



**AL-ABBAS SUGAR** Mills  
Limited





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## COMPANY INFORMATION

### BOARD OF DIRECTORS

Muhammad Iqbal Usman	Chairman
Shunaid Qureshi	Chief Executive Officer
Asim Ghani	Executive Director
Ali Jehangir Siddiqui	Director
Asma Aves Cochinwala	Director
Darakshan Ghani	Director
Duraïd Qureshi	Director
Sayyed Rafay Akber Rashdi	Director
Suleman Lalani	Director

### COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Zuhair Abbas

### AUDIT COMMITTEE

Sayyed Rafay Akber Rashdi	Chairman
Darakshan Ghani	Member
Duraïd Qureshi	Member
Tariq Iqbal - ACA	Secretary

### HUMAN RESOURCE AND REMUNERATION COMMITTEE

Duraïd Qureshi	Chairman
Asim Ghani	Member
Darakshan Ghani	Member
Sayyed Rafay Akber Rashdi	Member

### STATUTORY AUDITORS

Haroon Zakaria & Co.	Chartered Accountants
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### COST AUDITORS

Haroon Zakaria & Co.	Chartered Accountants
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### BANKERS

Allied Bank Limited  
 Askari Bank Limited  
 Bank Alfalah Limited  
 Burj Bank Limited  
 Dubai Islamic Bank Pakistan Limited  
 Habib Metropolitan Bank Limited  
 KASB Bank Limited  
 MCB Bank Limited  
 Meezan Bank Limited  
 National Bank of Pakistan  
 Pak Brunei Investment Company Limited  
 Pak Oman Investment Company Limited  
 SilkBank Limited  
 Soneri Bank Limited  
 Standard Chartered Bank  
 United Bank Limited

### REGISTERED OFFICE

2nd Floor, Pardesi House, Survey No. 2/1,  
 R.Y. 16, Old Queens Road, Karachi – 74000  
 Tel: 92-21-111-111-224  
 Fax: 92-21-32470090  
 Website: www.aasml.com

### SHARE REGISTRAR OFFICE

CDC House-99B, Block 'B', S.M.C.H.S  
 Main Shahra-e-faisal, Karachi-74400

### FACTORIES LOCATIONS

- 1) Mirwah Gorchani, Distt. Mirpurkhas, Sindh
- 2) Main National Highway, Dhabeji, Sindh
- 3) Oil Installation Area, Kemari, Karachi, Sindh



## DIRECTORS' REVIEW REPORT

The directors are pleased to present the condensed interim financial statements for the nine months ended June 30, 2014.

The financial results of the Company for the period under review compared with the corresponding period are summarized below:

	Nine months ended	
	June 30, 2014	June 30, 2013
(Rupees in thousands)		
Operating profit	<b>460,853</b>	545,217
Other income	<b>129,094</b>	41,244
	<b>589,947</b>	586,461
Finance costs	<b>(204,781)</b>	(184,196)
Profit before taxation	<b>385,166</b>	402,265
Taxation	<b>(76,201)</b>	(33,047)
<b>Profit after taxation</b>	<b>308,965</b>	369,218
<b>Basic earnings per share (Rupees)</b>	<b>17.80</b>	21.27

During the period under review, your Company has earned a profit after tax of Rs. 308.965 million as compared to the profit of Rs. 369.218 million of the corresponding period of last year. The main reasons for variances are highlighted below in segment wise results.

### OPERATING SEGMENT RESULTS

The division wise performance is presented below:

#### Sugar Division

The financial and operational performance of sugar division is given below:

#### Financial performance

	Nine months ended	
	June 30, 2014	June 30, 2013
(Rupees in thousands)		
Sales	<b>1,764,370</b>	2,069,993
Cost of sales	<b>(1,569,585)</b>	(1,823,799)
Gross profit	<b>194,785</b>	246,194
Distribution cost	<b>(31,772)</b>	(55,638)
Administrative expenses	<b>(50,616)</b>	(54,460)
Segment operating result	<b>112,397</b>	136,096

#### Operational performance

	2013-14	2012-13
Date of start of season	<b>November 01, 2013</b>	November 28, 2012
No. of days worked	<b>124</b>	92
Crushing (M.Tons)	<b>621,679</b>	503,178
Production from sugarcane (M.Tons)	<b>63,650</b>	52,727
Sales (M.Tons)	<b>37,723</b>	40,274
Recovery (%)	<b>10.23</b>	10.48



The Crushing operations for 2013-14 season commenced from November 01, 2013 however due to delay in harvesting of sugarcane on account of Diwali and Ashora Muharram holidays the mills stop on November 2, 2013. Thereafter the mill started crushing again on November 20, 2013. The sugarcane support price was remaining unchanged, however the financial performance of this segment is affected due to lower sale quantity as compared to last year and lower selling price of the sugar both locally and internationally due to oversupply of sugar.

The operational performance on the other hand improved significantly. The plant operated for 124 days ending on March 4, 2014 as against 92 days of preceding season. The Sugarcane crushed during the current season was 621,679 M.Tons with average sucrose recovery of 10.23% and sugar production of 63,650 M.Tons as compared with crushing of 503,178 M.Tons with average sucrose recovery of 10.48% and sugar production of 52,727 M.Tons of same period last year.

#### Ethanol Division

The financial and operational performance of ethanol division is given below:

	Nine months ended	
	June 30, 2014	June 30, 2013
	(Rupees in thousands)	
Sales	2,279,667	2,628,499
Cost of sales	<u>(1,816,149)</u>	<u>(2,036,358)</u>
Gross profit	463,518	592,141
Distribution cost	(68,766)	(76,339)
Administrative expenses	<u>(33,743)</u>	<u>(36,832)</u>
Segment operating result	<u><u>361,009</u></u>	<u><u>478,970</u></u>

The operational data is given below:

#### Operational data

Operational performance	2013-14	2012-13
Production (M.Tons) - Unit I and II	25,968	27,965
Sales (M.Tons)	27,994	33,866

During the period under review, this division produced 25,968 M.Tons ethanol as compared to corresponding period of 27,965 M.Tons. The operating result of this segment is reduced by Rs 117.961 million due to lower shipment, devaluation of Dollar against Pak rupees and increased cost of Molasses as compared to corresponding year.

#### Power, Chemical and Alloys Division

The operations for the chemical and power division were remained suspended during the period under review and the division has incurred operating segment loss of Rs. 30.173 million as compared to loss of Rs. 30.348 million for the same period last year. The loss mainly represents the fixed expenses.

#### Bulk Storage Terminal

During the period under review this division earned a profit of Rs. 47.921 million as against loss of Rs. (1.490) million of last year. The improved performance of this division is mainly due to full utilization of capacity.

#### FUTURE PROSPECTS

The sugar industry in Pakistan at present is in a difficult situation because of non-disposal of surplus stocks for which it has been asking the Government to allow export of surplus quantity. However in ensuing year the sugar production is estimated to be lower than current year and burgeoning



population requirements and strong demand from bulk consumers in Pakistan will push up domestic sugar consumption in 2014-15. Price data shows that year- to- date, sugar prices have remained stable in the domestic market. The estimated record production of sugar during 2013-14 and carryover stocks is expected to stabilize the prices during next year.

The prices of ethanol are expected to be on the same level, however, the expected shipment of ethanol in upcoming quarters will add some advantages to current situation.

The Company's negotiation is in process with K-Electric for supply of power from 15MW captive power plant. The Company is trying to get best tariff rates including handsome return on asset. For this purpose the Company has filed proposal for power tariff to K-Electric for onward submission and approval to NEPRA. The revival of this segment after almost 4 years will add additional contribution margin to Company's bottom line.

As a whole, your Company is well aware of the challenges being faced and would do its best to take all necessary measures to increase the productivity in all its divisions and overall profitability of the Company.

**ACKNOWLEDGEMENT**

The Company strongly believes that its success is driven by the commitment and dedication of its employees. We acknowledge the contribution of each and every staff member of the Company for significant contribution in delivering such a strong performance. We would also like to express our thanks to the customers for their trust in our products and look forward for their continued patronage. We also thank our shareholders, banks and financial institution for their support, guidance and confidence reposed in our enterprise and stand committed to do our best to ensure full reward of their investment in the coming periods. May Allah bless us in our efforts. A'meen!

On behalf of Board of Directors

**Shunaid Qureshi**  
Chief Executive Officer

Karachi: July 25, 2014



**CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)  
AS AT JUNE 30, 2014**

		June 30, 2014 Un-audited	September 30, 2013 Audited
	Note	(Rupees in thousand)	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	1,926,848	2,003,935
Investment property		434	469
Long term investments		204,935	183,085
Long term loans		2,239	3,002
Long term deposits		10,033	10,014
Deferred taxation - net		-	34,391
		<b>2,144,489</b>	<b>2,234,896</b>
<b>Current Assets</b>			
Stores and spares parts		151,672	144,200
Stock-in-trade	8	2,618,603	990,359
Trade debts		384,165	19,965
Loans and advances		58,597	377,747
Trade deposits and short term prepayments		33,695	16,856
Interest accrued		408	2,780
Other receivables		47,466	54,974
Income tax refund due from Government		76,027	63,695
Short term investments		233,493	125,831
Cash and bank balances		15,635	178,979
		<b>3,619,761</b>	<b>1,975,386</b>
<b>Total Assets</b>		<b>5,764,250</b>	<b>4,210,282</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorized capital	9	400,000	175,000
Issued, subscribed and paid-up capital		173,623	173,623
Reserves		2,032,397	1,788,394
Shareholders' equity		<b>2,206,020</b>	<b>1,962,017</b>
<b>Non - Current Liabilities</b>			
Long term financing		9,091	36,363
Deferred liability		62,862	56,646
		<b>71,953</b>	<b>93,009</b>
<b>Current Liabilities</b>			
Trade and other payables		571,089	559,532
Accrued mark-up		63,271	28,370
Short term borrowings	10	2,798,863	1,443,444
Current maturity of non-current liabilities		36,364	111,064
Provision for taxation		16,690	12,846
		<b>3,486,277</b>	<b>2,155,256</b>
Contingencies and Commitments	11		
<b>Total Equity and Liabilities</b>		<b>5,764,250</b>	<b>4,210,282</b>

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

**Shunaid Qureshi**  
Chief Executive

**Asim Ghani**  
Director





**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED JUNE 30, 2014**

Note	Nine months period ended		Quarter ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
(Rupees in thousand)				
Sales	12 4,044,037	4,698,492	1,891,369	1,485,824
Cost of sales	(3,385,734)	(3,860,157)	(1,627,197)	(1,256,337)
<b>Gross profit</b>	<b>658,303</b>	<b>838,335</b>	<b>264,172</b>	<b>229,487</b>
Net profit / (loss) from storage tank terminal	47,921	(1,490)	28,462	968
Net loss from chemical, alloys and power segment and fixed expenses due to suspension	(30,173)	(30,348)	(11,674)	(9,297)
	<b>676,051</b>	<b>806,497</b>	<b>280,960</b>	<b>221,158</b>
Distribution cost	(100,538)	(131,977)	(42,834)	(29,798)
Administrative expenses	(84,359)	(91,292)	(24,568)	(30,470)
Other operating expenses	(30,301)	(38,011)	(13,231)	(8,191)
	<b>(215,198)</b>	<b>(261,280)</b>	<b>(80,633)</b>	<b>(68,459)</b>
<b>Operating profit</b>	<b>460,853</b>	<b>545,217</b>	<b>200,327</b>	<b>152,699</b>
Other income	129,094	41,244	60,409	20,784
	<b>589,947</b>	<b>586,461</b>	<b>260,736</b>	<b>173,483</b>
Finance cost	(204,781)	(184,196)	(86,271)	(61,998)
<b>Profit before taxation</b>	<b>385,166</b>	<b>402,265</b>	<b>174,465</b>	<b>111,485</b>
Taxation	(76,201)	(33,047)	(19,517)	(11,514)
<b>Profit after taxation</b>	<b>308,965</b>	<b>369,218</b>	<b>154,948</b>	<b>99,971</b>
<b>Earnings per share - Basic and diluted</b>	<b>17.80</b>	<b>21.27</b>	<b>8.92</b>	<b>5.76</b>

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

**Shunaid Qureshi**  
Chief Executive

**Asim Ghani**  
Director



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED JUNE 30, 2014

Nine months period ended		Quarter ended	
June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013

(Rupees in thousand)

<b>Profit after taxation</b>	<b>308,965</b>	369,218	<b>154,948</b>	99,971
<b>Other comprehensive income for the period</b>				
Items to be classified to profit and loss account in subsequent period				
Unrealized gain on re-measurement of available for sale investments	<b>21,850</b>	11,891	<b>14,603</b>	9,246
<b>Total comprehensive income for the period</b>	<b><u>330,815</u></b>	<u>381,109</u>	<b><u>169,551</u></b>	<u>109,217</u>

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

**Shunaid Qureshi**  
Chief Executive

**Asim Ghani**  
Director



**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE NINE MONTHS ENDED JUNE 30, 2014**

	Note	Nine months ended	
		June 30, 2014	June 30, 2013
(Rupees in thousand)			
<b>Cash flows from operating activities</b>			
Cash (used in) / generated from operations	13	(1,100,732)	364,122
Finance cost paid		(169,880)	(171,247)
Income tax paid		(50,298)	(60,352)
Long term loans recovered		763	676
Long term deposits paid		(19)	(457)
		<u>(219,434)</u>	<u>(231,380)</u>
Net cash (used in) / generated from operating activities		<u>(1,320,166)</u>	<u>132,742</u>
<b>Cash flows from investing activities</b>			
Capital expenditure on property, plant and equipment		(27,625)	(76,715)
Proceeds from disposal of property, plant and equipment		3,295	997
Interest/markup received		4,249	3,249
Dividend received		9,579	-
Net cash used in investing activities		<u>(10,502)</u>	<u>(72,469)</u>
<b>Cash flows from financing activities</b>			
Repayment of long term financing		(101,972)	(277,272)
Dividend paid		(86,123)	(69,449)
Proceeds from short term borrowings - net		1,355,419	287,049
Net cash generated from / (used in) financing activities		<u>1,167,324</u>	<u>(59,672)</u>
Net (decrease) / increase in cash and cash equivalents		(163,344)	601
Cash and cash equivalents at beginning of the period		178,979	6,973
<b>Cash and cash equivalents at the end of the period</b>		<u><u>15,635</u></u>	<u><u>7,574</u></u>

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

**Shunaid Qureshi**  
Chief Executive

**Asim Ghani**  
Director



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE NINE MONTHS ENDED JUNE 30, 2014**

	RESERVES					Total Shareholder's Equity
	Issued, subscribed and paid-up capital	Revenue reserves		Unrealised gain/(loss) on remeasurement of available for sale investment	Total Reserves	
		General reserve	Unappropriated profit			
	(Rupees in thousand)					
<b>Balance as at October 1, 2012</b>	173,623	458,000	1,111,477	(15,386)	1,554,091	1,727,714
Profit for the period	-	-	369,218	-	369,218	369,218
Other comprehensive income for the period	-	-	-	11,891	11,891	11,891
<b>Total comprehensive income for the period</b>	-	-	369,218	11,891	381,109	381,109
Transfer to general reserve	-	1,000,000	(1,000,000)	-	-	-
Transactions with owners	-	-	(69,449)	-	(69,449)	(69,449)
Final Dividend 2012: Rs. 4 per share	-	-	411,246	(3,495)	1,865,751	2,039,374
<b>Balance as at June 30, 2013</b>	173,623	1,458,000	411,246	(3,495)	1,865,751	2,039,374
<b>Balance as at October 1, 2013</b>	173,623	1,458,000	329,573	821	1,788,394	1,962,017
Profit for the period	-	-	308,965	-	308,965	308,965
Other comprehensive income for the period	-	-	-	21,850	21,850	21,850
<b>Total comprehensive income for the period</b>	-	-	308,965	21,850	330,815	330,815
Transactions with owners	-	-	-	-	-	-
Final Dividend 2013: Rs. 5 per share	-	-	(86,812)	-	(86,812)	(86,812)
<b>Balance as at June 30, 2014</b>	173,623	1,458,000	551,726	22,671	2,032,397	2,206,020

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

**Shunaid Qureshi**  
Chief Executive

**Asim Ghani**  
Director



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED JUNE 30, 2014**

**1 THE COMPANY AND ITS OPERATIONS**

Al-Abbas Sugar Mills Limited - AASML ("the Company") was incorporated in Pakistan on May 2, 1991 as a public limited company under the Companies Ordinance, 1984. The Company is listed on the Karachi Stock Exchange. The registered office of the Company is situated at Pardesi House, Survey No. 2/1, R.Y.16. Old Queens Road, Karachi, Pakistan. The principal activities of the Company under following business segments / divisions comprises of :

S.NO	Division	Principal Activities	Location of undertaking	Commencement of commercial production
1	Sugar	Manufacturing and sale of sugar	Mirwah Gorchani, Mirpurkhas	December 15, 1993
2	Ethanol (note 1.1)	Processing and sale of industrial ethanol	Mirwah Gorchani, Mirpurkhas	Unit I: August 20, 2000 Unit II: January 23, 2004
3	*Chemical and alloys and **Power (note 1.2)	**Manufacturing and sales of calcium carbide and ferro alloys. **Generation and sales of electricity."	Dhabeji, Thatta.	*November 1, 2006  **April 06, 2010 "
4	Tank Terminal	Providing bulk storage facility	Oil Industrial Area, Kamari, Karachi.	October 15, 2012

1.1 The Company has also entered into agreement for supply of CO2 gas at its ethanol division. The same is not a reportable segment as per criteria defined in IFRS-8.

1.2 The production facilities of chemical, alloys and power segment have been suspended in view of present business conditions and the matter of its recommencement will be reviewed when these conditions are improved. However, a portion of chemical plant which was given on lease has been vacated by the lessee during the current period.

**2 BASIS OF PREPARATION**

2.1 This condensed interim financial information of the Company for the nine months ended June 30, 2014 is unaudited and have been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.

2.2 These condensed interim financial information have been prepared under 'historical cost convention' except for investments classified as available for sale and at fair value through profit and loss account and financial assets and liabilities which are carried out at their fair values.

2.3 These condensed interim financial information are presented in Pakistani Rupees which is also the Company's functional currency.

2.4 The comparative balance sheet presented has been extracted from annual financial statements for the year ended September 30, 2013, whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity have been extracted from the unaudited condensed interim financial information for the nine months ended June 30, 2013.



### 3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies, applied in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual audited financial statements of the Company for the year ended September 30, 2013, except as disclosed in note 3.2.

3.2 IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 01, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurement" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurement" to be recognised in the balance sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Amendments to IAS 19 'Employee Benefits' are applicable to the Company from September 30, 2013, however, the Company has decided to apply the amendments in the annual financial statements for the year ending September 30, 2014 as the impact of application is considered immaterial.

### 4 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

4.1 The preparation of this condensed interim financial information in conformity with approved accounting standards as applicable in Pakistan requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revision to accounting estimates are recognized prospectively commencing from the period of revision.

4.2 In preparing this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key source of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended September 30, 2013.

4.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended September 30, 2013.

### 5 INCOME TAX, WORKERS' PROFIT PARTICIPATION FUND AND WORKERS' WELFARE FUND

Provision in respect of income tax, workers' profit participation fund and workers welfare fund are estimated only and final liabilities will be determined on the basis of annual results.

### 6 SEASONAL PRODUCTION

Due to the seasonal availability of sugarcane, the manufacturing of sugar is carried out during the period of availability of sugarcane and cost incurred / accrued up to the reporting date have been accounted for. Accordingly, the cost incurred / accrued after the reporting date will be reported in the subsequent interim and annual financial statements.



	(Un-audited) June 30, 2014	(Audited) September 30, 2013
	(Rupees in thousand)	
<b>7</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>	
	<b>Additions</b>	
Vehicles	3,023	6,153
Office equipment	287	940
Computers	154	603
	<b>Transferred from CWIP to operating assets</b>	
Lease-hold land	-	(22,694)
Non-factory building	-	(49,314)
Plant and machinery	-	(257,044)
	<b>Additions to CWIP</b>	
Plant and machinery	24,161	77,729
Non-factory building	-	14,391
	<b>Disposal</b>	
Vehicle - at cost	3,755	1,175
Office equipment - at cost	522	143
Computers - at cost	-	50
<b>8</b>	<b>STOCK-IN-TRADE</b>	
Raw materials	909,887	289,036
Work-in-process	3,479	5,823
Finished goods	<u>1,705,237</u>	<u>695,500</u>
	<u>2,618,603</u>	<u>990,359</u>

8.1 Value of stock of sugar and molasses pledged as at June 30, 2014 amounting to Rs. 1,571.726 million (September 30, 2013 Rs. 208.055 million).

**9 AUTHORIZED CAPITAL**

2014	2013		(Un-audited) 2014	(Audited) 2013
(No. of shares)			(Rupees in thousand)	
<u>40,000,000</u>	<u>17,500,000</u>	Ordinary share of Rs. 10 each	<u>4,00,000</u>	<u>175,000</u>

9.1 During the period, the company has increased its authorized capital by 22,500,000 ordinary shares of Rs.10 each.

	(Un-audited) June 30, 2014	(Audited) September 30, 2013
	(Rupees in thousand)	
<b>10</b>	<b>SHORT TERM BORROWINGS</b>	
	From banking companies - secured Under Mark up arrangements	
Cash / Running finances	882,217	678,154
Export refinance	<u>1,916,646</u>	<u>765,290</u>
	<u>2,798,863</u>	<u>1,443,444</u>
<b>10.1</b>	The available aggregate finance facilities (short term funded) amounting to Rs. 3.805 billion (September 30, 2013: Rs. 3.580 billion) which have been arranged from various commercial banks out of which Rs. 3.060 billion (September 30, 2013: 2.335 billion) is interchangeable with export refinance and FE 25. The terms and conditions relating to these finance facilities are same as disclosed in annual financial statements for the year ended September 30, 2013.	



## 11 CONTINGENCIES AND COMMITMENTS

### 11.1 Contingencies

**11.1.1** The Karachi Water and Sewerage Board has demanded Rs. 19.588 million for sewerage, fire and conservancy charges which the Company has challenged in Sindh High Court Karachi as no such facilities are being provided by the Board. The Court has stayed the operations of Demand Notice by the Karachi Water and Sewerage Board and hearings of the case are in process. The Management is confident that the case will be decided in favor of the Company, therefore, no provision has been made in these financial statement.

**11.1.2** The Competition Commission of Pakistan has issued show cause notice to the Company alleging cartelization by industry. The Company has challenged this show cause in Sindh High Court in Karachi challenging the jurisdiction of Competition Commission of Pakistan. The high court has stayed the show cause notice and case hearings are in progress in Sindh High Court Karachi. There is no financial implications related to this matter at the moment.

**11.1.3** A suit bearing no. 281 has been filed in the Honorable High Court of Sindh at Karachi by Mr. Suleman Lalani, (non-executive and minority Director) against the Company, its Chief Executive and eight others, alleging mismanagement in the company's affairs including siphoning off and divergence of Company's funds by the Chief Executive and others. The prayer sought in the suit mainly comprises of Rs. 236.716 million retrieval of the Company's funds along-with costs of the suit filed by the plaintiff and seeking appointment of receiver and carrying out of the forensic audit of the Company and removal of its Chief Executive. In response to the aforementioned, the Company and its management denied all allegations of the plaintiff. The hearings are in progress.

The Company's legal counsel have stated that considering the vagaries of litigation, no definite prediction can be made regarding the outcome of the case at this stage. However, in view of the Company's management, no adverse inference is likely to materialize in the suit.

However, recently Mr. Lalani also filed another Civil Miscellaneous Application No. 9973 of 2013, seeking to refrain the Board of Directors of the Company from specifically approving any investment in Javedan Corporation Limited ("JCL"), a separate and unrelated public limited company. The said CMA was argued before the Sindh High Court by both parties which the High Court restrained the defendant no to take any decision for investment in JCL until the final outcome of the suit and directed the Securities Exchange Commission of Pakistan ("SECP") to treat the plaint filed in this matter as a complaint under Section 263 of the Companies Ordinance, 1984 and accordingly investigate the affairs of the Company and submit a report on the same.

The said Order of the Court has been challenged by the Company before the Division Bench of the High Court of Sindh through appeal bearing No. HCA-124, which has suspended a portion of the High Court's Order relating to SECP carrying out an investigation of the Company. This Appeal is currently pending before the Division Bench, and as per view of the legal advisor, the Company has fair chance to succeed in the said case.

**11.1.4** As per notification No. 4(142) S.O (Ext) 95-XXIII dated December 11,2013, Government of Sindh has directed sugar factories in the province to pay quality premium to the cane growers in respect of crushing season 2013-14 @0.50 paisa per 40 Kg for each 0.1%(including fraction thereof to be calculated prorata) of excess sucrose recovery of above 8.7% determined on overall sucrose recovery basis on each mill. However , as the matter is pending in Supreme Court of Pakistan and as per decisions of Federal Government ,Steering Committee meeting held on 16-07-2007, the quality premium shall remain suspended till decision of Supreme Court / Consensus on uniform formula is developed in Federal Government. In view of the given circumstances and as per the decision of the Punjab High Court in a similar case in which it was declared that the demand of quality premium is un lawful, the management of the company is confident that case will be decided in favour of sugar mills, therefore no provision has been made in this interim financial information for liability of quality premium in respect of crushing season 2013-14 amounting to Rs.82.225 million.

**11.1.5** Assessments proceedings under section 122 of Income Tax Ordinance 2001 for income tax years 2011 and 2012 have been completed. The Assistant Commission Inland Revenue has disallowed / added back Rs. 141 million and





Rs. 176 million to the income respectively. The Company has filed appeals before Commission Inland Revenue (Appeal-I) for the year 2011 and Appellate Tribunal Inland Revenue for the year 2012, however the management is confident that no significant adverse outcome will arise.

**11.1.6** The Federal Government notified reduced rate of FED @ 0.5% on local supply of sugar to the extent of sugar exported by sugar mills against export quota allocated by Economic Coordination Committee in meeting dated January 10, 2013, subject to terms and conditions prescribed in S.R.O 77(1)/2013 dated February 07, 2013. The company has availed the facility effective from 10th January 2013, however as per contention of the department the relief is applicable from the date of SRO, accordingly the demand amounting to Rs. 85.450 millions relating to period prior to date of SRO has been created. The same has been contested before Honorable High Court of Sindh Vide Constitution Petition No. 1927/2014. The management is confident that the case will be decided in the favour of the company.

**11.2 Commitments**

Commitments in respect of letter of credit amounts to Rs. 0.975 million (September 30, 2013: Rs. Nil) and capital commitments in respect of plant and machinery Rs. 14.653 million (September 30, 2013 Rs. 25.274 million).

Bank guarantees of Rs. 61.412 million (September 30, 2013: Rs. 54.6 million) have been issued in favour of customers and suppliers.

12 SALES	June 30,	June 30,	June 30,	June 30,
	2014	2013	2014	2013
	(Rupees in thousands)			
	Nine months ended		Quarter ended	
Sales - gross	4,134,399	4,774,488	1,934,981	1,516,963
Federal excise duly / sales tax	(90,362)	(75,996)	(43,612)	(31,139)
	<u>4,044,037</u>	<u>4,698,492</u>	<u>1,891,369</u>	<u>1,485,824</u>

**13 CASH (USED IN) / GENERATED FROM OPERATIONS**

	June 30, 2014	June 30, 2013
	(Rupees in thousand)	
Profit before taxation	385,166	402,265
Adjustments for non-cash charges and other items		
Depreciation on property, plant and equipment	102,765	108,504
Depreciation on investment property	35	39
Gain on disposal of property, plant and equipment - net	(1,348)	(441)
Unrealized gain on remeasurement of investment	(100,850)	(17,300)
Mark - up on loan to growers	(1,332)	(669)
Dividend income	(7,704)	-
Income on term deposit receipts	(545)	(1,825)
Finance cost	204,781	184,196
Increase in deferred liability - market fee	6,216	5,032
	<u>202,018</u>	<u>277,536</u>
<b>Cash generated from operating activities before working capital changes</b>	<b>587,184</b>	<b>679,801</b>
<b>(Increase) / decrease in current assets</b>		
Stores and spares	(7,472)	(23,439)
Stock-in-trade	(1,628,244)	(483,212)
Trade debts	(364,200)	295,320
Loans and advances	319,150	457,576
Trade deposits and short term prepayments	(16,839)	18,109
Other receivables	5,633	26,957
Short term investments	(6,812)	13,590
	<u>(1,698,784)</u>	<u>304,901</u>
<b>Increase / (decrease) in current liabilities</b>		
Increase / (decrease) in trade and other payables	10,868	(620,580)
<b>Net cash (used in) / generated from operations</b>	<b><u>(1,100,732)</u></b>	<b><u>364,122</u></b>



## 14 SEGMENT REPORTING

	(Rupees in thousand)					
			Nine months period ended June 30			
	2014	2013	2014	2013	2014	2013
	Sugar		Ethanol		Total	
Sales	1,764,370	2,069,993	2,279,667	2,628,499	4,044,037	4,698,492
Cost of sales	(1,569,585)	(1,823,799)	(1,816,149)	(2,036,358)	(3,385,734)	(3,860,157)
<b>Gross profit</b>	<b>194,785</b>	<b>246,194</b>	<b>463,518</b>	<b>592,141</b>	<b>658,303</b>	<b>838,335</b>
Net profit / (loss) from storage tank terminal / segment and fixed expenses due to suspension					47,921	(1,490)
					(30,173)	(30,348)
Distribution cost					676,051	806,497
Administrative expenses	(31,772)	(55,638)	(68,766)	(76,339)	(100,538)	(131,977)
Operating segment results	(50,616)	(54,460)	(33,743)	(36,832)	(84,359)	(91,292)
Other operating expenses					491,154	583,228
Other income					(30,301)	(38,011)
Finance cost					129,094	41,244
Taxation					(204,781)	(184,196)
<b>Net profit for the period</b>					<b>(76,201)</b>	<b>(33,047)</b>
					<b>308,965</b>	<b>369,218</b>



	(Rupees in thousand)					
	2014		2013		2014	
	Sugar	Ethanol	Total	Sugar	Ethanol	Total
Sales	748,639	725,389	1,474,028	760,435	760,435	1,485,824
Cost of sales	(664,967)	(633,749)	(1,298,716)	(622,588)	(622,588)	(1,256,337)
<b>Gross profit</b>	<b>83,672</b>	<b>91,640</b>	<b>175,312</b>	<b>137,847</b>	<b>137,847</b>	<b>229,487</b>
Net profit / (loss) from storage tank terminal segment and fixed expenses due to suspension						968
Distribution cost						(9,297)
Administrative expenses	(8,354)	(7,420)	(15,774)	(22,378)	(22,378)	(29,798)
Operating segment results	<b>(14,741)</b>	<b>(9,827)</b>	<b>(24,568)</b>	<b>(9,827)</b>	<b>(9,827)</b>	<b>(30,470)</b>
	<b>60,577</b>	<b>136,193</b>	<b>196,770</b>	<b>102,966</b>	<b>102,966</b>	<b>160,890</b>
Other operating expenses						(8,191)
Finance cost						(61,998)
Other operating income						20,784
Taxation						(11,514)
<b>Net profit for the period</b>	<b>154,948</b>	<b>154,948</b>	<b>309,896</b>	<b>154,948</b>	<b>154,948</b>	<b>309,896</b>



(Rupees in thousand)							
	June 30, 2014	September 30, 2013	June 30, 2014	September 30, 2013	June 30, 2014	September 30, 2013	Total
Segment assets							
Unallocated segment assets	2,689,732	1,548,013	1,688,947	1,241,413	541,651	566,386	212,165
							208,814
							5,132,495
							631,755
							<u>5,764,250</u>
							4,210,282
Segment liabilities							
Unallocated segment liabilities	1,657,066	1,319,282	1,763,086	788,857	-	-	18,480
Capital expenditure	-	14,391	12,536	74,731	-	-	11,625
Unallocated capital expenditure							2,998
							24,161
							3,464
							<u>27,625</u>
							92,120
							7,696
							<u>99,816</u>
(Rupees in thousand)							
	June 30, 2014	September 30, 2013	June 30, 2014	September 30, 2013	June 30, 2014	September 30, 2013	Total
Depreciation	37,681	52,566	28,036	40,443	22,354	32,049	14,694
Amortization	-	1	-	-	-	-	-
Non cash expenses other than depreciation	-	850	-	-	-	7,469	-
							20,789
							102,765
							145,847
							1
							8,319

**15 RELATED PARTY TRANSACTIONS**

Related parties comprises associated companies, other related group companies, directors of the company, key management personnel and post employment benefit plan. Transactions in relation to sales, purchases and services with related parties are made at arm's length prices determined in accordance with the Comparable Uncontrolled Price Method.

	June 30, 2014	June 30, 2013
	(Rupees in thousand)	
Dividend received	5,279	405
Contribution paid to Employees Gratuity fund	15,054	4,330
Rental Income charged	662	855
Rental Income received	662	1,650

**Key management personnel**

Remuneration of chief executive, directors and executives.	51,180	49,785
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During the period the company has paid dividends to directors and associated company amounting to Rs. 71.645 million (June 30, 2013: Rs. 56.213 million).

**16 CORRESPONDING FIGURES**

Corresponding figures have been reclassified to reflect more appropriate presentation of events and transactions for the purpose of comparison.

From	To	Amount in '000
Income tax refundable net off provision	Income tax refund due from Government	50,997
Cost of Sales - Chemical and Alloys	Net loss from chemical, alloys and power segment and fixed expenses due to suspension	(25,986)
Cost of Sales - Power	Net loss from chemical, alloys and power segment and fixed expenses due to suspension	(9,870)
Other Operating Expenses - Provision for doubtful debts	Net loss from chemical, alloys and power segment and fixed expenses due to suspension	(7,469)
Other Operating Income - Chemical and Alloys	Net loss from chemical, alloys and power segment and fixed expenses due to suspension	12,977
Other Operating Expenses - Loss from storage tank terminal-net	Net profit / (loss) from storage tank terminal	(1,490)



**17 DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on July 25, 2014 by Board of Directors' of the Company.

**18 GENERAL**

Figures have been rounded off to the nearest thousand of Rupees, unless otherwise stated.

**Shunaid Qureshi**  
Chief Executive

**Asim Ghani**  
Director