Habib Sugar Mills Limited

Annual Report 2013

Contents

Company Information

Board of Directors	Asghar D. Habib	*Chairman*
	Ali Raza D. Habib	
	Muhammad Nawaz Tishna	
	Murtaza H. Habib	
	Farouq Habib Rahimtoola	
	Amin Ali Abdul Hamid	
	Imran A. Habib	
	Raeesul Hasan	*Chief Executive*
Audit Committee	Ali Raza D. Habib	Chairman
	Amin Ali Abdul Hamid	Member
	Imran A. Habib	Member
Human Resource & Remuneration Committee	Ali Raza D. Habib	Chairman
	Amin Ali Abdul Hamid	Member
	Raeesul Hasan	Member

Company Secretary
Amir Bashir Ahmed

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4th Floor, Imperial Court,
Dr. Ziauddin Ahmed Road,
Karachi-75530
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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

Cost Auditors
Haroon Zakaria & Co.
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, liquidified carbon dioxide (CO_2) and household textiles in local and international markets. We aspire to be known for the quality of our products and intend to play a pivotal role in the economic and social development of Pakistan.

MISSION STATEMENT

As a prominent producer and supplier of sugar, ethanol, liquidified carbon dioxide (CO_2) and household textiles, we shall continue to strive to achieve excellence in performance and aim to exceed the expectations of all stakeholders. We target to achieve technological advancements to inculcate the most efficient, ethical and time tested business practices in our management.

Code of Conduct

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

Products

- To produce refined, high-grade sugar that is edible and hygienic and provides all the nutrition and food value at standards determined by the company, which would exceed industry norms and averages.
- To produce by-products and allied products including molasses, ethanol and liquid carbon dioxide (CO_2).
- To diversify into other products such as home textiles thus consuming indigenous raw material and generating export earnings.

Systems & Processes

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

Management & Employees

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

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

Financial

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

Adherence to Law

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

Environment

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

Planning

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

Notice of Annual General Meeting

Notice is hereby given that the 52nd Annual General Meeting of Habib Sugar Mills Limited will be held on Thursday, January 30, 2014 at 12:00 Noon at Khorshed Mahal, Avari Towers, Fatima Jinnah Road, Karachi to transact the following business:

Ordinary Business

1. To receive and consider the audited financial statements, the Directors' report and the Auditors' report for the year ended September 30, 2013.
2. To approve payment of cash dividend @ 50% i.e. Rs. 2.50 per share of Rs. 5 each for the year ended September 30, 2013 as recommended by the Board of Directors.
3. To appoint auditors of the Company for the year ending September 30, 2014 and fix their remuneration.
4. To elect Directors of the Company in accordance with the provisions of the Companies Ordinance, 1984. The number of elected Directors of the Company fixed by the Board of Directors in their meeting held on December 26, 2013 is seven (7). The retiring Directors are Messrs. Asghar D. Habib, Ali Raza D. Habib, Muhammad Nawaz Tishna, Murtaza H. Habib, Farouq Habib Rahimtoola, Amin Ali Abdul Hamid and Imran A. Habib.

Special Business

5. To approve the remuneration of working Directors of the Company.

A statement under Section 160(1)(b) of the Companies Ordinance 1984 in respect of the special business of the Agenda at Item No. 5 to be considered at the meeting is being sent to the members along with a copy of this notice.

By order of the Board

Amir Bashir Ahmed
Company Secretary

Karachi: December 26, 2013

Notes:

1. The Share Transfer Books of the Company will remain closed from Saturday, January 18, 2014 to Thursday, January 30, 2014, both days inclusive.
2. A member entitled to attend and vote at this meeting is entitled to appoint another member of the Company as a proxy to attend and vote on his / her behalf. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed at least 48 hours before the time of meeting.
3. For identification, CDC account holders should present the participant's National Identity Card, and CDC Account Number.
4. Members are requested to notify any change in their addresses and their contact numbers immediately to our Share Registrar, THK Associates (Pvt.) Limited, Karachi.
5. Pursuant to the directives of the Securities and Exchange Commission of Pakistan, CNIC number is mandatorily required to be mentioned on dividend warrants, shareholders holding physical share certificate are therefore requested to submit a copy of their valid CNIC, if not already provided to THK Associates (Pvt.) Limited, 2nd Floor, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi (the Share Registrar). In case of non-receipt of the copy of valid CNIC, Habib Sugar Mills Limited would be unable to comply with SRO 831(1)2012 dated 5 July 2012 of SECP and therefore will be constrained under Section 251(2)(a) of the Companies Ordinance, 1984 to withhold dispatch of dividend warrant of such shareholders.

Statement under Section 160(1)(b) of the Companies Ordinance, 1984

This Statement sets out the material facts concerning the Special Business to be transacted at the 52nd Annual General Meeting of the Company to be held on January 30, 2014:

Item 5 of the Agenda - Approval of remuneration of Directors:
(Disclosure under Section 218)

The Board of Directors in their Meeting held on December 26, 2013 have recommended payment of the following remuneration to the working Directors of the Company, for a period of three years commencing from January 30, 2014, subject to an increment not exceeding 20% per annum.

	Remuneration per month Rs.
Mr. Murtaza H. Habib	540,000
Mr. Imran A. Habib	540,000

In addition, they will be provided with two company maintained cars, reimbursement of utilities and entertainment at actuals and other benefits as per policy of the Company, which in aggregate is estimated to be approximately 40% of their remuneration as stated above.

The above Directors have interest in the aforesaid business to the extent of their remuneration and perquisites as shown above.

Six years' review at a glance

		2013	2012	2011	2010	2009	2008
Sugar Division							
Sugarcane crushed	M. Tons	939,959	851,620	800,636	681,623	780,578	1,264,619
Average sucrose recovery	%	11.02	10.78	9.87	10.24	9.87	9.73
Sugar produced	M. Tons	103,582	91,832	79,056	69,784	77,051	123,064
Raw sugar refined	M. Tons	–	–	4,885	–	–	–
Average sucrose recovery	%	–	–	94.35	–	–	–
Sugar produced	M. Tons	–	–	4,609	–	–	–
Total sugar produced	M. Tons	103,582	91,832	83,665	69,784	77,051	123,064
Distillery Division							
Ethanol							
Molasses processed	M. Tons	173,497	163,560	167,969	145,652	113,321	181,259
Average ethanol yield	%	17.56	17.92	17.45	18.00	19.18	19.64
Ethanol produced	M. Tons	30,464	29,307	29,303	26,210	21,739	35,607
Liquidified Carbon dioxide (CO_2) produced	M. Tons	7,584	4,902	5,644	3,648	2,643	–
Textile Division							
Yarn / Semi finished goods consumed	Kgs.	1,100,321	780,469	491,138	356,648	543,218	934,696
Average yield	%	86.23	86.64	98.73	98.83	98.40	98.10
Finished product	Kgs.	948,812	676,185	484,885	352,490	534,526	916,937
Operating results – Consolidated							
Sales / Rental income	Rs. '000	8,812,069	7,096,467	7,467,944	5,919,338	4,584,186	4,175,804
Cost of sales	Rs. '000	7,607,698	5,847,461	6,201,551	4,960,283	3,720,221	3,440,978
Gross profit	Rs. '000	1,204,371	1,249,006	1,266,393	959,055	863,965	734,826
Profit before taxation	Rs. '000	932,558	981,150	1,050,016	759,535	654,816	503,747
Profit after taxation	Rs. '000	777,558	781,150	755,016	534,535	489,816	403,747
Shareholders' Equity							
Paid-up capital	Rs. '000	750,000	750,000	750,000	600,000	480,000	360,000
Reserves	Rs. '000	3,882,767	3,304,851	2,768,090	2,251,222	1,973,660	1,670,464
Shareholders' equity	Rs. '000	4,632,767	4,054,851	3,518,090	2,851,222	2,453,660	2,030,464
Break-up value per share	Rupees	30.89	27.03	23.45	23.76	25.56	28.20
Adjusted earnings per share	Rupees	5.18	5.21	5.03	3.56	3.27	2.69
Return on equity	%	16.78	19.26	21.46	18.75	19.96	19.88
Financial position - Assets							
Fixed assets	Rs. '000	952,130	771,839	795,194	817,860	834,424	790,841
Long–term investments	Rs. '000	999,888	2,001,263	923,856	695,432	555,710	555,721
Long–term loans and deposits	Rs. '000	5,852	7,207	9,807	6,808	6,955	6,832
Current assets	Rs. '000	3,926,616	2,497,320	2,287,890	1,915,962	2,409,420	2,001,089
Total assets	Rs. '000	5,884,486	5,277,629	4,016,747	3,436,062	3,806,509	3,354,483
Financial position - Liabilities							
Non-current liabilities	Rs. '000	75,000	81,500	81,500	86,500	87,500	86,500
Current liabilities	Rs '000	1,176,719	1,141,278	417,157	498,340	1,265,349	1,237,519
Total liabilities	Rs. '000	1,251,719	1,222,778	498,657	584,840	1,352,849	1,324,019
Ratios							
Current ratio		3.34	2.19	5.48	3.84	1.90	1.62
Dividends							
Cash	%	50	50	50	25	35	25
Bonus shares	%	–	–	–	25	25	33.33

Directors' Report

Dear Members – Assalam-o-Alekum

On behalf of the Board of Directors and myself, I am pleased to welcome you all to the 52nd Annual General Meeting of the Company and present before you the Annual Report and Audited Financial Statements of the Company for the year ended September 30, 2013.

By the Grace of Allah, during the year under review, the operations of your Company resulted in pre-tax profit of Rs. 932.56 million. The operating results and appropriations as recommended by the Board are given below:

	(Rupees in thousands)
Profit before taxation	932,558
Less: Taxation	155,000
Profit after taxation	777,558
Un-appropriated profit brought forward	4,407
Profit available for appropriation	781,965
Proposed – Cash dividend @ 50% i.e. Rs. 2.50 per ordinary share of Rs. 5 each	375,000
– Transfer to general reserve	400,000
	775,000
Un-appropriated profit carried forward	6,965
Earnings per share – Basic and diluted	Rs. 5.18

Performance Review

Alhamdolillah, the overall performance of the Company continued to be satisfactory during the year. The division-wise performance is as follows :

Sugar Division

The crushing operations of the division for the season 2012-13 commenced on November 27, 2012 and plant operated upto March 29, 2013 for 123 days as against 115 days in the preceding season. Sugarcane crushed during the current season was 939,959 M. Tons with average sucrose recovery of 11.02% and sugar production of 103,582 M. Tons, as compared with crushing of 851,620 M. Tons with average sucrose recovery of 10.78% and sugar production of 91,832 M. Tons during the preceding season. By the Grace of Allah, the sucrose recovery of 11.02% achieved during the current crushing season was the highest ever since the inception of the Company.

For the crushing season 2012-13, the Government of Sindh increased the minimum support price of sugarcane to Rs.172 per 40 kgs as against Rs.154 per 40 kgs for the season 2011-12.

During the crushing season 2012-13, there was a bumper crop of sugarcane, resulting in record sugar production in the country. On the other hand, prevailing sugar prices both in domestic and international markets continued to remain depressed due to carry over stock of last year and increased sugar production during the current crushing season. Keeping in view the surplus sugar availability in the country, the government allowed export of sugar under a defined mechanism duly monitored by the State Bank of Pakistan. Your Company availed this opportunity and exported 18,907 M.Tons of sugar. In addition, the Federal Board of Revenue vide SRO dated February 7, 2013 reduced the rate of FED from 8.0% to 0.5% on local sales equivalent to the quantity exported.

The Company also participated in a tender floated by Trading Corporation of Pakistan (TCP) and were successful in sale of 4,920 M.Tons of sugar.

Further, the Trade Development Authority, Ministry of Commerce, Govt. of Pakistan announced inland freight subsidy at the rate of Rs. 1,750 per M.Ton on quantity exported. We understand however, that the Ministry of Finance has not yet released the funds for payment of freight subsidy to the sugar mills and hence the same has not been considered in the financial statements.

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

		2012-13	2011-12
Crushing duration	Days	123	115
Sugarcane crushed	M.Tons	939,959	851,620
Average sucrose recovery	%	11.02	10.78
Sugar production	M.Tons	103,582	91,832

During the year, the division earned operating profit of Rs.267.82 million as compared with profit of Rs.338.45 million during the previous year. The decrease in profit was due to reduction in selling price of sugar and increase in the minimum support price of sugarcane.

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

Distillery Division

The distillery division continued its operations on satisfactory basis and earned operating profit of Rs.531.30 million as compared with profit of Rs.600.30 million during the previous year. The decrease in profit was mainly due to reduction in prices of ethanol in the international market and increased cost of molasses.

By the Grace of Allah, the second plant of the liquidified carbon dioxide (CO_2) commenced commercial production on May 3, 2013 and both the plants operated satisfactorily.

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

		2012-13	2011-12
Ethanol			
Days of operation		334	321
Molasses processed	M.Tons	173,497	163,560
Ethanol production	“	30,464	29,307
Liquidified Carbon dioxide (CO_2)			
Days of operation		267	268
Liquidified Carbon dioxide (CO_2) production	M.Tons	7,584	4,902

Textile Division

The Textile division earned operating profit of Rs.21.04 million as compared with profit of Rs.8.59 million during the previous year. The increase in profit of the division was on account of higher sale volume and better margins.

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

		2012-13	2011-12
Days of operation		351	300
Yarn consumed	Kgs	1,100,321	780,469
Finished goods production	"	948,812	676,185

Trading Division

During the year under review, the division made operating profit of Rs.40.51 million on account of trading of molasses and sugar as against operating profit of 2.17 million during the previous year.

Future Prospects

Sugar Division

The crushing season 2013-14 commenced on November 1, 2013 and upto December 25, 2013 total crushing was 283,152 M.Tons with average sucrose recovery of 9.30% and sugar production of 26,320 M.Tons including stock in process.

For the crushing season 2013-14, the minimum support price of sugarcane at Rs.172 per 40 kgs remained unchanged as announced by the Sindh government. However, under the notification, we are also required to pay quality premium at the rate of paisas fifty for every 0.1 percent recovery in excess of the benchmark of 8.7%. However, in accordance with the said notification while the matter is still pending with the Supreme Court of Pakistan and as per decision of the Federal Government Steering Committee, the quality premium shall remain suspended till the decision of the Hon'ble Supreme Court or consensus on uniform formula is developed by the Federal Government.

The Company's policy to maintain healthy relationship with the growers and good track record of cane payment had motivated farmers to bring additional area under cultivation and we, therefore, expect better availability of sugar cane during the crushing season 2013-14. However, increase in production cost is likely to affect the profitability of the division.

The coming year appears extremely difficult due to depressed prevailing sugar prices and hence profitability will largely depend on government policy i.e. procurement of sugar by TCP for maintaining strategic stock reserves, permission for export of surplus sugar, reduction in FED against export quantity and release of export transport subsidy. The management will do their utmost in terms of carrying out efficient operations.

Distillery Division

Upto December 25, 2013 the division has produced 4,412 M.Tons of ethanol and 1,479 M.Tons of liquidified carbon dioxide (CO_2).

The production and recovery of ethanol is expected to be better than previous year and is likely to compensate to the lower ethanol price in the international market.

The liquidified carbon dioxide (CO_2) unit is performing satisfactorily and the management is confident that the installation of the new plant during 2013 will contribute to the profitability of the division.

Textile Division

The division continues to operate satisfactorily. Installation of the new high tech looms and ongoing efforts of the Company to explore additional markets will, Inshallah, have a positive impact on the sale volume and profitability of the division.

Board and Management Committees

Audit Committee

The Audit Committee comprises of three members, two of whom are non-executive directors including the Chairman of the Committee. The Audit Committee met four times during the year. Attendance of meetings is as follows:

		No. of meetings attended
Mr. Ali Raza D. Habib	Chairman	1
" Amin Ali Abdul Hamid	Member	4
" Imran A. Habib	Member	4

HR and Remuneration Committee

The HR and Remuneration Committee comprises of three members, two of whom are non-executive directors including the Chairman of the Committee. The HR and Remuneration Committee met once during the year. Attendance of meeting is as follows:

		No. of meeting attended
Mr. Ali Raza D. Habib	Chairman	1
" Muhammad Nawaz Tishna*	Member	–
" Murtaza H. Habib**	Member	1
" Amin Ali Abdul Hamid	Member	1
" Raeesul Hasan	Member	1

* Resigned on Feb 25, 2013
** Resigned on May 23, 2013

Corporate Social Responsibility

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

Community Investment and Welfare Scheme

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

During the year, the Company made contribution for lighting the villages with solar energy. In addition, the Company also entered into an agreement with Family Education Services Foundation, a non profitable organization, to sponsor running cost of the school, established at Nawabshah to provide academic and vocational training to deaf students.

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

Environment

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

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

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

The Company continued its ongoing commitment to environmental betterment by installing a pilot plant for treatment of industrial waste water provided by National Power Company Limited, Thailand. This plant is operational and based upon Upflow Anaerobic Sludge Bed (UASB) system with energy recovery in the form of bio gas.

Health, Safety and Security

Being a responsible corporate entity, the Company is fully committed to meet all the standards with respect to health, safety and security. The Company also contributes on regular basis towards the medical needs and assistance of the people in the surrounding areas, by giving donations to hospitals and welfare institutions for medical equipment, apparatus and other facilities.

Employment of Special Persons

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

Industrial Relations

Harmonious working environment and cordial industrial relations atmosphere prevailed within the Company.

Contribution to the National Exchequer

Your Company contributed an amount of Rs.539.6 million to the Government treasury in the shape of taxes, levies, sales-tax and excise duty in addition to precious foreign exchange earned, equivalent to Pak Rupees 3,785.0 million (US$ 36.9 million) during the year under review from exports of sugar, ethanol, molasses and household textiles.

Auditors

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

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

Statement on Corporate and Financial Reporting Framework

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements. Changes, if any have been adequately disclosed and accounting estimates are based on reasonable and prudent judgement.

4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and deviation there from if any, has been adequately disclosed.

5. The system of internal control is sound in design and has been effectively implemented and monitored regularly.

6. There are no significant doubts upon the Company's ability to continue as a going concern.

7. There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.

8. Key operating and financial data for last six years in summarized form is given on page 8.

9. Information about the taxes and levies is given in the notes to the financial statements.

10. Value of investments including profit accrued thereon and balances in deposit / current accounts of Provident Fund and Gratuity Fund as at September 30, 2013 were as follows :

	Rs.'000
Provident Fund	283,640
Gratuity Fund	84,229

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

Name of Director	Number of meetings attended
Mr. Asghar D. Habib	5
" Ali Raza D. Habib	2
" Muhammad Nawaz Tishna	4
" Riyazul Haque*	–
" Murtaza H. Habib	5
" Farouq Habib Rahimtoola	4
" Amin Ali Abdul Hamid	4
" Imran A. Habib	3
" Raeesul Hasan	4

* Resigned on June 10, 2013

12. The pattern of shareholding and additional information regarding pattern of shareholding is given on page 61 and 62.

13. The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any trade in the shares of the Company.

Change in Directors

During the year under review, Mr. Muhammad Nawaz Tishna, NIT Nominee Director resigned on February 25, 2013 and in his place Mr. Riyazul Haque, NIT Nominee Director was co-opted on February 26, 2013. On June 10, 2013 Mr. Riyazul Haque resigned and in his place Mr. Muhammad Nawaz Tishna was again co-opted as NIT Nominee Director.

General

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

On behalf of the Board of Directors

Asghar D. Habib
Chairman

Karachi: December 26, 2013

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

Year Ended September 30, 2013

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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors. At present the Board includes:

Category	Names
Executive Directors	Mr. Asghar D. Habib Mr. Murtaza H. Habib Mr. Imran A. Habib Mr. Raeesul Hasan
Non-Executive Directors	Mr. Ali Raza D. Habib* Mr. Muhammad Nawaz Tishna Mr. Farouq Habib Rahimtoola* Mr. Amin Ali Abdul Hamid*

   * The above persons were elected as “independent non-executive directors” on January 29, 2011 for a period of three years. However, according to the revised CCG, any person who has served on the board for more than three consecutive terms shall not be considered as an independent director provided that such person shall be deemed “independent director” after a lapse of one term. In compliance with revised CCG, above directors have been classified as non-executive directors.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.

3. All the directors of the Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a development financial institution or a non-banking financial institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Two casual vacancy occurred in the Board during the current year which were filled up by the directors within the prescribed time.

5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. Particulars of significant policies have been maintained and amended / updated from time to time.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and in his absence by a director elected by the Board for this purpose and the Board met atleast once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Directors are well conversant with the listing regulations, legal requirements and operational imperatives of the company, and as such are fully aware of their duties and responsibilities. At present, two directors have acquired formal directors training certificate.

10. During the year, Mr. Amir Bashir Ahmed was appointed as Chief Financial Officer / Company Secretary in place of Mr. Cawas R. Sethna whereas Mr. Mujtaba Ahsan was promoted as Head of Internal Audit in place of Mr. Amir Bashir Ahmed, as recommended by the Human Resource and Remuneration Committee.

11. The Directors' report has been prepared in compliance with the requirements of the CCG and it fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises of three members, of whom two are non-executive directors including the Chairman of the Committee.

16. The meetings of the audit committee were held atleast once in every quarter prior to the approval of the interim and final results of the Company as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors including the Chairman of the Committee. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

18. The Board has set-up an effective internal audit department which is considered suitably qualified and are fully conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to the directors, employees and Stock Exchanges.

22. Material / price sensitive information has been disseminated amongst all market participants at once through Stock Exchanges.

23. All related party transactions have been placed before the audit committee and the Board of Directors on a quarterly basis and have been approved by the Board of Directors to comply with the requirements of listing regulations of the Karachi and Lahore Stock Exchanges.

24. We confirm that all other material principles contained in the CCG have been complied with.

Karachi: December 26, 2013

Asghar D. Habib
Chairman

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

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 September 2013 prepared by the Board of Directors of **Habib Sugar Mills Limited** (the Company) to comply with the Listing Regulation No. 35 Chapter XI of Karachi Stock Exchange Limited and Listing Regulation No. 35 Chapter XI of Lahore Stock Exchange Limited, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal controls covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, the Listing Regulation require the company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended 30 September 2013.

Ernst & Young Ford Rhodes Sidat Hyder

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Karachi: December 26, 2013

Auditors' Report to the Members

We have audited the annexed balance sheet of **Habib Sugar Mills Limited** as at 30 September 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for changes as stated in note 2.4 to the accompanying financial statements, with which we concur;

  (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September 2013 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner: Riaz A. Rehman Chamdia

Karachi: December 26, 2013

Balance Sheet as at September 30, 2013

	Note	2013	2012
		(Rupees in thousands)	
Assets			
Non-Current Assets			
Fixed assets			
Property, plant and equipment	3	952,130	771,839
Investments	4	999,888	2,001,263
Long-term loans	5	2,889	4,259
Long-term deposits		2,963	2,948
Current Assets			
Stores and spare parts	6	99,876	89,561
Stock-in-trade	7	698,845	897,543
Trade debts	8	284,227	397,115
Loans and advances	9	360,588	450,573
Trade deposits and short-term prepayments	10	9,456	11,114
Other receivables	11	14,743	15,331
Investments	12	2,127,242	–
Cash and bank balances	13	331,639	636,083
		3,926,616	2,497,320
Total Assets		5,884,486	5,277,629
Equity and Liabilities			
Share Capital and Reserves			
Share Capital			
Authorised			
150,000,000 (2012: 150,000,000) Ordinary shares of Rs. 5 each		750,000	750,000
Issued, subscribed and paid-up capital	14	750,000	750,000
Reserves	15	3,016,965	2,614,407
Unrealised gain on investments - available for sale		865,802	690,444
		3,882,767	3,304,851
		4,632,767	4,054,851
Non-Current Liabilities			
Deferred taxation	16	75,000	81,500
Current Liabilities			
Trade and other payables	17	911,734	599,898
Advance from customers		252,926	538,032
Provision for income tax - net		12,059	3,348
		1,176,719	1,141,278
Contingencies and Commitments	18		
Total Equity and Liabilities		5,884,486	5,277,629

The annexed notes 1 to 36 form an integral part of these financial statements.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director

Profit and Loss Account
for the year ended September 30, 2013

	Note	2013	2012
		(Rupees in thousands)	
Net sales and services	19	8,812,069	7,096,467
Cost of sales	20	7,607,698	5,847,461
Gross Profit		1,204,371	1,249,006
Selling and distribution expenses	21	(218,366)	(180,002)
Administrative expenses	22	(125,342)	(119,501)
Other operating expenses	23	(87,193)	(77,487)
Other income	24	172,014	89,260
		(258,887)	(287,730)
Operating Profit		945,484	961,276
Finance (cost) / income - net	25	(12,926)	19,874
Profit before taxation		932,558	981,150
Taxation	26	(155,000)	(200,000)
Profit after taxation		777,558	781,150
Earnings per share - Basic and diluted (Rupees)	27	5.18	5.21

The annexed notes 1 to 36 form an integral part of these financial statements.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director

Statement of Comprehensive Income
for the year ended September 30, 2013

	2013	2012
	(Rupees in thousands)	
Profit for the year	777,558	781,150
Other comprehensive income :		
Items that will be reclassified subsequently to Profit & Loss:		
Net gain on available for sale investments		
Unrealised gain on revaluation of investments during the year	196,091	134,350
Reclassification adjustments included in the profit and loss account for: Loss / (gain) on sale of investments - net	(20,733)	(3,739)
	175,358	130,611
Total comprehensive income for the year	952,916	911,761

The annexed notes 1 to 36 form an integral part of these financial statements.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director

Statement of Changes in Equity
for the year ended September 30, 2013

	Issued subsc-ribed and paid-up Capital	Capital Reserve	Revenve Reserves		Total Reserves	Unrealised gain / (loss) on investments available for sale	Total Equity
			General Reserve	Unappro-priated profit			
	(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 year ended September 30, 2012	–	–	–	781,150	781,150	130,611	911,761
Balance as on September 30, 2012	750,000	34,000	1,791,000	789,407	2,614,407	690,444	4,054,851
Cash dividend for 2012 @ 50%	–	–	–	(375,000)	(375,000)	–	(375,000)
Transfer to general reserve	–	–	410,000	(410,000)	–	–	–
Total comprehensive income for the year ended September 30, 2013	–	–	–	777,558	777,558	175,358	952,916
Balance as on September 30, 2013	750,000	34,000	2,201,000	781,965	3,016,965	865,802	4,632,767

The annexed notes 1 to 36 form an integral part of these financial statements.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director

Cash Flow Statement
for the year ended September 30, 2013

	Note	2013	2012
		(Rupees in thousands)	
Cash flows from operating activities			
Cash generated from operations	28	1,287,983	938,468
Finance (cost paid) / income received - net		(12,926)	19,874
Income tax paid		(152,789)	(241,052)
Long-term loans		1,370	2,600
Long-term deposits		(15)	–
Net cash generated from operating activities		1,123,623	719,890
Cash flows from investing activities			
Fixed capital expenditure		(262,208)	(58,109)
Redemption / sale proceeds of investments		2,383,185	302,775
Dividend received		74,230	53,117
Purchase of investments		(3,257,008)	(1,240,433)
Sale proceeds of fixed assets		2,238	5,409
Net cash used in investing activities		(1,059,563)	(937,241)
Cash flows from financing activities			
Dividend paid		(368,504)	(368,704)
Net cash used in financing activities		(368,504)	(368,704)
Net decrease in cash and cash equivalents		(304,444)	(586,055)
Cash and cash equivalents at the beginning of the year		636,083	1,222,138
Cash and cash equivalents at the end of the year	13	331,639	636,083

The annexed notes 1 to 36 form an integral part of these financial statements.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director

Notes to the Financial Statements
for the year ended September 30, 2013

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, liquidified carbon dioxide (CO_2), household textiles, providing bulk storage facilities and trading of commodities.

2. Summary of significant accounting policies

2.1 Statement of compliance

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

2.2 Basis of preparation

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

2.3 Significant accounting judgements and estimates

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

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

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

2.4 Amended standards that became effective

Following are the amended standards which are considered to be relevant and became effective as of October 1, 2012.

IAS 1 Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented

IAS 12 Income Tax (Amendment) - Deferred Tax : Recovery of Underlying Assets

However, amendments in the above standards did not have any effect on the financial statements of the Company.

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

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

Standards		Effective date (accounting periods beginning on or after)
IFRS 7	Financial Instruments : Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 1, 2013
IAS 19	Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 1, 2013
IAS 32	Offsetting of financial assets and financial liabilities (Amendments)	January 1, 2014

The Company expects that the adoption of the above amended standards will not have any significant effect on the Company's financial statements in the period of initial application except for IAS 19 - Employee Benefits, which requires actuarial gains and losses to be recognised in other comprehensive income as they occur. Further, amounts recorded in profit and loss account are limited to current and past service costs, gains or losses on settlements and net interest income (expense). Furthermore, all other changes in the net defined benefit asset (liability) are recognised in other comprehensive income with not subsequent recycling to profit and loss account and the distinction between short-term and other long-term employee's entitlement to the benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.

These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

Adoption of the above amendments will result in change in the Company's accounting policy related to recognition of actuarial gain / (loss) (refer to note 2.13.1 to the financial statements) to recognize it in total comprehensive income in the period in which they occur. However, this change will not have any material impact on the financial results of the Company as the Company has a policy of faster recognition of actuarial gain / (loss), as a result of which, there is no un-amortized actuarial gain / (loss) balance as at September 30, 2013.

Interpretations		Effective date (accounting periods beginning on or after)
IFRIC 20	Stripping cost in the production phase of a surface mine	January 1, 2013
IFRIC 21	Levies	January 1, 2014

2.6 Standards issued by IASB but not yet notified by SECP

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

Standards		Effective date (accounting periods beginning on or after)
IFRS - 9	Financial Instruments: Classification and Measurement	January 1, 2015
IFRS - 10	Consolidated Financial Statements	January 1, 2013
IFRS - 11	Joint Arrangements	January 1, 2013
IFRS - 12	Disclosure of Interest in Other Entities	January 1, 2013
IFRS - 13	Fair value Measurement	January 1, 2013

2.7 Fixed assets

2.7.1 Property, plant and equipment

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

Significant borrowing costs related to acquisition, construction and commissioning of a qualifying asset is capitalized.

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

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

2.7.2 Capital work-in-progress

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

Significant borrowing costs related to acquisition, construction and commissioning of a qualifying asset is capitalized.

2.8 Investments - Available for sale

Investments acquired with the intention to be held for over one year are classified as long-term investment. However, these can be sold earlier due to liquidity requirements. Short-term investments are those which are acquired for a short period. All investments are classified as available for sale and are initially recognised at cost, being the fair value of the consideration paid including transaction cost. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price).

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

2.9 Stores and spare parts

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

2.10 Stock-in-trade

These are valued as follows :

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

2.11 Trade debts and other receivables

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

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

2.12 Cash and cash equivalents

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

2.13 Staff retirement benefits

2.13.1 Staff gratuity

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

The latest actuarial valuation of the gratuity scheme was carried out as at September 30, 2013. The projected unit credit method, using the following significant assumptions, have been used for actuarial valuation.

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

Based on the actuarial valuation of gratuity scheme as of September 30, 2013, the fair value of gratuity scheme assets and liabilities were Rs.84.23 million and Rs.84.12 million respectively. The Company recognises the total actuarial gains and losses in the year in which they arise. The amounts recognised in balance sheet are as follows:

	2013	2012
	(Rupees in thousands)	
Present value of defined benefit obligation	84,120	76,033
Fair value of plan assets	(84,229)	(76,073)
Net (asset) / liability recognised in the balance sheet	(109)	(40)

Movement in the net (asset) / liability recognised in the balance sheet is as follows:

	2013	2012
Opening balance	(40)	365
Charge for the year	4,661	4,136
Contribution during the year	(4,730)	(4,541)
Closing balance	(109)	(40)

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

	2013	2012
	(Rupees in thousands)	
Current service cost	3,272	3,482
Interest cost	8,781	8,995
Expected return on plan assets	(8,785)	(8,442)
Actuarial loss recognised	1,393	101
Gratuity cost for the year ended September 30	4,661	4,136

Actual return on plan assets is Rs. 8.16 (2012: Rs. 8.87) million.

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

As at September 30,	2013	2012	2011	2010	2009
			(Rupees in thousands)		
Present value of defined benefit obligation	84,120	76,033	68,734	59,586	50,343
Fair value of plan assets	(84,229)	(76,073)	(68,369)	(60,483)	(48,718)
(Surplus) / Deficit	(109)	(40)	365	(897)	1,625

2.13.2 Provident fund

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

2.13.3 Compensated absences

The Company provides for its estimated liability towards employees accumulated leaves on the basis of current salary.

2.14 Borrowings and their cost

Borrowings are recorded at the proceeds received.

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

2.15 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

2.16 Taxation

2.16.1 Current

Provision for current taxation is computed in accordance with the provisions of the applicable income tax laws.

2.16.2 Deferred

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

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

As the provision for taxation has been made partially under the normal basis and partially under the final tax regime, therefore, the deferred tax liability has been recognised on a propotionate basis in accordance with ATR 27 issued by the Institute of Chartered Accountants of Pakistan.

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

2.17 Impairment

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

2.18 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed periodically and adjusted to reflect the current best estimate.

2.19 Foreign currencies

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

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

2.20 Revenue recognition

Sales are recorded on despatch of goods to customers.
Income on investments is recorded when the right to receive is established.
Income / profit on bank treasury call and deposit accounts is recorded on accrual basis.
Storage income is recorded on accrual basis.

2.21 Segment reporting

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

2.22 Financial instruments

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

2.23 Offsetting

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

	Note	2013	2012
		(Rupees in thousands)	
3. Fixed Assets			
Property, plant and equipment			
Operating fixed assets	3.1	843,209	724,129
Capital work-in-progress	3.4	108,921	47,710
		952,130	771,839

3.1 Operating fixed assets for 2013:

	Cost / book value as at Oct. 1, 2012	Additions / (deletions)	Cost / book value as at Sept. 30, 2013	Accum- ulated deprec- iation as at Oct. 1, 2012	Depre- ciation / amortization charge for the year & accum- lated deprec- iation on deletions	Accum- ulated deprec- iation / amortization as at Sept. 30, 2013	Written down value as at Sept. 30, 2013	Annual rate of deprec- iation / amortiz- ation %
	(Rupees in thousands)							
Land								
Freehold - Sugar / Distillery division	10,984	9,158	20,142	–	–	–	20,142	–
Leasehold - Textile division	489	–	489	216	5	221	268	1.01
Buildings on freehold land								
Sugar division	77,214	7,329	84,543	53,167	2,833	56,000	28,543	10
Distillery division	21,243	–	21,243	15,144	610	15,754	5,489	10
Non-factory buildings	30,228	–	30,228	21,390	442	21,832	8,396	5
Buildings on leasehold land								
Textile division	19,335	–	19,335	15,096	424	15,520	3,815	10
Plant and machinery								
Sugar division	969,099	–	969,099	661,472	30,763	692,235	276,864	10
Distillery division - Note 3.1.1	600,326	167,310	767,636	323,374	34,533	357,907	409,729	10
Textile division	114,069	15,670	129,739	44,766	8,497	53,263	76,476	10
Railway siding - Sugar division	468	–	468	460	1	461	7	10
Electric, gas and water installations								
Sugar / Distillery division	8,808	–	8,808	7,984	82	8,066	742	10
Textile division	3,601	–	3,601	2,500	110	2,610	991	10
Furniture, fittings, electrical and office equipment								
Sugar / Distillery division	52,086	1,153	53,218	40,960	2,931	43,872	9,346	25
		(21)			(19)			
Textile division	9,252	–	9,252	8,396	214	8,610	642	25
Tractors / trolleys and agriculture implements								
Sugar division	2,765	–	2,765	2,616	30	2,646	119	20
Motor cars / vehicles								
Sugar / Distillery division	2,647	377	2,807	1,026	345	1,233	1,574	20
		(217)			(138)			
Textile division	679	–	679	597	16	613	66	20
Total	1,923,293	200,997	2,124,052	1,199,164	81,836	1,280,843	843,209	
		(238)			(157)			

3.1.1 Plant and machinery of Distillery division include storage tanks of the CO_2 unit having written down value of Rs. 23.08 (2012: Rs. 25.64) million installed at customers' premises for storage of Liquidified Carbon dioxide.

3.1.2 Reconciliation of carrying values for 2013

	Written down value as at Oct. 1, 2012	Additions / (deletions)	Depreciation / amortization charge for the year	Written down value as at Sept. 30, 2013
	(Rupees in thousands)			
Land	11,257	9,158	5	20,410
Buildings on freehold land	38,984	7,329	3,885	42,428
Buildings on leasehold land	4,239	–	424	3,815
Plant and machinery	653,882	182,980	73,793	763,069
Railway siding	8	–	1	7
Electric, gas and water installations	1,925	–	192	1,733
Furniture, fittings, electrical and office equipment	11,982	1,153	3,145	9,988
		(21)	(19)	
Tractors / trolleys and agriculture implements	149	–	30	119
Motor cars / vehicles	1,703	377	361	1,640
		(217)	(138)	
	724,129	200,997	81,836	843,209
		(238)	(157)	

3.1.3 Operating fixed assets for 2012:

	Cost / book value as at Oct. 1, 2011	Additions / (deletions)	Cost / book value as at Sept. 30, 2012	Accumulated depreciation as at Oct. 1, 2011	Depreciation / amortization charge for the year & accumulated depreciation on deletions	Accumulated depreciation / amortization as at Sept. 30, 2012	Written down value as at Sept. 30, 2012	Annual rate of depreciation / amortization %
	(Rupees in thousands)							
Land								
Freehold - Sugar / Distillery division	10,984	–	10,984	–	–	–	10,984	–
Leasehold - Textile division	489	–	489	211	5	216	273	1.01
Buildings on freehold land								
Sugar division	77,214	–	77,214	50,495	2,672	53,167	24,047	10
Distillery division	21,243	–	21,243	14,467	677	15,144	6,099	10
Non-factory buildings	30,228	–	30,228	20,925	465	21,390	8,838	5
Buildings on leasehold land								
Textile division	19,335	–	19,335	14,625	471	15,096	4,239	10
Plant and machinery								
Sugar division	939,504	29,595 –	969,099	628,796	32,676 –	661,472	307,627	10
Distillery division - Note 3.1.1	600,326	– –	600,326	292,602	30,772 –	323,374	276,952	10
Textile division	113,516	553	114,069	37,093	7,673	44,766	69,303	10
Railway siding - Sugar division	468	–	468	459	1	460	8	10
Electric, gas and water installations								
Sugar / Distillery division	8,808	–	8,808	7,892	92	7,984	824	10
Textile division	3,601	–	3,601	2,378	122	2,500	1,101	10
Furniture, fittings, electrical and office equipment								
Sugar / Distillery division	48,256	4,128 (298)	52,086	38,142	3,103 (285)	40,960	11,126	25
Textile division	8,924	328	9,252	8,194	202	8,396	856	25
Tractors / trolleys and agriculture implements								
Sugar division	2,765	–	2,765	2,579	37	2,616	149	20
Motor cars / vehicles								
Sugar / Distillery division	4,644	2,197 (4,194)	2,647	2,757	380 (2,111)	1,026	1,621	20
Textile division	665	14 –	679	577	20 –	597	82	20
Total	1,890,970	36,815 (4,492)	1,923,293	1,122,192	79,368 (2,396)	1,199,164	724,129	

3.1.4 Reconciliation of carrying values for 2012

	Written down value as at Oct. 1, 2011	Additions / (deletions)	Depreciation / amortization charge for the year	Written down value as at Sept. 30, 2012
	(Rupees in thousands)			
Land	11,262	–	5	11,257
Buildings on freehold land	42,798	–	3,814	38,984
Buildings on leasehold land	4,710	–	471	4,239
Plant and machinery	694,855	30,148	71,121	653,882
Railway siding	9	–	1	8
Electric, gas and water installations	2,139	–	214	1,925
Furniture, fittings, electrical and office equipment	10,844	4,456	3,305	11,982
		(298)	(285)	
Tractors / trolleys and agriculture implements	186	–	37	149
Motor cars / vehicles	1,975	2,211	400	1,703
		(4,194)	(2,111)	
	768,778	36,815	79,368	724,129
		(4,492)	(2,396)	

	Note	2013	2012
		(Rupees in thousands)	
3.2 Allocation of depreciation / amortization charge for the year:			
Cost of Sales			
Sugar division	20	35,526	37,405
Distillery division	20	35,410	31,734
Textile division	20	9,036	8,272
		79,972	77,411
Administrative expenses			
Sugar division	22	1,330	1,413
Distillery division	22	114	121
Textile division	22	231	222
Terminal	19.1	189	201
		1,864	1,957
		81,836	79,368

3.3 Details of fixed assets disposed off:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain on disposal	Mode of disposal	Particulars of purchasers
	(Rupees in thousands)						
Furniture, fittings, electrical and office equipment							
Sugar division / Distillery division							
Furniture & fittings	21	19	2	10	8	Negotiation	Employees at Nawabshah
Motor cars / vehicles							
Motor cars	10	7	3	735	732	Tender	Mr. Maqbool Ahmed Basti Shikarpur Ameerpur P.O. Jitha Bhatta, Tehsil Khan Pur, District Rahim Yar Khan
“	8	4	4	740	736	“	Syed Khadim Hussain Naqvi, Suhani view apartment No. D-315, Metrovill-II, Block-1, Karachi.
“	12	9	3	665	662	“	Mr. Munawar Haseen Malik, H#: 101/2 Khaybane-e-Qasim, Phase VIII, D.H.A., Karachi.
Motor cycles	37	27	10	14	4	“	Mr. Skindar s/o. M. Ibrahim Flat # 201, Plot No. 25, Karim Centre Keamari, Block-B, Karachi.
“	36	28	8	15	7	“	Mr. Mohammad Waqar, Flat # 12, Plot # 154, Soldier Bazar, Karachi.
“	36	27	9	12	3	“	Syed Asad Abbas, Quarter No. 43/1, Malir Cantt, Karachi.
“	37	26	11	15	4	“	Mr. S. Mohammad House # 370, Khyber Colony, Orangi Town Sector 4/F, Karachi.
“	41	10	31	32	1	Claim	M/s. Habib Insurance Company Limited, Habib Square M.A. Jinnah Road, Karachi.
	217	138	79	2,228	2,149		
2013	238	157	81	2,238	2,157		
2012	4,492	2,396	2,096	5,409	3,313		

	Note	2013	2012
		(Rupees in thousands)	

3.4 Capital work-in-progress

	Note	2013	2012
Plant and machinery		107,113	26,662
Machinery in transit		1,808	15,830
Non-Factory Building		–	2,868
Advance to supplier		–	2,350
	3.4.1	108,921	47,710

3.4.1 Movement in capital work-in-progress

	2013	2012
Balance as on October 1,	47,710	26,416
Cost incurred during the year	251,519	50,889
	299,229	77,305
Transfer to operating fixed assets	(190,308)	(29,595)
Balance as on September 30,	108,921	47,710

4. Investments

Long-term investments – Available for sale

Fully paid-up ordinary shares / unit certificates of listed companies / mutual funds are as follows:

Number of shares / units certificates 2012	2013	Face value Rs.	Company's / Fund's Name	2013 (Rupees in thousands)	2012
4.1 Investments in related parties					
147,797	147,797	5	Balochistan Particle Board Limited	665	517
16,806,083	16,806,083	10	Bank AL Habib Limited	609,556	475,780
8,122,366	–	100	First Habib Cash Fund	–	813,335
4,291,018	4,291,018	5	Habib Insurance Company Limited	63,250	62,134
				673,471	1,351,766

Number of shares / units certificates 2012	2013	Face value Rs.	Company's / Fund's Name	2013 (Rupees in thousands)	2012
4.2 Investments in other companies					
11,000	21,000	10	Adamjee Insurance Company Limited	1,556	715
–	17,250	10	Attock Cement Pakistan Limited	2,271	–
–	45,000	10	Cherat Cement Company Limited	2,226	–
56,178	56,178	10	Dawood Lawrencepur Limited	4,159	2,752
–	70,000	10	D.G. Khan Cement Company Limited	4,821	–
312,000	312,000	10	Engro Corporation Limited	42,363	33,312
–	12,500	10	Engro Food Limited	1,271	–
–	50,000	10	Fauji Cement Company Limited	543	–
268,885	268,885	10	Fauji Fertilizer Company Limited	27,257	30,053
514,000	514,000	5	First Habib Modaraba	4,503	3,701
–	11,000	10	Glaxosmithline Pakistan Limited	1,178	–
632,337	632,337	10	Habib Metropolitan Bank Limited	13,336	11,097
–	18,000	10	Habib Bank Limited	2,744	–
3,954,661	–	100	HBL Money Market Fund	–	406,783
54,000	54,000	10	Honda Atlas Cars (Pakistan) Limited	2,214	756
206,000	206,000	10	International Industries Limited	8,705	7,721
–	25,000	10	Kot Addu Power Company Limited	1,595	–
–	350,000	10	Lalpir Power Limited	6,752	–
–	40,000	10	Lucky Cement Limited	9,252	–
–	40,000	10	Maple Leaf Cement Factory Limited	855	–
69,031	70,934	10	MCB Bank Limited	18,659	12,842
–	46,100	10	Mehran Sugar Mills Limited	3,226	–
25,000	30,250	10	Millat Tractors Limited	14,325	12,075
–	20,000	10	Nishat (Chunian) Limited	1,126	–
–	20,000	10	Nishat Chunian Power Limited	719	–
–	40,000	10	Nishat Mills Limited	3,707	–
20,000	20,000	10	Packages Limited	5,102	2,344
19,650	19,650	10	Pak Suzuki Motor Company Limited	2,751	1,938
–	15,000	10	Pakistan Oilfields Limited	6,431	–
–	12,000	10	Pakistan Petroleum Limited	2,287	–
–	50,000	10	Pakistan Telecommunication Company Limited	1,308	–
14,507	14,507	10	Pakistan Tobacco Company Limited	4,461	885
3,763,170	3,763,170	5	Shabbir Tiles and Ceramics Limited	34,771	35,750
75,267	82,793	10	Sui Northern Gas Pipelines Limited	1,707	1,556
646,821	711,503	5	Thal Limited	85,586	84,171
–	30,000	10	The Hub Power Company Limited	1,912	–
48,322	48,322	10	TPL Direct Insurance Limited	435	478
43,246	43,246	10	TPL Trakker Limited	303	386
50,000	–	10	TRG Pakistan Limited	–	182
				326,417	649,497
				999,888	2,001,263

4.3 The aggregate book value of the above investments, net of impairment, is Rs.161.33 (2012: Rs.1,310.82) million.

4.4 The above investments are stated at fair value. Unrealised gain of Rs.148.12 (2012 Rs.130.61) million arising from a change in the fair value of these long-term investments during the current year has been recognised directly in equity whereas impairment in the ordinary shares of Rs.1.90 (2012: Rs. 3.64) million has been charged to the profit and loss account.

	Note	2013	2012
		(Rupees in thousands)	
5. Long-term loans			
Secured - considered good			
Executives	5.1 & 5.2	641	362
Employees		7,917	12,519
	5.3	8,558	12,881
Receivable within next twelve months shown under current assets:			
Executives	9	(545)	(362)
Employees	9	(5,124)	(8,260)
		(5,669)	(8,622)
		2,889	4,259

5.1 The maximum aggregate amount due from executives at the end of any month during the year was Rs.0.82 (2012: Rs.6.94) million.

5.2 Movement of loans to executives during the year is as follows:

	2013	2012
	(Rupees in thousands)	
Balance as on October 1,	362	7,034
Disbursements	1,229	–
	1,591	7,034
Repayments	(950)	(6,672)
Balance as on September 30,	641	362

5.3 Long-term loans of Rs. 8.56 (2012: Rs.12.88) million, include loans of Rs.Nil (2012: Rs.0.36) million and Rs.3.29 (2012: Rs.4.36) million to executives and workers respectively which carry no interest. The balance amount of loan carries interest ranging from 7.00% to 16.00% per annum.

	2013	2012
	(Rupees in thousands)	
6. Stores and spare parts		
Stores	76,283	65,993
Provision for obsolescence and slow moving stores	(9,500)	(9,500)
	66,783	56,493
Spare parts	52,885	52,860
Provision for obsolescence and slow moving spare parts	(19,792)	(19,792)
	33,093	33,068
	99,876	89,561

	Note	2013	2012
		(Rupees in thousands)	
7. Stock-in-trade			
Raw materials			
Distillery division		149,969	140,698
Textile division		22,315	13,039
		172,284	153,737
Work-in-process			
Sugar division		874	786
Textile division		28,005	31,975
		28,879	32,761
Finished goods			
Sugar division		326,959	601,377
Distillery division		169,617	107,989
Textile division		488	879
		497,064	710,245
Fertilizers		618	800
		698,845	897,543
8. Trade debts			
Considered good			
Export – Secured against export documents		43,600	203,138
Local – Unsecured		240,627	193,977
		284,227	397,115
8.1 The aging of trade debts at September 30 is as follows :			
Neither past due nor impaired		176,451	395,446
Past due but not impaired:			
within 90 days		107,400	1,176
91 to 180 days		–	–
over 180 days		376	493
		284,227	397,115
9. Loans and advances			
Considered good			
Current maturity of long-term loans			
Executives	5	545	362
Employees	5	5,124	8,260
		5,669	8,622
Advances - unsecured			
Employees		–	14
Suppliers		354,919	441,937
		354,919	441,951
		360,588	450,573

	Note	2013	2012
		(Rupees in thousands)	

10. Trade deposits and short-term prepayments

Trade deposits		1,110	1,206
Short-term prepayments		8,346	9,908
		9,456	11,114

11. Other receivables

Duty drawback and research & development support claim		12,211	13,219
Others		2,532	2,112
		14,743	15,331

12. Investments

Short-term investments - available for sale

Investments in Units of Mutual Funds are as follows:

	Mutual Fund Units 2012	Mutual Fund Units 2013	Face value Rs.	Fund's Name	2013	2012
12.1 Investments in related party						
	–	14,168,941	100	First Habib Cash Fund	1,418,341	–
12.2 Investments in other fund						
	–	7,029,158	100	HBL Money Market Fund	708,901	–
					2,127,242	–

12.3 The aggregate cost of the above investments is Rs. 2,100 (2012: Rs. Nil) million.

12.4 The above investments are stated at fair value. Unrealised gain of Rs.27.24 (2012: Rs. Nil) million arising from a change in the fair value of these short-term investments during the current year has been recognised directly in equity.

	Note	2013	2012
		(Rupees in thousands)	

13. Cash and bank balances

Cash in hand		250	132
Balances with banks in:			
Current accounts		34,483	5,757
Treasury call accounts	13.1	296,906	630,194
	13.2	331,389	635,951
		331,639	636,083

13.1 Profit rates on treasury call accounts ranged between 7.50% to 9.00% (2012: 9.00% to 11.00%) per annum.

13.2 Includes Rs. 238.53 (2012: Rs. 596.78) million kept with Bank AL Habib Limited - a related party.

			2013	2012
			(Rupees in thousands)	

14. Issued, subscribed and paid-up capital

2013	2012		2013	2012
Number of shares			(Rupees in thousands)	
10,136,700	10,136,700	Ordinary shares of Rs. 5 each fully paid in cash	50,684	50,684
139,863,300	139,863,300	Ordinary shares of Rs. 5 each issued as bonus shares	699,316	699,316
150,000,000	150,000,000		750,000	750,000

Issued, subscribed and paid-up capital of the Company includes 24,283,998 Ordinary shares of Rs. 5 each (2012: 24,548,998) held by related parties at the end of the year.

15. Reserves

	Note	2013	2012
		(Rupees in thousands)	
Capital			
Share premium		34,000	34,000
Revenue			
General	15.1	2,201,000	1,791,000
Unappropriated profit		781,965	789,407
		3,016,965	2,614,407

		2013	2012
15.1	At the beginning of the year	1,791,000	1,416,000
	Transfer from unappropriated profit	410,000	375,000
		2,201,000	1,791,000

16. Deferred taxation

	2013	2012
Deferred tax liability on taxable temporary difference:		
Accelerated tax depreciation on operating fixed assets	83,000	90,000
Deferred tax assets on deductible temporary difference:		
Provision for obsolescence and slow moving stores and spare parts	(8,000)	(8,500)
	75,000	81,500

17. Trade and other payables

	Note	2013	2012
Creditors		576,441	327,986
Accrued liabilities		163,494	129,156
Sales-tax / Ferderal excise duty		50,246	45,382
Workers' Profit Participation Fund	17.1	50,138	52,750
Workers' Welfare Fund		41,155	21,100
Income-tax deducted at source		645	405
Unclaimed dividends		29,615	23,119
		911,734	599,898

		2013	2012
		(Rupees in thousands)	

17.1 Workers' Profit Participation Fund

Balance as at October 1,		52,750	56,453
Interest on funds utilized in the Company's business		1,660	1,230
		54,410	57,683
Amount paid to the Trustees		(54,410)	(57,683)
		–	–
Allocation for the year	23	50,138	52,750
Balance as on September 30,		50,138	52,750

18. Contingencies and Commitments

18.1 Contingencies

18.1.1 The Company has provided counter guarantees to banks, aggregating to Rs.244.139 (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.

18.1.2 During 2009-10, Company received show cause notice from Competition Commission of Pakistan (CCP) under the Competition Ordinance, 2009 for violation of certain provisions of the Ordinance. The Company alongwith other sugar mills filed Constitutional Petition before the Honourable High Court of Sindh challenging the Ordinance. The Honourable High Court of Sindh, granted stay and restrained the Commission not to pass final order in respect of the show cause notice. The CCP filed an appeal before the Honourable Supreme Court of Pakistan which was disposed off by the Honourable Supreme Court based on the grounds that the matter was pending before the Honourable High Courts of Sindh and Lahore.

The Competition Ordinance of 2009 was repealed on March 25, 2010 and thereafter a new Ordinance, 2010 was promulgated which also stood repealed on August 15, 2010. The Parliament thereafter enacted the Competition Act, 2010 (ACT XIX of 2010). The Company filed amended application in view of the promulgation of the Competition Act 2010 which was accepted by the Honourable High Court of Sindh, with the consent of both the parties.

The petitions were last fixed for hearing on November 7, 2013 and was adjourned to date in office. Since the financial impact is indeterminate no liability has been recorded in these financial statements.

18.1.3 During the year 2009-10 the Company alongwith other sugar mills filed a Constitutional Petition before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority - PSQCA (the Authority) challenging the notifications issued in respect of registration of the Standard Mark for refined sugar manufactured and sold by the Company and charging of marking fee under PSQCA Act-VI of 1996. The Authority has demanded payment of marking fee at the rate of 0.1% of ex-factory price of sugar sold with effect from January 1, 2009. The Company is of the view that the demand raised is without any lawful authority under the PSQCA Act-VI of 1996 and is in violation of the Constitution.

The Honourable High Court of Sindh on December 4, 2012 decided the case in favour of the Company. However, PSQCA filed a Civil Petition for Leave to Appeal (CPLA) before the Honourable Supreme Court of Pakistan which was admitted on November 25, 2013 and was adjourned to date in office.

Meanwhile, the Honourable Supreme of Court of Pakistan maintained the judgement of Honourable High Court of Sindh and restrain PSQCA from demanding any marks or licensing fee from the Sugar Mills till the further order. No provision has been made in this regard since the management is confident that the outcome would be in Company's favour and the amount is insignificant and is not likely to be materialized.

18.1.4 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 Honorable 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.

During the current year, the matter has been fixed for hearing on various dates and was argued at length. The suit was lastly fixed on December 16, 2013 and was adjourned to January 20, 2014.

The financial exposure of the Company under the suit upto the financial year ended September 30, 2013 is Rs.17.49 (2012: Rs. 3.43) million. The Company is confident of a favourable outcome of the suit and accordingly no provision has been made in these financial statements.

18.1.5 Appeals filed by the Tax authorities for the Tax years 1998, 2001 and 2002 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 year, appeals were fixed for hearing on various dates and were adjourned to 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 statements.

18.1.6 The Company has filed a petition before the Honourable High Court of Sindh challenging the levy of market committee fee on sugarcane purchased at the factory. The High Court of Sindh has granted status quo. As a matter of prudence, full to date provision of Rs. 18.52 million has been made in these financial statements.

18.1.7 The Company alongwith other petitioners filed a petition before the Honourable High Court of Sindh against Federation of Pakistan and Large Taxpayers' Unit challenging the vires of Section 3A of the Federal Excise Act 2005 and SRO 655(1)/2007 dated June 6, 2007 said to have been issued in terms thereof. On February 22, 2013 the Honourable High Court of Sindh decided the case in favour of the Company by suspending the above SRO and ordered refund of all collected amount by way of direct repayment or adjustment (against any tax or duty). Against the above order, the department has filed a Civil Petition for Leave to Appeal (CPLA) which is pending before the Honourable Supreme Court of Pakistan. Considering the contingent nature of the above refund, the Company has not recognised the said refund claim in the financial statements for the year ended September 30, 2013.

	2013	2012
	(Rupees in thousands)	
18.2 Commitments		
18.2.1 Capital expenditure	51,145	109,869
18.2.2 Rentals under operating lease agreements with First Habib Modaraba in respect of vehicles, payable over the following next four years, are as follows:		
Year ending September 30		
2013	–	10,798
2014	13,426	8,967
2015	10,099	5,640
2016	5,926	1,467
2017	1,913	–
	31,364	26,872

19. **Segment operating results and related information**

(Rupees in thousands)

	Note	Sugar Division 2013	Sugar Division 2012	Distillery Division 2013	Distillery Division 2012	Textile Division 2013	Textile Division 2012	Trading Division 2013	Trading Division 2012	Total 2013	Total 2012
Net sales and services											
Local sales		4,813,132	3,973,689	360,976	242,696	7,741	1,745	240,795	–	5,422,644	4,218,130
Less: Sales tax / Federal excise duty		288,682	272,840	49,614	29,105	604	241	17,837	–	356,737	302,186
Discount		–	–	–	345	–	–	–	–	–	345
		288,682	272,840	49,614	29,450	604	241	17,837	–	356,737	302,531
		4,524,450	3,700,849	311,362	213,246	7,137	1,504	222,958	–	5,065,907	3,915,599
Export sales		923,419	461,879	2,193,644	2,328,448	496,159	334,858	202,244	107,024	3,815,466	3,232,209
Less: Export duty, Freight and commission		3,488	–	3,102	13,273	34,374	22,484	29,613	15,894	70,577	51,651
		919,931	461,879	2,190,542	2,315,175	461,785	312,374	172,631	91,130	3,744,889	3,180,558
Net sales		5,444,381	4,162,728	2,501,904	2,528,421	468,922	313,878	395,589	91,130	8,810,796	7,096,157
Services											
Storage income - net	19.1	–	–	1,273	310	–	–	–	–	1,273	310
		5,444,381	4,162,728	2,503,177	2,528,731	468,922	313,878	395,589	91,130	8,812,069	7,096,467
Less: Cost of sales	20	4,987,021	3,669,275	1,841,811	1,801,706	425,398	288,740	353,468	87,740	7,607,698	5,847,461
Gross profit		457,360	493,453	661,366	727,025	43,524	25,138	42,121	3,390	1,204,371	1,249,006
Selling and distribution expenses	21	75,458	45,662	122,644	120,222	19,005	13,201	1,259	917	218,366	180,002
Administrative expenses	22	114,087	109,345	7,421	6,502	3,482	3,349	352	305	125,342	119,501
		189,545	155,007	130,065	126,724	22,487	16,550	1,611	1,222	343,708	299,503
Profit before other operating expenses and other income		267,815	338,446	531,301	600,301	21,037	8,588	40,510	2,168	860,663	949,503
Other operating expenses	23									(87,193)	(77,487)
Other income	24									172,014	89,260
Operating profit										945,484	961,276

- Sugar division is engaged in manufacturing of refined sugar and molasses.
- Distilery division is engaged in manufacturing of ethanol, liquidified carbon dioxide (CO_2) and providing bulk storage facilities.
- Textile division is engaged in manufacturing of household textiles.
- Trading division is engaged in trading of sugar / molasses as and when opportunity occurs.

	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
19.1 Services - Storage income - net										
Terminal rental income	–	–	6,375	2,351	–	–	–	–	6,375	2,351
Less: Terminal expenses										
Salaries, wages and other benefits - note 19.2	–	–	2,065	839	–	–	–	–	2,065	839
Repairs and maintenance	–	–	668	179	–	–	–	–	668	179
Water, electricity and gas	–	–	387	111	–	–	–	–	387	111
Rent, rates and taxes	–	–	1,199	482	–	–	–	–	1,199	482
Depreciation	–	–	189	201	–	–	–	–	189	201
Travelling and vehicle running expenses	–	–	212	84	–	–	–	–	212	84
Insurance	–	–	124	38	–	–	–	–	124	38
Other expenses	–	–	258	107	–	–	–	–	258	107
	–	–	5,102	2,041	–	–	–	–	5,102	2,041
	–	–	1,273	310	–	–	–	–	1,273	310

19.2 Salaries, wages and other benefits include a sum of Rs. 0.17 (2012: Rs. 0.10) million in respect of staff retirement benefits.

(Rupees in thousands)

20. Cost of sales

	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Opening stock of raw material	–	–	140,698	124,115	13,039	14,338	–	–	153,737	138,453
Purchases	4,388,887	3,701,770	1,551,612	1,407,589	301,822	211,133	–	–	6,242,321	5,320,492
	4,388,887	3,701,770	1,692,310	1,531,704	314,861	225,471	–	–	6,396,058	5,458,945
Closing stock of raw material	–	–	(149,969)	(140,698)	(22,315)	(13,039)	–	–	(172,284)	(153,737)
Raw material consumed	4,388,887	3,701,770	1,542,341	1,391,006	292,546	212,432	–	–	6,223,774	5,305,208
Salaries, wages and other benefits - note 20.1	188,165	167,943	45,233	44,764	10,453	9,912	–	–	243,851	222,619
Research and development expenses	2,413	2,155	–	–	–	–	–	–	2,413	2,155
Process chemicals	47,202	34,519	26,450	23,311	–	–	–	–	73,652	57,830
Packing material	58,119	47,088	–	–	19,540	12,149	–	–	77,659	59,237
Dyeing, weaving and other charges	–	–	–	–	70,268	45,986	–	–	70,268	45,986
Stores and spare parts consumed	63,329	52,036	16,875	17,127	–	–	–	–	80,204	69,163
Rent, rates, taxes and lease rentals	12,892	10,068	5,792	6,704	106	100	–	–	18,790	16,872
Water, fuel and power	54,687	48,736	186,665	153,240	22,291	19,314	–	–	263,643	221,290
Repairs and maintenance	118,044	110,181	33,199	37,853	3,496	2,031	–	–	154,739	150,065
Repairs / reconstruction of roads and cane yard	–	56,378	–	–	–	–	–	–	–	56,378
Legal and professional charges	2,194	4,695	–	–	–	–	–	–	2,194	4,695
Insurance	6,319	6,238	5,585	5,709	895	705	–	–	12,799	12,652
Postage, telephone and stationery	2,972	3,318	–	–	–	–	–	–	2,972	3,318
Depreciation / amortization	35,526	37,405	35,410	31,734	9,036	8,272	–	–	79,972	77,411
Other manufacturing expenses	19,460	17,194	5,889	6,797	212	399	–	–	25,561	24,390
Duty drawback	–	–	–	–	(7,806)	(4,829)	–	–	(7,806)	(4,829)
Bagasse sale	(14,374)	(9,673)	–	–	–	–	–	–	(14,374)	(9,673)
Molasses transfer to distillery division	(273,144)	(257,003)	–	–	–	–	–	–	(273,144)	(257,003)
	323,804	331,278	361,098	327,239	128,491	94,039	–	–	813,393	752,556
Manufacturing cost	4,712,691	4,033,048	1,903,439	1,718,245	421,037	306,471	–	–	7,037,167	6,057,764
Opening stock of work-in-process	786	1,008	–	–	31,975	11,048	–	–	32,761	12,056
Closing stock of work-in-process	(874)	(786)	–	–	(28,005)	(31,975)	–	–	(28,879)	(32,761)
	(88)	222	–	–	3,970	(20,927)	–	–	3,882	(20,705)
Cost of goods manufactured	4,712,603	4,033,270	1,903,439	1,718,245	425,007	285,544	–	–	7,041,049	6,037,059
Opening stock of finished goods	601,377	237,382	107,989	191,450	879	273	–	–	710,245	429,105
Purchases	–	–	–	–	–	3,802	353,468	87,740	353,468	91,542
Closing stock of finished goods	(326,959)	(601,377)	(169,617)	(107,989)	(488)	(879)	–	–	(497,064)	(710,245)
	274,418	(363,995)	(61,628)	83,461	391	3,196	353,468	87,740	566,649	(189,598)
	4,987,021	3,669,275	1,841,811	1,801,706	425,398	288,740	353,468	87,740	7,607,698	5,847,461

20.1 Salaries, wages and other benefits include a sum of Rs. 8.5 (2012: Rs. 8.1) million in respect of staff retirement benefits.

(Rupees in thousands)

	Sugar Division 2013	Sugar Division 2012	Distillery Division 2013	Distillery Division 2012	Textile Division 2013	Textile Division 2012	Trading Division 2013	Trading Division 2012	Total 2013	Total 2012
21. Selling and distribution expenses										
Salaries, wages and other benefits - note 21.1	5,978	6,428	2,499	2,284	3,692	3,318	–	–	12,169	12,030
Insurance	4,968	4,148	2,462	3,032	–	–	–	–	7,430	7,180
Rent, rates, taxes and lease rentals	1,473	1,178	882	789	–	–	–	–	2,355	1,967
Transport, freight, handling and forwarding expenses	63,039	33,908	110,824	108,615	7,255	4,708	1,259	917	182,377	148,148
Other expenses	–	–	5,977	5,502	8,058	5,175	–	–	14,035	10,677
	75,458	45,662	122,644	120,222	19,005	13,201	1,259	917	218,366	180,002

21.1 Salaries, wages and other benefits include a sum of Rs. 0.58 (2012: Rs. 0.55) million in respect of staff retirement benefits.

	Sugar Division 2013	Sugar Division 2012	Distillery Division 2013	Distillery Division 2012	Textile Division 2013	Textile Division 2012	Trading Division 2013	Trading Division 2012	Total 2013	Total 2012
22. Administrative expenses										
Salaries, wages and other benefits - note 22.1	67,968	63,959	2,499	2,284	2,252	1,691	203	227	72,922	68,161
Insurance	1,414	1,520	99	69	–	–	–	–	1,513	1,589
Repairs and maintenance	1,848	1,175	502	296	228	267	–	–	2,578	1,738
Postage, telephone and stationery	4,129	4,757	502	569	179	158	–	–	4,810	5,484
Travelling and vehicle running expenses	14,937	12,810	523	451	–	307	–	–	15,460	13,568
Rent, rates, taxes and lease rentals	6,054	4,818	1,511	1,264	–	–	–	–	7,565	6,082
Water, electricity and gas	2,855	2,784	290	183	38	56	–	–	3,183	3,023
Fees, subscription and periodicals	1,565	970	369	9	63	53	–	–	1,997	1,032
Legal and professional charges	1,256	1,532	400	511	24	24	–	–	1,680	2,067
Directors' meeting fee	60	30	–	–	–	–	–	–	60	30
Depreciation	1,330	1,413	114	121	231	222	–	–	1,675	1,756
Auditors' remuneration - note 22.2	1,215	1,255	460	609	80	76	82	22	1,837	1,962
Other expenses - note 22.3	9,456	12,322	152	136	387	495	67	56	10,062	13,009
	114,087	109,345	7,421	6,502	3,482	3,349	352	305	125,342	119,501

22.1 Salaries, wages and other benefits include a sum of Rs. 2.80 (2012: Rs. 2.81) million in respect of staff retirement benefits.

22.2 Auditors' remuneration

	Sugar Division 2013	Sugar Division 2012	Distillery Division 2013	Distillery Division 2012	Textile Division 2013	Textile Division 2012	Trading Division 2013	Trading Division 2012	Total 2013	Total 2012
Annual audit fee	620	550	280	250	50	38	50	12	1,000	850
Half yearly review fee	130	140	50	50	10	10	10	–	200	200
Cost audit fee	200	200	–	–	–	–	–	–	200	200
Tax / other services	140	235	70	250	10	20	15	8	235	513
Out of pocket expenses	125	130	60	59	10	8	7	2	202	199
	1,215	1,255	460	609	80	76	82	22	1,837	1,962

22.3 Sugar division's other expenses include donation of Rs.4.3 (2012: Rs. 5.5) million as per details below:

	2013	2012
	(Rupees in thousands)	
Name of Institution		
Al-Sayyeda Benevolent Trust	910	910
Habib Education Trust	840	840
Rehmat Bai Widows & Orphange Trust	500	500
Habib Medical Trust	840	840
Habib Poor Fund	910	910
Family Education Service Foundation	300	1,500
	4,300	5,500

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

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

(Rupees in thousands)

	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
22.4.1 Segment assets	960,407	1,180,521	1,063,337	1,161,621	248,434	219,798	63,000	3,434	2,335,178	2,565,374
Unallocated assets									3,549,308	2,712,255
									5,884,486	5,277,629
22.4.2 Segment liabilities	907,228	1,013,465	157,549	81,859	58,061	40,932	4,135	235	1,126,973	1,136,491
Unallocated liabilities									124,746	86,287
									1,251,719	1,222,778
22.4.3 Capital expenditure	93,251	40,683	168,892	927	65	16,499	–	–	262,208	58,109

	Note	2013	2012
		(Rupees in thousands)	
23. Other operating expenses			
Workers' Profit Participation Fund	17.1	50,138	52,750
Workers' Welfare Fund		20,055	21,100
Impairment in the value of investments		1,898	3,637
Advance to supplier - written off		15,102	–
		87,193	77,487
24. Other income			
Income from financial assets			
Profit on redemption / sale of investments	24.1	78,584	12,775
Dividend income	24.2	74,431	53,229
Exchange gain		13,144	16,978
		166,159	82,982
Income from non financial assets			
Gain on disposal of fixed assets		2,157	3,313
Agricultural income		199	146
Scrap sale		3,499	2,819
		5,855	6,278
		172,014	89,260

24.1 Profit on redemption of investments includes profit of Rs.45.62 (2012: Rs.7.45) million on redemption of units of First Habib Cash Fund, managed by Habib Asset Management Limited a related party.

24.2 Dividend income includes dividend received from the following related parties:

	2013	2012
	(Rupees in thousands)	
Bank AL Habib Limited	50,418	36,535
Habib Insurance Company Limited	7,509	4,876
	57,927	41,411

In addition to cash dividend, the Company received Nil (2012: 2,192,097) ordinary shares of Rs.10/- each, Nil (2012: 390,092) ordinary shares of Rs.5/- each as bonus shares and 531,224 (2012: 241,960) units of Rs. 100 each as bonus units from Bank AL Habib Limited, Habib Insurance Company Limited and First Habib Cash Fund, respectively.

	Note	2013	2012
		(Rupees in thousands)	
25. Finance (cost) / income - net			
Profit on treasury call accounts		24,333	33,302
Interest on loan to employees		632	1,287
Profit on term deposits	25.1	13,132	41,146
		38,097	75,735
Less: Mark-up / interest on:			
Short-term borrowings	25.2 & 25.3	(37,540)	(44,784)
Workers' Profit Participation Fund		(1,660)	(1,230)
Bank charges		(11,823)	(9,847)
		(51,023)	(55,861)
		(12,926)	19,874

25.1 Profit rates on term deposits ranged between 8.75% to 9.50% (2012: 10.50% to 12.00%) per annum.

25.2 The facilities for short-term borrowings from various commercial banks amounted to Rs.1,780 (2012: Rs.1,930) million.

25.3 These facilities are secured by way of registered charge against hypothecation of stock-in-trade, stores and spares, assignment of trade debts and other receivables. The rate of mark-up during the year was 9.20% to 9.50% (2012: 11.00% to 14.14%) per annum.

	2013	2012
	(Rupees in thousands)	
26. Taxation		
Income tax - current	161,500	200,000
Deferred tax	(6,500)	–
	155,000	200,000
26.1 Reconciliation of tax charge for the year		
Accounting profit	932,558	981,150
Corporate tax rate	34%	35%
Tax on accounting profit at applicable rate	317,070	343,403
Tax effect of timing differences	(9,188)	(763)
Tax effect of lower tax rates on export and certain income	(149,117)	(169,423)
Tax effect of income exempt from tax	(67)	(51)
Tax effect of credit for investment in plant and machinery	(18,298)	–
Tax effect of expenses that are inadmissible in determining taxable income	14,600	26,834
	(162,070)	(143,403)
Provision for taxation	155,000	200,000

26.2 The income tax return for the Tax year 2013 (financial year ended September 30, 2012) has been filed.

	2013	2012
	(Rupees in thousands)	
27. Earnings per share - Basic and diluted		
Profit after taxation	777,558	781,150
	Number of shares	
Number of ordinary shares of Rs. 5 each	150,000,000	150,000,000
Earnings per share - Basic and diluted (Rupees)	5.18	5.21

	2013	2012
	(Rupees in thousands)	

28. Cash generated from operations

	2013	2012
Profit before taxation	932,558	981,150
Adjustment for non-cash charges and other items		
Depreciation	81,836	79,368
Gain on disposal of fixed assets	(2,157)	(3,313)
Profit on redemption / sale of investments	(78,584)	(12,775)
Impairment on investments	1,898	3,637
Finance cost / (income) - net	12,926	(19,874)
Dividend income	(74,431)	(53,229)
Working capital changes - note 28.1	413,937	(36,496)
	1,287,983	938,468

28.1 Working capital changes

	2013	2012
(Increase) / decrease in current assets		
Stores and spare parts	(10,315)	(12,799)
Stock-in-trade	198,698	(317,451)
Trade debts	112,888	(211,416)
Loans and advances	89,985	(256,462)
Trade deposits and short-term prepayments	1,658	3,471
Other receivables	789	(716)
	393,703	(795,373)
Increase / (decrease) in current liabilities		
Trade and other payables	305,340	247,976
Advance from customers	(285,106)	510,901
	20,234	758,877
Net changes in working capital	413,937	(36,496)

29. Remuneration of Chief Executive, Directors and Executives

	2013				2012			
	Chief Execu-tive	Direc-tors	Execu-tives	Total	Chief Execu-tive	Direc-tors	Execu-tives	Total
	(Rupees in thousands)							
Managerial remuneration	6,840	19,800	52,267	78,907	6,840	19,800	51,722	78,362
Perquisites								
Telephone	46	222	377	645	37	379	366	782
Medical	18	651	2,280	2,949	477	312	975	1,764
Utilities	–	1,167	–	1,167	–	1,270	–	1,270
Entertainment	–	404	–	404	–	371	–	371
Retirement benefits	564	1,690	4,312	6,566	552	1,654	3,683	5,889
	7,468	23,934	59,236	90,638	7,906	23,786	56,746	88,438
Number of persons	1	3	28	32	1	3	27	31

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

29.2 Aggregate amount charged in these financial statements in respect of directors' meeting fee paid to Non-Executive Directors amounts to Rs.60 (2012: Rs. 30) thousand for four Directors.

30 Financial Risk Management Objectives and Policies

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

30.1 Credit risk

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

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

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

	Carrying Values 2013	2012
	(Rupees in thousands)	
Long-term investments	999,888	2,001,263
Long-term loans	2,889	4,259
Long-term deposits	2,963	2,948
Trade debts	284,227	397,115
Loans and advances	360,588	450,573
Trade deposits	1,110	1,206
Other receivables	14,743	15,331
Short-term investments	2,127,242	–
Bank balances	331,389	635,951
	4,125,039	3,508,646

Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

	Carrying Values 2013	2012
	(Rupees in thousands)	
30.1.1 Trade debts		
Customers with no defaults in the past one year	173,818	389,206
Customers with some defaults in past one year which have been fully recovered	110,032	6,240
Customers with defaults in past one year which have not yet been recovered	377	–
	284,227	395,446
30.1.2 Long-term Investments Rating		
AAA	21,403	–
AA+	630,902	503,420
AA (f)	–	1,220,118
AA	10,014	4,615
AA-	3,707	–
A+	63,969	62,134
A	–	33,312
A-	44,227	864
BB	855	–
Estimated credit rating not available	224,811	176,800
	999,888	2,001,263
Short-term Rating		
A1+	664,470	507,320
A1	–	33,312
A2	44,511	386
B	855	–
Estimated credit rating not available	290,052	1,460,245
	999,888	2,001,263

		Carrying Values 2013	2012
		(Rupees in thousands)	
30.1.3	**Short-term Investments Rating**		
	AA(f)	2,127,242	–
30.1.4	**Bank Balances**		
	A1+	331,082	634,564
	A1	22	295
	P1	–	167
	A2	285	925
		331,389	635,951

30.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates:

Year ended September 30, 2013	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
			(Rupees in thousands)			
Trade and other payables	–	285,400	626,334	–	–	911,734
Advance from customers	–	252,926	–	–	–	252,926

Year ended September 30, 2012	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
			(Rupees in thousands)			
Trade and other payables	–	219,928	379,970	–	–	599,898
Advance from customers	–	185,556	352,476	–	–	538,032

30.3 Foreign currency risk

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

		2013	2012
		(Respective Currency)	
Trade debts	$	235,761	2,095,550
"	£	68,523	29,064
"	Euro	48,558	–
Trade and other payables	$	120,099	60,631
"	£	5,574	2,034

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

Exchange rates	buying $	105.80	94.80
	selling $	106.00	95.00
	buying £	171.03	154.12
	selling £	171.35	154.45
	buying Euro	142.87	–
	selling Euro	143.14	–

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

Sensitivity analysis:

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

	Change in Foreign Currency rate (%)	Effect on profit	Effect on equity
		(Rupees in thousands)	
September 30, 2013	+10	2,991	2,948
	-10	(2,991)	(2,948)
September 30, 2012	+10	19,706	19,509
	-10	(19,706)	(19,509)

30.4 Equity price risk

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

At the balance sheet date, the exposure to equity securities held as available for sale was Rs.3,127.13 (2012: Rs.2,001.26) million.

30.5 Capital risk management

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

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

The gearing ratio of the Company is Nil (2012: Nil) and the Company finances its investments portfolio through management of its working capital and equity with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

30.6 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

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

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

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

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

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

As at September 30, 2013, the Company had investments measured at fair value using Level 1 valuation techniques.

During the year ended September 30, 2013, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurement.

31. Capacity and production

	2013			2012		
	Quantity		Working days	Quantity		Working days
31.1 Sugar division						
Crushing capacity	7,000	M.Tons	Per Day	7,000	M. Tons	Per Day
Capacity based on actual working days	861,000	M. Tons	123	805,000	M. Tons	115
Actual crushing	939,959	M. Tons	123	851,620	M. Tons	115
Sucrose recovery	11.02	%		10.78	%	
Sugar production	103,582	M. Tons		91,832	M. Tons	
31.2 Distillery division						
a) Ethanol						
Capacity	34,000	M. Tons	300	34,000	M. Tons	300
Actual production	30,464	M. Tons	334	29,307	M. Tons	321
b) Liquidified carbon dioxide (CO_2)						
Capacity	18,000	M. Tons	300	6,000	M. Tons	300
Actual production	7,584	M. Tons	267	4,902	M. Tons	268

c) Distillery / CO_2 plants operated below capacity due to lesser availability of molasses.

	2013			2012		
31.3 Textile division						
Capacity	560,000	Kgs.	300	450,000	Kgs.	300
Actual production	948,812	Kgs.	351	676,185	Kgs.	300

The actual production of textile division is higher than the capacity due to weaving from outside source.

32. Provident Fund related disclosure

The following information is based on un-audited financial statements of the Fund as at September 30:

	2013	2012
	(Rupees in thousands)	
Size of the fund - Total assets	302,429	273,113
Fair value of investments	283,640	256,600
Percentage of investments made	93.79	93.95

32.1 The cost of above investments amounted to Rs. 228.86 million (2012: Rs. 227.71 million)

32.2 The break-up of fair value of investments is as follows:

	2013	2012	2013	2012
	Percentage		(Rupees in thousands)	
National savings scheme	79.53	83.22	225,575	213,530
Bank deposits	8.04	0.98	22,819	2,515
Debt securities	12.43	15.80	35,246	40,555
	100.00	100.00	283,640	256,600

32.3 The investments out of provident fund have been made in accordance with the provision of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

33. Number of Employees

	2013	2012
Number of employees including contractual employees at September 30	601	591
Average number of employees incuding contractual employees during the year	589	578

34. Transactions with related parties

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

	2013	2012
	(Rupees in thousands)	
Insurance premium	24,972	15,866
Insurance claims received	27	6,655
Profit on treasury call accounts / term deposits	34,645	62,133
Purchases of investments	1,600,000	800,000
Sale proceeds of investments	1,045,615	157,449
Purchases / sales	345	168
Dividend received	57,928	41,411
Dividend paid	61,372	61,372
Bonus units / shares received at nominal value	53,122	48,067
Bank charges	1,568	1,045

Transactions with related parties are carried out under normal commercial terms and conditions.

35. Dividend

The Board of Directors of the Company in their meeting held on December 26, 2013 have proposed a final cash dividend of Rs. 2.50 per share (50%) for the year ended September 30, 2013 . The approval of the members for the proposed final cash dividend will be obtained at the Annual General Meeting of the Company to be held on January 30, 2014. The financial statements for the year ended September 30, 2013 do not include the effect of the proposed final cash dividend which will be accounted for in the financial statements for the year ending September 30, 2014.

36. General

- Figures have been rounded off to the nearest thousand rupees.

- These financial statements were authorised for issue on December 26, 2013 by the Board of Directors of the Company.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director

Pattern of Shareholding as at September 30, 2013

Number of Shareholders	Size of Shareholding From		To	Total Number of Shares held
1,622	1	...	100	37,055
906	101	...	500	255,775
523	501	...	1,000	398,069
1,444	1,001	...	5,000	3,276,526
302	5,001	...	10,000	2,220,186
139	10,001	...	15,000	1,711,816
86	15,001	...	20,000	1,518,647
57	20,001	...	25,000	1,294,401
28	25,001	...	30,000	772,992
33	30,001	...	35,000	1,076,846
12	35,001	...	40,000	445,709
14	40,001	...	45,000	594,903
17	45,001	...	50,000	815,379
13	50,001	...	55,000	680,839
8	55,001	...	60,000	460,761
7	60,001	...	65,000	440,594
8	65,001	...	70,000	543,573
7	70,001	...	75,000	500,924
10	75,001	...	80,000	783,103
8	85,001	...	90,000	695,930
2	90,001	...	95,000	184,802
7	95,001	...	100,000	700,000
1	100,001	...	105,000	104,165
3	105,001	...	110,000	320,964
2	110,001	...	115,000	227,875
1	115,001	...	120,000	119,658
2	130,001	...	135,000	262,300
1	135,001	...	140,000	138,002
3	140,001	...	145,000	425,385
1	145,001	...	150,000	147,500
4	150,001	...	155,000	613,519
1	155,001	...	160,000	157,750
3	165,001	...	170,000	500,127
2	175,001	...	180,000	355,136
1	185,001	...	190,000	185,779
2	190,001	...	195,000	381,329
1	195,001	...	200,000	195,510
1	200,001	...	205,000	201,500
1	205,001	...	210,000	205,156
1	215,001	...	220,000	220,000
1	225,001	...	230,000	226,846
1	230,001	...	235,000	232,027
1	245,001	...	250,000	246,593
2	265,001	...	270,000	535,500
2	280,001	...	285,000	567,330
1	300,001	...	305,000	304,940
3	305,001	...	310,000	925,192
1	310,001	...	315,000	311,207
1	320,001	...	325,000	320,446
2	325,001	...	330,000	657,539
1	340,001	...	345,000	340,740
1	355,001	...	360,000	359,970
1	360,001	...	365,000	363,957
2	385,001	...	390,000	771,441
2	390,001	...	395,000	783,658
1	395,001	...	400,000	397,377
1	415,001	...	420,000	417,500
1	420,001	...	425,000	421,146
1	435,001	...	440,000	437,166
1	445,001	...	450,000	450,000
1	460,001	...	465,000	463,815
1	465,001	...	470,000	468,145
1	500,001	...	505,000	500,737
2	510,001	...	515,000	1,021,336
1	520,001	...	525,000	521,263
1	530,001	...	535,000	530,057
1	555,001	...	560,000	557,127
1	565,001	...	570,000	567,387
1	570,001	...	575,000	572,918
1	595,001	...	600,000	597,032
1	600,001	...	605,000	602,857
1	635,001	...	640,000	638,318
1	645,001	...	650,000	650,000
1	655,001	...	660,000	658,571
1	735,001	...	740,000	738,000
3	755,001	...	760,000	2,273,153
1	780,001	...	785,000	780,825
2	915,001	...	920,000	1,837,782
1	970,001	...	975,000	970,127
1	1,015,001	...	1,020,000	1,019,000
3	1,040,001	...	1,045,000	3,133,040
2	1,180,001	...	1,185,000	2,364,087
1	1,185,001	...	1,190,000	1,189,501
1	1,415,001	...	1,420,000	1,418,565
1	1,440,001	...	1,445,000	1,440,330
1	1,685,001	...	1,690,000	1,688,251
1	1,865,001	...	1,870,000	1,866,906
1	2,025,001	...	2,030,000	2,029,070
1	3,070,001	...	3,075,000	3,071,845
1	3,555,001	...	3,560,000	3,559,751
1	4,001,001	...	4,005,000	4,001,950
1	5,015,001	...	5,020,000	5,017,258
1	5,825,001	...	5,830,000	5,825,357
1	6,550,001	...	6,555,000	6,554,075
1	8,865,001	...	8,870,000	8,868,497
1	9,365,001	...	9,370,000	9,366,312
1	12,880,001	...	12,885,000	12,882,570
1	26,510,001	...	26,515,000	26,513,125
5,356				**150,000,000**

Shareholders' Category	Number of Shareholders	Number of Shares held	Percentage
Individuals	5,267	49,510,296	33.00
Insurance Companies	4	11,580,785	7.72
Joint Stock Companies	51	45,373,050	30.25
Financial Institutions	10	29,319,715	19.55
Modaraba Companies	2	613,257	0.41
Charitable Trusts	17	13,032,565	8.69
Societies	3	520,644	0.35
Corporate Law Authority	1	1	0.00
The Administrator Abandoned Properties Organisation	1	49,687	0.03
	5,356	**150,000,000**	**100.00**

Pattern of Shareholding as at September 30, 2013

Additional Information

Shareholders' Category		Number of Shareholders	Number of Shares Held
Associated Companies, undertakings and related parties			
Habib Insurance Company Limited		1	5,017,258
Habib Mercantile Company (Pvt) Limited		1	510,668
Habib & Sons (Pvt) Limited		1	521,263
Bank AL Habib Limited		1	9,366,312
Hasni Textiles (Pvt) Ltd.		1	8,868,497
NIT and ICP			
National Bank of Pakistan Trustee Department (NIT)		1	12,882,570
Investment Corporation of Pakistan		1	4,869
Directors, CEO and their spouses and minor children			
Asghar D. Habib	Chairman	1	1,044,352
Ali Raza D. Habib	Director	1	23,218
Muhammad Nawaz Tishna (NIT Nominee)	“	–	–
Murtaza H. Habib	“	1	1,180,763
Farouq Habib Rahimtoola	“	1	24,833
Amin Ali Abdul Hamid	“	1	23,971
Imran A. Habib	“	1	1,044,343
Raeesul Hasan	Chief Executive	1	31
Mrs. Tahira Ali Asghar w/o Mr. Ashgar D. Habib		1	385,721
Executives		2	758,940
Public Sector Companies and Corporations		48	35,472,622
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies and Modarabas		12	14,242,748
Individuals		5,257	45,024,124
Charitable & Other Trusts		17	13,032,565
Societies		3	520,644
Government Institutions		2	49,688
		5,356	150,000,000

Shareholders holding 5% or more voting rights

ICOM Industrie Und Handels, Schaan Principality of Liechtenstein	26,513,125
National Bank of Pakistan Trustee Department (NIT)	12,882,570
Bank AL Habib Ltd.	9,366,312
Hasni Textiles (Pvt) Ltd.	8,868,497

Form of Proxy

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

I/We..of...
a member(s) of HABIB SUGAR MILLS LIMITED and holding...
ordinary shares, as per Folio No. .... and /or CDC Participant's
I.D. Numbers...
and Account / Sub-Account No. ....
hereby appoint ....of...
or failing him...of...
another member of the Company to vote for me / us and on my / our behalf at the 52nd Annual General Meeting of the Company to be held on Thursday, January 30, 2014 and at any adjournment thereof.

As witness my / our hand this ....day of..................................2014

Rs. Five
Revenue
Stamp

....
SIGNATURE OF MEMBER(S)

1. Witness Signature: ____________
Name: ____________
Address: ____________
CNIC/Passport No: ____________

2. Witness Signature: ____________
Name: ____________
Address: ____________
CNIC/Passport No: ____________

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

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

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

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