



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), household textiles in local and international markets and providing bulk storage facilities. 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), household textiles and service provider for bulk storage facilities, 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 condensed interim financial statements of the Company for the first quarter ended December 31, 2011.

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. 100.995 million. The financial results for the quarter are as follows:

		(Rupees in thousands)
Profit before taxation		100,995
Taxation		28,000
Profit after taxation		72,995
Unappropriated profit brought forward		8,257
Unappropriated profit carried forward		81,252
Earnings per share - Basic and diluted	Rupees	0.49

Performance Review

Sugar Division

Crushing operations for the season 2011-12 commenced on December 8, 2011 and up to December 31, 2011, 18,119 M. Tons of sugar was produced including stock in process with total sugarcane crushing of 182,812 M. Tons and average sucrose recovery of 9.91%, as compared with 16,180 M. Tons of sugar production out of sugarcane crushing of 179,881 M. Tons and average sucrose recovery of 8.99% during the corresponding quarter of the previous year.

The off take of sugar was slow during the quarter resulting in decrease in sale volume as compared with the corresponding quarter of the previous year. The division earned operating profit of Rs. 36.49 million as against Rs. 78.48 million in the corresponding quarter of last year.

The Government of Sindh has fixed the minimum support price of sugarcane at Rs. 154 per 40 kgs for the crushing season 2011-12 as against Rs. 127 per 40 kgs for the crushing season 2010-11.

The increase of Rs. 27 per 40 kgs in the minimum support price of the sugarcane 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.



However, the encouraging point is that the average crushing per day is at its optimum levels and the sucrose recovery is also better than the previous year. This may to some extent reduce the impact of the increase in sugarcane procurement cost.

Distillery Division

The production of ethanol during the quarter ended December 31, 2011 was 3,201 M. Tons as compared with 4,507 M. Tons during the corresponding period of the previous year. The division earned operating profit of Rs. 35.49 million during the quarter as against Rs. 10.26 million during the corresponding period of last year. The increase in profit is mainly on account of the improved price of ethanol in the international market.

The production of liquid carbon dioxide (CO₂) during the quarter ended December 31, 2011 was 825 M. Tons, and the CO₂ unit earned operating profit of Rs. 7.62 million as against Rs. 3.18 million in the corresponding period of last year, and is included in the Distillery division's profit.

Textile Division

The division earned operating profit of Rs. 0.21 million during the quarter as against Rs. 2.14 million in the corresponding period of last year. 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.

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 26, 2012



Condensed Interim Balance Sheet as at December 31, 2011 (Unaudited)

	Note	Unaudited Dec. 31, 2011 (Rupees in thousands)	Audited Sept. 30, 2011
Assets			
Non-Current Assets			
Fixed assets			
Property, plant and equipment	4	776,996	795,194
Long-term investments	5	936,784	923,856
Long-term loans		6,688	6,859
Long-term deposits		2,948	2,948
Current Assets			
Stores and spares		103,999	76,762
Stock-in-trade		1,287,364	580,092
Trade debts		81,488	185,699
Loans and advances		371,664	194,111
Trade deposits and short-term prepayments		17,516	14,585
Profit accrued on bank deposits		5,808	—
Other receivables		12,484	14,503
Cash and bank balances		1,072,450	1,222,138
		<u>2,952,773</u>	<u>2,287,890</u>
Total Assets		<u>4,676,189</u>	<u>4,016,747</u>
Equity and Liabilities			
Share Capital and Reserves			
Share Capital			
Authorised			
150,000,000 Ordinary shares of Rs. 5 each		<u>750,000</u>	<u>750,000</u>
Issued, subscribed and paid-up capital			
150,000,000 Ordinary shares of Rs. 5 each		750,000	750,000
Reserves			
Unrealised gain on long-term investments		1,906,252	2,208,257
- available for sale		532,761	559,833
		<u>2,439,013</u>	<u>2,768,090</u>
		3,189,013	3,518,090
Non-Current Liabilities			
Deferred taxation		81,500	81,500
Current Liabilities			
Trade and other payables		1,020,501	372,757
Provision for income tax - net		10,175	44,400
Proposed dividend		375,000	—
		<u>1,405,676</u>	<u>417,157</u>
Contingencies and Commitments	6		
Total Equity and Liabilities		<u>4,676,189</u>	<u>4,016,747</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director



Condensed Interim Profit and Loss Account for the quarter ended December 31, 2011 (Unaudited)

	Note	Dec. 31, 2011	Dec. 31, 2010
(Rupees in thousands)			
Segment operating results	7		
Net sales and services		748,160	1,358,244
Cost of sales		(620,900)	(1,215,392)
Gross Profit		127,260	142,852
Selling and distribution expenses		(24,226)	(24,085)
Administrative expenses		(30,843)	(27,890)
Other operating expenses	8	(7,602)	(9,156)
Other operating income	9	5,566	6,812
		(57,105)	(54,319)
Operating profit		70,155	88,533
Finance income / (cost) - net		30,840	26,850
Profit before taxation		100,995	115,383
Taxation		(28,000)	(40,000)
Profit after taxation		72,995	75,383
Earnings per share - basic and diluted	(Rupees)	0.49	(Restated) 0.50

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director



Condensed Interim Statement of Comprehensive Income for the quarter ended December 31, 2011 (Unaudited)

	Dec. 31, 2011 (Rupees in thousands)	Dec. 31, 2010
Profit after taxation	72,995	75,383
Other comprehensive income		
Net (decrease) / increase in unrealised gain in fair values of long-term investments	(27,072)	120,113
Total comprehensive income for the quarter ended December 31, 2011	<u>45,923</u>	<u>195,496</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director



Condensed Interim Statement of Changes in Equity for the quarter ended December 31, 2011 (Unaudited)

	Issued Subscribed and Paid-up Capital	Reserves				Total Reserves	Unrealised Gain/(loss) on Long-term investments available for sale	Total Equity
		Capital Reserve	General Reserve	Reserve for issue of Bonus Shares	Unappro- priated Profit			
Balance as on October 1, 2010	600,000	34,000	1,181,000	-	538,241	1,753,241	497,981	2,851,222
Proposed cash dividend for 2010 @ 25%	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Proposed issue of bonus shares for 2010 @ 25%	-	-	-	150,000	(150,000)	-	-	-
Proposed transfer to general reserve	-	-	235,000	-	(235,000)	-	-	-
Total comprehensive income for the quarter ended December 31, 2010	-	-	-	-	75,383	75,383	120,113	195,496
Balance as on December 31, 2010	<u>600,000</u>	<u>34,000</u>	<u>1,416,000</u>	<u>150,000</u>	<u>78,624</u>	<u>1,678,624</u>	<u>618,094</u>	<u>2,896,718</u>
Balance as on October 1, 2011	750,000	34,000	1,416,000	-	758,257	2,208,257	559,833	3,518,090
Proposed cash dividend for 2011 @ 50%	-	-	-	-	(375,000)	(375,000)	-	(375,000)
Proposed transfer to general reserve	-	-	375,000	-	(375,000)	-	-	-
Total comprehensive income for the quarter ended December 31, 2011	-	-	-	-	72,995	72,995	(27,072)	45,923
Balance as on December 31, 2011	<u>750,000</u>	<u>34,000</u>	<u>1,791,000</u>	<u>-</u>	<u>81,252</u>	<u>1,906,252</u>	<u>532,761</u>	<u>3,189,013</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director



Condensed Interim Cash Flow Statement for the quarter ended December 31, 2011 (Unaudited)

	Note	Dec. 31, 2011 (Rupees in thousands)	Dec. 31, 2010
Cash flows from operating activities			
Cash used in operations	10	(76,289)	(528,799)
Finance income received - net		25,032	26,389
Income tax paid		(62,225)	(46,574)
Long-term loans		171	295
Net cash used in operating activities		(113,311)	(548,689)
Cash flows from investing activities			
Fixed capital expenditure		(2,841)	(11,222)
Dividend received		4,660	3,521
Purchase of long-term investments		(40,000)	-
Sale proceeds of fixed assets		1,905	2,987
Net cash used in investing activities		(36,276)	(4,714)
Cash flows from financing activities			
Dividend paid		(101)	(272)
Net cash used in financing activities		(101)	(272)
Net decrease in cash and cash equivalents		(149,688)	(553,675)
Cash and cash equivalents at the beginning of the quarter		1,222,138	1,307,268
Cash and cash equivalents at the end of the quarter	11	1,072,450	753,593

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director



Notes to the Condensed Interim Financial Statements for the quarter ended December 31, 2011 (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 condensed interim 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 condensed interim 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, 2011.

3. Significant accounting policies and disclosures

The accounting policies and methods of computation followed for the preparation of these condensed interim 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, 2011.

	Dec. 31, 2011	Sept. 30, 2011
	(Rupees in thousands)	
4. Fixed assets		
4.1 Property, plant and equipment		
Operating fixed assets	750,330	768,778
Capital work-in-progress		
Plant and machinery - at cost	26,666	26,416
	776,996	795,194
4.2 Cost of additions to / deletions from fixed assets during the period ended December 31, 2011 were as follows:		

	Additions	Deletions
	(Rupees in thousands)	
Plant and machinery		
Sugar	250	-
Textile	190	-
Furniture, fittings and office equipment	569	-
Motor cars / vehicles	1,832	1,732
	2,841	1,732



Dec. 31, Sept. 30,
2011 2011
(Rupees in thousands)

5. Long-term investments

Available for sale - quoted

Investments in related parties	612,017	630,145
Investments in other companies	324,767	293,711
	936,784	923,856

5.1 The aggregate book value of the above referred long-term investments, net of impairment, is Rs. 404.023 (September 30, 2011: Rs. 364.023) million.

5.2 The above long-term investments are stated at fair value. Decrease in unrealised gain of Rs. 27.072 (September 30, 2011: Increase of Rs. 61.852) million arising from a change in fair value of these investments during the quarter has been recognised directly in equity.

6. Contingencies and commitments

6.1 Contingencies

6.1.1 The Company has provided counter guarantees to banks, aggregating to Rs. 172.022 million (September 30, 2011: Rs. 172.022 million) against agriculture finance facilities to growers and guarantees issued by banks in favour of third parties on behalf of the Company.

6.1.2 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 a 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 of by the Honourable Supreme Court based on the grounds that the matter was pending before the Honourable High Court 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 December 13, 2011 but did not proceed and adjourned to date in office. Since the financial impact is indeterminate no liability has been recorded in these financial statements.

6.1.3 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 notification 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 last fixed on December 20, 2011 where written submissions were filed and argued by our legal counsel. The matter was then reserved for judgement. The Company is confident of a favourable outcome of the case.

6.1.4 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 statement.

Dec. 31, 2011	Sept. 30, 2011
(Rupees in thousands)	

6.2 Commitments

6.2.1	Capital expenditure	5,799	2,572
6.2.2	Rentals under operating lease agreements with First Habib Modaraba in respect of vehicles, payable over the next four years	23,614	21,743



7. Segment operating results and related information for the quarter ended December 31, 2011 (Unaudited)

		Sugar Division		Distillery Division		Textile Division		(Rupees in thousands) Total	
		Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Net sales and services									
Sales	Local	306,350	913,817	38,346	68,206	320	–	345,016	982,023
	Export	–	–	352,387	245,197	50,678	130,941	403,065	376,138
		306,350	913,817	390,733	313,403	50,998	130,941	748,081	1,358,161
Services - Storage income - net		–	–	79	83	–	–	79	83
		306,350	913,817	390,812	313,486	50,998	130,941	748,160	1,358,244
Less: Cost of sales		(239,277)	(805,856)	(335,188)	(286,259)	(46,435)	(123,277)	(620,900)	(1,215,392)
Gross Profit		67,073	107,961	55,624	27,227	4,563	7,664	127,260	142,852
Less: Selling and distribution expenses		(5,274)	(6,578)	(15,601)	(13,200)	(3,351)	(4,307)	(24,226)	(24,085)
Administrative expenses		(25,306)	(22,903)	(4,530)	(3,771)	(1,007)	(1,216)	(30,843)	(27,890)
		(30,580)	(29,481)	(20,131)	(16,971)	(4,358)	(5,523)	(55,069)	(51,975)
Profit before other operating expenses and other operating income		36,493	78,480	35,493	10,256	205	2,141	72,191	90,877
Other operating expenses - note 8								(7,602)	(9,156)
Other operating income - note 9								5,566	6,812
Operating Profit								70,155	88,533



	Dec. 31, 2011	Dec. 31, 2010
	(Rupees in thousands)	
8. Other operating expenses		
Workers' Profit Participation Fund	5,430	6,203
Workers' Welfare Fund	2,172	2,481
Exchange Loss	-	472
	7,602	9,156
9. Other operating income		
Dividend income	3,084	2,939
Gain on disposal of fixed assets	202	2,625
Scrap sale	798	1,248
Exchange gain	1,482	-
	5,566	6,812
10. Cash generated from / (used in) operations		
Profit before taxation	100,995	115,383
Adjustment for non-cash charges and other items		
Depreciation	19,336	18,985
Gain on disposal of fixed assets	(202)	(2,625)
Finance (income) / cost - net	(30,840)	(26,850)
Dividend income	(3,084)	(2,939)
Working capital changes - note 10.1	(162,494)	(630,753)
	(76,289)	(528,799)
10.1 Working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(27,237)	(19,812)
Stock-in-trade	(707,272)	(457,959)
Trade debts	104,211	(200,352)
Loans and advances	(177,553)	(212,125)
Trade deposits and short-term prepayments	(2,931)	(6,840)
Sales tax and excise duty adjustable	-	(33,293)
Other receivables	443	(2,363)
	(810,339)	(932,744)
Increase in current liabilities		
Trade and other payables	647,845	301,991
Net changes in working capital	(162,494)	(630,753)



Dec. 31, 2011 Dec. 31, 2010
(Rupees in thousands)

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

These comprise of the following:

Cash and bank balances	1,072,450	1,353,593
Short-term borrowings	–	(600,000)
	<u>1,072,450</u>	<u>753,593</u>

12. 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, 2011	Dec. 31, 2010
Insurance premium paid	7,996	9,655
Insurance claim received	6,055	–
Profit on bank accounts	23,278	19,241
Purchases / sales / services	43	38
Bonus units received at nominal value	4,051	–
Bank charges	33	66

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

13. Dividend for 2011

The Board of Directors of the Company in their meeting held on December 28, 2011 had recommended a final cash dividend of Rs. 2.50 per share (50%) for the year ended September 30, 2011. The cash dividend as recommended by the Board of Directors of the Company was approved by the members at the Annual General Meeting of the Company held on January 26, 2012. The proposed cash dividend has been accounted for in these condensed interim financial statements.

14. General

- Figures presented in these condensed interim financial statements have been rounded off to the nearest thousand rupees.
- These condensed interim financial statements were authorised for issue on January 26, 2012 by the Board of Directors of the Company.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director