



Directors' Report

On behalf of the Board, I am pleased to present the financial results for the half year ended March 31, 2015.

Operational Highlights		2014-15	2013-14
Season started		08-12-2014	01-11-2013
Crushing Days	Days	108	122
Crushing	M.tons	946,871	1,140,502
Sucrose Recovery	%	11.42	10.81
Sugar Production	M.tons	108,054	123,210
Molasses Production	M.tons	40,240	48,770

Financial Highlights		March 2015	March 2014
Turnover-net	Rs. in '000'	1,395,483	3,660,711
Profit before tax	Rs. in '000'	305,471	414,144
Profit after tax	Rs. in '000'	226,729	303,854
Earning per share	Rs.	7.08	9.49

By the grace of God we were able to achieve one major success in season 2014-2015 which makes us very proud. Your Company achieved a sucrose recovery of 11.42% which was not only the highest in the history of Mehran but was the highest recovery recorded by any sugar mill in Pakistan. We recorded an increase of 5.69% in sucrose recovery as compared to last year, whereas recoveries all over the country increased by 2.54%. The average recovery in Sindh was 10.46% as compared to 10.08% in the previous year. In Punjab it was 9.96% as compared to 9.81% in the previous year. While in KP it was 9.13% as compared to 8.75% in the previous year.

The overall Pakistan recovery was 10.07% which meant that Mehran's recovery was 13.4% higher than the national average

Commencement of the crushing season 2014-15 was marred by uncertainty. The dispute over minimum support price between provincial government, growers and millers went back and forth before being finally settled by a Consent Order through the honorable high court of Sindh. The Government of Sindh played a positive and instrumental role in amicably settling the situation. Their assistance to the growers and the industry by subsidizing the farmer in such tough times through a Rs. 12/- per maund subsidy was an extremely welcome and pro agriculture decision. Once the necessary paperwork for this is completed payments shall be made to the farmer by the Government of Sindh through the sugar industry. This incentive and positive move by the Government of Sindh will go a long way in enhancing the revenue of the sugarcane farmers and encourage them to continue plantation of sugarcane.

As has been our company policy we are again proud to state that we were able to complete our growers' payment within the stipulated time. Our consistent payment policy continues to play a vital part in sugarcane procurement as well as development in the region. We feel this policy is one of the influential factors in ensuring that the overall cane crop continues to flourish in our cane growing region as well as strengthening goodwill amongst the farmer community.

During this period profit of the Company amounted to Rs.226.7 million as compared to Rs.303.8 million during the same period last year. Following were the factors that impacted the overall profitability of the Company:

- Decrease in turnover by 62% primarily due to lower sales volume during this period. Due to depressed prices in the first half of the year the company had to wait for prices to stabilize.

- Despite low sales volume gross profit margin increased due to improved recovery.
- Financial charges were lower by 32% due to lower raw material quantum as well as prices. The overall borrowing cost also fell due to a marked reduction in KIBOR rates.
- Exports of Sugar were much lower at only 4,068 metric tons as compared to 22,988 metric tons of sugar in the corresponding period of last year. The State Bank of Pakistan has been so far approved 323,466 metric tons of sugar for export for all mills in Pakistan. Since exports were only viable by land route to Afghanistan we were not as competitive due to the freight disadvantage as compared to mills situated in the North. Thus we lost market share in exports. However local prices in the second half of the year have stabilized and thus the export parity has reduced substantially even with the additional subsidy. This means that even with lower exports, our overall revenue will not be compromised.
- Profit from Unicol was also substantially lower. Heavy financial and depreciation expenses along with lower ethanol realised prices dented the overall profitability.
- Income from Dividends and Capital Gains of the Equity Portfolio amounted to Rs.29.9 million as compared to Rs.26.3 million showing an increase of 13.76%.

Industry review

As against initial estimates of yet another bumper crop the sugarcane crop all over the country was slightly lower than the previous year. The final production number was 4.98 million M. tons as compared to 5.18 million M. tons last year.

In order to encourage the sugar mills to export the surplus production the Federal Government took a proactive decision and allowed exports of sugar up to 650,000 metric tons along with an export subsidy of Rs.10/- per kg. The export subsidy was a welcome addition since global sugar prices are at a 3 years low considering this is the 5th year of global surpluses.

Other than this the Utility Stores Corporation has recently also placed a tender to procure sugar directly from sugar mills to meet their Ramadan requirement. We feel that growing sugar demand along with a slightly smaller crop could create tightness in the sugar market which could be reflected in better prices in the later part of the year. This would allow the Company to benefit from inventory gains as we sell the remaining stocks.

Our retail brands Sugarie and Chashnik are gaining coverage and we have now launched in Islamabad and Lahore as well. We are now in the process of launching three new products which shall be moisture, icing and castor sugar. Within this year the company also plans to launch its products in a sachet packaging to further enhance the product range.

Unicol Ltd.

This is the first year where both ethanol plants are running since the start of the financial year. We are glad to inform that the plants are running smoothly and yield and energy efficiency are higher than last year. Considering this situation Unicol was able to produce its highest ever production in this period which was 29,024 tons.

Fundamentally the glut in global sugar and ethanol has caused world prices to fall. Also the fall in oil prices though not directly associated with ethanol prices has had a negative sentiment. Since we have already covered our molasses procurement, we expect both plants to run at 100 percent

capacity for the year. There are also early indications that prices might improve which would lead to better results for the year end. Some important information about Unicol is as follows:

Sales	2.28 billion
Net profit after tax	49.2 million
Long term debt:	1.29 billion
Production in this period:	
Ethanol	29,024 M. Tons
CO ₂	1,771.9 M. Tons

Future Outlook

As we mentioned earlier domestic sugar prices are slowly improving. If this trend remains we shall benefit through inventory gains as the Company has a sizeable volume of sugar in stock.

Over the last 5 years Mehran has been investing regularly on its plant and machinery, human resource, infrastructure and towards cane development. This policy has been paying dividends in the shape of improved recovery, better operational performance and competitive advantage. The Management is embarking upon developing a five year plan which will primarily focus on energy efficiency, increase in power generation capacity and its sale to the national grid.

The season 2014-15 saw Mehran for the first time supplying surplus power to the National Grid. While the entire process during the crushing season went smoothly, payment for the same is still awaited. The realisation of payments shall give confidence for further investment in energy savings and sale to grid.

Also it is worth mentioning that the present procedure for payment of subsidy on exports through State Bank of Pakistan has worked well and mills are getting the subsidy promptly and without much hassle. Sadly the freight subsidy claims for exports during 2012-13 and 2013-14 which were to be cleared through Trade Development Authority of Pakistan are yet to be proceeded despite a lapse of more than two years. Your Company has also submitted claims amounting to Rs.89.1 million. Trade Development Authority has recently appointed auditors to scrutinize claims for inland freight subsidy lodged by sugar mills. We sincerely hope that this process gets through to its logical conclusion and these claims are realised before the end of government's financial year on 30-06-2015. In terms of prudent accounting policy your Company has still not accounted for these receivables and shall decide on the treatment after reviewing how the matter is settled this quarter.

The Board acknowledges contribution of all concerned and prays to God for its blessings in our efforts towards success.

On behalf of the Board of Directors



Mohammed Ebrahim Hasham
Chief Executive Officer

Karachi: May 12, 2015

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of Mehran 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 (herein 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.

Emphasis of Matter

We draw attention to notes 9.1 to 9.5 to the condensed interim financial statements which describe the uncertainties related to the outcome of the law suits filed by the Company. Our conclusion is not qualified in respect of these matters.

Chartered Accountants
Review Engagement Partner: Khurram Jameel
Date: May 12, 2015
Place: Karachi

Condensed Interim Balance Sheet

as at March 31, 2015

		March 31, 2015 (Un-audited)	Sept 30, 2014 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,634,575,755	1,584,876,678
Long-term investment		618,453,994	558,396,204
Long-term deposits		1,055,400	1,055,400
		<u>2,254,085,149</u>	<u>2,144,328,282</u>
CURRENT ASSETS			
Biological assets		12,898,983	58,924,461
Stores and spare parts		74,288,731	62,222,707
Stock-in-trade	6	4,200,257,172	459,926,470
Trade debts		74,646,339	42,871,351
Loans and advances		38,525,039	34,340,982
Trade deposits and short-term prepayments		25,437,974	28,286,701
Other receivables		7,031,609	4,697,979
Income tax – net		30,081,633	57,588,417
Short-term investments	7	599,322,337	487,902,312
Cash and bank balances		38,866,353	33,192,734
		<u>5,101,356,170</u>	<u>1,269,954,114</u>
TOTAL ASSETS		<u>7,355,441,319</u>	<u>3,414,282,396</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
50,000,000 (September 30, 2014: 50,000,000) ordinary shares of Rs.10/- each		<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid-up capital			
32,031,245 (September 30, 2014: 32,031,245) ordinary shares of Rs.10/- each		320,312,450	320,312,450
Reserves		1,477,803,439	1,331,935,000
		<u>1,798,115,889</u>	<u>1,652,247,450</u>
NON-CURRENT LIABILITIES			
Long-term financing		352,981,260	318,348,217
Market committee fee payable		28,340,000	28,340,000
Liabilities against assets subject to finance leases		25,092,676	22,592,870
Deferred liability		7,866,971	8,004,115
Deferred taxation		278,775,024	234,621,296
Provision for quality premium		119,290,919	119,290,919
		<u>812,346,850</u>	<u>731,197,417</u>
CURRENT LIABILITIES			
Trade and other payables		1,891,068,161	288,028,701
Accrued mark up		32,842,129	29,360,066
Short-term borrowings	8	2,535,000,000	457,972,745
Current portion of long-term financing		137,976,188	135,892,855
Current portion of liabilities against assets subject to finance leases		11,819,751	15,928,366
Provision for market committee fee		47,329,553	37,860,845
Current portion of market committee fee payable		2,180,000	4,360,000
Sales tax and federal excise duty payable		86,762,798	61,433,951
		<u>4,744,978,580</u>	<u>1,030,837,529</u>
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		<u>7,355,441,319</u>	<u>3,414,282,396</u>

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


Chief Executive Officer

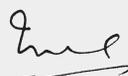

Director

Condensed Interim Profit and Loss Account
for the half year ended March 31, 2015 (un-audited)

	Half year ended		Quarter ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
.....Rupees				
Turnover - net	1,395,482,970	3,660,710,867	592,277,141	1,799,103,998
Cost of sales	(1,000,112,700)	(3,051,944,614)	(282,509,488)	(1,345,804,588)
Gross profit	395,370,270	608,766,253	309,767,653	453,299,410
Distribution costs	(23,372,029)	(61,946,239)	(16,987,486)	(55,458,194)
Administrative expenses	(86,483,947)	(81,108,410)	(48,745,999)	(44,263,352)
Other charges	(29,573,913)	(34,766,711)	(26,522,271)	(28,306,455)
Other income	53,713,105	28,603,743	33,505,680	16,246,091
	(85,716,784)	(149,217,617)	(58,750,076)	(111,781,910)
Operating profit	309,653,486	459,548,636	251,017,577	341,517,500
Finance costs	(64,240,536)	(94,398,375)	(43,479,525)	(70,790,300)
Share of profit from an associate – net of tax	60,057,790	48,994,338	16,418,162	38,285,911
Profit before taxation	305,470,740	414,144,599	223,956,214	309,013,111
Taxation				
- Current	(18,986,748)	(67,736,493)	(12,902,198)	(58,359,774)
- Prior	(15,601,092)	-	(15,601,092)	-
- Deferred	(44,153,728)	(42,554,344)	(33,170,873)	(20,643,848)
	(78,741,568)	(110,290,837)	(61,674,163)	(79,003,622)
Profit after taxation	226,729,172	303,853,762	162,282,051	230,009,489
Earnings per share- Basic and diluted	7.08	<u>Restated</u> 9.49	5.07	<u>Restated</u> 7.18

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


Chief Executive Officer


Director

Condensed Interim Statement of Comprehensive Income
for the half year ended March 31, 2015 (un-audited)

	Half year ended		Quarter ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
.....Rupees				
Net profit for the period	226,729,172	303,853,762	162,282,051	230,009,489
Other comprehensive income				
Items to be classified to profit and loss account in subsequent periods				
Unrealised (loss) / gain on revaluation of investments	(3,892,316)	57,578,764	(110,341,866)	16,177,786
Reclassification to profit and loss account for (gain) / loss upon sale of investments	(12,905,927)	907,228	(4,764,044)	1,721,040
	(16,798,243)	58,485,992	(115,105,910)	17,898,826
Total comprehensive income for the period	209,930,929	362,339,754	47,176,141	247,908,315

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


Chief Executive Officer


Director

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

	March 31, 2015	March 31, 2014
Rupees.....	
	Note	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	305,470,740	414,144,599
Adjustment for non-cash items:		
Depreciation	63,520,144	59,130,674
Share of profit from an associate	(60,057,790)	(48,994,338)
Dividend income	(15,704,033)	(11,740,551)
Provision for market committee fee	9,468,708	11,405,022
Gain on disposal of fixed assets	(997,160)	(381,595)
Gain on sale of short term investments	(14,288,142)	(14,624,243)
Finance costs	64,240,536	94,398,375
	46,182,263	89,193,344
Working capital changes	11 (2,120,340,066)	(2,337,628,661)
	(2,074,157,803)	(2,248,435,317)
Gratuity paid	(137,144)	(617,002)
Taxes paid	(7,081,056)	(16,919,796)
Finance costs paid	(60,758,473)	(54,817,184)
Long term deposits	-	(835,605)
Net cash used in operating activities	(1,836,663,736)	(1,907,480,305)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(114,796,781)	(90,252,739)
Dividends received	15,704,033	11,740,551
Purchase of short term investments	(291,609,175)	(165,677,987)
Proceeds from disposal of short term investments	177,679,048	113,725,858
Proceeds from disposal of fixed assets	2,574,720	838,200
Net cash used in investing activities	(210,448,155)	(129,626,117)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing	36,716,376	(67,500,000)
Short term borrowings	2,110,000,000	2,218,300,000
Liabilities against assets subject to finance leases	(1,608,809)	(3,086,727)
Dividend paid	(59,349,312)	(31,869,411)
Net cash generated from financing activities	2,085,758,255	2,115,843,862
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	38,646,364	78,737,440
Cash and cash equivalents at beginning of period	219,989	(116,062,432)
Cash and cash equivalents at end of period	38,866,353	(37,324,992)
Cash and cash equivalents comprise of:		
Cash and bank balances	38,866,353	7,920,202
Short term running finances	-	(45,245,194)
	38,866,353	(37,324,992)

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


Chief Executive Officer


Director

Condensed Interim Statement of Changes in Equity for the half year ended March 31, 2015 (un-audited)

	Issued, subscribed and paid-up capital	Reserves				Total reserves	Total
		Capital Reserve – Share premium	General reserve	Unrealised gain/(loss) on revaluation of investments	Unappropriated profit		
	----- Rupees -----						
Balance as at October 01, 2013	253,211,430	63,281,250	85,000,000	25,618,133	958,438,012	1,132,337,395	1,385,548,825
Final dividend @ Re. 0.75 per share for the year ended September 30, 2013	-	-	-	-	(18,990,730)	(18,990,730)	(18,990,730)
Bonus shares issued in the ratio of 15 ordinary share for every 100 ordinary shares held	37,981,710	-	-	-	(37,981,710)	(37,981,710)	-
Interim dividend @ Re. 0.5 per share for the year ended September 30, 2014	-	-	-	-	(14,559,202)	(14,559,202)	(14,559,202)
Net profit for the period	-	-	-	-	303,853,762	303,853,762	303,853,762
Net gain on revaluation of available for sale investments	-	-	-	58,485,992	-	58,485,992	58,485,992
Total comprehensive income	-	-	-	58,485,992	303,853,762	362,339,754	362,339,754
Balance as at March 31, 2014	291,193,140	63,281,250	85,000,000	84,104,125	1,190,760,132	1,423,145,507	1,714,338,647
Balance as at October 01, 2014	320,312,450	63,281,250	85,000,000	90,537,834	1,093,115,916	1,331,935,000	1,652,247,450
Final dividend @ Re. 1 per share for the year ended September 30, 2014	-	-	-	-	(32,031,245)	(32,031,245)	(32,031,245)
Interim dividend @ Re. 1 per share for the year ending September 30, 2015	-	-	-	-	(32,031,245)	(32,031,245)	(32,031,245)
Net profit for the period	-	-	-	-	226,729,172	226,729,172	226,729,172
Net loss on revaluation of available for sale investments	-	-	-	(16,798,243)	-	(16,798,243)	(16,798,243)
Total comprehensive income	-	-	-	(16,798,243)	226,729,172	209,930,929	209,930,929
Balance as at March 31, 2015	320,312,450	63,281,250	85,000,000	73,739,591	1,255,782,598	1,477,803,439	1,798,115,889

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


Chief Executive Officer


Director

Condensed Notes to the Financial Statements

for the half year ended March 31, 2015 (un-audited)

1. THE COMPANY AND ITS OPERATIONS

Mehran Sugar Mills Limited (the Company) was incorporated in Pakistan as a public limited company on December 22, 1965 under the Companies Act, 1913 (now Companies Ordinance, 1984). The shares of the Company are quoted on Karachi Stock Exchange. The Company is principally engaged in the manufacturing and sale of sugar. The registered office of the Company is situated at 14th floor, Dolmen City Executive Tower, Marine Drive, Block 4, Clifton, Karachi. The mill of the Company is located at Distt. Tando Allahyar, Sindh.

2. STATEMENT OF COMPLIANCE

These condensed interim financial statements are unaudited but subject to limited scope review by auditors, except for the figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended March 31, 2015 and March 31, 2014. These are required to be presented to the shareholders under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) – 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. 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. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of financial statements for the year ended September 30, 2014 except as disclosed below:

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

IAS 19 – Employee Benefits (Amendment)
– Defined Benefit Plans: Employee Contributions

IAS 32 – Financial Instruments : Presentation – (Amendment)
– Offsetting Financial Assets and Financial Liabilities

IAS 36 – Impairment of Assets – (Amendment)
– Recoverable Amount Disclosures for Non-Financial Assets

IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment)
– Novation of Derivatives and Continuation of Hedge Accounting

IFRIC 21 – Levies

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

4. SEASONALITY OF OPERATIONS

The Company's production process is seasonal in nature because of the cultivation and reaping of sugarcane due to which production is carried out in the first half of the financial year.

Condensed Notes to the Financial Statements
for the half year ended March 31, 2015 (un-audited)

		March 31, 2015 (Un-audited)	Sept 30, 2014 (Audited)
		Rupees.....	
5.	PROPERTY, PLANT AND EQUIPMENT		
	Operating assets		
	- Owned	5.1 1,562,414,573	1,469,021,304
	- Leased	5.2 53,237,190	53,419,449
		<u>1,615,651,763</u>	<u>1,522,440,753</u>
	Capital work-in-progress (CWIP)	5.3 18,923,992	62,435,925
		<u>1,634,575,755</u>	<u>1,584,876,678</u>
5.1	Operating assets – owned		
	Book value at the beginning of the period / year	1,469,021,304	1,389,967,189
	Additions during the period / year	5.1.1 82,757,257	53,627,841
	Transfer from CWIP during the period / year	5.3 68,754,957	139,070,520
	Transfer from leased assets during the period / year	5.2 1,244,671	5,650,027
		<u>1,621,778,189</u>	<u>1,588,315,577</u>
	Less:		
	Disposal during the period / year – vehicles	1,577,560	6,138,857
	Depreciation charged during the period / year	57,786,056	113,155,416
		<u>59,363,616</u>	<u>119,294,273</u>
		<u>1,562,414,573</u>	<u>1,469,021,304</u>
5.1.1	Additions during the period / year		
	Freehold land	64,505,000	-
	Factory building	441,621	112,500
	Plant, machinery and equipment	16,442,041	47,141,383
	Furniture and fittings	35,400	268,000
	Vehicles	635,295	1,510,099
	Office equipment	123,800	492,500
	Electric installation	1,100	-
	Computers	197,000	1,273,879
	Air-conditioners and refrigerators	376,000	2,829,480
		<u>82,757,257</u>	<u>53,627,841</u>
5.2	Operating assets – leased		
	Book value at the beginning of the period / year	53,419,449	34,340,426
	Additions during the period / year – vehicles	6,796,500	32,619,800
		<u>60,215,949</u>	<u>66,960,226</u>
	Less:		
	Transfer to owned asset during the period / year	1,244,671	5,650,027
	Depreciation charged during the period / year	5,734,088	7,890,750
		<u>6,978,759</u>	<u>13,540,777</u>
		<u>53,237,190</u>	<u>53,419,449</u>

Condensed Notes to the Financial Statements
for the half year ended March 31, 2015 (un-audited)

		March 31, 2015 (Un-audited)	Sept 30, 2014 (Audited)
	Rupees.....	
	Note		
5.3	Capital work-in-progress		
	At the beginning of the period / year	62,435,925	84,894,928
	Additions during the period / year	25,243,024	116,611,517
		<u>87,678,949</u>	<u>201,506,445</u>
	Less: Transfer to operating assets during the period / year	<u>(68,754,957)</u>	<u>(139,070,520)</u>
		<u>18,923,992</u>	<u>62,435,925</u>
5.3.1	Additions during the period / year		
	Plant, machinery and equipment Civil works	18,144,166	79,397,358
	Civil works	7,098,858	37,214,159
6.	STOCK-IN-TRADE	<u>25,243,024</u>	<u>116,611,517</u>
	Manufactured sugar		
	- Work-in-process	3,010,685	3,004,859
	- Finished goods	<u>4,162,583,699</u>	<u>456,921,611</u>
		4,165,594,384	459,926,470
	Molasses	34,662,788	-
		<u>4,200,257,172</u>	<u>459,926,470</u>
7.	SHORT-TERM INVESTMENTS		
	Held to maturity		
	Term deposit certificates	3,300,000	3,300,000
	Available for sale		
	Listed equity securities	596,022,337	484,602,312
		<u>599,322,337</u>	<u>487,902,312</u>
8.	SHORT- TERM BORROWINGS		
	Running finance under markup arrangements	-	32,972,745
	Short term loans	2,535,000,000	425,000,000
		<u>2,535,000,000</u>	<u>457,972,745</u>
8.1	Represent utilised portion of loan facilities aggregating to Rs. 5,350 million (September 30, 2014: Rs. 4,600 million) obtained from various banks. These carry mark-up rates ranging between 9.35 and 11.67 (September 30, 2014: 11.18 and 12.13) percent per annum. These are secured against pledge of stock-in-trade and are repayable within six months.		
9.	CONTINGENCIES AND COMMITMENTS		
	Contingencies		
9.1	Contribution demanded by SESSI amounting to Rs. 3.28 million (September 30, 2014: Rs. 3.28 million), for the period July 1987 to August 1990 had been disputed by the Company. The case is currently pending before the Honorable High Court of Sindh. The Company and its legal counsel are hopeful of favorable outcome of the case and hence, no provision has been made against the above demand in these condensed interim financial statements.		

Condensed Notes to the Financial Statements for the half year ended March 31, 2015 (un-audited)

- 9.2 DGDP's risk purchase claim amounting to Rs. 38.58 million (September 30, 2014: Rs. 38.58 million), was disputed by the Company on the grounds that the goods were delivered in time, however, the DGDP failed to lift the goods thereby indulging in breach of the contract. The Company filed a counter claim of Rs. 25.81 million (September 30, 2014: Rs. 25.81 million) against the said breach of contract. The said cases are pending before the Honorable Supreme Court of Pakistan and the Honorable Lahore High Court. The management and legal counsel of the Company are confident that no liability will arise in respect of the risk purchase claim, and hence no provision has been made for the same in these condensed interim financial statements.
- 9.3 The Company filed an appeal before the Honorable High Court of Sindh and was granted a stay against the order of Customs, Excise and Sales Tax Appellate Tribunal, Karachi, upholding allegation of non payment of sales tax on advances etc., amounting to Rs. 11.087 (September 30, 2014: Rs. 11.087) million. Based on the advise of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these condensed interim financial statements.
- 9.4 The Company filed an appeal before Customs, Excise and Sales Tax Appellate Tribunal, Karachi, which is pending for hearing, against the order of the Deputy Collector, Collectorate of Customs, Excise and Sales Tax (Adjudication), Hyderabad to pay off alleged demand of Rs.10.7 (September 30, 2014: Rs. 10.7) million alongwith additional tax and penalty. Based on the advise of the tax advisor, the management is confident of a favorable outcome and hence, no provision has been made in these condensed interim financial statements.
- 9.5 Pakistan Standards and Quality Control Authority (PSQCA) had demanded a fee payment at the rate of 0.1 percent of ex-factory price for the year 2008-09 amounting to Rs. 2.2 million. The Company is of the view that demand notifications so raised are without any lawful authority under the PSQCA Act-VI of 1996 and are in violation of the constitution. Based on the advise of the legal advisor, the management is confident that it would not be liable to pay the said marking fee and hence no provision is made in these condensed interim financial statements.

March 31, 2015 (Un-audited)	Sept 30, 2014 (Audited)
.....Rupees.....	

Commitments

9.6	Commitments in respect of capital expenditure	40,810,931	15,126,474
9.7	Commitments in respect of operating lease rentals for farms	12,676,815	25,353,630
9.8	Commitments in respect of Ijarah rentals	1,167,243	2,132,346

10. OTHER INCOME

Includes Rs. 22.132 million in respect of supply of electricity to Hyderabad Electric Supply Company Limited from bagasse based co-generation power plant of 5 Mega watts commissioned during the period.

Condensed Notes to the Financial Statements

for the half year ended March 31, 2015 (un-audited)

	March 31, 2015 (Un-audited)	March 31, 2014 (Un-audited)
Rupees.....	
11. WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Biological assets	46,025,478	41,995,491
Stores and spare parts	(12,066,024)	(1,197,939)
Stock-in-trade	(3,740,330,702)	(2,355,591,754)
Trade debts	(31,774,988)	(105,447,659)
Loans and advances	(4,184,057)	19,211,588
Trade deposits and short-term prepayments	2,848,727	(13,344,720)
Other receivables	(2,333,630)	(423,973)
	<u>(3,741,815,196)</u>	<u>(2,414,798,966)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	1,598,326,283	86,282,841
Market committee fee payable	(2,180,000)	-
Sales tax and federal excise duty payable	25,328,847	(9,112,536)
	<u>1,621,475,130</u>	<u>77,170,305</u>
	<u>(2,120,340,066)</u>	<u>(2,337,628,661)</u>

12. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise Pakistan Molasses Company (Private) Limited, Mogul Tobacco Company (Private) Limited, Unicol Limited, Adamjee Insurance Company Limited, Hasham Foundation, directors and key management personnel. Material transactions with related parties are given below:

	March 31, 2015 (Un-audited)	March 31, 2014 (Un-audited)
Rupees.....	
Transactions during the period		
Associates		
Sales	289,863,215	373,825,746
Insurance premium	14,548,908	14,709,885
Expenses shared	476,568	385,494
Donations paid	1,000,000	4,265,800
Key management personnel		
Salaries and allowances	26,817,741	19,682,706
Bonus	11,288,700	10,085,375
Retirement benefit plans		
Contribution to Provident Fund	3,765,393	2,964,154

Condensed Notes to the Financial Statements
for the half year ended March 31, 2015 (un-audited)

	March 31, 2015 (Un-audited)	Sept 30, 2014 (Audited)
Rupees.....	
Balance as at period / year end		
Other receivables	<u>4,415,428</u>	<u>3,938,859</u>
Trade debts	<u>11,793,354</u>	<u>16,925,512</u>
Trade creditors	<u>(7,593,400)</u>	<u>(1,372,446)</u>
Accrued markup	<u>-</u>	<u>(142,167)</u>

13. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on May 12, 2015 has declared an interim cash dividend of Rs.1.25 per share i.e. 12.5%.

14. GENERAL

14.1 These condensed interim financial statements have been authorised for issue on May 12, 2015 by the Board of Directors of the Company

14.2 Figures have been rounded off to the nearest rupee.


Chief Executive Officer


Director



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