



Habib Sugar Mills Limited

**Report and Condensed Interim
Financial Statements
for the Half Year ended
March 31, 2017
(Unaudited)**



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Company Information

Board of Directors	Asghar D. Habib Ali Raza D. Habib Muhammad Nawaz Tishna Murtaza H. Habib Amin Ali Abdul Hamid Shams Mohammad Haji Imran A. Habib Raeesul Hasan	<i>Chairman</i> <i>Chief Executive</i>
Audit Committee	Amin Ali Abdul Hamid Ali Raza D. Habib Shams Mohammad Haji	Chairman Member Member
Human Resource & Remuneration Committee	Shams Mohammad Haji Amin Ali Abdul Hamid Raeesul Hasan	Chairman Member Member
Company Secretary	Amir Bashir Ahmed	
Registered Office	3rd Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi-75530 Phones : (+92-21) 35680036 - 5 Lines Fax : (+92-21) 35684086 www : habib.com/sugar E-mail : sugar@habib.com	
Mills	Nawabshah Phones : (+92-244) 360751 - 5 Lines Fax : (+92-244) 361314	
Bankers	Allied Bank Limited Bank AL Habib Limited First Women Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited MCB Bank Limited Meezan Bank Limited National Bank of Pakistan Standard Chartered Bank (Pakistan) Limited United Bank Limited	
Statutory Auditors	EY Ford Rhodes Chartered Accountants	
Share Registrar	THK Associates (Pvt.) Limited 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi-75400 Phones : (+92-21) 111-000-322 Fax : (+92-21) 34168271 E-mail : secretariat@thk.com.pk info@thk.com.pk Website : www.thk.com.pk	



VISION STATEMENT

We aim to be a leading manufacturer and supplier of quality sugar, ethanol, liquidified carbon dioxide (CO₂) and household textiles in local and international markets. We aspire to be known for the quality of our products and intend to play a pivotal role in the economic and social development of Pakistan.

MISSION STATEMENT

As a prominent producer and supplier of sugar, ethanol, liquidified carbon dioxide (CO₂) and household textiles, we shall continue to strive to achieve excellence in performance and aim to exceed the expectations of all stakeholders. We target to achieve technological advancements to inculcate the most efficient, ethical and time tested business practices in our management.



Directors' Report

Dear Members – Assalam-o-Alekum

On behalf of the Board of Directors, it is my privilege to present to you the unaudited condensed interim financial statements of the Company for the half year ended March 31, 2017.

Financial Results

By the Grace of Allah, during the period under review the operations of your Company resulted in a pre-tax profit of Rs.322.95 million. The financial results for the half year are as follows :

	(Rupees in thousands)
Profit before taxation	332,949
Taxation	10,000
Profit after taxation	322,949
Unappropriated profit brought forward	2,753
Unappropriated profit carried forward	325,702
Earnings per share – Basic and diluted	Rs. 2.15

Performance Review

Sugar Division

The crushing season 2016-17 commenced on November 17, 2016 and the plant operated upto March 24, 2017 for 128 days as against 111 days in the preceding season. Sugarcane crushed during the current season was 865,530 M. Tons with average sucrose recovery of 9.97 % and sugar production of 86,316 M.Tons as compared with crushing of 821,801 M. Tons with average sucrose recovery of 10.74 % and sugar production of 88,271 M. Tons during the preceding season.

The Government of Sindh on October 31, 2016 issued notification fixing the minimum support price of sugarcane for crushing season 2016-17 at Rs.182 per 40 kgs as compared with Rs.172 per 40 kgs for the crushing season 2015-16. In addition, mills would be required to pay quality premium at the rate of paisas fifty for every 0.1 percent recovery in excess of the bench mark of 8.7%. However, in accordance with the notification, while the matter is still pending with the Honourable Supreme Court of Pakistan and as per the decision of the Federal Government Steering Committee, the quality premium shall remain suspended till the decision of the Honourable Supreme Court or the consensus on uniform formula developed by the Federal Government.

During the current crushing season, the supply of sugarcane had been erratic resulting in lower average per day sugarcane crushing as compared with the previous year. Moreover, due to global warming the temperatures were high, resulting in delayed maturity as compared with the previous year.

The Economic Co-ordination Committee (ECC) of the cabinet allowed export of 225,000 M. Tons and 200,000 M.Tons of Sugar on January 19, 2017 and April 7, 2017 respectively. The above export was allowed without any rebate/cash subsidy to the exporters and to be exported by May 31, 2017. During March 2017 our Company exported 5,200 M. Tons of sugar, however, subsequently due to decline in the sugar prices in the international market, further export of sugar was not considered viable.



The sugar division earned profit of Rs. 9.20 million as against profit of Rs.110.09 million during the corresponding period of the previous year. The reduction in profit was due to slow off take of sugar and increased cost of production on account of lower recovery and higher surarcane price as compared with the previous year.

Subsequent to March 2017, the sugar price in the domestic and international market showed an immense decline which is likely to have a negative impact on the overall profitability of the division at the end of the year.

Distillery Division

During the period under review, the division operated for 162 days and produced 14,688 M. Tons of ethanol as against 169 days of operations and production of 14,806 M. Tons as compared with the corresponding period of the previous year. The division earned operating profit of Rs.93.18 million as compared with Rs.138.47 million during the corresponding period of previous year. The reduction in profit is mainly due to lower sales volume and higher production cost due to increase in cost of molasses during the period as compared to the corresponding period of the previous year.

The liquidified carbon dioxide (CO₂) unit operated satisfactorily and produced 3,970 M. Tons as compared with 3,635 M. Tons during the corresponding period of the previous year. The operating profit earned by the unit is included in the profit of the division.

Textile Division

The division suffered loss of Rs.2.33 million during the period under review, as against profit of Rs.7.78 million during the corresponding period of previous year. The division suffered loss due to increase in yarn prices and lower sales volume.

Trading Division

During the period under review, the division made operating profit of Rs.19.98 million on account of trading of sugar as against profit of Rs.16.73 million during the corresponding period of the previous year.

Bagasse Based Co-Generation Project

In line with the Company's vision of diversification, the directors of the Company have accorded their approval for equity investment of upto Rs.750 million in HSM Energy Limited, a wholly owned subsidiary of the Company, to setup 26.5 MW bagasse based Cogeneration power project. Current tariff is valid upto May 28, 2017 and vigorous efforts are being made by the Company to get the formalities complete with the respective regulatory authorities.

Election of Directors

On January 30, 2017, election of Directors was held and Messrs Asghar D. Habib, Ali Raza D. Habib, Muhammad Nawaz Tishna, Amin Ali Abdul Hamid, Shams Mohammad Haji, Murtaza H. Habib and Imran A. Habib were elected as directors of the Company for a period of three years.

General

The Directors are pleased to place on record their appreciation of the devoted and dedicated services of the officers, staff and workers of the Company.

On behalf of the Board of Directors

Asghar D. Habib
Chairman

Karachi: May 24, 2017



Auditors' Report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Habib Sugar Mills Limited** (the Company) as at 31 March 2017, the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flows statement and condensed interim statement of changes in equity and notes to the accounts (here-in-after referred to as "interim financial information") for the six month period then ended. Management is responsible for the preparation and fair presentation of this 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 interim financial information based on our review.

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 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 interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

EY Ford Rhodes
Chartered Accountants
Audit Engagement
Partner: Khurram Jameel

Karachi: May 24, 2017



Condensed Interim Balance Sheet as at March 31, 2017 (Unaudited)

	Note	(Unaudited) March 31, 2017	(Audited) September 30, 2016
(Rupees in thousands)			
Assets			
Non-Current Assets			
Fixed assets			
Property, plant and equipment	4	2,628,656	2,161,885
Long-term investments	5	2,440,875	2,025,968
Long-term loans		5,181	4,211
Long-term deposits		4,028	3,928
		<u>5,078,740</u>	<u>4,195,992</u>
Current Assets			
Stores and spare parts		139,882	108,843
Stock-in-trade	6	5,087,801	401,847
Trade debts		279,113	64,168
Loans and advances	7	882,594	246,286
Trade deposits and short-term prepayments		7,628	8,781
Profit accrued on bank deposits		819	1,083
Other receivables	8	203,640	21,795
Taxation - net		14,468	—
Cash and bank balances	9	342,833	3,575,276
		<u>6,958,778</u>	<u>4,428,079</u>
Total Assets		<u><u>12,037,518</u></u>	<u><u>8,624,071</u></u>
Equity and Liabilities			
Share Capital and Reserves			
Share Capital			
Authorised			
150,000,000 (September 2016: 150,000,000)			
Ordinary shares of Rs. 5 each		<u>750,000</u>	<u>750,000</u>
Issued, subscribed and paid-up capital			
150,000,000 (September 2016: 150,000,000)			
Ordinary shares of Rs. 5 each		<u>750,000</u>	<u>750,000</u>
Reserves		<u>6,052,777</u>	<u>5,781,437</u>
		<u>6,802,777</u>	<u>6,531,437</u>
Non-Current Liabilities			
Deferred taxation	10	114,000	104,000
Current Liabilities			
Trade and other payables	11	1,648,500	1,641,396
Advance from customers		702,390	306,027
Short-term borrowings	12	2,750,000	—
Accrued mark-up on short-term borrowings		19,851	—
Taxation - net		—	41,211
		<u>5,120,741</u>	<u>1,988,634</u>
Contingencies and Commitments	13		
Total Equity and Liabilities		<u><u>12,037,518</u></u>	<u><u>8,624,071</u></u>

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.

Raeesul Hasan
Chief Executive

Amin Ali Abdul Hamid
Director



Condensed Interim Profit and Loss Account for the half year ended March 31, 2017 (Unaudited)

	Note	Half year ended		Quarter ended	
		March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
(Rupees in thousands)					
Segment operating results	14				
Net sales and services		2,141,259	2,929,007	1,329,533	1,940,117
Cost of sales		(1,857,478)	(2,504,917)	(1,120,705)	(1,627,022)
Gross profit		283,781	424,090	208,828	313,095
Selling and distribution expenses		(90,311)	(82,672)	(64,734)	(50,914)
Administrative expenses		(73,433)	(68,355)	(35,361)	(32,719)
Other operating expenses	15	(20,993)	(31,615)	(17,142)	(23,324)
Other income	16	207,197	221,791	191,223	129,837
		22,460	39,149	73,986	22,880
Operating profit		306,241	463,239	282,814	335,975
Finance income / (cost) - net	17	26,708	292	(12,027)	2,872
Profit before taxation		332,949	463,531	270,787	338,847
Taxation	18	(10,000)	(70,000)	1,500	(43,000)
Profit after taxation		322,949	393,531	272,287	295,847
Earnings per share - Basic and diluted	Rs.	2.15	2.62	1.82	1.97

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.

Raeesul Hasan
Chief Executive

Amin Ali Abdul Hamid
Director



Condensed Interim Statement of Comprehensive Income for the half year ended March 31, 2017 (Unaudited)

	Half year ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	(Rupees in thousands)			
Profit after taxation	322,949	393,531	272,287	295,847
Other comprehensive income :				
Items that will be reclassified subsequently to profit & loss :				
Net gain on investments - available for sale				
Increase / (decrease) in unrealised gain on revaluation of investments for the period - net of tax	453,370	(37,464)	(66,270)	(51,750)
Reclassification adjustments included in the profit and loss account for:				
Gain on sale / redemption of investments - net of tax	(92,479)	(44,686)	(91,099)	(10,065)
	360,891	(82,150)	(157,369)	(61,815)
Total Comprehensive income for the period	683,840	311,381	114,918	234,032

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.


Raeesul Hasan
Chief Executive

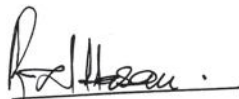

Amin Ali Abdul Hamid
Director

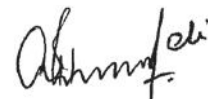


Condensed Interim Statement of Changes in Equity for the half year ended March 31, 2017 (Unaudited)

	Issued Subscribed and Paid-up Capital	Capital Reserve	Revenue Reserves			Total Reserves	Total Equity
			General Reserve	Unappro- priated Profit	Unrealised Gain/(loss) on investments available for sale		
			(Rupees in thousands)				
Balance as on October 1, 2015	750,000	34,000	3,026,000	817,933	1,232,289	5,110,222	5,860,222
Cash dividend for 2015 @ 50%	-	-	-	(375,000)	-	(375,000)	(375,000)
Transfer to general reserve	-	-	440,000	(440,000)	-	-	-
Total comprehensive income for the half year ended March 31, 2016	-	-	-	393,531	(82,150)	311,381	311,381
Balance as on March 31, 2016	<u>750,000</u>	<u>34,000</u>	<u>3,466,000</u>	<u>396,464</u>	<u>1,150,139</u>	<u>5,046,603</u>	<u>5,796,603</u>
Balance as on October 1, 2016	750,000	34,000	3,466,000	827,753	1,453,684	5,781,437	6,531,437
Cash dividend for 2016 @ 50%	-	-	-	(412,500)	-	(412,500)	(412,500)
Transfer to general reserve	-	-	412,500	(412,500)	-	-	-
Total comprehensive income for the half year ended March 31, 2017	-	-	-	322,949	360,891	683,840	683,840
Balance as on March 31, 2017	<u>750,000</u>	<u>34,000</u>	<u>3,878,500</u>	<u>325,702</u>	<u>1,814,575</u>	<u>6,052,777</u>	<u>6,802,777</u>

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.


Raeesul Hasan
 Chief Executive


Amin Ali Abdul Hamid
 Director



Condensed Interim Cash Flow Statement for the half year ended March 31, 2017 (Unaudited)

	Note	March 31, 2017	March 31, 2016
(Rupees in thousands)			
Cash flows from operating activities			
Cash used in operations	19	(5,230,614)	(3,349,242)
Finance income received - net		46,823	14,168
Income tax paid		(55,679)	(54,728)
Long-term loans		(970)	(289)
Long-term deposits		(100)	—
Net cash used in operating activities		(5,240,540)	(3,390,091)
Cash flows from investing activities			
Fixed capital expenditure		(550,354)	(117,976)
Sale proceeds / redemption of investments		181,020	4,111,615
Dividend received		106,350	20,472
Purchase of investments		(142,557)	(1,262,720)
Sale proceeds of fixed assets		1,846	760
Net cash (used in) / generated from investing activities		(403,695)	2,752,151
Cash flows from financing activities			
Dividend paid		(338,208)	(365,538)
Net cash used in financing activities		(338,208)	(365,538)
Net decrease in cash and cash equivalents		(5,982,443)	(1,003,478)
Cash and cash equivalents at the beginning of the period		3,575,276	296,863
Cash and cash equivalents at the end of the period	20	(2,407,167)	(706,615)

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.

Raeesul Hasan
Chief Executive

Amin Ali Abdul Hamid
Director



Notes to the Condensed Interim Financial Statements for the half year ended March 31, 2017 (Unaudited)

1. The Company and its operations

Habib Sugar Mills Limited is a public limited Company incorporated in Pakistan, with its shares quoted on the Pakistan Stock Exchange Limited. The Company is engaged in the manufacturing and marketing of refined sugar, molasses, ethanol, liquidified carbon dioxide (CO₂), household textiles, providing bulk storage facilities and trading of commodities. The registered office of the Company is situated at Imperial Court, 3rd Floor, Dr. Ziauddin Ahmed Road, Karachi.

2. Statement of compliance

These condensed interim financial statements are unaudited and subject to limited scope review by the auditors. These are being submitted to the members in accordance with Section 245 of the Companies Ordinance, 1984 (the Ordinance) and have been prepared in accordance with the requirements of International Accounting Standard (IAS) - 34, 'Interim Financial Reporting', as applicable in Pakistan and provisions of and directives issued under the Ordinance. In case where requirements differ, the provisions of or directives issued under the Ordinance, are to be followed. The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended September 30, 2016.

3. Significant accounting policies

The accounting policies and methods of computation followed for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Company for the year ended September 30, 2016.

	(Unaudited) March 31, 2017 (Rupees in thousands)	(Audited) September 30, 2016 (Rupees in thousands)
4. Fixed assets		
4.1 Property, plant and equipment		
Operating fixed assets	2,060,528	1,520,365
Capital work-in-progress	565,709	592,155
Major stores and spare parts	2,419	49,365
	<u>2,628,656</u>	<u>2,161,885</u>
4.2 Cost of additions to and written down value of deletions from fixed assets during the half year ended March 31, 2017 were as follows:		
	Additions (Rupees in thousands)	Deletions
Building		
Sugar	28,603	—
Plant and machinery		
Sugar	467,015	—
Distillery	49,588	—
Furniture, fittings and office equipment	4,965	29
Vehicles	183	47
	<u>550,354</u>	<u>76</u>



		(Unaudited) March 31, 2017 (Rupees in thousands)	(Audited) September 30, 2016
5. Long-term investments - available for sale			
Investments in related parties	– Quoted - at fair value	1,394,600	1,176,917
	– Un-Quoted - at cost	44,500	12,500
Investments in other companies	– Quoted - at fair value	1,001,775	836,551
		<u>2,440,875</u>	<u>2,025,968</u>
5.1	The aggregate cost of these investments, net of impairment is Rs.626.30 (September 30, 2016: Rs.572.28) million.		
		(Unaudited) March 31, 2017 (Rupees in thousands)	(Audited) September 30, 2016
6. Stock-in-trade			
Raw materials		1,056,494	165,519
Work-in-process		30,372	30,317
Finished goods		3,937,267	200,393
Fertilizers		6,318	5,618
Bagasse		57,350	–
		<u>5,087,801</u>	<u>401,847</u>
7. Loans and advances			
Loans - secured considered good			
Current maturity of long-term loans			
Executives		187	406
Employees		4,772	5,831
		<u>4,959</u>	<u>6,237</u>
Advances - unsecured considered good			
Suppliers		877,635	240,049
		<u>882,594</u>	<u>246,286</u>
8. Other Receivables			
Duty Drawback and research & development support claim		12,211	9,140
Sales tax refundable / adjustable		188,632	–
Dividend receivable		2,590	8,973
Others		207	3,682
		<u>203,640</u>	<u>21,795</u>



	Note	(Unaudited) March 31, 2017 (Rupees in thousands)	(Audited) September 30, 2016
9. Cash and bank balances			
Cash in hand		419	222
Balances with banks in :			
Current accounts		824	4,600
Treasury call accounts	9.1	106,590	125,454
Term Deposit Receipts	9.2	235,000	3,445,000
	9.3	342,414	3,575,054
		<u>342,833</u>	<u>3,575,276</u>
9.1	Profit rates on Treasury call accounts ranged between 3.75% to 5.50% (September 30, 2016: 4.00% to 5.50%) per annum.		
9.2	Profit rates on Term Deposit Receipts ranged between 5.90% to 6.05% (September 30, 2016: 5.98% to 7.20%) per annum. Maturity of these Term Deposit Receipt ranged from 7 to 30 days.		
9.3	Includes Rs.317.93 (September 30, 2016: Rs.2,648.03) million kept with Bank AL Habib Limited - a related party		

	(Unaudited) March 31, 2017 (Rupees in thousands)	(Audited) September 30, 2016
10. Deferred taxation		
Deferred tax liability on taxable temporary difference:		
Accelerated tax depreciation on operating fixed assets	152,000	111,500
Deferred tax asset on deductible temporary differences:		
Provision for obsolescence and slow moving stores & spare parts	(7,500)	(7,500)
Unrealised tax credit on investment in Plant & Machinery as per section 65B of the Income Tax Ordinance.	(19,000)	—
Unabsorbed tax depreciation	(11,500)	—
	<u>(38,000)</u>	<u>(7,500)</u>
	<u>114,000</u>	<u>104,000</u>



	(Unaudited) March 31, 2017 (Rupees in thousands)	(Audited) September 30, 2016
11. Trade and other payables		
Creditors	1,239,087	1,283,452
Accrued liabilities	231,372	180,255
Sales tax / Federal excise duty	—	42,922
Workers' Profit Participation Fund	17,697	51,983
Workers' Welfare Fund	34,857	31,561
Income tax deducted at source	202	230
Unclaimed dividends	125,285	50,993
	<u>1,648,500</u>	<u>1,641,396</u>
12. Short-term borrowings - secured	<u>2,750,000</u>	<u>—</u>

The aggregate financing facility available from commercial banks amounted to Rs.5,313 (September 30, 2016: Rs. 5,313) million. These financing facilities are secured by way of registered charge against hypothecation of stock-in-trade, stores and spares, assignment of trade debts and other receivables. The rate of mark-up charged during the period was 2.5% to 7.54% (September 30, 2016: 4.3% to 6.85%) per annum.

13. Contingencies and commitments

- 13.1** On May 22, 2015 the Government of Pakistan promulgated Gas Infrastructure Development (GID) Cess Act, 2015 and levied GID Cess on gas bills at the rate of Rs.100 / MMBTU on all industrial consumers. The GID Cess Act, 2015 was made applicable with immediate effect superseding the GID Cess Act, 2011 and GID Cess Ordinance, 2014.

The Company challenged the vires of GID Cess Act, 2015 before the Honourable High Court of Sindh. On July 24, 2015 the Honourable High Court of Sindh passed an order restraining the SSGC from demanding and collecting GID Cess as levied by the GID Cess Act, 2015. Subsequent to year end, on October 26, 2016, the case was decided by the Honourable High Court of Sindh in favour of the Company. Against the above order Government have a right to file an appeal before the Honourable Supreme Court of Pakistan.

The Financial exposure of the Company upto March 31, 2017 is Rs.34.12 (September 2016: 22.75) million. However, in view of the advice of legal counsel no provision has been made in these condensed interim financial statements.

- 13.2** The Government of Sindh vide notification dated July 8, 2014 levied a fee of Rs.0.50 / litre for storage of rectified spirit in bonded warehouse at Terminal Kaemari, Karachi. The Company disputed the above levy and filed constitutional petition before the Honourable High Court of Sindh, challenging the above fee. On July 23, 2014, the Honourable High Court of Sindh granted stay and suspended the operation of the



above notification. The case was lastly fixed for hearing on March 20, 2015 and was not taken up for hearing. The financial exposure as at March 31, 2017 is Rs.36.54 (September 30, 2016: 31.77) million. In view of the advice of legal counsel, the company is confident of a favourable outcome of the case and accordingly no provision has been made in these condensed interim financial statements.

- 13.3** Pursuant to the decision of ECC on January 10, 2013, the FBR vide its SRO No. 77(1)/2013 dated February 7, 2013, allowed benefit to sugar exporters by reducing FED rate from 8.0% to 0.5% on local sales, equivalent to quantity exported by the mills. The Company availed the benefit and claimed Rs.56.56 million on account of reduced rate of FED.

Against the aforementioned claim, FBR disallowed an amount of Rs.7.0 million and also levied default surcharge of Rs.0.3 million. The disallowances was on the basis that the benefit of claim accrues and arises from February 7, 2013, the date of SRO No: 77(1) /2013 and not from January 10, 2013, the date of ECC meeting wherein the benefit was approved by ECC. The Company maintains that the sugar mills are entitled to avail the benefit of reduced rate of FED on sugar exported against the export quota allotted by ECC in its meeting held on January 10, 2013. Accordingly, the Company filed a suit before Honourable High Court of Sindh and the operations of the said order were suspended by the Honourable Court vide its order dated April 23, 2014. The case was lastly fixed for hearing on December 4, 2014 and was adjourned as date in office. In view of the advice of legal counsel, the company is confident of a favourable outcome and accordingly no provision has been made in these condensed interim financial statements.

- 13.4** During the year 2009-10 the Company alongwith other sugar mills filed a Constitutional Petition before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority - PSQCA challenging the notifications issued in respect of registration of the Standard Mark for refined sugar manufactured and sold by the Company and levy of marking fee at the rate of 0.1% of ex-factory price of sugar sold with effect from January 1, 2009.

On December 4, 2012 the Honourable High Court of Sindh decided the case in favour of the Company. Against the above order, PSQCA filed an appeal before the Honourable Supreme Court of Pakistan. On November 25, 2013 the Honourable Supreme Court of Pakistan passed an interim order against PSQCA restraining them from demanding any registration of standard marks / licensing fee from the sugar mills till further order and the case was adjourned to date in office.

According to the advice of legal counsel, the demand raised is without any lawful authority and is in violation of the Constitution, hence, no provision is made in this regard.

- 13.5** During 2009-10 the Company received a showcase notice from Competition Commission of Pakistan (CCP) under the Competition Ordinance, 2009 for alleged violation of certain provisions of the Ordinance. The Company alongwith other sugar mills filed a Constitutional Petition before the Honourable High Court of Sindh challenging the Ordinance. The Honourable High Court of Sindh, granted stay and restrained the Commission not to pass final order in respect of the show cause notice. The CCP filed an appeal before the Honourable Supreme Court of Pakistan which was disposed off by the Honourable Supreme Court based on the grounds that the matter was pending before the Honourable High Courts of Sindh and Lahore.



The Competition Ordinance of 2009 was repealed on March 25, 2010 and thereafter a new Ordinance, 2010 was promulgated which also stood repealed on August 15, 2010. The Parliament thereafter enacted the Competition Act, 2010 (ACT XIX of 2010). The Company filed amended application in view of the promulgation of the Competition Act 2010 which was accepted by the Honourable High Court of Sindh, with the consent of both the parties.

The petitions were last fixed for hearing on April 22, 2015, however, these were not taken up for hearing and adjourned to date in office. The CCP has not imposed any fine / penalty against the alleged violation of any provisions of the Competition Act, 2010.

13.6 The Company has provided counter guarantees to Bank AL Habib Limited, a related party, amounting to Rs. 250.00 (September 30, 2016: Rs. 250.00) million against agriculture finance facilities to growers and counter guarantees to other banks amounting to Rs. 952.84 (September 30, 2016: 382.18) million against guarantees issued by banks in favour of third parties on behalf of the Company. These guarantees are secured by way of registered charge against hypothecation of stores and spares, stock-in-trade, assignment of trade debts and other receivables.

13.7 Commitments for capital expenditure amounting to Rs.104.35 (September 30, 2016: 330.73) million.

(Unaudited)	(Audited)
March 31,	September 30,
2017	2016
(Rupees in thousands)	

13.8 Rentals payable over next four years under operating lease agreements with First Habib Modraba in respect of vehicles

<u>31,494</u>	<u>28,973</u>
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14. Segment operating results for the half year ended March 31, 2017 (Unaudited)

		(Rupees in thousands)									
		Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
		March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Net sales and services											
Sales	Local	629,596	1,533,974	204,252	167,278	1,479	2,612	209,647	193,521	1,044,974	1,897,385
	Export	296,563	—	676,946	870,143	122,637	160,848	—	—	1,096,146	1,030,991
Services - Storage income - net		926,159	1,533,974	881,198	1,037,421	124,116	163,460	209,647	193,521	2,141,120	2,928,376
		—	—	139	631	—	—	—	—	139	631
Less: Cost of sales		926,159	1,533,974	881,337	1,038,052	124,116	163,460	209,647	193,521	2,141,259	2,929,007
		(820,692)	(1,339,787)	(730,059)	(843,380)	(117,184)	(145,069)	(189,543)	(176,681)	(1,857,478)	(2,504,917)
Gross Profit		105,467	194,187	151,278	194,672	6,932	18,391	20,104	16,840	283,781	424,090
Less: Selling and distribution expenses		(31,774)	(23,937)	(51,196)	(50,421)	(7,341)	(8,314)	—	—	(90,311)	(82,672)
Administrative expenses		(64,490)	(60,158)	(6,898)	(5,785)	(1,922)	(2,301)	(123)	(111)	(73,433)	(68,355)
		(96,264)	(84,095)	(58,094)	(56,206)	(9,263)	(10,615)	(123)	(111)	(163,744)	(151,027)
Profit before other operating expenses and other income		9,203	110,092	93,184	138,466	(2,331)	7,776	19,981	16,729	120,037	273,063
Other operating expenses -note 15										(20,993)	(31,615)
Other income - note 16										207,197	221,791
Operating profit										306,241	463,239



14a. Segment operating results for the quarter ended March 31, 2017 (Unaudited)

		Sugar Division		Distillery Division		Textile Division		Trading Division		(Rupees in thousands) Total	
		March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Net sales and services											
Sales	Local	440,599	1,196,692	125,456	81,301	113	2,423	—	3,600	566,168	1,284,016
	Export	296,563	—	409,390	585,887	57,273	69,745	—	—	763,226	655,632
Services - Storage income - net		737,162	1,196,692	534,846	667,188	57,386	72,168	—	3,600	1,329,394	1,939,648
		—	—	139	469	—	—	—	—	139	469
Less: Cost of sales		737,162	1,196,692	534,985	667,657	57,386	72,168	—	3,600	1,329,533	1,940,117
		(641,645)	(1,037,755)	(426,676)	(520,286)	(52,384)	(65,771)	—	(3,210)	(1,120,705)	(1,627,022)
Gross Profit		95,517	158,937	108,309	147,371	5,002	6,397	—	390	208,828	313,095
Less: Selling and distribution expenses		(26,392)	(17,379)	(34,429)	(29,566)	(3,913)	(3,969)	—	—	(64,734)	(50,914)
Administrative expenses		(32,590)	(29,824)	(1,745)	(1,658)	(951)	(1,182)	(75)	(55)	(35,361)	(32,719)
		(58,982)	(47,203)	(36,174)	(31,224)	(4,864)	(5,151)	(75)	(55)	(100,095)	(83,633)
Profit / (Loss) before other operating expenses and other income		36,535	111,734	72,135	116,147	138	1,246	(75)	335	108,733	229,462
Other operating expenses - note 15										(17,142)	(23,324)
Other income - note 16										191,223	129,837
Operating profit										282,814	335,975



	(Unaudited) Half year ended		(Unaudited) Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	(Rupees in thousands)			
15. Other operating expenses				
Workers' Profit Participation Fund	17,697	24,757	14,396	18,108
Workers' Welfare Fund	3,296	6,858	2,746	5,216
	<u>20,993</u>	<u>31,615</u>	<u>17,142</u>	<u>23,324</u>
16. Other income				
Profit on sale / redemption of investments	92,479	111,615	91,099	30,238
Dividend income	99,967	100,244	92,020	94,543
Scrap sale	10,648	4,756	4,549	515
Gain on disposal of fixed assets	1,770	757	1,426	–
Agriculture income	1,771	3,502	1,771	3,502
Exchange gain	562	237	358	359
Sale of Electricity	–	680	–	680
	<u>207,197</u>	<u>221,791</u>	<u>191,223</u>	<u>129,837</u>
17. Finance income / (cost) - net				
Profit on treasury call accounts	4,365	8,300	3,122	1,980
Profit on term deposit receipts	53,931	28,835	10,458	22,418
Interest on loan to employees	61	37	41	20
	<u>58,357</u>	<u>37,172</u>	<u>13,621</u>	<u>24,418</u>
Less: Mark-up / interest on:				
Short-term borrowings	(23,260)	(28,022)	(19,852)	(16,119)
Workers' Profit Participation Fund	(1,094)	(1,132)	–	(12)
Bank charges	(7,295)	(7,726)	(5,796)	(5,415)
	<u>(31,649)</u>	<u>(36,880)</u>	<u>(25,648)</u>	<u>(21,546)</u>
	<u>26,708</u>	<u>292</u>	<u>(12,027)</u>	<u>2,872</u>
18. Taxation				
Income tax - current - 18.1	–	50,000	(11,500)	23,000
Deferred tax	10,000	20,000	10,000	20,000
	<u>10,000</u>	<u>70,000</u>	<u>(1,500)</u>	<u>43,000</u>



18.1 No provision for current taxation is required in view of the credit (investment allowance) on extension, expansion, balancing, modernization and replacement of plant and machinery under section 65B of the Income Tax Ordinance, 2001.

	(Unaudited)	
	March 31, 2017	March 31, 2016
	(Rupees in thousands)	
19. Cash used in operations		
Profit before taxation	332,949	463,531
Adjustment for non-cash charges and other items		
Depreciation	83,507	71,438
Gain on disposal of fixed assets	(1,770)	(757)
Profit on sale / redemption of investments	(92,479)	(111,615)
Finance income - net	(26,708)	(292)
Dividend income	(99,967)	(100,244)
Working capital changes - note 19.1	(5,426,146)	(3,671,303)
	<u>(5,230,614)</u>	<u>(3,349,242)</u>
19.1 Working capital changes		
(Increase) / decrease in current assets		
Stores and spare parts	(31,039)	(17,222)
Stock-in-trade	(4,685,954)	(3,507,042)
Trade debts	(214,945)	61,886
Loans and advances	(636,308)	(532,334)
Trade deposits and prepayments	1,153	2,856
Other receivables	(188,228)	(75,197)
	<u>(5,755,321)</u>	<u>(4,067,053)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	(67,188)	(24,040)
Advance from customers	396,363	419,790
Net changes in working capital	<u>(5,426,146)</u>	<u>(3,671,303)</u>
20. Cash and cash equivalents at the end of the period		
These comprise of the following :		
Cash and bank balances	342,833	1,243,385
Short-term borrowings	(2,750,000)	(1,950,000)
	<u>(2,407,167)</u>	<u>(706,615)</u>



21. Transactions with related parties

Related parties comprise of associated entities, entities with common directorship, directors and key management personnel. Material transactions with related parties during the period and balances at the end of the period, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	(Unaudited) Half year ended		(Unaudited) Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	(Rupees in thousands)			
Transactions during the period				
Insurance premium paid	21,583	12,191	6,755	2,551
Insurance claim received	7,451	–	1,800	–
Profit on treasury call accounts / term deposits	53,238	32,982	16,208	20,580
Investment in shares / units of mutual fund	54,500	762,500	54,500	12,500
Dividend income	84,478	84,478	84,478	84,478
Dividend paid	65,572	59,582	65,572	59,582
Redemption of investments	10,035	753,648	10,035	–
Bank charges	72	54	49	24
Compensation of Key management personnel	24,870	24,909	12,855	12,642
Contribution to retirement funds	6,876	6,593	3,478	3,301
			(Unaudited) March 31, 2017	(Audited) September 30, 2016
			(Rupees in thousands)	
Balances at the end of the period				
Bank balances			317,930	2,648,000
Profit accrued on bank deposits			737	–

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

22. Date of Authorisation for issue

These condensed interim financial statements were authorised for issue on May 24, 2017 by the Board of Directors of the Company.

23. General

23.1 Figures for the quarters ended March 31, 2017 and March 31, 2016 have not been subjected to limited scope review by the external auditors.

23.2 Figures presented in these condensed interim financial statements have been rounded off to the nearest thousand rupees unless otherwise stated.

Raeesul Hasan
Chief Executive

Amin Ali Abdul Hamid
Director



ٹن شکر برآمد کی گمر بین الاقوامی منڈیوں میں شکر کی گرتی ہوئی قیمتوں کی وجہ سے مزید برآمد قابل عمل نہیں سمجھی گئی۔
شکر ڈویژن نے 9,20 ملین روپے کا منافع حاصل کیا جبکہ مقابلتا پچھلے سال اسی مدت کے دوران منافع 110.09 ملین روپے تھا۔ منافع میں انحطاط کی وجہ شکر کی فروخت میں سست روی کا رجحان اور پچھلے سال کی نسبت اس سال ریکوری میں کمی کے باعث پیداواری لاگت میں اضافہ ہے۔
مارچ 2017 کے بعد مقامی اور بین الاقوامی منڈیوں میں شکر کی گرتی ہوئی قیمتوں کی وجہ سے سال کے آخر میں شکر ڈویژن کی مجموعی منفعت پر منفی اثرات مرتب ہو سکتے ہیں۔

ڈسٹری ڈویژن:

اس ڈویژن نے زیر جائزہ مدت میں 162 دن کے پیداواری عمل سے 14,688 میٹرک ٹن انتھانول بنایا جبکہ گزشتہ ششماہی میں 169 دن میں 14,806 میٹرک ٹن انتھانول کی پیداوار حاصل کی تھی۔ ڈویژن نے 93.18 ملین روپے کا منافع حاصل کیا جبکہ گزشتہ سال اسی مدت کے دوران 138.47 ملین روپے کا منافع حاصل کیا تھا۔ اس مدت میں منافع میں کمی کی وجہ حجم فروخت میں کمی اور پیداواری اخراجات میں اضافہ شیرے کی بڑھتی ہوئی قیمتوں کی وجہ سے ہوا۔

مائع کاربن ڈائی آکسائیڈ (CO2) کے یونٹ کا آپریشن اطمینان بخش رہا اور 3,970 میٹرک ٹن کی پیداوار ہوئی جبکہ گزشتہ سال اسی مدت کے دوران پیداوار 3,635 میٹرک ٹن تھی۔ اس یونٹ کا منافع ڈسٹری ڈویژن کے منافع میں شامل ہے۔

ٹیکسٹائل ڈویژن:

ٹیکسٹائل ڈویژن نے زیر جائزہ مدت میں 2.33 ملین روپے کا خسارہ کیا جبکہ پچھلے سال کے اسی دورانیہ میں 7.78 ملین روپے کا منافع حاصل کیا تھا۔ ڈویژن کے خسارے کی بنیادی وجہ سوت کی قیمتوں میں اضافہ اور فروخت کے حجم میں کمی ہے۔

ٹریڈنگ ڈویژن:

اس ڈویژن کا زیر جائزہ مدت میں منافع 19.98 ملین روپے شکر کی تجارت سے حاصل ہوا، مقابلتا پچھلے سال کی اسی مدت کا منافع 16.73 ملین روپے تھا۔

بگاس پٹی کو۔ جزییشن منصوبہ:

کمپنی کے نقطہ نظر سے ہم آہنگ، کمپنی کے ڈائریکٹرز نے 750 ملین روپے کی سرمایہ کاری ایچ۔ ایس۔ ایم انرجی لمیٹڈ میں کرنے کی منظوری دی ہے، یہ کمپنی کا ایک مکمل ملکیتی ماتحت ادارہ ہے جو بگاس پٹی 26.5 میگا واٹ کو۔ جزییشن منصوبے کا قیام عمل میں لائے گا۔ موجودہ ٹیرف 28 مئی 2017 تک کے لیے موش ہے اور کمپنی بھر پور طریقے سے اس منصوبے کی ضروری کارروائی کو ریگولیٹری حکام کے ساتھ مکمل کرنے میں مصروف عمل ہے۔

ڈائریکٹرز کا انتخاب:

اس سال 30 جنوری 2017 کو ڈائریکٹرز کے انتخاب کا عمل منعقد ہوا اور جناب اصغر ذی حبیب، جناب علی رضا ذی حبیب، جناب محمد نواز نقی، جناب امین علی عبدالحمید، جناب شمس محمد حاجی، جناب مرتضیٰ ایچ حبیب اور جناب عمران اے حبیب تین سال کی مدت کے لیے کمپنی کے ڈائریکٹرز منتخب ہوئے۔

عام امور:

ڈائریکٹرز اس امر پر اپنی خوشی کا اظہار کرتے ہوئے کمپنی کے افسران، عملہ اور کارکنان کی بہترین کارکردگی پر خراج تحسین پیش کرتے ہیں۔

از طرف بورڈ آف ڈائریکٹرز

اصغر ذی۔ حبیب
چیئرمین

کراچی مورخہ 24 مئی 2017ء



ڈائریکٹرز کی رپورٹ

محترم ممبران۔ السلام علیکم

بورڈ آف ڈائریکٹرز کی جانب سے میں آپ لوگوں کو 31 مارچ 2017 کی ختم ہونے والی ششماہی مدت کے کمپنی کے غیر آڈٹ شدہ عبوری مالیاتی حسابات پیش کر رہا ہوں۔

مالیاتی نتائج:

اللہ کے فضل و کرم سے زیر جائزہ مدت کے دوران آپ کے ادارے کی کارکردگی کی وجہ سے قبل از ٹیکس منافع کی رقم 322,95,95 ملین روپے رہی۔ اس ششماہی مدت کے مالیاتی نتائج مندرجہ ذیل ہیں۔

(روپے ہزاروں میں)

332,949	منافع قبل از ٹیکسیشن
10,000	ٹیکس
322,949	منافع بعد از ٹیکسیشن
2,753	غیر منقسمہ منافع ہراٹ فارورڈ
325,702	غیر منقسمہ منافع گیری فارورڈ

2.15

آمدنی فی شیئر۔ بنیادی اور معتدل۔ روپیہ

کارکردگی کا جائزہ:

شکریہ و سپین:

کرشنک سیزن 2016-2017 کا آغاز 17 نومبر 2016 کو ہوا اور پلانٹ 24 مارچ 2017 تک 128 دن چلا، اس کے مقابلے میں گزشتہ سیزن میں 111 دن چلا۔ موجودہ سیزن میں گنے کی کرشنک 865,530 میٹرک ٹن رہی اور شکر کی اوسط ریکوری 9.97 فیصد رہی جبکہ شکر کی پیداوار 86,316 میٹرک ٹن ہوئی۔ مقابلہ گزشتہ سیزن میں گنے کی کرشنک 821,801 میٹرک ٹن تھی اور شکر کی اوسط ریکوری 10.74 فیصد تھی جبکہ شکر کی پیداوار 88,271 میٹرک ٹن تھی۔

حکومت سندھ نے 13 اکتوبر 2016 کو گنے کی کم از کم سپورٹ پرائس برائے سیزن 2016-2017 کے نوٹیفیکیشن کا اجراء کیا جس میں گنے کی قیمت -/182 روپے فی 40 کلوگرام مقرر کی گئی اس کے مقابلے میں گزشتہ سیزن 2015-2016 میں یہ قیمت -/172 روپے فی 40 کلوگرام تھی۔ علاوہ ازیں ملز کو الٹی پریئم شکر کی اوسط ریکوری کے پیمانے 8.70 فیصد سے زائد ہر 0.10 فیصد پر 0.50 روپے فی 40 کلوگرام ادا کرے گی۔ حالانکہ نوٹیفیکیشن کے مطابق یہ معاملہ معزز سپریم کورٹ آف پاکستان میں زیر سماعت ہے اور وفاقی حکومت کی اسٹیرنگ کمیٹی کے فیصلے کے مطابق کو الٹی پریئم کا معاملہ سپریم کورٹ کے فیصلے تک معطل رہے گا جب تک وفاقی حکومت کوئی متفقہ لائحہ عمل طے نہ کرے۔

موجودہ کرشنک سیزن کے دوران گنے کی دستیابی غیر متواتر رہی جس کے نتیجے میں گنے کی کرشنک کا یومیہ اوسط تناسب گزشتہ سیزن کے مقابلے میں کم رہا۔ علاوہ ازیں عالمی طور پر گرم درجہ حرارت کی وجہ سے شکر کی ریکوری گزشتہ سال کے مقابلے میں کم رہی۔

کمپنیت کی اکٹا ملک کو آرڈینیشن کمیٹی (ECC) نے بالترتیب 225,000 ٹن اور 200,000 ٹن شکر برآمد کرنے کی اجازت 19 جنوری 2017 اور 7 اپریل 2017 کو بغیر کسی مراعت / نقد سہڈی کے دی ہے، جو کہ 31 مئی 2017 تک کے لیے ہے۔ مارچ 2017 کے دوران ہماری کمپنی نے 5,200