

KHAIRPUR SUGAR MILLS LTD.



KHAIRPUR
SUGAR MILLS LIMITED

**FINANCIAL
STATEMENTS**

**For The
Half Year Ended
March 31, 2013**

(UN-AUDITED)

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COMPANY PROFILE

BOARD OF DIRECTORS	Mr. Muhammad Mubeen Jumani (Chief Executive) Mr. Faraz Mubeen Jumani Mr. Fahad Mubeen Jumani Miss Arisha Mubeen Jumani Mrs. Qamar Mubeen Jumani Mr. Ahmed Ali Jumani Mr. Muhammad Bux Jumani
COMPANY SECRETARY	Mr. Abdul Wahid Naviwala
BANKERS	National Bank Of Pakistan United Bank Limited Allied Bank Limited MCB Bank Limited Askari Bank Limited
STATUTORY AUDITORS	M/S. Haroon Zakaria & Company Chartered Accountants Room 211, 2nd Floor, Progressive Plaza, Plot No. 5 CL - 10, Civil Lines Quarter, Beaumont Road, Near Dawood Centre, Karachi - 75530 PAKISTAN.
COST AUDITORS	M/S. Siddiqi & Company Cost & Management Accountants Suite # 147, First Floor, Haroon Shopping Emporium, Sector 15-A-1, North Karachi, Karachi-75850
AUDIT COMMITTEE	Mr. Muhammad Bux Jumani Chairman Mr. Ahmed Ali Jumani Member Mrs. Qamar Mubeen Jumani Member
HR AND REMUNERATION COMMITTEE	Mr. Fahad Mubeen Jumani Chairman Miss. Arisha Mubeen Jumani Member Mr. Muhammad Mubeen Jumani Member
LEGAL ADVISOR	Mr. Mirza Ghulam Dastagir (Advocate) Falak Numa Building, Abdullah Haroon Road, Karachi.
SHARES REGISTERAR	M/S. C & K Management Associates (Pvt.) Limited 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi.
REGISTERED OFFICE	Khairpur House, G-22/II, Gizri Avenue Defence Housing Authority, Phase IV, Karachi.
FACTORY	Naroo Dhoro, Taluka Kot Diji, Khairpur.

DIRECTORS' REPORT

Dear Members
Assalam-o-Alaikum

On behalf of the Board of Directors, it is my privilege to present to you, the half yearly condensed un-audited accounts for the period ended 31st March, 2013.

FINANCIAL RESULTS

	31-03-2013	31-03-2012
(Loss)/Profit before Taxation	(210,574,697)	16,737,473
Taxation	3,059,680	15,677,845
(Loss)/Profit after Taxation	(213,634,377)	1,059,628
(Loss)/Earning per Share	(13.34)	0.07

PERFORMANCE REVIEW

The operating results for the crushing season is mentioned here under:

	SEASON 2012-2013	SEASON 2011-2012
	06-11-2012	28-11-2011
Season Started	28-03-2013	03-04-2012
Season Ended	143	128
Sugarcane Crushing (MT)	556,436.73	402,176.52
Recovery (%) Sugar	8.47	8.56
Recovery (%) Molasses	4.21	4.29
Production – Sugar (MT)	47,130	34,425
Production – Molasses (MT)	23,421	17,258

Your mill started crushing (season 2012-2013) from 06-11-2012 and the support price of sugarcane was fixed at Rs.172 per 40 kg for the charged year (2012-13) as notified by Government of Sindh (Agriculture department) as compared to Rs.154 per 40 kg for the last crushing season (2011-12).

During the period under review, your mill's crushing has increased by 38% but could not succeeded in increase of sugar recovery level inspire of latest technologies are being adopted.

The sugar prices in local and international market remained depressed, as regards to the local market, the sugar prices was depressed at the lower side due to carry forward stock of last year and surplus production during the current crushing season. Your mill also participated

in Trading Corporation of Pakistan's tender for procurement of sugar from sugar mills, resultantly your mill was awarded a quantity of 4,920 MT of sugar as well as negotiations are under progress with foreign buyers for export of sugar.

- a) As regards to the matter of going concern, it is stated that during the current period (half year of 2012-2013) company incurred a loss of Rs. 210,574,697/= before taxation and Rs. 213,634,377/= after taxation as compared to profit before taxation for Rs. 16,737,473/= and Rs. 1,059,628/= after taxation during the same period of last year. As apprised above, main reason of incurrig loss is only due to depressed Sugar prices. At present a sufficient stock of Sugar and Molasses is in hand and if the prices of Sugar are improved and if succeeded in availing best prices for export of sugar, there will be a chance to improve the present financial position of the company.
- b) Provision of Gratuity was not carried out on actuarial basis as the Management is of the view that the values determined by Actuarial valuation method would not be materially different from the values provided in the financial statements. However, in view of IAS requirements, Management would like to consider actuarial valuation method before end of current financial period.

The Directors are hopeful for a better future & I would like to place on record the sincere efforts and hard work put up by our workers, staff and officers of the company.

For and on behalf of the Board

Karachi
May 30, 2013

Muhammad Mubeen Jumani
Chairman/Chief Executive

**INDEPENDENT AUDITORS' REPORT ON REVIEW OF
CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS**

INTRODUCTION:

We have reviewed the accompanying condensed interim balance sheet of KHAIRPUR SUGAR MILLS LIMITED ("the Company") as at March 31, 2013, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, 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 the "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. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended March 31, 2013 and 2012 have not been reviewed as we are required to review only the cumulative figures for the six months period ended March 31, 2013.

SCOPE OF REVIEW:

We conducted our review in accordance with the 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.

BASIS FOR QUALIFIED CONCLUSION

The Company has not carried out actuarial valuation of defined benefit plan (staff retirement gratuity) for determination of the liability in accordance with the Projected Unit Credit Method as prescribed by the International Accounting Standard – 19 "Employee Benefits" (IAS – 19). In the absence of actuarial valuation, we are unable to identify the amount of any adjustment to the liability in respect of staff retirement benefits of the Company;

QUALIFIED CONCLUSION

Based on our review, except as discussed in paragraph above, nothing has come to our attention that causes us to believe that the annexed interim financial information are not

presented fairly, in all materials respects, in accordance with approved accounting standards as applicable in Pakistan.

EMPHASIS OF MATTER

We draw attention to the Note 1.1 to the interim financial information. As stated in the note, as at March 31, 2013 the Company has accumulated losses of Rs. 609.228 million resulting in negative equity of Rs. 449.053 million. Further the current liabilities of the Company exceed its current assets by Rs. 603.024. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as going concern. However, this financial information is prepared on going concern basis due to the reasons stated in the note. Our opinion is not qualified in respect of this matter.

Haroon Zakaria & Company
Chartered Accountants

Place: Karachi
Dated: May 30, 2013

Engagement Partner:
Zakaria

**CONDENSED INTERIM BALANCE SHEET
(UNAUDITED)
AS AT MARCH 31, 2013**

	<u>Note</u>	March 31, 2013 (Unaudited) Rupees	September 30, 2012 (Audited) Rupees
ASSETS			
Non-Current Assets			
Property, plant and equipments	5	1,537,121,609	1,446,453,828
Long term loans and advances		457,572	457,572
Long term deposits		218,899	218,899
Current Assets			
Stores, spares and loose tools		176,714,174	94,573,405
Stock in trade	6	2,017,707,104	214,579,739
Trade debts		-	37,043,527
Loans and advances - Considered good		135,463,783	173,501,603
Deposits, prepayments and other receivables		20,052,532	21,497,732
Tax refunds due from Government		16,074,609	2,334,793
Cash and bank balances		7,281,585	8,357,799
		<u>2,373,293,787</u>	<u>551,888,598</u>
Total Assets		<u>3,911,091,867</u>	<u>1,999,018,897</u>
EQUITY AND LIABILITIES			
Authorised Share Capital			
20,000,000 Ordinary shares of Rs. 10 each		<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid up share capital			
Issued, subscribed and paid up capital		160,175,000	160,175,000
Accumulated Loss		<u>(609,227,632)</u>	<u>(403,643,578)</u>
Shareholders' Equity		<u>(449,052,632)</u>	<u>(243,468,578)</u>
Surplus on revaluation of fixed assets	7	324,631,204	273,946,171
Non-Current Liabilities			
Long term financing		988,671,743	900,717,742
Deferred liability		70,523,267	34,697,625
Current Liabilities			
Short term borrowing	8	600,000,000	155,000,000
Trade and other payables		2,361,476,626	868,774,475
Accrued Markup		11,781,979	9,351,462
Provision for taxation		3,059,680	-
		<u>2,976,318,285</u>	<u>1,033,125,937</u>
Contingencies	9		
Total Equity and Liabilities		<u>3,911,091,867</u>	<u>1,999,018,897</u>

The annexed notes form an integral part of this condensed interim financial report.

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

Karachi:
May 30, 2013

**CONDENSED INTERIM PROFIT AND LOSS STATEMENT
(UNAUDITED)
FOR THE HALF YEAR ENDED MARCH 31, 2013**

	HALF YEAR ENDED		QUARTER ENDED	
	March 31 2013	March 31 2012	March 31 2013	March 31 2012
	← Rupees →			
Sales - net	611,936,017	404,826,480	273,406,965	117,907,359
Cost of sales	752,270,261	323,040,783	418,454,024	83,688,548
Gross (loss)/profit	(140,334,244)	81,785,697	(145,047,059)	34,218,811
Administrative expenses	47,535,883	46,849,598	23,099,842	25,009,570
Distribution expenses	8,668,092	8,541,517	8,383,289	7,271,076
	56,203,975	55,391,115	31,483,131	32,280,646
Operating (loss)/profit	(196,538,219)	26,394,582	(176,530,190)	1,938,165
Other income	28,170	18,800	12,948	18,800
	(196,510,049)	26,413,382	(176,517,242)	1,956,965
Financial charges	(14,064,648)	(9,675,909)	(12,366,141)	(9,669,200)
(Loss) / profit before taxation	(210,574,697)	16,737,473	(188,883,383)	(7,712,235)
Taxation	(3,059,680)	(15,677,845)	(1,367,035)	(12,808,653)
(Loss) / profit after taxation	(213,634,377)	1,059,628	(190,250,418)	(20,520,888)
(Loss) / earnings per share - basic and diluted	(13.34)	0.07	(11.88)	(1.28)

The annexed notes form an integral part of this condensed interim financial report.

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

Karachi:
May 30, 2013

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE HALF YEAR ENDED MARCH 31, 2013**

	HALF YEAR ENDED		QUARTER ENDED	
	March 31 2013	March 31 2012	March 31 2013	March 31 2012
	← Rupees →			
(Loss) / profit for the period	(213,634,377)	1,059,628	(190,250,418)	(20,520,888)
Other comprehensive income				
Incremental depreciation transferred from surplus on revaluation of fixed assets- net of deferred tax	8,050,323	6,928,357	3,290,970	3,464,179
Total comprehensive (loss) / income	<u>(205,584,054)</u>	<u>7,987,985</u>	<u>(186,959,448)</u>	<u>(17,056,709)</u>

The annexed notes form an integral part of this condensed interim financial report.

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

Karachi:
May 30, 2013

**CONDENSED INTERIM CASH FLOW STATEMENT
(UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED MARCH 31, 2013**

	March 31, 2013 (Unaudited) Rupees	March 31, 2012 (Unaudited) Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	(210,574,697)	16,737,473
Adjustments for:		
Financial cost	(14,064,648)	(9,675,909)
Depreciation	887,305	35,307,328
Gratuity	5,160,830	3,076,862
	<u>(218,591,210)</u>	<u>45,445,754</u>
Working capital changes		
(Increase)/ decrease in current assets		
Stores, spares and loose tools	(82,140,769)	5,610,028
Stock in trade	(1,803,127,365)	(1,409,053,203)
Trade debts	37,043,527	-
Loans and advances - Considered good	38,037,820	(14,208,041)
Deposits, prepayments and other receivables	1,445,200	(28,257)
	<u>(1,808,741,587)</u>	<u>(1,417,679,473)</u>
Increase in current liabilities		
Trade and other payables	1,492,702,151	947,783,579
Net cash used in operating activities	<u>(534,630,646)</u>	<u>(424,450,140)</u>
Taxes paid - net	(14,701,734)	(4,614,846)
Financial charges paid	16,495,165	(86,288)
Net cash used in operating activities	<u>(532,837,215)</u>	<u>(429,151,274)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(1,193,000)	(2,940,687)
Net cash used in investing activities	<u>(1,193,000)</u>	<u>(2,940,687)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds / (repayments) from long term loans	87,954,001	30,837,947
Proceeds from short term borrowing	445,000,000	382,703,322
Net cash generated from financing activities	<u>532,954,001</u>	<u>413,541,269</u>
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(1,076,214)	(18,550,692)
Cash and cash equivalent at beginning of the period	8,357,799	20,672,706
Cash and cash equivalent at end of the period	<u>7,281,585</u>	<u>2,122,014</u>

The annexed notes form an integral part of this condensed interim financial report.

Karachi:
May 30, 2013

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED MARCH 31, 2013**

DESCRIPTION	Share Capital	Accumulated Losses	TOTAL
Balance as at September 30, 2011	160,175,000	(250,071,574)	(89,896,574)
Total Comprehensive Income			
Recognized profit for the six months October 2011 to March 2012	-	1,059,628	1,059,628
Other Comprehensive Income			
Incremental depreciation transferred from surplus on revaluation of fixed assets - net of differed tax	-	6,928,357	6,928,357
Total Comprehensive Income for the period	-	7,987,985	
Balance as at March 31, 2012	160,175,000	(242,083,589)	(81,908,589)
Balance as at September 30, 2012	160,175,000	(403,643,578)	(243,468,578)
Total Comprehensive Income			
Recognized loss for the six months October 2012 to March 2013	-	(213,634,377)	(213,634,377)
Other Comprehensive Income			
Incremental depreciation transferred from surplus on revaluation of fixed assets - net of differed tax	-	8,050,323 (205,584,054)	8,050,323
Total Comprehensive Income for the period			
Balance as at March 31, 2013	160,175,000	(609,227,632)	(449,052,632)

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

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

Karachi:
May 30, 2013

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED MARCH 31, 2013**

1. NATURE AND STATUS OF BUSINESS

The Company was incorporated in Pakistan on August 23, 1989 as a public limited company under the Companies Ordinance, 1984 and its shares are quoted on the Karachi Stock Exchange. The registered office of the Company is situated at Khairpur House, G-22/I, Gizri Avenue, Phase IV, D.H.A, Karachi. The principal activity of the Company is the production and sale of white sugar.

1.1 The accumulated losses of the company stood at Rs.609.228 (September 30, 2012 : Rs.403.643) million resulting in negative shareholders' equity of Rs.449.053 (September 30, 2012 : Rs.243.468) million. The amount of current liabilities of the Company as at above date exceeds its current assets by Rs.603.024 (September, 30, 2012 : Rs.481.237) million and the amount of borrowings from financial institutions as at above date stood at Rs.600 million (September 30, 2012 : Rs.155) million. These conditions indicate the existence of a material uncertainty about the Company's ability to continue as a going concern and company may not be able to realize its assets and discharge the liabilities at the stated amount. The ability of the Company to continue as a going concern depends on the profitability of the project and ability of the management to repay the debts of the Company as per rescheduled terms as well as continuous support from sponsors. However, the Company has paid its due installments to financial institutions and has obtained new finance from banking company indicating the confidence of the financial institutions towards the Company. Further, the management is of the opinion that the Company will be able to maintain and increase the existing profits and sponsors will inject the funds for the repayment of obligations and for working capital as and when needed, hence, these financial statements have been prepared on going concern basis.

2. BASIS OF PREPARATION

Statement of Compliance

This condensed interim financial report of the company for the six months period ended March 31, 2013 has 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. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial report is unaudited but subject to limited scope review by auditors. This condensed interim financial report do not include all of the information

and disclosures required in the financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended September 30, 2012.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended September 30, 2012.

4. ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this condensed interim financial information in conformity with approved accounting standards 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. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

In preparing this condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended September 30, 2011.

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, 2012.

March 31 2013 (Unaudited) Rupees	September 30 2012 (Audited) Rupees
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5. PROPERTY, PLANT AND EQUIPMENTS

Opening written down value	1,446,453,828	1,419,551,237
Additions during the period	1,193,000	106,285,483
Disposal during the year	-	(3,546,404)
Depreciation charge for the period	(887,305)	(75,836,488)
Revaluation surplus	90,362,086	-
Closing written down value	<u>1,537,121,609</u>	<u>1,446,453,828</u>

	March 31 2013 (Unaudited) Rupees	September 30 2012 (Audited) Rupees
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The additions were made during the period are given below: -

Plant and machinery	-	4,619,946
Factory building	-	99,911,287
Office equipments	-	159,250
Factory equipments	-	150,000
Vehicles	1,193,000	1,445,000
Sub total	<u>1,193,000</u>	<u>106,285,483</u>

The additions were made during the period are given below: -

Plant and machinery	-	<u>3,546,404</u>
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6. STOCK IN TRADE

Manufactured sugar	753,733	677,940
- Work in process	1,892,137,941	213,901,799
- Finished goods	124,815,430	-
Molasses	<u>2,017,707,104</u>	<u>214,579,739</u>

6.1 The inventory amounting to Rs. 600 million is pledged against short term financing.

6.2 The cost of inventory recognised as an expense include Rs.269.380 million in respect of write-down of inventory to net realizable value.

7. SURPLUS ON REVALUATION OF FIXED ASSETS

Opening balance	415,711,018	437,029,040
Surplus arises during the period	90,362,086	-
Transferred to equity in respect of incremental depreciation - net of deferred tax	(8,050,323) (7,878,910)	(13,856,714) (7,461,308)
Related deferred tax liability of incremental depreciation	<u>(15,929,233)</u>	<u>(21,318,022)</u>
	490,143,871	415,711,018

	March 31 2013 (Unaudited) Rupees	September 30 2012 (Audited) Rupees
Less:	141,764,847	149,226,155
Related deferred tax liability at beginning of the year	31,626,730	-
Deferred tax liability arises during the period	(7,878,910)	(7,461,308)
On incremental depreciation for the year	165,512,667	141,764,847
	<u>324,631,204</u>	<u>273,946,171</u>

7.1 The Company has carried out revaluation of freehold land, factory building and plant & machinery by independent valuer M/s. Consultancy Support & Services (Management Consultants) as at October 02, 2003, December 11, 2007 and March 29, 2013 which resulted in revaluation surplus amounting to Rs.445,173,438, Rs.201,386,714 and Rs. 90,362,086 respectively. The basis of valuation is at assessed / evaluated present value.

8. SHORT TERM BORROWING

From Banking Company

Cash finance facility	600,000,000	155,000,000
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The company has obtained cash finance facility from banking company at three months KIBOR + 2.5 % with the sanctioned limit of Rs.600 million. The facility is secured against finished goods and personal properties and guarantees of the directors of the Company.

9. CONTINGENCIES

There were no changes in the contingencies since the last audited financial statements.

10. SEASONALITY OF OPERATIONS

The Sugar Industry are operating on seasonal basis normally from November to April. Therefore all major production cost other than fixed cost, for example cost of goods manufactured, stock and short term finances being reflected to be high on this period.

11. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise group companies, associates, directors and key management personnel.

During the period, following transactions with related parties are carried out: -

	HALF YEAR ENDED		QUARTER ENDED	
	March 31 2012	March 31 2011	March 31 2012	March 31 2011
	← Rupees →			
Loan from director - receipts	143,300,000	142,370,000	57,700,000	31,500,000
Loan from director - repayments	55,345,999	111,532,053	20,831,684	89,366,027
Others payable - repayments	59,847,325	33,364,682	21,703,931	16,757,100
Remuneration and other benefits of Chief Executive and Directors	6,550,000	5,077,248	3,275,000	22,152,248

12. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 30-05-2013 by the Board of Directors of the Company.

13. GENERAL

Figures have been rounded off to the nearest rupee.

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

Karachi:
May 30, 2013