



Company Information

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



Directors' Report

Dear Members – Assalam-o-Alekum

On behalf of the Board of Directors, it is my privilege to present to you the unaudited interim condensed financial statements of the Company for the first quarter ended December 31, 2009.

Financial Results

By the Grace of Allah, during the period under review the operations of your Company resulted in a pre-tax profit of Rs. 91.73 million. The financial results for the quarter are as follows:

		(Rupees in thousands)
Profit before taxation		91,727
Taxation		35,000
Profit after taxation		56,727
Unappropriated profit brought forward		3,706
Unappropriated profit carried forward		60,433
Earnings per share - Basic and diluted	Rupees	0.59

Performance Review

Sugar Division

Crushing operations for the season 2009-10 commenced on November 11, 2009 and up to December 31, 2009, a quantity of 23,570 M. Tons of sugar was produced with total crushing of 251,549 M. Tons and average sucrose recovery of 9.37%, as compared with 26,780 M. Tons of sugar production out of crushing of 302,937 M. Tons and average sucrose recovery of 8.84% during the corresponding quarter of the previous year.

The division earned operating profit of Rs. 54.25 million as against profit of Rs. 30.01 million in the corresponding quarter of last year.

The Government of Sindh has fixed the minimum sugarcane support price at Rs. 102 per 40 kgs for the crushing season 2009-10 as against Rs. 81 per 40 kgs for the crushing season 2008-09.



Due to shortage in sugarcane availability and supply, the growers are demanding much higher prices over and above the minimum support price of Rs. 102 per 40 kgs fixed by the Government of Sindh. This has resulted in a serious price war amongst the mills. In light of the prevailing situation, the Company is also procuring sugarcane at higher rates. This will result in substantial increase in the cost of production. However, the impact of increase in the cost of production may well be absorbed by the increase in the sugar selling price.

Distillery Division

The production of ethanol during the quarter up to December 31, 2009 was 3,200 M. Tons as compared with 3,581 M. Tons during the corresponding quarter of the previous year. The division earned operating profit of Rs. 10.39 million during the quarter as against Rs. 30.87 million in the corresponding quarter of last year. The decrease in operating profit was on account of the impact of lower sales during the quarter.

The availability of molasses during 2009-10 is expected to be lower in view of the reduced sugarcane crop. Consequently, the prices of molasses will be higher as compared with the previous year. The price of ethanol in international market has not increased in the same proportion as the increase in molasses prices and accordingly this may affect the profitability of the division.

The production of liquid carbon dioxide (CO₂) during the quarter upto December 31, 2009 was 620 M. Tons, and the CO₂ unit earned operating profit of Rs. 2.77 million which is included in the Distillery division's profit.

Textile Division

The division earned operating profit of Rs. 2.39 million during the quarter as against Rs. 2.18 million in the corresponding period of last year. The slump in the international market continues resulting in reduction in sale volume. However, efforts are being made to explore additional export markets to achieve sale volume and maintain profitability.

Trading Division

During the first quarter under review, there was no trading activity undertaken by the Company. However, the Company will avail the opportunity of trading as and when available.



General

The Directors are pleased to place on record their appreciation of the devoted and dedicated services of the officers, staff and workers of the Company.

On behalf of the Board of Directors

Asghar D. Habib
Chairman

Karachi: January 28, 2010



Interim Condensed Balance Sheet as at December 31, 2009 (Unaudited)

	Note	Dec. 31, 2009	Sept. 30, 2009
Assets			
Non-Current Assets			
(Rupees in thousands)			
Fixed assets			
Property, plant and equipment	4	824,732	834,424
Long-term investments	5	557,746	555,710
Long-term loans		3,573	4,019
Long-term deposits		2,952	2,936
Current Assets			
Stores and spares		69,272	58,386
Stock-in-trade		716,037	211,039
Trade debts		425,328	353,397
Loans and advances		437,295	168,490
Trade deposits and short-term prepayments		13,007	7,904
Profit accrued on bank deposits		4,796	9,223
Other receivables		7,649	5,314
Cash and bank balances		835,970	1,595,667
		2,509,354	2,409,420
Total Assets		3,898,357	3,806,509
Equity and Liabilities			
Share Capital and Reserves			
Share Capital			
Authorised			
100,000,000 Ordinary shares of Rs. 5 each		500,000	500,000
Issued, subscribed and paid-up capital			
96,000,000 Ordinary shares of Rs. 5 each		480,000	480,000
Reserves		1,864,423	1,973,660
		2,344,423	2,453,660
Non-Current Liabilities			
Deferred taxation		87,500	87,500
Current Liabilities			
Trade and other payables		676,213	774,314
Short-term borrowings	6	526,000	426,000
Accrued mark-up on short-term borrowings		9,101	4,635
Provision for income tax - net		87,120	60,400
Proposed dividend		168,000	-
		1,466,434	1,265,349
Contingencies and Commitments	7		
		3,898,357	3,806,509
Total Equity and Liabilities		3,898,357	3,806,509

The annexed notes 1 to 17 form an integral part of these interim condensed financial statements.


Raeesul Hasan
 Chief Executive


Murtaza H. Habib
 Director



Interim Condensed Statement of Comprehensive Income for the quarter ended December 31, 2009 (Unaudited)

	Dec. 31, 2009	Dec. 31, 2008
	(Rupees in thousands)	
Profit after taxation	56,727	33,748
Other comprehensive income		
Unrealised Gain / (loss) on changes in fair values of long-term investments available for sale	2,036	(98,896)
Total comprehensive income / (loss) for the period	<u>58,763</u>	<u>(65,148)</u>

The annexed notes 1 to 17 form an integral part of these interim condensed financial statements.


Raeesul Hasan
Chief Executive


Murtaza H. Habib
Director



Interim Condensed Profit and Loss Account for the quarter ended December 31, 2009 (Unaudited)

	Note	Dec. 31, 2009	Dec. 31, 2008
		(Rupees in thousands)	
Segment operating results	8		
Net sales and services		841,441	939,327
Cost of sales		(736,632)	(829,337)
Gross Profit		104,809	109,990
Distribution and marketing expenses		(13,996)	(25,313)
Administrative expenses		(23,786)	(21,620)
Other operating expenses	9	(6,905)	(5,101)
Impairment on long-term investments		-	(24,630)
Other operating income	10	3,256	2,290
		(41,431)	(74,374)
Operating profit		63,378	35,616
Finance income / (cost) - net	11	28,349	23,132
Profit before taxation		91,727	58,748
Taxation	12	(35,000)	(25,000)
Profit after taxation		56,727	33,748
Earnings per share - basic and diluted	(Rupees)	0.59	(Restated) 0.35

The annexed notes 1 to 17 form an integral part of these interim condensed financial statements.



Interim Condensed Statement of Changes in Equity for the quarter ended December 31, 2009 (Unaudited)

	Reserves							Total Equity
	Issued Subscribed and Paid-up Capital	Capital Reserve	Unrealised Gain / (loss) on changes in fair values of long-term investments available for sale	General Reserve	Reserve for issue of Bonus Shares	Unappro- priated Profit	Total Reserves	
(Rupees in thousands)								
Balance as on October 1, 2008	360,000	34,000	443,574	786,000	-	406,890	1,670,464	2,030,464
Proposed cash dividend for 2008 @ 25%	-	-	-	-	-	(90,000)	(90,000)	(90,000)
Proposed issue of bonus shares for 2008 @ 33.33%	-	-	-	-	120,000	(120,000)	-	-
Proposed transfer to general reserve	-	-	-	195,000	-	(195,000)	-	-
Total comprehensive income / (loss) for the period	-	-	(98,896)	-	-	33,748	(65,148)	(65,148)
Balance as on December 31, 2008	<u>360,000</u>	<u>34,000</u>	<u>344,678</u>	<u>981,000</u>	<u>120,000</u>	<u>35,638</u>	<u>1,515,316</u>	<u>1,875,316</u>
Balance as on October 1, 2009	480,000	34,000	466,954	981,000	-	491,706	1,973,660	2,453,660
Proposed cash dividend for 2009 @ 35%	-	-	-	-	-	(168,000)	(168,000)	(168,000)
Proposed issue of bonus shares for 2009 @ 25%	-	-	-	-	120,000	(120,000)	-	-
Proposed transfer to general reserve	-	-	-	200,000	-	(200,000)	-	-
Total comprehensive income for the period	-	-	2,036	-	-	56,727	58,763	58,763
Balance as on December 31, 2009	<u>480,000</u>	<u>34,000</u>	<u>468,990</u>	<u>1,181,000</u>	<u>120,000</u>	<u>60,433</u>	<u>1,864,423</u>	<u>2,344,423</u>

The annexed notes 1 to 17 form an integral part of these interim condensed financial statements.


Raeesul Hasan
 Chief Executive


Murtaza H. Habib
 Director



Interim Condensed Cash Flow Statement for the quarter ended December 31, 2009 (Unaudited)

	Note	Dec. 31, 2009	Dec. 31, 2008
		(Rupees in thousands)	
Cash flows from operating activities			
Cash generated from / (used in) operations	13	(881,087)	208,208
Profit received on treasury call accounts		43,929	34,464
Finance costs paid		(6,687)	(7,094)
		37,242	27,370
Income tax paid		(8,280)	(22,764)
Long-term loans		446	442
Long-term deposits		(16)	(12)
Net cash generated / (used in) operating activities		(851,695)	213,244
Cash flows from investing activities			
Fixed capital expenditure		(10,649)	(38,099)
Dividend received		1,218	2,321
Sale proceeds of fixed assets		1,446	640
Net cash used in investing activities		(7,985)	(35,138)
Cash flows from financing activities			
Dividend paid		(17)	(58)
Net cash used in financing activities		(17)	(58)
Net increase / (decrease) in cash and cash equivalents		(859,697)	178,048
Cash and cash equivalents at the beginning of the quarter		1,169,667	271,381
Cash and cash equivalents at the end of the quarter	14	309,970	449,429

The annexed notes 1 to 17 form an integral part of these interim condensed financial statements.



Notes to the Interim Condensed Financial Statements for the quarter ended December 31, 2009 (Unaudited)

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. Statement of compliance

These interim condensed financial statements are unaudited and are being submitted to the members in accordance with Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standard (IAS) - 34, 'Interim Financial Reporting', as applicable in Pakistan. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended September 30, 2009.

3. Accounting policies

The accounting policies and methods of computation followed for the preparation of these interim condensed financial statements are the same as those applied in preparation of the annual published financial statements of the Company for the year ended September 30, 2009, except amendments in IAS-1 (Revised) "Presentation of Financial Statements".

The presentation of these interim condensed financial statements has been amended to reflect the changes introduced by IAS-1 (Revised) "Presentation of Financial Statements" which became effective from the periods beginning on or after January 01, 2009. The adoption of IAS-1 (Revised) does not materially affect the computations of the results except some changes in presentation and disclosures. The Company has adopted two statements approach and has prepared a profit and loss account and a statement of comprehensive income to reflect these changes.

	Dec. 31, 2009	Sept. 30, 2009
	(Rupees in thousands)	
4. Fixed assets		
4.1 Property, plant and equipment		
Operating fixed assets	774,622	790,891
Capital work-in-progress	50,110	43,533
	<u>824,732</u>	<u>834,424</u>

4.2 Cost of additions to / (deletions from) fixed assets during the period ended December 31, 2009 were as follows:

	Additions	(Deletions)
	(Rupees in thousands)	
Plant and Machinery		
Sugar	3,963	1,271
Furniture, fittings, electrical and office equipment	31	9
Motor cars / vehicles	78	215
	<u>4,072</u>	<u>1,495</u>



	Dec. 31, 2009	Sept. 30, 2009
	(Rupees in thousands)	
5. Long-term investments		
Available for sale - quoted		
Investments in related parties	388,096	372,611
Investments in other companies	169,650	183,099
	<u>557,746</u>	<u>555,710</u>

5.1 The aggregate cost of the above referred investments, net of impairment, is Rs. 88.756 (September 30, 2009: Rs. 88.756) million.

5.2 The above investments are stated at fair value. Unrealised gain of Rs. 2.036 (September 30, 2009: Rs. 23.380) million arising from a change in fair value of investments during the quarter has been recognised directly in equity, whereas impairment in the ordinary shares of Rs. Nil (September 30, 2009 : Rs. 27.134) million has been charged to the profit and loss account.

	Dec. 31, 2009	Sept. 30, 2009
	(Rupees in thousands)	
6. Short-term borrowings - secured	<u>526,000</u>	<u>426,000</u>

The short-term borrowings are secured by way of registered charge against hypothecation of stock-in-trade and assignment of trade debts and other receivables. The rate of mark-up was 7.5% & 8% (September 30, 2009 : 7.5%) per annum. The facility for short-term borrowings amounted to Rs. 1,975 (September 30, 2009: Rs. 1,975) million.

7. Contingencies and commitments

7.1 The Company has provided counter guarantees to banks, aggregating to Rs. 83.58 million (September 30, 2009: Rs. 297.057) million against agriculture finance facilities to growers and guarantees issued by banks in favour of third parties on behalf of the Company.

	Dec. 31, 2009	Sept. 30, 2009
	(Rupees in thousands)	
7.2 Commitments in respect of:		
Capital expenditure	<u>3,975</u>	<u>10,150</u>
Rentals under operating lease agreements with First Habib Modaraba in respect of vehicles, payable over the next four years	<u>19,640</u>	<u>22,336</u>



8. Segment operating results for the quarter ended December 31, 2009 (Unaudited)

		Sugar Division		Distillery Division		Textile Division		Trading Division		(Rupees in thousands) Total	
		Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Net sales and services											
Sales	Local	633,651	508,183	70,763	26,933	-	-	-	-	704,414	535,116
	Export	-	-	56,896	301,988	80,032	102,139	-	-	136,928	404,127
		633,651	508,183	127,659	328,921	80,032	102,139	-	-	841,342	939,243
Services - Storage income - net		-	-	99	84	-	-	-	-	99	84
		633,651	508,183	127,758	329,005	80,032	102,139	-	-	841,441	939,327
Less: Cost of sales		(554,537)	(450,301)	(108,715)	(283,092)	(73,380)	(95,944)	-	-	(736,632)	(829,337)
Gross Profit		79,114	57,882	19,043	45,913	6,652	6,195	-	-	104,809	109,990
Less: Distribution and marketing expenses		(5,280)	(10,437)	(5,548)	(11,762)	(3,168)	(3,114)	-	-	(13,996)	(25,313)
Administrative expenses		(19,586)	(17,433)	(3,104)	(3,282)	(1,096)	(905)	-	-	(23,786)	(21,620)
		(24,866)	(27,870)	(8,652)	(15,044)	(4,264)	(4,019)	-	-	(37,782)	(46,933)
Profit before other operating expenses, impairment on long-term investments and other operating income		54,248	30,012	10,391	30,869	2,388	2,176	-	-	67,027	63,057
Other operating expenses - note 9										(6,905)	(5,101)
Impairment on long-term investments										-	(24,630)
Other operating income - note 10										3,256	2,290
Operating Profit										63,378	35,616

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



	Dec. 31, 2009	Dec. 31, 2008
	(Rupees in thousands)	
9. Other operating expenses		
Workers' Profit Participation Fund	4,932	3,159
Workers' Welfare Fund	1,973	1,263
Exchange Loss	-	679
	6,905	5,101
10. Other operating income		
Dividend income	1,404	1,710
Gain on disposal of fixed assets	801	580
Scrap sale	558	-
Exchange gain	493	-
	3,256	2,290
11. Finance income / (cost) - net		
Sugar division	23,305	26,980
Distillery division	4,529	(4,664)
Textile division	515	816
	28,349	23,132
12. Taxation		
Current	35,000	25,000
	35,000	25,000
13. Cash generated from / (used in) operations		
Profit before taxation	91,727	58,748
Adjustment for non-cash charges and other items		
Depreciation	19,696	16,590
Gain on disposal of fixed assets	(801)	(580)
Finance (income) / cost - net	(28,349)	(23,132)
Impairment on long-term investments	-	24,630
Dividend income	(1,404)	(1,710)
Working capital changes - note 13.1	(961,956)	133,662
	(881,087)	208,208
13.1 Working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(10,886)	(24,055)
Stock-in-trade	(504,998)	(168,362)
Trade debts	(71,931)	101,835
Loans and advances	(268,805)	23,327
Trade deposits and short-term prepayments	(5,103)	(968)
Other receivables	(2,149)	(140)
	(863,872)	(68,363)
Increase / (decrease) in current liabilities		
Trade and other payables	(98,084)	202,025
Net changes in working capital	(961,956)	133,662



Dec. 31, 2009 Dec. 31, 2008
(Rupees in thousands)

14. Cash and cash equivalents at the end of the quarter

These comprise of the following:

Cash and bank balances	835,970	1,111,929
Short-term borrowings	(526,000)	(662,500)
	<u>309,970</u>	<u>449,429</u>

15. 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:

	Dec. 31, 2009	Dec. 31, 2008
Insurance premium paid	11,235	4,423
Insurance claim received	930	162
Profit on treasury call accounts	20,450	19,528
Purchases / sales / services	39	95
Bank charges	121	75

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

16. Dividend for 2009

The Board of Directors of the Company in their meeting held on December 16, 2009 had recommended a final cash dividend of Rs. 1.75 per share (35%) and issue of bonus shares in the ratio of one bonus share of Rs. 5 for every four ordinary shares (25%) of Rs. 5 held for the year ended September 30, 2009. The cash dividend and bonus issue as recommended by the Board of Directors of the Company was approved by the members at the Annual General Meeting held on January 28, 2010. The proposed cash dividend and the reserve for proposed issue of bonus shares has been accounted for in these interim condensed financial statements.

17. General

- Figures presented in these interim condensed financial statements have been rounded off to the nearest thousand rupees.
- These interim condensed financial statements were authorised for issue on January 28, 2010 by the Board of Directors of the Company.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director