



Contents

Company Information	2
Vision and Mission Statement	3
Statement of Ethics and Business Practices	4
Notice of Annual General Meeting	6
Directors' Report	7
Statement of Compliance with the best practices of Code of Corporate Governance	17
Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance	19
Six years' review at a glance	22
Auditors' Report to the Members	23
Balance Sheet	24
Profit and Loss Account	25
Statement of Comprehensive Income	26
Statement of Changes in Equity	27
Cash Flow Statement	28
Notes to the Financial Statements	29
Pattern of Shareholding	63
Form of Proxy	



Company Information

Board of Directors	Asghar D. Habib	<i>Chairman</i>
	Ali Raza D. Habib	
	Muhammad Nawaz Tishna	
	Murtaza H. Habib	
	Farouq Habib Rahimtoola	
	Amin Ali Abdul Hamid	
	Imran A. Habib	
	Raeesul Hasan	<i>Chief Executive</i>

Audit Committee	Ali Raza D. Habib	<i>Chairman</i>
	Amin Ali Abdul Hamid	<i>Member</i>
	Imran A. Habib	<i>Member</i>

Company Secretary	Cawas R. Sethna
--------------------------	-----------------

Registered Office	4th Floor, Imperial Court,
	Dr. Ziauddin Ahmed Road,
	Karachi-75530
	Phones : (+92-21) 35680036 - 5 Lines
	Fax : (+92-21) 35684086
	www : habib.com/sugar
	E-mail : sugar@habib.com

Mills	Nawabshah
	Phones : (+92-244) 360751 - 5 Lines
	Fax : (+92-244) 361314

Bankers	Allied Bank of Pakistan Limited
	Bank AL Habib Limited
	Barclays Bank PLC, Pakistan
	Citibank N.A.
	First Women Bank Limited
	Habib Bank Limited
	Habib Metropolitan Bank Limited
	MCB Bank Limited
	Meezan Bank Limited
	National Bank of Pakistan
	Standard Chartered Bank (Pakistan) Limited
	United Bank Limited

Statutory Auditors	Ernst & Young Ford Rhodes Sidat Hyder
	Chartered Accountants

Cost Auditors	Hyder Bhimji & Co.
	Chartered Accountants

Share Registrars	Corporate Management Services (Pvt) Ltd.
	3rd Floor, Imperial Court,
	Dr. Ziauddin Ahmed Road,
	Karachi-75530
	Phones : (+92-21) 35693741-42
	Fax : (+92-21) 35693743



VISION STATEMENT

We aim to be a leading manufacturer and supplier of quality sugar, ethanol, liquid carbon dioxide (CO₂) and household textiles in local and international markets. We aspire to be known for the quality of our products and intend to play a pivotal role in the economic and social development of Pakistan.

MISSION STATEMENT

As a prominent producer and supplier of sugar, ethanol, liquid carbon dioxide (CO₂) and household textiles, we shall continue to strive to achieve excellence in performance and aim to exceed the expectations of all stakeholders. We target to achieve technological advancements to inculcate the most efficient, ethical and time tested business practices in our management.



Statement of Ethics and Business Practices

The founders of Habib Sugar Mills Limited were visionaries who established the company on very sound principles and envisioned its development and growth on the basis of making no compromises in any aspects of business practices. The company takes pride in adherence to its principles and continues to serve its customers, stakeholders and society based on the following guidelines:

Products

- To produce refined, high-grade sugar that is edible and hygienic and provides all the nutrition and food value at standards determined by the company, which would exceed industry norms and averages.
- To produce by-products and allied products including molasses, ethanol and liquid carbon dioxide (CO₂).
- To diversify into other products such as home textiles thus consuming indigenous raw material and generating export earnings.

Systems & Processes

- To regularly update and upgrade manufacturing systems and processes so as to keep abreast with technological advancements, achieve economies of production and transfer knowledge and skill to workers.
- To develop and maintain the technical and professional standards, standard operating procedures and stringent quality control measures with on-line quality assurance at every stage of manufacture.
- To continuously conduct product research and develop new products, while improving upon the existing products, using ideal additives and packaging material.
- To regularly maintain, replace and upgrade all machinery and equipment for smooth working, optimum output and ensure safe working in all production units.
- To maintain a smooth work-flow in all departments with an effective communication system contained within the framework of principles yet allowing the required degree of autonomy for efficient functioning.

Management & Employees

- To employ only the appropriately suited human resource through the selection and recruitment process based on the commensurate qualifications and experience criteria without any non-professional considerations, without any bias or prejudice of race, cast, colour, creed or religious beliefs.
- To ensure that all management personnel are adequately qualified to perform management functions as assigned.
- To guide, direct and motivate employees to perform functions and to recognize and reward employees based on their performance outputs.
- To measure employee's performance by a pre-determined criteria so as to be fair and equitable towards every single employee.
- To ensure that all employees work towards achievement of corporate objectives, individually and collectively as a team and conduct themselves at work and in society as respectable employees and responsible citizens.



- To regularly train all employees at all levels to improve their knowledge and skill and provide employees with a career path whereby they can seek a planned betterment in their professional and personal life.
- To ensure that all employees and management personnel strictly adhere to the company rules and regulations and observe the best codes of conduct and abide by all laws of Pakistan.
- To make timely payment of salaries, wages and all allowances and benefits to all employees in line with their terms.
- To ensure all directors and employees of the company shall undertake such activities, whether personal or professional, that in no way conflicts with the interests of the company but contributes towards the betterment, development and growth of the organization in particular and the industry in general.

Financial

- To implement an effective, transparent and secure financial reporting and internal control system so as to ensure compliance with regulatory factors as well as meet all obligations of payables and receivables and keep investors, shareholders and management fully aware.
- To ensure effective utilization of all company resources and plan and operate resource utilization in order to produce better results and generate better yields and facilitate timely decisions.
- To place a strict internal audit system to study, analyze, review and report all company earning and spending and enhance reliability of all financial information and build shareholders' confidence.
- To regularly prepare, as per pre-determined schedules, all financial reports and present accounts to the board for review and analysis and show trends based on company income, revenues and expenses and industry trends.
- To ensure cost effectiveness and purchase goods and services based on developed criteria, vendor assessment and market competitiveness and evaluate options on prices, terms, products / services, substitute available, prior to purchase.
- To ensure timely and proper payments as per negotiated terms to all suppliers and deduct applicable taxes so as to enhance corporate credibility and image.
- To maintain an excellent relationship with bankers and utilize banking facilities in a manner to benefit company whilst making proper use of funding and facilities available and ensuring no defaults.

Adherence to Law

- The company shall at all times strictly adhere to all laws of the country and fulfill all statutory requirements and ensure timely, proper and full payment of all applicable taxes, rates, duties and / or any other levies as may be imposed from time to time.

Environment

- The company shall use all means to ensure a clean, safe, healthy and pollution free environment not only for its workers and employees but for the well being of all people who live in and around any of the production and manufacturing units and employ such technology as may be beneficial in maintaining a healthy and hygienic working and living environment.

Planning

- The company shall prepare an annual plan with clearly defined objectives, goals and strategies and implement those plans with a close watch on achievements and monitor, and control measures shall be built in to ensure achievement of objectives and enhancement of corporate image.



Notice of Annual General Meeting

Notice is hereby given that the 50th Annual General Meeting of Habib Sugar Mills Limited will be held on Thursday, January 26, 2012 at 11.30 a.m. at Jinnah Auditorium, Institute of Bankers Pakistan, Moulvi Tamizuddin Khan Road, Karachi to transact the following business:

Ordinary Business

1. To receive and consider the audited financial statements, the Directors' report and the Auditors' report for the year ended September 30, 2011.
2. To approve payment of cash dividend @ 50% i.e. Rs. 2.50 per share of Rs. 5 each for the year ended September 30, 2011 as recommended by the Board of Directors.
3. To appoint auditors for the year ending September 30, 2012 and fix their remuneration.

By order of the Board

Cawas R. Sethna
Company Secretary

Karachi: December 28, 2011

Notes:

1. The Share Transfer Books of the Company will remain closed from Saturday, January 14, 2012 to Thursday, January 26, 2012, both days inclusive.
2. A member entitled to attend and vote at this meeting is entitled to appoint another member of the Company as a proxy to attend and vote on his / her behalf. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed at least 48 hours before the time of meeting.
3. For identification, CDC account holders should present the participant's National Identity Card, and CDC Account Number.
4. Members are requested to notify any change in their addresses and their contact numbers immediately to our Share Registrars, Corporate Management Services (Pvt.) Limited, Karachi.
5. Members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) are requested to send the same to the Company / Registrars.



Directors' Report

Dear Members – Assalam-o-Alekum

On behalf of the Board of Directors and myself, I am pleased to welcome you all to the 50th Annual General Meeting of the Company and presenting before you the Annual Report and Audited Financial Statements of the Company for the year ended September 30, 2011.

It is indeed a matter of great pride and gratification that your Company has completed fifty years of its existence.

By the Grace of Allah, the growth over the five decades in terms of expansion of capacity / diversification / modernization, profits and its distribution, paid-up capital and reserves would not have been possible without the guidance and support of the Board of Directors and the efforts put in by the management and members of the staff at all levels. I also wish to extend my appreciation for the cooperation extended by the sugarcane growers at large, customers, bankers and all the others associated with the Company.

The operating results and appropriations, as recommended by the Board, are given below:

(Rupees in thousands)

Profit before taxation	1,050,016
Less: Taxation	295,000
Profit after taxation	755,016
Un-appropriated profit brought forward	3,241
Profit available for appropriation	758,257
Proposed - Cash Dividend @ 50% i.e. Rs. 2.50 per ordinary share of Rs. 5/- each	375,000
- Transfer to general reserve	375,000
	750,000
Un-appropriated profit carried forward	8,257
Earnings per share – Basic and diluted	Rs. 5.03

Performance Review

Alhamdulillah, the overall performance of all the divisions within the Company's fold continued to be satisfactory during the year. The division-wise performance is as follows:



Habib Sugar Mills Limited



SUGAR PLANT



Sugar Division

Crushing operations 2010-11 commenced on October 30, 2010 and the plant operated upto March 24, 2011 for 146 days as against 112 days in the preceding season. Sugarcane crushed during the current season was 800,636 M.Tons with average sucrose recovery of 9.87% and sugar production of 79,056 M.Tons, as compared with crushing of 681,623 M.Tons with average sucrose recovery of 10.24% and sugar production of 69,784 M.Tons during the preceding season.

The Government of Sindh fixed the minimum sugarcane support price at Rs. 127 per 40 kgs for the crushing season 2010-11 as against Rs. 102 per 40 kgs for the crushing season 2009-10.

During the current season, the government allowed duty free import of raw sugar in order to meet the shortfall in sugar production and avert the upward trend in price of sugar in the open market. Your Company availed the opportunity and converted 4,885 tons of raw sugar into 4,609 tons of refined sugar.

During the year, sales tax on sugar upto March 14, 2011 was applicable at the rate of 8% on fixed sale value of Rs. 28,880 per ton and special excise duty was also applicable at the rate of 1%. However, with effect from March 15, 2011 the fixed sale value element of Rs. 28,880 was abolished and the 8% sales tax was made applicable on the actual sale value. At the same time, the rate of special excise duty was enhanced from 1% to 2.5%.

Thereafter, changes were made in the Federal Budget of 2011 whereby the sales tax on sugar was withdrawn and in its place federal excise duty was imposed in sales tax mode at the rate of 8% of the sale value effective from June 4, 2011 and the special excise duty of 2.5% was withdrawn with effect from July 1, 2011.

The comparative statistics of operations of the sugar division are as under:

		2010-11	2009-10
Crushing duration	Days	146	112
Sugarcane crushed	M.Tons	800,636	681,623
Average sucrose recovery	%	9.87	10.24
Sugar production	M.Tons	79,056	69,784
Raw sugar processed	"	4,885	—
Average sucrose recovery	%	94.35	—
Sugar production	M.Tons	4,609	—
Total sugar production	"	83,665	69,784

By the Grace of Allah, the division earned operating profit of Rs. 760.678 million during the year under review as compared with profit of Rs. 634.358 million during the previous year

The division's financial results were also subject to cost audit under the Companies (Audit and Cost Account) Rules, 1998 as in previous years. The cost audit was conducted by Messrs. Hyder Bhimji & Co., Chartered Accountants who were recommended for appointment by the Board and duly approved by Security & Exchange Commission of Pakistan. The cost audit has been completed and the Company has received the cost audit report. The report will also be submitted directly by the cost auditors to the Securities & Exchange Commission of Pakistan as required by the Companies (Audit of Cost Accounts) Rules, 1998.



SUGARCANE UNLOADING YARD



DISTILLERY PLANT



Distillery Division

The comparative statistics of the division's operations are given below:

		2010-11	2009-10
Ethanol			
Days of operation		338	323
Molasses processed	M.Tons	167,969	145,652
Ethanol production	"	29,303	26,210
Liquid Carbon dioxide (CO ₂)			
Days of operation		319	221
Liquid Carbon dioxide (CO ₂) production	M.Tons	5,644	3,648

The production of ethanol during the year was 29,303 M.Tons as compared with 26,210 M.Tons produced during the previous year, showing an increase of 12%. The liquid carbon dioxide (CO₂) unit operated satisfactory and produced 5,644 M.Tons a compared with 3,648 M.Tons showing an increase of 55%.

The division earned operating profit of Rs. 245.465 million as compared with profit of Rs. 100.871 million during the previous year. Although the molasses prices were higher during the year, the ethanol prices in the international market were also firm and showed an upward trend resulting in improved profitability of the division.

The liquid carbon dioxide (CO₂) unit earned operating profit of Rs. 46.877 million as compared with Rs. 14.224 million during the previous year which is included in the profit of the distillery division.



STORAGE TERMINAL



CARBONDIOXIDE PLANT

Textile Division

The production figures for the year 2010-11, in comparison with the previous year are given hereunder:

Year	Days of operation	Yarn / semi-finished goods consumed	Finished production
		Kgs.	Kgs.
2010-11	300	491,138	484,885
2009-10	300	356,648	352,490

The Textile division earned operating profit of Rs. 3.071 million as compared with profit of Rs. 0.510 million during the previous year. The profitability of the division improved on account of better margins.



HOUSEHOLD TEXTILE PLANT



Future Prospects

Sugar Division

The crushing season 2011-12 commenced on December 8, 2011 and upto December 28, 2011 total crushing was 148,879 M.Tons with average sucrose recovery of 9.7% and sugar production of 14,439 M.Tons including stock in process.

The Government of Sindh has issued a notification on October 25, 2011, fixing the minimum sugarcane support price at Rs. 154 per 40 kgs for the crushing season 2011-12. In addition, sugar mills in Sindh under the above notification are also required to pay quality premium at the rate of paisas fifty for every 0.1 percent recovery in excess of the benchmark of 8.7%. However, in accordance with the said notification while the matter is still pending with the Supreme Court of Pakistan and as per decisions of Federal Government Steering Committee meeting, the quality premium shall remain suspended till the decision of the Hon'ble Supreme Court or consensus on uniform formula is developed by the Ministry of Food and Agriculture (MINFA).

The domestic increase of over 21% in the minimum sugarcane support price from Rs. 127 to Rs. 154 per 40 kgs will result in increase in the cost of production. On the other hand, the sugar market is depressed and at the prevailing price the profitability of the division may be adversely affected.





Distillery Division

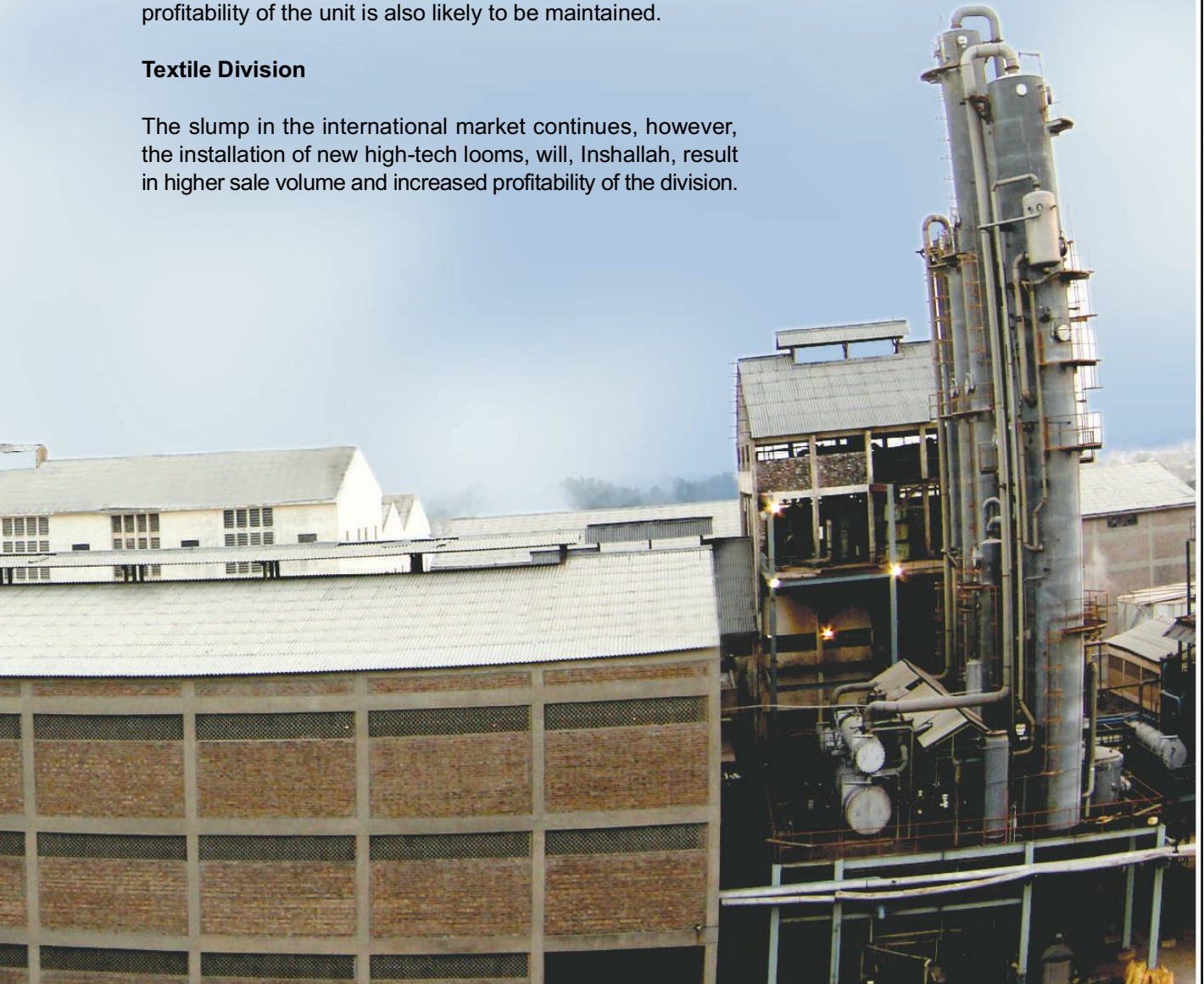
Upto December 28, 2011 the division has produced 2,851 M.Tons of ethanol and 758 M.Tons of (CO₂).

The price of molasses continues to remain firm. However, the price of ethanol in the international market has also improved which is likely to have a favourable impact on the profitability of the division.

The liquid carbon dioxide (CO₂) unit is expected to operate at optimum levels and Inshallah, the profitability of the unit is also likely to be maintained.

Textile Division

The slump in the international market continues, however, the installation of new high-tech looms, will, Inshallah, result in higher sale volume and increased profitability of the division.





Audit Committee

The Audit Committee comprises of the following members:

Mr. Ali Raza D. Habib	Chairman
" Amin Ali Abdul Hamid	Member
" Imran A. Habib	Member

Corporate Social Responsibility

Habib Sugar Mills Corporate Social Responsibility (CSR) programme dates back since its inception in 1962. Responding to the needs of local communities, government bodies and civil society organizations, the Company's CSR portfolio has widened over the years to include social welfare, education, healthcare, infrastructural development and livelihood generation.

Community Investment and Welfare Scheme

As a responsible corporate citizen, the Company on a regular basis has undertaken number of welfare activities viz., running of school upto secondary level, holding of eye camps, financial assistance to villagers in the surrounding area of the mills, installation of water filter plants in villages and town and supply of free ration and clothing to the needy.

During the year, the Company made substantial contribution towards the rain affectees of the surrounding areas by providing them with tents, ration packets, mosquito nets and medicines.

The Company's contribution in the social and economic uplift of the district has been acknowledged at all levels.

Environment

Company attaches utmost importance to provide healthy atmosphere to its employees and residents of Nawabshah and accordingly has taken appropriate steps to ensure pollution free environment involving substantial capital outlay.

The fly ash removal systems installed in the boilers of the mills continue to operate satisfactorily and the spread of black soot particles has been completely eliminated. Similarly, the installation of bio-gas plant and carbon dioxide recovery plant are the manifestation of our social responsibility which has helped us to reduce the greenhouse gases emission from our distillery operations. By the grace of Allah, the successful operations of these projects have ensured a pollution free environment for the people of Nawabshah.

The Company has installed a sugar factory waste water treatment plant to remove oil, grease, total suspended solids, from the waste water. The project has since been completed yielding satisfactory results. Similarly, complete brick lining of the lagoons and replacement of open drain channels with RCC piping have been done to avoid seepage, thus not affecting the water table of the surrounding areas.

The Company has opted to participate under Clean Development Mechanism (CDM) for methane avoidance project. The existing anaerobic lagoons for treatment of industrial waste water are being replaced with aerobic treatment system. Further, technology proposed by Natural Power Company Limited, Thailand is under active consideration for the installation of Upflow Anaerobic Sludge Bed (UASB) system with energy recovery in the form of bio-gas and post aerobic treatment for wet land to improve the waste water to be used as a liquid fertilizer for sugarcane plantation.



Health, Safety and Security

The Company is fully committed to meet all standards in respect of health, safety and security. The Company also contributes on a regular basis towards the medical needs and assistance of the people in the surrounding areas, by giving donations to hospitals and welfare institutions for medical equipment and apparatus and facilities. During the year blood bags were provided for Thalassaemia Care Center, Nawabshah.

Employment of Special Persons

The Company has provided employment to physically handicapped persons in compliance with the Disabled Persons (Employment & Rehabilitation) Ordinance, 1981.

Industrial Relations

The Company entered into a fresh agreement with Collective Bargaining Agent (CBA) commencing from May 2011 for a period of two years expiring in May 2013. Substantial monetary benefits have been provided to the workers under the agreement.

Contribution to the National Exchequer

Your Company contributed an amount of Rs. 704.1 million to the Government treasury in the shape of taxes, levies, sales-tax and excise duty. In addition, your Company has also earned precious foreign exchange equivalent to Pak Rupees 1,984.8 million (US\$ 23.1 million) during the year under review from exports of ethanol and household textiles.

Auditors

The auditors Messrs. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible have offered themselves for re-appointment.

The Audit Committee has recommended to consider the re-appointment of Messrs. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, as auditors of the Company for the ensuing year.

Statement on Corporate and Financial Reporting Framework

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements. Changes, if any have been adequately disclosed and accounting estimates are based on reasonable and prudent judgement.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and deviation therefrom if any, has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored regularly.
6. There are no significant doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.



8. Key operating and financial data for last six years in summarized form is given on page 22.
9. Information about the taxes and levies is given in the notes to the financial statements.
10. Value of investments including profit accrued thereon and balances in deposit / current accounts of Provident Fund and Gratuity Fund as at September 30, 2011 were as follows :

	Rs. '000
Provident Fund	244,653
Gratuity Fund	68,369

11. During the year five board meetings were held and the attendance by each Director was as follows:

Name of Director	Number of meetings attended
Mr. Asghar D. Habib	5
" Ali Raza D. Habib	3
" Muhammad Nawaz Tishna	5
" Murtaza H. Habib	4
" Farouq Habib Rahimtoola	3
" Amin Ali Abdul Hamid	5
" Imran A. Habib	5
" Raeesul Hasan	5

12. The pattern of shareholding and additional information regarding pattern of shareholding is given on page 63 and 64.
13. The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any trade in the shares of the Company.

General

The directors place on record their appreciation of the devoted services and hard work put in by the officers, staff and workers of the Company.

On behalf of the Board of Directors

Asghar D. Habib
Chairman

Karachi: December 28, 2011



Statement of Compliance with the best practices of Code of Corporate Governance

Year Ended September 30, 2011

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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board includes three independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Financial Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the current year.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies. Particulars of significant policies have been maintained and amended / updated from time to time.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. The Board met atleast once in every quarter. Written notices of the meetings, along with the working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Directors are well conversant with the listing regulations, legal requirements and operational imperatives of the Company, and as such are fully aware of their duties and responsibilities. Further, one Director has completed the Board Development Series Program conducted by the Pakistan Institute of Corporate Governance (PICG).
10. The Chief Financial Officer / Company Secretary was appointed prior to the enforcement of the Code of Corporate Governance. Appointment of Head of Internal Audit was made after the enforcement of the Code of Corporate Governance and was approved by the Board. Their remuneration and terms and conditions of employment, as determined by the CEO has been approved by the Board.
11. The Directors' report for the year has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.



12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises of three members, of whom two are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held atleast once in every quarter prior to the approval of the interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. All related party transactions have been placed before the audit committee and Board of Directors on a quarterly basis and have been approved by the Board of Directors to comply with the requirements of listing regulations of the Karachi and Lahore Stock Exchanges.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

Karachi: December 28, 2011

Asghar D. Habib
Chairman



Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 September 2011 prepared by the Board of Directors of **Habib Sugar Mills Limited** (the Company) to comply with the Listing Regulation No. 35 Chapter XI of Karachi Stock Exchange (Guarantee) Limited and Listing Regulation No. 35 Chapter XI of Lahore Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's 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.

Further, Sub-Regulation (xiii) of Listing Regulation No. 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 require the company to place before the board of directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 30 September 2011.

Ernst & Young Ford Rhodes Sidat Hyder

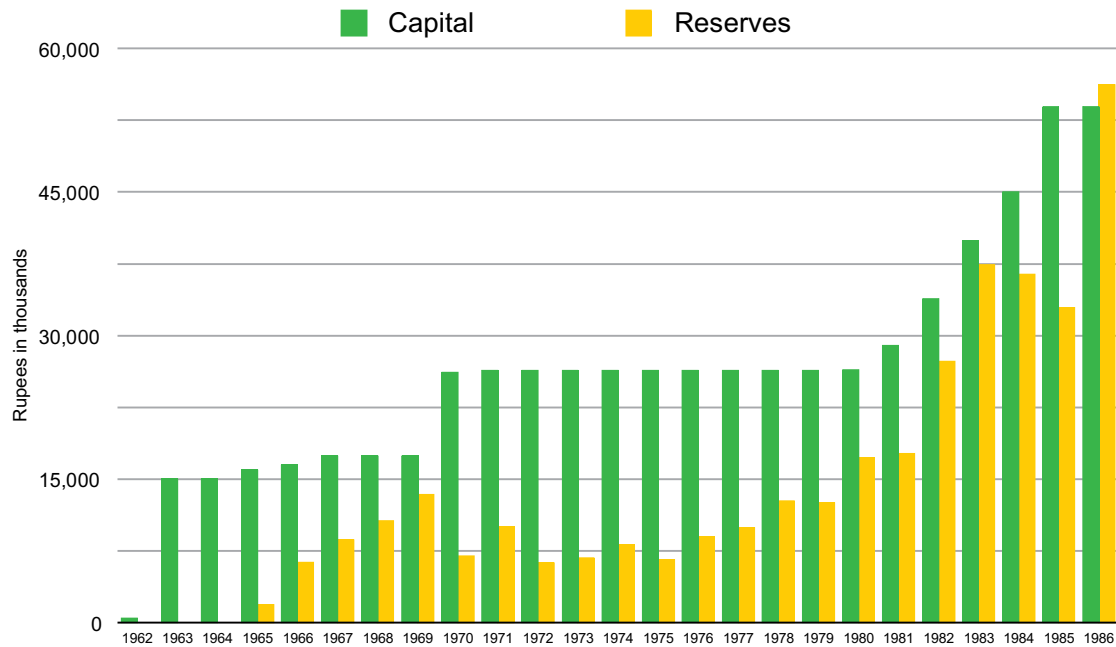
Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Karachi: December 28, 2011



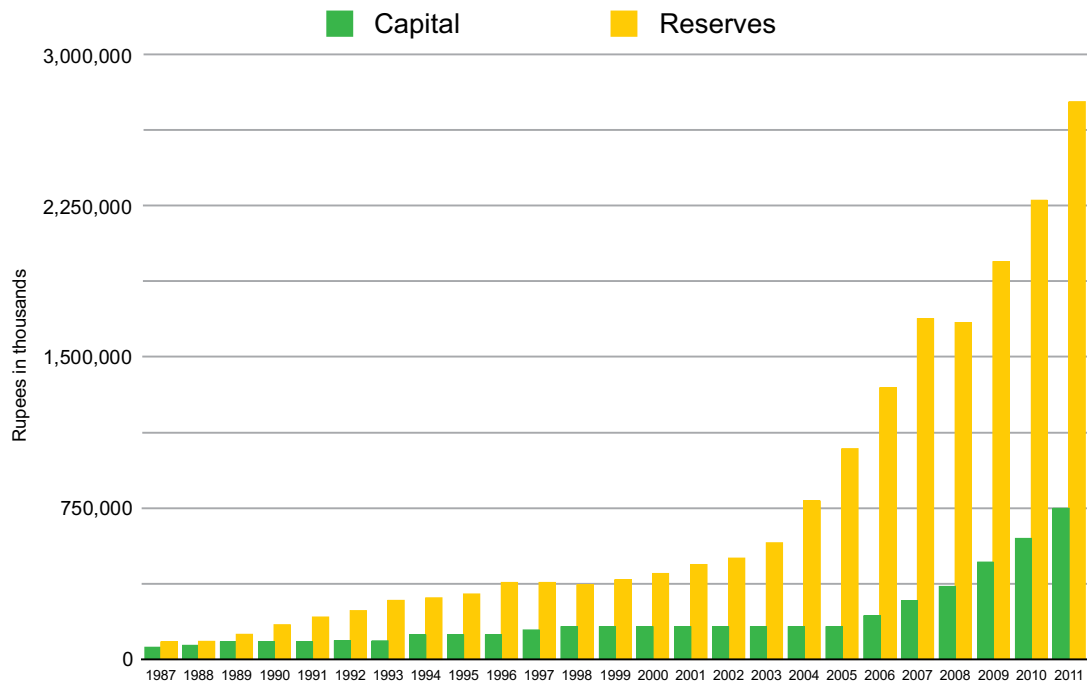
Paid up Capital & Reserves

25 years at a glance - 1962-1986



Paid up Capital & Reserves

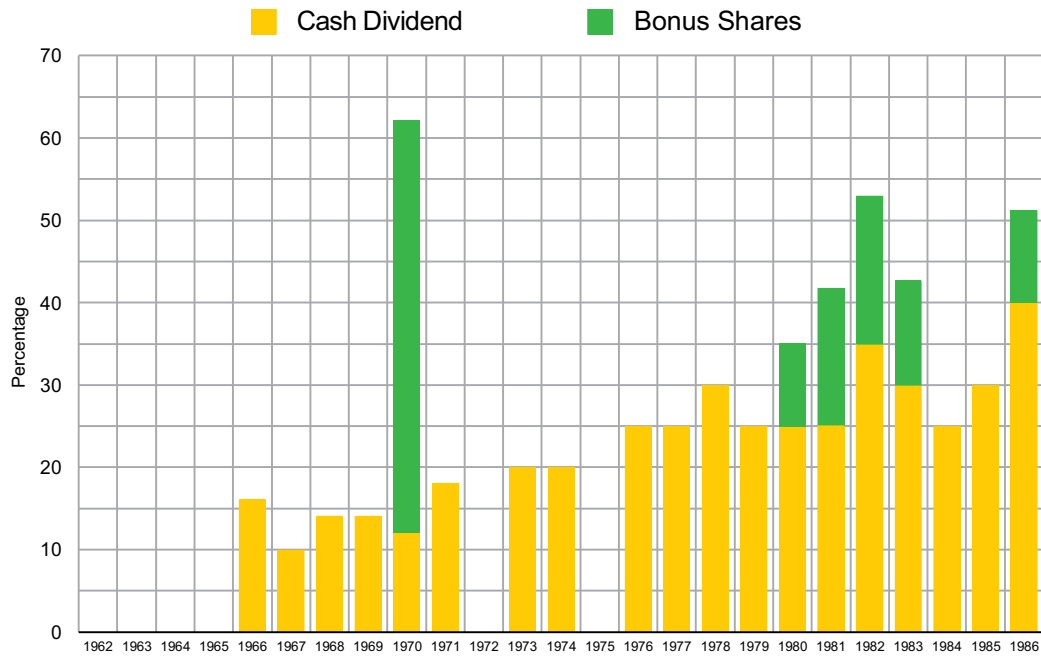
25 years at a glance - 1987-2011





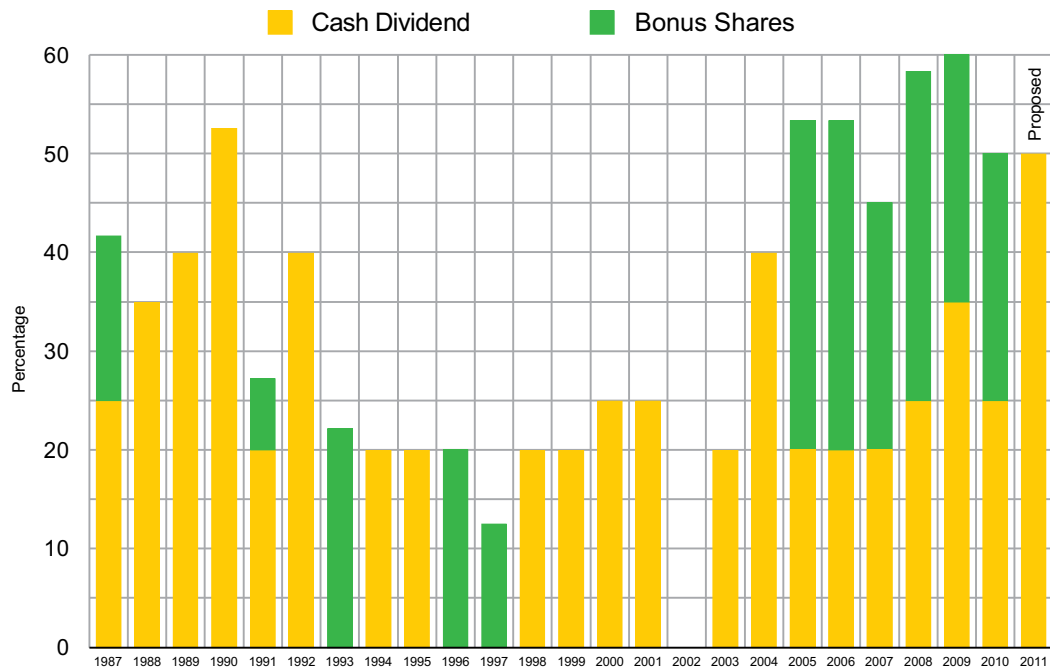
Pay out - Dividend and Bonus Shares

25 years at a glance - 1962-1986



Pay out - Dividend and Bonus Shares

25 years at a glance - 1987-2011





Six years' review at a glance

		2011	2010	2009	2008	2007	2006
Sugar Division							
Sugarcane crushed	M. Tons	800,636	681,623	780,578	1,264,619	710,965	536,644
Average sucrose recovery	%	9.87	10.24	9.87	9.73	9.00	9.75
Sugar produced	M. Tons	79,056	69,784	77,051	123,064	64,015	52,302
Raw sugar refined	M. Tons	4,885	–	–	–	2,989	29,561
Average sucrose recovery	%	94.35	–	–	–	95.70	95.41
Sugar produced	M. Tons	4,609	–	–	–	2,860	28,228
Total sugar produced	M. Tons	83,665	69,784	77,051	123,064	66,875	80,530
Distillery Division							
Ethanol							
Molasses processed	M. Tons	167,969	145,652	113,321	181,259	153,648	147,257
Average ethanol yield	%	17.45	18.00	19.18	19.64	19.27	17.87
Ethanol produced	M. Tons	29,303	26,210	21,739	35,607	29,608	26,322
Liquid Carbon dioxide (CO ₂) produced	M. Tons	5,644	3,648	2,643	–	–	–
Textile Division							
Yarn / Semi finished goods consumed	Kgs.	491,138	356,648	543,218	934,696	696,647	861,817
Average yield	%	98.73	98.83	98.40	98.10	98.37	99.41
Finished product	Kgs.	484,885	352,490	534,526	916,937	685,287	856,749
Operating results – Consolidated							
Sales / Rental income	Rs. '000	7,467,944	5,919,338	4,584,186	4,175,804	2,838,960	4,019,324
Cost of sales	Rs. '000	6,201,551	4,960,283	3,720,221	3,440,978	2,468,787	3,601,775
Gross profit	Rs. '000	1,266,393	959,055	863,965	734,826	370,173	417,549
Profit before taxation	Rs. '000	1,050,016	759,535	654,816	503,747	256,213	260,589
Profit after taxation	Rs. '000	755,016	534,535	489,816	403,747	216,213	215,589
Shareholders' Equity							
Paid-up capital	Rs. '000	750,000	600,000	480,000	360,000	288,000	216,000
Reserves	Rs. '000	2,768,090	2,251,222	1,973,660	1,670,464	1,691,672	1,347,067
Shareholders' equity	Rs. '000	3,518,090	2,851,222	2,453,660	2,030,464	1,979,672	1,563,067
Break-up value per share	Rupees	23.45	23.76	25.56	28.20	34.37	36.18
Adjusted earnings per share	Rupees	5.03	3.56	3.27	2.69	1.44	1.44
Return on equity	%	21.46	18.75	19.96	19.88	10.92	13.79
Financial position - Assets							
Fixed assets	Rs. '000	795,194	817,860	834,424	790,841	680,445	618,039
Long-term investments	Rs. '000	923,856	695,432	555,710	555,721	801,364	614,725
Long-term loans and deposits	Rs. '000	9,807	6,808	6,955	6,832	7,953	8,774
Current assets	Rs. '000	2,287,890	1,915,962	2,409,420	2,001,089	1,449,674	1,154,168
Total assets	Rs. '000	4,016,747	3,436,062	3,806,509	3,354,483	2,939,436	2,395,706
Financial position - Liabilities							
Non-current liabilities	Rs. '000	81,500	86,500	87,500	86,500	66,500	74,000
Current liabilities	Rs. '000	417,157	498,340	1,265,349	1,237,519	893,264	758,639
Total liabilities	Rs. '000	498,657	584,840	1,352,849	1,324,019	959,764	832,639
Ratios							
Current ratio		5.48	3.84	1.90	1.62	1.62	1.52
Dividends							
Proposed							
Cash	%	50	25	35	25	20	20
Bonus shares	%	–	25	25	33.33	25	33.33



Auditors' Report to the Members

We have audited the annexed balance sheet of **Habib Sugar Mills Limited** as at 30 September 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in note 2.4 to the accompanying financial statements, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September 2011 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Karachi: December 28, 2011

Audit Engagement Partner: Riaz A. Rehman Chamdia

**Balance Sheet as at September 30, 2011**

	Note	2011 (Rupees in thousands)	2010
Assets			
Non-Current Assets			
Fixed assets			
Property, plant and equipment	3	795,194	817,860
Long-term investments	4	923,856	695,432
Long-term loans	5	6,859	3,860
Long-term deposits		2,948	2,948
Current Assets			
Stores and spares	6	76,762	68,782
Stock-in-trade	7	580,092	319,376
Trade debts	8	185,699	114,178
Loans and advances	9	194,111	58,741
Trade deposits and short-term prepayments	10	14,585	8,771
Sales tax and excise duty adjustable		—	32,631
Other receivables	11	14,503	6,215
Cash and bank balances	12	1,222,138	1,307,268
		2,287,890	1,915,962
Total Assets		4,016,747	3,436,062
Equity and Liabilities			
Share Capital and Reserves			
Share Capital			
Authorised			
150,000,000 (2010: 120,000,000) Ordinary shares of Rs. 5 each		750,000	600,000
Issued, subscribed and paid-up capital	13	750,000	600,000
Reserves	14	2,208,257	1,753,241
Unrealised gain on long-term investments - available for sale		559,833	497,981
		2,768,090	2,251,222
		3,518,090	2,851,222
Non-Current Liabilities			
Deferred taxation	15	81,500	86,500
Current Liabilities			
Trade and other payables	16	372,757	469,409
Provision for income tax - net	17	44,400	28,931
		417,157	498,340
Contingencies and Commitments			
	18		
Total Equity and Liabilities		4,016,747	3,436,062

The annexed notes 1 to 34 form an integral part of these financial statements.

Raeesul Hasan
 Chief Executive

Murtaza H. Habib
 Director



Profit and Loss Account for the year ended September 30, 2011

	Note	2011 (Rupees in thousands)	2010
Net sales and services	19	7,467,944	5,919,338
Cost of sales	20	6,201,551	4,960,283
Gross Profit		1,266,393	959,055
Selling and distribution expenses	21	(153,401)	(128,129)
Administrative expenses	22	(103,778)	(93,626)
Other operating expenses	23	(79,034)	(57,169)
Other operating income	24	74,646	41,467
		(261,567)	(237,457)
Operating Profit		1,004,826	721,598
Finance income / (cost) - net	25	45,190	37,937
Profit before taxation		1,050,016	759,535
Taxation	26	(295,000)	(225,000)
Profit after taxation		755,016	534,535
			(Restated)
Earnings per share - Basic and diluted (Rupees)	27	5.03	3.56

The annexed notes 1 to 34 form an integral part of these financial statements.


Raeesul Hasan
Chief Executive


Murtaza H. Habib
Director



Statement of Comprehensive Income for the year ended September 30, 2011

	2011	2010
	(Rupees in thousands)	
Profit after taxation	755,016	534,535
Other comprehensive income		
Net gain on changes in fair values of investments available for sale	61,852	31,027
Total comprehensive income for the year	<u>816,868</u>	<u>565,562</u>

The annexed notes 1 to 34 form an integral part of these financial statements.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director



Statement of Changes in Equity for the year ended September 30, 2011

	Issued subsc- ribed and paid-up Capital	Reserves				Unrealised gain / (loss) on long-term investments available for sale	Total Equity
		Capital Reserve	General Reserve	Unappro- priated profit	Total Reserves		
		(Rupees in thousands)					
Balance as on October 1, 2009	480,000	34,000	981,000	491,706	1,506,706	466,954	2,453,660
Cash dividend for 2009 @ 35%	–	–	–	(168,000)	(168,000)	–	(168,000)
Issue of bonus shares for 2009 @ 25%	120,000	–	–	(120,000)	(120,000)	–	–
Transfer to general reserve	–	–	200,000	(200,000)	–	–	–
Total comprehensive income for the year ended September 30, 2010	–	–	–	534,535	534,535	31,027	565,562
Balance as on September 30, 2010	600,000	34,000	1,181,000	538,241	1,753,241	497,981	2,851,222
Cash dividend for 2010 @ 25%	–	–	–	(150,000)	(150,000)	–	(150,000)
Issue of bonus shares for 2010 @ 25%	150,000	–	–	(150,000)	(150,000)	–	–
Transfer to general reserve	–	–	235,000	(235,000)	–	–	–
Total comprehensive income for the year ended September 30, 2011	–	–	–	755,016	755,016	61,852	816,868
Balance as on September 30, 2011	<u>750,000</u>	<u>34,000</u>	<u>1,416,000</u>	<u>758,257</u>	<u>2,208,257</u>	<u>559,833</u>	<u>3,518,090</u>

The annexed notes 1 to 34 form an integral part of these financial statements.


Raeesul Hasan
Chief Executive


Murtaza H. Habib
Director



Cash Flow Statement for the year ended September 30, 2011

	Note	2011 (Rupees in thousands)	2010
Cash flows from operating activities			
Cash generated from operations	28	518,022	653,866
Finance income received - net		45,190	42,525
Income tax paid		(284,531)	(257,469)
Long-term loans		(2,999)	159
Long-term deposits		—	(12)
Net cash generated from operating activities		275,682	439,069
Cash flows from investing activities			
Fixed capital expenditure		(115,740)	(64,377)
Sale proceeds of long-term investments		136,840	8,981
Dividend received		36,491	32,204
Purchase of long-term investments		(278,945)	(116,524)
Sale proceeds of fixed assets		8,606	2,602
Net cash used in investing activities		(212,748)	(137,114)
Cash flows from financing activities			
Dividend paid		(148,064)	(164,354)
Net cash used in financing activities		(148,064)	(164,354)
Net (decrease) / increase in cash and cash equivalents		(85,130)	137,601
Cash and cash equivalents at the beginning of the year		1,307,268	1,169,667
Cash and cash equivalents at the end of the year	12	1,222,138	1,307,268

The annexed notes 1 to 34 form an integral part of these financial statements.


Raeesul Hasan
Chief Executive


Murtaza H. Habib
Director



Notes to the Financial Statements for the year ended September 30, 2011

1. The Company and its operations

Habib Sugar Mills Limited is a public limited Company incorporated in Pakistan, with its shares quoted on the Karachi and Lahore Stock Exchanges. The Company is engaged in the manufacturing and marketing of refined sugar, molasses, ethanol, liquid carbon dioxide, household textiles and providing bulk storage facilities.

2. Summary of significant accounting policies

2.1 Statement of compliance

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

2.2 Basis of preparation

These financial statements have been prepared under historical cost convention, except for long-term investments which have been recognised at fair value in accordance with the requirements of IAS-39 "Financial Instruments: Recognition and Measurement".

2.3 Significant accounting judgements and estimates

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

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

- a) □ Determining the residual values and useful lives of property, plant and equipment (Note 2.7.1); □
- b) □ Classification of investments (Note 2.8); □
- c) □ Impairment of inventories / adjustment of inventories to their net realizable value (Note 2.10); □
- d) □ Accounting for staff retirement benefits (Note 2.13); □
- e) □ Recognition of taxation and deferred tax (Note 2.16); and □
- f) □ Impairment of financial assets (Note 2.17).

2.4 New and amended standards and interpretations which became effective

Following are the new and amended standards which are considered to be relevant and became effective as of October 1, 2010.

- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash flows



- IAS 17 Leases
- IAS 36 Impairment of Assets
- IAS 39 Financial Instruments : Recognition and Measurement

Adoption of the above standards did not have any significant effect on the financial statements of the Company.

In addition to the above, following are the new and amended standards and interpretations which are considered not to be relevant and became effective from October 1, 2010.

- IFRS 2 Group Cash-settled Share-based Payment Arrangements
- IFRS 3 Business Combinations
- IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations
- IAS 27 Consolidated and Separate Financial Statements
- IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

2.5 New and amended standards and interpretations that are not yet effective

Following are the new and amended standards that have been issued and are mandatory for the accounting periods effective from the dates mentioned below against the respective revised standards

Standards	Effective date (accounting periods beginning on or after)
IFRS 7 Financial Instruments : Disclosures - Amendments enhancing disclosures about transfers of financial assets	01 January 2011
IAS 1 Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	01 July 2012
IAS 12 Income Tax (Amendment) - Deferred Taxes : Recovery of Underlying Assets	01 January 2012
IAS 19 Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	01 January 2013
IAS 24 Related Party Disclosures (Revised)	01 January 2011

The Company expects that the adoption of the above new and amended standards will not have any significant effect on the Company's financial statements in the period of initial application except for certain additional disclosures.

In addition to the above, following amendments to the interpretations that have been issued and are mandatory for accounting periods beginning on or after January 1, 2011 are considered not to be relevant.

Interpretations	Effective date (accounting periods beginning on or after)
IFRIC 13 Customers Loyalty Programs	01 January 2011
IFRIC 14 IAS-19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (Amendment)	01 January 2011



2.6 Standards issued by IASB but not yet notified by SECP

Following new standards have been issued by International Accounting Standards Board (IASB) which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standards	Effective date (accounting periods beginning on or after)
IFRS 9 Financial Instruments	January 1, 2013
IFRS 10 Consolidated Financial Instruments	January 1, 2013
IFRS 11 Joint Arrangements	January 1, 2013
IFRS 12 Disclosure of Interest in Other Entities	January 1, 2013
IFRS 13 Fair value Measurement	January 1, 2013

2.7 Fixed assets

2.7.1 Property, plant and equipment

These are stated at cost less accumulated depreciation / amortization / impairment, if any, except for freehold land and capital work-in-progress which are stated at cost.

Significant borrowing costs related to acquisition, construction or production of a qualifying asset is capitalized.

Depreciation is charged to profit and loss account applying the reducing balance method. Depreciation on additions is charged from the month in which the asset is put to use and on disposals up to the month the asset is in use, in line with the recommendations of the Institute of Chartered Accountants of Pakistan. Assets residual values and useful lives are reviewed, and adjusted, if appropriate at each balance sheet date.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised. Gain or loss on disposal of assets is included in profit and loss account.

2.7.2 Capital work-in-progress

Capital work-in-progress, machinery in transit and advances to suppliers made in respect of fixed assets are stated at cost and are transferred to the respective assets when available for intended use.

Significant borrowing costs related to acquisition, construction or production of a qualifying asset is capitalized.

2.8 Long-term investments - Available for sale

Long-term investments are classified as available for sale. All investments are initially recognised at cost, being the fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price).

Any gain or loss from a change in the fair value of investments available for sale is recognised directly in equity as unrealised, unless sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time cumulative gain or loss previously taken to equity is released to the profit and loss account of the year.



2.9 Stores and spares

These are valued at the lower of moving average cost and net realisable value except for items in transit which are valued at actual cost. Provision is made for obsolescence and slow moving items.

2.10 Stock-in-trade

These are valued as follows :

Raw materials	At the lower of average cost and net realisable value
Work-in-process	At the lower of average cost and net realisable value
Finished goods	At the lower of average cost and net realisable value
Fertilizers	At the lower of cost on FIFO basis and net realisable value

2.11 Trade debts and other receivables

Trade debts are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Other receivables are carried at cost less estimates made for doubtful receivables.

An estimate for doubtful trade debts and other receivables is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

2.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash in hand, with banks on current, savings, treasury call and deposit accounts net of short term borrowings under mark-up arrangements, if any.

2.13 Staff retirement benefits

2.13.1 Staff gratuity

The Company operates an approved defined benefit gratuity scheme for all permanent employees. Minimum qualifying period for entitlement to gratuity is five years continuous service with the Company. The scheme is funded and contributions to the fund are made in accordance with the recommendations of the actuary.

The latest actuarial valuation of the gratuity scheme was carried out as at September 30, 2011. The projected unit credit method, using the following significant assumptions, have been used for actuarial valuation.

Discount rate	12.50% per annum
Expected rate of return on investments	12.50% per annum
Expected rate of increase in salaries	11.50% per annum

Based on the actuarial valuation of gratuity scheme as of September 30, 2011, the fair value of gratuity scheme assets and liabilities were Rs.68.369 million and Rs.68.734 million respectively. The Company recognises the total actuarial gains and losses in the year in which they arise. The amounts recognised in balance sheet are as follows:



	2011 (Rupees in thousands)	2010 (Rupees in thousands)
Present value of defined benefit obligation	68,734	59,586
Fair value of plan assets	(68,369)	(60,483)
Net (asset) / liability recognised in the balance sheet	<u>365</u>	<u>(897)</u>
Movement in the net (asset) / liability recognised in the balance sheet is as follows:		
Opening balance	(897)	1,625
Charge for the year	4,109	4,384
Contribution during the year	(2,847)	(6,906)
Closing balance	<u>365</u>	<u>(897)</u>

The following amounts have been charged in the profit and loss account for the year ended September 30, 2011 in respect of these benefits.

	2011 (Rupees in thousands)	2010 (Rupees in thousands)
Current service cost	2,610	2,495
Interest cost	6,412	5,035
Expected return on plan assets	(6,990)	(4,837)
Actuarial loss recognised	2,077	1,691
Gratuity cost for the year ended September 30, 2011	<u>4,109</u>	<u>4,384</u>

Actual return on plan assets is Rs. 7.886 (2010: Rs. 6.640) million.

Amounts for the current period and previous four annual periods of the fair value of plan assets, present value of defined benefit obligation and surplus / (deficit) arising thereon are as follows:

As at September 30,	2011	2010	2009	2008	2007
	(Rupees in thousands)				
Fair value of plan assets	68,369	60,483	48,718	41,506	35,459
Present value of defined benefit obligation	(68,734)	(59,586)	(50,343)	(41,369)	(37,183)
Surplus / (Deficit)	<u>(365)</u>	<u>897</u>	<u>(1,625)</u>	<u>137</u>	<u>(1,724)</u>

2.13.2 Provident fund

The Company operates a recognised provident fund scheme for all its permanent employees. Equal contributions are made by the Company and the employees at the rate of 8.33% of basic salary plus applicable cost of living allowance.

2.13.3 Compensated absences

The Company provides for its estimated liability towards leaves accumulated by employees on an accrual basis using current salary level.



2.14 Borrowings and their cost

Borrowings are recorded at the proceeds received.

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

2.15 Trade and other payables

Liabilities for trade and other payables 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.

2.16 Taxation

2.16.1 Current

Provision for current taxation is computed in accordance with the provisions of the applicable Income Tax laws.

2.16.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

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

2.17 Impairment

The carrying amounts of the Company's assets are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognised in the profit and loss account.

2.18 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, if 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 periodically and adjusted to reflect the current best estimate.



2.19 Foreign currencies

Transactions in foreign currencies are translated into Pak Rupees which is the Company's functional and presentation currency, at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange ruling on the balance sheet date.

Exchange gains and losses are included in profit and loss account.

2.20 Revenue recognition

Sales are recorded on despatch of goods to customers.

Income on long-term investments is recorded when the right to receive is established. Income / profit on bank treasury call and deposit accounts is recorded on accrual basis. Storage income is recorded on accrual basis.

2.21 Segment reporting

Segment reporting is based on operating (business) segments of the company. These business segments are engaged in providing product or services which are subject to risks and rewards that are different from the risks and rewards of other segments.

2.22 Financial instruments

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

2.23 Offsetting

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset or settle the liability simultaneously.

	Note	2011 (Rupees in thousands)	2010
3. Fixed Assets			
Property, plant and equipment			
Operating fixed assets	3.1	768,778	760,509
Capital work-in-progress Plant and machinery - at cost	3.4	26,416	57,351
		<u>795,194</u>	<u>817,860</u>



3.1 The following is a statement of operating fixed assets for 2011:

	Cost / book value as at Oct. 1, 2010	Additions / (deletions)	Cost / book value as at Sept. 30, 2011	Accum- ulated deprec- iation as at Oct. 1, 2010	Depre- ciation / amortization charge for the year & accum- ulated deprec- iation on deletions	Accum- ulated deprec- iation / amortization / impairment as at Sept. 30, 2011	Written down value as at Sept. 30, 2011	Annual rate of deprec- iation / amortiz- ation %
(Rupees in thousands)								
Land								
Freehold - Sugar / Distillery division	10,984	–	10,984	–	–	–	10,984	–
Leasehold - Textile division	489	–	489	206	5	211	278	1.01
Buildings on freehold land								
Sugar division	77,214	–	77,214	47,526	2,969	50,495	26,719	10
Distillery division	21,243	–	21,243	13,714	753	14,467	6,776	10
Non-factory buildings	30,228	–	30,228	20,435	490	20,925	9,303	5
Buildings on leasehold land								
Textile division	16,480	2,855	19,335	14,313	312	14,625	4,710	10
Plant and machinery								
Sugar division	934,852	4,957 (305)	939,504	594,581	34,268 (53)	628,796	310,708	10
Distillery division - Note 3.1.1	602,758	2,036 (4,468)	600,326	262,471	34,105 (3,974)	292,602	307,724	10
Textile division	44,330	69,186	113,516	33,576	3,517	37,093	76,423	10
Railway siding - Sugar division	468	–	468	458	1	459	9	10
Electric, gas and water installations								
Sugar / Distillery division	8,808	–	8,808	7,790	102	7,892	916	10
Textile division	2,766	835	3,601	2,304	74	2,378	1,223	10
Furniture, fittings, electrical and office equipment								
Sugar / Distillery division	43,128	7,629 (2,501)	48,256	37,943	2,214 (2,015)	38,142	10,114	25
Textile division	8,700	224	8,924	8,005	189	8,194	730	25
Tractors / trolleys and agriculture implements								
Sugar division	2,765	–	2,765	2,532	47	2,579	186	20
Motor cars / vehicles								
Sugar / Distillery division	3,488	2,822 (1,666)	4,644	2,449	491 (183)	2,757	1,887	20
Textile division	815	– (150)	665	704	22 (149)	577	88	20
2011	1,809,516	90,544 (9,090)	1,890,970	1,049,007	79,559 (6,374)	1,122,192	768,778	

3.1.1 Plant and machinery of Distillery division includes storage tanks of the CO₂ unit having written down value of Rs. 28.49 (2010: Rs. 28.88) million installed at customers' premises.



3.1.2 Reconciliation of carrying values for 2011

	Written down value as at Oct. 1, 2010	Additions / (deletions)	Depreciation / amortization charge for the year	Written down value as at Sept. 30, 2011
		(Rupees in thousands)		
Land	11,267	–	5	11,262
Buildings on freehold land	47,010	–	4,212	42,798
Buildings on leasehold land	2,167	2,855	312	4,710
Plant and machinery	691,312	76,179 (4,773)	71,890 (4,027)	694,855
Railway siding	10	–	1	9
Electric, gas and water installations	1,480	835	176	2,139
Furniture, fittings, electrical and office equipment	5,880	7,853 (2,501)	2,403 (2,015)	10,844
Tractors / trolleys and agriculture implements	233	–	47	186
Motor cars / vehicles	1,150	2,822 (1,816)	513 (332)	1,975
	<u>760,509</u>	<u>90,544</u> <u>(9,090)</u>	<u>79,559</u> <u>(6,374)</u>	<u>768,778</u>



3.1.3 The following is a statement of operating fixed assets for 2010:

	Cost / book value as at Oct. 1, 2009	Additions / (deletions)	Cost / book value as at Sept. 30, 2010	Accum- ulated deprec- iation as at Oct. 1, 2009	Depre- ciation / amortization charge for the year & accum- ulated deprec- iation on deletions	Accum- ulated deprec- iation / amortization / impairment as at Sept. 30, 2010	Written down value as at Sept. 30, 2010	Annual rate of deprec- iation / amortiz- ation %
(Rupees in thousands)								
Land								
Freehold - Sugar / Distillery division	10,984	–	10,984	–	–	–	10,984	–
Leasehold - Textile division	489	–	489	201	5	206	283	1.01
Buildings on freehold land								
Sugar division	52,527	24,687	77,214	46,176	1,350	47,526	29,688	10
Distillery division	21,243	–	21,243	12,877	837	13,714	7,529	10
Non-factory buildings	30,228	–	30,228	19,919	516	20,435	9,793	5
Buildings on leasehold land								
Textile division	16,480	–	16,480	14,072	241	14,313	2,167	10
Plant and machinery								
Sugar division	930,999	5,124 (1,271)	934,852	557,550	37,686 (655)	594,581	340,271	10
Distillery division - Note 3.1.1	582,909	19,849	602,758	226,429	36,042	262,471	340,287	10
Textile division	44,330	–	44,330	32,381	1,195	33,576	10,754	10
Railway siding - Sugar division	468	–	468	457	1	458	10	10
Electric, gas and water installations								
Sugar / Distillery division	8,808	–	8,808	7,677	113	7,790	1,018	10
Textile division	2,766	–	2,766	2,253	51	2,304	462	10
Furniture, fittings, electrical and office equipment								
Sugar / Distillery division	42,981	591 (444)	43,128	36,741	1,614 (412)	37,943	5,185	25
Textile division	8,700	–	8,700	7,773	232	8,005	695	25
Tractors / trolleys and agriculture implements								
Sugar division	2,765	–	2,765	2,474	58	2,532	233	20
Motor cars / vehicles								
Sugar / Distillery division	3,547	308 (367)	3,488	2,492	230 (273)	2,449	1,039	20
Textile division	815	–	815	676	28	704	111	20
2010	1,761,039	50,559 (2,082)	1,809,516	970,148	80,199 (1,340)	1,049,007	760,509	



3.1.4 Reconciliation of carrying values for 2010

	Written down value as at Oct. 1, 2009	Additions / (deletions)	Depreciation / amortization charge for the year	Written down value as at Sept. 30, 2010
	(Rupees in thousands)			
Land	11,272	–	5	11,267
Buildings on freehold land	25,026	24,687	2,703	47,010
Buildings on leasehold land	2,408	–	241	2,167
Plant and machinery	741,878	24,973 (1,271)	74,923 (655)	691,312
Railway siding	11	–	1	10
Electric, gas and water installations	1,644	–	164	1,480
Furniture, fittings, electrical and office equipment	7,167	591 (444)	1,846 (412)	5,880
Tractors / trolleys and agriculture implements	291	–	58	233
Motor cars / vehicles	1,194	308 (367)	258 (273)	1,150
	<u>790,891</u>	<u>50,559</u> <u>(2,082)</u>	<u>80,199</u> <u>(1,340)</u>	<u>760,509</u>

Note 2011 2010
(Rupees in thousands)

3.2 Depreciation / amortization charge for the year has been allocated as follows:

Cost of Sales			
Sugar division	20	38,932	40,332
Distillery division	20	35,024	36,919
Textile division	20	3,909	1,492
		77,865	78,743
Administrative expenses			
Sugar division	22	1,154	866
Distillery division	22	99	74
Textile division	22	212	260
Terminal	19.1	229	256
		1,694	1,456
		<u>79,559</u>	<u>80,199</u>



3.3 The following are the details of fixed assets disposed off:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain on disposal	Mode of disposal	Particulars of purchasers
	(Rupees in thousands)						
Plant and machinery							
Sugar division	305	53	252	505	253	Claim	M/s. Habib Insurance Company Limited M.A. Jinnah Road, Karachi.
Distillery division	4,178	3,823	355	2,033	1,678	Negotiations	Mr. Ayaz Gabol Town, Industrial Area, North Karachi, Karachi.
"	290	151	139	171	32	Negotiations	M/s. Link International, Office #: G-40 Falak Naz Tower, Main Shahrah-e-Faisal, Karachi.
	<u>4,773</u>	<u>4,027</u>	<u>746</u>	<u>2,709</u>	<u>1,963</u>		
Furniture, fittings, electrical and office equipment							
Sugar division							
Furniture & fittings	31	30	1	10	9	Negotiation	Various Employees at Nawabshah
Office equipment	40	27	13	15	2	Negotiation	Advance Copier Services, 16 Star Light Centre, Hyder Chowk, Gari Khatta, Hyderabad.
"	2,075	1,752	323	600	277	Negotiation	Mr. Abdual Sattar, 173, Main Shershah Road, Opp. Atlas Ware House, Karachi.
"	355	206	149	244	95	Claim	M/s. Habib Insurance Company Limited M.A. Jinnah Road, Karachi.
	<u>2,501</u>	<u>2,015</u>	<u>486</u>	<u>869</u>	<u>383</u>		
Motor cars / vehicles							
Sugar / Distillery division							
Motor cars	8	4	4	470	466	Tender	Mr. Farooq Ahmed s/o Bashir Ahmed Flat #: 5, Plot #: 16/C, Street #: 1, Khaiban-e-Sehar Phase-7, D.H.A. Karachi.
"	8	4	4	460	456	"	Ms. Maliha Ahmed w/o Sheikh Nadeem House #: 19-A/II, North Central Avenue Phase-1, D.H.A. Karachi.
"	155	93	62	210	148	"	Mr. Abdul Karim Khan House #: 37/B, Landhi, Karachi.
"	11	7	4	750	746	Claim	M/s. Habib Insurance Company Limited M.A. Jinnah Road, Karachi.
"	360	6	354	775	421	Tender	M/s. Ali Bhair Motors, PECHS-6 Karachi.



	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain on disposal	Mode of disposal	Particulars of purchasers
	(Rupees in thousands)						
Sugar / Distillery division							
Motor cars	1,073	36	1,037	1,500	463	Claim	M/s. Habib Insurance Company Limited M.A. Jinnah Road, Karachi.
"	11	7	4	775	771	Tender	Mr. Zia-ul-Mahmood s/o Muhammad Sabir House #: C-25, Abdullah Terrace, Block-16, F. B. Area, Karachi.
"	150	149	1	70	69	Tender	Mr. Nabeel, C-16, Gulistan-e-Johar, Block-13, Karachi.
Motor cycle	40	26	14	18	4	Tender	Mr. Murtaza Ali, Flat #: B-101 Heaven Heights Lal Chand Hashoomal Road, Soldier Bazar, Karachi.
	<u>1,816</u>	<u>332</u>	<u>1,484</u>	<u>5,028</u>	<u>3,544</u>		
2011	<u>9,090</u>	<u>6,374</u>	<u>2,716</u>	<u>8,606</u>	<u>5,890</u>		
2010	<u>2,082</u>	<u>1,340</u>	<u>742</u>	<u>2,602</u>	<u>1,860</u>		

Note 2011 2010
(Rupees in thousands)

3.4 Capital work-in-progress

Plant and machinery - at cost	3.4.1	<u>26,416</u>	<u>57,351</u>
-------------------------------	-------	---------------	---------------

3.4.1 Movement in Capital work-in-progress

Balance as on October 1,	57,351	43,533
Incurred during the year	32,190	63,477
	89,541	107,010
Capitalized during the year	(6,994)	(49,659)
Charged to profit and loss account under:		
Stores and spares consumed	(7,969)	—
Repairs and maintenance	(4,528)	—
Waste water treatment expenses	(43,634)	—
	(56,131)	—
	(63,125)	(49,659)
	<u>26,416</u>	<u>57,351</u>



4. Long-term investments

Available for sale

Fully paid-up Ordinary Shares and Unit Certificates of quoted companies are as follows:

Number of shares / units certificates		Face value Rs.	Company's Name	2011	2010
2010	2011			(Rupees in thousands)	(Rupees in thousands)
4.1 Investments in related parties					
147,797	147,797	5	Balochistan Particle Board Limited	118	148
12,178,322	14,613,986	10	Bank AL Habib Limited	436,520	378,137
—	1,479,290	100	First Habib Cash Fund	152,352	—
981,643	—	100	First Habib Income Fund	—	100,491
3,467,490	3,900,926	5	Habib Insurance Company Limited	41,155	36,374
				630,145	515,150
4.2 Investments in other companies					
11,000	11,000	10	Adamjee Insurance Company Limited	589	716
88,375	—	10	Bank Al Falah Limited	—	725
48,851	56,178	10	Dawood Lawrencepur Limited	1,480	2,042
285,109	240,000	10	Engro Corporation Limited	34,414	49,669
143,406	179,257	10	Fauji Fertilizer Company Limited	29,022	15,035
514,000	514,000	5	First Habib Modaraba	3,850	3,079
526,948	632,337	10	Habib Metropolitan Bank Limited	11,572	10,086
—	983,566	100	HBL Money Market Fund	101,387	—
54,000	54,000	10	Honda Atlas Cars (Pakistan) Limited	492	566
6,000	206,000	10	International Industries Limited	8,248	293
57,051	62,756	10	MCB Bank Limited	10,874	10,743
10,000	25,000	10	Millat Tractor Limited	10,025	5,704
6,768	—	10	New Jubilee Insurance Company Limited	—	379
46,229	—	10	Oil and Gas Development Company Ltd.	—	6,736
20,000	20,000	10	Packages Limited	2,040	2,020
19,650	19,650	10	Pak Suzuki Motor Company Limited	1,347	1,361
14,507	14,507	10	Pakistan Tobacco Company Limited	1,052	1,618
1,881,585	3,763,170	5	Shabbir Tiles and Ceramics Limited	26,342	16,182
71,683	71,683	10	Sui Northern Gas Pipelines Limited	1,433	2,212
449,182	539,018	5	Thal Limited	48,991	47,685
—	48,322	10	TPL Direct Insurance Limited	460	—
38,500	—	10	Faysal Bank Limited	—	231
50,000	50,000	10	TRG Pakistan Limited	93	199
34,492	—	100	Unit Trust of Pakistan	—	3,001
				293,711	180,282
				923,856	695,432

4.3 The aggregate book value of the above referred long-term investments, net of impairment, is Rs.364.023 (2010: Rs.197.450) million.

4.4 The above long-term investments are stated at fair value. Unrealised gain of Rs.61.852 (2010: Rs.31.027) million arising from a change in the fair value of these long-term investments during the current year has been recognised directly in equity.



	Note	2011 (Rupees in thousands)	2010
5. Long-term loans			
Secured - considered good			
Executives	5.1 & 5.2	7,034	1,439
Employees		15,914	6,801
		<u>22,948</u>	<u>8,240</u>
Receivable within next twelve months shown under current assets:			
Executives	9	(6,678)	(549)
Employees	9	(9,411)	(3,831)
		<u>(16,089)</u>	<u>(4,380)</u>
		<u>6,859</u>	<u>3,860</u>
5.1 These loans are given to executives for purchase of assets and are secured against pledge of title documents / lien marked over retirement benefits. Movement of loans to executives during the year was as follows:			
		2011 (Rupees in thousands)	2010
Balance as on October 1,		1,439	2,180
Disbursements		<u>6,000</u>	<u>—</u>
		7,439	2,180
Repayments		<u>(405)</u>	<u>(741)</u>
		<u>7,034</u>	<u>1,439</u>
5.2 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 7.11 (2010: Rs. 2.08) million.			
		2011 (Rupees in thousands)	2010
6. Stores and spares			
Stores		57,007	52,330
Provision for obsolescence and slow moving stores		<u>(9,500)</u>	<u>(9,500)</u>
		47,507	42,830
Spares		49,047	45,744
Provision for obsolescence and slow moving spares		<u>(19,792)</u>	<u>(19,792)</u>
		29,255	25,952
		<u>76,762</u>	<u>68,782</u>



	2011	2010
	(Rupees in thousands)	
6.1 Provision for obsolescence and slow moving stores and spares		
Balance as on October 1,		
Stores	9,500	9,500
Spares	19,792	19,500
	29,292	29,000
Provision / (Reversal) made during the year		
Spares – Provision	–	675
– Reversal	–	(383)
	–	292
	29,292	29,292
7. Stock-in-trade		
Raw materials		
Distillery division	124,115	171,169
Textile division	14,338	429
	138,453	171,598
Work-in-process		
Sugar division	1,008	890
Textile division	11,048	8,801
	12,056	9,691
Finished goods		
Sugar division	237,382	13,650
Distillery division	191,450	121,203
Textile division	273	1,950
	429,105	136,803
Fertilizers	478	1,284
	580,092	319,376
8. Trade debts		
Considered good		
Export – Secured against export documents	109,291	39,294
Local – Unsecured	76,408	74,884
	185,699	114,178
8.1 The aging of trade debts at September 30 is as follows :		
Neither past due nor impaired	168,088	108,415
Past due but not impaired:		
within 90 days	17,114	–
91 to 180 days	–	90
over 180 days	497	5,673
	185,699	114,178



	Note	2011 (Rupees in thousands)	2010
9. Loans and advances			
Considered good			
Current maturity of long-term loans			
Executives	5	6,678	549
Employees	5	9,411	3,831
		16,089	4,380
Advances			
Employees		65	68
Suppliers		177,957	54,293
		178,022	54,361
		<u>194,111</u>	<u>58,741</u>
10. Trade deposits and short-term prepayments			
Trade deposits		3,391	1,124
Short-term prepayments		11,194	7,647
		<u>14,585</u>	<u>8,771</u>
11. Other receivables			
Duty drawback and research & development support claim		12,463	4,356
Others		2,040	1,859
		<u>14,503</u>	<u>6,215</u>
12. Cash and bank balances			
Cash in hand		297	151
Balances with banks on:			
Current accounts		79,480	12,694
Treasury call accounts	12.1	492,361	244,423
Term deposits	12.2	650,000	1,050,000
	12.3	1,221,841	1,307,117
		<u>1,222,138</u>	<u>1,307,268</u>
12.1	Profit rates on treasury call accounts ranged between 9% to 11.30% (2010: 10% and 11%) per annum.		
12.2	Profit rates on term deposits ranged between 10.5% and 13% (2010: 11% and 11.75%) per annum.		
12.3	Includes Rs. 773.604 (2010: Rs. 582.118) million kept with Bank AL Habib Limited - a related party.		
13. Issued, subscribed and paid-up capital		2011	2010
Number of shares		(Rupees in thousands)	
10,136,700	(2010: 10,136,700) Ordinary shares of Rs. 5 each fully paid in cash	50,684	50,684
139,863,300	(2010: 109,863,300) Ordinary shares of Rs. 5 each issued as fully paid bonus shares, including 30,000,000 Ordinary shares issued during the year	699,316	549,316
<u>150,000,000</u>		<u>750,000</u>	<u>600,000</u>

Issued, subscribed and paid-up capital of the Company includes 24,561,825 Ordinary shares of Rs. 5 each (2010: 19,649,470) held by related parties at the end of the year.



	Note	2011 (Rupees in thousands)	2010
14. Reserves			
Capital			
Share premium		34,000	34,000
Revenue			
General	14.1	1,416,000	1,181,000
Unappropriated profit		758,257	538,241
		<u>2,208,257</u>	<u>1,753,241</u>
14.1 At the beginning of the year		1,181,000	981,000
Transferred from unappropriated profit		235,000	200,000
		<u>1,416,000</u>	<u>1,181,000</u>
15. Deferred taxation			
Deferred tax liability on taxable temporary difference:			
Accelerated tax depreciation on operating fixed assets		90,000	95,000
Deferred tax asset on deductible temporary difference:			
Provision for obsolescence and slow moving stores & spares		(8,500)	(8,500)
		<u>81,500</u>	<u>86,500</u>
16. Trade and other payables			
Creditors		129,855	268,752
Accrued liabilities		70,830	62,513
Advance from customers		27,131	38,935
Sales-tax / Federal excise duty		31,704	12,938
Workers' Profit Participation Fund	16.1	56,453	40,835
Workers' Welfare Fund		38,915	30,416
Income-tax deducted at source		1,046	133
Unclaimed dividends		16,823	14,887
		<u>372,757</u>	<u>469,409</u>
16.1 Workers' Profit Participation Fund			
Balance as at October 1,		40,835	35,205
Interest on funds utilized in the Company's business		501	538
		<u>41,336</u>	<u>35,743</u>
Amount paid to the Trustees		(41,336)	(35,743)
		<u>—</u>	<u>—</u>
	23	56,453	40,835
Allocation for the year		<u>56,453</u>	<u>40,835</u>



	2011 (Rupees in thousands)	2010
17. Provision for income tax - net	<u>44,400</u>	<u>28,931</u>
17.1 The return of income tax for the Tax Year 2011 (financial year ended September 30, 2010) has been filed and is pending assessment.		
17.2 Appeals filed by the Tax authorities for the Tax years 1998, 2001 and 2002 (corresponding financial years ended September 30, 1997, 2000 and 2001 respectively) against decisions of the Income Tax Appellate Tribunal (ITAT), in favour of the Company are pending before the Honourable High Court of Sindh. The tax exposure against these appeals in aggregate amounts to Rs. 14.6 million. The Company is confident of a favourable outcome and accordingly no provision for the aforesaid amount has been made in these financial statements.		
18. Contingencies and Commitments		
18.1 Contingencies		
18.1.1 The Company has provided counter guarantees to banks, aggregating to Rs.172.022 (2010: Rs.145.074) million against agriculture finance facilities to growers and guarantees issued by banks in favour of third parties on behalf of the Company.		
18.1.2 During 2009-10 the Company received show cause notice from Competition Commission of Pakistan (CCP) under the Competition Ordinance, 2009 for violation of certain provisions of the Ordinance. The Company alongwith other sugar mills filed Constitutional Petition before the Honourable High Court of Sindh challenging the Ordinance. The Honourable High Court of Sindh, granted stay and restrained the Commission not to pass final order in respect of the show cause notice. The CCP filed an appeal before the Honourable Supreme Court of Pakistan which was disposed off by the Honourable Supreme court based on the grounds that the matter was pending before the Honourable High Courts of Sindh and Punjab. The Competition Ordinance of 2009 was repealed on March 25, 2010 and thereafter a new Ordinance, 2010 was promulgated which also stood repealed on August 15, 2010. The Parliament thereafter enacted the Competition Act, 2010 (ACT XIX of 2010). The Company filed amended application in view of the promulgation of the Competition Act 2010 which was accepted by the Honourable High Court of Sindh, with the consent of both the parties. The petitions were last fixed for hearing on May 26, 2011 and adjourned to date in office. Since the financial impact is indeterminate no liability has been recorded in these financial statements.		
18.1.3 During the year 2009-10 the Company alongwith other sugar mills filed a Constitutional Petition before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority - PSQCA (the Authority) challenging the notifications issued in respect of registration of the Standard Mark for refined sugar manufactured and sold by the Company and charging of marking fee under PSQCA Act-VI of 1996. The Authority has demanded payment of marking fee at the rate of 0.1%		



of ex-factory price of sugar sold with effect from January 1, 2009. The Company is of the view that the demand raised is without any lawful authority under the PSQCA Act-VI of 1996 and is in violation of the Constitution.

On August 26, 2010 the case came up for hearing before the Honourable High Court of Sindh who maintained that prima facie it appears that the impugned notifications have been issued without lawful authority and in the meanwhile the operations of the impugned notifications have been suspended.

Later the matter was fixed for hearing on April 7, 2011 and after arguments from both the parties the same was adjourned for four weeks. The petition was lastly fixed on November 24, 2011 and was adjourned to December 20, 2011 with the instructions to file written submissions after which oral submissions will be heard before the learned bench. Further, ad-interim order passed earlier to continue till the next date of hearing. The Company is confident of a favourable outcome of the case.

	2011 (Rupees in thousands)	2010
18.2 Commitments		
18.2.1 Capital expenditure	2,572	2,259
18.2.2 Rentals under operating lease agreements with First Habib Modaraba in respect of vehicles, payable over the following next four years, are as follows:		
Year ending September 30		
2011	–	10,088
2012	9,230	7,292
2013	6,765	4,309
2014	4,735	1,961
2015	1,013	–
	<u>21,743</u>	<u>23,650</u>

19. Segment operating results and related information

(Rupees in thousands)

	Note	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net sales and services											
Local sales		5,443,948	4,258,135	387,671	321,076	–	–	–	43,745	5,831,619	4,622,956
Less: Sales tax / Special excise duty / Federal excise duty		336,992	201,440	54,369	43,572	–	–	–	–	391,361	245,012
Discount		–	–	573	431	–	–	–	–	573	431
		336,992	201,440	54,942	44,003	–	–	–	–	391,934	245,443
		5,106,956	4,056,695	332,729	277,073	–	–	–	43,745	5,439,685	4,377,513
Export sales		–	–	1,706,189	1,292,242	344,014	251,957	–	26,707	2,050,203	1,570,906
Less: Freight and commission		–	–	6,079	16,649	16,057	13,341	–	–	22,136	29,990
		–	–	1,700,110	1,275,593	327,957	238,616	–	26,707	2,028,067	1,540,916
Net sales		5,106,956	4,056,695	2,032,839	1,552,666	327,957	238,616	–	70,452	7,467,752	5,918,429
Services											
Storage income - net	19.1	–	–	192	909	–	–	–	–	192	909
		5,106,956	4,056,695	2,033,031	1,553,575	327,957	238,616	–	70,452	7,467,944	5,919,338
Less: Cost of sales	20	4,204,982	3,298,634	1,686,057	1,370,932	310,512	225,085	–	65,632	6,201,551	4,960,283
Gross profit		901,974	758,061	346,974	182,643	17,445	13,531	–	4,820	1,266,393	959,055
Selling and distribution expenses	21	45,331	40,428	96,424	77,516	11,646	9,931	–	254	153,401	128,129
Administrative expenses	22	95,965	83,275	5,085	4,256	2,728	3,090	–	3,005	103,778	93,626
		141,296	123,703	101,509	81,772	14,374	13,021	–	3,259	257,179	221,755
Profit before other operating expenses and other operating income		760,678	634,358	245,465	100,871	3,071	510	–	1,561	1,009,214	737,300
Other operating expenses	23									(79,034)	(57,169)
Other operating income	24									74,646	41,467
Operating profit										1,004,826	721,598

- Sugar division is engaged in manufacturing of refined sugar and molasses.
- Distillery division is engaged in manufacturing of ethanol, liquid carbon dioxide and providing bulk storage facilities.
- Textile division is engaged in manufacturing of household textiles.
- Trading division is engaged in trading of sugar / molasses as and when opportunity occurs.



Habib Sugar Mills Limited





	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
19.1 Services - Storage income - net										
Terminal rental income	-	-	1,980	5,677	-	-	-	-	1,980	5,677
Less: Terminal expenses										
Salaries, wages and other benefits - note 19.2	-	-	719	2,398	-	-	-	-	719	2,398
Repairs and maintenance	-	-	169	448	-	-	-	-	169	448
Water, electricity and gas	-	-	99	385	-	-	-	-	99	385
Rent, rates and taxes	-	-	384	775	-	-	-	-	384	775
Depreciation	-	-	229	256	-	-	-	-	229	256
Travelling and vehicle running expenses	-	-	63	173	-	-	-	-	63	173
Insurance	-	-	41	100	-	-	-	-	41	100
Other expenses	-	-	84	233	-	-	-	-	84	233
	-	-	1,788	4,768	-	-	-	-	1,788	4,768
	-	-	192	909	-	-	-	-	192	909

19.2 Salaries, wages and other benefits include a sum of Rs. 0.09 (2010: Rs. 0.19) million in respect of staff retirement benefits.

19.3 Company accounts for inter-segment revenue / transfers at arm's length.

(Rupees in thousands)

20. Cost of sales

	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Opening stock of raw material	—	—	171,169	52,471	429	404	—	—	171,598	52,875
Purchases	4,089,633	2,999,653	1,438,892	1,349,995	44,065	8,703	—	—	5,572,590	4,358,351
	4,089,633	2,999,653	1,610,061	1,402,466	44,494	9,107	—	—	5,744,188	4,411,226
Closing stock of raw material	—	—	(124,115)	(171,169)	(14,338)	(429)	—	—	(138,453)	(171,598)
Raw material consumed	4,089,633	2,999,653	1,485,946	1,231,297	30,156	8,678	—	—	5,605,735	4,239,628
Semi finished goods purchased	—	—	—	—	198,757	112,964	—	—	198,757	112,964
	4,089,633	2,999,653	1,485,946	1,231,297	228,913	121,642	—	—	5,804,492	4,352,592
Salaries, wages and other benefits - note 20.1	142,151	112,043	37,243	31,627	6,573	5,998	—	—	185,967	149,668
Research and development expenses	2,073	2,142	—	—	—	—	—	—	2,073	2,142
Process chemicals	28,165	20,437	24,965	19,443	—	—	—	—	53,130	39,880
Packing material	40,045	28,765	—	—	4,165	3,501	—	—	44,210	32,266
Dyeing, weaving and other charges	—	—	—	—	3,327	1,590	—	—	3,327	1,590
Provision for obsolescence and slow moving stores & spares - note 6.1	—	—	—	675	—	—	—	—	—	675
Stores and spares consumed	48,896	43,587	16,276	11,520	—	11	—	—	65,172	55,118
Rent, rates, taxes and lease rentals	7,927	6,288	5,650	4,538	338	410	—	—	13,915	11,236
Water, fuel and power	58,207	26,751	118,294	75,509	6,768	4,950	—	—	183,269	107,210
Repairs and maintenance	117,016	106,177	21,769	22,005	1,577	1,252	—	—	140,362	129,434
Waste water treatment expenses	48,945	—	—	—	—	—	—	—	48,945	—
Legal and professional charges	2,611	2,946	—	—	—	—	—	—	2,611	2,946
Insurance	6,275	5,174	5,634	5,412	250	169	—	—	12,159	10,755
Postage, telephone and stationery	2,545	3,022	—	—	—	—	—	—	2,545	3,022
Depreciation / amortization	38,932	40,332	35,024	36,919	3,909	1,492	—	—	77,865	78,743
Other manufacturing expenses	17,345	11,646	5,503	3,915	519	203	—	—	23,367	15,764
Duty drawback and research & development support claim	—	—	—	—	(10,379)	(7,208)	—	—	(10,379)	(7,208)
Bagasse sale	(13,915)	(10,164)	—	—	—	—	—	—	(13,915)	(10,164)
Molasses transfer to distillery division	(208,019)	(191,181)	—	—	—	—	—	—	(208,019)	(191,181)
	339,199	207,965	270,358	211,563	17,047	12,368	—	—	626,604	431,896
Manufacturing cost	4,428,832	3,207,618	1,756,304	1,442,860	245,960	134,010	—	—	6,431,096	4,784,488
Opening stock of work-in-process	890	558	—	—	8,801	2,580	—	—	9,691	3,138
Closing stock of work-in-process	(1,008)	(890)	—	—	(11,048)	(8,801)	—	—	(12,056)	(9,691)
	(118)	(332)	—	—	(2,247)	(6,221)	—	—	(2,365)	(6,553)
Cost of goods manufactured	4,428,714	3,207,286	1,756,304	1,442,860	243,713	127,789	—	—	6,428,731	4,777,935
Opening stock of finished goods	13,650	104,998	121,203	49,275	1,950	110	—	—	136,803	154,383
Finished goods purchased	—	—	—	—	65,122	99,136	—	65,632	65,122	164,768
Closing stock of finished goods	(237,382)	(13,650)	(191,450)	(121,203)	(273)	(1,950)	—	—	(429,105)	(136,803)
	(223,732)	91,348	(70,247)	(71,928)	66,799	97,296	—	65,632	(227,180)	182,348
	4,204,982	3,298,634	1,686,057	1,370,932	310,512	225,085	—	65,632	6,201,551	4,960,283



Habib Sugar Mills Limited



20.1 Salaries, wages and other benefits include a sum of Rs. 7.7 (2010: Rs. 7.5) million in respect of staff retirement benefits.

(Rupees in thousands)

	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
21. Distribution and marketing expenses										
Salaries, wages and other benefits - note 21.1	5,424	4,874	1,760	1,498	2,744	2,638	–	–	9,928	9,010
Insurance	2,671	2,907	1,958	1,335	–	–	–	14	4,629	4,256
Rent, rates, taxes and lease rentals	554	494	697	541	–	–	–	–	1,251	1,035
Transport, freight, handling and forwarding expenses	36,682	32,153	84,343	65,493	4,197	3,036	–	149	125,222	100,831
Other expenses	–	–	7,666	8,649	4,705	4,257	–	91	12,371	12,997
	<u>45,331</u>	<u>40,428</u>	<u>96,424</u>	<u>77,516</u>	<u>11,646</u>	<u>9,931</u>	<u>–</u>	<u>254</u>	<u>153,401</u>	<u>128,129</u>

21.1 Salaries, wages and other benefits include a sum of Rs. 0.42 (2010: Rs. 0.47) million in respect of staff retirement benefits.

22. Administrative expenses

Salaries, wages and other benefits - note 22.1	53,985	45,189	1,760	1,497	1,283	1,303	–	152	57,028	48,141
Insurance	1,477	1,252	74	66	–	–	–	2	1,551	1,320
Repairs and maintenance	1,851	979	310	299	225	191	–	–	2,386	1,469
Postage, telephone and stationery	3,889	3,534	425	424	83	130	–	–	4,397	4,088
Travelling and vehicle running expenses	10,699	7,556	326	92	206	716	–	35	11,231	8,399
Rent, rates, taxes and lease rentals	5,085	4,609	969	764	–	–	–	2,802	6,054	8,175
Water, electricity and gas	3,212	2,956	182	257	193	174	–	–	3,587	3,387
Fees, subscription and periodicals	2,076	1,756	20	–	73	3	–	–	2,169	1,759
Legal and professional charges	1,248	2,100	444	371	39	–	–	–	1,731	2,471
Directors' meeting fee	32	26	–	–	–	–	–	–	32	26
Depreciation	1,154	866	99	74	212	260	–	–	1,465	1,200
Auditors' remuneration - note 22.2	1,171	1,060	369	312	60	48	–	14	1,600	1,434
Other expenses - note 22.3	10,086	11,392	107	100	354	265	–	–	10,547	11,757
	<u>95,965</u>	<u>83,275</u>	<u>5,085</u>	<u>4,256</u>	<u>2,728</u>	<u>3,090</u>	<u>–</u>	<u>3,005</u>	<u>103,778</u>	<u>93,626</u>

22.1 Salaries, wages and other benefits include a sum of Rs. 2.37 (2010: Rs. 1.93) million in respect of staff retirement benefits.

22.2 Auditors' remuneration

Annual audit fee	513	412	204	157	33	24	–	7	750	600
Half yearly review fee	137	103	54	39	9	6	–	2	200	150
Cost audit fee	200	175	–	–	–	–	–	–	200	175
Tax / other services	188	180	75	69	12	11	–	3	275	263
Out of pocket expenses	133	190	36	47	6	7	–	2	175	246
	<u>1,171</u>	<u>1,060</u>	<u>369</u>	<u>312</u>	<u>60</u>	<u>48</u>	<u>–</u>	<u>14</u>	<u>1,600</u>	<u>1,434</u>

Auditors' remuneration, other than the cost audit fee of the sugar division, payable to another firm of auditors, is allocated on the basis of sales.



Habib Sugar Mills Limited





22.3 Donations of Rs. 4.0 (2010: Rs. 4.5) million are included under other expenses of sugar division. The details of donations are given below:

	2011 (Rupees in thousands)	2010
Name of Institution		
Al-Sayyeda Benevolent Trust	910	910
Habib Education Trust	840	840
Rehmat Bai Widows & Orphanage Trust	500	500
Habib Medical Trust	840	840
Young Presidents' Organization	–	500
Habib Poor Fund	910	910
	<u>4,000</u>	<u>4,500</u>

None of the Directors or their spouses had any interest in the above donee's fund, except for Habib Education Trust, where Mr. Imran A. Habib, Director of the Company is a Trustee.

22.4 Information on assets, liabilities and capital expenditure by segment is as follows:

		(Rupees in thousands)									
		Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
22.4.1	Segment assets	753,584	529,905	939,421	777,911	175,362	114,252	–	–	1,868,367	1,422,068
	Unallocated assets									2,148,380	2,013,994
										4,016,747	3,436,062
22.4.2	Segment liabilities	316,963	407,034	57,914	70,385	17,454	19,685	–	308	392,331	497,412
	Unallocated liabilities									106,326	87,428
										498,657	584,840
22.4.3	Capital expenditure	40,828	37,022	2,036	27,355	72,876	–	–	–	115,740	64,377



	Note	2011 (Rupees in thousands)	2010
23. Other operating expenses			
Workers' Profit Participation Fund	16.1	56,453	40,835
Workers' Welfare Fund		22,581	16,334
		<u>79,034</u>	<u>57,169</u>
24. Other operating income			
Income from financial assets			
Profit on sale of long-term investments	24.1	24,467	1,152
Dividend income	24.2	37,416	32,570
Exchange gain		4,639	2,521
		66,522	36,243
Income from non financial assets			
Gain on disposal of fixed assets		5,890	1,860
Agricultural income	24.3	350	233
Scrap sale		1,884	3,131
		8,124	5,224
		<u>74,646</u>	<u>41,467</u>
24.1 Profit on sale of long-term investments includes Rs. 5.42 million (2010 : Nil) on sale of 1,029,753 units (2010: Nil) of First Habib Income Fund.			
24.2 Dividend income includes dividend received from the following related parties:			
Bank AL Habib Limited		24,357	20,297
Habib Insurance Company Limited		4,334	6,068
		<u>28,691</u>	<u>26,365</u>
In addition to cash dividend, the Company received 2,435,664 Ordinary shares (2010: 2,029,720 shares) of Rs. 10/- each and 433,436 Ordinary shares (2010: Nil) of Rs. 5/- each as bonus shares and 48,110 Units (2010: Nil) of Rs. 100 each from Bank AL Habib Limited, Habib Insurance Company Limited and Habib Assets Management, respectively.			
24.3 Agriculture income is net of expenditure amounting to Rs. 4.15 (2010: Rs. 2.51) million.			
25. Finance income / (cost) - net		2011 (Rupees in thousands)	2010
Profit on treasury call accounts		51,616	75,447
Profit on term deposits		38,954	37,215
		90,570	112,662
Less: Mark-up / interest on:			
Short-term borrowings		(36,102)	(67,100)
Workers' Profit Participation Fund		(501)	(538)
Bank charges		(8,777)	(7,087)
		(45,380)	(74,725)
		<u>45,190</u>	<u>37,937</u>



The facilities for short-term borrowings from various commercial banks amounted to Rs.2,175 (2010: Rs.2,275) million.

These facilities are secured by way of registered charge against hypothecation of stock-in-trade, stores and spares, assignment of trade debts and other receivables. The rate of mark-up during the year was 10% to 15.21% (2010: 7.5% to 14.09%) per annum.

	Note	2011 (Rupees in thousands)	2010
26. Taxation			
Income tax - current		300,000	241,000
- prior years	26.1	—	(15,000)
		<u>300,000</u>	<u>226,000</u>
Deferred tax		(5,000)	(1,000)
		<u>295,000</u>	<u>225,000</u>

26.1 This represents reversal of tax provision for the tax year 2004 (financial year ended September 30, 2003) and tax year 2005 (financial year ended September 30, 2004) which is no longer required.

	2011 (Rupees in thousands)	2010
26.2 Reconciliation of tax charge for the year		
Accounting profit	<u>1,050,016</u>	<u>759,535</u>
Corporate tax rate	<u>35%</u>	<u>35%</u>
Tax on accounting profit at applicable rate	367,506	265,837
Tax effect of timing differences	215	(171)
Tax effect of lower tax rates on certain income	(74,899)	(26,646)
Tax effect of income exempt from tax	(8,454)	(484)
Tax effect of expenses that are inadmissible in determining taxable income	10,632	1,464
Adjustments relating to prior years	—	(15,000)
	<u>(72,506)</u>	<u>(40,837)</u>
Provision for taxation	<u>295,000</u>	<u>225,000</u>



	2011 (Rupees in thousands)	2010
27. Earnings per share - Basic and diluted		
Profit after taxation	<u>755,016</u>	<u>534,535</u>
	Number of shares	
Number of ordinary shares of Rs. 5 each	<u>150,000,000</u>	<u>150,000,000</u>
		(Restated)
Earnings per share - basic and diluted	<u>Rs. 5.03</u>	<u>Rs. 3.56</u>
28. Cash generated from operations		
Profit before taxation	1,050,016	759,535
Adjustment for non-cash charges and other items		
Depreciation	79,559	80,199
Provision for obsolescence and slow moving stores	—	675
Gain on disposal of fixed assets	(5,890)	(1,860)
Profit on sale of long-term investments	(24,467)	(1,152)
Finance (income) / cost - net	(45,190)	(37,937)
Dividend income	(37,416)	(32,570)
Amount charged to profit and loss account from capital work-in-progress - note 3.4.1	56,131	—
Working capital changes - note 28.1	<u>(554,721)</u>	<u>(113,024)</u>
	<u>518,022</u>	<u>653,866</u>
28.1 Working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(7,980)	(11,071)
Stock-in-trade	(260,716)	(108,337)
Trade debts	(71,521)	239,219
Loans and advances	(135,370)	109,749
Trade deposits and short-term prepayments	(5,814)	(867)
Sales tax and excise duty adjustable	32,631	(32,631)
Other receivables	(7,363)	(535)
	(456,133)	195,527
Increase / (decrease) in current liabilities		
Trade and other payables	(98,588)	(308,551)
Net changes in working capital	<u>(554,721)</u>	<u>(113,024)</u>



29. Remuneration of Chief Executive, Directors and Executives

	2011				2010			
	Chief Execu- tive	Direc- tors	Execu- tives	Total	Chief Execu- tive	Direc- tors	Execu- tives	Total
	(Rupees in thousands)							
Meeting fee - 7 Directors (2010: 7 Directors)	–	32	–	32	–	26	–	26
Managerial remuneration	6,460	18,176	42,015	66,651	5,700	14,929	38,313	58,942
Perquisites								
Telephone	42	361	351	754	30	328	315	673
Medical	167	391	729	1,287	43	174	1,740	1,957
Utilities	–	1,124	–	1,124	–	1,172	–	1,172
Entertainment	–	360	–	360	–	378	–	378
Retirement benefits	538	1,566	3,492	5,596	514	1,392	3,361	5,267
	7,207	21,978	46,587	75,772	6,287	18,373	43,729	68,389
Number of persons	1	3	25	29	1	3	25	29

29.1 Chief Executive, Directors and certain Executives are also provided with the Company maintained cars.

30. Financial Risk Management Objectives and Policies

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk and equity price risk. The Board of Directors reviews and decides policies for managing each of these risks which are summarised below.

30.1 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk on long-term investments, loans, advances, deposits, trade debts, profit accrued on bank deposits, other receivables and bank balances. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is as follows:



	Carrying Values	
	2011	2010
	(Rupees in thousands)	
Long-term investments	923,856	695,432
Long-term loans	6,859	3,860
Long-term deposits	2,948	2,948
Trade debts	185,699	114,178
Loans and advances	194,111	58,741
Trade deposits	3,391	1,124
Other receivables	14,503	6,215
Bank balances	1,221,841	1,307,117
	<u>2,553,208</u>	<u>2,189,615</u>

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 or the historical information about counter party default rates as shown below:

	Carrying Values	
	2011	2010
	(Rupees in thousands)	
30.1.1 Trade debts		
Customers with no defaults in the past one year	154,423	86,608
Customers with some defaults in past one year which have been fully recovered	13,665	21,807
Customers with defaults in past one year which have not yet been recovered	—	—
	<u>168,088</u>	<u>108,415</u>
30.1.2 Investments		
Long-term Rating		
AAA	—	6,736
AA+ (f)	253,738	—
AA+	462,816	402,045
A+	41,155	36,374
AA	4,063	55,952
AA-	34,413	100,491
A-	461	—
Estimated credit rating not available	127,210	93,834
	<u>923,856</u>	<u>695,432</u>
Short-term Rating		
A1+	567,676	463,638
A1	34,413	—
Estimated credit rating not available	321,767	231,794
	<u>923,856</u>	<u>695,432</u>
30.1.3 Bank Balances		
A1+	1,221,734	1,306,831
A1	45	227
A2	62	59
	<u>1,221,841</u>	<u>1,307,117</u>



30.2 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 the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates:

Year ended September 30, 2011	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
(Rupees in thousands)						
Trade and other payables	–	193,115	179,642	–	–	372,757
Year ended September 30 2010	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
(Rupees in thousands)						
Trade and other payables	–	187,803	281,606	–	–	469,409

30.3 Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Company's exposure to foreign currency risk is as follows:

		2011 (Respective Currency)	2010
Trade debts	\$	1,144,987	383,366
“	€	–	53,208
“	£	67,476	–
Trade and other payables	\$	162,998	52,980
	£	1,206	–

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

Exchange rates	buying \$	87.42	86.22
	selling \$	87.62	86.42
	buying €	–	117.29
	“ £	136.29	–
	selling £	136.60	–

The foreign currency exposure is partly covered as the outstanding balance at the year end is determined in respective currency which is converted into rupees at the exchange rate prevailing at the balance sheet date.



Sensitivity analysis:

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

	Change in Foreign Currency rate (%)	Effect on profit or / (loss) (Rupees in thousands)	Effect on equity
September 30, 2011	+10	9,484	9,390
	-10	(9,484)	(9,390)
September 30, 2010	+10	3,471	3,432
	-10	(3,471)	(3,432)

30.4 Equity price risk

The Company's equity securities are susceptible to market price risk arising from uncertainties about future values of investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves policy decisions.

At the balance sheet date, the exposure to equity securities held as available for sale was Rs.923,856 (2010: Rs.695.432) million.

30.5 Capital risk management

The primary objective of the Company's capital management is to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The gearing ratio of the company is Nil (2010: Nil) and the company finances its investments portfolio through management of its working capital and equity with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

30.6 Fair value of financial instruments

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.

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The following shows financial instruments recognized at fair value, analysed between those whose fair value is based on:



Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at September 30, 2011, the Company had only long-term investments measured at fair value using Level 1 valuation techniques.

During the year ended September 30, 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

31. Capacity and production

	2011			2010		
	Quantity		Working days	Quantity		Working days
31.1 Sugar division						
Crushing capacity	7,000	M.Tons	Per Day	7,000	M. Tons	Per Day
Capacity based on actual working days	1,022,000	M. Tons	146	784,000	M. Tons	112
Actual crushing	800,636	M. Tons	146	681,623	M. Tons	112
Sucrose recovery	9.87	%		10.24	%	
Sugar production	79,056	M. Tons		69,784	M. Tons	

In addition to production of sugar from sugarcane, 4,609 M. Tons of sugar have been produced from refining 4,885 M.Tons of raw sugar.

Sugar unit operated below capacity due to lesser availability of sugarcane.

31.2 Distillery division

a) Ethanol

Capacity	34,000	M. Tons	300	34,000	M. Tons	300
Actual production	29,303	M. Tons	338	26,210	M. Tons	323

Ethanol production was also below capacity because lesser quantity of molasses was available and low recovery of ethanol.

b) Liquid Carbon Dioxide (CO₂)

Capacity	6,000	M. Tons	300	6,000	M. Tons	300
Actual production	5,644	M. Tons	319	3,648	M. Tons	221

31.3 Textile division

Capacity	300,000	Kgs.	300	300,000	Kgs.	300
Actual production	484,885	Kgs.	300	352,490	Kgs.	300

The actual production of textile division was higher than the capacity due to purchase of semi-finished goods.



32. Transactions with related parties

Material transactions with related parties, other than remuneration and benefits to Directors and key management personnel under the terms of their employment, are given below:

	2011 (Rupees in thousands)	2010
Insurance premium	20,138	15,534
Insurance claims received	3,344	1,170
Profit on treasury call accounts / term deposits	69,851	61,972
Purchases of long-term investments	150,000	100,000
Sale proceeds of long-term investments	105,416	—
Purchases / sales / services	255	381
Dividend received	28,691	26,365
Dividend paid	24,562	27,509
Bonus shares received at nominal value	31,335	20,297
Bonus shares issued at nominal value	24,562	19,649
Bank charges	217	522

Transactions with related parties are carried out at arm's length.

33. Dividend

In the meeting held on December 28, 2011, the Board of Directors of the Company have proposed a final cash dividend for the year ended September 30, 2011 of Rs. 2.50 per share (50%). The approval of the members for the proposed final cash dividend will be obtained at the Annual General Meeting of the Company to be held on January 26, 2012. The financial statements for the year ended September 30, 2011 do not include the effect of the proposed final cash dividend which will be accounted for in the financial statements for the year ending September 30, 2012.

34. General

- Figures have been rounded off to the nearest thousand rupees.
- These financial statements were authorised for issue on December 28, 2011 by the Board of Directors of the Company.


Raeesul Hasan
Chief Executive


Murtaza H. Habib
Director



Pattern of Shareholding as at September 30, 2011

Number of Shareholders	Size of Shareholding			Total Number of Shares held	Number of Shareholders	Size of Shareholding			Total Number of Shares held
	From		To			From		To	
1,090	1	...	100	30,102	1	340,001	...	345,000	340,740
892	101	...	500	243,220	1	355,001	...	360,000	359,970
564	501	...	1,000	417,417	1	360,001	...	365,000	363,957
1,594	1,001	...	5,000	3,512,383	2	385,001	...	390,000	771,441
330	5,001	...	10,000	2,350,669	2	390,001	...	395,000	783,658
141	10,001	...	15,000	1,737,694	1	395,001	...	400,000	397,377
95	15,001	...	20,000	1,665,980	1	420,001	...	425,000	421,146
55	20,001	...	25,000	1,261,827	1	435,001	...	440,000	437,166
34	25,001	...	30,000	943,738	1	460,001	...	465,000	463,815
32	30,001	...	35,000	1,007,849	1	465,001	...	470,000	468,145
15	35,001	...	40,000	553,801	1	495,001	...	500,000	495,826
15	40,001	...	45,000	681,075	2	510,001	...	515,000	1,021,336
13	45,001	...	50,000	619,435	1	520,001	...	525,000	521,263
15	50,001	...	55,000	788,456	1	530,001	...	535,000	530,057
8	55,001	...	60,000	456,376	1	555,001	...	560,000	557,127
10	60,001	...	65,000	630,875	1	565,001	...	570,000	567,387
7	65,001	...	70,000	477,573	1	570,001	...	575,000	572,918
6	70,001	...	75,000	427,709	1	585,001	...	590,000	589,282
10	75,001	...	80,000	783,524	1	595,001	...	600,000	597,032
1	80,001	...	85,000	85,000	1	635,001	...	640,000	638,318
8	85,001	...	90,000	778,533	1	645,001	...	650,000	650,000
2	90,001	...	95,000	93,802	1	655,001	...	660,000	658,571
2	95,001	...	100,000	196,796	1	735,001	...	740,000	737,500
1	100,001	...	105,000	104,165	2	755,001	...	760,000	2,273,153
2	105,001	...	110,000	212,464	1	780,001	...	785,000	780,825
3	110,001	...	115,000	341,293	1	805,001	...	810,000	808,767
2	115,001	...	120,000	236,008	2	915,001	...	920,000	1,837,782
1	120,001	...	125,000	121,624	1	970,001	...	975,000	970,127
2	130,001	...	135,000	262,300	1	985,001	...	990,000	989,807
1	135,001	...	140,000	138,002	1	1,035,001	...	1,140,000	1,039,263
4	140,001	...	145,000	568,185	3	1,040,001	...	1,045,000	3,133,040
4	150,001	...	155,000	613,519	2	1,180,001	...	1,185,000	2,361,526
1	155,001	...	160,000	157,750	1	1,185,001	...	1,190,000	1,189,501
3	165,001	...	170,000	500,127	1	1,415,001	...	1,420,000	1,418,565
3	170,001	...	175,000	513,824	1	1,685,001	...	1,690,000	1,688,251
1	175,001	...	180,000	176,251	1	1,850,001	...	1,855,000	1,850,994
1	190,001	...	195,000	190,770	1	1,865,001	...	1,870,000	1,866,906
1	195,001	...	200,000	195,510	1	2,515,001	...	2,520,000	2,518,556
1	200,001	...	205,000	201,500	1	3,070,001	...	3,075,000	3,071,845
1	205,001	...	210,000	205,156	2	3,555,001	...	3,560,000	3,559,751
1	220,001	...	225,000	223,885	1	5,295,001	...	5,300,000	5,295,095
1	225,001	...	230,000	226,846	1	5,825,001	...	5,830,000	5,825,357
1	230,001	...	235,000	232,027	1	7,775,001	...	7,780,000	7,778,921
1	245,001	...	250,000	246,593	1	8,865,001	...	8,870,000	8,868,497
3	280,001	...	285,000	850,995	1	9,365,001	...	9,370,000	9,366,312
2	300,001	...	305,000	607,627	1	13,275,001	...	13,280,000	13,276,570
3	305,001	...	310,000	925,192	1	26,510,001	...	26,515,000	26,513,125
1	320,001	...	325,000	320,446					
2	325,001	...	330,000	657,539					
					5,042	Total			150,000,000

Shareholders' Category	Number of Shareholders	Number of Shares held	Percentage
Individuals	4,956	51,107,203	34.07
Insurance Companies	3	11,120,622	7.41
Joint Stock Companies	50	42,258,010	28.17
Financial Institutions	11	32,693,428	21.80
Modaraba Companies	2	654,282	0.44
Charitable Trusts	15	11,596,123	7.73
Societies	3	520,644	0.35
Corporate Law Authority	1	1	-
The Administrator Abandoned Properties Organisation	1	49,687	0.03
	5,042	150,000,000	100.00



Pattern of Shareholding as at September 30, 2011

Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares Held
Related Parties		
Habib Insurance Company Limited	1	5,295,095
Habib Mercantile Company (Pvt) Limited	1	510,668
Habib & Sons (Pvt) Limited	1	521,263
Bank AL Habib Limited	1	9,366,312
Hasni Textiles (Pvt) Ltd.	1	8,868,497
NIT and ICP		
National Bank of Pakistan Trustee Department (NIT)	1	13,276,570
Investment Corporation of Pakistan	1	5,798
Directors, CEO and their spouses and minor children		
Asghar D. Habib Chairman	1	1,044,352
Ali Raza D. Habib Director	1	23,218
Muhammad Nawaz Tishna (NIT Nominee)	—	—
Murtaza H. Habib	1	1,180,763
Farouq Habib Rahimtoola	1	24,833
Amin Ali Abdul Hamid	1	23,971
Imran A. Habib	1	1,044,343
Raeesul Hasan Chief Executive	1	31
Mrs. Tahira Ali Asghar w/o Mr. Ashgar D. Habib	1	385,721
Executives	2	758,940
Joint Stock Companies and Corporation	46	5,844,457
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	12	16,524,557
Individuals	4,946	46,621,031
Charitable & other Trusts, Societies and Government Institutions	20	12,166,455
Shareholders holding 10% or more voting interest		
ICOM Industrie-Und Handels, Schaan Principality of Liechtenstein	1	26,513,125
	<u>5,042</u>	<u>150,000,000</u>



Pattern of Shareholding as at September 30, 2011

Number of Shareholders	Size of Shareholding			Total Number of Shares held	Number of Shareholders	Size of Shareholding			Total Number of Shares held
	From		To			From		To	
1,090	1	...	100	30,102	1	340,001	...	345,000	340,740
892	101	...	500	243,220	1	355,001	...	360,000	359,970
564	501	...	1,000	417,417	1	360,001	...	365,000	363,957
1,594	1,001	...	5,000	3,512,383	2	385,001	...	390,000	771,441
330	5,001	...	10,000	2,350,669	2	390,001	...	395,000	783,658
141	10,001	...	15,000	1,737,694	1	395,001	...	400,000	397,377
95	15,001	...	20,000	1,665,980	1	420,001	...	425,000	421,146
55	20,001	...	25,000	1,261,827	1	435,001	...	440,000	437,166
34	25,001	...	30,000	943,738	1	460,001	...	465,000	463,815
32	30,001	...	35,000	1,007,849	1	465,001	...	470,000	468,145
15	35,001	...	40,000	553,801	1	495,001	...	500,000	495,826
15	40,001	...	45,000	681,075	2	510,001	...	515,000	1,021,336
13	45,001	...	50,000	619,435	1	520,001	...	525,000	521,263
15	50,001	...	55,000	788,456	1	530,001	...	535,000	530,057
8	55,001	...	60,000	456,376	1	555,001	...	560,000	557,127
10	60,001	...	65,000	630,875	1	565,001	...	570,000	567,387
7	65,001	...	70,000	477,573	1	570,001	...	575,000	572,918
6	70,001	...	75,000	427,709	1	585,001	...	590,000	589,282
10	75,001	...	80,000	783,524	1	595,001	...	600,000	597,032
1	80,001	...	85,000	85,000	1	635,001	...	640,000	638,318
8	85,001	...	90,000	778,533	1	645,001	...	650,000	650,000
2	90,001	...	95,000	93,802	1	655,001	...	660,000	658,571
2	95,001	...	100,000	196,796	1	735,001	...	740,000	737,500
1	100,001	...	105,000	104,165	2	755,001	...	760,000	2,273,153
2	105,001	...	110,000	212,464	1	780,001	...	785,000	780,825
3	110,001	...	115,000	341,293	1	805,001	...	810,000	808,767
2	115,001	...	120,000	236,008	2	915,001	...	920,000	1,837,782
1	120,001	...	125,000	121,624	1	970,001	...	975,000	970,127
2	130,001	...	135,000	262,300	1	985,001	...	990,000	989,807
1	135,001	...	140,000	138,002	1	1,035,001	...	1,140,000	1,039,263
4	140,001	...	145,000	568,185	3	1,040,001	...	1,045,000	3,133,040
4	150,001	...	155,000	613,519	2	1,180,001	...	1,185,000	2,361,526
1	155,001	...	160,000	157,750	1	1,185,001	...	1,190,000	1,189,501
3	165,001	...	170,000	500,127	1	1,415,001	...	1,420,000	1,418,565
3	170,001	...	175,000	513,824	1	1,685,001	...	1,690,000	1,688,251
1	175,001	...	180,000	176,251	1	1,850,001	...	1,855,000	1,850,994
1	190,001	...	195,000	190,770	1	1,865,001	...	1,870,000	1,866,906
1	195,001	...	200,000	195,510	1	2,515,001	...	2,520,000	2,518,556
1	200,001	...	205,000	201,500	1	3,070,001	...	3,075,000	3,071,845
1	205,001	...	210,000	205,156	2	3,555,001	...	3,560,000	3,559,751
1	220,001	...	225,000	223,885	1	5,295,001	...	5,300,000	5,295,095
1	225,001	...	230,000	226,846	1	5,825,001	...	5,830,000	5,825,357
1	230,001	...	235,000	232,027	1	7,775,001	...	7,780,000	7,778,921
1	245,001	...	250,000	246,593	1	8,865,001	...	8,870,000	8,868,497
3	280,001	...	285,000	850,995	1	9,365,001	...	9,370,000	9,366,312
2	300,001	...	305,000	607,627	1	13,275,001	...	13,280,000	13,276,570
3	305,001	...	310,000	925,192	1	26,510,001	...	26,515,000	26,513,125
1	320,001	...	325,000	320,446					
2	325,001	...	330,000	657,539					
					5,042	Total			150,000,000

Shareholders' Category	Number of Shareholders	Number of Shares held	Percentage
Individuals	4,956	51,107,203	34.07
Insurance Companies	3	11,120,622	7.41
Joint Stock Companies	50	42,258,010	28.17
Financial Institutions	11	32,693,428	21.80
Modaraba Companies	2	654,282	0.44
Charitable Trusts	15	11,596,123	7.73
Societies	3	520,644	0.35
Corporate Law Authority	1	1	-
The Administrator Abandoned Properties Organisation	1	49,687	0.03
	5,042	150,000,000	100.00



Pattern of Shareholding as at September 30, 2011

Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares Held
Related Parties		
Habib Insurance Company Limited	1	5,295,095
Habib Mercantile Company (Pvt) Limited	1	510,668
Habib & Sons (Pvt) Limited	1	521,263
Bank AL Habib Limited	1	9,366,312
Hasni Textiles (Pvt) Ltd.	1	8,868,497
NIT and ICP		
National Bank of Pakistan Trustee Department (NIT)	1	13,276,570
Investment Corporation of Pakistan	1	5,798
Directors, CEO and their spouses and minor children		
Asghar D. Habib Chairman	1	1,044,352
Ali Raza D. Habib Director	1	23,218
Muhammad Nawaz Tishna (NIT Nominee)	—	—
Murtaza H. Habib	1	1,180,763
Farouq Habib Rahimtoola	1	24,833
Amin Ali Abdul Hamid	1	23,971
Imran A. Habib	1	1,044,343
Raeesul Hasan Chief Executive	1	31
Mrs. Tahira Ali Asghar w/o Mr. Ashgar D. Habib	1	385,721
Executives	2	758,940
Joint Stock Companies and Corporation	46	5,844,457
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	12	16,524,557
Individuals	4,946	46,621,031
Charitable & other Trusts, Societies and Government Institutions	20	12,166,455
Shareholders holding 10% or more voting interest		
ICOM Industrie-Und Handels, Schaan Principality of Liechtenstein	1	26,513,125
	<u>5,042</u>	<u>150,000,000</u>



Habib Sugar Mills Limited



Form of Proxy

The Company Secretary
Habib Sugar Mills Limited
Imperial Court, 4th Floor
Dr. Ziauddin Ahmed Road
KARACHI – 75530

I/Weof.....
a member(s) of HABIB SUGAR MILLS LIMITED and holding.....
ordinary shares, as per Folio No. / CDC Account and Participant's I.D. Numbers
.....
hereby appointof.....
or failing him.....of.....
another member of the Company to vote for me / us and on my / our behalf at the
50th Annual General Meeting of the Company to be held on Thursday, January 26, 2012
and at any adjournment thereof.

As witness my / our hand thisday of.....2012

Rs. Five
Revenue
Stamp

.....
SIGNATURE OF MEMBER(S)

A member entitled to attend and vote at this meeting is entitled to appoint another member of the Company as a proxy to attend and vote on his / her behalf.

Any individual beneficial owner of CDC, entitled to attend and vote at this meeting must bring his / her National Identity Card, Account and Participant's ID Numbers to prove his / her identity, and in case of proxy, must enclose attested copies of his / her National Identity Card, Account and Participant's ID Numbers. Representatives of corporate members should bring the usual documents as required for such purpose.

The instrument appointing a proxy should be signed by the member or by his attorney duly authorised in writing. If the member is a corporation its common seal (if any) should be affixed to the instrument.

The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a notarially certified copy thereof, should be deposited at the registered office of the Company at least 48 hours before the time of the meeting.