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Company Information

Board of Directors	Asghar D. Habib Murtaza Habib Hasnain Habib Farouq Habib Rahimtoola Sohail Hussain Haji Muhammad Salman Husain Chawala Tyaba Muslim Habib Khursheed A. Jamal	<i>Chairman</i> <i>Chief Executive</i>
Audit Committee	Farouq Habib Rahimtoola Tyaba Muslim Habib Sohail Hussain Haji	<i>Chairman</i> <i>Member</i> <i>Member</i>
Human Resource & Remuneration Committee	Tyaba Muslim Habib Hasnain Habib Khursheed A. Jamal	<i>Chairperson</i> <i>Member</i> <i>Member</i>
Chief Financial Officer	Amir Bashir Ahmed	
Company Secretary	Imran Amin Virani	
Registered Office	3rd Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi-75530 Phones : (+92-21) 35680036 - 5 Lines Fax : (+92-21) 35684086 www : habibsugar.com E-mail : sugar@habib.com	
Mills	Sugar & Distillery Division Nawabshah District Shaheed Benazirabad Phones : (+92-244) 360751 - 5 Lines Fax : (+92-244) 361314 Textile Division D-140/B-1 Mangopir Road S.I.T.E. Karachi-75700 Phones : (+92-21) 32571325, 32572119 Fax : (+92-21) 32572118	
Bulk Storage	Terminal 60/1-B Oil Installation Area Keamari Karachi-75620 Phones : (+92-21) 32852003-4 Fax : (+92-21) 32852005	
Bankers	Allied Bank Limited Bank AL Habib Limited First Women Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited MCB Bank Limited Meezan Bank Limited National Bank of Pakistan United Bank Limited	
Statutory Auditors	Grant Thornton Anjum Rahman Chartered Accountants	
Cost Auditors	Reanda Haroon Zakaria & Co. Chartered Accountants	
Share Registrar	THK Associates (Pvt.) Limited Plot No. C-32, Jami Commercial Street-2 D.H.A. Phase VII, Karachi. UAN : (+92-21) 111-000-322 Phone : (+92-21) 35310184 Fax : (+92-21) 35310191 E-mail : sfc@thk.com.pk	



Directors' Report

Dear Members – Assalam-o-Alekum

On behalf of the Board of Directors, we are pleased to present you the unaudited consolidated and unconsolidated condensed interim financial statements of the Company for the first quarter ended on December 31, 2022. The Company has earned pre-tax profit of Rs. 354.33 million (December 31, 2021: Rs. 361.72 million). The financial results of the Company for the first quarter ended December 31, 2022 are summarized below:

Financial Results

	First Quarter ended December 31, 2022	First Quarter ended December 31, 2021 (Rupees in Million)	Variance
Profit before taxation	354.33	361.72	(7.39)
Less: Taxation	(70.00)	(68.00)	(2.00)
Profit after taxation	284.33	293.72	(9.39)
Add: Realized gain on sale of investment	4.13	9.34	(5.21)
Unappropriated profit brought forward	5.19	5.11	0.08
Unappropriated profit carried forward	293.65	308.17	(14.52)
Earnings per share–Basic and diluted (Rs.)	1.90	1.96	(0.06)

Sugar Division

The crushing season 2022-23 commenced on November 29, 2022 and upto December 31, 2022, sugarcane of 314,817 M. Tons was crushed with average sucrose recovery of 10.50% and sugar production of 33,080 M. Tons as compared with sugarcane crushing of 389,656 M. Tons with average sucrose recovery of 9.73 % and sugar production of 37,908 M. Tons during the corresponding quarter of the previous year.

The Government of Sindh on November 23, 2022 issued a notification fixing the minimum sugarcane support price at Rs. 302 per 40 kgs for the crushing season 2022 - 23 as against Rs.250 per 40 kgs for the crushing season 2021 - 2022. In addition, the sugar mills are also required to pay quality premium at the rate of Re. 0.50 for every 0.1 percent sucrose recovery in excess of the bench mark of 8.7%.

The sugar division earned operating profit of Rs. 60.77 million (December 31, 2021: Rs. 175.51 million). The decrease in operating profit was due to depressed ex-mill selling prices of sugar in the local market.



Considering the surplus quantity of sugar in the country, the Sugar Advisory Board (SAB) in principle, recommended the Economic Coordination Committee (ECC) to allow export of 500,000 M. tons of sugar. The ECC in their meetings has allowed and approved export of 250,000 M. Tons in phases. The mechanism for allocation of export quota is under finalization by the authorities.

Distillery Division

The ethanol production during the first quarter ended December 31, 2022 was 8,187 M. Tons (December 31, 2021: 4,987 M. Tons). The division earned operating profit of Rs. 260.76 million (December 31, 2021: Rs. 130.78 million). The increase in profit of the division during the period was mainly due to better selling prices and devaluation of Pakistani Rupee against foreign currencies.

The liquidified carbon dioxide (CO₂) unit produced 1,952 M. Tons (December 31, 2021: 1,407 M. Tons). The contribution of the unit is included in the profit of the division.

Textile Division

The division earned operating profit of Rs. 4.54 million (December 31, 2021: operating loss of Rs. 2.01 million). During the first quarter under review, the increase in profit was mainly due to better selling prices and reduced freight charges.

Trading Division

The Trading division earned operating profit of Rs. 3.50 million (December 31, 2021: Rs. 0.97 million).

Election of Directors

On January, 25, 2023, election of Directors was held and Messrs. Asghar D. Habib, Murtaza Habib, Hasnain Habib, Farouq Habib Rahimtoola, Sohail Hussain Haji, Muhammad Salman Husain Chawala and Ms Tyaba Muslim Habib were elected as directors of the company for a period of three years.

Acknowledgement

The Directors of the Company would like to thank all the staff, shareholders, financial institutions and other stakeholders of the Company for their continued support and cooperation.

On behalf of the Board of Directors

Khursheed A. Jamal
Chief Executive

Murtaza Habib
Director

Karachi: January 25, 2023

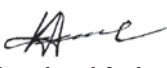


Unconsolidated Condensed Interim Statement of Financial Position as at December 31, 2022 (Unaudited)

	Note	Unaudited Dec 31, 2022	Audited Sept. 30, 2022
Assets			
Non-Current Assets			
(Rupees in thousands)			
Property, plant and equipment	4	2,307,939	2,357,465
Right-of-use assets		12,664	14,474
Long-term investments	5	2,071,354	2,155,805
Long-term loans		15,942	14,828
Long-term deposits		3,972	3,972
		4,411,871	4,546,544
Current Assets			
Stores and spare parts		331,323	274,960
Stock-in-trade	6	6,602,950	5,004,293
Trade debts		441,616	324,143
Loans and advances	7	1,573,623	76,069
Trade deposits and short-term prepayments		34,230	20,483
Accrued Profit		46,077	23,964
Other receivables	8	126,636	11,277
Short-term investments	9	4,039,274	2,705,738
Cash and bank balances	10	557,291	545,972
		13,753,020	8,986,899
Total Assets		18,164,891	13,533,443
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		8,454,992	8,770,002
Total Equity		9,204,992	9,520,002
Non-Current Liabilities			
Deferred taxation	11	85,000	92,000
Gas Infrastructure Development Cess	12	76,938	76,822
Lease liability		7,244	9,573
		169,182	178,395
Current Liabilities			
Trade and other payables	13	2,300,144	1,890,513
Advance from customers		2,759,088	1,810,835
Short-term borrowing	14	3,030,000	-
Unclaimed dividends		105,162	105,162
Accrued Mark-up on short-term borrowing		38,387	-
Taxation - net		24,607	20,607
Current portion of lease liability		8,329	7,929
Proposed dividend		525,000	-
		8,790,717	3,835,046
Contingencies and Commitments	15		
Total Equity and Liabilities		18,164,891	13,533,443

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.


Amir Bashir Ahmed
 Chief Financial Officer


Khursheed A. Jamal
 Chief Executive


Murtaza Habib
 Director




**Unconsolidated Condensed Interim Statement of Profit or Loss
for the quarter ended December 31, 2022 (Unaudited)**

	Note	Dec. 31, 2022 (Rupees in thousands)	Dec. 31, 2021
Segment operating results	16		
Net sales and services		3,261,404	2,810,399
Cost of sales		(2,784,490)	(2,384,567)
Gross Profit		476,914	425,832
Selling and distribution expenses		(74,673)	(63,092)
Administrative expenses		(72,661)	(57,497)
Other operating expenses	17	(102,567)	(28,198)
Other income	18	139,832	52,696
		(110,069)	(96,091)
Operating Profit		366,845	329,741
Finance (cost) / income - net	19	(12,516)	31,975
Profit before taxation		354,329	361,716
Taxation		(70,000)	(68,000)
Profit after taxation		284,329	293,716
Earnings per share - Basic and diluted (Rupees)		1.90	1.96

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.


Amir Bashir Ahmed
Chief Financial Officer


Khursheed A. Jamal
Chief Executive


Murtaza Habib
Director



**Unconsolidated Condensed Interim Statement of Comprehensive Income
for the quarter ended December 31, 2022 (Unaudited)**

	Dec. 31, 2022	Dec. 31, 2021
	(Rupees in thousands)	
Profit after taxation	284,329	293,716
Other comprehensive income :		
Items that will not be reclassified subsequently to the statement of profit or loss:		
Unrealised (Loss) / Gain on re-measurement of equity investments classified as fair value through other comprehensive income (FVOCI)	(74,339)	(8,981)
Total Comprehensive gain for the quarter ended December 31, 2022	<u>209,990</u>	<u>284,735</u>

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.

Amir Bashir Ahmed
Chief Financial Officer

Khursheed A. Jamal
Chief Executive

Murtaza Habib
Director




Unconsolidated Condensed Interim Statement of Changes in Equity for the quarter ended December 31, 2022 (Unaudited)

	Revenue Reserves				Unrealised gain/ (loss) on re-measurement of FVOCI investments	Total Reserves	Total Equity
	Issued, Subscribed and Paid-up Capital	Capital Reserve	General Reserve	Unappro- priated Profit			
(Rupees in thousands)							
Balance as on October 1, 2021	750,000	34,000	5,748,500	1,115,111	1,612,483	8,510,094	9,260,094
Cash dividend for the year ended September 30, 2021 @ 60%	-	-	-	(450,000)	-	(450,000)	(450,000)
Transfer to general reserve	-	-	660,000	(660,000)	-	-	-
Realised gain on sale of investment	-	-	-	9,346	(9,346)	-	-
Total comprehensive income for the quarter ended December 31, 2021	-	-	-	293,716	(8,981)	284,735	284,735
Balance as on December 31, 2021	<u>750,000</u>	<u>34,000</u>	<u>6,408,500</u>	<u>308,173</u>	<u>1,594,156</u>	<u>8,344,829</u>	<u>9,094,829</u>
Balance as on October 1, 2022	750,000	34,000	6,408,500	1,340,185	987,317	8,770,002	9,520,002
Proposed cash dividend for the year ended September 30, 2022 @ 70%	-	-	-	(525,000)	-	(525,000)	(525,000)
Proposed transfer to general reserve	-	-	810,000	(810,000)	-	-	-
Realised gain on sale of investment	-	-	-	4,134	(4,134)	-	-
Total comprehensive income for the quarter ended December 31, 2022	-	-	-	284,329	(74,339)	209,990	209,990
Balance as on December 31, 2022	<u>750,000</u>	<u>34,000</u>	<u>7,218,500</u>	<u>293,648</u>	<u>908,844</u>	<u>8,454,992</u>	<u>9,204,992</u>

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.


Amir Bashir Ahmed
 Chief Financial Officer


Khursheed A. Jamal
 Chief Executive


Murtaza Habib
 Director




Unconsolidated Condensed Interim Statement of Cash Flows for the quarter ended December 31, 2022 (Unaudited)

	Note	Dec. 31, 2022	Dec. 31, 2021
		(Rupees in thousands)	
Cash flows from operating activities			
Cash generated from operations	20	(1,750,735)	(470,186)
Finance income received - net		3,758	24,457
Income tax paid		(68,445)	(28,579)
Long-term loans		(1,114)	(11,188)
Long-term deposits		-	(10)
Net cash generated from operating activities		(1,816,091)	(485,506)
Cash flows from investing activities			
Fixed capital expenditure		(4,428)	(65,064)
Sale proceeds of investments		3,513,895	3,963,568
Dividend received		131,530	50,310
Purchase of investments		(4,841,453)	(3,801,954)
Sale proceeds of fixed assets		662	-
Net cash used in investing activities		(1,199,794)	146,860
Cash flows from financing activities			
Lease rental paid		(2,796)	(1,538)
Dividend paid		-	(1,170)
Net cash used in financing activities		(2,796)	(2,708)
Net Increase in cash and cash equivalents		(3,018,681)	(341,354)
Cash and cash equivalents at the beginning of the quarter		545,972	268,863
Cash and cash equivalents at the end of the quarter	21	<u>(2,472,709)</u>	<u>(72,491)</u>

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.


Amir Bashir Ahmed
 Chief Financial Officer


Khursheed A. Jamal
 Chief Executive


Murtaza Habib
 Director



Notes to the Unconsolidated Condensed Interim Financial Statements for the quarter ended December 31, 2022 (Unaudited)

1. The Company and its operations

Habib Sugar Mills Limited is a public limited Company incorporated in Pakistan, on February 08, 1962 with its shares quoted on the Pakistan Stock Exchange Limited. The Company is engaged in the manufacturing and marketing of refined sugar, molasses, ethanol, liquidified carbon dioxide (CO₂), household textiles, providing bulk storage facilities and trading of commodities. The registered office of the Company is situated at Imperial Court, 3rd Floor, Dr. Ziauddin Ahmed Road, Karachi.

These are separate unconsolidated financial statements of the Company in which investments in subsidiary is accounted for on the basis of direct equity interest.

2. Statement of compliance

These unconsolidated condensed interim financial statements are unaudited and have been prepared in accordance with the requirements of International Accounting Standard (IAS) - 34, 'Interim Financial Reporting', as applicable in Pakistan and provisions of and directives issued under the Companies Act, 2017 (the Act). In case where requirements differ, the provisions of or directives issued under the Act have been followed.

These unconsolidated 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, 2022.

3. Significant accounting policies and disclosures

The accounting policies and methods of computation followed for the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Company for the year ended September 30, 2022.

	(Unaudited) Dec. 31, 2022	(Audited) Sept. 30, 2022
	(Rupees in thousands)	
4. Property, plant and equipment		
4.1 Operating fixed assets	2,284,024	2,333,899
Capital work-in-progress	23,915	23,566
	<u>2,307,939</u>	<u>2,357,465</u>
4.2 Cost of additions to and written down value of deletions from fixed assets during the quarter ended December 31, 2022 were as follows:		
	Additions	Deletions
	(Rupees in thousands)	
Plant and machinery		
Sugar	349	-
Textile	-	-
Furniture, fittings and office equipment	2,390	2
Vehicle	1,689	2
	<u>4,428</u>	<u>4</u>



	(Unaudited) Dec. 31, 2022	(Audited) Sept. 30, 2022
	(Rupees in thousands)	
5. Long-term investments		
Investments in related parties – Quoted - at fair value	1,366,459	1,335,617
– Un-Quoted - at fair value	12,788	12,788
Investments in other companies – Quoted - at fair value	692,107	807,400
	<u>2,071,354</u>	<u>2,155,805</u>
5.1 Investments in associated companies or undertakings have been made in accordance with the requirements under the Act.		
5.2 The aggregate cost of these investments, net of impairment is Rs.1,202.03 (September 30, 2022: Rs.1,315.53) million.		
	(Unaudited) Dec. 31, 2022	(Audited) Sept. 30, 2022
	(Rupees in thousands)	
6. Stock-in-trade		
Raw materials	1,458,169	966,348
Work-in-process	154,559	78,367
Finished goods	4,920,181	3,922,681
Bagasse	70,041	36,897
	<u>6,602,950</u>	<u>5,004,293</u>
7. Loans and advances		
Loans - secured		
Current maturity of long-term loans		
Executives	12,000	17,700
Other Employees	9,964	6,723
	21,964	24,423
Advances - unsecured		
Suppliers	1,551,659	51,646
	<u>1,573,623</u>	<u>76,069</u>
Short-term loans of include loans of Rs.6.23 (2022. Rs.5.09) million to workers which carry no interest as per Company policy and CBA agreement. The balance amount of loan carries interest @ 7% (September 30, 2022: 7%) per annum.		
8. Other receivables - Considered good		
Duty drawback and research & development support claim	2,421	3,953
Dividend receivable	–	7,210
Others	124,215	114
	<u>126,636</u>	<u>11,277</u>



	Note	(Unaudited) Dec. 31, 2022	(Audited) Sept. 30, 2022
9. Short-term investments			
Governments Securities - at amortised cost			
Market Treasury Bills	9.1	248,974	248,974
Pakistan Investment Bond		<u>101,641</u>	<u>101,641</u>
		350,615	350,615
At FVOCI			
Investment in related parties - unquoted			
Uni Food Industries Limited		-	116,391
Units of Mutual Funds - FVOCI		<u>3,688,659</u>	<u>2,238,732</u>
		<u>4,039,274</u>	<u>2,705,738</u>

9.1 These carry effective yield of 13.64% to 14.47% (September 30, 2022: 7.57% to 14.47%) per annum, having maturity latest by May 2023.

9.2 The aggregate cost of the units of mutual funds is Rs. 3,658.67 (September 30, 2022: Rs.2,213.08) million and included Rs.1,556.91 with a wholly owned Subsidiary of related party.

10. Cash and bank balances

Cash in hand		6,506	392
Balances with banks in:			
Current accounts		546	52,386
Treasury call accounts	10.1	300,239	243,194
Term Deposit Receipts	10.2	<u>250,000</u>	<u>250,000</u>
	10.3	550,785	545,580
		<u>557,291</u>	<u>545,972</u>

10.1 Profit rates on Treasury call accounts ranged between 13.75% to 14.75% (September 2022: 6.50% to 13.75%) per annum.

10.2 Profit rates on Term Deposit Receipts is 14.50% (September 2022: 6.70% to 14.50%) per annum. Maturity of these Term Deposit Receipts are one month.

10.3 Includes Rs.285.28 (September 2022: Rs.244.30) million kept with Bank AL Habib Limited - a related party.



	(Unaudited) Dec. 31, 2022	(Audited) Sept. 30, 2022
	(Rupees in thousands)	
11. Deferred taxation		
Deferred tax liability on taxable temporary differences:		
on accelerated tax depreciation allowance on operating fixed assets	232,000	235,000
Deferred tax asset on deductible temporary differences:		
Provision for obsolescence and slow moving stores & spare parts	(12,000)	(12,000)
Deferred tax asset on impairment of investments	(16,500)	(16,500)
Deferred tax asset on lease liability	(5,000)	(6,000)
Unabsorbed tax depreciation allowance	(103,500)	(103,500)
Deferred tax asset on re-measurement of investments	(10,000)	(5,000)
	(147,000)	(143,000)
	<u>85,000</u>	<u>92,000</u>

12. G.I.D.C.

The Honourable Supreme Court of Pakistan on August 13, 2020 decided the Gas Infrastructure Development Cess (GIDC) case and held that the levy of GIDC under the GIDC Act 2015 is constitutional. The Apex Court further stated that all industrial and commercial entities which consume natural gas pass on the burden to their customers, have to pay the GID Cess that become due upto July 31, 2020 with effect from 2011.

Subsequently to the Order passed by the Apex Court, the SSGC issued GIDC bill of Rs. 5.78 million being the first installment of total GIDC arrears of Rs. 138.68 million which are to be recovered in forty eight monthly installments.

The above demand of the SSGC was not acknowledged as liability as the Company had not passed the burden to their customers/clients. The Company filed an appeal before the Honourable High Court of Sindh ('the Court') on the ground that no burden of GIDC had been passed to its customers/clients and thus the Company is not liable to pay GIDC under GIDC Act 2015. The Court granted stay vide order dated September 22, 2020 against the demand raised by the SSGC and restrained to take any coercive action.

However, as a matter of abundant caution and without prejudice to the suit filed, the Company had made aggregate provision of Rs.138.68 million for GID Cess in the unconsolidated financial statements for the year ended September 30, 2020.

In January 2021, the Institute of Chartered Accountants of Pakistan (ICAP), issued Technical Release (TR) on accounting of GIDC. According to the TR, the provision of GIDC is to be re-measured on present value basis. The provision of GIDC of Rs.138.68 million accounted for in September 30, 2020 was re-measured at the present value which works out to Rs.109.69 million (including current maturity of Rs.32.76 million) as shown below resulting in re-measurement gain on discounting of GIDC of Rs.28.99 million.



	Note	(Unaudited) Dec. 31, 2022 (Rupees in thousands)	(Audited) Sept. 30, 2022
Opening balance provision for GIDC		109,573	117,408
Loss / (gain) on re-measurement on discounting of GIDC		126	(7,835)
Closing balance provision for GIDC		<u>109,699</u>	<u>109,573</u>
GIDC shown under Non-current liabilities		76,938	76,822
Payable within next twelve months shown under trade and other payable	13	<u>32,761</u>	<u>32,751</u>
Closing balance provision GIDC		<u>109,699</u>	<u>109,573</u>
13. Trade and other payables			
Creditors		1,739,503	1,305,142
Accrued liabilities		440,925	394,003
Sales tax		33,249	41,382
Payable to Employees Gratuity Fund		-	1,573
Gas Infrastructure Development Cess	12	32,761	32,751
Workers' Profit Participation Fund (WPPF)		18,993	88,508
Workers' Welfare Fund		26,199	23,799
Income-tax deducted at source		<u>8,514</u>	<u>3,355</u>
		<u>2,300,144</u>	<u>1,890,513</u>
14. Short-term borrowings - secured		<u>3,030,000</u>	<u>-</u>

The aggregate financing facility available from commercial banks amounted to Rs.7,898 (September 2022: Rs.7,898) million. These financing 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 charged during the period was 10% to 17.10% (September 2022: 3% to 13.14%) per annum.

15. Contingencies and commitments

Contingencies

- 15.1** The Competition Commission of Pakistan (CCP) has passed a consolidated order on August 6, 2021 whereby penalties had been levied on 84 sugar mills (First Opinion) under the Competition Act, 2010 on account of alleged 'anti-competitive activities in the sugar industry'. The proceedings were heard by a four-member bench of CCP and the two members differed with the First Opinion and gave a second/opposite opinion on August 12, 2021 however, the Chairperson vide order dated August 13, 2021 confirmed the first opinion (whereby the penalties were levied) as a view of the CCP by giving a casting vote.

Under the above-referred order dated August 6, 2021, penalty of Rs. 493.66 million had been levied on the Company equivalent to 5% of the total turnover of Rs. 9,873.13 million as per the audited financial statements for the year ended September 30, 2019. The penalty had been levied on account of alleged 'collective decision of export quantities' by fixing/controlling the supply of sugar and maintaining the desired price levels in the market during the period from the year 2012 to 2020.



The Company alongwith 17 other sugar mills had filed a suit against the above-referred order dated August 6, 2021 through its legal counsel before the Sindh High Court who vide its order No. 2273 of 2021 dated October 07, 2021 had suspended the operation of above impugned order dated August 06, 2021 and August 13, 2021.

However, the CCP in contravention of the above restraining order of the High Court has issued a show-cause notice under section 30 of the Competition Act, 2010 on October 08, 2021 wherein identical issues are involved. The Company alongwith 18 other sugar mills has filed a suit against the above show-cause notice and the Sindh High Court vide its order No. 2381 dated October 14, 2021 had suspended the operation of the above show-cause notice dated October 08, 2021.

The Sindh High Court had given an interim favorable order on June 13, 2022 whereby the Sindh High Court had granted injunction whereunder the casting vote of the Chairperson had been suspended till the final decision of the Suit and subject to deposit of bank guarantees equivalent to 50% of amount of penalty with the Nazir of the SHC. In light of the Court's order, the Company deposited the bank guarantees with the Nazir of the Court on July 22, 2022.

In the meantime, the Company alongwith other sugar mills filed an appeal before the Sindh High Court against the requirement of furnishing bank guarantees as directed in the Sindh High Court's order dated June 13, 2022. The aforesaid appeal was disposed off vide order dated August 25, 2022 in terms of joint statement filed by sugar mills and the CCP with the Court.

In terms of the above joint statement, it was agreed between the parties that the interim order dated June 13, 2022 shall set aside and the bank guarantees already submitted by sugar mills with the Nazir of the Court shall be returned back to sugar mills. It was further agreed under the joint statement that the CCP shall not initiate any recovery proceedings until the final decision in appeals which are pending before the Competition Appellate Tribunal. Further, the single judge of the Sindh High Court shall also decide the pending suits expeditiously.

The bank guarantees submitted by the Company with the Nazir of the Court on July 22, 2022 have been returned back to the Company. The date of hearing before the Competition Appellate Tribunal was fixed for January 10, 2023 and was adjourned to date in office.

The legal counsel of the Company is of the view that in light of the observation of the Sindh High Court in its order dated June 13, 2022 that the casting was not lawfully exercised by the Chairperson, the favourable outcome is expected from the Sindh High Court as well as Competition Appellate Tribunal. The Company has therefore, not made any provision in these unconsolidated financial statements in respect of the penalty levied by CCP vide its order dated August 06, 2021.

- 15.2** Pursuant to the decision of ECC on January 10, 2013, the FBR vide its SRO No. 77(1)/2013 dated February 7, 2013, allowed benefit to sugar exporters by reducing FED rate from 8.0% to 0.5% on local sales, equivalent to quantity exported by the mills. The Company availed the benefit and claimed Rs.56.56 million on account of reduced rate of FED. Against the aforementioned claim, FBR disallowed an amount of Rs.7.0 million and also levied default surcharge of Rs.0.3 million. The disallowances was on the basis



that the benefit of claim accrues and arises from February 7, 2013, the date of SRO No: 77(1)/2013 and not from January 10, 2013, the date of ECC meeting wherein the benefit was approved by ECC. The Company maintains that the sugar mills are entitled to avail the benefit of reduced rate of FED on sugar exported against the export quota allotted by ECC in its meeting held on January 10, 2013. Accordingly, the Company filed a suit before Honourable High Court of Sindh and the operations of the said order were suspended by the Honourable Court vide its order dated April 23, 2014. On November 14, 2018 the Company withdraw the suit & filed an appeal before commissioner inland revenue who vide order dated February 28, 2019 rejected the appeal. The Company then filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) where the appeal is pending. In view of the advice of legal counsel, the company is confident of a favourable outcome and accordingly no provision has been made in these unconsolidated financial statements.

- 15.3** The Government of Sindh vide notification dated July 08, 2014 levied a fee of Rs.0.50 / litre for storage of rectified spirit in bonded warehouse at Terminal Keamari, Karachi. The Company disputed the above levy and filed constitutional petition before the Honourable High Court of Sindh, challenging the above fee. On July 23, 2014, the Honourable High Court of Sindh granted stay and suspended the operation of the above notification. The case was lastly fixed for hearing on October 21, 2021 and was adjourned till January 30, 2023. The financial exposure as at December 31, 2022 is Rs.103.01 (2022: Rs.81.41) million. In view of the advice of legal counsel, the Company is confident of a favourable outcome of the case and accordingly no provision has been made in these unconsolidated financial statements.

Commitments

- 15.4** The Company has provided counter guarantees to Bank AL Habib Limited, a related party, amounting to Rs.500 (September 30, 2022: Rs.500.00) million against agriculture finance facilities to the growers supplying sugarcane to the mills and counter guarantees to other banks amounting to Rs.2,965.99 (September 30, 2022: Rs.1,529.25) million against guarantees issued by banks in favour of third parties on behalf of the Company. These guarantees are secured by way of registered charge against hypothecation of stores and spares, stock-in-trade, assignment of trade debts and other receivables.
- 15.5** Commitments for capital expenditure amounting to Rs.3.67 (September 2022 : Rs.3.67) million.

	(Unaudited)	(Audited)
	Dec. 31,	Sept. 30,
Note	2022	2022
	(Rupees in thousands)	
15.6 Rentals payable over next four years under operating lease agreements with First Habib Modraba in respect of vehicles	<u>136,552</u>	<u>148,568</u>



16. Unconsolidated Segment operating results for the first quarter (Unaudited)

	Sugar Division		Distillery Division		Textile Division		Trading Division		(Rupees in thousands) Total	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
	Net sales and services									
Sales										
Local	1,926,715	1,600,909	143,152	113,582	367	131	6,558	4,077	2,076,792	1,718,699
Export	-	-	1,043,913	952,989	138,757	137,474	-	-	1,182,670	1,090,463
	1,926,715	1,600,909	1,187,065	1,066,571	139,124	137,605	6,558	4,077	3,259,462	2,809,162
Services - Storage income - net	-	-	1,942	1,237	-	-	-	-	1,942	1,237
	1,926,715	1,600,909	1,189,007	1,067,808	139,124	137,605	6,558	4,077	3,261,404	2,810,399
Less: Cost of sales	(1,781,031)	(1,356,884)	(875,276)	(893,038)	(125,265)	(132,654)	(2,918)	(1,991)	(2,784,490)	(2,384,567)
Gross Profit	145,684	244,025	313,731	174,770	13,859	4,951	3,640	2,086	476,914	425,832
Less: Selling and distribution expenses	(23,692)	(20,367)	(44,094)	(36,405)	(6,887)	(5,345)	-	(975)	(74,673)	(63,092)
Administrative expenses	(61,219)	(48,153)	(8,877)	(7,584)	(2,428)	(1,615)	(137)	(145)	(72,661)	(57,497)
	(84,911)	(68,520)	(52,971)	(43,989)	(9,315)	(6,960)	(137)	(1,120)	(147,334)	(120,589)
Profit / (Loss) before other operating expenses and other income	60,773	175,505	260,760	130,781	4,544	(2,009)	3,503	966	329,580	305,243
Other operating expenses - note 17									(102,567)	(28,198)
Other income - note 18									139,832	52,696
Operating Profit									366,845	329,741



	(Unaudited)	
	Dec. 31, 2022	Dec. 31, 2021
	(Rupees in thousands)	
17. Other operating expenses		
Workers' Profit Participation Fund	18,993	19,661
Workers' Welfare Fund	2,400	2,500
Exchange loss - net	81,174	6,037
	<u>102,567</u>	<u>28,198</u>
18. Other income		
Income from financial assets		
Dividend income	124,320	40,925
Income from non financial assets		
Gain on disposal of fixed assets	658	-
Agriculture Income	841	788
Remeasurement gain on discounting of provision for GIDC	(126)	4,600
Scrap sale	14,139	6,383
	<u>15,512</u>	<u>11,771</u>
	<u>139,832</u>	<u>52,696</u>
19. Finance income / (cost) - net		
Profit / Interest on :		
Treasury call accounts	12,244	8,677
Term deposit receipts	9,137	-
Government Securities	13,075	43,263
Loan to employees	589	291
	<u>35,045</u>	<u>52,231</u>
Less:		
Mark-up / interest on:		
Short-term borrowings	(38,381)	(10,603)
Lease Liability	(357)	(285)
Workers' Profit Participation Fund	(1,165)	(1,217)
Bank charges	(7,658)	(8,151)
	<u>(47,561)</u>	<u>(20,256)</u>
	<u>(12,516)</u>	<u>31,975</u>



	(Unaudited)	
	Dec. 31, 2022	Dec. 31, 2021
	(Rupees in thousands)	
20. Cash generated from / (used in) operations		
Profit before taxation	354,329	361,716
Adjustment for non-cash charges and other items		
Depreciation	55,761	57,892
Gain on disposal of fixed assets	(658)	-
Finance (cost) / income - net	12,516	(31,975)
Remeasurement gain on discounting of Provision for GIDC	126	-
Dividend income	(124,320)	(40,925)
Working capital changes - note 20.1	(2,048,489)	(816,894)
	<u>(1,750,735)</u>	<u>(470,186)</u>
20.1 Working capital changes		
(Increase) / decrease in current assets		
Stores and spare parts	(56,363)	(56,207)
Stock-in-trade	(1,598,657)	(2,100,929)
Trade debts	(117,473)	157,320
Loans and advances	(1,497,554)	(495,984)
Trade deposits and prepayments	(13,747)	(770)
Other receivables	(122,569)	(872)
	(3,406,363)	(2,497,442)
Increase / (decrease) in current liabilities		
Trade and other payables	409,631	228,571
Advance from customers	948,253	1,451,977
	1,357,874	1,680,548
Net changes in working capital	<u>(2,048,489)</u>	<u>(816,894)</u>
21. Cash and cash equivalents at the end of the quarter		
These comprise of the following:		
Cash and bank balances	557,291	1,427,509
Short-term borrowings	(3,030,000)	(1,500,000)
	<u>(2,472,709)</u>	<u>(72,491)</u>



22. Transactions with related parties

Related parties comprise of subsidiary, associated entities, entities with common directorship, directors and key management personnel. Material transactions with related parties during the period and balances at the end of the period, other than those which have been disclosed elsewhere in these unconsolidated condensed interim financial statements, are as follows:

	(Unaudited)	
	Dec. 31, 2022	Dec. 31, 2021
	(Rupees in thousands)	
Insurance premium paid	17,131	14,457
Insurance claim received	–	1,700
Profit on treasury call accounts / term deposits	11,800	8,568
Investment in shares / units of mutual funds	1,800,000	1,319,680
Bank charges	544	50
Compensation of Key management personnel	17,981	17,531
Contribution to retirement funds	4,982	7,033

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

23. Dividend

The Board of Directors of the Company in their meeting held on December 26, 2022 had proposed a final cash dividend of Rs.3.50 per share (70%) for the year ended September 30, 2022. 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 25, 2023. The proposed cash dividend has been accounted for in these condensed interim financial statements.

24. 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 25, 2023 by the Board of Directors of the Company.

Amir Bashir Ahmed
Chief Financial Officer

Khurshed A. Jamal
Chief Executive

Murtaza Habib
Director




Consolidated Condensed Interim Statement of Financial Position as at December 31, 2022 (Unaudited)

	Note	Unaudited Dec 31, 2022	Audited Sept. 30, 2022
Assets			
Non-Current Assets			
Property, plant and equipment	4	2,307,939	2,357,465
Right-of-use assets		12,664	14,474
Long-term investments	5	2,071,354	2,155,805
Long-term loans		15,942	14,828
Long-term deposits		3,972	3,972
		<u>4,411,871</u>	<u>4,546,544</u>
Current Assets			
Stores and spare parts		331,323	274,960
Stock-in-trade	6	6,602,950	5,004,293
Trade debts		441,616	324,143
Loans and advances	7	1,573,623	76,069
Trade deposits and short-term prepayments		34,230	20,483
Accrued Profit		46,085	23,964
Other receivables	8	126,636	11,277
Short-term investments	9	4,039,274	2,705,738
Cash and bank balances	10	557,414	546,095
		<u>13,753,151</u>	<u>8,987,022</u>
Total Assets		<u><u>18,165,022</u></u>	<u><u>13,533,566</u></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		<u>750,000</u>	<u>750,000</u>
Reserves		<u>8,454,795</u>	<u>8,769,814</u>
Total Equity		<u>9,204,795</u>	<u>9,519,814</u>
Non-Current Liabilities			
Deferred taxation	11	85,000	92,000
Gas Infrastructure Development Cess	12	76,938	76,822
Lease liability		7,244	9,573
		<u>169,182</u>	<u>178,395</u>
Current Liabilities			
Trade and other payables	13	2,300,464	1,890,818
Advance from customers		2,759,088	1,810,835
Short-term borrowings	14	3,030,000	-
Unclaimed dividends		105,162	105,162
Accrued mark-up on short-term borrowings		38,387	-
Taxation - net		24,615	20,613
Current portion of lease liability		8,329	7,929
Proposed dividend		525,000	-
		<u>8,791,045</u>	<u>3,835,357</u>
Contingencies and Commitments	15		
Total Equity and Liabilities		<u><u>18,165,022</u></u>	<u><u>13,533,566</u></u>

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.


Amir Bashir Ahmed
 Chief Financial Officer


Khursheed A. Jamal
 Chief Executive


Murtaza Habib
 Director




**Consolidated Condensed Interim Statement of Profit or Loss
for the quarter ended December 31, 2022 (Unaudited)**

	Note	Dec. 31, 2022	Dec. 31, 2021
		(Rupees in thousands)	
Segment operating results	16		
Net sales and services		3,261,404	2,810,399
Cost of sales		(2,784,490)	(2,384,567)
Gross Profit		476,914	425,832
Selling and distribution expenses		(74,673)	(63,092)
Administrative expenses		(72,676)	(57,497)
Other operating expenses	17	(102,567)	(28,198)
Other income	18	139,832	52,696
		(110,084)	(96,091)
Operating profit		366,830	329,741
Finance (cost) / income - net	19	(12,508)	31,985
Profit before taxation		354,322	361,726
Taxation		(70,002)	(68,003)
Profit after taxation		284,320	293,723
Earnings per share - Basic and diluted (Rupees)		1.90	1.96

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.


Amir Bashir Ahmed
 Chief Financial Officer


Khursheed A. Jamal
 Chief Executive


Murtaza Habib
 Director



**Consolidated Condensed Interim Statement of Comprehensive Income
for the quarter ended December 31, 2022 (Unaudited)**

	Dec. 31, 2022	Dec. 31, 2021
	(Rupees in thousands)	
Profit after taxation	284,320	293,723
Other comprehensive income :		
Items that will not be reclassified subsequently to the statement of profit or loss:		
Unrealised (Loss) / Gain on re-measurement of equity investments classified as fair value through other comprehensive income (FVOCI)	<u>(74,339)</u>	<u>(8,981)</u>
Total Comprehensive income for the quarter ended December 31, 2022	<u>209,981</u>	<u>284,742</u>

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.

Amir Bashir Ahmed
Chief Financial Officer

Khursheed A. Jamal
Chief Executive

Murtaza Habib
Director




Consolidated Condensed Interim Statement of Changes in Equity for the quarter ended December 31, 2022 (Unaudited)

	Issued, Subscribed and Paid-up Capital	Capital Reserve	Revenue Reserves			Total Reserves	Total Equity
			General Reserve	Unappro- priated Profit	Unrealised gain/ (loss) on re-measurement of AFS / FVOCI investments		
(Rupees in thousands)							
Balance as on October 1, 2021	750,000	34,000	5,748,500	1,115,288	1,612,483	8,510,271	9,260,271
Cash dividend for the year ended September 30, 2021 @ 60%	-	-	-	(450,000)	-	(450,000)	(450,000)
Transfer to general reserve	-	-	660,000	(660,000)	-	-	-
Realised gain on sale of investment	-	-	-	9,346	(9,346)	-	-
Total comprehensive income for the quarter ended December 31, 2021	-	-	-	293,723	(8,981)	284,742	284,742
Balance as on December 31, 2021	<u>750,000</u>	<u>34,000</u>	<u>6,408,500</u>	<u>308,357</u>	<u>1,594,156</u>	<u>8,345,013</u>	<u>9,095,013</u>
Balance as on October 1, 2022	750,000	34,000	6,408,500	1,339,997	987,317	8,769,814	9,519,814
Proposed cash dividend for the year ended September 30, 2022 @ 70%	-	-	-	(525,000)	-	(525,000)	(525,000)
Proposed transfer to general reserve	-	-	810,000	(810,000)	-	-	-
Realised gain on sale of investment	-	-	-	4,134	(4,134)	-	-
Total comprehensive income for the quarter ended December 31, 2022	-	-	-	284,320	(74,339)	209,981	209,981
Balance as on December 31, 2022	<u>750,000</u>	<u>34,000</u>	<u>7,218,500</u>	<u>293,451</u>	<u>908,844</u>	<u>8,454,795</u>	<u>9,204,795</u>

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.


Amir Bashir Ahmed
 Chief Financial Officer


Khursheed A. Jamal
 Chief Executive


Murtaza Habib
 Director




Consolidated Condensed Interim Statement of Cash Flows for the quarter ended December 31, 2022 (Unaudited)

	Note	Dec. 31, 2022	Dec. 31, 2021
(Rupees in thousands)			
Cash flows from operating activities			
Cash generated from operations	20	(1,750,735)	(470,185)
Finance income received - net		3,758	24,467
Income tax paid		(68,000)	(28,581)
Long-term loans		(1,114)	(11,188)
Long-term deposits		-	(10)
Net cash generated from operating activities		(1,816,091)	(485,497)
Cash flows from investing activities			
Fixed capital expenditure		(4,428)	(65,064)
Sale proceeds of investments		3,513,895	3,963,568
Dividend received		131,530	50,310
Purchase of investments		(4,841,453)	(3,801,954)
Sale proceeds of fixed assets		662	-
Net cash used in investing activities		(1,199,794)	146,860
Cash flows from financing activities			
Lease rental paid		(2,796)	(1,538)
Dividend paid		-	(1,170)
Net cash used in financing activities		(2,796)	(2,708)
Net Increase in cash and cash equivalents		(3,018,681)	(341,345)
Cash and cash equivalents at the beginning of the quarter		546,095	269,222
Cash and cash equivalents at the end of the quarter	21	(2,472,586)	(72,123)

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.


Amir Bashir Ahmed
 Chief Financial Officer


Khursheed A. Jamal
 Chief Executive


Murtaza Habib
 Director



Notes to the Consolidated Condensed Interim Financial Statements for the quarter ended December 31, 2022 (Unaudited)

1. Group and its Operations

The Group consists of Habib Sugar Mills Limited (the Holding company) and HSM Energy Limited - a wholly owned Subsidiary Company (the Subsidiary Company). Brief profiles of Holding company and its subsidiary company are as follows :

1.1. Holding Company

The Holding Company is a public limited company incorporated in Pakistan, with its shares quoted on the Pakistan Stock Exchange Limited. The Holding Company is engaged in the manufacturing and marketing of refined sugar, molasses, ethanol, liquidified carbon dioxide (CO₂), household textiles, providing bulk storage facilities and trading of commodities. The registered office of the Holding Company is situated at Imperial Court, 3rd Floor, Dr. Ziauddin Ahmed Road, Karachi.

1.2. Subsidiary Company

HSM Energy Limited (the Company), a wholly owned subsidiary of Habib Sugar Mills Limited (the Parent Company) was incorporated in Pakistan as a public unlisted company on May 16, 2017. The Registered office of the Company is situated at 3rd Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi.

The Bagasse Based project of the Company was on hold for a long time, due to non-clarity on the policy of the Government for bagasse based energy projects. The Board of Directors of Habib Sugar Mills Limited in their meeting held on July 29, 2020, reviewed the situation of these projects and after considering the uncertainty regarding the tariff and dispute over the power purchasing terms with CPPA, have decided to discontinue the project and wind up HSM Energy Limited.

2. Statement of compliance

These consolidated condensed interim financial statements are unaudited and have been prepared in accordance with the requirements of International Accounting Standard (IAS) - 34, 'Interim Financial Reporting', as applicable in Pakistan and provisions of and directives issued under the Act. In case where requirements differ, the provisions of or directives issued under the Act have been followed.

These consolidated condensed interim financial statements do not include all the information and disclosures required in the consolidated financial statements and should be read in conjunction with the Holding Company's consolidated annual financial statements for the year ended September 30, 2022.

3. Significant accounting policies and disclosures

The accounting policies and methods of computation followed for the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Company for the year ended September 30, 2022.

	(Unaudited) Dec. 31, 2022	(Audited) Sept. 30, 2022
	(Rupees in thousands)	
4. Property, plant and equipment		
4.1 Operating fixed assets	2,284,024	2,333,899
Capital work-in-progress	23,915	23,566
	<u>2,307,939</u>	<u>2,357,465</u>



4.2 Cost of additions to and written down value of deletions from fixed assets during the quarter ended December 31, 2022 were as follows:

	Additions (Rupees in thousands)	Deletions
Plant and machinery		
Sugar	349	–
Textile	–	–
Furniture, fittings and office equipment	2,390	2
Vehicle	1,689	2
	<u>4,428</u>	<u>4</u>
	(Unaudited)	(Audited)
	Dec. 31, 2022	Sept. 30, 2022
	(Rupees in thousands)	

5. Long-term investments

Investments in related parties	– Quoted - at fair value	1,366,459	1,335,617
	– Un-Quoted - at fair value	12,788	12,788
Investments in other companies	– Quoted - at fair value	692,107	807,400
		<u>2,071,354</u>	<u>2,155,805</u>

5.1 Investments in associated companies or undertakings have been made in accordance with the requirements under the Act.

5.2 The aggregate cost of these investments, net of impairment is Rs.1,202.03 (September 30, 2022: Rs.1,315.53) million.

	(Unaudited) Dec. 31, 2022	(Audited) Sept. 30, 2022
(Rupees in thousands)		
6. Stock-in-trade		
Raw materials	1,458,169	966,348
Work-in-process	154,559	78,367
Finished goods	4,920,181	3,922,681
Bagasse	70,041	36,897
	<u>6,602,950</u>	<u>5,004,293</u>

7. Loans and advances

Loans - secured		
Current maturity of long-term loans		
Executives	12,000	17,700
Other Employees	9,964	6,723
	21,964	24,423
Advances - unsecured		
Suppliers	1,551,659	51,646
	<u>1,573,623</u>	<u>76,069</u>



Short-term loans of include loans of Rs.6.23 (2022: Rs.5.09) million to workers which carry no interest as per Company policy and CBA agreement. The balance amount of loan carries interest @ 7% (2022: 7%) per annum.

	(Unaudited) Dec. 31, 2022	(Audited) Sept. 30, 2022
	(Rupees in thousands)	
8. Other receivables - Considered good		
Duty drawback and research & development support claim	2,421	3,953
Dividend receivable	-	7,210
Others	124,215	114
	<u>126,636</u>	<u>11,277</u>
9. Short-term investments		
Governments Securities - at amortised cost		
Market Treasury Bills	9.1 248,974	248,974
Pakistan Investment Bond	101,641	101,641
	<u>350,615</u>	<u>350,615</u>
At FVOCI		
Investment in related parties - unquoted		
Uni Food Industries Limited	-	116,391
Units of Mutual Funds - FVOCI	3,688,659	2,238,732
	<u>4,039,274</u>	<u>2,705,738</u>
9.1	These carry effective yield of 13.64% to 14.47% (September 30, 2022: 7.57% to 14.47%) per annum, having maturity latest by May 2023.	
9.2	The aggregate cost of the units of mutual funds is Rs. 3,658.67 (September 30, 2022: Rs.2,213.08) million and included Rs.1,556.91 with a wholly owned Subsidiary of related party.	
	(Unaudited) Dec. 31, 2022	(Audited) Sept. 30, 2022
	(Rupees in thousands)	
10. Cash and bank balances		
Cash in hand	6,506	392
Balances with banks in:		
Current accounts	546	52,386
Treasury call accounts	10.1 300,362	243,317
Term Deposit Receipts	10.2 250,000	250,000
	10.3 550,908	545,703
	<u>557,414</u>	<u>546,095</u>
10.1	Profit rates on Treasury call accounts ranged between 13.75% to 14.75% (September 2022: 6.50% to 13.75%) per annum.	
10.2	Profit rates on Term Deposit Receipts is 14.50% (September 2022: 6.70% to 14.50%) per annum. Maturity of these Term Deposit Receipts are one month.	
10.3	Includes Rs. 285.28 (September 2022: Rs.244.30) million kept with Bank AL Habib Limited - a related party.	



	(Unaudited) Dec. 31, 2022	(Audited) Sept. 30, 2022
	(Rupees in thousands)	
11. Deferred taxation		
Deferred tax liability on taxable temporary differences:		
on accelerated tax depreciation allowance on operating fixed assets	232,000	235,000
Deferred tax asset on deductible temporary differences:		
Provision for obsolescence and slow moving stores & spare parts	(12,000)	(12,000)
Deferred tax asset on impairment of investments	(16,500)	(16,500)
Deferred tax asset on lease liability	(5,000)	(6,000)
Unabsorbed tax depreciation allowance	(103,500)	(103,500)
Deferred tax asset on re-measurement of investments	(10,000)	(5,000)
	<u>(147,000)</u>	<u>(143,000)</u>
	<u>85,000</u>	<u>92,000</u>

12. G.I.D.C

The Honourable Supreme Court of Pakistan on August 13, 2020 decided the Gas Infrastructure Development Cess (GIDC) case and held that the levy of GIDC under the GIDC Act 2015 is constitutional. The Apex Court further stated that all industrial and commercial entities which consume natural gas pass on the burden to their customers, have to pay the GID Cess that become due upto July 31, 2020 with effect from 2011.

Subsequently to the Order passed by the Apex Court, the SSGC issued GIDC bill of Rs. 5.78 million being the first installment of total GIDC arrears of Rs. 138.68 million which are to be recovered in forty eight monthly installments.

The above demand of the SSGC was not acknowledged as liability as the Group had not passed the burden to their customers/clients. The Group filed an appeal before the Honourable High Court of Sindh ('the Court') on the ground that no burden of GIDC had been passed to its customers/clients and thus the Group is not liable to pay GIDC under GIDC Act 2015. The Court granted stay vide order dated September 22, 2020 against the demand raised by the SSGC and restrained to take any coercive action.

However, as a matter of abundant caution and without prejudice to the suit filed, the Group had made aggregate provision of Rs.138.68 million for GID Cess in the consolidated financial statements for the year ended September 30, 2020.

In January 2021, the Institute of Chartered Accountants of Pakistan (ICAP), issued Technical Release (TR) on accounting of GIDC. According to the TR, the provision of GIDC is to be re-measured on present value basis. The provision of GIDC of Rs.138.68 million accounted for in September 30, 2020 was re-measured at the present value which works out to Rs.109.69 million (including current maturity of Rs.32.76 million) as shown below resulting in re-measurement gain on discounting of GIDC of Rs.28.99 million.



	Note	(Unaudited) Dec. 31, 2022 (Rupees in thousands)	(Audited) Sept. 30, 2022
Opening balance provision for GIDC		109,573	117,408
Loss / (gain) on re-measurement on discounting of GIDC		126	(7,835)
Closing balance provision GIDC		<u>109,699</u>	<u>109,573</u>
GIDC shown under Non-current liabilities		76,938	76,822
Payable within next twelve months shown under trade and other payable	13	<u>32,761</u>	<u>32,751</u>
Closing balance provision for GIDC		<u>109,699</u>	<u>109,573</u>
13. Trade and other payables			
Creditors		1,739,503	1,305,142
Accrued liabilities		441,245	394,308
Sales tax		33,249	41,382
Payable to Employees Gratuity Fund		-	1,573
Gas Infrastructure Development Cess	12	32,761	32,751
Workers' Profit Participation Fund (WPPF)		18,993	88,508
Workers' Welfare Fund		26,199	23,799
Income-tax deducted at source		<u>8,514</u>	<u>3,355</u>
		<u>2,300,464</u>	<u>1,890,818</u>
14. Short-term borrowings - secured		<u>3,030,000</u>	<u>-</u>

The aggregate financing facility available from commercial banks amounted to Rs.7,898 (September 2022: Rs.7,898) million. These financing 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 charged during the period was 10% to 17.10% (September 2022: 3% to 13.14%) per annum.

15. Contingencies and commitments

Contingencies

- 15.1** The Competition Commission of Pakistan (CCP) has passed a consolidated order on August 6, 2021 whereby penalties had been levied on 84 sugar mills (First Opinion) under the Competition Act, 2010 on account of alleged 'anti-competitive activities in the sugar industry'. The proceedings were heard by a four-member bench of CCP and the two members differed with the First Opinion and gave a second/opposite opinion on August 12, 2021 however, the Chairperson vide order dated August 13, 2021 confirmed the first opinion (whereby the penalties were levied) as a view of the CCP by giving a casting vote.

Under the above-referred order dated August 6, 2021, penalty of Rs. 493.66 million had been levied on the Company equivalent to 5% of the total turnover of Rs. 9,873.13 million as per the audited financial statements for the year ended September 30, 2019. The penalty had been levied on account of alleged 'collective decision of export quantities' by fixing/controlling the supply of sugar and maintaining the desired price levels in the market during the period from the year 2012 to 2020.



The Group alongwith 17 other sugar mills had filed a suit against the above-referred order dated August 6, 2021 through its legal counsel before the Sindh High Court who vide its order No. 2273 of 2021 dated October 07, 2021 had suspended the operation of above impugned order dated August 06, 2021 and August 13, 2021.

However, the CCP in contravention of the above restraining order of the High Court has issued a show-cause notice under section 30 of the Competition Act, 2010 on October 08, 2021 wherein identical issues are involved. The Group alongwith 18 other sugar mills has filed a suit against the above show-cause notice and the Sindh High Court vide its order No. 2381 dated October 14, 2021 had suspended the operation of the above show-cause notice dated October 08, 2021.

The Sindh High Court had given an interim favorable order on June 13, 2022 whereby the Sindh High Court had granted injunction whereunder the casting vote of the Chairperson had been suspended till the final decision of the Suit and subject to deposit of bank guarantees equivalent to 50% of amount of penalty with the Nazir of the SHC. In light of the Court's order, the Group deposited the bank guarantees with the Nazir of the Court on July 22, 2022.

In the meantime, the Group alongwith other sugar mills filed an appeal before the Sindh High Court against the requirement of furnishing bank guarantees as directed in the Sindh High Court's order dated June 13, 2022. The aforesaid appeal was disposed off vide order dated August 25, 2022 in terms of joint statement filed by sugar mills and the CCP with the Court.

In terms of the above joint statement, it was agreed between the parties that the interim order dated June 13, 2022 shall set aside and the bank guarantees already submitted by sugar mills with the Nazir of the Court shall be returned back to sugar mills. It was further agreed under the joint statement that the CCP shall not initiate any recovery proceedings until the final decision in appeals which are pending before the Competition Appellate Tribunal. Further, the single judge of the Sindh High Court shall also decide the pending suits expeditiously.

The bank guarantees submitted by the Group with the Nazir of the Court on July 22, 2022 have been returned back to the Group. The date of hearing before the Competition Appellate Tribunal was fixed for January 10, 2023 and was adjourned to date in office.

The legal counsel of the Group is of the view that in light of the observation of the Sindh High Court in its order dated June 13, 2022 that the casting was not lawfully exercised by the Chairperson, the favourable outcome is expected from the Sindh High Court as well as Competition Appellate Tribunal. The Group has therefore, not made any provision in these consolidated financial statements in respect of the penalty levied by CCP vide its order dated August 06, 2021.

- 15.2** Pursuant to the decision of ECC on January 10, 2013, the FBR vide its SRO No. 77(1)/2013 dated February 7, 2013, allowed benefit to sugar exporters by reducing FED rate from 8.0% to 0.5% on local sales, equivalent to quantity exported by the mills. The Group availed the benefit and claimed Rs.56.56 million on account of reduced rate of FED. Against the aforementioned claim, FBR disallowed an amount of Rs.7.0 million and also levied default surcharge of Rs.0.3 million. The disallowances was on the basis that the benefit of claim accrues and arises from February 7, 2013, the date of SRO No: 77(1)/2013 and not from January 10, 2013, the date of ECC meeting wherein the benefit



was approved by ECC. The Group maintains that the sugar mills are entitled to avail the benefit of reduced rate of FED on sugar exported against the export quota allotted by ECC in its meeting held on January 10, 2013. Accordingly, the Group filed a suit before Honourable High Court of Sindh and the operations of the said order were suspended by the Honourable Court vide its order dated April 23, 2014. On November 14, 2018 the Group withdraw the suit & filed an appeal before commissioner inland revenue who vide order dated February 28, 2019 rejected the appeal. The Group then filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) where the appeal is pending. In view of the advice of legal counsel, the Group is confident of a favourable outcome and accordingly no provision has been made in these consolidated financial statements.

- 15.3** The Government of Sindh vide notification dated July 08, 2014 levied a fee of Rs.0.50 / litre for storage of rectified spirit in bonded warehouse at Terminal Keamari, Karachi. The Group disputed the above levy and filed constitutional petition before the Honourable High Court of Sindh, challenging the above fee. On July 23, 2014, the Honourable High Court of Sindh granted stay and suspended the operation of the above notification. The case was lastly fixed for hearing on October 21, 2021 and was adjourned till January 30, 2023. The financial exposure as at December 31, 2022 is Rs.88.94 (2020: Rs.81.41) million. In view of the advice of legal counsel, the Group is confident of a favourable outcome of the case and accordingly no provision has been made in these consolidated financial statements.

Commitments

- 15.4** The Group has provided counter guarantees to Bank AL Habib Limited, a related party, amounting to Rs.500 (September 30, 2022: Rs.500.00) million against agriculture finance facilities to the growers supplying sugarcane to the mills and counter guarantees to other banks amounting to Rs.2,965.99 (September 30, 2022: Rs.1,529.25) million against guarantees issued by banks in favour of third parties on behalf of the Group. These guarantees are secured by way of registered charge against hypothecation of stores and spares, stock-in-trade, assignment of trade debts and other receivables.

- 15.5** Commitments for capital expenditure amounting to Rs.3.67 (September 2022 : Rs.3.67) million.

	(Unaudited) Dec. 31, 2022	(Audited) Sept. 30, 2022
Note	(Rupees in thousands)	
15.6 Rentals payable over next four years under operating lease agreements with First Habib Modraba in respect of vehicles	<u>136,552</u>	<u>148,568</u>



16. Consolidated segment operating results for the quarter (Unaudited)

		(Rupees in thousands)											
		Sugar Division		Distillery Division		Textile Division		Trading Division		Subsidiary Company		Total	
		Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Net sales and service													
Sales	Local	1,926,715	1,600,909	143,152	113,582	367	131	6,558	4,077	-	-	2,076,792	1,718,699
	Export	-	-	1,043,913	952,989	138,757	137,474	-	-	-	-	1,182,670	1,090,463
		1,926,715	1,600,909	1,187,065	1,066,571	139,124	137,605	6,558	4,077	-	-	3,259,462	2,809,162
Service - Storage income - net		-	-	1,942	1,237	-	-	-	-	-	-	1,942	1,237
		1,926,715	1,600,909	1,189,007	1,067,808	139,124	137,605	6,558	4,077	-	-	3,261,404	2,810,399
Less: Cost of sales		(1,781,031)	(1,356,884)	(875,276)	(893,038)	(125,265)	(132,654)	(2,918)	(1,991)	-	-	(2,784,490)	(2,384,567)
Gross Profit		145,684	244,025	313,731	174,770	13,859	4,951	3,640	2,086	-	-	476,914	425,832
Less: Selling and distribution expenses		(23,692)	(20,367)	(44,094)	(36,405)	(6,887)	(5,345)	-	(975)	-	-	(74,673)	(63,092)
Administrative expenses		(61,219)	(48,153)	(8,877)	(7,584)	(2,428)	(1,615)	(137)	(145)	(15)	-	(72,676)	(57,497)
		(84,911)	(68,520)	(52,971)	(43,989)	(9,315)	(6,960)	(137)	(1,120)	(15)	-	(147,349)	(120,589)
Profit / (loss) before other operating expenses and other income		60,773	175,505	260,760	130,781	4,544	(2,009)	3,503	966	(15)	-	329,565	305,243
Other operating expenses - Note 17												(102,567)	(28,198)
Other income - Note 18												139,832	52,696
Operating Profit												366,830	329,741



	(Unaudited)	
	Dec. 31, 2022	Dec. 31, 2021
	(Rupees in thousands)	
17. Other operating expenses		
Workers' Profit Participation Fund	18,993	19,661
Workers' Welfare Fund	2,400	2,500
Exchange loss - net	81,174	6,037
	<u>102,567</u>	<u>28,198</u>
18. Other income		
Income from financial assets		
Dividend income	124,320	40,925
Income from non financial assets		
Gain on disposal of fixed assets	658	-
Agriculture Income	841	788
Remeasurement l(oss) / gain on discounting of provision for GIDC	(126)	4,600
Scrap sale	14,139	6,383
	<u>15,512</u>	<u>11,771</u>
	<u>139,832</u>	<u>52,696</u>
19. Finance income / (cost) - net		
Profit / Interest on :		
Treasury call accounts	12,252	8,687
Term deposit receipts	9,137	-
Government Securities	13,075	43,263
Loan to employees	589	291
	<u>35,053</u>	<u>52,241</u>
Less:		
Mark-up / interest on:		
Short-term borrowings	(38,381)	(10,603)
Lease Liability	(357)	(285)
Workers' Profit Participation Fund	(1,165)	(1,217)
Bank charges	(7,658)	(8,151)
	<u>(47,561)</u>	<u>(20,256)</u>
	<u>(12,508)</u>	<u>31,985</u>



	(Unaudited)	
	Dec. 31, 2022	Dec. 31, 2021
	(Rupees in thousands)	
20. Cash generated from / (used in) operations		
Profit before taxation	354,322	361,726
Adjustment for non-cash charges and other items		
Depreciation	55,761	57,892
Gain on disposal of fixed assets	(658)	-
Finance (cost) / income - net	12,508	(31,985)
Dividend income	(124,320)	(40,925)
Remeasurement gain on discounting of Provision for GIDC	126	-
Working capital changes - note 20.1	(2,048,474)	(816,893)
	<u>(1,750,735)</u>	<u>(470,185)</u>
20.1 Working capital changes		
(Increase) / decrease in current assets		
Stores and spare parts	(56,363)	(56,207)
Stock-in-trade	(1,598,657)	(2,100,929)
Trade debts	(117,473)	157,320
Loans and advances	(1,497,554)	(495,984)
Trade deposits and prepayments	(13,747)	(770)
Other receivables	(122,569)	(872)
	(3,406,363)	(2,497,442)
Increase / (decrease) in current liabilities		
Trade and other payables	409,636	228,572
Advance from customers	948,253	1,451,977
	1,357,889	1,680,549
Net changes in working capital	<u>(2,048,474)</u>	<u>(816,893)</u>
21. Cash and cash equivalents at the end of the quarter		
These comprise of the following:		
Cash and bank balances	557,414	1,427,877
Short-term borrowings	(3,030,000)	(1,500,000)
	<u>(2,472,586)</u>	<u>(72,123)</u>



22. Transactions with related parties

Related parties comprise of subsidiary, associated entities, entities with common directorship, directors and key management personnel. Material transactions with related parties during the period and balances at the end of the period, other than those which have been disclosed elsewhere in these consolidated condensed interim financial statements, are as follows:

	(Unaudited)	
	Dec. 31, 2022	Dec. 31, 2021
	(Rupees in thousands)	
Insurance premium paid	17,131	14,457
Insurance claim received	–	1,700
Profit on treasury call accounts / term deposits	11,800	8,568
Investment in shares / units of mutual funds	1,800,000	1,319,680
Bank charges	544	50
Compensation of Key management personnel	17,981	17,531
Contribution to retirement funds	4,982	7,033

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

23. Dividend

The Board of Directors of the Company in their meeting held on December 26, 2022 had proposed a final cash dividend of Rs.3.50 per share (70%) for the year ended September 30, 2022. 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 25, 2023. The proposed cash dividend has been accounted for in these condensed interim financial statements.

24. 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 25, 2023 by the Board of Directors of the Company.

Amir Bashir Ahmed
Chief Financial Officer

Khursheed A. Jamal
Chief Executive

Murtaza Habib
Director



ڈیٹری ڈویژن:

31 دسمبر، 2022 کو ختم ہونے والی پہلی سہ ماہی کے دوران اسٹھانول کی 8,187 میٹرک ٹن (31 دسمبر، 2022: 4,987 میٹرک ٹن) کی پیداوار ہوئی۔ ڈویژن نے 260.76 ملین روپے (31 دسمبر، 2021: 130.78 ملین روپے) کا آپریٹنگ منافع حاصل ہوا۔ اس مدت میں منافع میں اضافہ کی بنیادی وجہ بہتر قیمت فروخت اور غیر ملکی زرمبادلہ کے مقابلے میں پاکستانی روپے کی قدر میں کمی کی وجہ سے ہوا۔

یکوئیڈ کاربن ڈائی آکسائیڈ (CO2) پینٹ کی پیداوار 1,952 میٹرک ٹن رہی (31 دسمبر، 2021: 1,407 میٹرک ٹن تھی) پینٹ کا منافع ڈویژن کے منافع میں شامل ہے۔

ٹیکسٹائل ڈویژن:

ڈویژن کو 4.54 ملین روپے کا آپریٹنگ منافع ہوا (31 دسمبر، 2021: 2.01 ملین روپے کا خسارہ ہوا تھا) زیر جائزہ پہلی سہ ماہی کی مدت میں منافع میں اضافہ بہتر قیمت فروخت اور مال برداری کے کرایہ میں کمی کی وجہ سے ہوا۔

ٹریڈنگ ڈویژن:

ٹریڈنگ ڈویژن کو 3.50 ملین روپے (31 دسمبر، 2021: 0.97 ملین روپے) منافع حاصل ہوا۔

ڈائریکٹرز کا انتخاب:

اس سال 25 جنوری، 2023 کو ڈائریکٹرز کے انتخاب کا عمل منعقد ہوا اور میسرز اصغر ڈی۔ حبیب، مرتضیٰ حبیب، حسنین حبیب، فاروق حبیب، رحیم تولا، سہیل حسین حاجی، محمد سلمان حسین چاؤدھری، علیہ مسلم حبیب تین سال کی مدت کیلئے کمپنی کے ڈائریکٹرز منتخب ہوئے۔

اظہار تشکر:

کمپنی کے ڈائریکٹرز تمام اسٹاف، شیئر ہولڈرز، مالیاتی اداروں اور دوسرے حصہ داران کو ان کی مدد اور تعاون کا شکریہ ادا کرتے ہیں۔

از طرف بورڈ آف ڈائریکٹرز

Murtaza Habib
Director

Khursheed A. Jamal
Chief Executive

کراچی مورخہ 25 جنوری 2023



ڈائریکٹرز کی رپورٹ

محترم ممبران۔ السلام علیکم

بورڈ آف ڈائریکٹرز کی جانب سے ہم 31 دسمبر، 2022 کو ختم ہونے والی پہلی سہ ماہی مدت کے کھپنی کے غیر آڈٹ شدہ مجموعی اور غیر مجموعی عبوری مالیاتی حسابات پیش کر رہے ہیں۔ کھپنی کا قبل از ٹیکس منافع 354.33 ملین روپے (31 دسمبر، 2021: 361.72 ملین روپے) ہوا۔ اس پہلی سہ ماہی مدت کے مالیاتی نتائج کا خلاصہ درج ذیل ہیں۔

پہلی سہ ماہی کی ختم ہونے والی مدت	پہلی سہ ماہی کی ختم ہونے والی مدت	اضافہ / (کمی)
31 دسمبر، 2022	31 دسمبر، 2021	(کمی) / اضافہ
(روپے ملین میں)		
354.33	361.72	(7.39)
(70.00)	(68.00)	(2.00)
284.33	293.72	(9.39)
4.13	9.34	(5.21)
5.19	5.11	0.08
293.65	308.17	(14.52)
1.90	1.96	(0.06)

منافع قبل از ٹیکس

ٹیکسیشن

منافع بعد از ٹیکسیشن

سرکاری کاروبار کی فروخت پر منافع حاصل کیا

غیر منقسمہ منافع ہراٹ فارورڈ

غیر منقسمہ منافع کیئرڈ فارورڈ

منافع فی شیئر۔ بنیادی اور محتدل۔ روپیہ

شکر ڈویژن:

کرشنگ سیزن 2022-2023 29 نومبر، 2022 کو شروع ہوا اور 31 دسمبر، 2022 تک گئے کی کرشنگ 314,817 میٹرک ٹن رہی جبکہ شکر کی اوسط ریکوری کا تناسب 10.50 فیصد رہا اور شکر کی پیداوار 33,080 میٹرک ٹن ہوئی۔ مقابلہ گزشتہ سیزن میں اس مدت میں گئے کی کرشنگ 389,656 میٹرک ٹن رہی تھی جبکہ شکر کی اوسط ریکوری 9.73 فیصد تھی اور شکر کی پیداوار 37,908 میٹرک ٹن تھی۔

حکومت سندھ نے 23 نومبر، 2022 کو گئے کی کم از کم سپورٹ پرائس برائے سیزن 2022-2023 کے نوٹیفکیشن کا اجراء کیا جس میں گئے کی قیمت 302/- روپے فی 40 کلوگرام مقرر کی گئی اس کے مقابلے میں کرشنگ سیزن 2021-2022 میں 250/- روپے فی 40 کلوگرام تھی۔ علاوہ ازیں ملز کو ایٹی پریسٹیم شکر کی اوسط ریکوری کے نتیجے میں 8.70 فیصد سے زائد ہر 0.10 فیصد پر 0.50 روپے فی 40 کلوگرام ادا کرے گی۔

شکر ڈویژن نے آپریٹنگ منافع 60.77 ملین روپے (31 دسمبر، 2022: 175.51 ملین روپے) کمایا۔ منافع میں کمی قیمت فروخت کی مقامی بازار میں گرتی ہوئی قیمت کی وجہ سے ہوئی۔

ملک میں چینی کی زیادہ مقدار کو مد نظر رکھتے ہوئے شوگر ایڈوائزری بورڈ (ایس اے بی) نے اصولی طور پر ایک ٹونک کورڈیشن کمیٹی (ای سی سی) کو 500,000 ٹن چینی برآمد کرنے کی سفارش کر دی۔ ای سی سی نے اپنی مینٹگ میں 250,000 ٹن چینی مراحل میں برآمد کرنے کی اجازت دے دی۔ برآمد کے کوڈ کو مختص کرنے کے طریقہ کار آخری مراحل میں حکام کے پاس ہے۔