

KHAIRPUR SUGAR MILLS LTD.



KHAIRPUR
SUGAR MILLS LIMITED

**FINANCIAL
STATEMENTS**

**For The
Half Year Ended
March 31, 2016**

(UN-AUDITED)

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COMPANY PROFILE

BOARD OF DIRECTORS	<p>Executive Directors Mr. Muhammad Mubeen Jumani (Chief Executive) Mr. Faraz Mubeen Jumani (Managing Director)</p> <p>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</p>						
COMPANY SECRETARY	Mr. Abdul Wahid Nawiwala						
BANKERS	National Bank of Pakistan Sindh Bank Limited Habib Bank Limited United Bank Limited Allied Bank Limited MCB Bank Limited Bank Al Falah Limited						
STATUTORY AUDITORS	M/S. Haroon Zakaria & Company Chartered Accountants M1-M4, 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, Haroom Shopping Emporium, Sector 15-A-1, North Karachi, Karachi-75850						
AUDIT COMMITTEE	<table border="0"> <tr> <td>Lt. Gen (Retd.) Anis Ahmed Abbasi</td> <td>Chairman</td> </tr> <tr> <td>Mr. Ahmed Ali Jumani</td> <td>Member</td> </tr> <tr> <td>Mrs. Qamar Mubeen Jumani</td> <td>Member</td> </tr> </table>	Lt. Gen (Retd.) Anis Ahmed Abbasi	Chairman	Mr. Ahmed Ali Jumani	Member	Mrs. Qamar Mubeen Jumani	Member
Lt. Gen (Retd.) Anis Ahmed Abbasi	Chairman						
Mr. Ahmed Ali Jumani	Member						
Mrs. Qamar Mubeen Jumani	Member						
HR AND REMUNERATION COMMITTEE	<table border="0"> <tr> <td>Miss. Arisha Mubeen Jumani</td> <td>Chairman</td> </tr> <tr> <td>Lt. Gen. (Retd.) Anis Ahmed Abbasi</td> <td>Member</td> </tr> <tr> <td>Mr. Muhammad Mubeen Jumani</td> <td>Member</td> </tr> </table>	Miss. Arisha Mubeen Jumani	Chairman	Lt. Gen. (Retd.) Anis Ahmed Abbasi	Member	Mr. Muhammad Mubeen Jumani	Member
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, Phase V, Karachi.						
FACTORY	Naroo Dhoru, Taluka Kot Diji, Khairpur.						

DIRECTORS' REPORT

Dear Members,

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, 2016.

FINANCIAL RESULTS

	<u>31-03-2016</u>	<u>31-03-2015</u>
	<i>Rupees in '000'</i>	
Profit before Taxation	4,269	262
Taxation	6,182	10,291
Profit/(Loss) after Taxation	<u>10,451</u>	<u>(10,029)</u>
Earning/(Loss) per Share	0.65	(0.63)

PERFORMANCE REVIEW

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

	SEASON 2015-2016	SEASON 2014-2015
Season Started	20-11-2015	05-12-2014
Season Ended	13-03-2016	03-04-2015
Number of days worked	115	120
Sugarcane Crushing (MT)	647634.964	649133.525
Recovery (%) Sugar	10.317	10.600
Recovery (%) Molasses	3.883	3.993
Production – Sugar (MT)	66,817.50	68,797.50
Production – Molasses (MT)	25,148	25,915

The crushing season 2015-16 commenced on 20-11-2015. Government of Sindh fixed minimum price of Sugar Cane at Rs. 172/ per 40 kg for crushing season 2015-16 vide notification dated 04-01-2016 as compared to Rs. 182/ per 40 kg for crushing season 2014-15. Due to low average yield and flooding, sugar cane productions was lower as compared to previous years and due to this factor competition was tough and higher rates were paid to the growers to meet the targets.

Sugar export was allowed up to 500,000 MT by the federal government but as the international market rates were depressed and delay in issuance of NOC by the provincial government, sugar export was at a minimal side and your mill did not export sugar due to the above mentioned factors.

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

Karachi
May 30, 2016

For and on behalf of the Board


Qamar Mubeen Jumani
Chairperson

**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, 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof [here-in-after referred to as "condensed interim financial information"], for the half year then ended. Management is responsible for the preparation and presentation of this condensed 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 condensed 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, 2016 and March 31, 2015 have not been reviewed as we are required to review only the cumulative figures for the half year ended March 31, 2016.

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 condensed 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 condensed interim financial information as of and for the half year ended March 31, 2016, is not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Haroon Zakaria & Co.
Haroon Zakaria & Company
Chartered Accountants

Place: Karachi
Dated: 30-05-2016

Engagement Partner:
Muhammad Yameen

**CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2016**

	<u>Note</u>	March 31, 2016 Un-audited	September 30, 2015 Audited
← (Rupees in '000') →			
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	1,489,552	1,514,110
Long term deposits		262	262
		1,489,814	1,514,372
Current Assets			
Stores, spares and loose tools		107,661	108,828
Stock in trade	6	1,913,301	389,016
Loans and advances		96,300	250,660
Deposits, prepayments and other receivables		9,009	8,205
Cash and bank balances		28,298	59,978
		2,154,569	816,687
Total Assets		3,644,383	2,331,059
Authorized Capital			
20,000,000 Ordinary shares of Rs. 10 each		200,000	200,000
Share capital and reserves			
Issued, subscribed and paid up capital		160,175	160,175
Accumulated loss		(315,007)	(328,846)
		(154,832)	(168,671)
Surplus on revaluation of fixed assets - net	7	278,353	309,458
Long term liabilities		931,645	904,895
Deferred liabilities		156,082	201,020
		1,087,727	1,105,915
Current Liabilities			
Short term borrowings	8	1,247,239	210,339
Trade and other payables		1,157,550	857,543
Taxation		16,074	5,791
Accrued markup		12,272	10,684
		2,433,135	1,084,357
Contingencies and commitments	9		
		3,644,383	2,331,059

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.


Muhammad Mubeen Jumani
Chief Executive


Faraz Mubeen Jumani
Managing Director

Karachi the dated 30th May, 2016

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR AND QUARTER ENDED MARCH 31, 2016**

	HALF YEAR ENDED		SECOND QUARTER ENDED	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	<i>Rupees in 000</i>			
	<i>Restated</i>			
Sales - net	1,950,898	1,500,318	992,179	1,134,414
Cost of sales	(1,829,828)	(1,365,460)	(923,811)	(946,687)
Gross profit	121,070	134,858	68,368	187,726
Administrative expenses	(63,680)	(64,165)	(29,696)	(31,239)
Distribution expenses	(11,138)	(10,250)	(7,826)	(8,220)
	(74,818)	(74,415)	(37,522)	(39,459)
Operating profit	46,252	60,443	30,847	148,267
Other income	4,887	105	3,044	-
Other charges	(6,710)	(2,828)	(6,710)	(5,531)
	(1,823)	(2,723)	(3,666)	(5,531)
	44,429	57,720	27,180	142,736
Financial chargers	(40,160)	(57,458)	(22,434)	(20,507)
Profit before taxation	4,269	262	4,746	122,229
Taxation				
Current	(12,859)	(9,684)	(9,338)	(6,025)
Deferred	19,041	(607)	19,041	(607)
	6,182	(10,291)	9,703	(6,632)
Profit/(Loss) after taxation	10,451	(10,029)	14,449	115,598
Earnings/(Loss) per share - basic and diluted	0.65	(0.63)	0.90	7.22

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.


Muhammad Mubeen Jumani
Chief Executive


Faraz Mubeen Jumani
Managing Director

Karachi the dated 30th May, 2016

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR AND QUARTER ENDED MARCH 31, 2016**

	HALF YEAR ENDED		SECOND QUARTER ENDED	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	←————— Rupees in '000 —————→			
Profit/(Loss) for the period	10,451	(10,029)	14,449	115,598
Other comprehensive income				
Items not to be classified to profit and loss account in the subsequent period				
Transfer from surplus on revaluation of property and plant on account of incremental depreciation - net	3,388	7,863	3,388	7,863
Total comprehensive income/(loss) for the period	13,839	(2,166)	17,837	123,461

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.


Muhammad Mubeen Jumani
Chief Executive


Faraz Mubeen Jumani
Managing Director

Karachi the dated 30th May, 2016

**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF YEAR AND QUARTER ENDED MARCH 31, 2016**

	March 31, 2016	March 31, 2015
	<i>(Rupees in 000)</i>	
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	4,269	262
Adjustments for:		
- Financial cost	40,160	26,284
- Depreciation	13,779	37,957
- Gratuity	-	4,792
- Amortization of interest free loan	26,750	31,174
	80,689	100,207
Working capital changes:		
Stores, spares and loose tools	1,167	(5,715)
Stock in trade	(1,524,285)	(1,611,660)
Loans and advances - Considered good	154,360	20,371
Deposits, prepayments and other receivables	(804)	-
Trade and other payables	300,007	909,394
	(1,069,555)	(687,610)
	(984,597)	(587,142)
Taxes paid - net	(2,578)	(1,866)
Financial charges paid	(38,571)	(21,387)
Net cash used in operating activities	(1,025,746)	(610,395)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(42,834)	(64,081)
Net cash used in investing activities	(42,834)	(64,081)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds / (repayments) from long term loans	-	89,462
Proceeds from short term borrowing	1,036,900	573,851
Net cash generated from financing activities	1,036,900	663,313
Net decrease in cash and cash equivalents	(31,680)	(11,162)
Cash and cash equivalent at beginning of the period	59,978	21,205
Cash and cash equivalent at end of the period	28,298	10,043

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.


Muhammad Mubeen Jumani
Chief Executive


Faraz Mubeen Jumani
Managing Director

Karachi the dated 30th May, 2016

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR AND QUARTER ENDED MARCH 31, 2016**

	Issued, subscribed and paid up capital	Unappropriated Loss	Total
	----- Rupees in '000' -----		
Balance as at September 30, 2014	160,175	(435,760)	(275,585)
Total comprehensive income for the period ended March 31 2015			
- Loss for the period	-	(10,029)	(10,029)
- Other comprehensive income for the period	-	7,863	7,863
	-	(2,166)	(2,166)
Balance as at March 31, 2015	160,175	(437,926)	(277,751)
Balance as at September 30, 2015	160,175	(328,846)	(168,671)
Total comprehensive income for the period ended March 31 2016			
- Profit for the period	-	10,451	10,451
- Other comprehensive income for the period	-	3,388	3,388
	-	13,839	13,839
Balance as at March 31, 2016	160,175	(315,007)	(154,832)

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.


 Muhammad Mubeen Jumani
Chief Executive


 Faraz Mubeen Jumani
Managing Director

Karachi the dated 30th May, 2016

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED MARCH 31, 2016**

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 Pakistan Stock Exchange formerly 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.

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, 2015.

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

These condensed interim financial statements comprise of the condensed interim balance sheet as at 31 March 2016 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 2016 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, 2015, whereas the comparative profit and loss account, statement of changes in equity, statement of comprehensive income and cash flow statement are extracted from the unaudited interim financial information for the half year ended 31 March 2015. The comparative condensed profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2015 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, 2015.

Further, the Company has adopted the following amended standards and interpretations of IFRSs which became effective during the current period:

- IAS 27** (Revised 2011) – Separate Financial Statements
- IAS 28** (Revised 2011) – Investments in Associates and Joint Ventures
- IFRS 10** – Consolidated Financial Statements
- IFRS 11** – Joint Arrangements
- IFRS 12** – Disclosure of Interests in Other Entities
- IFRS 13** – Fair Value Measurement

The adoption of the above amendments and interpretation of the standards did not have any effect on these condensed interim financial information.

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, 2015.

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, 2015.

The company has amortised long term loan from directors in the financial year 2015, therefore the comparative profit and loss account for the period march 31, 2015 is restated and Rs. 31.174 million is charged as finance cost.

	March 31, 2016	September 30, 2015
Note ----- Rupees in '000' -----		
5. PROPERTY, PLANT & EQUIPMENT		
Written down value at 1st October	1,514,110	1,477,790
Deficit arising from the revaluation during the period- net off deferred tax	5.1 (53,613)	-
Additions	40,197	119,168
Depreciation	(13,779)	(82,848)
	1,486,915	1,514,110
Capital work in progress	2,637	-
	1,489,552	1,514,110
5.1 Additions		
Building on freehold land	-	26,078
Plant and machinery	7,970	84,010
Office equipment	-	107
Factory equipment	24,816	-
Vehicles	7,411	8,973
	40,197	119,168
6. STOCK IN TRADE		
Work in process	870	872
Finished goods	1,774,055	388,144
Molasses	138,376	-
	1,913,301	389,016
6.1 The finished goods are pledged with banks against cash finance limit of Rs. 1,690.814 million.		
7. SURPLUS ON REVALUATION OF FIXED ASSETS - NET		
Balance at October 01 - net	309,458	325,184
Effect of change in tax rate	8,740	-
Deficit arising from the revaluation during the period- net off deferred tax	7.1 (36,457)	-
Incremental depreciation - net of deferred tax	(3,388)	(15,726)
Closing balance	278,353	309,458

7.1 The Company has carried out revaluation of freehold land, factory building and plant & machinery by independent valuer M/s. Amir Evaluators & Consultants as at January 15, 2016 which resulted in diminution of amounting to Rs. 53.6 million. Earlier revaluation carried from 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.445.2 million, Rs.201.2 million and Rs.125.8 million respectively. The basis of valuation is at assessed / evaluated present value.

March 31, September 30,
2016 2015

Note ----- Rupees in '000' -----

8. SHORT TERM BORROWINGS

From Related parties - Unsecured				
- From directors	47,289			39
From banking company - Secured				
- Cash finance	8.1 1,199,950			210,300
	1,247,239			210,339

8.1 This represents roll over secured cash financing of Rs. 1,200 million (2015 : Rs. 600 millions) from Banking companies and carries markup ranges from 3 Month KIBOR + 2.5% to 3 Month KIBOR + 5 % (2015 : 3 Month KIBOR + 2.5% to 3 Month KIBOR 2.5% to 5%) per annum. The facility is secured against pledge of sugar stock of the Company, first equitable mortgage over land and property of associated company and personal guarantees of all directors of the Company.

9. CONTINGENCIES AND COMMITMENTS

As at 31 March 2016, 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, 2015.

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 in 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: -

	<i>Half year ended</i>		<i>Second quarter ended</i>	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	←-----Rupees in '000'-----→			
Loan from director - receipts	<u>170,600</u>	<u>182,190</u>	<u>41,584</u>	<u>-</u>
Loan from director - repayments	<u>123,350</u>	<u>92,728</u>	<u>114,750</u>	<u>74,898</u>
Others payable - repayments	<u>49,476</u>	<u>61,180</u>	<u>-</u>	<u>31,704</u>
Others payable - receipts	<u>5,097</u>	<u>1,600</u>	<u>584</u>	<u>-</u>
Remuneration and other benefits of Chief Executive and Directors	<u>12,005</u>	<u>7,200</u>	<u>6,003</u>	<u>3,600</u>

12. DATE OF AUTHORIZATION

This condensed interim financial information has been authorized for issue on 30-05-2016 by the Board of Directors of the Company.

13. GENERAL

Figures have been rounded off to the nearest thousand rupees.


 Muhammad Mubeen Jumani
 Chief Executive


 Faraz Mubeen Jumani
 Managing Director

Karachi the dated 30th May, 2016