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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	4th 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 of Pakistan Limited Bank AL Habib Limited Barclays Bank PLC, Pakistan 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	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants	
Share Registrar	THK Associates (Pvt.) Limited 2nd Floor, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi-75530 Phones : (+92-21) 111-000-322 Fax : (+92-21) 35655595 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, 2015.

Financial Results

By the Grace of Allah, during the half year under review, the operations of your Company resulted in a pre-tax profit of Rs. 425.40 million. The financial results for the half year are as follows:

	(Rupees in thousands)
Profit before taxation	425,397
Taxation	65,000
Profit after taxation	<u>360,397</u>
Unappropriated profit brought forward	2,496
Unappropriated profit carried forward	<u><u>362,893</u></u>
Earnings per share – Basic and diluted	Rs. <u><u>2.40</u></u>

Performance Review

Sugar Division

The crushing season 2014-15 commenced on December 8, 2014 and the plant operated upto April 8, 2015 for 117 days as against 149 days in the preceding season. Sugarcane crushed during the current season was 854,231 M.Tons with average sucrose recovery of 10.40% and sugar production of 88,807 M.Tons, as compared with crushing of 1,116,554 M.Tons with average sucrose recovery of 10.44% and sugar production of 116,513 M.Tons during the preceding season. The quantum of sugarcane crushed and sugar production was lower as compared with the previous season due to lesser availability of sugarcane.

The dispute over minimum sugarcane support price between provincial government, growers and millers delayed the commencement of crushing season 2014-15. The issue of minimum support price went back and forth before being settled by an interim consent order passed by the Honourable High Court of Sindh. The interim order prescribed mills to pay Rs. 160 per 40 kg while the provincial government was bound to pay Rs. 12 per 40 kg. Thus Rs. 172 per 40 kg emerged as an interim price of sugarcane for the season 2014-15. The above interim arrangement is subject to the final adjudication of the case filed by the sugar mills before the Honourable Supreme Court of Pakistan.



The Economic Co-ordination Committee of the Cabinet in their meeting held on December 24, 2014 allowed export of 650,000 M.Tons of sugar. To encourage exports, the government announced subsidy of Rs.10 / kg on sugar exports through SRO No.1(4) CF-C/2014-114 dated February 10, 2015. In spite of the subsidy announced by the government, the export of sugar was not considered feasible due to depressed sugar prices in the international market.

Sugar division earned profit of Rs. 122.36 million as against profit of Rs. 79.80 million in the corresponding period of previous year. The profitability of the division was higher due to increase in sale volume during the period as compared with the corresponding period of the previous year.

Distillery Division

Production of ethanol during the half year ended March 31, 2015 was 13,317 M.Tons as compared with 14,937 M.Tons during the corresponding period of the previous year. The division earned profit of Rs. 120.30 million during the period under review as against profit of Rs. 210.45 million in the corresponding period of the previous year. The reduction in profitability was due to decrease in sale volume and lower selling price of ethanol in domestic and international markets.

The liquidified carbon dioxide (CO₂) unit also operated satisfactorily and produced 2,962 M.Tons as compared with 2,761 M.Tons during the corresponding period of previous year.

Textile Division

The division earned profit of Rs. 7.38 million during the half year under review as against profit of Rs. 8.96 million in the corresponding period of the previous year.

Trading Division

During the period under review, the division made operating profit of Rs. 13.52 million on account of trading of molasses.

General

The Directors are pleased to place on record their appreciation for 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 27, 2015



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** as at 31 March 2015, related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows and 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 "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 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.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Review Engagement Partner:
Khurram Jameel

Karachi: May 27, 2015



Condensed Interim Balance Sheet as at March 31, 2015 (Unaudited)

	Note	(Unaudited) March 31, 2015	(Audited) September 30, 2014
Assets			
Non-Current Assets			
(Rupees in thousands)			
Fixed assets			
Property, plant and equipment	4	1,464,043	1,353,601
Long-term investments	5	1,403,194	1,451,587
Long-term loans		5,021	5,391
Long-term deposits		2,978	2,963
		<u>2,875,236</u>	<u>2,813,542</u>
Current Assets			
Stores and spare parts		121,801	87,983
Stock-in-trade	6	3,742,514	956,881
Trade debts		45,566	619,832
Loans and advances		139,469	263,413
Trade deposits and prepayments		10,157	8,725
Accrued profit on bank deposits		293	11,099
Other receivable		87,310	20,857
Short-term investments	7	3,640,204	–
Cash and bank balances		263,019	2,198,559
		<u>8,050,333</u>	<u>4,167,349</u>
Total Assets		<u><u>10,925,569</u></u>	<u><u>6,980,891</u></u>
Equity and Liabilities			
Share Capital and Reserves			
Share Capital			
Authorised			
150,000,000 (September 2014: 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 2014: 150,000,000)			
Ordinary shares of Rs. 5 each		750,000	750,000
Reserves		<u>4,736,643</u>	<u>4,699,252</u>
		<u>5,486,643</u>	<u>5,449,252</u>
Non-Current Liabilities			
Deferred taxation		107,525	90,000
Current Liabilities			
Trade and other payables	8	2,182,400	1,203,746
Advance from customers		707,664	236,542
Short-term borrowings	9	2,408,329	–
Accrued mark-up on short-term borrowings		24,503	–
Taxation - net		8,505	1,351
		<u>5,331,401</u>	<u>1,441,639</u>
Contingencies and Commitments	10		
Total Equity and Liabilities		<u><u>10,925,569</u></u>	<u><u>6,980,891</u></u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director



**Condensed Interim Profit and Loss Account
for the half year ended March 31, 2015 (Unaudited)**

	Note	Half year ended		Quarter ended	
		March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
(Rupees in thousands)					
Segment operating results	11				
Net sales and services		3,838,274	3,591,878	2,634,053	2,602,703
Cost of sales		(3,421,314)	(3,117,270)	(2,282,202)	(2,235,568)
Gross profit		416,960	474,608	351,851	367,135
Selling and distribution expenses		(89,309)	(111,087)	(57,620)	(81,869)
Administrative expenses		(64,083)	(61,961)	(28,960)	(27,829)
Other operating expenses	12	(35,315)	(43,900)	(27,541)	(37,277)
Other income	13	143,367	132,286	124,568	118,039
		(45,340)	(84,662)	10,447	(28,936)
Operating profit		371,620	389,946	362,298	338,199
Finance income / (cost) - net		53,777	(21,180)	4,168	(25,816)
Profit before taxation		425,397	368,766	366,466	312,383
Taxation	14	(65,000)	(40,000)	(54,500)	(30,000)
Profit after taxation		360,397	328,766	311,966	282,383
Earnings per share - Basic and diluted	Rs.	2.40	2.19	2.08	1.88

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director



**Condensed Interim Statement of Comprehensive Income
for the half year ended March 31, 2015 (Unaudited)**

	<u>Half year ended</u>		<u>Quarter ended</u>	
	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	(Rupees in thousands)			
Profit after taxation	360,397	328,766	311,966	282,383
Other comprehensive income :				
Items that will be reclassified subsequently to profit & loss :				
Net gain on investment - available for sale				
Unrealised gain on revaluation of investments for the period - net of tax	112,650	326,348	(49,218)	140,192
Reclassification adjustments included in the profit and loss account for:				
Gain on sale of investments - net	(60,656)	(75,943)	(48,614)	(73,650)
	51,994	250,405	(97,832)	66,542
Total Comprehensive income for the period	<u>412,391</u>	<u>579,171</u>	<u>214,134</u>	<u>348,925</u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director



Condensed Interim Statement of Changes in Equity for the half year ended March 31, 2015 (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, 2013	750,000	34,000	2,201,000	781,965	865,802	3,882,767	4,632,767
Cash dividend for 2013 @ 50%	-	-	-	(375,000)	-	(375,000)	(375,000)
Transfer to general reserve	-	-	400,000	(400,000)	-	-	-
Total comprehensive income for the half year ended March 31, 2014	-	-	-	328,766	250,405	579,171	579,171
Balance as on March 31, 2014	<u>750,000</u>	<u>34,000</u>	<u>2,601,000</u>	<u>335,731</u>	<u>1,116,207</u>	<u>4,086,938</u>	<u>4,836,938</u>
Balance as on October 1, 2014	750,000	34,000	2,601,000	802,496	1,261,756	4,699,252	5,449,252
Cash dividend for 2014 @ 50%	-	-	-	(375,000)	-	(375,000)	(375,000)
Transfer to general reserve	-	-	425,000	(425,000)	-	-	-
Total comprehensive income for the half year ended March 31, 2015	-	-	-	360,397	51,994	412,391	412,391
Balance as on March 31, 2015	<u>750,000</u>	<u>34,000</u>	<u>3,026,000</u>	<u>362,893</u>	<u>1,313,750</u>	<u>4,736,643</u>	<u>5,486,643</u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director



Condensed Interim Cash Flow Statement for the half year ended March 31, 2015 (Unaudited)

	Note	March 31, 2015	March 31, 2014
(Rupees in thousands)			
Cash flows from operating activities			
Cash used in operations	15	(402,266)	(982,326)
Finance income received - net		89,086	8,041
Income tax paid		(57,846)	(79,971)
Long-term loans		370	(639)
Long-term deposits		(15)	-
Net cash used in operating activities		(370,671)	(1,054,895)
Cash flows from investing activities			
Fixed capital expenditure		(166,363)	(218,998)
Sale proceeds / redemption of investments		86,174	1,697,759
Dividend received		20,813	49,131
Purchase of investments		(3,547,810)	(1,527,782)
Sale proceeds of fixed assets		584	1,743
Net cash (used in) / generated from investing activities		(3,606,602)	1,853
Cash flows from financing activities			
Dividend paid		(366,596)	(365,728)
Net decrease in cash and cash equivalents		(4,343,869)	(1,418,770)
Cash and cash equivalents at the beginning of the period		2,198,559	331,639
Cash and cash equivalents at the end of the period	16	(2,145,310)	(1,087,131)

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director



Notes to the Condensed Interim Financial Statements for the half year ended March 31, 2015 (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 Karachi and Lahore Stock Exchanges. 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.

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 and have been prepared in accordance with the requirements of International Accounting Standard (IAS) - 34, 'Interim Financial Reporting', as applicable in Pakistan. These 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, 2014.

3. Significant accounting policies and disclosures

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, 2014.

	(Unaudited) March 31, 2015	(Audited) September 30, 2014
	(Rupees in thousands)	
4. Fixed assets		
4.1 Property, plant and equipment		
Operating fixed assets	1,211,404	1,180,207
Capital work-in-progress	244,281	148,630
Major stores and spare parts	8,358	24,764
	<u>1,464,043</u>	<u>1,353,601</u>
4.2 Cost of additions to / deletions from fixed assets during the half year ended March 31, 2015 were as follows:		
	Additions	Deletions
	(Rupees in thousands)	
Plant and machinery		
Sugar	71,968	-
Distillery	92,793	-
Vehicles	1,533	74
Furniture, fittings and office equipment	69	57
	<u>166,363</u>	<u>131</u>



	(Unaudited) March 31, 2015 (Rupees in thousands)	(Audited) September 30, 2014
5. Long-term investments - available for sale		
Investments in related parties	888,091	934,271
Investments in other companies	515,103	517,316
	<u>1,403,194</u>	<u>1,451,587</u>

5.1 The above investments are stated at fair value based on the prevailing market rates as on March 31, 2015. The aggregate cost of the investments, net of impairment is Rs.212.12 (September 2014: Rs. 189.83) million.

	(Unaudited) March 31, 2015 (Rupees in thousands)	(Audited) September 30, 2014
6. Stock-in-trade		
Raw materials	820,504	171,021
Work-in-process	53,001	28,591
Finished goods	2,863,292	756,962
Fertilizers	5,717	307
	<u>3,742,514</u>	<u>956,881</u>

	(Unaudited) March 31, 2015 (Rupees in thousands)	(Audited) September 30, 2014
7. Short-term investments - available for sale		

Investments in Units of Mutual Funds are as follows:

Mutual Fund Units		Face value Rs.	Fund's Name		
March 31, 2015	September 30, 2014				
Investment in other fund					
18,719,583	-	50	Metro Bank - Pakistan Sovereign Fund	1,060,652	-
81,315,478	-	10	ABL - Government Securities Fund	926,695	-
7,694,897	-	100	UBL - Government Securities Fund	877,891	-
Investment in related party					
7,108,201	-	100	First Habib Income Fund	774,966	-
				<u>3,640,204</u>	<u>-</u>

7.1 The above investments are stated at fair value based on the net assets value as on March 31, 2015. The aggregate cost of the investments is Rs. 3,500 million (2014: Nil).



(Unaudited) (Audited)
 March 31, September 30,
 2015 2014
 (Rupees in thousands)

8. Trade and other payables

Creditors	1,793,992	850,085
Accrued liabilities	291,208	223,960
Sales tax / Federal excise duty	-	23,642
Workers' Profit Participation Fund	22,871	49,575
Workers' Welfare Fund	28,978	19,830
Income tax deducted at source	502	209
Unclaimed dividends	44,849	36,445
	<u>2,182,400</u>	<u>1,203,746</u>

9. Short-term borrowings - secured

The aggregate financing facility available from commercial banks amounted to Rs.2,580 (September 2014: Rs.1,680) 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 5.8% to 9.98% (September 2014: 9.20% to 11.94%) per annum.

10. Contingencies and commitments

10.1 Contingencies

10.1.1 The Company has provided counter guarantees to banks, aggregating to Rs. 2,028.29 (September 30, 2014: Rs. 252.75) million against agriculture finance facilities to growers and 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 stock-in-trade, stores and spares, assignment of trade debts and other receivables amounting to Rs.1,047.39 (2014: 70.34) million and lien marked on units of mutual funds amounting to Rs.1,045 million (2014: Nil).

10.1.2 During 2009-10 the Company received a show cause 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 Competition Commission of Pakistan has not imposed any fine / penalty against the alleged violation of any provisions of the Competition Act 2010.



- 10.1.3** 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 Company is of the view that the demand raised is without any lawful authority and is in violation of the Constitution, hence, no provision is made in this regard.

- 10.1.4** Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development (GID) Cess on gas bills at the rate of Rs. 13 / MMBTU on all Industrial consumers. In June 2012, the Federal Govt. revised the rate of GID Cess from Rs. 13 / MMBTU to Rs. 100 / MMBTU which was challenged by the Company and an interim stay was granted by the Honourable High Court of Sindh. On September 7, 2012 the Federal Govt. revised downward the rate of GID Cess from Rs.100 / MMBTU to Rs.50 / MMBTU and accordingly the prayer clause of the suit was amended.

On June 13, 2013 in similar cases the Honourable High Court of Peshawar in its judgement held that GID Cess is a fee and cannot be introduced through Money Bill and accordingly declared the levy of Cess unconstitutional. Against the above order the Government filed appeal before the Honourable Supreme Court of Pakistan. The Apex Court vide its judgement dated August 22, 2014 held that the cess was unconstitutional and the appeals filed were accordingly dismissed. The Government filed a review petition against the said judgement which was dismissed by the Apex Court on April 15, 2015.

The Federal Govt. vide Finance Act, 2014 again revised the rate of GID Cess from Rs.50 / MMBTU to Rs.150 / MMBTU which was again challenged by the Company and an interim stay was granted by the Honourable High Court of Sindh.

Subsequently in September 2014, GIDC Ordinance 2014 was promulgated and the rate of Cess was fixed at Rs.150 / MMBTU. This was again challenged and the Honourable High Court of Sindh vide its Order dated October 1, 2014 granted interim stay restraining the SSGC from raising any demand in pursuant to the said Ordinance. The case was fixed for hearing on December 16, 2014 but did not proceed and was adjourned to date in office.

The financial exposure of the Company upto March 31, 2015 is Rs. 75.28 (September 30, 2014: Rs. 46.38) million. 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 financial statements.

On May 22, 2015 the GID Cess Act, 2015 has been approved by the President and made applicable with immediate effect. According to the legal counsel, the same will be challenged in due course of time.

- 10.1.5** Appeals filed by the tax authorities for the Tax years 1998, 2001 and 2002 against decisions of the Income Tax Appellate Tribunal (ITAT) in favour of the Company are pending before the Honourable High Court of Sindh. The tax exposure against these appeals in aggregate amounts to Rs.14.6 million. During the period, appeals were fixed for hearing on various dates and were adjourned to 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 financial statements.

- 10.1.6** The Company has filed a petition before the Honourable High Court of Sindh challenging the increase in market committee fee from Rs.5 / ton to Rs.10 / ton on sugarcane purchased by the Company. The Honourable High Court of Sindh has granted status quo and no hearing took place during the period. As a matter of prudence, full provision has been made in these financial statements.
- 10.1.7** The tax authorities increased the rate of Special Excise Duty from 1% to 2.5% for the period from November 7, 2007 to June 30, 2011. The Company disputed the above increase as the levy was without jurisdiction, illegal and unconstitutional. The Company along with other petitioners filed a petition before the Honourable High Court of Sindh challenging the vires of Section 3A of the Federal Excise Act 2005 & SRO 655 (1)/2007 with respect to the imposition and increase in rate of Special Excise Duty.

On February 22, 2013 the Honourable High Court of Sindh decided the case in favour of the Company. Against the above order, the Government of Pakistan filed appeal which is pending before the Honourable Supreme Court of Pakistan for final adjudication.

- 10.1.8** The Government of Sindh vide notification dated July 8, 2014 levied a fee of Re.0.50 / litre for storage of rectified spirit in bonded warehouse at Terminal Kemari, 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, 2015 is Rs.9.61 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 financial statements.
- 10.1.9** 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 17, 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 was 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 to 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 financial statements.

	(Unaudited) March 31, 2015	(Audited) September 30, 2014
	(Rupees in thousands)	
10.2 Commitments		
10.2.1 Capital expenditure	<u>38,286</u>	<u>71,317</u>
10.2.2 Rentals payable over next four years under operating lease agreements with First Habib Modraba in respect of vehicles	<u>24,599</u>	<u>23,369</u>



11. Segment operating results for the half year ended March 31, 2015 (Unaudited)

		Sugar Division		Distillery Division		Textile Division		Trading Division		(Rupees in thousands) Total	
		Half year ended		Half year ended		Half year ended		Half year ended		Half year ended	
		March 31,	March 31,	March 31,	March 31,	March 31,	March 31,	March 31,	March 31,	March 31,	March 31,
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net sales and services											
Sales	Local	2,545,530	1,824,341	128,117	165,364	2,766	2,654	-	29,167	2,676,413	2,021,526
	Export	-	135,429	834,493	1,221,887	216,365	212,689	110,594	-	1,161,452	1,570,005
		2,545,530	1,959,770	962,610	1,387,251	219,131	215,343	110,594	29,167	3,837,865	3,591,531
Services - Storage income - net		-	-	409	347	-	-	-	-	409	347
		2,545,530	1,959,770	963,019	1,387,598	219,131	215,343	110,594	29,167	3,838,274	3,591,878
Less: Cost of sales		(2,343,742)	(1,794,470)	(786,658)	(1,108,057)	(194,601)	(188,076)	(96,313)	(26,667)	(3,421,314)	(3,117,270)
Gross Profit		201,788	165,300	176,361	279,541	24,530	27,267	14,281	2,500	416,960	474,608
Less: Selling and distribution expenses		(24,138)	(31,617)	(49,644)	(63,292)	(14,879)	(16,113)	(648)	(65)	(89,309)	(111,087)
Administrative expenses		(55,288)	(53,888)	(6,414)	(5,802)	(2,268)	(2,197)	(113)	(74)	(64,083)	(61,961)
		(79,426)	(85,505)	(56,058)	(69,094)	(17,147)	(18,310)	(761)	(139)	(153,392)	(173,048)
Profit before other operating expenses and other income		122,362	79,795	120,303	210,447	7,383	8,957	13,520	2,361	263,568	301,560
Other operating expenses - note 12										(35,315)	(43,900)
Other income - note 13										143,367	132,286
Operating profit										371,620	389,946



11a. Segment operating results for the quarter ended March 31, 2015 (Unaudited)

		Sugar Division		Distillery Division		Textile Division		Trading Division		(Rupees in thousands) Total	
		Quarter ended		Quarter ended		Quarter ended		Quarter ended		Quarter ended	
		March 31,	March 31,	March 31,	March 31,	March 31,	March 31,	March 31,	March 31,	March 31,	March 31,
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net sales and services											
Sales	Local	2,064,649	1,369,197	70,541	89,032	806	1,292	-	-	2,135,996	1,459,521
	Export	-	115,495	386,614	937,094	111,159	90,361	-	-	497,773	1,142,950
		2,064,649	1,484,692	457,155	1,026,126	111,965	91,653	-	-	2,633,769	2,602,471
Services - Storage income - net		-	-	284	232	-	-	-	-	284	232
		2,064,649	1,484,692	457,439	1,026,358	111,965	91,653	-	-	2,634,053	2,602,703
Less: Cost of sales		(1,830,398)	(1,358,467)	(351,431)	(797,762)	(100,373)	(79,339)	-	-	(2,282,202)	(2,235,568)
Gross Profit		234,251	126,225	106,008	228,596	11,592	12,314	-	-	351,851	367,135
Less: Selling and distribution expenses		(18,901)	(23,711)	(30,367)	(50,844)	(8,352)	(7,314)	-	-	(57,620)	(81,869)
Administrative expenses		(26,897)	(26,062)	(778)	(517)	(1,234)	(1,176)	(51)	(74)	(28,960)	(27,829)
		(45,798)	(49,773)	(31,145)	(51,361)	(9,586)	(8,490)	(51)	(74)	(86,580)	(109,698)
Profit before other operating expenses and other income		188,453	76,452	74,863	177,235	2,006	3,824	(51)	(74)	265,271	257,437
Other operating expenses -note 12										(27,541)	(37,277)
Other operating income - note 13										124,568	118,039
Operating profit										362,298	338,199



	(Unaudited) Half year ended		(Unaudited) Quarter ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
(Rupees in thousands)				
12. Other operating expenses				
Workers' Profit Participation Fund	22,871	19,826	19,703	16,795
Workers' Welfare Fund	9,148	7,931	7,881	6,718
Exchange loss / (gain)	3,296	16,143	(43)	13,764
	<u>35,315</u>	<u>43,900</u>	<u>27,541</u>	<u>37,277</u>
13. Other income				
Gain on sale / redemption of investments	60,656	75,943	48,059	73,650
Dividend income	79,177	49,488	75,512	39,606
Scrap sale	2,244	4,423	277	2,353
Gain on disposal of fixed assets	574	1,675	4	1,673
Agriculture income	716	757	716	757
	<u>143,367</u>	<u>132,286</u>	<u>124,568</u>	<u>118,039</u>
14. Taxation				
Current	65,000	32,000	54,500	22,000
Deferred	-	8,000	-	8,000
	<u>65,000</u>	<u>40,000</u>	<u>54,500</u>	<u>30,000</u>
(Unaudited)				
March 31, March 31,				
2015 2014				
(Rupees in thousands)				
15. Cash generated from / (used in) operations				
Profit before taxation		425,397	368,766	
Adjustment for non-cash charges and other items				
Depreciation		55,911	45,467	
Gain on disposal of fixed assets		(574)	(1,675)	
Gain on sale / redemption of investments		(60,656)	(75,943)	
Finance (income) / cost - net		(53,777)	21,180	
Dividend income		(79,177)	(49,488)	
Working capital changes - note 15.1		(689,390)	(1,290,633)	
		<u>(402,266)</u>	<u>(982,326)</u>	



(Unaudited)
March 31, 2015 March 31, 2014
(Rupees in thousands)

15.1 Working capital changes

(Increase) / decrease in current assets

Stores and spare parts	(33,818)	(22,721)
Stock-in-trade	(2,785,633)	(3,701,652)
Trade debts	574,266	(282,159)
Loans and advances	123,944	193,465
Trade deposits and prepayments	(1,432)	3,161
Other receivables	(8,089)	(990)
	(2,130,762)	(3,810,896)

Increase / (decrease) in current liabilities

Trade and other payables	970,250	843,486
Advance from customers	471,122	1,676,777

Net changes in working capital

(689,390) (1,290,633)

16. Cash and cash equivalents at the end of the period

These comprise of the following :

Cash and bank balances	263,019	566,869
Short-term borrowings	(2,408,329)	(1,654,000)
	(2,145,310)	(1,087,131)

17. Transactions with related parties

Material transactions with related parties are given below:

	(Unaudited) Half year ended		(Unaudited) Quarter ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
	(Rupees in thousands)			
Insurance premium paid	14,075	7,405	4,065	-
Insurance claim received	10,900	1,608	-	1,027
Profit on treasury call accounts / term deposits	95,987	14,124	31,135	5,949
Purchases	-	131	-	131
Investment in units of mutual fund	750,000	200,000	750,000	200,000
Dividend received	66,188	33,612	66,188	33,612
Dividend paid	60,710	60,710	60,710	60,710
Bonus shares / units received at nominal value	-	63,427	-	33,663
Redemption of investments	-	1,667,011	-	1,667,011
Bank charges	137	357	95	286
Compensation of Key management personnel	20,693	13,362	13,526	6,138
Contribution to retirement funds	5,850	6,220	5,322	3,089

Transactions with related parties are carried out at arm's length.

18. Date of Authorisation for issue

These condensed interim financial statements were authorised for issue on May 27, 2015 by the Board of Directors of the Company.

19. General

19.1 Figures for the quarters ended March 31, 2015 and March 31, 2014 have not been subjected to limited scope review by the external auditors.

19.2 Figures presented in these condensed interim financial statements have been rounded off to the nearest thousand rupees.

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Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director