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COMPANY PROFILE

BOARD OF DIRECTORS	Executive Directors Mr. Muhammad Mubeen Jumani (Chief Executive) Mr. Faraz Mubeen Jumani (Managing Director) Non-Executive Directors Mrs. Qamar Mubeen Jumani - Chairperson Mr. Fahad Mubeen Jumani Miss. Arisha Mubeen Jumani Mr. Ahmed Ali Jumani Lt. Gen (Retd.) Anis Ahmed Abbasi
COMPANY SECRETARY	Mr. Abdul Wahid Naviwala
BANKERS	National Bank of Pakistan United Bank Limited Allied Bank Limited MCB Bank Limited Askari Bank Limited Bank Al Falah 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	Lt. Gen (Retd.) Anis Ahmed Abbasi Chairman Mr. Ahmed Ali Jumani Member Mrs. Qamar Mubeen Jumani Member
HR AND REMUNERATION COMMITTEE	Miss. Arisha Mubeen Jumani Chairman Lt. Gen. (Retd.) Anis Ahmed Abbasi Member Mr. Muhammad Mubeen Jumani Member
LEGAL ADVISOR	Syed Zafar Ali Shah (Advocate) Bukhari Law Associates, B-8, 3rd Floor, Jumani Arcade, Near Old Subzi Mandi No. 2, University Road, Gulshan-e-Iqbal, Karachi.
SHARES REGISTERAR	C & K Management Associates (Pvt) Ltd. 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi.
REGISTERED OFFICE	3rd Floor, Plot No. 15-C, 9th Commercial Lane, Zamzama, D.H.A, 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 before you, the half yearly condensed un-audited accounts for the period ended 31st March, 2015.

FINANCIAL RESULTS

	31 March, 2015	31 March, 2014
Profit before Taxation	31,436,000	56,892,000
Taxation	10,291,000	23,477,000
Profit after Taxation	21,145,000	33,415,000
Earning per Share	1.32	2.09

PERFORMANCE REVIEW

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

	SEASON 2014-2015	SEASON 2013-2014
Season Started	05-12-2014	01-11-2013
Season Ended	03-04-2015	04-04-2014
Number of days worked	120	155
Sugarcane Crushing (MT)	649,133,525	819,718.97
Recovery (%) Sugar	10.60	10.30
Recovery (%) Molasses	3.993	4.432
Production – Sugar (MT)	68,797,500	84,430
Production – Molasses (MT)	25,915	36,332

Above operating results are related to crushing season of 2014-2015 but accounts are prepared upto 31-03-2015. Initially, Government of Sindh fixed minimum price of Sugar Cane at Rs. 182/- per 40 kg for crushing season 2014-15 on 07-11-2014 later on issued a fresh notification dated 03-12-2014 fixing the minimum price at Rs. 155/- per 40 kg for the crushing season 2014-15 but suddenly issued a new notification dated 09-12-2014, withdrawing immediately its aforesaid notification dated 03-12-2014 by reviving the notification dated 07-11-2014 whereby the price of sugar cane was fixed at Rs. 182/- per 40 kg. Under a Constitutional petition, filed by Sindh Chamber of Agriculture, Government of Sindh agreed to pay Rs. 12/- per 40 kg to the growers through sugar mills, therefore, minimum cane price for 40 kg reduced to (Rs. 182 – 12) Rs. 170/- Presently, matter of minimum price of sugar cane for crushing

season 2014-15 is pending before the Hon. Supreme Court of Pakistan.

During the period under review, Sugar prices in domestic and international market remained depressed but presently encouraging response in sugar prices is seen and if continued, it will encourage towards profitability of your company during the coming period of current financial year.

Observations in the audit Report

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 30-09-2015.

As regard the matter of going concern, performance of the company, as stated above, proved a healthy signal as company is going to profitability. By the Grace of Almighty Allah, overall performance of the company is better and it will further better by the end of current financial year. Due to late startup of crushing season, company could not beat last year's crushing target but sugar recovery has improved then last crushing season. The current improvement would also be helpful to minimize house losses resultantly the profitability of the project will further improve.

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 26, 2015

Muhammad Mubeen Jumani
Chairman/Chief Executive

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

Introduction

We have reviewed the accompanying condensed interim Balance sheet of **KHAIRPUR SUGAR MILLS LIMITED** ("the Company") as at March 31, 2015, 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, 2015 and 2014 have not been reviewed as we are required to review only the cumulative figures for the six months period ended March 31, 2015.

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, 2015 the Company has accumulated losses of Rs. 690.213 million resulting in negative equity of Rs. 530.038 million. Further the current liabilities of the Company exceed its current assets by Rs. 405.032 million. 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 1.1. Our opinion is not qualified in respect of this matter.

Haroon Zakaria & Company
Chartered Accountants

Place: Karachi
Dated: May 26, 2015

Engagement Partner:
Muhammad Yameen

**CONDENSED INTERIM BALANCE SHEET
(UN-AUDITED)
AS AT MARCH 31, 2015**

	<u>Note</u>	Un-audited March 31, 2015	Audited September 30, 2014
← (Rupees in '000) →			
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	1,521,523	1,495,397
Long term deposits		262	262
		<u>1,521,785</u>	<u>1,495,659</u>
Current Assets			
Stores, spares and loose tools		102,084	96,369
Stock in trade	6	1,880,954	269,293
Loans and advances		227,554	247,926
Deposits, prepayments and other receivables		7,748	7,748
Taxation - net		-	5,566
Cash and bank balances		10,043	21,205
		<u>2,228,383</u>	<u>648,107</u>
Total Assets		<u><u>3,750,168</u></u>	<u><u>2,143,766</u></u>
EQUITY AND LIABILITIES			
Authorized Capital			
20,000,000 Ordinary shares of Rs. 10 each		<u>200,000</u>	<u>200,000</u>
Share capital and reserves			
Issued, subscribed and paid up capital		160,175	160,175
Accumulated loss		(690,213)	(719,221)
		<u>(530,038)</u>	<u>(559,046)</u>
Surplus on revaluation of fixed assets - net	7	317,321	325,184
		<u>(212,717)</u>	<u>(233,862)</u>
Non-Current Liabilities			
Long term financing		1,232,267	1,142,805
Deferred liabilities		97,203	91,804
		<u>1,329,470</u>	<u>1,234,609</u>
Current Liabilities			
Short term borrowings	8	899,851	326,000
Trade and other payables	9	1,709,940	800,542
Taxation - net		2,251	-
Accrued markup		21,373	16,477
		<u>2,633,415</u>	<u>1,143,019</u>
Contingencies and commitments	10	<u>3,750,168</u>	<u>2,143,766</u>

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

Karachi:
May 26, 2015

**CONDENSED INTERIM PROFIT AND LOSS STATEMENT
(UN-AUDITED)
FOR THE HALF YEAR ENDED MARCH 31, 2015**

	HALF YEAR ENDED		SECOND QUARTER ENDED	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
	← Rupees in 000 →			
Sales - net	1,500,318	2,347,700	1,134,414	1,339,719
Cost of sales	(1,365,460)	(2,151,397)	(946,687)	(1,128,881)
Gross profit	134,858	196,303	187,726	210,838
Administrative expenses	(64,165)	(62,712)	(31,239)	(35,376)
Distribution expenses	(10,250)	(56,117)	(8,220)	(52,152)
	(74,415)	(118,829)	(39,459)	(87,528)
Operating profit	60,443	77,474	148,267	123,310
Other income	105	-	-	-
Other charges	(2,828)	(4,139)	(5,531)	(4,140)
	(2,723)	(4,139)	(5,531)	(4,140)
	57,720	73,335	142,736	119,170
Financial charges	(26,284)	(16,443)	(20,507)	(15,612)
Profit before taxation	31,436	56,892	122,229	103,558
Taxation				
Current	(9,684)	(23,477)	(6,025)	(18,437)
Deferred	(607)	-	(607)	-
	(10,291)	(23,477)	(6,632)	(18,437)
Profit after taxation	21,145	33,415	115,598	85,121
Earnings per share - basic and diluted	1.32	2.09	7.22	5.31

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

Karachi:
May 26, 2015

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED MARCH 31, 2015**

	HALF YEAR ENDED		SECOND QUARTER ENDED	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
	← Rupees →			
Profit for the period	21,145	33,415	115,598	85,121
<i>Other comprehensive income</i>				
Transfer from surplus on revaluation of property and plant on account of incremental depreciation - net	7,863	8,277	7,863	4,139
Total comprehensive income for the year	29,008	41,692	123,461	89,260

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

Karachi:
May 26, 2015

**CONDENSED INTERIM CASH FLOW STATEMENT
(UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED MARCH 31, 2015**

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
<i>(Rupees in 000)</i>		
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	31,436	56,892
Adjustments for:		
- Financial cost	26,284	16,443
- Depreciation	37,957	38,504
- Gratuity	4,792	3,521
	69,033	58,468
Working capital changes:		
Stores, spares and loose tools	(5,715)	8,378
Stock in trade	(1,611,660)	(1,608,255)
Loans and advances - Considered good	20,371	21,710
Deposits, prepayments and other receivables	-	(7,252)
Trade and other payables	909,394	809,888
	(687,610)	(775,531)
Taxes paid - net	(1,866)	(660,171)
Financial charges paid	(21,387)	(14,107)
Net cash used in operating activities	(610,394)	(687,022)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(64,081)	(16,948)
Net cash used in investing activities	(64,081)	(16,948)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds / (repayments) from long term loans	89,462	(1,173)
Proceeds from short term borrowing	573,851	617,479
Net cash generated from financing activities	663,313	616,306
Net decrease in cash and cash equivalents	(11,162)	(87,664)
Cash and cash equivalent at beginning of the period	21,205	119,438
Cash and cash equivalent at end of the period	10,043	31,774

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

Karachi:
May 26, 2015

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED MARCH 31, 2015**

	Issued, subscribed and paid up capital	Uappropriated Loss	Total
	-----	<i>(Rupees in 000)</i>	-----
Balance as at September 30, 2013	160,175	(764,354)	(604,179)
Total comprehensive income for the period ended March 31 2014			
- Profit for the period	-	33,415	33,415
- Other comprehensive income for the period	-	8,277	8,277
	-	41,692	41,692
Balance as at March 31, 2014	160,175	(722,662)	(562,487)
Balance as at September 30, 2014	160,175	(719,221)	(559,046)
Total comprehensive income for the period ended March 31 2015			
- Profit for the period	-	21,145	21,145
- Other comprehensive income for the period	-	7,863	7,863
	-	29,008	29,008
Balance as at March 31, 2015	160,175	(690,213)	(530,038)

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

Karachi:
May 26, 2015

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(UN-AUDITED)
FOR THE HALF YEAR ENDED MARCH 31, 2015**

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 3rd floor, Plot No.15C, 9th Commercial lane, Zamzama, 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.690.213 (September 30, 2014 : Rs.719.221) million resulting in negative shareholders' equity of Rs.530.038 (September 30, 2014 : Rs.559.046) million. The amount of current liabilities of the Company as at above date exceeds its current assets by Rs.405.032 (September 30, 2014 : Rs.494.912) million and the amount of borrowings from financial institutions as at above date stood at Rs.899.851 million (September 30, 2014 : Rs.326) 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 stated. However, during the six months, the Company has earned net profit during the half year of Rs. 21.145 million and its recovery percentage of sugar from sugar cane has improved by 0.5% due to better management. Further, the Company has sufficient resources to settle its bank borrowings and its directors and sponsors are committed to ensure continuity of going concern. Owing to these facts, these financial information are prepared on going concern basis by the management.

2. BASIS OF PREPARATION

This condensed interim financial information is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan and provisions of, and directives issued under the Companies Ordinance 1984; in case, where the requirements of the International Accounting Standard differ, the provisions of, and directives issued under the Companies Ordinance 1984, have been followed. The interim financial information 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, 2014.

These condensed interim financial statements are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi Stock Exchange.

These condensed interim financial statements comprise of the condensed interim balance sheet as at 31 March, 2015 and condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and the condensed interim cash flow statement for the six months period ended 31 March, 2015 which have been subjected to a review but not audit.

These condensed interim financial statements are presented in Pakistan Rupee which is also the Company's functional currency and all numbers presented have been rounded off to the nearest thousand.

The comparative balance sheet presented in these interim financial information has been extracted from the audited financial statements of the Company for the year ended September 30, 2014, whereas the comparative profit and loss account, statement of changes in equity, statement of comprehensive income and cash flow statement are extracted from the un-audited interim financial information for the half year ended 31 March 2014. The comparative condensed profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2014 included in this condensed interim financial report was not subject to a review.

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, 2014 except for accounting estimation in respect of charging depreciation on fixed assets. In previous years, the depreciation was charged on yearly basis. In current financial period, the depreciation is charged on monthly basis considering the consumption pattern of related assets. Had there been no change in depreciation, the profit before tax for the period would have been decreased by Rs. 1.266 million.

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, 2014.

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, 2014.

	Note	Un-audited March 31, 2015 <i>(Rupees in 000)</i>	Audited September 30, 2014
5. PROPERTY, PLANT & EQUIPMENT			
Written down value at 1 October		1,477,791	1,520,745
Additions	5.1	60,011	38,267
Disposals - net		-	(2,484)
Depreciation		(37,957)	(78,738)
		<u>1,499,845</u>	<u>1,477,791</u>
Capital work in progress		21,678	17,608
		<u>1,521,523</u>	<u>1,495,399</u>
5.1 Additions			
Plant and machinery		53,196	26,421
Office equipment		-	1,060
Vehicles		6,815	10,786
		<u>60,011</u>	<u>38,267</u>
6. STOCK IN TRADE			
Work in process		20,150	667
Finished goods		1,747,920	260,531
Molasses		112,884	8,096
		<u>1,880,954</u>	<u>269,294</u>

6.1 The finished goods are pledged with banks against cash finance limit of Rs. 900 million.

Un-audited	Audited
March 31,	September 30,
2015	2014
<i>(Rupees in 000)</i>	

7. SURPLUS ON REVALUATION OF FIXED ASSETS - NET

Balance at October 01 - net	325,184	341,738
Effect of change in tax rate	-	(5,188)
Incremental depreciation - net of deferred tax	(7,863)	(11,366)
Closing balance	<u>317,321</u>	<u>325,184</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.125,753,015 respectively. The basis of valuation is at assessed / evaluated present value.

Un-audited	Audited
March 31,	September 30,
2015	2014
<i>(Rupees in 000)</i>	

8. SHORT TERM BORROWINGS

<i>From banking company - Secured</i>		
- Cash finance	<u>899,851</u>	<u>326,000</u>

8.1 The company has obtained cash finance facility from banking companies at different rates at three months KIBOR + 2.5 % with maximum of 14% with the sanctioned limit of Rs. 900 million. The facility is secured against finished goods and personal properties and guarantees of the directors of the Company.

9. The Company has recorded liability in respect of sugarcane purchases considering the notifications issued by Cane Commissioner Sindh on November 07, 2014, December 09, 2014 and order passed by Honorable High Court of Sindh, dated March 13, 2015. However the notifications have been challenged by Pakistan Sugar Mills Association and other sugar mills in Honorable Supreme Court of Pakistan. The case has been pending with the Honourable Court as at March 31, 2015.

10. CONTINGENCIES AND COMMITMENTS

As at 31 March 2015, there is no material change in the status of matters reported as contingencies and commitments in the notes to financial statements of the company for the year ending 30 September 2014.

11. 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 in this period.

12. 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		SECOND QUARTER ENDED	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
	← ----- Rupees in 000 ----- →			
Loan from director - receipts	182,190	99,020	-	14,100
Loan from director - repayments	92,728	44,475	74,898	33,965
Others payable - repayments	61,180	52,936	31,704	33,293
Others payable - receipts	1,600	-	-	-
Remuneration and other benefits of Chief Executive and Directors	7,200	7,200	3,600	3,600

13. DATE OF AUTHORIZATION

This condensed interim financial information has been authorized for issue on 26 May, 2015 by the Board of Directors of the Company.

14. GENERAL

Figures have been rounded off to the nearest thousand rupee.

Karachi:
May 26, 2015

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director