



# **Habib Sugar Mills Limited**

**Report and Condensed Interim  
Financial Statements  
for the Half Year ended  
March 31, 2014  
(Unaudited)**



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## Company Information

<b>Board of Directors</b>	Asghar D. Habib Ali Raza D. Habib Muhammad Nawaz Tishna Murtaza H. Habib Shams Mohammad Haji Amin Ali Abdul Hamid 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 half year ended March 31, 2014.

### Financial Results

By the Grace of Allah, during the half year under review, the operations of your Company resulted in a pre-tax profit of Rs. 368.77 million. The financial results for the half year are as follows:

	(Rupees in thousands)
Profit before taxation	368,766
Taxation	40,000
Profit after taxation	328,766
Unappropriated profit brought forward	6,965
Unappropriated profit carried forward	335,731
Earnings per share – Basic and diluted	Rs. 2.19

### Performance Review

#### Sugar Division

Crushing operations 2013-14 commenced on November 1, 2013 and the plant operated upto April 14, 2014 for 149 days as against 123 days in the preceding season. Sugarcane crushed during the current season was 1,116,554 M.Tons with average sucrose recovery of 10.44% and sugar production of 116,513 M.Tons, as compared with crushing of 939,959 M.Tons with average sucrose recovery of 11.02% and sugar production of 103,582 M.Tons during the preceding season. During the current crushing season, sucrose recovery across the country remained low due to adverse climatic conditions and longer duration between the harvesting and crushing of sugarcane.

For the crushing season 2013-14, the minimum support price of sugarcane remained unchanged at Rs. 172 per 40 kgs as announced by the Sindh government. In addition, mills would be required to pay quality premium at the rate of paisas fifty for every 0.1 percent recovery in excess of the bench mark of 8.7%. However, in accordance with the notification, while the matter is still pending with the Honourable 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 Honourable Supreme Court or the consensus on uniform formula developed by the Federal Government.

The sugar prices both in domestic and international markets continued to remain depressed due to carry over stock of previous year and increased sugar production during the current crushing season.

In order to manage the surplus sugar production, the government allowed export of 500,000 M.Tons of sugar in September 2013 and also allowed incentives in FED and inland freight subsidy to the millers on the export of sugar. In March 2014, a further quantity of 250,000 M.Tons of sugar for export was allowed by the government



withdrawing the incentives associated with the earlier exports. The withdrawal of incentives by the government and appreciation of the Pak rupee made sugar exports unviable for the millers. In view of the above, Company exported only 3,000 M.Tons of sugar as against 12,460 M.Tons during the corresponding period of the previous year.

The Company also participated in tenders floated by Trading Corporation of Pakistan (TCP) and sold 4,726 M.Tons of sugar. However, the Economic Co-ordination Committee of the Federal Cabinet has now decided to stop buying sugar through TCP and instructed Utility Stores Corporation of Pakistan to buy sugar directly from the millers.

Sugar division earned profit of Rs. 79.80 million as against profit of Rs. 174.11 million in the corresponding period of previous year. The profitability of the division was lower due to decrease in quantity sold during the period as compared with the corresponding period of the previous year and on account of the reasons enumerated in the preceding paragraphs.

#### **Distillery Division**

Production of ethanol during the half year ended March 31, 2014 was 14,937 M.Tons as compared with 14,208 M.Tons during the corresponding period of the previous year. The division earned profit of Rs. 210.45 million during the period under review as against profit of Rs. 181.24 million in the corresponding period of previous year. Despite the adverse impact of dollar depreciation against rupee, the division's profitability will Inshallah be maintained due to better recovery of ethanol.

The liquidified carbon dioxide (CO<sub>2</sub>) unit also operated satisfactorily and produced 2,761 M.Tons as compared with 2,018 M.Tons during the corresponding period of previous year.

#### **Textile Division**

The division earned profit of Rs. 8.96 million during the half year under review as against profit of Rs. 9.29 million in the corresponding period of last year.

#### **Trading Division**

The division made operating profit of Rs. 2.36 million on account of trading of sugar.

#### **Election of Directors**

On January 30, 2014, election of Directors was held and Messrs Asghar D. Habib, Ali Raza D. Habib, Muhammad Nawaz Tishna, Amin Ali Abdul Hamid, Shams Mohammad Haji, Murtaza H. Habib and Imran A. Habib were elected as directors of the Company for a period of three years.

#### **General**

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

On behalf of the Board of Directors

**Amin Ali Abdul Hamid**  
Director

Karachi: May 28, 2014



## Auditors' Report to the Members on Review of Interim Financial Information

### Introduction

We have reviewed the accompanying condensed interim balance sheet of **Habib Sugar Mills Limited** as at 31 March 2014, related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity and notes to the accounts for the six months period then ended (here-in-after referred to as "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Review Engagement Partner:  
Khurram Jameel

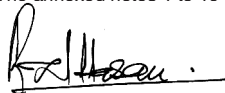
Karachi: May 28, 2014



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

	Note	(Unaudited) March 31, 2014 (Rupees in thousands)	(Audited) September 30, 2013
<b>Assets</b>			
<b>Non-Current Assets</b>			
Fixed assets			
Property, plant and equipment	4	1,125,593	952,130
Long-term investments	5	1,208,907	999,888
Long-term loans		3,528	2,889
Long-term deposits		2,963	2,963
<b>Current Assets</b>			
Stores and spare parts		122,597	99,876
Stock-in-trade	6	4,400,497	698,845
Trade debts		566,386	284,227
Loans and advances		167,123	360,588
Trade deposits and prepayments		6,295	9,456
Other receivables		16,090	14,743
Short-term investments	7	2,074,594	2,127,242
Taxation - net		35,912	—
Cash and bank balances		566,869	331,639
		<u>7,956,363</u>	<u>3,926,616</u>
<b>Total Assets</b>		<u>10,297,354</u>	<u>5,884,486</u>
<b>Equity and Liabilities</b>			
<b>Share Capital and Reserves</b>			
Share Capital			
Authorised			
150,000,000 (2013: 150,000,000)			
Ordinary shares of Rs. 5 each		750,000	750,000
Issued, subscribed and paid-up capital			
150,000,000 Ordinary shares of Rs. 5 each		750,000	750,000
Reserves		2,970,731	3,016,965
Unrealised gain on investments - available for sale		1,116,207	865,802
		<u>4,086,938</u>	<u>3,882,767</u>
		4,836,938	4,632,767
<b>Non-Current Liabilities</b>			
Deferred taxation		83,000	75,000
<b>Current Liabilities</b>			
Trade and other payables	8	1,764,492	911,734
Advance from customers		1,929,703	252,926
Short-term borrowings	9	1,654,000	—
Accrued mark-up on short-term borrowings		29,221	—
Taxation - net		—	12,059
		5,377,416	1,176,719
<b>Contingencies and Commitments</b>			
	10		
<b>Total Equity and Liabilities</b>		<u>10,297,354</u>	<u>5,884,486</u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

  
**Raeesul Hasan**  
 Chief Executive

  
**Imran A. Habib**  
 Director





## Condensed Interim Profit and Loss Account for the half year ended March 31, 2014 (Unaudited)

	Note	Half year ended		Quarter ended	
		March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
		(Rupees in thousands)			
<b>Segment operating results</b>	11				
Net sales and services		3,591,878	3,751,949	2,602,703	2,993,335
Cost of sales		(3,117,270)	(3,185,902)	(2,235,568)	(2,542,694)
<b>Gross profit</b>		474,608	566,047	367,135	450,641
Selling and distribution expenses		(111,087)	(116,736)	(81,869)	(91,220)
Administrative expenses		(61,961)	(57,294)	(27,829)	(25,643)
Other operating expenses	12	(43,900)	(36,513)	(37,277)	(31,501)
Other income	13	132,286	147,660	118,039	138,588
		(84,662)	(62,883)	(28,936)	(9,776)
<b>Operating profit</b>		389,946	503,164	338,199	440,865
Finance cost - net		(21,180)	(18,068)	(25,816)	(22,351)
<b>Profit before taxation</b>		368,766	485,096	312,383	418,514
Taxation	14	(40,000)	(75,000)	(30,000)	(63,000)
<b>Profit after taxation</b>		328,766	410,096	282,383	355,514
<b>Earnings per share - Basic and diluted</b>	Rs.	2.19	2.73	1.88	2.37

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

**Raeesul Hasan**  
Chief Executive

**Imran A. Habib**  
Director



## Condensed Interim Statement of Comprehensive Income for the half year ended March 31, 2014 (Unaudited)

	Half year ended		Quarter ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
(Rupees in thousands)				
<b>Profit after taxation</b>	328,766	410,096	282,383	355,514
<b>Other comprehensive income</b>				
Items to be classified to profit and loss account in subsequent periods				
Unrealised gain / (loss) on revaluation of investments for the period	326,348	9,134	140,192	(74,833)
Reclassification during the period to profit and loss account for gain on sale of investments	(75,943)	(76,255)	(73,650)	(75,942)
Net gain / (loss) for the period on investments available for sale	250,405	(67,121)	66,542	(150,775)
<b>Total Comprehensive income for the period ended March 31, 2014</b>	<b>579,171</b>	<b>342,975</b>	<b>348,925</b>	<b>204,739</b>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

**Raeesul Hasan**  
Chief Executive

**Imran A. Habib**  
Director



## Condensed Interim Statement of Changes in Equity for the half year ended March 31, 2014 (Unaudited)

	Issued Subscribed and Paid-up Capital	Capital Reserve	Revenue Reserves		Total Reserves	Unrealised Gain/(loss) on investments available for sale	Total Equity
			General Reserve	Unappro- priated Profit			
	(Rupees in thousands)						
<b>Balance as on October 1, 2012</b>	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 half year ended March 31, 2013	-	-	-	410,096	410,096	(67,121)	342,975
<b>Balance as on March 31, 2013</b>	<u>750,000</u>	<u>34,000</u>	<u>2,201,000</u>	<u>414,503</u>	<u>2,649,503</u>	<u>623,323</u>	<u>4,022,826</u>
<b>Balance as on October 1, 2013</b>	750,000	34,000	2,201,000	781,965	3,016,965	865,802	4,632,767
Cash dividend for 2013 @ 50%	-	-	-	(375,000)	(375,000)	-	(375,000)
Transfer to general reserve	-	-	400,000	(400,000)	-	-	-
Total comprehensive income for the half year ended March 31, 2014	-	-	-	328,766	328,766	250,405	579,171
<b>Balance as on March 31, 2014</b>	<u>750,000</u>	<u>34,000</u>	<u>2,601,000</u>	<u>335,731</u>	<u>2,970,731</u>	<u>1,116,207</u>	<u>4,836,938</u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

  
**Raeesul Hasan**  
 Chief Executive

  
**Imran A. Habib**  
 Director



## Condensed Interim Cash Flow Statement for the half year ended March 31, 2014 (Unaudited)

	Note	March 31, 2014	March 31, 2013
(Rupees in thousands)			
<b>Cash flows from operating activities</b>			
Cash used in operations	15	(982,326)	(1,981,215)
Finance income received - net		8,041	6,586
Income tax paid		(79,971)	(74,662)
Long-term loans		(639)	784
Net cash generated / (used in) operating activities		(1,054,895)	(2,048,507)
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(218,998)	(167,793)
Redemption / sale proceeds of investments		1,697,759	2,376,322
Dividend received		49,131	62,191
Purchase of investments		(1,527,782)	(1,115,457)
Sale proceeds of fixed assets		1,743	1,491
Net cash generated from investing activities		1,853	1,156,754
<b>Cash flows from financing activities</b>			
Dividend paid		(365,728)	(365,868)
Net decrease in cash and cash equivalents		(1,418,770)	(1,257,621)
Cash and cash equivalents at the beginning of the period		331,639	636,083
Cash and cash equivalents at the end of the period	16	(1,087,131)	(621,538)

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

**Raeesul Hasan**  
Chief Executive

**Imran A. Habib**  
Director



## Notes to the Condensed Interim Financial Statements for the half year ended March 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 subject to limited scope review by the auditors. These 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 and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance 1984 will be followed. These 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, 2013.

### 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 the preparation of the annual published financial statements of the Company for the year ended September 30, 2013, except for the following revised standards, amendment and interpretation of IFRSs which became effective from current period.

IAS 19 Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects

IFRS 7 Financial Instruments : Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IFRIC 20 Stripping cost in the production phase of a surface mine

As a result of adoption of IAS-19 (Revised), actuarial gains or losses that were previously recognised as income or expense in Profit and Loss Account will now be recognized in Other Comprehensive Income for the year.

The adoption of the above amendments, revisions and interpretations did not have material effect on the condensed interim financial statements.



	(Unaudited) March 31, 2014 (Rupees in thousands)	(Audited) September 30, 2013 (Rupees in thousands)
<b>4. Fixed assets</b>		
<b>4.1 Property, plant and equipment</b>		
Operating fixed assets	938,464	843,209
Capital work-in-progress	187,129	108,921
	<u>1,125,593</u>	<u>952,130</u>
<b>4.2 Cost of additions to / deletions from fixed assets during the half year ended March 31, 2014 were as follows:</b>		
	Additions (Rupees in thousands)	Deletions
Land	12,848	—
Plant and machinery		
Sugar	167,080	—
Distillery	22,687	—
Furniture, fittings and office equipment	1,393	26
Vehicles	14,990	306
	<u>218,998</u>	<u>332</u>
	(Unaudited) March 31, 2014 (Rupees in thousands)	(Audited) September 30, 2013 (Rupees in thousands)
<b>5. Long-term investments</b>		
Long-term investments - available for sale		
Investments in shares of listed companies :		
Investments in related parties	788,793	673,471
Investments in other companies	420,114	326,417
	<u>1,208,907</u>	<u>999,888</u>
<b>5.1</b> The above investments are stated at fair value. Unrealised gain of Rs. 1,041.61 (2013: Rs. 838.56) million arising from a change in the fair value of these investments has been recognised directly in equity through Other Comprehensive Income.		
<b>5.2</b> The aggregate book value of the long-term investments, net of impairment, is Rs. 167.30 (September 2013: Rs. 161.33) million.		
	(Unaudited) March 31, 2014 (Rupees in thousands)	(Audited) September 30, 2013 (Rupees in thousands)
<b>6. Stock-in-trade</b>		
Raw materials	840,298	172,284
Work-in-process	99,209	28,879
Finished goods	3,459,787	497,064
Fertilizers	1,203	618
	<u>4,400,497</u>	<u>698,845</u>



(Unaudited) (Audited)  
March 31, September 30,  
2014 2013  
(Rupees in thousands)

## 7. Short-term investments

Short-term investments - available for sale

Investments in Units of Mutual Funds :

Investments in related party	—	1,418,341
Investments in other mutual funds	2,074,594	708,901
	<u>2,074,594</u>	<u>2,127,242</u>

7.1 The above investments are stated at fair value. Unrealised gain Rs. 74.60 (2013: Rs. 27.24) million arising from a change in the fair value of these investments has been recognised directly in equity through Other Comprehensive Income.

7.2 The aggregate cost of these investments is Rs. 2,000 (2013: Rs. 2,100) million.

(Unaudited) (Audited)  
March 31, September 30,  
2014 2013  
(Rupees in thousands)

## 8. Trade and other payables

Creditors	1,386,204	576,441
Accrued liabilities	233,814	163,494
Sales tax / Federal excise duty	57,542	50,246
Workers' Profit Participation Fund	19,826	50,138
Workers' Welfare Fund	27,986	41,155
Income tax deducted at source	233	645
Unclaimed dividends	38,887	29,615
	<u>1,764,492</u>	<u>911,734</u>

## 9. Short-term borrowings - secured

1,654,000	—
<u>1,654,000</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 rates of mark-up charged during the period was 9.2% to 10.43% (September 30, 2013: 9.2% to 9.5%) per annum. The aggregate financing facility available from commercial banks amounted to Rs. 1,780 (September 30, 2013: Rs. 1,780) million.

## 10. Contingencies and commitments

### 10.1 Contingencies

10.1.1 The Company has provided counter guarantees to banks, aggregating to Rs. 252.75 million (September 30, 2013: Rs. 244.139) million against agriculture finance facilities to growers and guarantees issued by banks in favour of third parties on behalf of the Company.



- 10.1.2** During 2009-10 the Company received show cause notice from Competition Commission of Pakistan (CCP) under the Competition Ordinance, 2009 for violation of certain provisions of the Ordinance. The Company alongwith other sugar mills filed a Constitutional Petition before the Honourable High Court of Sindh challenging the Ordinance. The Honourable High Court of Sindh, granted stay and restrained the Commission not to pass final order in respect of the show cause notice. The CCP filed an appeal before the Honourable Supreme Court of Pakistan which was disposed off by the Honourable Supreme Court based on the grounds that the matter was pending before the Honourable High Courts of Sindh and 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 case lastly fixed on May 6, 2014 but was not taken up for hearing. Since the financial impact is indeterminate no liability has been recorded in these financial statements.

- 10.1.3** 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 had demanded payment 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. 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 Court of Pakistan maintained the judgement of Honourable High Court of Sindh and restrained PSQCA from demanding any mark or licensing fee from the Sugar Mills till the further order. No provision has been made in this regard as 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.

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

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





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

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

After the grant of the stay orders the matter had been fixed for hearing on various dates and was argued at length. The suit was lastly fixed on April 24, 2014 and was adjourned to date in office.

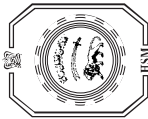
The financial exposure of the Company under the suit upto March 31, 2014 is Rs. 24.50 (September 30, 2013: Rs. 17.49) million. The Company is confident of a favourable outcome of the suit and accordingly no provision has been made in these financial statements.

**10.1.5** Appeals filed by the tax authorities for the Tax years 1998, 2001 and 2002 (corresponding financial years ended September 30, 1997, 2000 and 2001 respectively) against decisions of the Income Tax Appellate Tribunal (ITAT) in favour of the Company are pending before the Honourable High Court of Sindh. The tax exposure against these appeals in aggregate amounts to Rs.14.6 million. The Company is confident of a favourable out come and accordingly no provision for the aforesaid amount has been made in these financial statements.

**10.1.6** The Company has filed a Suit 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. Full todate provision of Rs. 29.08 million as on March 31, 2014 has been provided in these financial statements.

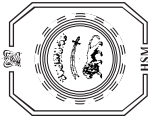
**10.1.7** The Company alongwith other petitioners filed a Suit before the Honourable High Court of Sindh against Federation of Pakistan and Large Taxpayers' Unit challenging the vires of Section 3A of the Federal Excise Act 2005 and SRO 655(1)/2007 dated June 6, 2007 said to have been issued in terms 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) before the Honourable Supreme Court of Pakistan. As the matter is pending before the Honourable Supreme Court of Pakistan and considering the contingent nature of the above refund, the same is not recognised in the financial statements for the period ended March 31, 2014.

	(Unaudited) March 31, 2014 (Rupees in thousands)	(Audited) September 30, 2013
<b>10.2 Commitments</b>		
<b>10.2.1</b> Capital expenditure	6,811	51,145
<b>10.2.2</b> Rentals payable over next four years under operating lease agreements with First Habib Modraba in respect of vehicles	26,582	31,364



### 11. Segment operating results for the half year ended March 31, 2014 (Unaudited)

	Sugar Division		Distillery Division		Textile Division		Trading Division		(Rupees in thousands)	
	Half year ended March 31, 2014	Half year ended March 31, 2013	Half year ended March 31, 2014	Half year ended March 31, 2013	Half year ended March 31, 2014	Half year ended March 31, 2013	Half year ended March 31, 2014	Half year ended March 31, 2013	Half year ended March 31, 2014	Half year ended March 31, 2013
<b>Net sales and services</b>										
Sales	1,824,341	1,815,211	165,364	86,066	2,654	2,881	29,167	3,400	2,021,526	1,907,558
Local	135,429	611,970	1,221,887	816,493	212,689	242,164	—	172,630	1,570,005	1,843,257
Export	—	—	—	—	—	—	—	—	—	—
Services - Storage income - net	1,959,770	2,427,181	1,387,251	902,559	215,343	245,045	29,167	176,030	3,591,531	3,750,815
	—	—	347	1,134	—	—	—	—	347	1,134
Less: Cost of sales	1,959,770	2,427,181	1,387,598	903,693	215,343	245,045	29,167	176,030	3,591,878	3,751,949
	(1,794,470)	(2,150,931)	(1,108,057)	(666,764)	(188,076)	(220,743)	(26,667)	(147,464)	(3,117,270)	(3,185,902)
<b>Gross Profit</b>	165,300	276,250	279,541	236,929	27,267	24,302	2,500	28,566	474,608	566,047
Less: Selling and distribution expenses	(31,617)	(52,455)	(63,292)	(50,320)	(16,113)	(12,924)	(65)	(1,037)	(111,087)	(116,736)
Administrative expenses	(53,888)	(49,688)	(5,802)	(5,373)	(2,197)	(2,087)	(74)	(146)	(61,961)	(57,294)
<b>Profit before other operating expenses and other income</b>	(85,505)	(102,143)	(69,094)	(55,693)	(18,310)	(15,011)	(139)	(1,183)	(173,048)	(174,030)
Other operating expenses - note 12	79,795	174,107	210,447	181,236	8,957	9,291	2,361	27,383	301,560	392,017
Other income - note 13	—	—	—	—	—	—	—	—	(43,900)	(36,513)
<b>Operating profit</b>	—	—	—	—	—	—	—	—	132,286	147,660
	—	—	—	—	—	—	—	—	389,946	503,164



### 11a. Segment operating results for the quarter ended March 31, 2014 (Unaudited)

	Sugar Division		Distillery Division		Textile Division		Trading Division		(Rupees in thousands)	
	Quarter ended March 31, 2014	Quarter ended March 31, 2013	Quarter ended March 31, 2014	Quarter ended March 31, 2013	Quarter ended March 31, 2014	Quarter ended March 31, 2013	Quarter ended March 31, 2014	Quarter ended March 31, 2013	Quarter ended March 31, 2014	Quarter ended March 31, 2013
<b>Net sales and services</b>										
Sales	1,369,197	1,537,938	89,032	46,135	1,292	1,450	3,400	1,459,521	1,588,923	
Local		585,472	937,094	535,096	90,361	110,206	172,630	1,142,950	1,403,404	
Export	115,495									
Services - Storage income - net	1,484,692	2,123,410	1,026,126	581,231	91,653	111,656	-	2,602,471	2,992,327	
	-	-	232	1,008	-	-	-	232	1,008	
Less: Cost of sales	1,484,692	2,123,410	1,026,358	582,239	91,653	111,656	-	2,602,703	2,993,335	
	(1,358,467)	(1,885,764)	(797,762)	(409,599)	(79,339)	(99,867)	-	(2,235,568)	(2,542,694)	
<b>Gross Profit</b>	126,225	237,646	228,596	172,640	12,314	11,789	-	367,135	450,641	
Less: Selling and distribution expenses	(23,711)	(45,982)	(50,844)	(38,260)	(7,314)	(5,941)	-	(81,869)	(91,220)	
Administrative expenses	(26,062)	(23,571)	(517)	(848)	(1,176)	(1,078)	(74)	(27,829)	(25,643)	
<b>Profit before other operating expenses and other income</b>	(49,773)	(69,553)	(51,361)	(39,108)	(8,490)	(7,019)	(74)	(109,698)	(116,863)	
Other operating expenses - note 12	76,452	168,093	177,235	133,532	3,824	4,770	(74)	257,437	333,778	
Other operating income - note 13								(37,277)	(31,501)	
<b>Operating profit</b>								118,039	138,588	
								338,199	440,865	



	(Unaudited) Half year ended		(Unaudited) Quarter ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	(Rupees in thousands)			
<b>12. Other operating expenses</b>				
Workers' Profit Participation Fund	19,826	26,081	16,795	22,501
Workers' Welfare Fund	7,931	10,432	6,718	9,000
Exchange loss	16,143	—	13,764	—
	<u>43,900</u>	<u>36,513</u>	<u>37,277</u>	<u>31,501</u>
<b>13. Other income</b>				
Gain on sale / redemption of investments	75,943	76,255	73,650	75,942
Dividend income	49,488	61,249	39,606	56,608
Exchange gain	—	5,150	—	2,565
Scrap sale	4,423	2,786	2,353	1,253
Gain on disposal of fixed assets	1,675	1,475	1,673	1,475
Agriculture income	757	745	757	745
	<u>132,286</u>	<u>147,660</u>	<u>118,039</u>	<u>138,588</u>
<b>14. Taxation</b>				
Current	32,000	77,000	22,000	65,000
Deferred	8,000	(2,000)	8,000	(2,000)
	<u>40,000</u>	<u>75,000</u>	<u>30,000</u>	<u>63,000</u>
<b>15. Cash generated from / (used in) operations</b>				
Profit before taxation		368,766		485,096
<b>Adjustment for non-cash charges and other items</b>				
Depreciation		45,467		37,303
Gain on disposal of fixed assets		(1,675)		(1,475)
Gain on sale / redemption of investments		(75,943)		(76,255)
Finance cost - net		21,180		18,068
Dividend income		(49,488)		(61,249)
Working capital changes - note 15.1		(1,290,633)		(2,382,703)
		<u>(982,326)</u>		<u>(1,981,215)</u>

(Unaudited)  
March 31, 2014      March 31, 2013  
(Rupees in thousands)



	(Unaudited)	
	March 31, 2014	March 31, 2013
(Rupees in thousands)		
<b>15.1 Working capital changes</b>		
<b>(Increase) / decrease in current assets</b>		
Stores and spare parts	(22,721)	(13,591)
Stock-in-trade	(3,701,652)	(3,086,712)
Trade debts	(282,159)	(34,942)
Loans and advances	193,465	(1,956)
Trade deposits and prepayments	3,161	528
Other receivables	(990)	(426)
	(3,810,896)	(3,137,099)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	843,486	571,485
Advance from customers	1,676,777	182,911
<b>Net changes in working capital</b>	(1,290,633)	(2,382,703)
<b>16. Cash and cash equivalents at the end of the period</b>		
These comprise of the following :		
Cash and bank balances	566,869	472,962
Short-term borrowings	(1,654,000)	(1,094,500)
	(1,087,131)	(621,538)
<b>17. Transactions with related parties</b>		

Material transactions with related parties are given below:

	(Unaudited)		(Unaudited)	
	Half year ended		Quarter ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
(Rupees in thousands)				
Insurance premium paid	7,405	10,263	—	—
Insurance claim received	1,608	—	1,027	—
Profit on treasury call accounts / term deposits	14,124	20,785	5,949	9,719
Purchases	131	86	131	86
Investment in units of mutual fund	200,000	200,000	200,000	—
Dividend received	33,612	50,418	33,612	50,418
Dividend paid	60,710	61,372	60,710	61,372
Bonus shares / units received at nominal value	63,427	31,323	33,663	9,453
Redemption of investments	1,667,011	1,045,615	1,667,011	1,045,615
Bank charges	357	740	286	630
Compensation of Key management personnel	13,362	14,408	6,138	7,203
Contribution to retirement funds	6,220	5,690	3,089	2,892

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

#### 18. Date of Authorisation for issue

These condensed interim financial statements were authorised for issue on May 28, 2014 by the Board of Directors of the Company.

#### 19. General

19.1 Figures for the quarters ended March 31, 2014 and March 31, 2013 have not been subjected to limited scope review by the external auditors.

19.2 Figures presented in these condensed interim financial statements have been rounded off to the nearest thousand rupees.

**Raeesul Hasan**  
Chief Executive

**Imran A. Habib**  
Director