



Habib Sugar Mills Limited

**Report and Condensed Interim
Financial Statements
for the Half Year ended
March 31, 2016
(Unaudited)**



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Company Information

Board of Directors	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>
Audit Committee	Amin Ali Abdul Hamid Ali Raza D. Habib Shams Mohammad Haji	Chairman Member Member
Human Resource & Remuneration Committee	Shams Mohammad Haji Amin Ali Abdul Hamid Raeesul Hasan	Chairman Member Member
Company Secretary	Amir Bashir Ahmed	
Registered Office	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	
Mills	Nawabshah Phones : (+92-244) 360751 - 5 Lines Fax : (+92-244) 361314	
Bankers	Allied Bank Limited Bank AL Habib Limited First Women Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited MCB Bank Limited Meezan Bank Limited National Bank of Pakistan Standard Chartered Bank (Pakistan) Limited United Bank Limited	
Statutory Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants	
Share Registrar	THK Associates (Pvt.) Limited 2nd Floor, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi-75530 Phones : (+92-21) 111-000-322 Fax : (+92-21) 35655595 E-mail : secretariat@thk.com.pk info@thk.com.pk Website : www.thk.com.pk	



VISION STATEMENT

We aim to be a leading manufacturer and supplier of quality sugar, ethanol, liquidified carbon dioxide (CO₂) 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 (CO₂) 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, 2016.

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. 463.53 million. The financial results for the half year are as follows:

(Rupees in thousands)

Profit before taxation	463,531
Taxation	70,000
Profit after taxation	393,531
Unappropriated profit brought forward	2,933
Unappropriated profit carried forward	396,464
Earnings per share – Basic and diluted	Rs. 2.62

Performance Review

Sugar Division

The crushing season 2015-16 commenced on November 24, 2015 and the plant operated upto March 13, 2016 for 111 days as against 117 days in the preceding season. Sugarcane crushed during the current season was 821,801 M.Tons with average sucrose recovery of 10.74% and sugar production of 88,271 M.Tons, as compared with crushing of 854,231 M.Tons with average sucrose recovery of 10.40% and sugar production of 88,807 M.Tons during the preceding season. The quantum of sugarcane crushed and sugar production was lower as compared with the previous season due to reduced availability of sugarcane.

The Government of Sindh on January 4, 2016 issued notification fixing the minimum support price of sugarcane at Rs. 172 per 40 kgs as compared with Rs. 182 per 40 kgs for the crushing season 2014-15. 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 the 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.



During the current crushing season, the reduced availability of sugarcane resulted in unhealthy price competition among the mills. In view of the above, the growers were demanding much higher prices over the minimum support price and the company was forced to procure sugarcane at higher rates. This resulted in reduced quantum of sugarcane crushing and increased cost of production of sugar.

The Economic Co-ordination Committee (ECC) of the Cabinet had allowed export of 500,000 M.Tons of sugar by March 31, 2016 and approved cash subsidy of Rs. 13/kg on the export of sugar. However, we understand that the Government has not yet released the funds for payment of cash subsidy of Rs. 13/kg. In spite of the Subsidy announced by the government, the export of sugar was not considered viable due to depressed sugar prices in the international market.

Sugar division earned profit of Rs. 110.09 million as against profit of Rs. 122.36 million in the corresponding period of the previous year. The profitability of the division for the period under review was lower due to slow off take of sugar during the period as compared with the corresponding period of the previous year.

Distillery Division

Production of ethanol during the half year ended March 31, 2016 was 14,806 M.Tons as compared with 13,317 M.Tons during the corresponding period of the previous year. The division earned profit of Rs. 138.47 million during the half year under review as against profit of Rs. 120.30 million in the corresponding period of the previous year. The increase in profitability was due to higher sale volume during the period as compared with the corresponding period of the previous year.

The liquidified carbon dioxide (CO₂) unit also operated satisfactorily and produced 3,635 M.Tons as compared with 2,962 M.Tons during the corresponding period of the previous year.

Textile Division

The division earned profit of Rs. 7.78 million during the half year under review as against profit of Rs. 7.38 million in the corresponding period of the previous year.

Trading Division

During the period under review, the division made operating profit of Rs. 16.73 million on account of trading of sugar.

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

Asghar D. Habib
Chairman

Karachi: May 28, 2016



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 2016, 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, 2016



Condensed Interim Balance Sheet as at March 31, 2016 (Unaudited)

	Note	(Unaudited) March 31, 2016 (Rupees in thousands)	(Audited) September 30, 2015
Assets			
Non-Current Assets			
Fixed assets			
Property, plant and equipment	4	1,589,515	1,542,980
Long-term investments	5	1,686,392	1,711,136
Long-term loans		4,286	3,997
Long-term deposits		2,978	2,978
		<u>3,283,171</u>	<u>3,261,091</u>
Current Assets			
Stores and spare parts		130,805	113,583
Stock-in-trade	6	4,226,183	719,141
Trade debts		329,593	391,479
Loans and advances	7	778,637	246,303
Trade deposits and short-term prepayments		4,759	7,615
Profit accrued on bank deposits		2,572	327
Other receivables	8	179,457	24,488
Short-term investments	9	—	2,809,686
Cash and bank balances		1,243,385	296,863
		<u>6,895,391</u>	<u>4,609,485</u>
Total Assets		<u>10,178,562</u>	<u>7,870,576</u>
Equity and Liabilities			
Share Capital and Reserves			
Share Capital			
Authorised			
150,000,000 (September 2015: 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 (September 2015: 150,000,000)			
Ordinary shares of Rs. 5 each		750,000	750,000
Reserves		<u>5,046,603</u>	<u>5,110,222</u>
		<u>5,796,603</u>	<u>5,860,222</u>
Non-Current Liabilities			
Deferred taxation	10	107,000	102,000
Current Liabilities			
Trade and other payables	11	1,636,977	1,651,555
Advance from customers		666,847	247,057
Short-term borrowings	12	1,950,000	—
Accrued mark-up on short-term borrowings		16,121	—
Taxation - net		5,014	9,742
		<u>4,274,959</u>	<u>1,908,354</u>
Contingencies and Commitments	13		
Total Equity and Liabilities		<u>10,178,562</u>	<u>7,870,576</u>

The annexed notes 1 to 23 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 half year ended March 31, 2016 (Unaudited)

	Note	Half year ended		Quarter ended	
		March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
		(Rupees in thousands)			
Segment operating results	14				
Net sales and services		2,929,007	3,838,274	1,940,117	2,634,053
Cost of sales		(2,504,917)	(3,421,314)	(1,627,022)	(2,282,202)
Gross profit		424,090	416,960	313,095	351,851
Selling and distribution expenses		(82,672)	(89,309)	(50,914)	(57,620)
Administrative expenses		(68,355)	(64,083)	(32,719)	(28,960)
Other operating expenses	15	(31,615)	(35,315)	(23,324)	(27,541)
Other income	16	221,791	143,367	129,837	124,568
		39,149	(45,340)	22,880	10,447
Operating profit		463,239	371,620	335,975	362,298
Finance income - net	17	292	53,777	2,872	4,168
Profit before taxation		463,531	425,397	338,847	366,466
Taxation	18	(70,000)	(65,000)	(43,000)	(54,500)
Profit after taxation		393,531	360,397	295,847	311,966
Earnings per share - Basic and diluted	Rs.	2.62	2.40	1.97	2.08

The annexed notes 1 to 23 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 half year ended March 31, 2016 (Unaudited)**

	<u>Half year ended</u>		<u>Quarter ended</u>	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	(Rupees in thousands)			
Profit after taxation	393,531	360,397	295,847	311,966
Other comprehensive income :				
Items that will be reclassified subsequently to profit & loss :				
Net gain on investments - available for sale				
Increase / (decrease) in unrealised gain on revaluation of investments for the period - net of tax	(37,464)	90,610	(51,750)	(71,258)
Reclassification adjustments included in the profit and loss account for:				
Gain on sale / redemption of investments - net of tax	(44,686)	(38,616)	(10,065)	(26,574)
	(82,150)	51,994	(61,815)	(97,832)
Total Comprehensive income for the period	<u>311,381</u>	<u>412,391</u>	<u>234,032</u>	<u>214,134</u>

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director



The annexed notes 1 to 23 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 half year ended March 31, 2016 (Unaudited)

	Note	March 31, 2016	March 31, 2015
(Rupees in thousands)			
Cash flows from operating activities			
Cash used in operations	19	(3,349,242)	(402,266)
Finance income received - net		14,168	89,086
Income tax paid		(54,728)	(57,846)
Long-term loans		(289)	370
Long-term deposits		—	(15)
Net cash used in operating activities		(3,390,091)	(370,671)
Cash flows from investing activities			
Fixed capital expenditure		(117,976)	(166,363)
Sale proceeds / redemption of investments		4,111,615	86,174
Dividend received		20,472	20,813
Purchase of investments		(1,262,720)	(3,547,810)
Sale proceeds of fixed assets		760	584
Net cash generated from / (used in) investing activities		2,752,151	(3,606,602)
Cash flows from financing activities			
Dividend paid		(365,538)	(366,596)
Net cash used in financing activities		(365,538)	(366,596)
Net decrease in cash and cash equivalents		(1,003,478)	(4,343,869)
Cash and cash equivalents at the beginning of the period		296,863	2,198,559
Cash and cash equivalents at the end of the period	20	(706,615)	(2,145,310)

The annexed notes 1 to 23 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 half year ended March 31, 2016 (Unaudited)

1. The Company and its operations

Habib Sugar Mills Limited is a public limited company incorporated in Pakistan, with shares quoted on the Karachi and Lahore Stock Exchanges. effective from January 11, 2016, all the stock exchanges in Pakistan have been integrated to form Pakistan Stock Exchange. The Company is engaged in the manufacturing and marketing of refined sugar, molasses, ethanol, liquidified carbon dioxide (CO₂), household textiles, providing bulk storage facilities and trading of commodities.

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 or directives issued under the Companies Ordinance, 1984 will be followed. 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, 2015.

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, 2015.

4. Fixed assets

4.1 Property, plant and equipment

	(Unaudited) March 31, 2016 (Rupees in thousands)	(Audited) September 30, 2015 (Rupees in thousands)
Operating fixed assets	1,589,304	1,340,550
Capital work-in-progress	211	198,988
Major stores and spare parts	—	3,442
	<u>1,589,515</u>	<u>1,542,980</u>

4.2 Cost of additions to and written down value of deletions from fixed assets during the half year ended March 31, 2016 were as follows:

	Additions (Rupees in thousands)	Deletions (Rupees in thousands)
Plant and machinery		
Sugar	107,817	—
Distillery	6,610	—
Textile	884	—
Furniture, fittings and office equipment	2,481	—
Vehicles	184	3
	<u>117,976</u>	<u>3</u>



	(Unaudited) March 31, 2016 (Rupees in thousands)	(Audited) September 30, 2015
5. Long-term investments - available for sale		
Investments in related parties	1,084,917	1,106,811
Investments in other companies	601,475	604,325
	<u>1,686,392</u>	<u>1,711,136</u>
5.1 The aggregate cost of these investments, net of impairment is Rs.536.25 (September 30, 2015: Rs. 523.53) million.		
	(Unaudited) March 31, 2016 (Rupees in thousands)	(Audited) September 30, 2015
6. Stock-in-trade		
Raw materials	827,065	230,373
Work-in-process	21,380	42,180
Finished goods	3,333,487	444,300
Fertilizers	1,255	2,288
Bagasse stock	42,996	—
	<u>4,226,183</u>	<u>719,141</u>
7. Loans and advances		
Loans - secured considered good		
Current maturity of long-term loans		
Executives	305	324
Employees	4,396	4,740
	<u>4,701</u>	<u>5,064</u>
Advances - unsecured considered good		
Suppliers	773,936	241,239
	<u>778,637</u>	<u>246,303</u>
8. Other Receivables		
Considered good		
Duty Drawback and research & development support claim	12,182	14,620
Dividend receivable	89,054	9,282
Sales tax / Federal excise duty	77,190	—
Others	1,031	586
	<u>179,457</u>	<u>24,488</u>



9. Short-term investments - available for sale

Mutual Fund Units		Nominal value	Fund's Name		
September 30,	March 31,				
2015	2016				
		Rs.			
Investment in other mutual fund					
18,784,006	–	50	MCB Pakistan Sovereign Fund	–	1,022,038
74,272,509	–	10	ABL - Government Securities Fund	–	765,497
9,277,024	–	100	UBL - Government Securities Fund	–	1,022,151
				–	2,809,686

The aggregate cost of the above investments is Rs. Nil (September 2015: Rs. 2,750) million.

10. Deferred taxation

	(Unaudited) March 31, 2016	(Audited) September 30, 2015
(Rupees in thousands)		
Deferred tax liability on accelerated income tax depreciation allowances on operating fixed assets	115,000	95,000
Deferred tax liability on unrealised gain on short-term investments	-	15,000
	115,000	110,000
Deferred tax asset on provision for obsolescence and slow moving stores & spare parts	(8,000)	(8,000)
	107,000	102,000

11. Trade and other payables

Creditors	1,323,911	1,264,945
Accrued liabilities	193,972	208,633
Sales tax / Federal excise duty	-	47,991
Workers' Profit Participation Fund	24,757	51,846
Workers' Welfare Fund	41,534	34,676
Income tax deducted at source	240	363
Unclaimed dividends	52,563	43,101
	1,636,977	1,651,555



	(Unaudited) March 31, 2016 (Rupees in thousands)	(Audited) September 30, 2015
12. Short-term borrowings - secured	1,950,000	–

The aggregate financing facility available from commercial banks amounted to Rs.5,713 (September 2015: Rs.3,030) million. These financing facilities are secured by way of registered charge against hypothecation of stock-in-trade, stores and spares, assignment of trade debts and other receivables. The rate of mark-up charged during the period was 4.30% to 6.85% (September 2015: 4.30% to 11.68%) per annum.

13. Contingencies and commitments

13.1 Contingencies

13.1.1 The Company has provided counter guarantees to Bank AL Habib Limited, a related party, amounting to Rs. 250.00 (September 2015: Rs. 250.00) million against agriculture finance facilities to growers and counter guarantees to other banks amounting to Rs. 1,168.09 (September 2015: 624.04) million against guarantees issued by banks in favour of third parties on behalf of the Company. These guarantees are secured by way of registered charge against hypothecation of stock-in-trade, stores and spares, assignment of trade debts and other receivables.

13.1.2 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 April 22, 2015, however, these were not taken up for hearing and adjourned to date in office. The Competition Commission of Pakistan has not imposed any fine / penalty against the alleged violation of any provisions of the Competition Act 2010.

13.1.3 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 registration of standard marks / 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.

- 13.1.4** On May 22, 2015 the Government of Pakistan promulgated Gas Infrastructure Development (GID) Cess Act, 2015 and levied GID Cess on gas bills at the rate of Rs.100 / MMBTU on all industrial consumers. The GID Cess Act, 2015 was made applicable with immediate effect superseding the GID Cess Act, 2011 and GID Cess Ordinance, 2014.

The Company challenged the vires of GIDC Cess Act, 2015 before the Honourable High Court of Sindh. The matter came up for hearing on July 24, 2015 and the Honourable High Court of Sindh passed an order restraining the SSGC from demanding and collecting GID Cess as levied by the GID Cess Act, 2015.

The financial exposure of the Company upto March 31, 2016 is Rs. 17.08 (September 30, 2015: Rs. 8.40) 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.

- 13.1.5** 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.
- 13.1.6** The Company has filed a petition before the Honourable High Court of Sindh challenging the increase in market committee fee from Rs.5 / 40 kg to Rs.10 / 40 kg 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.
- 13.1.7** 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. Against the above order, the Government of Pakistan filed appeal which is pending before the Honourable Supreme Court of Pakistan for final adjudication.



13.1.8 The Government of Sindh vide notification dated July 8, 2014 levied a fee of Rs.0.50 /litre for storage of rectified spirit in bonded warehouse at Terminal Kemari, 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 March 20, 2015 and was not taken up for hearing. The financial exposure as at March 31, 2016 is Rs.23.89 (September 30, 2015: Rs.18.6) 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.

13.1.9 Pursuant to the decision of ECC on January 10, 2013, the FBR vide its SRO No. 77(1)/2013 dated February 7, 2013, allowed benefit to sugar exporters by reducing FED rate from 8.0% to 0.5% on local sales, equivalent to quantity exported by the mills. The Company availed the benefit and claimed Rs.56.56 million on account of reduced rate of FED.

Against the aforementioned claim, FBR disallowed an amount of Rs.7.0 million and also levied default surcharge of Rs.0.3 million. The disallowances was on the basis that the benefit of claim accrues and arises from February 17, 2013, the date of SRO No. 77(1)/2013 and not from January 10, 2013, the date of ECC meeting wherein the benefit was approved by ECC. The Company maintains that the sugar mills are entitled to avail the benefit of reduced rate of FED on sugar exported against the export quota allotted by ECC in its meeting held on January 10, 2013. Accordingly, the Company filed a suit before Honourable High Court of Sindh and the operations of the said order 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 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.

(Unaudited) (Audited)
March 31, September 30,
2016 2015
(Rupees in thousands)

13.2 Commitments

13.2.1	Capital expenditure	<u>74,556</u>	<u>53,593</u>
13.2.2	Rentals payable over next four years under operating lease agreements with First Habib Modraba in respect of vehicles	<u>26,465</u>	<u>25,070</u>



14. Segment operating results for the half year ended March 31, 2016 (Unaudited)

		<u>Sugar Division</u>		<u>Distillery Division</u>		<u>Textile Division</u>		<u>Trading Division</u>		<u>Total</u>	
		<u>March 31, 2016</u>	<u>March 31, 2015</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>
(Rupees in thousands)											
Net sales and services											
Sales	Local	1,533,974	2,545,530	167,278	128,117	2,612	2,766	193,521	—	1,897,385	2,676,413
	Export	—	—	870,143	834,493	160,848	216,365	—	110,594	1,030,991	1,161,452
Services - Storage income - net		1,533,974	2,545,530	1,037,421	962,610	163,460	219,131	193,521	110,594	2,928,376	3,837,865
		—	—	631	409	—	—	—	—	631	409
Less: Cost of sales		1,533,974	2,545,530	1,038,052	963,019	163,460	219,131	193,521	110,594	2,929,007	3,838,274
		(1,339,787)	(2,343,742)	(843,380)	(786,658)	(145,069)	(194,601)	(176,681)	(96,313)	(2,504,917)	(3,421,314)
Gross Profit		194,187	201,788	194,672	176,361	18,391	24,530	16,840	14,281	424,090	416,960
Less: Selling and distribution expenses		(23,937)	(24,138)	(50,421)	(49,644)	(8,314)	(14,879)	—	(648)	(82,672)	(89,309)
Administrative expenses		(60,158)	(55,288)	(5,785)	(6,414)	(2,301)	(2,268)	(111)	(113)	(68,355)	(64,083)
		(84,095)	(79,426)	(56,206)	(56,058)	(10,615)	(17,147)	(111)	(761)	(151,027)	(153,392)
Profit before other operating expenses and other income		110,092	122,362	138,466	120,303	7,776	7,383	16,729	13,520	273,063	263,568
Other operating expenses - note 15										(31,615)	(35,315)
Other income - note 16										221,791	143,367
Operating profit										463,239	371,620



14a. Segment operating results for the quarter ended March 31, 2016 (Unaudited)

(Rupees in thousands)											
		Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
		March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Net sales and services											
Sales	Local	1,196,692	2,064,649	81,301	70,541	2,423	806	3,600	—	1,284,016	2,135,996
	Export	—	—	585,887	386,614	69,745	111,159	—	—	655,632	497,773
Services - Storage income - net											
		1,196,692	2,064,649	667,188	457,155	72,168	111,965	3,600	—	1,939,648	2,633,769
		—	—	469	284	—	—	—	—	469	284
Less: Cost of sales		1,196,692	2,064,649	667,657	457,439	72,168	111,965	3,600	—	1,940,117	2,634,053
		(1,037,755)	(1,830,398)	(520,286)	(351,431)	(65,771)	(100,373)	(3,210)	—	(1,627,022)	(2,282,202)
Gross Profit		158,937	234,251	147,371	106,008	6,397	11,592	390	—	313,095	351,851
Less: Selling and distribution expenses		(17,379)	(18,901)	(29,566)	(30,367)	(3,969)	(8,352)	—	—	(50,914)	(57,620)
Administrative expenses		(29,824)	(26,897)	(1,658)	(778)	(1,182)	(1,234)	(55)	(51)	(32,719)	(28,960)
		(47,203)	(45,798)	(31,224)	(31,145)	(5,151)	(9,586)	(55)	(51)	(83,633)	(86,580)
Profit / (Loss) before other operating expenses and other income		111,734	188,453	116,147	74,863	1,246	2,006	335	(51)	229,462	265,271
Other operating expenses -note 15										(23,324)	(27,541)
Other operating income - note 16										129,837	124,568
Operating profit										335,975	362,298



	(Unaudited) Half year ended		(Unaudited) Quarter ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	(Rupees in thousands)			
15. Other operating expenses				
Workers' Profit Participation Fund	24,757	22,871	18,108	19,703
Workers' Welfare Fund	6,858	9,148	5,216	7,881
Exchange loss	—	3,296	—	(43)
	<u>31,615</u>	<u>35,315</u>	<u>23,324</u>	<u>27,541</u>
16. Other income				
Profit on sale / redemption of investments	111,615	60,656	30,238	48,059
Dividend income	100,244	79,177	94,543	75,512
Scrap sale	4,756	2,244	515	277
Gain on disposal of fixed assets	757	574	—	4
Agriculture income	3,502	716	3,502	716
Exchange gain	237	—	359	—
Sale of Electricity	680	—	680	—
	<u>221,791</u>	<u>143,367</u>	<u>129,837</u>	<u>124,568</u>
17. Finance income / (cost) - net				
Profit on treasury call accounts	8,300	13,550	1,980	6,370
Profit on term deposit receipts	28,835	83,608	22,418	25,167
Interest on loan to employees	37	43	20	22
	<u>37,172</u>	<u>97,201</u>	<u>24,418</u>	<u>31,559</u>
Less: Mark-up / interest on:				
Short-term borrowings	(28,022)	(37,017)	(16,119)	(24,964)
Workers' Profit Participation Fund	(1,132)	(1,368)	(12)	(218)
Bank charges	(7,726)	(5,039)	(5,415)	(2,209)
	<u>(36,880)</u>	<u>(43,424)</u>	<u>(21,546)</u>	<u>(27,391)</u>
	<u>292</u>	<u>53,777</u>	<u>2,872</u>	<u>4,168</u>
18. Taxation				
Income tax - current	50,000	65,000	23,000	54,500
Deferred tax	20,000	—	20,000	—
	<u>70,000</u>	<u>65,000</u>	<u>43,000</u>	<u>54,500</u>



	(Unaudited)	
	March 31, 2016	March 31, 2015
	(Rupees in thousands)	
19. Cash used in operations		
Profit before taxation	463,531	425,397
Adjustment for non-cash charges and other items		
Depreciation	71,438	55,911
Gain on disposal of fixed assets	(757)	(574)
Profit on sale / redemption of investments	(111,615)	(60,656)
Finance income - net	(292)	(53,777)
Dividend income	(100,244)	(79,177)
Working capital changes - note 19.1	(3,671,303)	(689,390)
	<u>(3,349,242)</u>	<u>(402,266)</u>
19.1 Working capital changes		
(Increase) / decrease in current assets		
Stores and spare parts	(17,222)	(33,818)
Stock-in-trade	(3,507,042)	(2,785,633)
Trade debts	61,886	574,266
Loans and advances	(532,334)	123,944
Trade deposits and prepayments	2,856	(1,432)
Other receivables	(75,197)	(8,089)
	<u>(4,067,053)</u>	<u>(2,130,762)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	(24,040)	970,250
Advance from customers	419,790	471,122
Net changes in working capital	<u>(3,671,303)</u>	<u>(689,390)</u>
20. Cash and cash equivalents at the end of the period		
These comprise of the following :		
Cash and bank balances	1,243,385	263,019
Short-term borrowings	(1,950,000)	(2,408,329)
	<u>(706,615)</u>	<u>(2,145,310)</u>



21. Transactions with related parties

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

	(Unaudited) Half year ended		(Unaudited) Quarter ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	(Rupees in thousands)			
Transactions during the period				
Insurance premium paid	12,191	14,075	2,551	4,065
Insurance claim received	—	10,900	—	—
Profit on treasury call accounts / term deposits	32,982	95,987	20,580	31,135
Investment in shares / units of mutual fund	762,500	750,000	12,500	750,000
Dividend income	84,478	66,188	84,478	66,188
Dividend paid	59,582	60,710	59,582	60,710
Redemption of investments	753,648	—	—	—
Bank charges	54	137	24	95
Compensation of Key management personnel	24,909	21,834	12,642	10,917
Contribution to retirement funds	6,593	5,850	3,301	2,935
			(Unaudited) March 31, 2016	(Audited) September 30, 2015
			(Rupees in thousands)	
Balances at the end of the period				
Bank balances			905,087	262,268
Profit accrued on bank deposits			2,343	—
Other receivables - Dividend receivable			84,478	—

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

22. Date of Authorisation for issue

These condensed interim financial statements were authorised for issue on May 28, 2016 by the Board of Directors of the Company.

23. General

23.1 Figures for the quarters ended March 31, 2016 and March 31, 2015 have not been subjected to limited scope review by the external auditors.

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

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director



موجودہ کرشنگ سیزن کے دوران گنے کی دستیابی میں کمی کی وجہ سے ملز کے درمیان گنے کی قیمت پر مسابقت کی فضا قائم رہی اور کاشت کار سپورٹ پرائس سے زیادہ کا تقاضہ کرتے رہے۔ لہذا کمپنی نے دباؤ میں رہتے ہوئے زیادہ قیمتوں پر گنے کی خریداری کی جسکے نتیجے میں کرشنگ کا حجم کم رہا اور شکر کی پیداواری لاگت میں اضافہ ہوا۔

کمپنیٹ کی اکٹماک کوآرڈینیشن کمیٹی (ECC) نے 500,000 ٹن چینی کی 31 مارچ 2016ء تک ایکسپورٹ کرنے کی اجازت دی تھی اور چینی کی برآمد پر نقد سبسائیڈی 13 روپے فی کلوگرام کی منظوری دی گئی۔ ہم یہ سمجھتے ہیں کہ حکومت نے 13 روپے فی کلوگرام کے حساب سے نقد سبسائیڈی کی ادائیگی کیلئے ابھی تک فنڈ کا اجرا نہیں کیا۔ حالانکہ گورنمنٹ نے سبسائیڈی کا اعلان کر دیا تھا۔ چینی کی برآمد انٹرنیشنل مارکیٹ میں چینی کی قیمتوں پر دباؤ کی وجہ سے قابل عمل نہیں تھی۔ شکر ڈویژن نے موجودہ ششماہی مدت میں 110.09 ملین روپے منافع حاصل کیا جبکہ گزشتہ سال اسی مدت کے دوران مبلغ 122.36 ملین روپے منافع کمایا تھا۔ شکر ڈویژن میں منافع کی کمی زیر نظر مدت کے دوران گزشتہ مدت کے مقابلے میں کم رہی جسکی وجہ شکر کی فروخت میں کمی تھی۔

ڈسٹری ڈویژن:

31 مارچ 2016ء کو ششماہی مدت کے دوران استھانول کی پیداوار 14,806 میٹرک ٹن تھی جبکہ گزشتہ سال اسی مدت کے دوران 13,317 میٹرک ٹن رہی تھی۔ اس ششماہی مدت کے دوران ڈویژن نے 138.47 ملین روپے منافع کے مقابلے میں گزشتہ سال اس ششماہی مدت میں منافع مبلغ 120.30 ملین روپے حاصل کیا۔ منافع میں اضافہ کی وجہ گزشتہ سال کے مقابلے میں اس مدت کے دوران فروخت کے حجم میں اضافہ ہے۔

لیکونیڈ فائڈ کاربن ڈائی آکسائیڈ (CO2) یونٹ کا آپریشن بھی اطمینان بخش رہا اور لیکونیڈ فائڈ کاربن ڈائی آکسائیڈ (CO2) کی پیداوار 3,635 میٹرک ٹن تھی جبکہ گزشتہ سال اسی مدت کے دوران 2,962 میٹرک ٹن رہی تھی۔

ٹیکسٹائل ڈویژن:

گزشتہ ششماہی مدت میں منافع کی رقم 7.38 ملین روپے کے مقابلے میں زیر نظر ششماہی مدت کے دوران اس ڈویژن نے منافع 7.78 ملین روپے حاصل کیا۔

ٹریڈنگ ڈویژن:

زیر نظر مدت کے دوران چینی کی تجارت سے اس ڈویژن نے مبلغ 16.73 ملین روپے منافع حاصل کیا۔

عام امور:

ڈائریکٹر ز اس امر پر اپنی خوشی کا اظہار کرتے ہوئے کمپنی کے افسران، اسٹاف اور ورکرز کی بہترین کارکردگی پر خراج تحسین پیش کرتے ہیں۔

از طرف بورڈ آف ڈائریکٹران

اصغر ڈی۔ حبیب
چیئرمین

کراچی مورخہ 28 مئی 2016ء



ڈائریکٹرز کی رپورٹ

محترم ممبران۔ السلام علیکم

بورڈ آف ڈائریکٹرز کی جانب سے میں 31 مارچ 2016ء کو ختم ہونے والے ششماہی مدت کیلئے کمپنی کی غیر آڈٹ شدہ مالیاتی حسابات پیش کر رہا ہوں۔

مالیاتی نتائج:

اللہ کے فضل و کرم سے زیر جائزہ ششماہی مدت کے دوران آپ کی کمپنی کا قبل از ٹیکس منافع کی رقم مبلغ 463.53 ملین روپے رہی اس مدت کے لئے مالیاتی نتائج درج ذیل ہیں:-

(روپے ہزاروں میں)

463,531

منافع قبل از ٹیکس

70,000

ٹیکس

393,531

منافع بعد از ٹیکس

2,933

غیر منقسمہ منافع B/F

396,464

غیر منقسمہ منافع C/F

2.62

آمدنی فی شیئر۔ بیک اور ڈائی لیوٹنڈ۔ روپے

کارکردگی کا جائزہ:

گنے کی کرشنگ کا سیزن 2015-2016 24 نومبر 2015 کو شروع ہوا اور 13 مارچ 2016 تک 111 دن پلانٹ کو چلایا گیا۔ اس کے مقابلہ میں گزشتہ سیزن 117 دن چلا تھا۔ موجودہ سیزن کے دوران گنے کی کرشنگ 821,801 میٹرک ٹن رہی جبکہ شکر کی اوسط ریکوری کا تناسب 10.74 فیصد رہا اور شکر کی پیداوار 88,271 میٹرک ٹن ہوئی۔ مقابلہ گزشتہ سیزن گنے کی کرشنگ 854,231 میٹرک ٹن رہی جبکہ شکر کی اوسط ریکوری 10.40 فیصد تھی اور شکر کی پیداوار 88,807 میٹرک ٹن تھی۔ گنے کی کرشنگ کا حجم اور شکر کی پیداوار گزشتہ سیزن کے مقابلے میں گنے کی عدم دستیابی کی وجہ سے کم رہی۔

حکومت سندھ نے 4 جنوری 2016 کو گنے کی کم از کم سپورٹ پرائس برائے سیزن 2015-2016 کے نوٹیفکیشن کا اجرا کیا جس میں گنے کی قیمت 172 روپے/40 کلوگرام مقرر کی گئی اس کے مقابلے میں گزشتہ سیزن 2014-2015 میں 182 روپے/40 کلوگرام تھی۔ علاوہ ازیں ملز کوالٹی پریٹیم شکر کی اوسط ریکوری کے شیڈ مارک 8.70 فیصد سے زائد ہر 0.10 فیصد پر 0.50 روپے/40 کلوگرام ادا کرے گی۔

حالات نوٹیفکیشن کے مطابق یہ معاملہ معزز سپریم کورٹ آف پاکستان میں زیر سماعت ہے اور وفاقی حکومت کی اسٹیرنگ کمیٹی کے فیصلہ کے مطابق کوالٹی پریٹیم کا معاملہ سپریم کورٹ کے فیصلے تک معطل رہے گا یا وفاقی حکومت کوئی متفقہ لائحہ عمل طے نہ کرے۔