



Habib Sugar Mills Limited

**Report and Condensed Interim
Financial Statements
for the Quarter and Nine months
ended June 30, 2016
(Unaudited)**



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Company Information

| | | |
|--|--|---|
| Board of Directors | Asgar 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 three quarters ended June 30, 2016.

Financial Results

By the Grace of Allah, during the period under review, the operations of your Company resulted in a pre-tax profit of Rs.762.83 million. The financial results for the three quarters are as follows:

| | (Rupees in thousands) |
|--|-----------------------|
| Profit before taxation | 762,825 |
| Taxation | 115,000 |
| Profit after taxation | 647,825 |
| Unappropriated profit brought forward | 2,933 |
| Unappropriated profit carried forward | 650,758 |
| Earnings per share – Basic and diluted | Rs. 4.32 |

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.

Sugar division earned profit of Rs.263.73 million as against profit of Rs.180.89 million in the corresponding period of the previous year. The profitability of the division for the period under review was higher due to increase in sale volume as compared with the corresponding period of the previous year.

Distillery Division

Production of ethanol during the three quarters ended June 30, 2016 was 24,005 M.Tons as compared with 22,390 M.Tons during the corresponding period of the previous year. The division earned profit of Rs.246.12 million during the period under review as against profit of Rs.223.97 million in the corresponding period of the previous year.

The liquidified carbon dioxide (CO₂) unit operated satisfactorily and produced 7,255 M.Tons as compared with 6,089 M. Tons during the corresponding period of the previous year.

Textile Division

The division earned profit of Rs. 9.63 million during the period year under review as against profit of Rs.11.46 million in the corresponding period of the previous year. The profitability of the division for the period under review was lower due to decrease in sale volume as compared with the corresponding period of the previous year.

Trading Division

During the period under review, the division made operating profit of Rs. 43.55 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: July 19, 2016



Condensed Interim Balance Sheet as at June 30, 2016 (Unaudited)

| | Note | (Unaudited) June 30, 2016 | (Audited) September 30, 2015 |
|---|------|---------------------------------|------------------------------------|
| (Rupees in thousands) | | | |
| Assets | | | |
| Non-Current Assets | | | |
| Fixed assets | | | |
| Property, plant and equipment | 4 | 1,783,338 | 1,542,980 |
| Long-term investments | 5 | 1,832,779 | 1,711,136 |
| Long-term loans | | 3,729 | 3,997 |
| Long-term deposits | | 2,978 | 2,978 |
| | | <u>3,622,824</u> | <u>3,261,091</u> |
| Current Assets | | | |
| Stores and spare parts | | 129,052 | 113,583 |
| Stock-in-trade | 6 | 1,744,099 | 719,141 |
| Trade debts | | 244,480 | 391,479 |
| Loans and advances | 7 | 369,837 | 246,303 |
| Trade deposits and short-term prepayments | | 5,367 | 7,615 |
| Profit accrued on bank deposits | | 6,755 | 327 |
| Other receivables | 8 | 13,959 | 24,488 |
| Short-term investments | 9 | — | 2,809,686 |
| Cash and bank balances | | 2,481,386 | 296,863 |
| | | <u>4,994,935</u> | <u>4,609,485</u> |
| Total Assets | | <u>8,617,759</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>5,422,091</u> | <u>5,110,222</u> |
| | | <u>6,172,091</u> | <u>5,860,222</u> |
| Non-Current Liabilities | | | |
| Deferred taxation | 10 | 107,000 | 102,000 |
| Current Liabilities | | | |
| Trade and other payables | 11 | 1,569,701 | 1,651,555 |
| Advance from customers | | 764,393 | 247,057 |
| Accrued mark-up on short-term borrowings | | 465 | — |
| Taxation - net | | 4,109 | 9,742 |
| | | <u>2,338,668</u> | <u>1,908,354</u> |
| Contingencies and Commitments | 12 | | |
| Total Equity and Liabilities | | <u>8,617,759</u> | <u>7,870,576</u> |

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director



Condensed Interim Profit and Loss Account for the quarter and cumulative for three quarters ended June 30, 2016 (Unaudited)

| | Note | Three quarters ended | | Quarter ended | |
|---|------|-----------------------|---------------|---------------|---------------|
| | | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| | | (Rupees in thousands) | | | |
| Segment operating results | 13 | | | | |
| Net sales and services | | 6,575,821 | 5,948,076 | 3,646,814 | 2,109,802 |
| Cost of sales | | (5,756,735) | (5,267,438) | (3,251,818) | (1,846,124) |
| Gross profit | | 819,086 | 680,638 | 394,996 | 263,678 |
| Selling and distribution expenses | | (149,033) | (150,231) | (66,361) | (60,922) |
| Administrative expenses | | (107,016) | (99,803) | (38,661) | (35,720) |
| Other operating expenses | 14 | (51,728) | (53,836) | (20,113) | (18,521) |
| Other income | 15 | 241,750 | 343,253 | 19,959 | 199,886 |
| | | (66,027) | 39,383 | (105,176) | 84,723 |
| Operating profit | | 753,059 | 720,021 | 289,820 | 348,401 |
| Finance income / (cost) - net | 16 | 9,766 | 31,434 | 9,474 | (22,343) |
| Profit before taxation | | 762,825 | 751,455 | 299,294 | 326,058 |
| Taxation | 17 | (115,000) | (120,000) | (45,000) | (55,000) |
| Profit after taxation | | 647,825 | 631,455 | 254,294 | 271,058 |
| Earnings per share - Basic and diluted | Rs. | 4.32 | 4.21 | 1.70 | 1.81 |

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.


Raeesul Hasan
 Chief Executive


Murtaza H. Habib
 Director



Condensed Interim Statement of Comprehensive Income for the quarter and cumulative for three quarters ended June 30, 2016 (Unaudited)

| | Three quarters ended | | Quarter ended | |
|---|-----------------------|----------------|----------------|----------------|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| | (Rupees in thousands) | | | |
| Profit after taxation | 647,825 | 631,455 | 254,294 | 271,058 |
| Other comprehensive income : | | | | |
| Items that will be reclassified subsequently to profit & loss: | | | | |
| Net gain on investments - available for sale | | | | |
| Increase in unrealised gain on revaluation of investments for the period - net of tax | 83,730 | 287,031 | 121,194 | 174,381 |
| Reclassification adjustments included in the profit and loss account for: | | | | |
| Gain on sale / redemption of investments - net of tax | (44,686) | (252,322) | — | (191,666) |
| | 39,044 | 34,709 | 121,194 | (17,285) |
| Total Comprehensive income for the period | <u>686,869</u> | <u>666,164</u> | <u>375,488</u> | <u>253,773</u> |

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director



The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

Murtaza H. Habib
Director



Condensed Interim Cash Flow Statement for the three quarters ended June 30, 2016 (Unaudited)

| | Note | June 30, 2016 | June 30, 2015 |
|--|------|------------------|------------------|
| (Rupees in thousands) | | | |
| Cash flows from operating activities | | | |
| Cash generated from operations | 18 | 49,435 | 91,090 |
| Finance income received - net | | 3,803 | 46,656 |
| Income tax paid | | (100,633) | (100,106) |
| Long-term loans | | 268 | 1,524 |
| Long-term deposits | | — | (15) |
| Net cash (used in) / generated from operating activities | | (47,127) | 39,149 |
| Cash flows from investing activities | | | |
| Fixed capital expenditure | | (351,823) | (224,709) |
| Sale proceeds / redemption of investments | | 4,111,615 | 3,777,840 |
| Dividend received | | 124,759 | 89,770 |
| Purchase of investments | | (1,287,913) | (3,605,678) |
| Sale proceeds of fixed assets | | 2,057 | 1,334 |
| Net cash generated from investing activities | | 2,598,695 | 38,557 |
| Cash flows from financing activities | | | |
| Dividend paid | | (367,045) | (368,061) |
| Net cash used in financing activities | | (367,045) | (368,061) |
| Net increase / (decrease) in cash and cash equivalents | | 2,184,523 | (290,355) |
| 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 | 19 | 2,481,386 | 1,908,204 |

The annexed notes 1 to 22 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 three quarters ended June 30, 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 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 and 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.

| | (Unaudited) June 30, 2016 (Rupees in thousands) | (Audited) September 30, 2015 (Rupees in thousands) |
|--|--|---|
| 4. Fixed assets | | |
| 4.1 Property, plant and equipment | | |
| Operating fixed assets | 1,551,353 | 1,340,550 |
| Capital work-in-progress | 212,762 | 198,988 |
| Major stores and spare parts | 19,223 | 3,442 |
| | <u>1,783,338</u> | <u>1,542,980</u> |
| 4.2 Cost of additions to and written down value of deletions from fixed assets during the three quarters ended June 30, 2016 were as follows: | | |
| | Additions (Rupees in thousands) | Deletions |
| Plant and machinery | | |
| Sugar | 339,591 | — |
| Distillery | 6,610 | — |
| Textile | 964 | — |
| Furniture, fittings and office equipment | 4,432 | 2 |
| Vehicles | 226 | 22 |
| | <u>351,823</u> | <u>24</u> |



| | (Unaudited) June 30, 2016 (Rupees in thousands) | (Audited) September 30, 2015 |
|---|--|--------------------------------------|
| 5. Long-term investments - available for sale | | |
| Investments in related parties | 1,141,269 | 1,106,811 |
| Investments in other companies | 691,510 | 604,325 |
| | <u>1,832,779</u> | <u>1,711,136</u> |
| 5.1 The aggregate cost of these investments, net of impairment is Rs.561.45 (September 30, 2015: Rs.523.53) million. | | |
| | (Unaudited) June 30, 2016 (Rupees in thousands) | (Audited) September 30, 2015 |
| 6. Stock-in-trade | | |
| Raw materials | 564,716 | 230,373 |
| Work-in-process | 28,489 | 42,180 |
| Finished goods | 1,109,177 | 444,300 |
| Fertilizers | 2,289 | 2,288 |
| Bagasse stock | 39,428 | - |
| | <u>1,744,099</u> | <u>719,141</u> |
| 7. Loans and advances | | |
| Loans - secured considered good | | |
| Current maturity of long-term loans | | |
| Executives | 294 | 324 |
| Employees | 5,475 | 4,740 |
| | <u>5,769</u> | <u>5,064</u> |
| Advances - unsecured considered good | | |
| Suppliers | 364,068 | 241,239 |
| | <u>369,837</u> | <u>246,303</u> |
| 8. Other Receivables | | |
| Considered good | | |
| Duty Drawback and research & development support claim | 12,521 | 14,620 |
| Dividend receivable | - | 9,282 |
| Others | 1,438 | 586 |
| | <u>13,959</u> | <u>24,488</u> |
| 9. Short-term investments - available for sale | | |
| | Mutual Fund Units | |
| | September 30, 2015 | June 30, 2016 |
| | Nominal value | |
| | Rs. | Fund's Name |
| Investments in other mutual fund | | |
| 18,784,006 | - | 50 MCB Pakistan Sovereign Fund |
| 74,272,509 | - | 10 ABL - Government Securities Fund |
| 9,277,024 | - | 100 UBL - Government Securities Fund |
| | <u>-</u> | <u>2,809,686</u> |
| The aggregate cost of the above investments is Rs. Nil (September 2015: Rs. 2,750 million). | | |



| | (Unaudited) June 30, 2016 (Rupees in thousands) | (Audited) September 30, 2015 |
|--|---|------------------------------------|
| 10. Deferred taxation | | |
| 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 |
| | <u>115,000</u> | <u>110,000</u> |
| Deferred tax asset on provision for obsolescence and slow moving stores & spare parts | (8,000) | (8,000) |
| | <u>107,000</u> | <u>102,000</u> |
| 11. Trade and other payables | | |
| Creditors | 1,199,974 | 1,264,945 |
| Accrued liabilities | 152,350 | 208,633 |
| Sales-tax / Federal excise duty | 79,811 | 47,991 |
| Workers' Profit Participation Fund | 40,728 | 51,846 |
| Workers' Welfare Fund | 45,676 | 34,676 |
| Income-tax deducted at source | 106 | 363 |
| Unclaimed dividends | 51,056 | 43,101 |
| | <u>1,569,701</u> | <u>1,651,555</u> |
| 12. Contingencies and commitments | | |
| 12.1 Contingencies | | |
| 12.1.1 | 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.1171.33 (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. | |
| 12.1.2 | 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.

- 12.1.3** 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.

- 12.1.4** 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 June 30, 2016 Rs.17.40 (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.

- 12.1.5** 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.

- 12.1.6** The Company has filed a petition before the Honourable High Court of Sindh challenging the increase in market committee fee from Rs.5/40kg to Rs.10/40kg 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.

- 12.1.7** 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.

12.1.8 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 Kaemari, 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 June 30, 2016 is Rs.27.7 (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.

12.1.9 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 04, 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) |
| June 30, | September 30, |
| 2016 | 2015 |
| (Rupees in thousands) | |

12.2 Commitments

| | | | |
|---------------|---|----------------|---------------|
| 12.2.1 | Capital expenditure | <u>418,646</u> | <u>53,593</u> |
| 12.2.2 | Rentals payable over next four years under operating lease agreements with First Habib Modraba in respect of vehicles | <u>28,067</u> | <u>25,070</u> |



13. Segment operating results for the three quarters ended June 30, 2016 (Unaudited)

| | | Sugar Division | | Distillery Division | | Textile Division | | Trading Division | | (Rupees in thousands) Total | |
|--|--------|--|------------------|--|------------------|--|------------------|--|------------------|--|------------------|
| | | Three quarters ended June 30, 2016 | June 30, 2015 | Three quarters ended June 30, 2016 | June 30, 2015 | Three quarters ended June 30, 2016 | June 30, 2015 | Three quarters ended June 30, 2016 | June 30, 2015 | Three quarters ended June 30, 2016 | June 30, 2015 |
| Net sales and services | | | | | | | | | | | |
| Sales | Local | 4,126,999 | 3,619,628 | 313,015 | 237,970 | 2,717 | 3,639 | 467,055 | 32,745 | 4,909,786 | 3,893,982 |
| | Export | — | 27,946 | 1,442,471 | 1,615,817 | 222,647 | 298,395 | — | 110,594 | 1,665,118 | 2,052,752 |
| Services - Storage income - net | | 4,126,999 | 3,647,574 | 1,755,486 | 1,853,787 | 225,364 | 302,034 | 467,055 | 143,339 | 6,574,904 | 5,946,734 |
| | | — | — | 917 | 1,342 | — | — | — | — | 917 | 1,342 |
| Less: Cost of sales | | 4,126,999 | 3,647,574 | 1,756,403 | 1,855,129 | 225,364 | 302,034 | 467,055 | 143,339 | 6,575,821 | 5,948,076 |
| | | (3,736,455) | (3,351,155) | (1,397,116) | (1,520,984) | (199,822) | (267,085) | (423,342) | (128,214) | (5,756,735) | (5,267,438) |
| Gross Profit | | 390,544 | 296,419 | 359,287 | 334,145 | 25,542 | 34,949 | 43,713 | 15,125 | 819,086 | 680,638 |
| Less: Selling and distribution expenses | | (32,567) | (28,495) | (104,152) | (100,954) | (12,314) | (20,134) | — | (648) | (149,033) | (150,231) |
| Administrative expenses | | (94,243) | (87,037) | (9,012) | (9,222) | (3,595) | (3,358) | (166) | (186) | (107,016) | (99,803) |
| | | (126,810) | (115,532) | (113,164) | (110,176) | (15,909) | (23,492) | (166) | (834) | (256,049) | (250,034) |
| Profit before other operating expenses and other income | | 263,734 | 180,887 | 246,123 | 223,969 | 9,633 | 11,457 | 43,547 | 14,291 | 563,037 | 430,604 |
| Other operating expenses -note 14 | | | | | | | | | | (51,728) | (53,836) |
| Other income - note 15 | | | | | | | | | | 241,750 | 343,253 |
| Operating profit | | | | | | | | | | 753,059 | 720,021 |



13a. Segment operating results for the quarter ended June 30, 2016 (Unaudited)

| | | | | | | | | | | (Rupees in thousands) | |
|--|--------|-----------------------|----------------------|----------------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|-----------------------|----------------------|
| | | Sugar Division | | Distillery Division | | Textile Division | | Trading Division | | Total | |
| | | Quarter ended | | Quarter ended | | Quarter ended | | Quarter ended | | Quarter ended | |
| | | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| Net sales and services | | | | | | | | | | | |
| Sales | Local | 2,593,025 | 1,074,098 | 145,737 | 109,853 | 105 | 873 | 273,534 | 32,745 | 3,012,401 | 1,217,569 |
| | Export | — | 27,946 | 572,328 | 781,324 | 61,799 | 82,030 | — | — | 634,127 | 891,300 |
| | | 2,593,025 | 1,102,044 | 718,065 | 891,177 | 61,904 | 82,903 | 273,534 | 32,745 | 3,646,528 | 2,108,869 |
| Services - Storage income - net | | — | — | 286 | 933 | — | — | — | — | 286 | 933 |
| Less: Cost of sales | | 2,593,025 | 1,102,044 | 718,351 | 892,110 | 61,904 | 82,903 | 273,534 | 32,745 | 3,646,814 | 2,109,802 |
| | | (2,396,668) | (1,007,413) | (553,736) | (734,326) | (54,753) | (72,484) | (246,661) | (31,901) | (3,251,818) | (1,846,124) |
| Gross Profit | | 196,357 | 94,631 | 164,615 | 157,784 | 7,151 | 10,419 | 26,873 | 844 | 394,996 | 263,678 |
| Less: Selling and distribution expenses | | (8,630) | (4,357) | (53,731) | (51,310) | (4,000) | (5,255) | — | — | (66,361) | (60,922) |
| Administrative expenses | | (34,085) | (31,749) | (3,227) | (2,808) | (1,294) | (1,090) | (55) | (73) | (38,661) | (35,720) |
| | | (42,715) | (36,106) | (56,958) | (54,118) | (5,294) | (6,345) | (55) | (73) | (105,022) | (96,642) |
| Profit before other operating expenses and other income | | 153,642 | 58,525 | 107,657 | 103,666 | 1,857 | 4,074 | 26,818 | 771 | 289,974 | 167,036 |
| Other operating expenses - note 14 | | | | | | | | | | (20,113) | (18,521) |
| Other income - note 15 | | | | | | | | | | 19,959 | 199,886 |
| Operating profit | | | | | | | | | | 289,820 | 348,401 |



| | (Unaudited) Three quarters ended | | (Unaudited) Quarter ended | |
|--|-------------------------------------|------------------|------------------------------|------------------|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| | (Rupees in thousands) | | | |
| 14. Other operating expenses | | | | |
| Workers' Profit Participation Fund | 40,728 | 40,163 | 15,971 | 17,292 |
| Workers' Welfare Fund | 11,000 | 11,642 | 4,142 | 2,494 |
| Exchange loss | – | 2,031 | – | (1,265) |
| | <u>51,728</u> | <u>53,836</u> | <u>20,113</u> | <u>18,521</u> |
| 15. Other income | | | | |
| Profit on sale / redemption of investments | 111,615 | 252,322 | – | 191,666 |
| Dividend income | 115,477 | 85,466 | 15,233 | 6,289 |
| Scrap sale | 4,871 | 2,373 | 115 | 129 |
| Gain on disposal of fixed assets | 2,033 | 1,320 | 1,276 | 746 |
| Agriculture income | 6,320 | 1,772 | 2,818 | 1,056 |
| Exchange gain | 754 | – | 517 | – |
| Sale of Electricity | 680 | – | – | – |
| | <u>241,750</u> | <u>343,253</u> | <u>19,959</u> | <u>199,886</u> |
| 16. Finance income / (cost) - net | | | | |
| Profit on treasury call accounts | 16,942 | 16,172 | 8,642 | 2,622 |
| Profit on term deposit receipts | 53,050 | 96,012 | 24,215 | 12,404 |
| Interest on loan to employees | 48 | 55 | 11 | 12 |
| | <u>70,040</u> | <u>112,239</u> | <u>32,868</u> | <u>15,038</u> |
| Less: Mark-up / interest on: | | | | |
| Short-term borrowings | (46,170) | (71,855) | (18,148) | (34,838) |
| Workers' Profit Participation Fund | (1,132) | (1,150) | – | – |
| Bank charges | (12,972) | (7,800) | (5,246) | (2,543) |
| | <u>(60,274)</u> | <u>(80,805)</u> | <u>(23,394)</u> | <u>(37,381)</u> |
| | <u>9,766</u> | <u>31,434</u> | <u>9,474</u> | <u>(22,343)</u> |

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 7.85% (September 2015: 4.30% to 11.68%) per annum.



| | (Unaudited) Three quarters ended | | (Unaudited) Quarter ended | |
|--|-------------------------------------|------------------|------------------------------|------------------|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| | (Rupees in thousands) | | | |
| 17. Taxation | | | | |
| Income tax - current | 95,000 | 120,000 | 45,000 | 55,000 |
| Deferred tax | 20,000 | — | — | — |
| | <u>115,000</u> | <u>120,000</u> | <u>45,000</u> | <u>55,000</u> |
| | (Unaudited) | | | |
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| | (Rupees in thousands) | | | |
| 18. Cash generated from operations | | | | |
| Profit before taxation | | 762,825 | | 751,455 |
| Adjustment for non-cash charges and other items | | | | |
| Depreciation | | 111,441 | | 85,042 |
| Gain on disposal of fixed assets | | (2,033) | | (1,320) |
| Profit on sale / redemption of investments | | (111,615) | | (252,322) |
| Finance income - net | | (9,766) | | (31,434) |
| Dividend income | | (115,477) | | (85,466) |
| Working capital changes - note 18.1 | | (585,940) | | (374,865) |
| | | <u>49,435</u> | | <u>91,090</u> |
| 18.1 Working capital changes | | | | |
| (Increase) / decrease in current assets | | | | |
| Stores and spare parts | (15,469) | (43,171) | | |
| Stock-in-trade | (1,024,958) | (1,573,447) | | |
| Trade debts | 146,999 | 306,878 | | |
| Loans and advances | (123,534) | 221,274 | | |
| Trade deposits and prepayments | 2,248 | 1,573 | | |
| Other receivables | 1,247 | 379 | | |
| | (1,013,467) | (1,086,514) | | |
| Increase / (decrease) in current liabilities | | | | |
| Trade and other payables | (89,809) | 450,701 | | |
| Advance from customers | 517,336 | 260,948 | | |
| Net changes in working capital | (585,940) | (374,865) | | |



(Unaudited)
June 30, June 30,
2016 2015
(Rupees in thousands)

19. Cash and cash equivalents at the end of the period

These comprise of the following :

| | | |
|------------------------|-----------|-----------|
| Cash and bank balances | 2,481,386 | 2,093,504 |
| Short-term borrowings | – | (185,300) |
| | 2,481,386 | 1,908,204 |

20. 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) Three quarters ended | | (Unaudited) Quarter ended | |
|-------------------------------------|------------------|------------------------------|------------------|
| June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| (Rupees in thousands) | | | |

Transactions during the period

| | | | | |
|--|---------|---------|--------|---------|
| Insurance premium paid | 18,692 | 18,553 | 6,501 | 4,478 |
| Insurance claim received | – | 11,383 | – | 483 |
| Profit on treasury call accounts / term deposits | 62,172 | 110,553 | 29,190 | 14,566 |
| Investment in shares / units of mutual fund | 762,500 | 750,000 | – | – |
| Dividend income | 93,865 | 66,188 | 9,387 | – |
| Dividend paid | 59,582 | 60,710 | – | – |
| Redemption of investments | 753,648 | 779,846 | – | 779,846 |
| Bank charges | 70 | 222 | 16 | 85 |
| Compensation of Key management personnel | 37,551 | 31,311 | 12,642 | 10,618 |
| Contribution to retirement funds | 9,862 | 8,724 | 3,269 | 2,874 |

(Unaudited) (Unaudited)
June 30, June 30,
2016 2015
(Rupees in thousands)

Balances at the end of the period

| | | |
|---------------------------------|-----------|-----------|
| Bank balances | 2,038,717 | 2,045,400 |
| Profit accrued on bank deposits | 6,500 | 3,906 |

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



21. Date of Authorisation for issue

These condensed interim financial statements were authorised for issue on July 19, 2016 by the Board of Directors of the Company.

22. General

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۔

کمپیٹ کی اکنامک 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۔

شکر ڈویژن نے موجودہ تیسری سہ ماہی کی مدت میں 263.73 ملین روپے منافع حاصل کیا جبکہ گزشتہ سال اسی مدت کے دوران مبلغ 180.89 ملین روپے منافع کمایا تھا۔ شکر ڈویژن کے منافع میں اضافہ کی وجہ گزشتہ سال کے مقابلے میں اس مدت کے دوران فروخت کے حجم میں اضافہ ہے۔

ڈسٹری ڈویژن:

30 جون 2016 کو تیسری سہ ماہی کی مدت کے دوران استھانول کی پیداوار 24,005 میٹرک ٹن تھی جبکہ گزشتہ سال اسی مدت کے دوران 22,390 میٹرک ٹن رہی تھی۔ اس تیسری سہ ماہی مدت کے دوران ڈویژن نے 246.12 ملین روپے منافع کے مقابلے میں گزشتہ سال اسی مدت میں منافع مبلغ 223.97 ملین روپے حاصل کیا۔

لیکونیڈ فائڈ کاربن ڈائی آکسائیڈ (CO2) یونٹ کا آپریشن بھی اطمینان بخش رہا اور لیکونیڈ فائڈ کاربن ڈائی آکسائیڈ (CO2) کی پیداوار 7,255 میٹرک ٹن تھی جبکہ گزشتہ سال اسی مدت کے دوران 6,089 میٹرک ٹن رہی تھی۔

ٹیکسٹائل ڈویژن:

اس ڈویژن نے موجودہ تیسری سہ ماہی کی مدت میں 9.63 ملین روپے منافع حاصل کیا جبکہ گزشتہ سال اسی مدت کے دوران مبلغ 11.46 ملین روپے منافع کمایا تھا۔ منافع میں کمی کی وجہ گزشتہ سال کے مقابلے میں اس مدت کے دوران فروخت کے حجم میں کمی ہے۔

ٹریڈنگ ڈویژن:

زیر نظر مدت کے دوران چینی کی تجارت سے اس ڈویژن نے مبلغ 43.55 ملین روپے منافع حاصل کیا۔

عام امور:

ڈائریکٹر 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 ڈائریکٹرز

اصغر ڈی۔ حبیب
چیئرمین

کراچی مورخہ 19 جولائی 2016ء



ڈائریکٹرز کی رپورٹ

محترم ممبران - السلام علیکم

بورڈ آف ڈائریکٹرز کی جانب سے میں 30 جون 2016ء کو ختم ہونے والے تیسری سہ ماہی مدت کیلئے کمپنی کی غیر آڈٹ شدہ عبوری مالیاتی حسابات پیش کر رہا ہوں۔

مالیاتی نتائج:

اللہ کے فضل و کرم سے زیر جائزہ مدت کے دوران آپ کی کمپنی کا قبل از ٹیکس منافع کی رقم مبلغ 762.83 ملین روپے رہی۔ تیسری سہ ماہی کے مالیاتی نتائج درج ذیل ہیں:-

(روپے ہزاروں میں)

762,825

منافع قبل از ٹیکس

115,000

ٹیکس

647,825

منافع بعد از ٹیکس

2,933

غیر منقسمہ منافع B/F

650,758

غیر منقسمہ C/F

4.32

آمدنی فی شیئر - بیسک اور ڈائی لیوٹیڈ - روپے

کارکردگی کا جائزہ:

شکر ڈویژن

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 فی 40 کلوگرام مقرر کی گئی اس کے مقابلے میں گزشتہ سیزن 2014-2015 میں -182 روپے فی 40 کلوگرام تھی۔ علاوہ ازیں ملز کو الٹی پریسٹیم شکر کی اوسط ریکوری کے شیڈ مارک 8.70 فیصد سے زائد ہر 0.10 فیصد پر 0.50 روپے فی 40 کلوگرام ادا کرے گی۔ حالانکہ نوٹیفکیشن کے مطابق یہ معاملہ معزز سپریم کورٹ آف پاکستان میں زیر سماعت ہے اور وفاقی حکومت کی اسٹیرنگ کمیٹی کے فیصلہ کے مطابق کو الٹی پریسٹیم کا معاملہ سپریم کورٹ کے فیصلے تک معطل رہے گا یا وفاقی حکومت کوئی متفقہ لائحہ عمل طے نہ کرے۔