



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>
Audit Committee	Ali Raza D. Habib Amin Ali Abdul Hamid Imran A. Habib	<i>Chief Executive</i> Chairman Member Member
Human Resource & Remuneration Committee	Ali Raza D. Habib Muhammad Nawaz Tishna Murtaza H. Habib Amin Ali Abdul Hamid Raeesul Hasan	Chairman Member Member Member Member
Company Secretary	Amir Bashir Ahmed	
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 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 Registrar	THK Associates (Pvt.) Limited 2nd Floor, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi-75530 Phones : (+92-21) 111-000-322 Fax : (+92-21) 35655595 E-mail : secretariat@thk.com.pk info@thk.com.pk Website : www.thk.com.pk	



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, 2012.

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

		(Rupees in thousands)
Profit before taxation		66,582
Taxation		12,000
Profit after taxation		54,582
Un-appropriated profit brought forward		4,407
Un-appropriated profit carried forward		58,989
Earnings per share - Basic and diluted	Rupee	0.36

Performance Review

Sugar Division

The crushing season 2012-13 commenced on November 27, 2012 and up to December 31, 2012, 264,155 M. Tons of sugar was crushed with average sucrose recovery of 10.11% and sugar production of 26,710 M. Tons including sugar in process as compared with crushing of 182,812 M. Tons with average sucrose recovery of 9.91% and sugar production of 18,119 M. Tons during the corresponding quarter of the previous year.

The Government of Sindh fixed the minimum support price of sugarcane at Rs. 172 per 40 kgs for the crushing season 2012-13 as against Rs. 154 per 40 kgs for the crushing season 2011-12.

The prevailing sugar prices both in international market as well as in domestic market are depressed due to carry over stock of last year and increased expected sugar production during the current crushing season. Due to excess availability of sugar in the country, the sugar prices are likely to remain depressed in the foreseeable future also.

On constant representation and follow up by the Pakistan Sugar Mills Association, the government has allowed export of sugar and directed Trading Corporation of Pakistan to procure sugar in order to maintain strategic stock reserves and to ease the liquidity crunch of the sugar mills in the country.



In January 2013, Trading Corporation of Pakistan floated tender for procurement of 330,000 M. Tons of sugar against which your Company has been awarded a quantity of 4,920 M. Tons of sugar on prorata basis. The Company is actively pursuing negotiations with foreign buyers in order to maximize exports of sugar allowed by the government.

In view of the depressed prevailing sugar prices both in domestic and international market and increased cost of production, the profitability of the division is likely to be adversely affected. During the period, the sugar division earned operating profit of Rs. 6.01 million as against Rs. 36.49 million during the corresponding quarter of the previous year.

Distillery Division

During the quarter ended December 31, 2012 the division produced 4,499 M. Tons of ethanol as compared with 3,201 M. Tons during the corresponding quarter of the previous year. By the Grace of Allah, the division continues to operate satisfactorily and earned operating profit of Rs. 47.70 million as compared with Rs. 35.49 million during the corresponding quarter of the previous year.

The liquid carbon dioxide (CO₂) unit also operated satisfactorily and produced 964 M. Tons as compared with 825 M. Tons during the corresponding period of the previous year. The operating profit earned by the unit is included in the Distillery division's profit.

Textile Division

By the Grace of Allah, the textile division registered substantial increase in sale volume resulting in operating profit of Rs. 4.52 million as against Rs. 0.21 million in the corresponding quarter of the previous year.

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 29, 2013



Condensed Interim Balance Sheet as at December 31, 2012 (Unaudited)

	Note	Unaudited Dec. 31, 2012 (Rupees in thousands)	Audited Sept. 30, 2012
Assets			
Non-Current Assets			
Fixed assets			
Property, plant and equipment	4	786,911	771,839
Long-term investments	5	2,684,917	2,001,263
Long-term loans		4,094	4,259
Long-term deposits		2,948	2,948
Current Assets			
Stores and spare parts		126,200	89,561
Stock-in-trade		2,095,591	897,543
Trade debts		75,146	397,115
Loans and advances		659,844	450,573
Trade deposits and short-term prepayments		9,608	11,114
Profit accrued on bank deposits		2,656	—
Other receivables		15,016	15,331
Taxation-net		22,746	—
Cash and bank balances		1,094,569	636,083
		<u>4,101,376</u>	<u>2,497,320</u>
Total Assets		<u>7,580,246</u>	<u>5,277,629</u>
Equity and Liabilities			
Share Capital and Reserves			
Share Capital			
Authorised			
150,000,000 Ordinary shares of Rs. 5 each		750,000	750,000
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		2,293,989	2,614,407
- available for sale		774,098	690,444
		<u>3,068,087</u>	<u>3,304,851</u>
		3,818,087	4,054,851
Non-Current Liabilities			
Deferred taxation		81,500	81,500
Current Liabilities			
Trade and other payables		1,325,706	599,898
Advance from customers		697,029	538,032
Short-term borrowings		1,280,000	—
Accrued mark-up on short-term borrowings		2,924	—
Taxation-net		—	3,348
Proposed dividend		375,000	—
		<u>3,680,659</u>	<u>1,141,278</u>
Contingencies and Commitments	6		
Total Equity and Liabilities		<u>7,580,246</u>	<u>5,277,629</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, 2012 (Unaudited)

	Note	Dec. 31, 2012	Dec. 31, 2011
(Rupees in thousands)			
Segment operating results	7		
Net sales and services		758,614	748,160
Cost of sales		(643,208)	(620,900)
Gross Profit		115,406	127,260
Selling and distribution expenses		(25,516)	(24,226)
Administrative expenses		(31,651)	(30,843)
Other operating expenses	8	(5,012)	(7,602)
Other operating income	9	9,072	5,566
		(53,107)	(57,105)
Operating profit		62,299	70,155
Finance income - net		4,283	30,840
Profit before taxation		66,582	100,995
Taxation		(12,000)	(28,000)
Profit after taxation		54,582	72,995
Earnings per share - basic and diluted	(Rupee)	0.36	0.49

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, 2012 (Unaudited)

	Dec. 31, 2012	Dec. 31, 2011
	(Rupees in thousands)	
Profit after taxation	54,582	72,995
Other comprehensive income		
Net increase / (decrease) in fair values of long-term investments	83,654	(27,072)
Total comprehensive income for the quarter ended December 31, 2012	<u>138,236</u>	<u>45,923</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, 2012 (Unaudited)

	Issued Subscribed and Paid-up Capital	Capital Reserve	Reserves		Unrealised gain/(loss) on long-term investments available for sale	Total Equity	
			General Reserve	Unappro- priated Profit			Total Reserves
(Rupees in thousands)							
Balance as on October 1, 2011	750,000	34,000	1,416,000	758,257	2,208,257	559,833	3,518,090
Cash dividend for 2011 @ 50%	-	-	-	(375,000)	(375,000)	-	(375,000)
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>81,252</u>	<u>1,906,252</u>	<u>532,761</u>	<u>3,189,013</u>
Balance as on October 1, 2012	750,000	34,000	1,791,000	789,407	2,614,407	690,444	4,054,851
Proposed cash dividend for 2012 @ 50%	-	-	-	(375,000)	(375,000)	-	(375,000)
Proposed transfer to general reserve	-	-	410,000	(410,000)	-	-	-
Total comprehensive income for the quarter ended December 31, 2012	-	-	-	54,582	54,582	83,654	138,236
Balance as on December 31, 2012	<u>750,000</u>	<u>34,000</u>	<u>2,201,000</u>	<u>58,989</u>	<u>2,293,989</u>	<u>774,098</u>	<u>3,818,087</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, 2012 (Unaudited)

	Note	Dec. 31, 2012 (Rupees in thousands)	Dec. 31, 2011
Cash flows from operating activities			
Cash used in operations	10	(160,957)	(76,289)
Finance income received - net		4,551	25,032
Income tax paid		(38,094)	(62,225)
Long-term loans		165	171
Net cash used in operating activities		(194,335)	(113,311)
Cash flows from investing activities			
Fixed capital expenditure		(33,682)	(2,841)
Redemption / sale proceeds of long-term investments		500,313	-
Dividend received		6,329	4,660
Purchase of long-term investments		(1,100,000)	(40,000)
Sale proceeds of fixed assets		-	1,905
Net cash used in investing activities		(627,040)	(36,276)
Cash flows from financing activities			
Dividend paid		(139)	(101)
Net cash used in financing activities		(139)	(101)
Net decrease in cash and cash equivalents		(821,514)	(149,688)
Cash and cash equivalents at the beginning of the quarter		636,083	1,222,138
Cash and cash equivalents at the end of the quarter	11	(185,431)	1,072,450

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, 2012 (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 (CO₂), 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, 2012.

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, 2012.

4. Fixed assets

4.1 Property, plant and equipment

	Dec. 31, 2012	Sept. 30, 2012
	(Rupees in thousands)	
Operating fixed assets	721,550	724,129
Capital work-in-progress - at cost	65,361	47,710
	786,911	771,839

4.2 Cost of additions to / deletions from fixed assets during the period ended December 31, 2012 were as follows:

	Additions	Deletions
	(Rupees in thousands)	
Plant and machinery		
Sugar	3,772	-
Distillery	25,034	-
Textile	65	-
Factory Building	4,449	-
Furniture, fittings and office equipment	362	-
	33,682	-



Dec. 31, Sept. 30,
2012 2012
(Rupees in thousands)

5. Long-term investments

Available for sale

Investments in related parties	1,622,315	1,351,766
Investments in other companies	1,062,602	649,497
	2,684,917	2,001,263

5.1 The aggregate book value of the above referred long-term investments, net of impairment, is Rs. 1,910.819 (September 30, 2012: Rs. 1,310.819) million.

5.2 The above long-term investments are stated at fair value. Increase in unrealised gain of Rs. 83.654 (September 30, 2012: Rs. 130.611) 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. 190.226 million (September 30, 2012: Rs. 190.226 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 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 case was lastly fixed on January 22, 2013 and was adjourned to February 27, 2013. 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.



The Honourable High Court of Sindh on December 4, 2012 decided the case in favour of the Company. No action has so far been taken by PSQCA against the Honourable Court's decision in favour of the Company. In the meantime Company alongwith other sugar mills have filed caveat application on December 21, 2012.

6.1.4 Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development (GID) Cess on gas bills at the rate of Rs. 13 / MMBTU on all Industrial consumers. In the month of June 2012, the Federal Govt. revised GID Cess rate from Rs. 13 / MMBTU to Rs. 100 / MMBTU and recommended this increase under Section 8(3) of the OGRA Ordinance 2002.

In this respect, the Company filed a Suit before the Honourable High Court of Sindh, challenging the applicability of Gas Infrastructure Cess Act, 2011 along with increase in GID Cess as being illegal, void and not in congruence to the Constitution of the Islamic Republic of Pakistan, 1973. The Company further sought refund of all amounts paid to the Government in shape of cess from the date of imposition of same under the GID Cess Act, 2011.

On August 25, 2012, the suit came up for hearing and an ad-interim stay was granted in favour of the Company, restraining the Sui Southern Gas Company Limited from charging any amount of GID Cess over and above Rs. 13 / MMBTU till the final decision of the case.

On September 7, 2012, the Federal Govt. issued another notification revising the rate of GID Cess from Rs. 13 / MMBTU to Rs. 50 / MMBTU and accordingly the prayer Clause of the suit also stands amended.

After the grant of the stay orders the matter had been fixed for hearing on various dates and was argued at length. The suit was lastly fixed on January 17, 2013 and was adjourned to January 30, 2013.

The financial exposure of the Company under the suit for the period upto December 31, 2012 is Rs. 6.41 million. The Company is confident of a favourable outcome of the suit and accordingly no provision has been made in these financial statements.

6.1.5 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. During the period, hearing with respect to Tax Year 2002 (corresponding financial year ended September 30, 2001) was fixed on January 12, 2013 and was adjourned as date in office. The Company is confident of a favourable out come and accordingly no provision for the aforesaid amount has been made in these financial statement.

Dec. 31, 2012	Sept. 30, 2012
(Rupees in thousands)	

6.2 Commitments

6.2.1	Capital expenditure	104,519	109,869
6.2.2	Rentals payable over next four years under operating lease agreements with First Habib Modaraba in respect of vehicles	30,498	26,872



7. Segment operating results and related information for the quarter ended December 31, 2012 (Unaudited)

(Rupees in thousands)

	Sugar Division		Distillery Division		Textile Division		Total	
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Net sales and services								
Sales Local	277,273	306,350	39,931	38,346	1,431	320	318,635	345,016
Export	26,498	–	281,397	352,387	131,958	50,678	439,853	403,065
	303,771	306,350	321,328	390,733	133,389	50,998	758,488	748,081
Services - Storage income - net	–	–	126	79	–	–	126	79
	303,771	306,350	321,454	390,812	133,389	50,998	758,614	748,160
Less: Cost of sales	(265,167)	(239,277)	(257,165)	(335,188)	(120,876)	(46,435)	(643,208)	(620,900)
Gross Profit	38,604	67,073	64,289	55,624	12,513	4,563	115,406	127,260
Less: Selling and distribution expenses	(6,473)	(5,274)	(12,060)	(15,601)	(6,983)	(3,351)	(25,516)	(24,226)
Administrative expenses	(26,117)	(25,306)	(4,525)	(4,530)	(1,009)	(1,007)	(31,651)	(30,843)
	(32,590)	(30,580)	(16,585)	(20,131)	(7,992)	(4,358)	(57,167)	(55,069)
Profit before other operating expenses and other operating income	6,014	36,493	47,704	35,493	4,521	205	58,239	72,191
Other operating expenses - note 8							(5,012)	(7,602)
Other operating income - note 9							9,072	5,566
Operating Profit							62,299	70,155



	Dec. 31, 2012	Dec. 31, 2011
	(Rupees in thousands)	
8. Other operating expenses		
Workers' Profit Participation Fund	3,580	5,430
Workers' Welfare Fund	1,432	2,172
	<u>5,012</u>	<u>7,602</u>
9. Other operating income		
Dividend income	4,641	3,084
Gain on disposal of fixed assets	–	202
Profit on redemption / sale of long-term investments	313	–
Scrap sale	1,533	798
Exchange gain	2,585	1,482
	<u>9,072</u>	<u>5,566</u>
10. Cash generated from / (used in) operations		
Profit before taxation	66,582	100,995
Adjustment for non-cash charges and other items		
Depreciation	18,610	19,336
Gain on disposal of fixed assets	–	(202)
Profit on redemption / sale of long-term investments	(313)	–
Finance income - net	(4,283)	(30,840)
Dividend income	(4,641)	(3,084)
Working capital changes - note 10.1	(236,912)	(162,494)
	<u>(160,957)</u>	<u>(76,289)</u>
10.1 Working capital changes		
(Increase) / decrease in current assets		
Stores and spare parts	(36,639)	(27,237)
Stock-in-trade	(1,198,048)	(707,272)
Trade debts	321,969	104,211
Loans and advances	(209,271)	(177,553)
Trade deposits and short-term prepayments	1,506	(2,931)
Other receivables	(1,373)	443
	<u>(1,121,856)</u>	<u>(810,339)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	725,947	647,845
Advance from customers	158,997	–
	<u>884,944</u>	<u>647,845</u>
Net changes in working capital	<u>(236,912)</u>	<u>(162,494)</u>



Dec. 31, 2012 Dec. 31, 2011
(Rupees in thousands)

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

These comprise of the following:

Cash and bank balances	1,094,569	1,072,450
Short-term borrowings	(1,280,000)	–
	<u>(185,431)</u>	<u>1,072,450</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, 2012	Dec. 31, 2011
Insurance premium paid	10,263	7,996
Insurance claim received	–	6,055
Profit on treasury call accounts / term deposits	11,066	23,278
Purchases	–	43
Bonus units received at nominal value	21,870	4,051
Bank charges	110	33

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

13. Dividend

The Board of Directors of the Company in their meeting held on December 26, 2012 had proposed a final cash dividend of Rs. 2.50 per share (50%) for the year ended September 30, 2012. The cash dividend as proposed by the Board of Directors of the Company was approved by the members at the Annual General Meeting of the Company held on January 29, 2013. 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 29, 2013 by the Board of Directors of the Company.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director