,372,129</u>
Stock-in-trade	10	250,739,777	226,705,852
Trade debts - unsecured, considered good	11	123,104	7,542,932
Loans and advances	12	3,536,177	3,398,303
Trade deposits, prepayments and other receivable	13	8,676,857	9,374,911
Short-term investments	14	150,254,450	150,254,450
Interest accrued		7,041,725	683,064
Taxation - net		117,024,089	87,526,276
Cash and bank balances	15	<u>150,159,737</u>	<u>125,325,687</u>
		<u>739,360,023</u>	<u>668,183,604</u>
		1,164,791,882	1,063,270,230
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 60,000,000 (2018: 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	16	200,000,000	200,000,000
Reserves		<u>640,162,005</u>	<u>566,912,965</u>
		840,162,005	766,912,965
CURRENT LIABILITIES			
Trade and other payables	17	<u>309,222,996</u>	<u>282,037,932</u>
Unclaimed dividend		<u>15,406,881</u>	<u>14,319,333</u>
		<u>324,629,877</u>	<u>296,357,265</u>
		1,164,791,882	1,063,270,230
CONTINGENCIES AND COMMITMENTS			
	18		

The annexed notes from 1 to 35 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, 2019

	NOTE	2019 RUPEES	2018 RUPEES
Turnover - net	19	1,562,700,336	1,430,161,795
Cost of sales	20	<u>(1,258,186,741)</u>	<u>(1,222,416,650)</u>
Gross profit		304,513,595	207,745,145
Distribution costs	21	(81,059,761)	(62,996,171)
Administrative expenses	22	(102,155,282)	(95,740,346)
Other expenses	23	(10,225,986)	(3,834,623)
Other income	24	29,836,300	16,484,779
Finance costs	25	(2,932,153)	(1,124,160)
Profit before taxation		137,976,713	60,534,624
Taxation	26	(14,727,673)	8,347,356
Profit for the year		<u>123,249,040</u>	<u>68,881,980</u>
			(Rupees)
Earnings per share - basic and diluted	27	<u>Rs. 3.08</u>	<u>Rs. 1.72</u>

The annexed notes from 1 to 35 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, 2019

	2019 RUPEES	2018 RUPEES
Profit for the year	123,249,040	68,881,980
Other comprehensive income	-	-
Total comprehensive income for the year	<u>123,249,040</u>	<u>68,881,980</u>

The annexed notes from 1 to 35 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, 2019

	NOTE	2019 RUPEES	2018 RUPEES
Cash generated from operations	28	167,194,877	201,203,440
Finance costs paid	25	(2,932,153)	(1,124,160)
Taxes paid		(37,909,059)	(35,082,178)
Long-term deposits		(500,000)	(250,500)
Net cash generated from operating activities		125,853,665	164,746,602
 CASH FLOWS FROM INVESTING ACTIVITIES			
Investment matured during the year		-	50,000,000
Capital expenditure		(71,380,030)	(97,918,699)
Interest received		16,937,867	13,300,150
Proceeds from disposal of operating fixed assets		2,335,000	-
Net cash used in investing activities		(52,107,163)	(34,618,549)
 CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(48,912,452)	(49,623,484)
Net increase in cash and cash equivalents		24,834,050	80,504,569
Cash and cash equivalents at the beginning of the year		125,325,687	44,821,118
Cash and cash equivalents at the end of the year		150,159,737	125,325,687

The annexed notes from 1 to 35 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, 2019

Particulars	Issued, subscribed and paid-up capital	Reserves			Total Reserves	TOTAL EQUITY
		Capital reserves	Revenue reserves			
			Share premium	General reserve		
----- Rupees -----						
Balance as at June 30, 2017	<u>200,000,000</u>	<u>10,000,000</u>	<u>50,000,000</u>	<u>488,030,985</u>	<u>548,030,985</u>	<u>748,030,985</u>
Final dividend @ 25% for the year ended June 30, 2017	-	-	-	(50,000,000)	(50,000,000)	(50,000,000)
Profit for the year	-	-	-	68,881,980	68,881,980	68,881,980
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	68,881,980	68,881,980	68,881,980
Balance as at June 30, 2018	<u>200,000,000</u>	<u>10,000,000</u>	<u>50,000,000</u>	<u>506,912,965</u>	<u>566,912,965</u>	<u>766,912,965</u>
Final dividend @ 25% for the year ended June 30, 2018	-	-	-	(50,000,000)	(50,000,000)	(50,000,000)
Profit for the year	-	-	-	123,249,040	123,249,040	123,249,040
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	123,249,040	123,249,040	123,249,040
Balance as at June 30, 2019	<u>200,000,000</u>	<u>10,000,000</u>	<u>50,000,000</u>	<u>580,162,005</u>	<u>640,162,005</u>	<u>840,162,005</u>

The annexed notes from 1 to 35 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, 2019

1. THE COMPANY AND ITS OPERATIONS

1.1 Habib-ADM 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.

2. GEOGRAPHICAL LOCATION AND ADDRESS OF BUSINESS UNIT / PLANT:

Location	Purpose
Hub Industrial Area, District Lasbela, Baluchistan	Production Plant
Khayaban e Muhafiz, Phase 6, Pakistan Defence Officer Housing Authority, Karachi	Administration Business unit
7/3 Nazimabad # 4 near Hadi Market, Karachi	

3. BASIS OF PREPARATION

3.1 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 Standard 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.

3.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention unless otherwise specifically stated.

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS APPLICABLE TO FINANCIAL STATEMENTS

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

New Standards, Interpretations and Amendments

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

IFRS 2	Share-based Payments: Classification and Measurement of Share-based Payments Transactions - (Amendment)
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IAS 40	Investment Property: Transfers of Investment Property (Amendments)
IFRIC 22	Foreign Currency Transactions and Advance Consideration

Improvements to IFRSs issued by IASB in December 2016

IAS 28 Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The adoption of the above standards, amendments and improvements to IFRS did not have any material effect on these financial statements, except for IFRS 15 and IFRS 9 as explained below:

IFRS 15 Revenue from Contracts with Customers

The Company has applied IFRS 15 using modified retrospective modified approach with initial application date of 1 July 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP). The first-time application of IFRS 15 has not had any significant effects with regard to the amount of revenue recognised and when it is recognised. Hence, no cumulative adjustment amounts have been recognised to adjust the opening retained earnings as at 1 July 2018. Accordingly, the information presented for previous years has not been restated, as previously reported, under IAS 18 and related interpretations.

The management of the Company has assessed and concluded that the Company is in compliance with the requirements of IFRS 15. The new accounting policy in respect of revenue recognition is stated in note 6.10 to these financial statements.

IFRS 9 Financial Instruments

The Company has applied IFRS 9 using modified retrospective modified approach with initial application date of 1 July 2018 as notified by the SECP. IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The impact of adoption of IFRS 9 on the classification and carrying amounts of the financial assets is explained in note 6.2.2 to the financial statements.

The management of the Company has assessed and concluded that the Company is in compliance with the requirements of IFRS 9. The new accounting policy in respect of financial instruments and impairment of financial assets is stated in note 6.2 to these financial statements respectively.

Standards, interpretations and amendments to accounting and reporting standards that are not yet effective

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

Standard or interpretation	Effective date (annual periods beginning on or after)
IFRS - 3 Definition of a Business (Amendments)	01 January 2020
IFRS - 3 Business Combinations: Previously held interests in a joint operation	01 January 2019
IFRS - 9 Prepayment Features with Negative Compensation (Amendments)	01 January 2019
IFRS-10 / IAS 28 Consolidated Financial Statements and Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	

Habib-ADM Ltd.

		Not Yet Finalized
IFRS - 11	Joint Arrangements: Previously held interests in a joint operation	01 January 2019
IFRS - 16	Leases	01 January 2019
IAS-1/ IAS 8	Definition of Material (Amendments)	01 January 2020
IAS - 12	Income Taxes: Income tax consequences of payments on financial instruments classified as equity	01 January 2019
IAS - 19	Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS - 23	Borrowing Costs - Borrowing costs eligible for capitalization	01 January 2019
IAS - 28	Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IFRIC - 23	Uncertainty over Income Tax Treatments	01 January 2019

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

In addition to the above standards, amendments and improvements to various IFRS have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019 respectively. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 - First time adoption of IFRSs	01 January 2004
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 17 - Insurance Contracts	01 January 2021

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

5. Significant accounting judgements, estimates and assumptions

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

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

In the process of applying the accounting policies, management has made the following judgments and estimates which are significant to the financial statements:

- residual values and useful lives of property, plant and equipment (note 7.1)
- provision for slow moving and obsolete stores, spares and loose tools and stock-in-trade (notes 6.3 and 6.4)
- taxation (note 6.11)

6. 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.

6.1 Property, plant and equipment

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. 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 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 statement of profit or loss in the period in which they arise.

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

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.

6.2 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.

6.2.1 Financial assets

a) Initial recognition and measurement

Under IFRS 9, 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 under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Corporation may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Corporation may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

b) Subsequent measurement

Financial assets at FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any.

Interest income, foreign exchange gains and losses and impairment are recognised in statement of profit or loss. Any gain or loss on derecognition is recognised in statement of profit or loss.

Debt investments at FVOCI - These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in statement of profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to statement of profit or loss.

Equity investments at FVOCI - These assets are subsequently measured at fair value. Dividends are recognised as income in statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses including on account of derecognition are recognised in OCI and are never reclassified to statement of profit or loss.

c) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

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. 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 reporting date, 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 ECL based on life time ECL 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.

6.2.2 Impact of adoption of IFRS 9 on classification and carrying amounts of financial assets

The effect of adopting IFRS 9 on the classification and carrying amounts of the financial assets at 1 July 2019 are as follows;

Habib-ADM Ltd.

Financial asset	Original category under IAS 39	New category under IFRS 9	Carrying amount under IAS 39 as at July 01, 2018	Impact of ECL in opening equity as at July 01, 2018	Carrying amount under IFRS 9 as at July 01, 2018
Long-term deposits	Loans and receivables	Amortised cost	4,593,181	-	4,593,181
Trade debts	Loans and receivables	Amortised cost	7,542,932	-	7,542,932
Loan to employees and executives	Loans and receivables	Amortised cost	2,097,881	-	2,097,881
Deposits and other receivable	Loans and receivables	Amortised cost	1,897,638	-	1,897,638
Short-term investment	Held to maturity	Amortised cost	150,254,450	-	150,254,450
Interest accrued	Loans and receivables	Amortised cost	683,064	-	683,064
Cash and bank balances	Loans and receivables	Amortised cost	125,325,687	-	125,325,687

6.2.3 Financial Liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

6.3 Stores, spare parts and loose tools

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

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

6.4 Stock in trade

Stock in trade is valued at the lower of cost and net realisable value. Cost of raw material, work in process and finished goods is determined using the weighted average basis. Cost of stock in transit represents invoice value plus other charges incurred thereon.

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

6.5 Trade debts, Loans, deposits and other receivables

Trade debts, loans, deposits and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Provision is made on the basis of lifetime ECLs that result from all possible default events over the expected life of the trade debts, loans and other receivables. Bad debts are written off when considered irrecoverable.

6.6 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost and are defined as cash in hand and cash at banks. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and short term investments with a maturity of three months or less from the date of acquisition. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

6.7 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 (defined contribution plan) for all its employees who are eligible for the scheme in accordance with the Company's policy. Contributions in respect thereto are made at the rate of 8.33 percent of employees monthly basic salaries as per the terms of the scheme.

6.8 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.

6.9 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.

6.10 Revenue recognition

Revenue is recognised at the point in time when control of the asset is transferred to the customer. 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 either over time or at a point in time, when the performance obligations are met. It is recorded at net of trade discounts and rebates.
- Profit on bank accounts is recognised on effective interest rate method.
- Dividend income is recognised when the right to receive such payment is established.
- Other revenues are accounted when performance obligations are met.

6.11 Taxation

Current

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

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.

6.12 Foreign currency transactions

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

6.13 Dividends and appropriation to reserve

Dividends and appropriation to reserve are recognized in the financial statements in the period in which these are approved.

6.14 Offsetting of financial assets and financial liabilities

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

6.15 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 for the effects of all dilutive potential ordinary shares.

6.16 Functional and presentation currency

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

7. PROPERTY, PLANT AND EQUIPMENT	Note	2019 RUPEES	2018 RUPEES
Operating fixed assets	7.1	403,841,387	269,386,761
Capital work-in-progress	7.4	-	98,292,966
		<u>403,841,387</u>	<u>367,679,727</u>

7.1 Operating fixed assets

Particulars 2019	COST			ACCUMULATED DEPRECIATION				Net book value as at June 30, 2019	Rate	
	As at July 01, 2018	Additions / *transfers	Disposals	As at June 30, 2019	As at July 01, 2018	For the year	On Disposals			As at June 30, 2019
Freehold land	51,205,696	-	-	51,205,696	-	-	-	-	51,205,696	-
Buildings on freehold land:										
- Factory building	105,438,096	-	-	105,438,096	82,868,607	2,256,948	-	85,125,555	20,312,541	10%
- Factory office	7,086,750	-	-	7,086,750	2,538,311	227,420	-	2,765,731	4,321,019	5%
- Pavement and ponds	9,303,700	-	-	9,303,700	5,315,678	199,400	-	5,515,078	3,788,622	5%
Larkana office premises	759,358	-	-	759,358	498,944	13,020	-	511,964	247,394	5%
Plant and machinery	684,903,883*	164,147,020	-	849,050,903	528,079,616	25,400,139	-	553,479,755	295,571,148	10%
Furniture and fixtures	5,433,219	-	-	5,433,219	3,862,444	157,076	-	4,019,520	1,413,699	10%
Tubewell	175,000	-	-	175,000	153,378	2,164	-	155,542	19,458	10%
Office and electrical equipment	4,980,961	12,500	-	4,993,461	4,252,060	74,140	-	4,326,200	667,261	10%
Computers	5,041,254	679,376	-	5,720,630	4,327,402	290,246	-	4,617,648	1,102,982	30%
Laboratory equipment	7,307,895	234,000	-	7,541,895	4,137,760	340,412	-	4,478,172	3,063,723	10%
Vehicles	89,117,988	4,600,100	2,883,640	90,834,448	65,447,221	5,018,129	1,651,964	68,813,386	22,021,062	20%
Boat	415,000	-	-	415,000	402,457	2,508	-	404,965	10,035	20%
Godown	218,996	-	-	218,996	117,157	5,092	-	122,249	96,747	5%
	<u>971,387,796</u>	<u>169,672,996</u>	<u>2,883,640</u>	<u>1,138,177,152</u>	<u>702,001,035</u>	<u>33,986,694</u>	<u>1,651,964</u>	<u>734,335,765</u>	<u>403,841,387</u>	

Habib-ADM Ltd.

Particulars 2018	COST			ACCUMULATED DEPRECIATION				Net book value as at June 30, 2018	Rate	
	As at July 01, 2017	Additions / *transfers	Disposals	As at June 30, 2018	As at July 01, 2017	For the year	On Disposals			As at June 30, 2018
Freehold land	51,205,696	-	-	51,205,696	-	-	-	-	51,205,696	-
Buildings on freehold land:										
- Factory building	105,438,096	-	-	105,438,096	80,360,887	2,507,720	-	82,868,607	22,569,489	10%
- Factory office	7,086,750	-	-	7,086,750	2,298,919	239,392	-	2,538,311	4,548,439	5%
- Pavement and ponds	9,303,700	-	-	9,303,700	5,105,782	209,896	-	5,315,678	3,988,022	5%
Larkana office premises	759,358	-	-	759,358	485,240	13,704	-	498,944	260,414	5%
Plant and machinery	678,952,097	5,951,786	-	684,903,883	510,859,331	17,220,285	-	528,079,616	156,824,267	10%
Furniture and fixtures	5,433,219	-	-	5,433,219	3,687,912	174,532	-	3,862,444	1,570,775	10%
Tubewell	175,000	-	-	175,000	150,974	2,404	-	153,378	21,622	10%
Office and electrical equipment	4,980,961	-	-	4,980,961	4,171,072	80,988	-	4,252,060	728,901	10%
Computers	4,511,354	529,900	-	5,041,254	4,116,372	211,030	-	4,327,402	713,852	30%
Laboratory equipment	7,270,085	37,810	-	7,307,895	3,788,674	349,086	-	4,137,760	3,170,135	10%
Vehicles	89,117,988	-	-	89,117,988	59,529,529	5,917,692	-	65,447,221	23,670,767	20%
Boat	415,000	-	-	415,000	399,321	3,136	-	402,457	12,543	20%
Godown	218,996	-	-	218,996	111,797	5,360	-	117,157	101,839	5%
	<u>964,868,300</u>	<u>6,519,496</u>	<u>-</u>	<u>971,387,796</u>	<u>675,065,810</u>	<u>26,935,225</u>	<u>-</u>	<u>702,001,035</u>	<u>269,386,761</u>	

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

	Note	2019 RUPEES	2018 RUPEES
Cost of sales	20.1	31,033,672	23,554,857
Administrative expenses	22	2,953,022	3,380,368
		<u>33,986,694</u>	<u>26,935,225</u>

7.3 Particulars of immovable assets of the Company are as follows:

Description	Location	Covered Area
Buildings on Freehold Land	Hub Industrial Area, District Lasbela, Baluchistan	32 Acres
Freehold Land	Hub Chowki, Baluchistan	42 Acres
Larkana Premises	Plot # A-25, A-26, A-27 Quetta Industrial Area and Trading Estate	1.21 Acres
Godown	Plot# 92, New Anaj Mandi, Miro Khan Road, Quetta Road	0.0436 Acre
	Plot # S/42, Site, Karachi	1 Acre

7.4 Capital work-in-progress - plant and machinery

	Note	2019 RUPEES	2018 RUPEES
At the beginning of the year		98,292,966	6,893,763
Capital expenditure incurred / advances made during the year		65,854,054	91,399,203
Transferred to operating fixed assets		<u>(164,147,020)</u>	<u>-</u>
		<u>-</u>	<u>98,292,966</u>

Habib-ADM Ltd.

8. DEFERRED TAXATION - NET	Note	2019 RUPEES	2018 RUPEES
Taxable temporary differences arising due to:			
Accelerated tax depreciation		(35,091,623)	(26,389,810)
Deductible temporary differences arising due to:			
Provision		51,588,914	42,705,285
Minimum Tax		-	6,498,243
		16,497,291	22,813,718
9. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores			
in hand		24,682,239	26,272,866
in transit		540,160	2,837,975
		25,222,399	29,110,841
Spare parts		25,943,490	27,742,073
Loose tools		638,218	519,215
		51,804,107	57,372,129
10. STOCK-IN-TRADE			
Raw and packing materials			
in hand	20.1.1	141,679,930	160,609,913
in transit		6,962,327	3,778,850
Work-in-process	20.1	218,101	-
Finished goods	20	101,879,419	62,317,089
		250,739,777	226,705,852
11. TRADE DEBTS - unsecured, considered good			
Local			
Export	11.1	123,104	129,575
		-	7,413,357
	11.2	123,104	7,542,932
11.1 Export			
United States of America - Documentary collection			
		-	7,413,357
11.2 The aging of trade debts as at June 30 is as follows:			
Neither past due nor impaired:			
		-	7,413,357
Past due but not impaired:			
- within 90 days		30,748	52,718
- 91 - 180 days		92,356	-
- 181 - 365 days		-	76,857
		123,104	129,575
		123,104	7,542,932

Habib-ADM Ltd.

	Note	2019 RUPEES	2018 RUPEES
12. LOANS AND ADVANCES			
Loan to:			
- Employees - secured	12.1	939,693	1,300,422
- Executive - secured	12.1	1,500,000	900,000
Advances to supplier - unsecured		<u>1,096,484</u>	<u>1,197,881</u>
		<u>3,536,177</u>	<u>3,398,303</u>
12.1	Represents interest free loans given to an executive and other employees in accordance with their employment terms.		
13. TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE			
Security deposits		594,584	800,388
Short term prepayments		8,082,273	7,477,273
Other receivable		-	1,097,250
		<u>8,676,857</u>	<u>9,374,911</u>
14. SHORT TERM INVESTMENTS			
At amortized cost			
Term deposit receipts (TDR)	14.1	<u>150,254,450</u>	<u>150,254,450</u>
14.1	Represent investments made in TDR with a commercial bank having a term of ranging from 3 to 12 months carrying interest rates ranging from 9.5% to 10.5% (2018: 5.5% to 6.25%) per annum.		
15. CASH AND BANK BALANCES			
Cash in hand		2,999,450	3,447,766
Cash with banks			
Current accounts		13,478,227	17,081,703
Deposit accounts	15.1	133,682,060	104,796,218
		<u>147,160,287</u>	<u>121,877,921</u>
		<u>150,159,737</u>	<u>125,325,687</u>
15.1	These carry interest rate ranging from 5.50% to 10.25% (2018: 4.5%) per annum.		
16. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL			
2019	2018	2019	2018
Number of Shares		Ordinary shares of Rs. 5/- each issued as:	
15,000,000	<u>15,000,000</u>	fully paid in cash	75,000,000
25,000,000	<u>25,000,000</u>	fully paid bonus shares	75,000,000
<u>40,000,000</u>	<u>40,000,000</u>	<u>125,000,000</u>	<u>125,000,000</u>
		<u>200,000,000</u>	<u>200,000,000</u>

Habib-ADM Ltd.

16.1 Associated Companies held 19,573 (2018: 19,573) ordinary shares of Rs. 5/- each in the Company at year end.

16.2 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.

	2019 RUPEES	2018 RUPEES
17. TRADE AND OTHER PAYABLES		
Creditors	10,455,453	9,125,390
Accrued liabilities	19,466,671	24,928,980
Provision of Gas Infrastructure Development Cess and other charges	17.1& 17.2 228,067,705	181,801,978
Advances from customers	44,611,943	60,978,785
Workers' Welfare Fund	17.3 3,432,012	616,161
Workers' Profit Participation Fund	17.4 2,410,135	2,718,462
Sales tax payable	779,077	1,868,176
	309,222,996	282,037,932

17.1 In the year 2011, Gas Infrastructure Development Cess (GIDC) was made applicable to the industrial consumers by means of GIDC Act, 2011 and the Company has been making provision on account of GIDC. In September 2014, the Federal Government (the Government) promulgated Gas Infrastructure Development Cess (GIDC) Ordinance No.VI of 2014 to circumvent earlier decision of the Honorable Supreme Court on the subject, where it upheld that the earlier introduction of GIDC Act of 2011 was unconstitutional and ultravires on the grounds that GIDC was a 'Fee' and not a 'Tax'. In May 2015, the Government passed the GIDC Act, 2015.

The Company, along with other companies in the industry, challenged the GIDC Act, 2015 and filed writ petition in the Honorable High Court of Sindh (HCS) including retrospective treatment of the provision of the GIDC Act. The Honorable Court vide its order dated October 26, 2016 has held the GIDC Act 2011, GIDC Ordinance 2014 and GIDC Act, 2015 as ultravires and unconstitutional on the grounds mentioned above. The Government and Sui Southern Gas Company Ltd (SSGC), however, has filed an appeal in the Double Bench of HCS in a similar case against certain petitioners, which is at the stage of hearing as of June 30, 2019. Due to the inherent uncertainties involved in the matter, the eventual outcome of the case cannot be determined at this stage. Therefore, the Company, on a prudent basis, has made an aggregate provision of Rs. 161.09 million as of June 30, 2019 which includes Rs. 39.602 million for the year in these financial statements.

17.2 In August 2015, Sui Southern Gas Company (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 have been increased from Rs. 573 to Rs. 600 per MMBTU and the Company is subject to charge within both categories. The Company challenged the OGRA notification and filed writ petition in the 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 Oil & Gas Regulatory Authority Ordinance 2002. SSGC filed an appeal in the HCS which was dismissed on August 15, 2017. Subsequently, SSGC has taken the matter to the Honorable 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 notified the sale price and minimum charges, in respect of natural gas to industrial customer 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 which include Rs 6.66 million for the year in these financial statements.

Moreover, OGRA in suppression of its notification No. SRO 1185(I)2016 dated December 30, 2016 issued notification dated October 4, 2018 stating that the sale prices and minimum charges in respect of natural Gas to industrial customer with effect from September 27, 2018 being flat rate of Rs. 780 per MMBTU. The Company challenged the impugned notification dated October 04, 2018 before HCS. The case is at the stage of hearings as of June 30, 2019. However, the Company has under protest paid the bills from October 2018 to June 2019 on increased tariff rate.

17.3 Workers' Welfare Fund	Note	2019 RUPEES	2018 RUPEES
Opening balance		616,161	-
Expensed out during the year	23	2,815,851	616,161
Payment made during the year		-	-
Closing balance		<u>3,432,012</u>	<u>616,161</u>

Habib-ADM Ltd.

	Note	2019 RUPEES	2018 RUPEES
17.4 Workers' Profit Participation Fund			
Opening balance		2,718,462	-
Expensed out during the year	23	7,410,135	3,218,462
Payment made during the year		<u>(7,718,462)</u>	<u>(500,000)</u>
Closing balance		<u>2,410,135</u>	<u>2,718,462</u>

18 CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

SECP Corporate Supervision Division issued winding up orders for Haydari Construction Company Limited on October 14, 2017 and accordingly the petition for winding up has been filed by Securities and Exchange Commission of Pakistan (SECP) in the Honorable 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 Habib-ADM Limited claiming several losses and damages amounting to Rs. 98.8 million severally and jointly. The management, based on the advice of 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.

18.2 Commitments

Outstanding letters of credit		<u>-</u>	<u>5,446,800</u>
Guarantee issued in favour of:			
- Sui Southern Gas Company Limited		<u>63,889,755</u>	<u>46,370,000</u>
Cheques issued in favor of Nazir of high court in relation to OGRA case	17.2	<u>43,917,158</u>	<u>36,215,885</u>

19. TURNOVER - net

Local sales		1,160,611,766	1,323,649,960
Sales tax on local sales		<u>(68,523,325)</u>	<u>(79,184,548)</u>
		1,092,088,441	1,244,465,412
Export sales		470,611,895	185,696,383
		<u>1,562,700,336</u>	<u>1,430,161,795</u>

20. COST OF SALES

Opening stock - finished goods		62,317,089	70,013,338
Cost of goods manufactured	20.1	1,297,749,071	1,214,720,401
Closing stock - finished goods	10	<u>(101,879,419)</u>	<u>(62,317,089)</u>
		<u>1,258,186,741</u>	<u>1,222,416,650</u>

Habib-ADM Ltd.

	Note	2019 RUPEES	2018 RUPEES
20.1 Cost of goods manufactured			
Raw and packing materials consumed	20.1.1	742,073,437	741,382,474
Utilities		333,433,995	262,297,290
Salaries, wages and benefits	20.1.2	127,245,118	114,129,901
Repairs, maintenance and stores consumed		45,266,138	51,587,491
Depreciation	7.2	31,033,672	23,554,857
Vehicles running and maintenance		8,122,414	6,281,442
Others		7,435,843	12,920,163
Insurance		3,356,555	2,508,510
		<u>1,297,967,172</u>	<u>1,214,662,128</u>
Work-in-process			
Opening stock		-	58,273
Closing stock	10	218,101	-
		<u>218,101</u>	<u>58,273</u>
		<u>1,297,749,071</u>	<u>1,214,720,401</u>
20.1.1 Raw and packing materials consumed			
Opening stock		160,609,913	139,571,914
Purchases		723,143,454	762,420,473
		883,753,367	901,992,387
Closing stock	10	(141,679,930)	(160,609,913)
		<u>742,073,437</u>	<u>741,382,474</u>
20.1.2 Salaries, wages and benefits include Rs. 6.2 million (2018: Rs. 5.5 million) in respect of staff retirement benefits.			
21. DISTRIBUTION COSTS			
Freight and commission		62,166,758	48,084,314
Salaries, wages and benefits	21.1	11,115,571	9,266,681
Organic certification expenses		2,173,784	483,462
Advertisement expenses		1,514,809	1,158,874
Kosher certification expenses		986,716	757,746
Travelling and conveyance		624,331	672,475
Vehicle running expenses		620,297	559,111
Rent, rates and taxes		481,821	418,944
Postage and telephone		434,423	491,350
ISO and HACCP certification expenses		285,240	229,390
Insurance		238,863	238,862
Others		132,746	176,686
Printing and stationary		130,476	141,380
Entertainment		87,662	215,499
Utilities		66,264	84,367
Repairs and maintenance		-	17,030
		<u>81,059,761</u>	<u>62,996,171</u>
21.1 Salaries, wages and benefits include Rs. 0.62 million (2018: Rs. 0.57 million) in respect of staff retirement benefits.			

Habib-ADM Ltd.

22. ADMINISTRATIVE EXPENSES	Note	2019 RUPEES	2018 RUPEES
Salaries, wages and benefits	22.1	46,391,676	38,621,332
Travelling and conveyance		26,503,233	24,722,671
Rent, rates and taxes		6,482,024	8,755,600
Others		4,290,479	2,762,646
Legal and professional charges		3,148,263	4,459,770
Depreciation	7.2	2,953,022	3,380,368
Vehicle running expenses		2,659,383	2,711,672
Postage and telephone		1,547,864	1,499,731
Printing and stationery		1,329,060	1,597,858
Auditors' remuneration	22.2	2,169,648	1,582,570
Utilities		1,159,469	1,540,669
Entertainment		1,013,777	1,779,990
Donations and corporate social responsibility	22.3	992,940	1,069,600
Advertisement expenses		555,108	248,421
Share registrar service charges		365,273	306,196
Insurance		349,413	346,299
Repairs and maintenance		150,900	279,953
Directors' fee		93,750	75,000
		<u>102,155,282</u>	<u>95,740,346</u>
22.1	Salaries, wages and benefits include Rs. 2.6 million (2018: Rs. 2.31 million) in respect of staff retirement benefits.		
22.2	Auditors' remuneration		
		770,000	700,000
		150,000	125,000
		909,648	448,820
		340,000	308,750
		<u>2,169,648</u>	<u>1,582,570</u>
22.3	Directors or their spouses do not have any interest in the donees to whom donations were made.		
23. OTHER EXPENSES			
Workers' profit participation fund	17.4	7,410,135	3,218,462
Workers' welfare fund	17.3	2,815,851	616,161
		<u>10,225,986</u>	<u>3,834,623</u>

Habib-ADM Ltd.

			2019 RUPEES	2018 RUPEES
24. OTHER INCOME	Note			
Income from financial assets				
Interest on bank deposits			6,030,054	3,698,808
Interest on TDR			17,266,474	9,318,795
Exchange gain			5,436,448	3,467,176
			28,732,976	16,484,779
Income from non-financial assets				
Gain on disposal of operating fixed assets			1,103,324	-
			29,836,300	16,484,779
25. FINANCE COSTS				
Bank charges and commission			2,932,153	1,124,160
26. TAXATION				
Current			(10,149,873)	(16,817,603)
Prior			1,738,627	(578,671)
Deferred			(6,316,427)	25,743,630
			(14,727,673)	8,347,356
26.1	Income tax assessments of the Company have been finalized up to and including the tax year 2018.			
26.2	Provision for current tax is based on minimum tax and final tax regime. Accordingly, tax reconciliation has not been presented in these financial statements.			
27. EARNINGS PER SHARE				
Profit for the year			123,249,040	68,881,980
Weighted average number of ordinary shares in issue			40,000,000	40,000,000
Basic earnings per share	27.1		Rs. 3.08	Rs. 1.72
27.1	There is no dilutive effect on basic earnings per share.			

Habib-ADM Ltd.

28. CASH GENERATED FROM OPERATIONS	Note	2019 RUPEES	2018 RUPEES
Profit before taxation		137,976,713	60,534,624
Adjustments			
Depreciation	7.2	33,986,694	26,935,225
Gain on disposal of operating fixed assets	24	(1,103,324)	-
Unrealized exchange gain		-	(379,407)
Provision for GIDC and other charges		46,265,727	73,710,844
Profit on TDRs and bank deposits	24	(23,296,528)	(13,017,603)
Finance costs	25	2,932,153	1,124,160
		<u>58,784,722</u>	<u>88,373,219</u>
		196,761,435	148,907,843
Decrease / (Increase) in current assets			
Stores, spare parts and loose tools		5,568,022	(3,635,219)
Stock-in-trade		(24,033,925)	(12,957,516)
Trade debts - unsecured, considered good		7,419,828	35,121,357
Loans and advances		(137,874)	124,889
Trade Deposits, pre-payments and other receivables		698,054	(3,951,718)
		(10,485,895)	14,701,793
(Decrease) / increase in current liability			
Trade and other payables		(19,080,663)	37,593,804
		<u>167,194,877</u>	<u>201,203,440</u>
Cash generated from operations		<u>167,194,877</u>	<u>201,203,440</u>

29. 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. The main purpose of these financial liabilities is to manage working capital requirements for the Company's operations. The Company has various financial assets such as short-term investments, loans and advances, deposits, trade debts 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. No changes were made in the objectives, policies or processes and assumptions during the year ended June 30, 2019 which are summarized below:

29.1 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.

29.1.1 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 the term deposit receipts. The Company presently has no borrowings as at June 30, 2019, though it has a sanctioned limit of Rs.100 million for a running finance facility which carries interest at the rate of 2.50 percent plus 3 months average KIBOR 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 LC / contract, import documents consigned to BAHL and 10% cash margin on all LCs. Moreover a registered is also created by way of equitable mortgage over fixed assets including land, building, machinery and equipment situated at Khasra No.3, Mouza Baroot Tehsil Hub, measuring 22.039 acres. The Company places most of its funds in commercial bank having good credit rating. As of the reporting date the Company is not materially exposed to interest rate risk.

Bank balances and term deposit receipts carry interest rates ranging from 5.50% to 10.25% (2018: 4.5%) per annum and 9.5% to 10.5% (2018: 5.5% to 6.25%) per annum respectively.

29.1.2 Foreign currency risk

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

	2019	2018
US Dollar	<u>210,000</u>	<u>60,900</u>

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

Exchange rate - US Dollar	<u>163.10</u>	<u>121.73</u>
---------------------------	---------------	---------------

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

	Change in rate (%)	Effect of translation of foreign currency asset on profit before tax	Effect on equity
----- RUPEES -----			
June 30, 2019	+10	<u>3,441,900</u>	<u>3,441,900</u>
	-10	<u>(3,441,900)</u>	<u>(3,441,900)</u>
June 30, 2018	+10	<u>741,336</u>	<u>741,336</u>
	- 10	<u>(741,336)</u>	<u>(741,336)</u>

29.2 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	2019 RUPEES	2018 RUPEES
Long-term deposits		5,093,181	4,593,181
Trade debts	11	123,104	7,542,932
Loans to employees	12	939,693	1,300,422
Loan to executive	12	1,500,000	900,000
Deposit and other receivable	13	594,584	1,897,638
Interest accrued		7,041,725	683,064
Bank balances	15	147,160,287	121,877,921
		<u>162,452,574</u>	<u>138,795,158</u>

Credit quality of financial assets

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

Trade debts

Neither past due nor impaired	11.2	-	7,413,357
Past due but not impaired	11.2	123,104	129,575
		<u>123,104</u>	<u>7,542,932</u>

Cash at bank

Current accounts			
A-1 +		13,478,227	17,081,703
Saving accounts			
A-1 +		133,682,060	104,796,218
		<u>147,160,287</u>	<u>121,877,921</u>

29.3 Liquidity risk

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

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At June 30, 2019 it has a sanctioned limit of Rs.100 million for a running finance facility which carries interest at the rate of 2.50 percent plus 3 months average KIBOR 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 LC / contract, import documents consigned to BAML and 10% cash margin on all LCs. Moreover a registered is also created by way of equitable mortgage over fixed assets including land, building, machinery and equipment situated at Khasra No.3, Mouza Baroot Tehsil Hub, measuring 22.039 acres.

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

	2019					2018				
	On demand	Less than 3 months	3 to 12 Months	1 to 5 years	Total	On demand	Less than 3 months	3 to 12 Months	1 to 5 years	Total
----- RUPEES -----										
Financial Liabilities										
Trade and other payables	-	29,922,124	-	-	29,922,124	1,197,610	32,856,760	-	-	34,054,370
Un-claimed dividend	15,406,881	-	-	-	15,406,881	14,319,333	-	-	-	14,319,333
	15,406,881	29,922,124	-	-	45,329,005	15,516,943	32,856,760	-	-	48,373,703

29.4 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. As of June 30, 2019, the company does not have any interest bearing borrowings.

29.5 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)

As of June 30, 2019, the Company does not have any financial assets carried at fair value that required categorization in Level 1, Level 2 and Level 3.

Habib-ADM Ltd.

30. REMUNERATION OF THE CHIEF EXECUTIVE , DIRECTOR AND EXECUTIVES

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

	2019			2018		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	----- (Rupees) -----					
Managerial remuneration	8,975,441	5,230,111	17,384,390	8,131,430	4,738,299	15,558,705
Bonus	787,339	458,794	1,487,392	746,523	435,011	1,461,756
Leave encashment	763,481	444,891	1,067,392	763,481	444,891	1,184,055
Contribution to provident fund	747,953	435,843	1,448,699	677,619	394,858	1,296,558
	<u>11,274,214</u>	<u>6,569,639</u>	<u>21,387,873</u>	<u>10,319,053</u>	<u>6,013,059</u>	<u>19,501,074</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>1</u>	<u>1</u>	<u>7</u>

30.2 The aggregate amount paid to the directors as a fee for attending the Board of Directors' meetings amounted to Rs. 93,750 (2018: Rs. 75,000).

30.3 In addition, the Chief Executive, Director and all Executives are provided free use of Company maintained cars as per terms of employment. Telephone and club bills are also paid by the Company.

31. TRANSACTIONS WITH RELATED PARTIES

31.1 Related parties comprises of associated companies, directors, other key management personnels and retirement funds. Transactions with related parties other than those disclosed elsewhere in the financial statements as mentioned below are entered under normal commercial terms:

Relationship	Nature of transactions	2019	2018
		-----Rupees-----	
Associated Companies	Dividend paid	<u>24,466</u>	<u>24,467</u>
Directors and other	Dividend paid	<u>25,425,800</u>	<u>25,425,800</u>
Staff provident fund	Contributions made	<u>9,430,967</u>	<u>8,387,093</u>

31.2 Following are the associated companies with whom the Company had entered into transactions or have arrangement / agreement in place:

S.No	Company Name	Basis of relationship	Aggregate % of shareholding
1	Hydari Boring & Pilling (Private) Limited	Common directorship	0.05%
2	Abbas Builders (Private) Limited	Common directorship	0.003%
3	Indus Oil Expellers (Private) Limited	Common directorship	0.001%

Habib-ADM Ltd.

	2019	2018
	-----Numbers-----	
32. NUMBER OF EMPLOYEES		
The number of employees including contractual employees of the Company are as follows:		
At year end	<u>343</u>	<u>353</u>
Average employees during the year	<u>326</u>	<u>352</u>
33. CAPACITY		
Annual installed capacity as of June 30, (in m.tonnes)	<u>45,000</u>	<u>45,000</u>
Actual production for the year (in m.tonnes)	<u>18,597</u>	<u>20,187</u>

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

34. POST REPORTING DATE EVENTS

34.1 Subsequent to the year end, the directors along with their close family members have bought 7.2 million ordinary shares from Archer Daniels Midlands (UK) Ltd.

34.2 Subsequent to the year end, the Board of Directors of the Company in their meeting held on 14 September 2019 have proposed a final cash dividend of Rs. 2.50 (2018: Rs.1.25) per share.

35. GENERAL

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

35.2 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.

35.3 These financial statements were authorised for issue on 14 September 2019 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 39th Annual General Meeting of the members of the Company will be held on Thursday, October 24, 2019 at 11:15 a.m. at The Institute of Chartered Accountants of Pakistan (ICAP) Auditorium Hall, D-31/8, Chartered Accountants Avenue, Clifton, Karachi to transact the following business.

ORDINARY BUSINESS:

1. To confirm the minutes of the Annual General Meeting held on Thursday, October 18, 2018.
2. To receive and adopt the Director's Report and Audited Financial Statements of the Company for the year ended June 30, 2019.
3. To approve the Final Cash Dividend for the year ended June 30, 2019 @ 50% i.e. Rs.2.50 per share of Rs.5 each to the members as recommended by the Board of Directors.
4. To appoint Auditors for the year ending on June 30, 2020 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: 14 September 2019.

NOTES:

1. **Closure of Share Transfer Books**
The share transfer books of the Company will remain closed from October 16, 2019 to October 24, 2019 (both days inclusive).
2. **Participation in General Meeting**
A member of the company entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies must be received at the Company's Share Registrar office not later than 48 hours prior to the meeting.
3. **Guidelines to the General Meeting for CDC Account Holders**
The CDC account / Sub account holders are requested to bring with them their Computerized National Identity Cards (CNIC) along with the participant(s) ID number and their account numbers at the time of attending the AGM in order to facilitate identification of the respective shareholders. In case of corporate entity, the Board of Directors Resolution / Power of attorney with specimen signature must be produced at the time of meeting.
4. **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.

7. Deduction of Income Tax at Revised Rates

The Government of Pakistan through Finance Act, 2019 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the Companies. These tax rates are as under:

- (a) 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 24th October 2019, 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.

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.

8. Transmission of Financial Statements and Notices through Electronically

With reference to SRO 787 (I/2014 dated 8th September 2014) issued by SECP, 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 to our Shares Registrar, M/s THK Associates (PVT) Ltd. at 40-C,Block-6, P.E.C.H.S., 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.

9. Video Conference Facility

If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 07 days prior to date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city.

Habib-ADM Ltd.

To avail this facility a request to be submitted to registered address of the Company 07 days before holding of the Annual General Meeting.

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

Company Address:

Habib - ADM Ltd.

2nd Floor, UBL Building,

I.I. Chundrigar Road, Karachi.

Phone: (+92-21) 32411887 Fax: (+92-21) 32414581

e-mail: habib-adm@cyber.net.pk

Share Registrar Address:

M/s. THK Associates (Pvt.) Limited

1st Floor, 40 - C, Block - 6, P.E.C.H.S.,

Karachi-75400

UAN: (021) 111-000-322

Fax: (021) 34168271

e-mail: secretariat@thk.com.pk

Habib-ADM Ltd.

PROXY FORM

I/We _____

of _____

being a member(s) of HABIB-ADM 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 _____

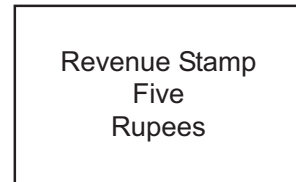
or failing him/her _____ Folio No. _____ of _____

another member of HABIB-ADM 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 24, 2019, and at any

adjournment thereof.

Signed this _____ Day of _____



SIGNATURE OF MEMBER(S)

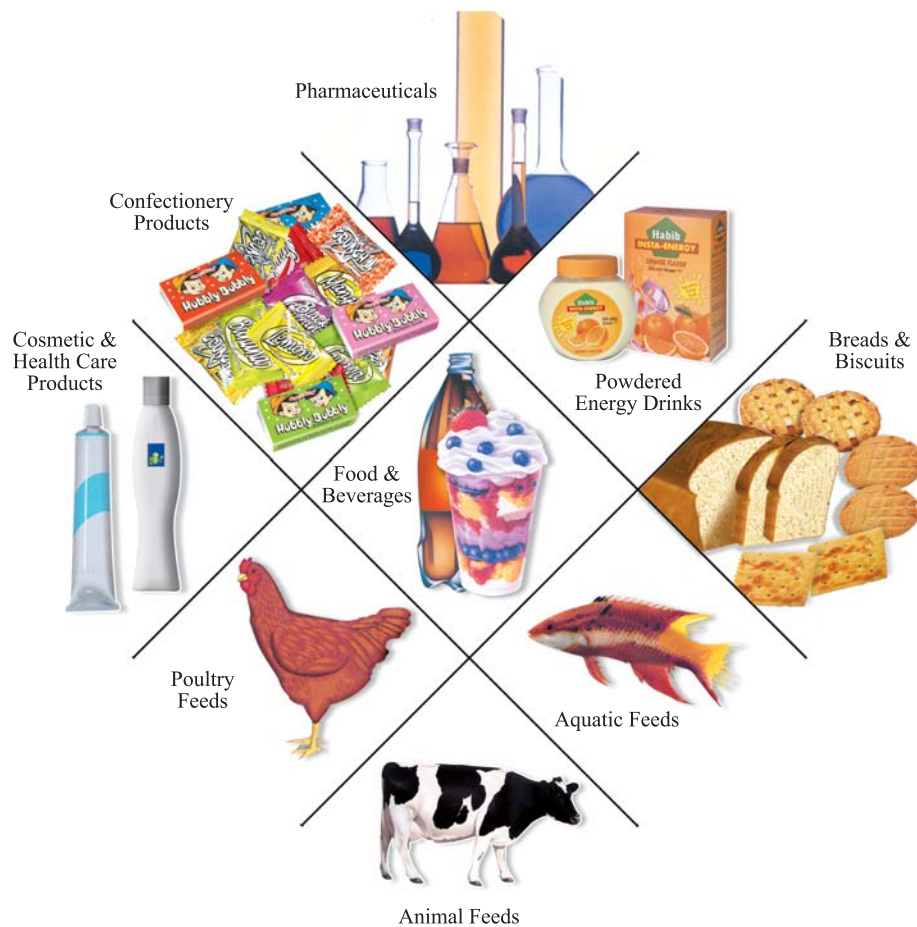
(Signature should agree with the specimen signature registered with the Company)



Pioneer Producers of Rice Based Starch Sugars and Proteins

Habib-ADM Ltd pioneered the conversion of Rice into :-

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



Cell : +92-333-2138681 - +92-333-2144227 - +92-332-2123552 Tell : +92-853-363963-5
Email : mkt_habibadm@hotmail.com / habib-adm@hotmail.com / hal-adm@hotmail.com
Website : www.habibadmltd.com