

KHAIRPUR SUGAR MILLS LTD.



KHAIRPUR
SUGAR MILLS LIMITED

**FINANCIAL
STATEMENTS**

**For The
Half Year Ended
March 31, 2017**

(UN-AUDITED)

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CORPORATE INFORMATION**Date of Incorporation**

August 23, 1989

Date of Commencement of Business

September 13, 1989

BOARD OF DIRECTORS

Mr. Muhammad Mubeen Jumani - Chief Executive Officer
Mr. Faraz Mubeen Jumani - Managing Director
Mr. Fahad Mubeen Jumani
Mrs. Qamar Mubeen Jumani - Chairperson
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
Sindh Bank Limited
Dubai Islamic Bank Pakistan Limited
MCB Bank Limited
United Bank Limited
Allied Bank Limited
Bank Al Falah Limited
Habib Bank Limited

STATUTORY AUDITORS

M/S. Haroon Zakaria & Company
Chartered Accountants
M-1-M4, Mezzanine 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,
Haroom 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,
University Road, Gulshan-e-Iqbal, Karachi.

SHARES REGISTERAR

M/S. C & K Management Associates (Pvt.) Limited
404, Trade Tower, Abdullah Haroon Road, Near Metropole
Hotel, Karachi.

REGISTERED OFFICE

3rd Floor, 15-C, 9th Commercial Lane,
Zamzama, Defence Housing Authority, Phase V,
Karachi.
Ph: 021-35810771-75
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MILLS

Naroo Dhoru, Taluka Kot Diji,
Khairpur.

E-MAIL & WEBSITE

headoffice@jumanigroup.com
www.jumanigroup.com

STOCK EXCHANGE SYMBOLKPUS

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, 2017.

FINANCIAL RESULTS

	<u>31-03-2017</u>	<u>31-03-2016</u>
	<i>Rupees in '000'</i>	
(Loss)/Profit before Taxation	(72,871)	4,269
Taxation	2,146	6,182
(Loss)/Profit after Taxation	<u>(70,725)</u>	<u>10,451</u>
(Loss)/Earning per Share	(4.42)	0.65

PERFORMANCE REVIEW

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

	SEASON 2016-2017	SEASON 2015-2016
Season Started	11-11-2016	20-11-2015
Season Ended	30-03-2017	13-03-2016
Number of days worked	140	115
Sugarcane Crushing (MT)	852,226.272	647,634.964
Recovery (%) Sugar	9.807	10.317
Recovery (%) Molasses	3.900	3.883
Production – Sugar (MT)	83,579.00	66,817.50
Production – Molasses (MT)	33,237.00	25,148.00

The crushing season 2016-17 commenced on 11-11-2015 and continued till 30th March, 2017. Government of Sindh on October 31, 2016 issued notification, fixing minimum price of Sugar Cane at Rs. 182/ per 40 kg for crushing season 2016-17 as compared to Rs. 172/ per 40 kg for crushing season 2015-16.

During the current season supply of sugarcane was better in district Khairpur. Hence your

mill surprised the 800,000 MT milestone and achieved highest crushing since its establishment. Due to global warming the temperatures were high, resulting in lower sucrose recovery as compared to the last year. Current year sugar production is higher than expectations resultantly, sugar and molasses prices are showing depressed trend

During the half year, your mill incurred Rs. 70.725 million loss due to high rate of sugarcane, low sugar recovery and depressed sugar and molasses prices.

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 our entire KSML family.

Karachi
May 26, 2017

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, 2017 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, 2017 and March 31, 2016 have not been reviewed as we are required to review only the cumulative figures for the half year ended March 31, 2017.

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, 2017, 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: May 26, 2017

Engagement Partner:
Muhammad Yameen

**CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2017**

	<u>Note</u>	March 31, 2017 Un-audited	September 30, 2016 Audited
← (Rupees in '000') →			
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	1,457,462	1,437,394
Long term deposits		<u>262</u>	<u>262</u>
		1,457,724	1,437,656
Current Assets			
Stores, spares and loose tools		93,285	97,452
Stock in trade	6	3,092,606	97,976
Loans and advances		139,271	218,608
Deposits, prepayments and other receivables		112,972	10,282
Cash and bank balances		<u>43,470</u>	<u>25,102</u>
		3,481,604	449,420
Total Assets		<u>4,939,328</u>	<u>1,887,076</u>
EQUITIES 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		<u>(321,792)</u>	<u>(257,707)</u>
		(161,617)	(97,532)
Surplus on revaluation of fixed assets - net	7	270,282	273,036
Non-Current Liabilities			
Long term financing		1,007,814	971,856
Deferred liabilities		<u>109,931</u>	<u>126,443</u>
		1,117,745	1,098,299
Current Liabilities			
Short term borrowings	8	1,829,007	17,507
Trade and other payables		1,836,762	559,404
Provision for taxation		19,284	36,362
Accrued markup		<u>27,865</u>	<u>-</u>
		3,712,918	613,273
Contingencies and commitments	9	<u>4,939,328</u>	<u>1,887,076</u>

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 26th May, 2017

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR AND QUARTER ENDED MARCH 31, 2017**

	HALF YEAR ENDED		SECOND QUARTER ENDED	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	← Rupees in 000 →			
	<i>Restated</i>			
Sales - net	1,401,199	1,950,898	722,941	992,179
Cost of sales	(1,303,361)	(1,829,828)	(646,991)	(923,811)
Gross profit	97,838	121,070	75,950	68,368
Administrative expenses	(78,863)	(63,680)	(46,525)	(29,696)
Distribution expenses	(16,181)	(11,138)	(12,009)	(7,826)
	(95,044)	(74,818)	(58,534)	(37,522)
Operating profit	2,794	46,252	17,416	30,847
Other income	51	4,887	19	3,044
Other charges	(8,697)	(6,710)	(8,697)	(6,710)
	(8,646)	(1,823)	(8,678)	(3,666)
	(5,852)	44,429	8,738	27,180
Financial charges	(67,019)	(40,160)	(46,528)	(22,434)
(Loss) / profit before taxation	(72,871)	4,269	(37,790)	4,746
Taxation				
Current	(10,640)	(12,859)	(12,193)	(9,338)
Deferred	12,786	19,041	12,786	19,041
	2,146	6,182	593	9,703
(Loss) / profit after taxation	(70,725)	10,451	(37,197)	14,449
(Loss) / earning per share - basic and diluted	(4.42)	0.65	(2.32)	0.90

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 26th May 2017

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR AND QUARTER ENDED MARCH 31, 2017**

	HALF YEAR ENDED		SECOND QUARTER ENDED	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	----- Rupees in '000 -----			
(Loss) / profit for the period	(70,725)	10,451	(37,197)	14,449
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	6,640	3,388	3,205	3,388
Total comprehensive (loss)/income for the period	(64,085)	13,839	(33,992)	17,837

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 26th May 2017

**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF YEAR AND QUARTER ENDED MARCH 31, 2017**

	March 31, 2017	March 31, 2016
<i>(Rupees in 000)</i>		
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss)/profit before taxation	(72,871)	4,269
Adjustments for:		
Financial cost	31,062	40,160
Depreciation	37,540	13,779
Amortization of interest free loan	35,958	26,750
	104,560	80,689
Working capital changes		
Stores, spares and loose tools	4,171	1,167
Stock in trade	(2,994,629)	(1,524,285)
Loans and advances - Considered good	79,337	154,360
Deposits, prepayments and other receivables	(102,690)	(804)
Trade and other payables	1,277,358	300,007
	(1,736,453)	(1,069,555)
	(1,704,764)	(984,597)
Taxes paid - net	(16,361)	(2,578)
Financial charges paid	(34,351)	(38,571)
Net cash used in operating activities	(1,755,476)	(1,025,746)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(37,656)	(42,834)
Net cash used in investing activities	(37,656)	(42,834)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short term borrowing	1,811,500	1,036,900
Net cash generated from financing activities	1,811,500	1,036,900
Net increase / (decrease) in cash and cash equivalents	18,368	(31,680)
Cash and cash equivalent at beginning of the period	25,102	59,978
Cash and cash equivalent at end of the period	43,470	28,298

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 26th May 2017

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR AND QUARTER ENDED MARCH 31, 2017**

	Issued, subscribed and paid up capital	Unappropriated Loss	Total
	----- Rupees in '000' -----		
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)
Balance as at September 30, 2016	160,175	(257,707)	(97,532)
Total comprehensive income for the period ended March 31 2017			
- Profit for the period	-	(70,725)	(70,725)
-Other comprehensive income for the period	-	6,640	6,640
	-	(64,085)	(64,085)
Balance as at March 31, 2017	160,175	(321,792)	(161,617)

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 26th May 2017

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED MARCH 31, 2017****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 (The Ordinance). The company is listed on Pakistan Stock Exchange Limited (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 company is principally engaged in the manufacture and sale of sugar and by products.

2. BASIS OF PREPARATION**2.1 Statement of compliance**

This condensed interim financial information is unaudited and has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting which comprise of the International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan and provisions of, and directives issued under the Companies Ordinance 1984 (the Ordinance). In cases, where the requirements of the International Accounting Standard differ, the provisions of, and directives issued under the Ordinance shall prevail.

This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the audited financial statements of the company as at and for the year ended September 30, 2016.

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 Pakistan Stock Exchange.

These condensed interim financial statements comprise of the condensed interim balance sheet as at 31 March 2017 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 2017 which have been subjected to a review but not audit.

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, 2016, 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 2016. The comparative condensed

profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2016 included in this condensed interim financial report was not subject to a review.

2.2 Functional and presentation currency

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.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies and method of computation adopted in the preparation of this condensed interim financial statement are the same as those applied in the preparation of the audited annual financial statements of the company as at and for the year ended September 30, 2016. Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Company's operations and did not have any impact on the accounting policies of the company.

4. ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these condensed interim financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts. Actual results may differ from these estimates, assumptions and judgments. 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 these condensed interim financial statements, 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, 2016.

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, 2016.

March 31, September 30,
2017 2016

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

5. PROPERTY, PLANT & EQUIPMENT

Written down value at 1 October	1,431,737	1,514,110
Deficit arising from the revaluation during the period- net off deferred tax	-	(44,962)
5.1	37,656	39,847
Additions	-	(666)
Disposals	(37,540)	(76,592)
Depreciation	1,431,853	1,431,737
Capital work in progress	25,609	5,657
	1,457,462	1,437,394

5.1 Additions

Plant and machinery	33,721	27,458
Office equipment	-	1,346
Furniture and fixture	22	-
Factory equipment	1,313	-
Vehicles	2,600	11,043
	37,656	39,847

6. STOCK IN TRADE

Finished goods	2,918,529	95,811
- Sugar	165,549	1,251
- Molasses	7,682	-
- Bagasse	3,091,760	97,062
Work in process	846	914
	3,092,606	97,976

6.1 The finished goods are pledged with banks against cash finance limit of Rs. 1,800 million.

7. SURPLUS ON REVALUATION OF FIXED ASSETS - NET

Balance at October 01 - net	273,036	309,458
Effect of change in tax rate	3,886	8,972
Deficit arising from the revaluation during the period- net off deferred tax	-	(31,025)
7.1	-	-
Incremental depreciation - net of deferred tax	(6,640)	(14,369)
Closing balance	270,282	273,036

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 25, 2016 which resulted in diminution of amounting to Rs. 53.6 million. Earlier revaluation was carried by 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,
2017 2016

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

8. SHORT TERM BORROWINGS

From Related parties - Unsecured		
- From directors	29,007	17,507
From banking company - Secured		
- Cash finance	8.1 1,800,000	-
	1,829,007	17,507

8.1 This represents roll over secured cash financing of Rs. 1,800 million (2016 : Rs. 1,200 millions) from Banking companies and carries markup ranges from 3 Month KIBOR + 2.5% to 3 Month KIBOR + 5 % (2016 : 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 March 31, 2017, 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 September 30, 2016.

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

	<i>Half year ended</i>		<i>Second quarter ended</i>	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	←-----Rupees in '000'-----→			
Loan from director - receipts	34,600	170,600	34,600	41,584
Loan from director - repayments	5,593	123,350	5,593	114,750
Others payable - repayments	-	49,476	-	-
Others payable - receipts	-	5,097	-	584
Remuneration and other benefits of Chief Executive and Managing Director	11,218	12,005	5,609	6,003

12. DATE OF AUTHORIZATION

This condensed interim financial information has been authorized for issue on 26-05-2017 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 26th May 2017