

Half Yearly Report March 2016



YEARS

DIRECTORS' REPORT

On behalf of the Board, I am pleased to present financial results for the Half Year ended March 31, 2016

Operational Highlights	2015-2016	2014-2015
Season Concluded	07-03-2016	30-03-2015
Season Duration (Days)	105	108
Capacity Utilization	81.44%	83.50%
Sucrose Recovery	11.31%	11.42%
Sugar Production- M. Tons	106,400	108,054
Molasses Production- M. Tons	38,160	40,240
Molasses Recovery	4.06%	4.25%

Financial Highlights		2015-2016	2014-2015
Turnover	Rs. in '000	2,920,051	1,471,012
Sales tax /F.E.D	Rs. in '000	198,117	75,529
Gross Profit	Rs. in '000	612,577	395,370
Gross Profit margin	%	22.51%	28.33%
Profit before tax	Rs. in '000	506,226	305,470
Profit before tax margin	%	18.60%	21.89%
Net Profit after tax	Rs. in '000	375,225	226,729
Net Profit margin	%	13.79%	16.25%
Earnings per share	Rs.	11.71	7.08

By the grace of God we were again able to achieve one of the highest sucrose recoveries by any mill in Pakistan. The sucrose recovery at 11.31% was the second highest recovery achieved by any sugar mill in Pakistan.

The average recovery in Sind was 10.43% which was around 8% lower than Mehran's. The overall recovery in Sind last year was 10.46%.

The nation wide average recovery this year for all mills in Pakistan was recorded at 10.07% which meant that Mehran's recovery was 12.31% higher than the national average.

The crushing and production as well as overall capacity utilization were quite similar to last year.

Price of sugarcane increased all over Sind province due to competition amongst sugar mills for procurement. Nevertheless, this price increase was absorbed on due to higher sugar prices. The higher sugarcane prices will ultimately result in motivating growers to plant more sugarcane and improving the competitiveness of sugarcane compared to other crops in the region.

As per our past practice we are again pleased to report that we cleared grower payments within 3 days from the end of the crushing season.

Factors responsible for achieving healthy operational and financial results are enumerated below:

- Increase in Turnover by 98.5% mainly due to higher dispatches of sugar in the local market.
- Improved Share of Profit from Unicol Limited of Rs. 76.57 million as compared to Rs. 60.05 million in the previous year.
- Increase in average selling price of sugar and molasses by 5% and 12% respectively.
- Enhanced revenue from power supply to the national grid from Rs. 25.8 million last year to Rs. 45.12 million.
- Reduction in financial cost by 20% from 64.24 million to 51.38 million.

We crossed a Profit before Taxation for the half year of Rs. 500 million for the first time.

Our Earnings per share at Rs. 11.71 is also a record for the half year period. Similarly, during this period our market capitalization crossed Rs. 5 billion for the first time in our 50 year history. This reflects the confidence of our shareholder in our company as well as future growth potential.

Power export to HESCO during the crushing season remained satisfactory and we supplied 5,158,832 units to the national grid. 95% of power receivables have been realised. We appreciate the coordination of the regulatory authorities as well as our distribution company HESCO to ensure a smooth process and then continual support in buying renewable and indigenous power from the sugar industry.

The Retail Division has performed better than the corresponding period of last year. Three new products Moisture, Icing and Castor sugar have been launched and are gaining market attention. Sachet packaging is expected to be launched by end June 2016.

INDUSTRY REVIEW

Season 2015-2016 saw another record sugar production year for Pakistan. Production at 5.2 million tons was 0.2 million tons higher than the previous year. This production exceeded our consumption of 4.5 million tons which meant that mills needed government support to ensure a stable sugar market which would allow minimum notified cane prices to be paid.

The Federal Government announced a pro active export policy of 500,000 metric tons of sugar with an export subsidy of Rs.12/kg. Total exports from the country during the current period stood at 253,909 metric tons and were mostly to neighboring Afghanistan. Due to certain restrictions pertaining to previous years cane payments none of the sugar mills in Sindh were allowed to participate in the sugar exports. This was one of the main reasons that expected export targets could not be met till the policy expired on April 30, 2016.

Nonetheless the export policy announced allowed exports which helped stabilise the sugar market and thus allowed mills to pay competitive prices for sugarcane.

UNICOL LIMITED

The distillery operated at capacity during the period. Ethanol and CO2 plants ran efficiently and both met yield and quality targets. The company was able to increase its profitability by over 100% to Rs. 206 million as compared to Rs. 49.25 million in the corresponding period.

Key Highlights		2015-2016	2014-2015
Turnover	Rs. in '000	2,024,245	2,283,105
Gross Profit	Rs. in '000	411,007	307,643
Gross Profit margin	%	20.30%	13.47%
Net Profit	Rs. in '000	206,002	49,256
Net Profit margin	%	10.18%	2.16%
Earnings per share	Rs.	2.98	0.71

The fundamental demand growth of the CO₂ business has allowed the company to decide on expanding capacity from 24 Tons to 72 Tons per day. A state of the art new plant has thus been ordered from the same reputable European vendor.

The enhanced Molasses storage capacity has allowed molasses purchases at competitive prices which would enable the company to safeguard itself against major price fluctuation and sustain its profitability for the remaining period of the year.

UNIENERGY

Work on UniEnergy Limited has been progressing with land registered in the name of the company and a wind mast installed at the location. All financial and technical feasibilities have also been prepared however we might not be able to meet the present tariff which expires in June 2016 due to non availability of the Grid presently.

UniEnergy's management are actively pursuing the matter. As regards financing arrangements, local financing option has been agreed in principle by the lead bank however, foreign financing option is also being explored.

We have presently made an equity investment of Rs. 20 Million representing 20% equity in the new company.

FUTURE OUTLOOK

Initial crop survey indicates that sugarcane output is expected to remain more or less similar to last year's actual. Our cane team in consonance with growers has to work hard in the field to improve farm yield. The yield improvement would directly benefit sugar mills in terms of availability of sugarcane as well as farmer economics so he is encouraged to plant more cane.

We at Mehran are constantly trying to bring varietal change in our area for mutual benefit of the mills and growers. In this context we had invited sugarcane experts from Mauritius Sugar Research institute (MSRI) to study our farming area and suggest ways and means to bring further improvement. We have agreed on a long term working arrangement with them to train our farmer and our cane team by holding Sessions in Pakistan and in Mauritius. Our objective remains to ensure improved farming techniques so as to increase farm and factory sucrose yields.

This year's BMRE is purely focused towards making our factory more energy efficient by reducing its steam and electrical load. The 3 year objective is to reduce steam % from 52% to 38% which would allow heavy Baggasse saving which would be the raw material for a high pressure power cogeneration project.

We have presently selected Technical and Financial Consultants who shall give us the framework of the project and help us in deciding the size and scale of the project.

In addition, further work on Waste Water reduction and Treatment has also commenced and is expected to conclude by December 31, 2016. This is inline with our efforts to remain an environmentally friendly organisation and ensure we meet all NEQS standards.

As far as the remaining sugar season is concerned sugar prices have remained stable in the off season. Our policy of selling sugar on a regular basis is expected to enable us to attain good operating results for the remainder of the year.

One of the threats to the sugar prices for the remainder of the year could be the imposition of higher FED in the upcoming budget. We hope this decision will maintain the present tax rate since sugar is an agriculture based food product and we thus feel that present taxation remains adequate.

We acknowledge the contribution of our Mehran team in achieving the results and hope to continue with the same zeal to achieve even better results by the end of the financial year.

On behalf of the Board of Directors



Mohammed Ebrahim Hasham
Chief Executive Officer

Karachi: May 26, 2016

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 2016, 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 (hat 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 11.1 to 11. 7 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.

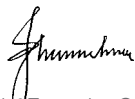
Chartered Accountants
 Review Engagement Partner: Khurram Jameel
 Date: May 26, 2016
 Place: Karachi

CONDENSED INTERIM BALANCE SHEET

As at March 31, 2016

		(Un-audited) March 31, 2016 Rupees	(Audited) Sep 30, 2015 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,756,952,398	1,649,074,339
Long-term investments	6	725,874,389	652,364,814
Long-term deposits		1,055,400	1,055,400
		<u>2,483,882,187</u>	<u>2,302,494,553</u>
CURRENT ASSETS			
Biological assets		13,963,861	48,829,127
Stores and spare parts		64,276,399	95,909,067
Stock-in-trade	7	4,331,724,921	1,462,632,972
Trade debts		44,950,640	42,097,026
Loans and advances		30,507,122	35,378,818
Trade deposits and short-term prepayments		24,815,686	9,817,974
Other receivables		5,553,335	6,835,115
Income tax – net		-	9,970,709
Short-term investments	8	878,216,043	725,422,253
Cash and bank balances		13,555,667	45,554,037
		<u>5,407,563,674</u>	<u>2,482,447,098</u>
TOTAL ASSETS		<u>7,891,445,861</u>	<u>4,784,941,651</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized capital			
50,000,000 (September 30, 2015: 50,000,000) ordinary shares of Rs.10/- each		500,000,000	500,000,000
Issued, subscribed and paid-up capital			
32,031,245 (September 30, 2015: 32,031,245) ordinary shares of Rs.10/- each		320,312,450	320,312,450
Reserves		1,836,149,735	1,541,452,888
		<u>2,156,462,185</u>	<u>1,861,765,338</u>
Non-Current Liabilities			
Long-term financing	9	397,689,591	273,232,712
Liabilities against assets subject to finance leases		26,193,711	18,396,667
Market committee fee payable		26,160,000	26,160,000
Deferred liability		9,105,746	9,414,422
Deferred taxation		316,640,486	289,248,760
Provision for quality premium		119,290,919	119,290,919
		<u>895,080,453</u>	<u>735,743,480</u>
Current Liabilities			
Trade and other payables		2,540,920,494	1,670,966,579
Accrued mark up		26,240,413	11,525,019
Short-term borrowings	10	1,942,935,283	190,888,771
Current portion of long-term financing		153,681,243	151,020,204
Current maturity of liabilities against assets subject to finance leases		18,238,258	14,866,318
Current portion of market committee fee payable		2,180,000	2,180,000
Provision for market committee fee		56,735,816	47,329,553
Income tax – net		76,632,000	-
Sales tax and federal excise duty payable		22,339,716	98,656,389
		<u>4,839,903,223</u>	<u>2,187,432,833</u>
Contingencies and Commitments	11	-	-
TOTAL EQUITY AND LIABILITIES		<u>7,891,445,861</u>	<u>4,784,941,651</u>

The annexed notes from 1 to 15 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, 2016 (Un-Audited)

	Half year ended		Quarter ended	
	March 31, 2016 Rupees	March 31, 2015 Rupees	March 31, 2016 Rupees	March 31, 2015 Rupees
Turnover - net	2,721,933,054	1,395,482,970	599,402,651	592,277,141
Cost of sales	(2,109,355,141)	(1,000,112,700)	(262,900,737)	(282,509,488)
Gross profit	612,577,913	395,370,270	336,501,914	309,767,653
Distribution costs	(24,349,251)	(23,372,029)	(14,757,554)	(16,987,486)
Administrative expenses	(100,034,999)	(86,483,947)	(60,732,998)	(48,745,999)
Other charges	(71,286,997)	(29,573,913)	(49,410,254)	(26,522,271)
Other income	64,126,682	53,713,105	40,610,853	33,505,680
	(131,544,565)	(85,716,784)	(84,289,953)	(58,750,076)
Operating profit	481,033,348	309,653,486	252,211,961	251,017,577
Finance costs	(51,376,044)	(64,240,536)	(39,055,303)	(43,479,525)
Share of profit from an associate – net of tax	76,569,168	60,057,790	39,416,725	16,418,162
Profit before taxation	506,226,472	305,470,740	252,573,383	223,956,214
Taxation				
- Current	(106,843,458)	(18,986,748)	(67,298,659)	(12,902,198)
- Prior	(757,582)	(15,601,092)	-	(15,601,092)
- Deferred	(23,399,640)	(44,153,728)	(6,649,104)	(33,170,873)
	(131,000,680)	(78,741,568)	(73,947,763)	(61,674,163)
Profit after taxation	375,225,792	226,729,172	178,625,620	162,282,051
Earnings per share- Basic and diluted	11.71	7.08	5.58	5.07

The annexed notes from 1 to 15 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, 2016 (Un-Audited)

	Half year ended		Quarter ended	
	March 31, 2016 Rupees	March 31, 2015 Rupees	March 31, 2016 Rupees	March 31, 2015 Rupees
Net profit for the period	375,225,792	226,729,172	178,625,620	162,282,051
Other comprehensive income				
Items to be classified to profit and loss account in subsequent periods				
Unrealised loss on revaluation of investments – net of tax	(1,382,936)	(3,892,316)	6,443,064	(110,341,866)
Reclassification to profit and loss account for loss / (gain) upon sale of investments	8,940,420	(12,905,927)	4,289,255	(4,764,044)
	7,557,484	(16,798,243)	10,732,319	(115,105,910)
Total comprehensive income for the period	382,783,276	209,930,929	189,357,939	47,176,141

The annexed notes from 1 to 15 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, 2016 (Un-Audited)

	Note	March 31, 2016 Rupees	March 31, 2015 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		506,226,472	305,470,740
Adjustment for non-cash items:			
Depreciation		67,205,343	63,520,144
Share of profit from an associate		(53,509,595)	(60,057,790)
Provision for market committee fee		9,406,263	9,468,708
Gain on disposal of fixed assets		(3,424,133)	(997,160)
Loss / (gain) on sale of short term investments		18,957,601	(14,288,142)
Finance costs		51,376,044	64,240,536
		90,011,523	61,886,296
Working capital changes	12	(2,020,654,624)	(2,120,340,066)
		(1,424,416,629)	(2,058,453,770)
Gratuity paid		(308,676)	(137,144)
Taxes paid		(20,998,331)	(7,081,056)
Finance costs paid		(36,660,649)	(60,758,473)
Net cash used in operating activities		(1,482,384,285)	(2,126,430,443)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(178,261,215)	(114,796,781)
Investments made during the period		(371,704,437)	(291,609,175)
Proceeds from disposal of short term investments		191,502,638	177,679,048
Proceeds from disposal of fixed assets		6,601,946	2,574,720
Net cash used in investing activities		(351,861,068)	(226,152,188)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing		127,117,918	36,716,376
Short term borrowings		1,728,061,229	2,110,000,000
Liabilities against assets subject to finance lease		11,168,984	(1,608,809)
Dividend paid		(88,086,431)	(59,349,312)
Net cash generated from financing activities		1,778,261,700	2,085,758,255
Net (decrease) / increase in cash and cash equivalents		(55,983,653)	38,646,364
Cash and cash equivalents at beginning of period		45,554,037	219,989
Cash and cash equivalents at end of period		(10,429,616)	38,866,353
Cash and cash equivalents comprise of:			
Cash and bank balances		13,555,667	38,866,353
Short term running finances	10	(23,985,283)	-
		(10,429,616)	38,866,353

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.


Chief Executive Officer

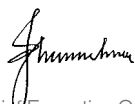

Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the half year ended March 31, 2016 (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	Actuarial gain / (loss) on defined benefit plan			Unappropriated profit
	----- Rupees -----							
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 September 30, 2014	-	-	-	-	-	(32,031,245)	(32,031,245)	(32,031,245)
Interim dividend @ Re. 1 per share for the year 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
Other comprehensive loss	-	-	-	(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
Balance as at October 01, 2015	320,312,450	63,281,250	85,000,000	46,860,780	(667,641)	1,346,978,499	1,541,452,888	1,861,765,338
Final dividend @ Re. 1.5 per share for the year September 30, 2015	-	-	-	-	-	(48,047,287)	(48,047,287)	(48,047,287)
Interim dividend @ Re. 1.25 per share for the year September 30, 2016	-	-	-	-	-	(40,039,142)	(40,039,142)	(40,039,142)
Net profit for the period	-	-	-	-	-	375,225,792	375,225,792	375,225,792
Other comprehensive income	-	-	-	7,557,484	-	-	7,557,484	7,557,484
Total comprehensive income	-	-	-	7,557,484	-	375,225,792	382,783,276	382,783,276
Balance as at March 31, 2016	320,312,450	63,281,250	85,000,000	54,418,264	(667,641)	1,634,117,862	1,836,149,735	2,156,462,185

The annexed notes from 1 to 15 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, 2016 (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 Pakistan Stock Exchange (formerly Karachi and Lahore Stock Exchanges). 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, 2016 and March 31, 2015. 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, 2015.

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, 2015 except as disclosed below:

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

IFRS 10 – Consolidated Financial Statements

IFRS 10 – Consolidated Financial Statements, IFRS 12 Disclosure of interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities (Amendment)

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interest in Other Entities

IFRS 13 – Fair Value Measurement

The adoption of the above amendments and interpretation of the standards did not have any effect on these condensed interim financial 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 INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the half year ended March 31, 2016 (Un-Audited)

	Note	(Un-audited) Mar 31, 2016 Rupees	(Audited) Sep 30, 2015 Rupees
5. PROPERTY, PLANT AND EQUIPMENT			
Operating assets			
- Owned	5.1	1,643,885,085	1,551,016,745
- Leased	5.2	65,786,828	50,148,107
		<u>1,709,671,913</u>	<u>1,601,164,852</u>
Capital work-in-progress (CWIP)	5.3	47,280,485	47,909,487
		<u>1,756,952,398</u>	<u>1,649,074,339</u>
5.1 Operating assets – owned			
Book value at the beginning of the period / year		1,551,016,745	1,469,021,304
Additions during the period / year	5.1.1	49,999,466	114,779,154
Transfer from CWIP during the period / year	5.3	106,257,851	86,013,465
		<u>1,707,274,062</u>	<u>1,669,813,923</u>
Less:			
Disposal during the period / year – vehicles		2,795,470	464,030
Depreciation charged during the period / year		60,593,507	118,333,148
		<u>63,388,977</u>	<u>118,797,178</u>
		<u>1,643,885,085</u>	<u>1,551,016,745</u>
5.1.1 Additions during the period /year			
Freehold land		5,958,487	71,005,000
Non – factory buildings		411,507	-
Factory building		5,093,968	-
Plant, machinery and equipment		16,947,038	40,952,559
Furniture and fittings		159,700	35,400
Vehicles		675,400	865,195
Office equipment		507,000	443,800
Electric installation		15,827,201	188,100
Weighbridge and scales		2,324,165	-
Computers		270,000	533,600
Air-conditioners and refrigerators		1,825,000	755,500
		<u>49,999,466</u>	<u>114,779,154</u>
5.2 Operating assets – leased			
Book value at the beginning of the period / year		50,148,107	53,419,449
Additions during the period / year – vehicles		22,632,900	10,622,000
		<u>72,781,007</u>	<u>64,041,449</u>
Less:			
Disposals during the period / year		382,343	2,081,174
Depreciation charged during the period / year		6,611,836	11,812,168
		<u>6,994,179</u>	<u>13,893,342</u>
		<u>65,786,828</u>	<u>50,148,107</u>

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the half year ended March 31, 2016 (Un-Audited)

	Note	(Un-audited) Mar 31, 2016 Rupees	(Audited) Sep 30, 2015 Rupees
5.3 Capital work-in-progress			
At the beginning of the period / year		47,909,487	62,435,925
Additions during the period / year	5.3.1	113,822,051	71,487,027
		<u>161,731,538</u>	<u>133,922,952</u>
Less: Transfer to operating assets during the period / year		(106,257,851)	(86,013,465)
Written off during the period / year		(8,193,202)	-
		<u>47,280,485</u>	<u>47,909,487</u>
5.3.1 Additions during the period / year			
Plant, machinery and equipment		109,940,157	58,201,579
Civil works		3,881,894	13,285,448
		<u>113,822,051</u>	<u>71,487,027</u>
6. LONG TERM INVESTMENTS			
In associated companies			
- Unicol Limited	6.1	705,874,409	652,364,814
- UniEnergy Limited	6.2	19,999,980	-
		<u>725,874,389</u>	<u>652,364,814</u>
6.1 The Company holds 23,059,573 (September 2015: 23,059,573) shares representing 33.33 (September 2015: 33.33) percent of the total equity of Unicol Limited, an unquoted Company, which is involved in the manufacturing and selling of industrial ethanol.			
6.2 The Company holds 2,500,000 shares representing 25 percent (including 5% indirect holding) of the total equity of UniEnergy Limited, an unquoted Company, which is involved in the wind, solar and other alternate power projects.			
7. STOCK-IN-TRADE			
Manufactured sugar			
- Work-in-process		2,566,212	2,922,740
- Finished goods		4,281,185,523	1,459,710,232
		<u>4,283,751,735</u>	<u>1,462,632,972</u>
Molasses		47,973,186	-
		<u>4,331,724,921</u>	<u>1,462,632,972</u>
8. SHORT-TERM INVESTMENTS			
Held to maturity			
Term deposit certificates		3,300,000	3,300,000
Available for sale			
Listed equity securities		874,916,043	722,122,253
		<u>878,216,043</u>	<u>725,422,253</u>

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the half year ended March 31, 2016 (Un-Audited)

	Note	(Un-audited) Mar 31, 2016 Rupees	(Audited) Sep 30, 2015 Rupees
9. LONG TERM FINANCING – secured			
From banking companies	9.1	397,689,591	273,232,712
9.1 From banking companies			
Diminishing Musharaka			
Al Baraka Bank Pakistan Limited		100,760,711	118,404,699
Bank Islami Pakistan Limited		39,583,335	43,750,001
Meezan Bank Limited		14,062,500	23,437,500
Meezan Bank Limited		16,250,000	24,375,000
		<u>170,656,546</u>	<u>209,967,200</u>
Term loans			
Bank Al Habib Limited	9.1.1	337,857,144	157,142,858
MCB Bank Limited		42,857,144	57,142,858
		<u>380,714,288</u>	<u>214,285,716</u>
Less: Current portion shown under current liabilities		<u>(153,681,243)</u>	<u>(151,020,204)</u>
		<u>397,689,591</u>	<u>273,232,712</u>

9.1.1 Includes a term loan facility amounting to Rs.200 million obtained during the period carrying mark-up at the rate of 3 month's KIBOR + 1.50% per annum. The facility is secured by pledge over sugar stocks, hypothecation charge over movables and receivables and equitable mortgage over land, building and plant and machinery of the Company.

	Note	(Un-audited) Mar 31, 2016 Rupees	(Audited) Sep 30, 2015 Rupees
10. SHORT-TERM BORROWINGS – secured			
Running finance under markup arrangements		23,985,283	62,653,321
Short term finance	10.1	1,918,950,000	128,235,450
		<u>1,942,935,283</u>	<u>190,888,771</u>

10.1 Represent short term loan facilities amounting to Rs.3,950 million obtained with mark-up rates ranging from 3 month's KIBOR + 0.75% to 3 month's KIBOR + 1% per annum. The facilities are secured by pledge of sugar stocks of the Company.

11. CONTINGENCIES AND COMMITMENTS

Contingencies

11.1 Contribution demanded by SESSI amounting to Rs. 3.28 million (September 30, 2015: Rs. 3.28 million), for the period July 1987 to August 1990, had been disputed by the Company. The case is currently pending decision 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, 2016 (Un-Audited)

- 11.2** DGGP's risk purchase claim amounting to Rs. 38.58 million (September 30, 2015: Rs. 38.58 million), was disputed by the Company on the grounds that the goods were delivered in time, however, the DGGP failed to lift the goods thereby indulging in breach of the contract. The Company has filed a counter claim of Rs. 25.81 million (September 30, 2015: 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.
- 11.3** 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, 2015: Rs. 11.087) million. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these condensed interim financial statements.
- 11.4** The Company has 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, 2015: Rs. 10.7) million along with additional tax and penalty. Based on the advice 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.
- 11.5** 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 advice 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.
- 11.6** During the year ended September 30, 2015, the Company filed an appeal before the Honorable Commissioner Appeals against the order of the Deputy Commissioner Enforcement and Collection whereby sales tax liability along with penalty amounting to Rs. 18 million has been established for claiming inadmissible input tax adjustment. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these condensed interim financial statements.
- 11.7** The Company made down payment in respect of purchase of Thatta Sugar Mills (the Mill) and other cost incurred in running the Mill from November 1992 up to July 1993, when the Mill was forcibly taken over by the Government of Sindh (GoS) without paying any amount. The Company filed a law suit for Rs. 166 million being the amount of down payment, expenses incurred (including payment to workers) and loss of profits. The GoS made a counter claim of Rs. 402 million against the Company. The case is currently pending in the Honorable High Court of Sindh for recording of evidences. While the Company's suit for recovery of compensation is pending in the Honorable High Court of Sindh, the GoS invited bids for the sale of the Mill through Sindh Privatization Commission but it could not succeed. The GoS is now trying to privatize it through the Federal Privatization Commission. The representative of the GoS has also admitted the fact that the Mill was taken over by the GoS without making any payment to the Company. However, the Company has made provision against the aforesaid receivable as a matter of prudence and the fact that the debt is outstanding for a considerable period.

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the half year ended March 31, 2016 (Un-Audited)

	(Un-audited) Mar 31, 2016	(Audited) Sep 30, 2015
Commitments		
11.8 Capital expenditure	<u>633,936,526</u>	<u>710,729,814</u>
11.9 Operating lease rentals for farms	<u>-</u>	<u>12,676,815</u>
11.10 Ijarah rentals	<u>-</u>	<u>530,565</u>

Note	(Un-audited) Mar 31, 2016 Rupees	(Audited) Sep 30, 2015 Rupees
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12. WORKING CAPITAL CHANGES

Decrease / (increase) in current assets

Biological assets	34,865,266	46,025,478
Stores and spare parts	31,632,668	(12,066,024)
Stock-in-trade	(2,869,091,949)	(3,740,330,702)
Trade debts	(2,853,614)	(31,774,988)
Loans and advances	4,871,696	(4,184,057)
Trade deposits and short-term prepayments	(14,997,712)	2,848,727
Other receivables	1,281,780	(2,333,630)
	<u>(2,814,291,865)</u>	<u>(3,741,815,196)</u>

Increase / (decrease) in current liabilities

Trade and other payables	869,953,914	1,598,326,283
Market committee fee payable	-	(2,180,000)
Sales tax and federal excise duty payable	(76,316,673)	25,328,847
	<u>793,637,241</u>	<u>1,621,475,130</u>
	<u>(2,020,654,624)</u>	<u>(2,120,340,066)</u>

13. TRANSACTIONS WITH RELATED PARTIES

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the half year ended March 31, 2016 (Un-Audited)

Note	(Un-audited) Mar 31, 2016 Rupees	(Audited) Sep 30, 2015 Rupees
Transactions during the period		
Associates		
Sales	300,007,218	289,863,215
Insurance premium	-	14,548,908
Expenses shared	541,582	476,568
Donations paid	6,000,000	1,000,000
Investment made	19,999,980	-
Key management personnel		
Salaries and allowances	29,388,264	26,817,741
Bonus	12,808,124	11,288,700
Retirement benefit plans		
Contribution to Provident Fund	1,981,219	3,765,393
Balance as at period / year end		
Other receivables	2,937,154	4,415,428
Trade debts	-	11,793,354
Trade creditors	(23,761,510)	(7,593,400)

14. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on May 26, 2016 has declared an interim cash dividend of Rs.1.50 per share i.e. 15%.

15. GENERAL

- 15.1 These condensed interim financial statements have been authorised for issue on May 26, 2016 by the Board of Directors of the Company.
- 15.2 Figures have been rounded off to the nearest rupee.


Chief Executive Officer


Director

CELEBRATING
50
YEARS

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