

HASSAN ALI RICE EXPORT CO, LIMITED

FINANCIAL STATEMENTS

SIXTIETH ANNUAL REPORT  
FOR THE YEAR ENDED  
30<sup>TH</sup> JUNE 2020

## HASSAN ALI RICE EXPORT CO, LIMITED

### BOARD OF DIRECTORS

Chairman	Mr. Nizam Akber Ali Hashwani
Chief Executive/ Director	Mr. Amin Hashwani Mr. Abdullah Hashwani Ms.Sultana Akber Hussain Hashwani
Company Secretary	Syed Muhammed. Yousuf
Auditors	Feroz Sharif Tariq & Co Chartered Accountant
Registered Office	A-66, Site Monghopir Road,Karachi.
Share Registrar Office	FD. Registrar Services SMC (pvt) Ltd 1705, 17 <sup>th</sup> Floor , Saima Trade Tower A, I.I. Chundriger Road, karachi.

## HASSAN ALI RICE EXPORT CO, LIMITED

### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 62<sup>th</sup> Annual General Meeting of the Company will be held on Wednesday 28<sup>th</sup> October 2020, at 05:30 P.m at Hassan Ali Rice Export Co, Limited , 1st Floor Cotton Exchange Building I.I. Chundrigger Road , Karachi, to transact the following business:

1. To confirm the minutes of the Sixty first Annual General Meeting held on 28<sup>th</sup> October 2019,.
2. To receive and adopt the audited account for the year ended 30<sup>th</sup> June 2020, together with the Auditors and Directors report thereon.
3. **To appoint Auditors' of the Company for the financial year ending June 30, 2021 and to fix their remuneration. The retiring auditors M/s Feroz Sharif Tariq & Company, Chartered Accountants being eligible have offered themselves for re-appointment.**
4. To transect any other business with the permission of Chairman.

Karachi.05<sup>th</sup> October 2020.

By Order of the Board

Syed Mohammad. Yousuf  
Company Secretary



#### NOTES:

1. The share Transfer Books of the Company will remain closed from 22-10-2020 to 28-10-2020 (Both days inclusive).
2. All members should bring their Original National Identity Cards for their identification purpose.
3. The form of the proxies must be submitted with the Company within the stipulated time, duly witnessed by person whose name , address and NIC number must be mentioned on the form along with attested copies of the NIC of the beneficial owner and the proxy.
4. Proxies in order to be effective must be received at the Registered office of the Company duly stamped, signed and witness not late then 48 hours before the time for holding the meeting during working hours.
5. The members are requested to immediately notify the change of address, if any and also to supply a copy of NIC for record of the Company.

# HASSAN ALI RICE EXPORT CO, LIMITED

## DIRECTORS REPORT

The Board of Directors of your company are pleased to present Sixty-sixth Annual Report together with Audited financial statements of the company along with Auditors Report thereon for the year ended 30<sup>th</sup> June 2020.

The Company has sustained net profit s before tax amounting to Rs.95,332,770, the results are summarized below;

	30.06.2020	30.06.2019
	RUPEES	RUPEES
Sales revenue	3,241,296,429	1,503,717,896
Cost of Sales	(2,686,030,808)	(1,306,121,001)
GrossProfit / (Loss)	555,265,621	197,596,895
Operating expenses	(425,125,050)	(127,664,233)
Financial Cost	(31,187,070)	(49,160,676)
Other Income	1,396,783	2,167,252
Workers Profit Participation fund	(5,017,514)	(1,146,962)
Profit/ Loss before taxation	95,332,770	21,792,276
Profit/Loss after taxation	62,345,912	6,752,785
Profit per shares	13.10	1.42

In this financial year the operational activities of rice milling functioning continuesly. However in this year we have exported our milling rice amounting to Rs. 3,241 million and it still need to do more upgrade or tune to achieve maximum out put. In this season., we have faced again the problem in supply of rice with high moisture, low whiteness with unwanted materials, which caused to operate machineries at low speed to complete orders in accordance to their specification and continuously faced the low gas pressure which caused problem to achieve buyer targets.

The Directors have not recommended any dividend for the year ended 30th June 2020, because of the cash flow problem.

The Government of Pakistan has promulgated the Gas Infrastructure Development Cess Ordinance, 2014 (GIDC) against which the Company filed suit in the Honourable Sindh High Court challenging its legality and applicability on the Company and the Honourable Sindh High Court had issued stay against the recovery of GIDC





## HASSAN ALI RICE EXPORT CO, LIMITED

The Supreme Court of Pakistan has decided the case in favour of SSGC with directions to recover the arrears under GIDC Act 2015 from the consumers who have passed on their burden to its customers. As neither SSGC has charged GIDC to the company in its billing nor the Company has passed on the same to the customers. Therefore, there is no need to make any provision in this regard. See its detail in note # 14 of the attached audited account under the heading of Contingency.

2020 had been the time of extreme emergency when the World and Pakistan in particular was in grip of Pandemic Covid-19 (Corona Virus) which had forced a complete shutdown of almost all activities.

### SOCIAL COMPLIANCE AND HUMAN RESOURCES:

The Company's human resources policy has been based on the values of fairness, merit, equal opportunity and social responsibility. In complying of this policy, the company does not employ any child labour and we endeavor to keep healthy working condition,

### Taxation

Provision for taxation has been provided, its position is highlighted at Notes # 13 of the Accounts and the company contributed Rs.34.816 million to the national exchequer during the year in the form of direct / indirect taxes and other mandatory contribution.

### AUDITORS;

The auditors M/s. Feroze Sharif Tariq & Co. Chartered Accountants retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment. The Board has proposed their re-appointment the auditors under same remuneration.

### RELATED PARTY TRANSECTION;

The Board of Directors has approved the policy for transaction between the company and its related parties.

A statement showing the pattern of shareholding as required under section 227 of the Companies Act 2017, for the year ended 30<sup>th</sup> June 2020 is attached with this report.

### ACKNOWLEDGEMENT;

We take pleasure in expressing appreciation and thank all the employees and excellent team efforts, devotion and loyalty throughout the year. We would also like to acknowledge the support and cooperation received from valued customers, banks, for their confidence and support during the period.

Karachi: 05/10/2020

DIRECTOR

By Order of the Board

AMIN HASHWANI  
Chief Executive



# HASSAN ALI RICE EXPORT CO LIMITED

## DETAIL OF CATEGORIES OF SHARES

### AS AT 30TH JUNE 2020

SERIAL NO	NAME OF SHRE HOLDERS	NUMBER OF SHARES
1	MR. NIZAM A HASHWANI	1,438,569
2	MR ABDULLAH A HASHWANI	1,453,103
3	MR AMIN A HASHWANI	1,467,702
4	MRS. SULTANA A HASHWANI	165,588

SHARES HELD BY DFI, INSURANCE CO ETC	7,351
GENERALPUBLIC	59,348
SHARES HELD BY RELATIVE & ASSOCIATES;	167,002

4,758,663

#### SHARE HOLDING 10% OR MORE VOTING INTEREST IN THE COMPANY.

			SHARE HOLD	PERCENTAGE
1	MR. NIZAM A HASHWANI	DIRECTOR	1,438,569	30.23
2	MR ABDULLAH A HASHWANI	DIRECTOR	1,453,103	30.54
3	MR AMIN A HASHWANI	DIRECTOR	1,467,702	30.84

Director

Chief Executive

**HASSAN ALI RICE EXPORT CO, LIMITED**  
**PATTERN OF SHARE HOLDING**  
**FOR THE YEAR ENDED 30TH JUNE 2020**

NOS OF SHARE HOLDERS	SHARE HOLDERS	NOS OF SHARE HOLDERS
17	FROM	100
35	1	440
8	TO	500
13	101	13,296
2	501	7,151
2	1,001	5,000
3	5,001	31,115
	25,001	16,612
	1,200,001	25,000
		1,200,000
		330,676
		1,500,000
		4,359,373
80		4,758,663

CATEGORIES OF SHARE HOLDER	NOS OF SHARE HOLDRS	NO OF SHARES	% OF SHARE HOLD
INDIVIDUALS	74	4,751,312	99.85
INVESTMENT COMPANIE	2	650	0.01
INSURANCE COMP	1	100	0.00
FINANCIAL INSTIT	2	6,600	0.14
OTHERS	1	1	0.00
	80	4,758,663	100

Director

Chief Executive

**HASSAN ALI RICE EXPORT CO. LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**JUNE 30, 2020**



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HASSAN ALI RICE EXPORT CO. LIMITED**

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

#### **Opinion**

We have audited the annexed financial statements of Hassan Ali Rice Export Co. Limited (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss, 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, 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, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the Profit and other comprehensive Income, the changes in equity and its cash flows for the year then ended.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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.

#### **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 reports 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 performed, we conclude that there is a material misstatement of this other information; we 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 Accounting and Reporting Standards as applicable in Pakistan and 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.

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

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

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

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

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

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

**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, 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) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Mohammad Ghalib.

  
**Chartered Accountants**  
Place: Karachi

Dated

**05 OCT 2020**

**HASSAN ALI RICE EXPORT CO. LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2020**

		June 30, 2020	June 30, 2019
	Notes	(Rupees)	
<b><u>EQUITY AND LIABILITIES</u></b>			
<b><u>CAPITAL &amp; RESERVES</u></b>			
<b><u>Authorized</u></b>		<b>75,000,000</b>	<b>75,000,000</b>
7,500,000 (June 30, 2019: 7,500,000) Ordinary Shares of Rs. 10/- each			
Issued, Subscribed and Paid-up Capital	4	47,586,630	47,586,630
<b><u>Revenue Reserves</u></b>			
Special Reserve		908,177	908,177
Accumulated Loss		(237,766,202)	(300,143,571)
<b><u>Capital reserve</u></b>			
Revaluation surplus on property plant and equipment	5	1,116,230,344	1,116,261,801
		926,958,949	864,613,037
<b><u>NON-CURRENT LIABILITIES</u></b>			
Subordinate Loan	6	555,000,000	555,000,000
Loan from Director	7	150,000,000	150,000,000
Loan from financial Institutions	8	248,046,681	282,057,453
Deferred Tax - net	9	142,221	155,070
		953,188,902	987,212,523
<b><u>CURRENT LIABILITIES</u></b>			
Trade and other Payables	10	149,147,178	160,309,905
Mark-up accrued		5,090,430	5,587,169
Loan from Associated Undertakings	11	688,069,296	805,239,254
Short Term Borrowings	12	209,235,814	175,500,000
Current Maturity of Long term Loan	8	49,737,021	45,199,153
Unclaimed dividend		19,295	19,295
Provision for Taxation	13	32,412,964	15,037,179
		1,133,711,999	1,206,891,955
Contingencies and Commitments	14		
		3,013,859,849	3,058,717,515
<b><u>ASSETS</u></b>			
<b><u>NON-CURRENT ASSETS</u></b>			
Property Plant and Equipment	15	1,801,361,315	1,810,166,478
Capital Work in Progress	16	8,532,655	23,847,289
Long term Investment/Deposits	17	8,774,868	8,769,868
<b><u>CURRENT ASSETS</u></b>			
Stores, Spares and Loose Tools	18	2,429,146	1,457,273
Stock-in-Trade	19	829,760,569	1,028,093,063
Trade Debts - Considered Good	20	74,991,005	85,709,100
Loans Advances and other receivable - Unsecured, Considered good	21	64,879,727	47,245,746
Income Tax Refunds and Advances		36,065,764	19,158,147
Current Portion of Long term Investment	17	8,677,213	7,280,430
Cash and Bank Balances	22	178,387,587	26,990,121
		1,195,191,011	1,215,933,880
		3,013,859,849	3,058,717,515

The annexed notes form an integral part of these financial statements

Chief Executive Officer

Director



**HASSAN ALI RICE EXPORT CO. LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Notes	2020 (Rupees)	2019
Sales - Net	23	3,241,296,429	1,503,717,896
Cost of Sales	24	(2,686,030,808)	(1,306,121,001)
Gross Profit/(Loss)		555,265,621	197,596,895
Operating expenses			
Administrative and General Expenses	25	(5,872,525)	(4,721,270)
Distribution Costs and Selling Expenses	26	(419,252,525)	(122,942,963)
		(425,125,050)	(127,664,233)
Operating Profit/(Loss)		130,140,571	69,932,662
Finance Cost	27	(31,187,070)	(49,160,676)
		98,953,501	20,771,986
Other operating Income	28	1,396,783	2,167,252
Profit/(Loss) before taxation		100,350,284	22,939,238
workers Profit Participation Fund		(5,017,514)	(1,146,962)
		95,332,770	21,792,276
Taxation			
Current	13	(32,412,964)	(15,037,179)
Prior		(586,743)	(19,541)
Deferred		12,849	17,229
		(32,986,858)	(15,039,491)
Profit/(Loss) after taxation		62,345,912	6,752,785
Earning/(Loss) Per Share - Basic	29	13.10	1.42

The annexed notes form an integral part of these financial statements

Chief Executive Officer

Director



**HASSAN ALI RICE EXPORT CO. LIMITED**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	2020	2019
	(Rupees)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before Taxation	100,350,284	22,939,238
<b>Adjustment for Non-Cash and Other Items:</b>		
Depreciation	60,821,941	53,699,624
Loss on disposal of Fixed assets	-	-
Finance Cost	31,187,070	49,160,676
	<u>92,009,011</u>	<u>102,860,300</u>
	192,359,295	125,799,538
<b>Working Capital Changes</b>		
<b>(Increase) / Decrease in Current Assets</b>		
Stores, Spares and Loose Tools	(971,873)	(906,213)
Stock-in-Trade	198,332,494	(462,114,495)
Trade Debts	10,718,095	1,664,693
Loans and Advances	(19,030,765)	83,204,987
<b>(Increase) / Decrease in Current Liabilities</b>		
Trade Creditors, Payable	(16,180,241)	122,961,434
	<u>172,867,710</u>	<u>(255,189,594)</u>
Taxes Paid	(32,531,539)	(15,940,586)
Finance Cost Paid	(31,683,809)	(50,435,480)
	<u>(64,215,348)</u>	<u>(66,376,066)</u>
<b>Net Cash Inflow/ (Outflow) from Operating Activities</b>	301,011,657	(195,766,122)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sales Proceeds from fixed assets	--	--
Property Plant and Equipments	(348,063)	(101,491,713)
Capital Work in Progress	(36,354,081)	(26,327,174)
Long term Investment	--	--
Profit receivable from Long term Investment - net	(5,000)	(161,638)
<b>Net Cash Inflow / (Outflow) from Investing Activities</b>	(36,707,144)	(127,980,525)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loan from Associated Undertaking	(117,169,958)	308,587,100
Subordinate Loan	--	95,000,000
Loan from Bank - net	(29,472,904)	(5,156,689)
<b>Net Cash Inflow/ (Outflow) from Financing Activities</b>	(146,642,862)	398,430,411
Net (decrease) / Increase in Cash and Cash Equivalents	117,661,652	74,683,764
Cash and Cash Equivalents at the Beginning	(148,509,879)	(223,193,643)
Cash and Cash Equivalents at the End	<u>(30,848,227)</u>	<u>(148,509,879)</u>

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The annexed notes form an integral part of these financial statements

Chief Executive Officer

Director

**HASSAN ALI RICE EXPORT CO. LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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	2020	2019
	(Rupees)	
Profit/(Loss) for the Year	62,345,912	6,752,785
Other Comprehensive Income/(Loss) for the year	-	-
Total comprehensive Income /(Loss) for the period	<u>62,345,912</u>	<u>6,752,785</u>

The annexed notes form an integral part of these financial statements

Chief Executive Officer



Director



**HASSAN ALI RICE EXPORT CO. LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Issued, subscribed and paid-up capital	Revenue Reserves		Capital Reserves	Total
		Special Reserve	Accumulated Loss	Revaluation Surplus on property, plant & equipment	
----- (Rupees) -----					
Balance as on July 01, 2018	47,586,630	908,177	(306,928,354)	1,116,293,799	857,860,252
--					
Total comprehensive Profit for year					
Profit for the period	--	--	6,752,785	--	6,752,785
Other comprehensive income for the period	--	--	--	--	--
	--	--	6,752,785	--	6,752,785
Surplus arising on revaluation on Land during the year				--	--
Transfer to accumulated loss in respect of incremental depreciation - net of tax	--	--	31,998	(31,998)	--
Balance as on June 30, 2019	47,586,630	908,177	(300,143,571)	1,116,261,801	864,613,037
Balance as on July 01, 2019	47,586,630	908,177	(300,143,571)	1,116,261,801	864,613,037
--					
Total comprehensive Profit for year					
Profit for the period	--	--	62,345,912	--	62,345,912
Other comprehensive income for the period	--	--	--	--	--
	--	--	62,345,912	--	62,345,912
Surplus arising on revaluation on Land during the year				--	--
Transfer to accumulated loss in respect of incremental depreciation - net of tax	--	--	31,457	(31,457)	--
Balance as on June 30, 2020	47,586,630	908,177	(237,766,202)	1,116,230,344	926,958,949

The annexed notes form an integral part of these financial statements

Chief Executive Officer

Director



**1 Corporate Information**

The company was incorporated in Pakistan, as a public limited company in 1961, under the Companies Act, 1913 (Now Repealed with the enactment of the Companies Act, 2017 on May 30, 2017) and its shares are listed on Karachi Stock Exchange Limited. From May 25, 2012 the company delisted from Karachi stock Exchange and converted from Quoted Public Limited company to unlisted company. The principal activity of the Company is trading, manufacturing and sale of cotton yarn under the Brand Name "TEXTURE".

The Company Currently mainly engaged in the business 100% Rice processing unit and Export of Rice and domestic Sales of Rice.

Upon request of the company for delisting and for the buy back of shares by its sponsors at Price Agreed with the Pakistan stock Exchange (Formerly Karachi Stock Exchange) the company was delisted by the exchange effective from May 25, 2012, Effective May 11, 2016 the company obtained Securities and Exchange commission of Pakistan approval to change the name of the Company Regent Textile Industries Limited to Hasan Ali Rice Export co. Limited and started new business of rice processing, export and domestic Sales.

The geographical Location and address of the company's business units, including mill/plant are as under:

The registered office and Manufacturing Facilities of the company is located at A- 66 Mangopir Road , SITE, Karachi.

**1.1 Summary of significant events and transactions in the current reporting period**

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

The Company has disclosed all the information's of Other Relevant major events in the Respective notes to the Financial Statements.

**2 Basis of Preparation**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standard for Small and Medium Sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS for SMEs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.2 Basis of measurement**

The financial statements have primarily been prepared under the historical cost convention without any adjustments for the effect of inflation or current values, except for the financial assets and liabilities which are carried at their fair values and revalued amounts and stock in trade which are valued at net realizable value, if it is less than the cost. Further, accrual basis of accounting is followed except for cash flow information.

**2.3 Use of estimates and judgments**

The preparation of the financial statements in conformity with approved accounting standards as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant affect on the amounts recognized in the financial statements are as follows:

**2.3.1 Operating fixed assets, revaluation and depreciation**

The Company reviews appropriateness of the rate of depreciation, useful lives and residual values used in the calculation of depreciation. The estimates of revalued amounts of revalued assets are based on valuations carried out by a professional valuer. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

**2.3.2 Trade debts**

The Company reviews its doubtful debts at each reporting dates to access whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimates of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

### 2.3.3 Income tax

In making the estimates for income tax currently payable by the Company, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

### 2.3.4 Stock in trade

The Company reviews the net realizable value (NRV) of stock in trade to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock in trade and corresponding effect in profit and loss account of those future years. Net realisable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

### 2.3.5 Stores and spares

The Company reviews the net realizable value (NRV) and impairment of stores and spare parts to assess any diminution in the respective carrying values and wherever required provision for NRV / impairment is made. The calculation of provision involves the use of estimates with regards to future estimated use and past consumption along with stores and spares holding period.

## 3 Summary of Significant Accounting Policies

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year.

### 3.1 Trade and Other Payables

Trade and other payables are stated at their cost.

### 3.2 Taxation

#### Current Year

Provision in respect of current year's taxation is based on the method of taxation prescribed under the Income Tax Ordinance, 2001, whereby taxable income is determined and tax charged at the current rates of taxation after taking into account tax credits and rebates available, if any, or the minimum tax liability determined under Section 113 of the Income Tax Ordinance, 2001, whichever is higher.

#### Deferred

Deferred tax is provided using the liability method on all temporary differences at the balance sheet date, between the tax bases of assets and liabilities and their carrying amount for financial statements reporting purposes. Deferred tax liabilities are generally recognized for all temporary taxable differences.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

### 3.3 Property, Plant and Equipment

#### Owned

Property, Plant and Equipment are stated at cost/revalued amounts less accumulated depreciation and impairment losses except Lease hold Land, if any; except capital works in progress which is stated at cost accumulated up to the balance sheet date.

Any revaluation increase arising on the revaluation of property, plant and equipment is recognized in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of property, plant and equipment is charged to profit or loss to the extent that it exceeds the balance, if any, held in the Revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation surplus to the extent of incremental depreciation charged (net of deferred tax) is transferred to accumulated loss.

#### 3.3.1 Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received as applicable. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, The right-of-use asset is depreciated using the straight line method over the shorter of the lease term and the asset's useful life . The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

#### 3.3.2. Leases

##### Policy applicable before July 1, 2019

Finance leases, which transfer to the company, substantially all the risks and benefits incidental to ownership, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.



#### Policy applicable after 1 July 2019

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The entity mainly leases properties for its operations. The entity recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses if any, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method over the shorter of the lease term and the asset's useful life. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any. The Company has no new leases this year and the Leases of the Company are overdue and the company defaulted in repayments, therefore the Depreciation has been charge as per Previous policy of the company.

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

#### Depreciation

Depreciation is charged from the month of acquisition or transfer of assets from capital work in progress on proportionate basis until disposal or retirement, using the reducing balance method whereby the cost/revalued amounts of an asset is written off over its estimated useful life and the rates applied are in no case less than the rates prescribed by the Federal Board of Revenue. The depreciation method and useful lives of the items of property, plant and equipment are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.

The assets' residual values and useful lives are reviewed at each financial year end, and adjusted, if appropriate, at each balance sheet date.

#### Repairs, renewals and maintenance

Major repairs and renewals are capitalized. Normal repairs and maintenance are charged as expense when incurred. Gains or losses on disposal or retirement of assets are determined as the difference between the sale proceeds and the carrying amounts of these assets, and are included in the income currently.

#### 3.4 Investment

Investment with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity are treated as held to maturity and are initially recognised at cost subsequently these investments are valued at amortized cost.

#### 3.5 Stores, Spares and Loose Tools

These are stated at the lower of cost and net realizable value. The cost of inventory is based on the weighted average cost. Items in transit are stated at cost accumulated up to the date of the balance sheet.

Provision is made for any slow moving and obsolete items.

#### 3.6 Stock-in-Trade

These are valued as follows :

Raw Material	:	At lower of weighted average cost or net realizable value.  Cost of raw material and components represents invoice value plus other charges paid thereon.
Finished Goods	:	At lower of weighted average cost or net realizable value. Cost of finished goods comprises of prime cost and an appropriate portion of production overheads.
Work-in-Process	:	At weighted average cost. This comprises the direct cost of raw materials, wages, and appropriate manufacturing overheads.
Stock in Transit	:	At cost accumulated up to the balance sheet date.
Packing Material	:	At lower of weighted average cost or net realizable value.

Net Realizable Value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred in order to make the sale.

#### 3.7 Trade Debts & Other Receivables

Trade debts originated by the company are recognized and carried at the original invoice amount less an allowance for any uncollectible amounts. An estimate for a doubtful receivable is made when collection of the whole or part of the amount is no longer probable. Bad debts are written off as incurred.

**3.8 Foreign Currency Translation**

Transactions in foreign currencies are initially recorded using the rates of exchange ruling at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the exchange rates prevailing on the balance sheet date. In order to hedge its exposure to foreign exchange risks, the company enters into forward exchange contracts. Such transactions are translated at contracted rates. All exchange differences are included in the Profit and Loss Account.

**3.10 Revenue Recognition**

Revenue from sale of goods is recognized when the customer obtains control of the goods being when the delivery order is issued to the customer provided that the goods have been identified separately as belonging to the customer, the goods are ready for physical transfer to the customer and the Company does not have the ability to use the goods or direct it to another customer.

- Rebate on export sales is recognized in the period in which the related export sales revenue is recognized unless there exist any specific facts and circumstances which indicate that receipt of the rebate amount from the government is uncertain. In that case, the rebate income is recognized when it is realized.
- Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

**3.11 Borrowing Cost**

Borrowing Costs are recognized initially in fair value net of transaction costs incurred.

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which they are incurred.

**3.12 Provisions**

A provision is recognized in the balance sheet when the company has a legal or constructive obligation, and, as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and that a reliable estimate can be made for the amount of this obligation.

**3.13 Financial Instruments Recognition**

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities are taken to profit and loss account to which it arises.

**Off Setting**

Financial asset and financial liability is set off and the net amount is reported in the balance sheet if the company has a legal right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on assets and charge on liability is also offset.

**Derivatives**

Derivatives that do not qualify for hedge accounting are recognized in the balance sheet at estimated fair value with corresponding effect to profit and loss. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

**3.14 Cash and Cash Equivalents**

Cash and Cash Equivalents for cash flow purposes include cash in hand, current and deposit accounts held with banks. Running finances facilities availed by the company which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

**3.15 Impairment of Assets**

The carrying amounts of the assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount, whereby the asset is written down and that impairment losses are recognized in the profit and loss account.

**3.16 Related Party Transactions**

All transactions with related parties are carried out by the company at arm's length prices. The method determined by the Board of directors.

**3.17 Loans, Advances and Other Receivables**

Loans, advances and other receivables are recognized initially at cost, and subsequently at their amortized/ residual cost.

**3.18 Short Term and Long Term Loans**

Short Term and Long Term Loans are recognized initially at cost and subsequently measured at amortized cost.

**3.19 Dividend and appropriation to reserves**

Dividends and appropriation to reserves, subsequent to the balance sheet date are considered as non-adjusting events and are recognized in the financial statements in the period in which such dividends and appropriations are approved.



4 **Issued, Subscribed and Paid-up Capital**

	2020	2019
	(Rupees)	
264,373 ( 2019: 264,373) Ordinary Shares of Rs. 10/- each fully paid in cash	2,643,730	2,643,730
4,494,290 ( 2019: 4,494,290) Ordinary Shares of Rs. 10/- each issued as right shares for Cash	44,942,900	44,942,900
	<u>47,586,630</u>	<u>47,586,630</u>

5 **Surplus on Revaluation of Property Plant and Equipment**

Opening Balance	1,116,416,871	1,116,466,099
Surplus arising on revaluation on Land during the year	5.1	-
Transferred to unappropriated profit:		
- Surplus relating to incremental depreciation - net of deferred tax	(31,457)	(31,998)
- Related Deferred Tax Liability	(12,849)	(17,230)
	<u>(44,306)</u>	<u>(49,228)</u>
	<u>1,116,372,565</u>	<u>1,116,416,871</u>
Less: related deferred tax liability on:		
Opening Balance	155,070	172,300
- revaluation carried out during the year	-	--
- effect of changes in tax rate	-	--
- Incremental depreciation charged during the year	(12,849)	(17,230)
	<u>142,221</u>	<u>155,070</u>
	<u>1,116,230,344</u>	<u>1,116,261,801</u>

The assets of the Company have been further revalued as on June 30, 2018. The revaluation is carried out by an independent valuer, M/s Dimensions Specialized Services on the basis of professional assessment of present market values or depreciated replacement values and resulted in a surplus on Revaluation of Property Plant and Equipment over the written down value as follows:

5.1	Revaluation surplus June 30, 2018			
		Revalued Amount as per Independent valuer Report as on June 30, 2018	BOOK VALUE OF REVALUED ASSETS /CARRYING AMOUNTS AS ON JUNE 30, 2018	DIFFERENCE BETWEEN BOOK VALUE & REVALUED AMOUNT
	Lease hold land	1,116,800,000	87,250,000	1,029,550,000
		1,116,800,000	87,250,000	1,029,550,000

**Leasehold Land**

Valuation of land is based on assessment of present market values from the information of current matured transactions in recent past, pertaining to immediate neighborhood and surrounding areas.

The revaluation surplus on property, plant and equipment is a capital reserve, and is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

The forced sale value of revalued assets is Rs. 893.440 million.

Note

6 **Sub Ordinated Loan**

Associated Undertakings			
Hassan ali Rice Export Co. - A sole Proprietor	6.1	490,000,000	490,000,000
Syndicate Minerals Export Company	6.2	65,000,000	65,000,000
		<u>555,000,000</u>	<u>555,000,000</u>

6.1 The unsecured and interest free loan was obtained from messrs Hassan ali rice export company, and an associate undertaking, and has been reclassified as a 'subordinated loan', vide an agreement dated September 30,2000 ( to cover the entire transition ); where by the company had , inter-alia, been allowed a grace period of five years to enable payments subsequent to the year end September 30,2005. The interest free loan was obtained to strengthen support the financial position of the company . subsequently , to meet the working capital; requirements of the company , the said loan was enhanced to the tune of rs .150 million vide a supplemental agreement of loan which was further extended to September 30,2007 . later on ,vide supplemental agreement of loan dated September 08,2007 , the company has been allowed a grace period of further two years for repayments form December 31,2009 , which was subsequently expended for a further of two years. the grace period was then increased by further three year i-e ,up to December 31,2014 and in 2014 - 2015 it was extended to December 31,2017 . In the year 2018 and 2019 the loan is enhanced to Rs 500 million & repayment in lumpsum has been expended to December 31,2023.

6.2 The unsecured and interest free loan having a limit of Rs 25 million was obtained , vide an agreement dated marsh 20, 2009 and was payable after the full satisfaction of secured loans of Creditors and with in a Period of Seven years from the date of disbursement by the agreement date June 22, 2016. The Loan amount has been extended to 100 million and the Repayment of Loan has been extended till December 31, 2023 in lump sum.

The above loans has been Subordinated to the Banks against the Faculties of the Banks.

7 **Loan From Director**

	2020	2019
	(Rupees)	
Mr. Abdullah Hashwani	7.1	150,000,000
	<u>150,000,000</u>	<u>150,000,000</u>

7.1 This unsecured interest free Loans is repayable by July 31, 2023 extendable by mutually understanding or with option to convert it into companies equity with Board's approval. Agreed Loan Limit is Rs. 150 million.

		2020	2019
		(Rupees)	
8	<b>Long term Loan from Financial Institutions</b>		
	JS Bank Limited	8.1 327,256,606	329,299,004
	Loan received during the year	17,219,344	21,728,000
	Less: Payments made during the year	(46,692,248)	(23,770,398)
	Less: Transfer to Current maturity	(49,737,021)	(45,199,153)
		<u>248,046,681</u>	<u>282,057,453</u>

8.1

This Loan with sanction Limit of Rs. 260 million carries mark up rate 5% per annum under SBP LTFF/FFSAP scheme secured by personal Guarantee of sponsors and Directors of the company and first exclusive Charge on Fixed Assets( Land Building and Plants and Machinery) of the company amounting to Rs. 100 million. Charge Registered by SECP of Rs. 100million against the market value of Rs. 1.914 million as per revaluation report and Further Personnel Guarantee of the Directors and related party . Further the Sponsor loan of the Directors. The tenure of Financing facility which limit is Rs. 260 million is 10 years including grace Period of 2 years payable in 32 equal Quarterly installments. Each disbursement will treated as separate loan.

		2020	2019
		(Rupees)	
9	<b>Deferred Taxation</b>		
	Credit balance arising due to:		
	- accelerated tax depreciation	-	-
	- revaluation on property plant & equipment	142,221	155,070
	Debit balance arising due to		
	- carried over losses	-	-
		<u>142,221</u>	<u>155,070</u>
	Deferred tax asset not recognized	<u>-</u>	<u>-</u>
		<u>142,221</u>	<u>155,070</u>

10 **Trade and Other Payables**

	Trade Creditors for		
	Goods	88,050,372	96,315,613
	Services	54,132,399	54,490,757
	Other Liabilities	1,946,893	8,356,573
	Workers Profit Participation fund	5,017,514	1,146,962
		<u>149,147,178</u>	<u>160,309,905</u>

11 **Loan from Associated Undertakings**

	unsecured Interest free	<u>688,069,296</u>	<u>805,239,254</u>
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12 **Short Term Borrowings**

	JS Bank Limited(E.R.F - II)	12.1 40,500,000	40,500,000
	JS Bank Limited	12.2 135,000,000	135,000,000
	Book Overdraft	12.3 33,735,814	-
		<u>209,235,814</u>	<u>175,500,000</u>

12.1 The Company has obtained short term facility from JS Bank Limited amounting to the limit of Rs. 300 million as running finance. The tenure of working capital facility is one year and renewable for further period. The facility is secured by personal Guarantee of sponsors and Directors of the company and first exclusive Charge on Fixed Assets( Land Building and Plants and Machinery) of the company amounting to Rs. 100 million. Charge Registered by SECP of Rs. 100million against the market value of Rs. 1.914 million as per revaluation report and Further Personnel Guarantee of the Directors and related party . Further the Sponsor loan of the Directors. The markup rate for this facility is three month KIBOR+ 1.75 % which is payable on quarterly basis. This financing arrangement is expiring on September 30, 2020 .

12.2 The Company has obtained Short term Facility From JS Bank Limited amounting to the limit of Rs. 300 million as running finance. The tenure of working capital facility is one year and renewable for further period. The facility is secured by personal Guarantee of sponsors and Directors of the company and first exclusive Charge on Fixed Assets( Land Building and Plants and Machinery) of the company amounting to Rs. 100 million. Charge Registered by SECP of Rs. 100million against the market value of Rs. 1.914 million as per revaluation report and Further Personnel Guarantee of the Directors and related party . Further the Sponsor loan of the Directors. The markup rate for this facility is three month KIBOR+ 1.75 % which is payable on quarterly basis. This financing arrangement is expiring on September 30, 2020 .

12.3 It represents unrepresented cheques.



	2020	2019
	(Rupees)	
13 <b>Provision for Taxation</b>		
Balance at the beginning	15,037,179	7,554,003
Add: Provision for Taxation	32,412,964	15,037,179
	47,450,143	22,591,182
Payments/ adjustment during the year	(15,037,179)	(7,554,003)
	32,412,964	15,037,179

Income tax returns of the company have been filed up to tax year 2019 which are deemed to be assessed u/s 120 of the Income Tax Ordinance 2001. Income Tax Assessments for the year 2018 are deemed to have been completed under the Income Tax Ordinance 2001. However, the commissioner of income tax may at any time during a period of five years from the date of filing of return may select the deemed assessment for audit.

14 **Contingencies and Commitments**

14.1 **Contingencies**

(a) There are no contingencies as of balance sheet date which need to be disclosed in the financial statements.

(b)

The Government of Pakistan has promulgated the Gas Infrastructure Development Cess Ordinance, 2014 (GIDC) against which the Company filed suit in the Honorable Sindh High Court challenging its legality and applicability on the Company and the Honorable Sindh High Court had issued stay against the recovery of GIDC. The Honorable Sindh High Court decided the case in favor of the Company and directed to refund / adjust in bills the amounts already collected, against which the Sui Southern Gas Company Limited (SSGC) has filed appeal in Honorable Sindh High Court, which was also rejected. The Government enacted GIDC Act, 2015 which had also been challenged by the Company through writ petition before the Honorable Sind High Court, which granted the stay against collection of GIDC arrears. In Jul-2020 The Supreme Court of Pakistan has decided the case in favor of SSGC with directions to recover the arrears under GIDC Act 2015 from the consumers who have passed on their burden to its customers. As neither SSGC has charged GIDC to the company in its billing nor the Company has passed on the same to the customers. Therefore, there is no need to make any provision in this regard.

14.2 **Commitments**

There commitments against import of assets as of Reporting date amounting to Rs. 97.221 (2019: Rs. 6.785) million.

	Note	2020	2019
		(Rupees)	
15 <b>Plant and Equipment</b>			
<b>Operating assets</b>	15.1	1,801,361,315	1,810,166,478
		1,801,361,315	1,810,166,478

15.1 **Operating assets**

June 30, 2020										
Particulars	COST/REVALUATION					RATE %	DEPRECIATION			
	As on July 1, 2019	Transfers	Revaluation	Disposal/ Transferred	As on June 30, 2020		As on July 1, 2019	Adjustment on disposal/	For the Year	As on June 30, 2020
										Written down value as on June 30, 2020
=====Rupees=====										
Lease hold land 5.4 & 15.5.	1,218,260,100	-	-	-	1,218,260,100	10	-	-	-	1,218,260,100
Factory building mill	262,354,517	22,439,050	-	-	284,793,567	10	42,758,626	-	22,707,557	65,466,183
Factory labour colony	6,054,800	-	-	-	6,054,800	10	5,184,571	-	87,023	5,271,594
Plants & machinery	402,161,878	28,860,989	-	-	431,022,867	10	135,643,146	-	27,521,156	163,164,302
Laboratory equipment	6,552,427	-	-	-	6,552,427	10	6,056,489	-	49,594	6,106,082
A/c equipment	19,657,946	-	-	-	19,657,946	10	11,578,236	-	807,971	12,386,207
Power house machinery	119,052,769	397,411	-	-	119,450,180	10	64,128,225	-	5,495,250	69,623,475
Work shop equipments	210,802	-	-	-	210,802	10	200,623	-	1,018	201,641
Fire fighting equipments	24,625	-	-	-	24,625	10	23,439	-	119	23,558
Scales & measuring equipment	2,728,081	39,500	-	-	2,767,581	10	580,960	-	215,041	796,001
Office equipments	514,513	39,000	-	-	553,513	10	295,238	-	23,128	318,366
Electric & gas equipment	46,538,636	205,128	-	-	46,743,764	10	10,764,277	-	3,580,855	14,345,132
Furniture and fixture	826,378	35,700	-	-	862,078	10	710,798	-	11,752	722,550
Gas installation	251,691	-	-	-	251,691	10	239,760	-	1,193	240,953
Computer equipments	478,855	-	-	-	478,855	30	453,895	-	7,488	461,383
Fans & air conditioners	777,945	-	-	-	777,945	10	447,437	-	34,173	481,610
Telephone installation	198,158	-	-	-	198,158	10	180,041	-	1,812	181,852
Vehicle/motor cycle	6,724,350	-	-	-	6,724,350	20	3,956,232	-	276,812	4,233,044
June 30, 2020	2,093,368,472	52,016,778	-	-	2,145,385,249		283,201,993	-	60,821,941	344,023,934
JUNE 30, 2019	1,880,048,636	213,319,835	-	-	2,093,368,472		229,502,369	-	53,699,623	283,201,993



June 30, 2019											
Particulars	COST/REVALUATION					RATE %	DEPRECIATION				Written down
	As on	Addition /	Revaluation	Disposal/	As on		As on	Adjustment on	For the	As on	as on
	July 1, 2018	Transfers		Transferred	June 30, 2019		July 1, 2018	disposal/ transfer	Year	June 30, 2019	June 30, 2019
=====Rupees=====											
Lease hold land 5.4 & 15.5.	1,116,800,000	101,460,100	-	-	1,218,260,100	10	-	-	-	-	1,218,260,100
Factory building mill	153,976,112	108,378,405	-	-	262,354,517	10	30,401,127	-	12,357,498	42,758,626	219,595,891
Factory labour colony	6,054,800	-	-	-	6,054,800	10	5,087,879	-	96,692	5,184,571	870,229
Plants & machinery	398,712,158	3,449,720	-	-	402,161,878	10	106,061,896	-	29,581,251	135,643,146	266,518,732
Laboratory equipment	6,552,427	-	-	-	6,552,427	10	6,001,384	-	55,104	6,056,489	495,938
A/c equipment	19,657,946	-	-	-	19,657,946	10	10,680,490	-	897,746	11,578,236	8,079,710
Power house machinery	119,052,769	-	-	-	119,052,769	10	58,025,498	-	6,102,727	64,128,225	54,924,544
Work shop equipments	210,802	-	-	-	210,802	10	199,492	-	1,131	200,623	10,179
Fire fighting equipments	24,625	-	-	-	24,625	10	23,307	-	132	23,439	1,186
Scales & measuring equipment	2,728,081	-	-	-	2,728,081	10	342,391	-	238,569	580,960	2,147,121
Office equipments	514,513	-	-	-	514,513	10	270,874	-	24,364	295,238	219,275
Electric & gas equipment	46,532,136	6,500	-	-	46,538,636	10	6,789,709	-	3,974,568	10,764,277	35,774,359
Furniture and fixture	814,738	11,640	-	-	826,378	10	699,034	-	11,764	710,798	115,580
Gas installation	251,691	-	-	-	251,691	10	238,435	-	1,326	239,760	11,931
Computer equipments	478,855	-	-	-	478,855	30	443,198	-	10,697	453,895	24,960
Fans & air conditioners	764,475	13,470	-	-	777,945	10	410,964	-	36,473	447,437	330,508
Telephone installation	198,158	-	-	-	198,158	10	178,028	-	2,013	180,041	18,117
Vehicle/motor cycle	6,724,350	-	-	-	6,724,350	20	3,648,664	-	307,569	3,956,232	2,768,118
JUNE 30, 2019	1,880,048,636	213,319,835			2,093,368,472		229,502,369		53,699,623	283,201,993	1,810,166,478
JUNE 30, 2018	353,780,669	498,023	1,029,550,000	(1,305,000)	1,880,048,636		193,726,453	(768,430)	36,544,346	229,502,369	1,650,546,266

	2020	2019
	(Rupees)	
15.2 Allocation of Depreciation		
Cost of Sales	60,821,941	53,699,623
	<u>60,821,941</u>	<u>53,699,623</u>

15.3 Had there been no revaluation the carrying amounts of revalued assets would have been as follows:

Lease hold land	225,070	225,070
Factory building on lease hold land	102,038,601	113,376,224
	<u>102,263,671</u>	<u>113,601,294</u>

15.4 Immovable property (i.e. leasehold land and factory building, non-factory building and labor quarters thereon) is located in the Area of SITE Karachi, Sind having total area of 8 Acres.

15.5 Immovable property (i.e. Land ) is located at Port Qasim Karachi Sind having total area of 10 Acres. The same Property are not transferred by Port Qasim authority as at Reporting date in the name of the Company Upon the Transfer of the same Property will be transfer to fixed Assets of the Company.

	2020	2019
	(Rupees)	
16 Capital work in Progress		
Opening Balance	23,847,289	109,348,240
Addition during the year	36,354,081	26,327,174
	<u>60,201,370</u>	<u>135,675,414</u>
Transfer to fixed Assets	(51,668,715)	(111,828,125)
	<u>8,532,655</u>	<u>23,847,289</u>

#### 16.1 Movement in Capital Work in Progress

	Opening Balance	Additions during the year	Total	Amount Capitalized	Closing Balance
<b>Own-Assets</b>					
Factory Building	17,062,404	9,812,406	26,874,810	22,439,050	4,435,760
Plant and Machinery - Rice	6,784,885	26,541,675	33,326,560	29,229,665	4,096,895
<b>Total Rupees - 2020</b>	<u>23,847,289</u>	<u>36,354,081</u>	<u>60,201,370</u>	<u>51,668,715</u>	<u>8,532,655</u>
<b>Total Rupees - 2019</b>	<u>109,348,240</u>	<u>26,327,174</u>	<u>135,675,414</u>	<u>111,828,125</u>	<u>23,847,289</u>

	Opening Balance	Additions during the year	Total	Amount Capitalized	Closing Balance
<b>Own-Assets</b>					
Factory Building	105,898,520	19,542,289	125,440,809	108,378,405	17,062,404
Plant and Machinery -Rice	3,449,720	6,784,885	10,234,605	3,449,720	6,784,885
<b>Total Rupees - 2019</b>	<u>109,348,240</u>	<u>26,327,174</u>	<u>135,675,414</u>	<u>111,828,125</u>	<u>23,847,289</u>
<b>Total Rupees - 2018</b>	<u>489,988,629</u>	<u>-</u>	<u>489,988,629</u>	<u>380,640,389</u>	<u>109,348,240</u>

		2020	2019
		(Rupees)	
17	<b><u>Long term Investment /Deposits</u></b>		
	<b><u>Held to Maturity</u></b>		
	Defense Saving Certificates	1,615,000	1,615,000
	Fixed Deposits	7,159,868	7,154,868
		8,774,868	8,769,868
	Profit accrued up to June 30,	8,677,213	7,280,430
		17,452,081	16,050,298
	Less: Current Portion of Principle		
	Profit on above	(8,677,213)	(7,280,430)
		8,774,868	8,769,868
17.1	These certificates are held by Habib Metropolitan Bank Limited (which are issued for ten years from the year 2001) against guarantee issued by HMB amounting to Rs. 6,785,000 ( 2019: Rs. 6,785,000) issued to Messers Sui southern Gas Company Limited. These Certificates are in the name of the company's director.		
17.2	These deposits with Habib Metropolitan Bank Limited against guarantee mentioned above . These carries interest @ 8.5%per annum (2019: 8.5% per annum).		
18	<b><u>Stores, Spares &amp; Loose Tools</u></b>		
	Stores and Spares	1,406,007	1,249,610
	Packing Material	1,023,139	207,663
		2,429,146	1,457,273
19	<b><u>Stock-in-Trade</u></b>		
	Rice	829,760,569	1,028,093,063
		829,760,569	1,028,093,063
20	<b><u>Trade Debts - Considered Good</u></b>		
	Local Receivables - Considered Good	74,991,005	85,709,100
	Considered Doubtful	-	-
		74,991,005	85,709,100
	Provision for Doubtful debts	-	-
		74,991,005	85,709,100
20.1	The aging of debtors at the reporting date was:		
	Up to one month	52,493,704	59,996,370
	1 to 6 months	22,497,302	25,712,730
	More than 6 months	-	-
		74,991,005	85,709,100
20.2	The above amounts are Net of Bills Discounted by Bank under the Foreign Bills Purchased arrangement with the customer amounting to Rs. 501,911,863 (2019: Rs. 47,047,937) and receivable from Related Party amounts to nil (2019: Rs. 64.009) million		
21	<b><u>Loans, Advances and Other Receivables - Unsecured, Considered Good</u></b>		
	Advances for Expenses/suppliers	368,828	141,967
	Loans and Advances to employees	2,891,297	2,179,847
	<b><u>Other Receivables</u></b>		
	Sales Tax Receivable	61,619,602	44,923,932
	Insurance Claim	-	-
		64,879,727	47,245,746
22	<b><u>Cash and Bank Balances</u></b>		
	Cash in Hand	165,510	221,350
	Cash at Banks - Current Accounts	178,222,077	26,768,771
		178,387,587	26,990,121
23	<b><u>SALES - Net</u></b>		
	Yarn - Local	-	-
	Rice Export	3,241,275,679	1,503,659,148
	Waste	20,750	58,748
	Scrap	-	-
		3,241,296,429	1,503,717,896
	<b><u>Gross Sales</u></b>		
	Less Sales Commission	-	-
		3,241,296,429	1,503,717,896

Rice export is exempt from Sales tax, the above amount are inclusive of Exchange Fluctuation difference of nil (2019: 235.113 million)

		2020	2019
		(Rupees)	
24	<b>Cost of Sales</b>		
	Raw Material Consumed	24.1 2,434,382,633	1,123,264,449
	Packing Material Consumed	52,802,134	25,909,162
	Stores and Spares Consumed	1,324,460	275,214
	Rice/Cotton Incidental Charges	1,455,171	1,049,364
	Fuel, Power & Water Consumed	99,402,481	66,933,780
	Salaries, Wages and Other Benefits	24.2 22,560,383	19,283,064
	Insurance	3,733,835	2,282,438
	Repairs and Maintenance	7,678,947	11,427,498
	Vehicle Running and Maintenance	353,816	339,748
	Travelling and conveyance	98,384	84,795
	Telephone	415,692	203,540
	Printing and stationery	121,439	84,064
	Other Expenses	879,492	1,284,261
	Depreciation	15.2 60,821,941	53,699,624
		<u>2,686,030,808</u>	<u>1,306,121,001</u>
	Work-in-Process - Opening	-	-
	Work-in-Process - Closing	-	-
	Cost of Goods Manufactured	<u>2,686,030,808</u>	<u>1,306,121,001</u>
	Finished Goods - Opening	-	-
	Finished Goods - Closing	<u>-</u>	<u>-</u>
		<u>2,686,030,808</u>	<u>1,306,121,001</u>
	<b>24.1 Raw Material Consumed</b>		
	Opening Stock	1,028,093,063	565,978,568
	Purchases - net	<u>2,236,050,139</u>	<u>1,585,378,944</u>
		<u>3,264,143,202</u>	<u>2,151,357,512</u>
	Less: raw material sale	-	-
	Closing Stock	<u>(829,760,569)</u>	<u>(1,028,093,063)</u>
	Raw Material Consumed	<u>2,434,382,633</u>	<u>1,123,264,449</u>
	<b>24.2 Salaries, wages and other benefits include Rs.nil (2019: Rs.nil) relating to staff retirement benefits.</b>		
25	<b>Administrative and General Expenses</b>		
	Salaries, Allowances and Other Benefits	25.1 4,343,169	3,896,389
	Traveling, Conveyance and Entertainment	208,228	66,886
	Entertainment	20,211	42,606
	Printing and Stationery	61,834	41,161
	Postage, Telephone and Telex	53,317	19,014
	Vehicles Expenses	465,050	122,281
	Legal and Professional Charges	110,000	80,000
	Fees and Subscription	209,636	255,433
	Auditors Remuneration	25.2 200,000	160,000
	Computer Running and maintenance	119,700	15,200
	Charity and donation	-	7,000
	Miscellaneous	81,380	15,300
		<u>5,872,525</u>	<u>4,721,270</u>
	<b>25.1 Salaries, allowances and other benefits include Rs. nil (2019: Rs. nil) relating to staff retirement benefits.</b>		
	<b>25.2 Represents annual Audit fee for the year.</b>		
26	<b>Distribution Costs and Selling Expenses</b>		
	Ocean freight	359,373,772	103,045,084
	Other Selling Expenses/Export Expenses	<u>59,878,753</u>	<u>19,897,879</u>
		<u>419,252,525</u>	<u>122,942,963</u>
27	<b>Finance Cost</b>		
	Mark-up on Short Term Borrowings	1,547,704	12,607,587
	Mark up on Syndicated Long Term Loan	24,002,848	16,911,747
	Bank Charges and Commission- net of Exchange Fluctuation	5,636,518	19,641,342
		<u>31,187,070</u>	<u>49,160,676</u>
28	<b>Other Income</b>		
	Rental Income	-	720,000
	Profit on Investments	<u>1,396,783</u>	<u>1,447,252</u>
		<u>1,396,783</u>	<u>2,167,252</u>
29	<b>Earning Per Share - Basic and diluted</b>		
	Profit after Taxation	62,345,912	6,752,785
	Weighted Average Number of Ordinary Shares	4,758,663	4,758,663
	Earning Per Share - Basic and diluted (Rupees)	13.10	1.42

No figure for diluted earning per share has been presented as the company has not yet issued any instruments which would have an impact on basic earning per Share when exercised.



30 **Remuneration of Chief Executive, Director and Executives**

Description	2020				2019			
	Chief Executive	Director	Executives	Total	Chief Executive	Director	Executives	Total
Managerial Remuneration	637,000	-	-	637,000	637,000	-	-	637,000
House Rent Allowance	279,300	-	-	279,300	279,300	-	-	279,300
Utilities	63,700	-	-	63,700	63,700	-	-	63,700
Others	-	-	-	-	-	-	-	-
<b>Total</b>	<b>980,000</b>	<b>-</b>	<b>-</b>	<b>980,000</b>	<b>980,000</b>	<b>-</b>	<b>-</b>	<b>980,000</b>
Number of Persons	1	1	-	2	1	1	-	2

30.1 Executive has been provided with Company maintained car.

31 **Related Party Transactions**

The related parties comprise associated undertakings, directors and key management personnel. Remuneration and benefits to chief executive directors and key management personnel under terms of their employment are disclosed in note no. 30 to the financial statements. Transaction with related parties other than remuneration and benefits to key management personnel are as under:

**Associated / Related Companies**

Related Party	Relationship	Nature of Transaction	2020	2019
			----- Rupees -----	----- Rupees -----
<b>Long term Loan</b>				
Hasan ali Rice Export Company - A Sole Proprietor		Loan Received / Paid - net	-	95,000,000
<b>Short term Loan</b>	Directorship			
Hasan ali Rice Export Company - A Sole Proprietor		Loan Recived Re -Paid	3,180,239,537 3,298,131,995	2,253,661,026
<b>Long term Loan</b>				
Syndicate Mineral Export Company		Rental Income	-	720,000
<b>Short term Loan</b>	Directorship			
Syndicate Mineral Export Company		Loan Recived	1,322,499	7,179,712

Note

		2020	2019
		(Rupees)	(Rupees)
32 <b>Cash and Cash Equivalents</b>			
Cash and Bank Balances	22	178,387,587	26,990,121
Short term Borrowings	12	(209,235,814)	(175,500,000)
		<u>(30,848,227)</u>	<u>(148,509,879)</u>

33 **Financial Instruments**

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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.

33.1 **Credit risk**

Credit risk is the risk that one party to the financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Company believes that it is not exposed to major concentration of credit risk. However, to reduce exposure to credit risk, if any, the management monitors the credit exposure towards the customers and makes provisions against those balances considered doubtful of recovery.

The maximum exposure to credit risk at the reporting date is:

	2020	2019
	(Rupees)	(Rupees)
Trade Debts - Considered Good	74,991,005	85,709,100
Loans and Advances - Unsecured, Considered good	64,879,727	47,245,746
Cash and Bank Balances	178,387,587	26,990,121
	<u>318,258,319</u>	<u>159,944,967</u>

In respect of trade debts and other receivables the management, based on past experience, believes that no further impairment allowance is necessary as management believes that the same will be recovered in short course of time. The credit quality of the company's receivable can be measured with their past performance of minimum default, and dealing banks possess good credit ratings.

### 33.2 Liquidity Risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. During the year, the Company faced liquidity problems due to adverse conditions of overall textile industry, hence it was unable to make scheduled repayments of restructured long term financing. The management has actively taken measure to rectify the default by approaching its lenders for further restructuring of the liabilities. The further restructuring is in advanced stage and expected to be finalized soon.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	2020					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One year onward	Two to five years
	Rupees					
<b>Financial liabilities</b>						
Subordinated Loan	555,000,000	555,000,000	-	-	-	555,000,000
Long term loans- from director	150,000,000	150,000,000	-	-	-	150,000,000
Long term Loan from Financial Institutions	297,783,702	326,073,154	23,616,557	23,447,061	45,563,618	233,445,918
Trade and other payables	149,147,178	149,147,178	149,147,178	-	-	-
Loan from Associated undertaking	688,069,296	688,069,296	688,069,296	-	-	-
Short term Borrowings	209,235,814	184,275,000	184,275,000	-	-	-
Mark-up accrued on loans	5,090,430	5,090,430	5,090,430	-	-	-
unclaimed dividend	19,295	19,295	19,295	-	-	-
	<b>1,499,326,420</b>	<b>2,057,674,353</b>	<b>1,050,217,757</b>	<b>23,447,061</b>	<b>45,563,618</b>	<b>938,445,918</b>
	2019					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One year onward	Two to five years
	Rupees					
<b>Financial liabilities</b>						
Subordinated Loan	555,000,000	555,000,000	-	-	-	555,000,000
Long term loans- from director	150,000,000	150,000,000	-	-	-	150,000,000
Long term Loan from Financial Institutions	327,256,606	358,345,984	23,616,557	23,447,061	45,563,618	265,718,747
Trade and other payables	160,309,905	160,309,905	160,309,905	-	-	-
Loan from Associated undertaking	805,239,254	805,239,254	805,239,254	-	-	-
Short term Borrowings	175,500,000	184,275,000	184,275,000	-	-	-
Mark-up accrued on loans	5,587,169	5,587,169	5,587,169	-	-	-
unclaimed dividend	19,295	19,295	19,295	-	-	-
	<b>2,178,912,229</b>	<b>2,213,170,143</b>	<b>1,173,440,716</b>	<b>23,447,061</b>	<b>45,563,618</b>	<b>970,718,747</b>

### 33.3 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate resulting in as a result of changes in market prices or the market prices due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

### 33.4 Currency risk

Foreign currency risk arises mainly due to conversion of foreign currency assets and liabilities into local currency. The Company is not materially exposed to foreign currency risk on foreign currency assets and liabilities.

### 33.5 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 market interest rates, majority of the interest rate exposures arises from short and long term borrowings from bank and term deposits and deposits in profit and loss sharing accounts with banks. At the balance sheet date the interest rate profile of the company's interest-

	2020	2019
	Rupees	
Fixed rate instruments		
Financial liabilities	-	-
Variable rate instruments		
Financial liabilities	507,019,516	502,756,606
	<b>507,019,516</b>	<b>502,756,606</b>

### 33.6 Risk management policies

Risk management is carried out by the management under policies approved by board of directors. The board provides principles for overall risk management, as well as policies covering specific areas like foreign exchange risk, interest rate risk and investing excessive liquidity.

### 33.7 Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid to shareholders, issue new shares and take other measures commensuration to the circumstances.

Consistent with others in the industry, the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholder. Debt is calculated as total borrowings ('long term loan' and short term borrowings' as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

	2020	2019
	Rupees	
<b>Total Borrowings</b>	1,900,088,812	2,012,995,860
Less Cash and Bank Balances	(178,387,587)	(26,990,121)
<b>Net debt</b>	1,721,701,225	1,986,005,739
Total equity	926,958,949	864,613,037
<b>Total Capital</b>	2,648,660,174	2,850,618,776
Gearing ratio	0.65	0.70

**33.8 Fair value of financial instruments**

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

As at the reporting date the fair value of all financial assets and liabilities are estimated to approximate their carrying values.

**34 Number Of Employees**

	2020	2019
Total number of employees at the end of year	65	51
Factory Employees at the end of the year	65	51
Average number of employees	65	51
Average number of factory employees	65	51

**35 financial Statements**

These financial statements were approved by the Board of Directors and authorized for issue on

05 OCT 2020

**36 General**

- Comparative figures have been rearranged and reclassified wherever necessary for the purpose of better presentation and comparison. However no major classification to report.
- Figures have been rounded off to nearest rupee.
- Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates. The financial Statements are presented in Pakistani rupees, which is the Company's functional and Presentational currency.

Chief Executive Officer

Director



# HASSAN ALI RICE EXPORT CO. LIMITED

## EXTRACT OF BOARD RESOLUTION

The Meeting of the Board of Directors was held on Monday 05<sup>th</sup> October 2020 at, 04:30 p.m. at Board Room # 102, Cotton Exchange Building I.I.Chundrigar Road, Karachi at which the following business were transacted;

### ATTENDENCE

1. Mr.Nizam Akberal iHashwani
2. Mr. Amin Hashwani
3. Mr. Abdullah Hashwani
4. Mrs. Sultana Akbar Hussain Hashwani

### RESOLUTION:

The Board of Directors of the Company resolved that;

"Mr. Syed Muhammad Yousuf, Company Secretary having , having (CNIC number 42000-0418914-5) is authorized to represent the Company at Securities & Exchange Commission of Pakistan and its Company Registration Office, to sign off various forms/ documents and to do all needful acts in order to complete all procedural and legal formalities incidental and ancillary thereto. And any and all actions of the authorized representative in pursuant to, or in furtherance of the intent and purposes of the foregoing resolution, are hereby in all respects adopted, approved, confirmed and ratified as the valid and subsisting acts of this Company".

(Signature of:

Syed Muhammad Yousuf  
Company Secretary



Dated 07/10/2020

Mr. Amin A. Hashwani  
Chief Executive