



# **Habib Sugar Mills Limited**

**Report and Condensed Interim  
Financial Statements  
for the Quarter ended  
December 31, 2014  
(Unaudited)**



## Company Information

<b>Board of Directors</b>	Asghar D. Habib Ali Raza D. Habib Muhammad Nawaz Tishna Murtaza H. Habib Amin Ali Abdul Hamid Shams Mohammad Haji Imran A. Habib Raeesul Hasan	<i>Chairman</i>       <i>Chief Executive</i>
<b>Audit Committee</b>	Amin Ali Abdul Hamid Ali Raza D. Habib Shams Mohammad Haji	Chairman Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Shams Mohammad Haji Amin Ali Abdul Hamid Raeesul Hasan	Chairman Member Member
<b>Company Secretary</b>	Amir Bashir Ahmed	
<b>Registered Office</b>	4th Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi-75530 Phones : (+92-21) 35680036 - 5 Lines Fax : (+92-21) 35684086 www : habib.com/sugar E-mail : sugar@habib.com	
<b>Mills</b>	Nawabshah Phones : (+92-244) 360751 - 5 Lines Fax : (+92-244) 361314	
<b>Bankers</b>	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	
<b>Statutory Auditors</b>	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants	
<b>Share Registrar</b>	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	



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## **VISION STATEMENT**

We aim to be a leading manufacturer and supplier of quality sugar, ethanol, liquidified carbon dioxide (CO<sub>2</sub>) 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<sub>2</sub>) and household textiles, we shall continue to strive to achieve excellence in performance and aim to exceed the expectations of all stakeholders. We target to achieve technological advancements to inculcate the most efficient, ethical and time tested business practices in our management.



## Directors' Report

### Dear Members – Assalam-o-Alekum

On behalf of the Board of Directors, it is my privilege to present to you the unaudited condensed interim financial statements of the Company for the first quarter ended December 31, 2014.

### Financial Results

By the Grace of Allah, during the period under review the operations of your Company resulted in a pre-tax profit of Rs.58.93 million. The financial results for the quarter are as follows :

		(Rupees in thousands)
Profit before taxation		58,931
Taxation		10,500
Profit after taxation		48,431
Un-appropriated profit brought forward		2,496
Un-appropriated profit carried forward		50,927
Earnings per share – Basic and diluted	Rupee	0.32

### Performance Review

#### Sugar Division

The crushing season 2014-15 commenced on December 8, 2014 and upto December 31, 2014, 183,585 M. Tons of sugarcane was crushed with average sucrose recovery of 9.39% and sugar production of 17,239 M.Tons including sugar in process as compared with crushing of 333,364 M. Tons with average sucrose recovery of 9.46% and sugar production of 31,511 M. Tons during the corresponding quarter of the previous year.

The crushing season 2014-15 has been so far extremely difficult and uncertain. The Government of Sindh on November 7, 2014 issued notification fixing the minimum support price of sugarcane at Rs.182 per 40 kgs as compared with Rs.172 per 40 kgs for the crushing season 2013-14. The Government of Sindh also specified November 14, 2014 as the commencement date for the crushing season 2014-15.

The minimum support price of sugarcane notified by the Government of Sindh in relation to prevailing sugar prices both in domestic and international markets was totally unjustified and unreasonable for the sugar industry. Keeping this in mind, the company alongwith other members of the sugar industry filed a Constitutional Petition before the Honourable High Court of Sindh praying that the price of sugar be fixed in relation to the minimum sugarcane price failing which the sugar mills would be forced to shut down the operations.



Representations were also made to Government of Sindh through Pakistan Sugar Mills Association to reconsider the minimum support price of sugarcane and make it commensurate with the prevailing sugar prices in domestic and international markets. Realizing the difficulties faced by the sugar industry, the Sindh Government was pleased to revise the interim price of sugarcane downward to a level of Rs.155 per 40 kgs till such time the matter be decided finally on the outcome of the Court decision and subsidies decided by the government. In pursuance of above relief, the company alongwith other members of the sugar industry commenced the crushing from December 8, 2014. The Government of Sindh subsequently issued another notification on December 9, 2014 withdrawing the rate of Rs.155 and re-instated the earlier rate of Rs.182 per 40 kgs. This notification was also challenged by the mills before the Honourable High Court of Sindh.

The Honourable High Court of Sindh decided the above petitions against the mills and dismissed the same without giving any relief to the mills. Against the above decisions of the Honourable High Court of Sindh, an appeal has been filed before the Honourable Supreme Court of Pakistan which is pending adjudication.

We understand that during the court proceedings the Advocate General on behalf of government of Sindh suggested that the minimum price of sugarcane may be fixed somewhere between Rs. 168 and Rs. 170 down from its current price of Rs. 182 per 40kgs provided that the sugar mills and growers agreed upon it. We further understand that the Apex Court has directed the millers and growers to submit the outcome of the meeting before the court by the second week of February.

The Economic Co-ordination Committee of the Cabinet in their meeting held on December 24, 2014 have announced relief package for the sugar industry and allowed export of 650,000 M. Tons of sugar and announced inland freight subsidy of Rs. 2 / kg and cash subsidy of Rs. 8 / kg on sugar exports. However, so far the government has not yet issued any notification in this regard.

In the light of the foregoing and in view of the continued slump in sugar prices both in domestic and international markets, the situation remains uncertain for the sugar industry. It is imperative that the authorities should consider the same in a favourable manner and decide the issue in the larger interest of all the stakeholders.

The sugar division recorded operating loss of Rs. 66.10 million as against operating profit of Rs. 3.34 million during the corresponding quarter of the previous year. The operating loss was due to increased cost of production on account of higher sugarcane price, fixed overheads for the whole quarter charged to cost of production and reduced crushing and sugar production due to late start of crushing operations for the reasons enumerated above.

#### **Distillery Division**

Due to late availability of molasses, the division commenced its operation on December 8, 2014 and upto December 31, 2014 produced 3,881 M. Tons of ethanol as compared with 5,078 M. Tons during the corresponding period of the previous year. By the Grace of Allah, the division continues to operate satisfactorily and earned operating profit of Rs.45.44 million as compared with Rs.33.21 million during the corresponding quarter of previous year.



The liquidified carbon dioxide (CO<sub>2</sub>) unit also operated satisfactorily and produced 1,370 M. Tons as compared with 1,529 M. Tons during the corresponding period of the previous year. The operating profit earned by the unit is included in the profit of the division.

#### **Textile Division**

The division earned profit of Rs. 5.38 million during the quarter under review, as against Rs. 5.13 million during the corresponding period of previous year.

#### **Trading Division**

During the period under review, the division made operating profit of Rs. 13.57 million on account of trading of molasses.

#### **General**

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

On behalf of the Board of Directors

**Asghar D. Habib**  
Chairman

Karachi: January 28, 2015



## Condensed Interim Balance Sheet as at December 31, 2014 (Unaudited)

	Note	Unaudited Dec. 31, 2014 (Rupees in thousands)	Audited Sept. 30, 2014
<b>Assets</b>			
<b>Non-Current Assets</b>			
Fixed assets			
Property, plant and equipment	4	1,442,951	1,353,601
Long-term investments	5	1,597,275	1,451,587
Long-term loans		4,565	5,391
Long-term deposits		2,978	2,963
		<u>3,047,769</u>	<u>2,813,542</u>
<b>Current Assets</b>			
Stores and spare parts		134,506	87,983
Stock-in-trade		1,343,852	956,881
Trade debts		178,595	619,832
Loans and advances		306,962	263,413
Trade deposits and prepayments		15,819	8,725
Profit accrued on bank deposits		12,767	11,099
Other receivables		112,030	20,857
Short-term Investments	6	1,276,312	—
Taxation-net		33,971	—
Cash and bank balances		2,255,296	2,198,559
		<u>5,670,110</u>	<u>4,167,349</u>
<b>Total Assets</b>		<u><u>8,717,879</u></u>	<u><u>6,980,891</u></u>
<b>Equity and Liabilities</b>			
<b>Share Capital and Reserves</b>			
Share Capital			
Authorised			
150,000,000 Ordinary shares of Rs. 5 each		<u>750,000</u>	<u>750,000</u>
Issued, subscribed and paid-up capital			
150,000,000 Ordinary shares of Rs. 5 each		<u>750,000</u>	<u>750,000</u>
Reserves		<u>4,525,799</u>	<u>4,699,252</u>
		<u>5,275,799</u>	<u>5,449,252</u>
<b>Non-Current Liabilities</b>			
Deferred taxation		90,000	90,000
<b>Current Liabilities</b>			
Trade and other payables	7	1,840,957	1,203,746
Advance from customers		45,650	236,542
Short-term borrowings	8	1,080,000	—
Accrued mark-up on short-term borrowings		10,473	—
Taxation-net		—	1,351
Proposed dividend		375,000	—
		<u>3,352,080</u>	<u>1,441,639</u>
<b>Contingencies and Commitments</b>	9		
<b>Total Equity and Liabilities</b>		<u><u>8,717,879</u></u>	<u><u>6,980,891</u></u>

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

**Raeesul Hasan**  
Chief Executive

**Murtaza H. Habib**  
Director



## Condensed Interim Profit and Loss Account for the quarter ended December 31, 2014 (Unaudited)

	Note	Dec. 31, 2014	Dec. 31, 2013
(Rupees in thousands)			
<b>Segment operating results</b>	10		
Net sales and services		1,204,221	989,175
Cost of sales		(1,139,112)	(881,702)
<b>Gross Profit</b>		65,109	107,473
Selling and distribution expenses		(31,689)	(29,218)
Administrative expenses		(35,123)	(34,132)
Other operating expenses	11	(7,774)	(6,623)
Other income	12	18,799	14,247
		(55,787)	(55,726)
<b>Operating profit</b>		9,322	51,747
Finance income - net		49,609	4,636
<b>Profit before taxation</b>		58,931	56,383
Taxation		(10,500)	(10,000)
<b>Profit after taxation</b>		48,431	46,383
<b>Earnings per share - basic and diluted (Rupee)</b>		0.32	0.31

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

**Raeesul Hasan**  
Chief Executive

**Murtaza H. Habib**  
Director





**Condensed Interim Statement of Comprehensive Income  
for the quarter ended December 31, 2014 (Unaudited)**

	Dec. 31, 2014	Dec. 31, 2013
	(Rupees in thousands)	
<b>Profit after taxation</b>	48,431	46,383
<b>Other comprehensive income :</b>		
<b>Items that will be reclassified subsequently to profit &amp; loss:</b>		
<b>Net gain on investments - available for sale</b>		
Unrealised gain on revaluation of investments for the period	165,158	185,487
Reclassification adjustments included in the profit and loss account for:		
Gain on sale of investments - net	(12,042)	(1,624)
	153,116	183,863
<b>Total comprehensive income for the quarter ended December 31, 2014</b>	<u>201,547</u>	<u>230,246</u>

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

**Raeesul Hasan**  
Chief Executive

**Murtaza H. Habib**  
Director



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

**Raeesul Hasan**  
Chief Executive

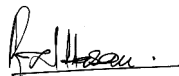
**Murtaza H. Habib**  
Director



## Condensed Interim Cash Flow Statement for the quarter ended December 31, 2014 (Unaudited)

	Note	Dec. 31, 2014	Dec. 31, 2013
(Rupees in thousands)			
<b>Cash flows from operating activities</b>			
Cash generated from operations	13	327,758	1,660,325
Finance income received - net		58,414	5,196
Income tax paid		(45,822)	(64,964)
Long-term loans		826	(639)
Long-term deposits		(15)	-
Net cash generated from operating activities		341,161	1,599,918
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(116,924)	(153,381)
Sale proceeds of investments		22,516	7,104
Dividend received		8,281	11,703
Purchase of investments		(1,278,803)	(1,508,559)
Sale proceeds of fixed assets		579	19
Net cash used in investing activities		(1,364,351)	(1,643,114)
<b>Cash flows from financing activities</b>			
Dividend paid		(73)	(185)
Net cash used in financing activities		(73)	(185)
Net decrease in cash and cash equivalents		(1,023,263)	(43,381)
Cash and cash equivalents at the beginning of the quarter		2,198,559	331,639
Cash and cash equivalents at the end of the quarter	14	1,175,296	288,258

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

  
**Raeesul Hasan**  
Chief Executive

  
**Murtaza H. Habib**  
Director



## Notes to the Condensed Interim Financial Statements for the quarter ended December 31, 2014 (Unaudited)

### 1. The Company and its operations

Habib Sugar Mills Limited is a public limited company incorporated in Pakistan, with its shares quoted on the Karachi and Lahore Stock Exchanges. The Company is engaged in the manufacturing and marketing of refined sugar, molasses, ethanol, liquidified carbon dioxide (CO<sub>2</sub>), household textiles, providing bulk storage facilities and trading of commodities.

### 2. Statement of compliance

These condensed interim financial statements are unaudited and are being submitted to the members in accordance with Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standard (IAS) - 34, 'Interim Financial Reporting', as applicable in Pakistan. The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended September 30, 2014.

### 3. Significant accounting policies and disclosures

The accounting policies and methods of computation followed for the preparation of these condensed interim financial statements are the same as those applied in preparation of the annual published financial statements of the Company for the year ended September 30, 2014.

### 4. Fixed assets

#### 4.1 Property, plant and equipment

	Dec. 31, 2014	Sept. 30, 2014
	(Rupees in thousands)	
Operating fixed assets	1,153,922	1,180,207
Capital work-in-progress	264,782	148,630
Major stores and spare parts	24,247	24,764
	<u>1,442,951</u>	<u>1,353,601</u>



**4.2** Cost of additions to / deletions from fixed assets during the period ended December 31, 2014 were as follows:

	Additions (Rupees in thousands)	Deletions
Plant and machinery		
Sugar	56,888	—
Distillery	58,747	—
Vehicle	28	75
Furniture, fittings and office equipment	1,261	—
	<u>116,924</u>	<u>75</u>
	Dec. 31, 2014	Sept. 30, 2014
	(Rupees in thousands)	

**5. Long-term investments - available for sale**

Investments in related parties	1,016,583	934,271
Investments in other companies	580,692	517,316
	<u>1,597,275</u>	<u>1,451,587</u>

**5.1** The aggregate cost of the above referred long-term investments, net of impairment, is Rs. 208.72 (September 30, 2014: Rs. 189.83) million.

**5.2** The above long-term investments are stated at fair value. Unrealised gain of Rs. 126.80 (September 30, 2014: Rs. 395.95) million arising from a change in fair value of these investments has been recognised directly in equity through other comprehensive income.

Dec. 31,  
2014  
(Rupees in thousands)

**6. Short-term investments - available for sale**

Investments in Units of Mutual Funds are as follows:

Mutual Fund Units		Face value Rs.	Fund's Name		
December 2014	September 2014				
Investments in related party					
2,425,465	–	100	First Habib Cash Fund	256,095	–
Investments in other mutual fund					
18,719,583	–	50	Metro Bank-Pakistan Sovereign Fund	1,020,217	–
				<u>1,276,312</u>	<u>–</u>



6.1 The aggregate cost of the above investments is Rs. 1,250 million (2014: Rs.Nil).

6.2 The above short-term investments are stated at fair value. Unrealised gain of Rs. 26.31 million (September 30, 2014: Rs. Nil) arising from a change in the fair value of these short-term investments has been recognised in equity through other comprehensive income.

	Dec. 31, 2014	Sept. 30, 2014
	(Rupees in thousands)	
<b>7. Trade and other payables</b>		
Creditors	1,560,105	850,085
Accrued liabilities	219,842	223,960
Sales-tax / Federal excise duty	—	23,642
Workers' Profit Participation Fund	3,168	49,575
Workers' Welfare Fund	21,097	19,830
Income-tax deducted at source	373	209
Unclaimed dividends	36,372	36,445
	<u>1,840,957</u>	<u>1,203,746</u>
<b>8. Short-term borrowings - secured</b>	<u>1,080,000</u>	<u>—</u>

These financing facilities are secured by way of registered charge against hypothecation of stock-in-trade, stores and spares, assignment of trade debts and other receivables. The rate of mark-up charged during the period was 7.30% to 7.50% (September 30, 2014: 9.20% to 11.94%) per annum. The aggregate financing facility available from commercial banks amounted to Rs. 1,680 (September 30, 2014: Rs. 1,680) million.

## 9. Contingencies and commitments

### 9.1 Contingencies

9.1.1 The Company has provided counter guarantees to banks, aggregating to Rs. 3,137.24 (September 30, 2014: Rs. 252.75) million against agriculture finance facilities to growers and guarantees issued by banks in favour of third parties on behalf of the Company.

9.1.2 During 2009-10, the Company received a show cause notice from Competition Commission of Pakistan (CCP) under the Competition Ordinance, 2009 for alleged violation of certain provisions of the Ordinance. The Company alongwith other sugar mills filed a Constitutional Petition before the Honourable High Court of Sindh challenging the Ordinance. The Honourable High Court of Sindh, granted stay and restrained the Commission not to pass final order in respect of the show cause notice. The CCP filed an appeal before the Honourable Supreme Court of Pakistan which was disposed off by the Honourable Supreme Court based on the grounds that the matter was pending before the Honourable High Courts of Sindh and 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 20, 2014 however, the case was not taken up for hearing. The Competition Commission of Pakistan has not imposed any fine / penalty against the alleged violation of any provisions of the Competition Act 2010.



**9.1.3** 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 challenging the notifications issued in respect of registration of the Standard Mark for refined sugar manufactured and sold by the Company and levy of marking fee at the rate of 0.1% of ex-factory price of sugar sold with effect from January 1, 2009.

On December 4, 2012 the Honourable High Court of Sindh decided the case in favour of the Company. Against the above order, PSQCA filed an appeal before the Honourable Supreme Court of Pakistan. On November 25, 2013 the Honourable Supreme Court of Pakistan passed an interim order against PSQCA restraining them from demanding any marks of licensing fee from the sugar mills till further order and the case was adjourned to date in office.

According to the advice of legal counsel, the Company is of the view that the demand raised is without any lawful authority and is in violation of the Constitution, hence, no provision is made in this regard.

**9.1.4** 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 June 2012, the Federal Govt. revised the rate of GID Cess from Rs. 13 / MMBTU to Rs. 100 / MMBTU which was challenged by the Company and an interim stay was granted by the Honourable High Court of Sindh. On September 7, 2012 the Federal Govt. revised downward the rate of GID Cess from Rs. 100 / MMBTU to Rs. 50 / MMBTU and accordingly the prayer clause of the suit was amended.

On June 13, 2013 in similar cases the Honourable High Court of Peshawar in its judgement held that GIDC is a fee and cannot be introduced through Money Bill and accordingly declared the levy of Cess unconstitutional. Against the above order the Government filed appeal before the Honourable Supreme Court of Pakistan. The Apex Court vide its judgement dated August 22, 2014 held that the cess was unconstitutional and the appeals filed were accordingly dismissed. Against the said judgement, the Government filed a review petition which is pending for adjudication.

The Federal Govt. vide Finance Act, 2014 again revised the rate of GID Cess from Rs.50 / MMBTU to Rs. 150 / MMBTU which was again challenged by the Company and an interim stay was granted by the Honourable High Court of Sindh.

Subsequently in September 2014, GIDC Ordinance 2014 was promulgated and the rate of Cess was fixed at Rs. 150 / MMBTU. This was again challenged and the Honourable High Court of Sindh vide its Order dated October 1, 2014 granted interim stay restraining the SSGC from raising any demand in pursuant to the said Ordinance. The case was lastly fixed for hearing on December 16, 2014 but did not proceed and was adjourned to date in office.

The financial exposure of the Company under the suit upto December 31, 2014 is Rs. 56.84 (September 30, 2014: Rs.46.38) million. In view of the advice of legal counsel, the Company is confident of a favourable outcome and accordingly no provision has been made in these financial statements.



**9.1.5** 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 period, appeals were fixed for hearing on various dates and were adjourned to date in office. In view of the advice of legal counsel, the Company is confident of a favourable outcome and accordingly no provision has been made in these financial statements.

**9.1.6** The Company has filed a petition before the Honourable High Court of Sindh challenging the increase in market committee fee from Rs.5 / ton to Rs.10 / ton on sugarcane purchased by the Company. The Honourable High Court of Sindh has granted status quo and no hearing took place during the period. As a matter of prudence, full provision has been made in these financial statements.

**9.1.7** The tax authorities increased the rate of Special Excise Duty from 1% to 2.5% for the period from November 7, 2007 to June 30, 2011. The Company disputed the above increase as the levy was without jurisdiction, illegal and unconstitutional. The Company along with other petitioners filed a petition before the Honourable High Court of Sindh challenging the vires of Section 3A of the Federal Excise Act 2005 & SRO 655(1)/2007 with respect to the imposition and increase in rate of Special Excise Duty.

On February 22, 2013 the Honourable High Court of Sindh decided the case in favour of the Company and suspended the above SRO directing the revenue authorities to refund the amount collected by direct repayment or adjustment against any tax or duty. Against the above order, the Government of Pakistan filed appeal which is pending before the Honourable Supreme Court of Pakistan for final adjudication.

**9.1.8.** The Government of Sindh vide notification dated July 8, 2014 levied fee of Rs.0.50 / litre for storage of rectified spirit in private bonded warehouse situated at Karachi. The Company disputed the above levy and filed constitutional petition before the Honourable High Court of Sindh, challenging the above fee. On July 23, 2014, the Honourable High Court of Sindh granted stay and suspended the operation of the above notification. The case was lastly fixed for hearing on October 15, 2014 and were not taken up for hearing. The financial exposure as at December 31, 2014 is Rs.6.72 (September 30, 2014: Rs.4.11) million. In view of the advice of legal counsel, the company is confident of a favourable outcome of the case and accordingly no provision has been made in these financial statements.

**9.1.9.** In order to provide benefits to the sugar exporters, the Federal Board of Revenue vide its SRO No. 77(1)/2013 dated February 7, 2013, reduced the rate of FED from 8.0% to 0.5% on local sales, equivalent to quantity exported by the mills. The Company availed the benefit and claimed reduced rate of FED on local sales equivalent to the quantity exported by the Company. However, against the aforementioned claim, the FBR passed an order and disallowed benefit of Rs. 7.0 million and also imposed default surcharge of Rs. 0.3 million. Against the above order, the Company filed a suit before Honourable High Court of Sindh and the operations of the said order was suspended by the Honourable Court vide its order dated April 23, 2014. The case was lastly fixed for hearing on December 4, 2014 and was adjourned as date in office. In view of the advice of legal counsel, the company is confident of favourable outcome and accordingly no provision has been made in these financial statements.

Dec. 31,  
2014                      Sept. 30,  
2014  
(Rupees in thousands)

## 9.2 Commitments

<b>9.2.1</b> Capital expenditure	19,181	71,317
<b>9.2.2</b> Rentals payable over next four years under operating lease agreements with First Habib Modaraba in respect of vehicles	22,447	23,369





10. Segment operating results and related information for the quarter ended December 31, 2014 (Unaudited)

		(Rupees in thousands)									
		Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
		Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
<b>Net sales and services</b>											
Sales	Local Export	480,881 —	455,144 19,934	57,576 447,879	76,332 284,793	1,960 105,206	1,362 122,328	— 110,594	29,167 —	540,417 663,679	562,005 427,055
Services - Storage income - net		480,881 —	475,078 —	505,455 125	361,125 115	107,166 —	123,690 —	110,594 —	29,167 —	1,204,096 125	989,060 115
Less: Cost of sales		480,881 (513,344)	475,078 (436,003)	505,580 (435,227)	361,240 (310,295)	107,166 (94,228)	123,690 (108,737)	110,594 (96,313)	29,167 (26,667)	1,204,221 (1,139,112)	989,175 (881,702)
<b>Gross Profit / (Loss)</b>		(32,463)	39,075	70,353	50,945	12,938	14,953	14,281	2,500	65,109	107,473
Less: Selling and distribution expenses		(5,237)	(7,906)	(19,277)	(12,448)	(6,527)	(8,799)	(648)	(65)	(31,689)	(29,218)
Administrative expenses		(28,391)	(27,826)	(5,636)	(5,285)	(1,034)	(1,021)	(62)	—	(35,123)	(34,132)
		(33,628)	(35,732)	(24,913)	(17,733)	(7,561)	(9,820)	(710)	(65)	(66,812)	(63,350)
<b>Profit / (Loss) before other operating expenses and other income</b>		(66,091)	3,343	45,440	33,212	5,377	5,133	13,571	2,435	(1,703)	44,123
Other operating expenses - note 11										(7,774)	(6,623)
Other income - note 12										18,799	14,247
<b>Operating profit</b>										9,322	51,747



	Dec. 31, 2014	Dec. 31, 2013
	(Rupees in thousands)	
<b>11. Other operating expenses</b>		
Workers' Profit Participation Fund	3,168	3,031
Workers' Welfare Fund	1,267	1,213
Exchange loss	3,339	2,379
	<u>7,774</u>	<u>6,623</u>
<b>12. Other income</b>		
Dividend income	3,665	9,882
Gain on disposal of fixed assets	570	2
Profit on sale of investments	12,597	2,293
Scrap sale	1,967	2,070
	<u>18,799</u>	<u>14,247</u>
<b>13. Cash generated from / (used in) operations</b>		
Profit before taxation	58,931	56,383
<b>Adjustment for non-cash charges and other items</b>		
Depreciation	27,565	21,164
Gain on disposal of fixed assets	(570)	(2)
Profit on sale of investments	(12,597)	(2,293)
Finance income - net	(49,609)	(4,636)
Dividend income	(3,665)	(9,882)
Working capital changes - note 13.1	307,703	1,599,591
	<u>327,758</u>	<u>1,660,325</u>
<b>13.1 Working capital changes</b>		
<b>(Increase) / decrease in current assets</b>		
Stores and spare parts	(46,523)	(44,606)
Stock-in-trade	(386,971)	(1,531,301)
Trade debts	441,237	207,775
Loans and advances	(43,549)	145,368
Trade deposits and prepayments	(7,094)	(6,712)
Other receivables	(95,789)	(1,712)
	<u>(138,689)</u>	<u>(1,231,188)</u>
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	637,284	785,352
Advance from customers	(190,892)	2,045,427
<b>Net changes in working capital</b>	<u>307,703</u>	<u>1,599,591</u>



Dec. 31, 2014      Dec. 31, 2013  
(Rupees in thousands)

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

These comprise of the following:

Cash and bank balances	2,255,296	788,258
Short-term borrowings	(1,080,000)	(500,000)
	<u>1,175,296</u>	<u>288,258</u>

**15. Transactions with related parties**

Material transactions with related parties are given below:

	Dec. 31, 2014	Dec. 31, 2013
	(Rupees in thousands)	
Insurance premium paid	10,010	7,405
Insurance claim received	10,900	581
Profit on treasury call accounts / term deposits	64,852	8,175
Bonus units received at nominal value	—	29,764
Bank charges	42	71
Compensation of Key management personnel		
Remuneration	7,167	6,660
Retirement benefits	528	564

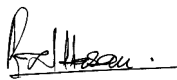
Transactions with related parties are carried out at arm's length.

**16. Dividend**

The Board of Directors of the Company in their meeting held on December 24, 2014 had proposed a final cash dividend of Rs. 2.50 per share (50%) for the year ended September 30, 2014. The cash dividend as proposed by the Board of Directors of the Company was approved by the members at the Annual General Meeting of the Company held on January 28, 2015. The proposed cash dividend has been accounted for in these condensed interim financial statements.

**17. General**

- Figures presented in these condensed interim financial statements have been rounded off to the nearest thousand rupees.
- These condensed interim financial statements were authorised for issue on January 28, 2015 by the Board of Directors of the Company.

  
**Raeesul Hasan**  
Chief Executive

  
**Murtaza H. Habib**  
Director