

## COMPANY INFORMATION

### BOARD OF DIRECTORS

Haji Khuda Bux Rajar	(Chairman / Chief Executive)
Mr. Jam Mitha Khan	
Mr. Ghulam Dastagir Rajar	
Mr. Gul Mohammad	
Mr. Mohammad Aslam	
Mr. Qazi Shamsuddin	
Mr. Shahid Aziz	(Nominee of NIT)
Mr. Muhammad Tariq	(Nominee of NIT)

### AUDIT COMMITTEE

Mr. Ghulam Dastagir Rajar	(Chairman)
Mr. Gul Mohammad	(Member)
Mr. Shahid Aziz	(Member)

### COMPANY SECRETARY

Mr. Abdul Ghafoor Ateeq

### CHIEF FINANCIAL OFFICER

Mr. Muhammad Jawad Durrani

### STATUTORY AUDITORS

Hyder Bhimji & Co  
Chartered Accountants  
(Member of Kreston International)

### COST AUDITORS

Siddiqi & Company  
Cost & Management Accountants

### BANKERS

Allied Bank Limited  
Askari Bank Limited  
Al-Baraka Bank (Pakistan) Limited  
Habib Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
NIB Bank Limited

### SHARE REGISTRAR

Hameed Majeed Associates (Pvt) Ltd.  
5th Floor, Karachi Chambers,  
Hasrat Mohani Road, Karachi.  
Phone : 021 – 32411474 – 32212754  
Fax : 021 – 32424835

### REGISTERED OFFICE

101– First Floor, Ocean Centre,  
Talpur Road, Karachi.  
Phone : 021-32427171–72  
Fax No : 021–32410700  
E-mail: ssml@cyber.net.pk

### FACTORY

13th Km, Sanghar – Sindhri Road,  
Deh Kehore, District Sanghar, Sindh.  
Phone : 0235 - 542158  
0345 – 3737001  
0345 – 8222911



## DIRECTORS' REVIEW

Your Directors have pleasure in presenting the Un-audited Condensed Interim Financial Information of the Company for the half year ended March 31, 2011 duly reviewed by the auditors of the Company.

### Review of the Performance of the Company

The crushing season for the year 2010-2011 started on November 22, 2010 and completed on March 18, 2011. The Company operated under extra-ordinary environment created by the growers while supplying the sugarcane which significantly enhanced procurement cost of sugarcane by around 61% over and above the price of sugarcane fixed by the Government of Sindh for the current season at Rs. 127 per 40 Kg which was already higher by around 25% from the price fixed at Rs. 102 per 40 Kg for the last season 2009-2010. Thus, the increased procurement cost of sugarcane together with ever increasing inflationary pressure on other input items had a direct impact on the earnings of the Company. However, with the blessings of Almighty Allah and better planning with regard to procurement of sugarcane and sale of sugar, the Management tried to have the positive financial results for the period under review inspite of the extra-ordinary circumstances prevailing in the industry. However, the Company has made its best efforts to play its role with regard to its social responsibility for the economic well-being along with uplift of the rural areas of the Country.

### Operating Results

A brief summary of operating results of the Company during the half year ended March 31, 2011 along with the comparatives for the corresponding period are given below:

		Oct. to March 2011	Oct. to March 2010
Season started on		22-11-2010	02-11-2009
Season completed on		18-03-2011	05-03-2010
Duration of crushing	Days	117	114
Sugarcane crushed	M – Tons	491,205	484,452
Sugar Produced	M – Tons	47,008	46,449
Sugar Processed	M – Tons	—	98
Sucrose recovery	%	9.57	9.60

### Review of Operation

The Company operated at reasonable level during half year ended March 31, 2011 and was able to manufacture reasonable quantity of sugar under the circumstances of lesser availability of sugarcane besides higher procurement cost of sugarcane.

### Financial Results

The key financial figures of the Company for the half year ended March 31, 2011 along with the corresponding period are summarized as under:



	Oct. to March 2011	Oct. to March 2010
	..... (Rupees in '000) .....	
Net profit before taxation	53,040	124,634
Taxation	10,855	44,732
Net profit after taxation	<u>42,185</u>	<u>79,902</u>
Earning per share-basic and diluted (Rupees)	<u>3.53</u>	<u>6.69</u>

### Review of Financial Results

As mentioned earlier, the Company was able to manufacture reasonable quantity of sugar under peculiar environment of lesser availability of sugarcane besides higher procurement cost of sugarcane and increasing overhead expenses due to inflation as compared with the corresponding period. The Company has made net sales of Rs.1,006,166 thousand as compared with sales of Rs.711,480 thousand in the corresponding period and gross profit of Rs.131,144 thousand as compared with the gross profit of Rs.201,154 thousand in the corresponding period. The main factors that contributed in achieving such financial results were increased procurement cost of sugarcane, lower sucrose recovery and increasing other costs, charges and expenses due to inflationary pressure. This resulted in the lesser net profit after taxation of Rs 42,185 thousand as compared with the net profit after taxation of Rs.79,902 thousand during the corresponding period ended March 31, 2010.

### Future Prospects

As already reported in the previous Reports of the Company, the sugar industry is functioning under the peculiar environment affected by the policies of federal and provincial governments as well as the trend of the international and local markets. The rising trend of procurement cost of sugarcane along with the other overhead expenses, volatile sale prices of sugar, other situations and unpredictable circumstances in the sugar industry might affect the Company currently and in the future as well. Under the circumstances, sufficient availability of sugarcane at reasonable price and stability in sugar prices will shape the future prospects of the sugar industry. In this connection, the Government should consider the proposal of Pakistan Sugar Mills Association to link the price of sugarcane with selling price of sugar, because maintenance of reasonable price of sugar will help to tackle the situation and result in benefiting to all the stakeholders and allow the sugar industry to continue its operation for providing various economic and financial opportunities to uplift the rural areas of the Country.

### Acknowledgement

Your Directors place on record their appreciation for devotion of duty, loyalty and hard work of the executives, officers, staff members and workers for smooth running of the Company's affairs and hope that they will continue for enhancement of productivity with great zeal and spirit under the blessings of Almighty Allah.

For and on behalf of the Board of Directors

Karachi: May 27, 2011

Chief Executive



**Sanghar Sugar Mills Limited**  
Condensed Interim Financial Information  
Half Year Ended March 31, 2011

## **AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION**

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### **Introduction:**

We have reviewed the accompanying condensed interim balance sheet of **SANGHAR SUGAR MILLS LIMITED** as of March 31, 2011 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity, together with the notes forming part thereof (hereinafter referred to as the financial information) for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with the approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial statement based on our review. The figures of condensed interim profit and loss account for the quarters ended March 31, 2010 and March 31, 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended March 31, 2011.

### **Scope of Review:**

We conducted our review in accordance with the International Standard on Review Engagements 2410. "Review of condensed Interim Financial information performed by the Independent Auditor of the Entity." A review of condensed Interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedure. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as applicable in Pakistan and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion:**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended March 31, 2011 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.

**HYDER BHIMJI & CO.**

Chartered Accountants

Engagement Partner: Mohammad Hanif Razzak

Karachi: May 27, 2011



## CONDENSED INTERIM BALANCE SHEET AS AT MARCH 31, 2011

	Note	Un-Audited Mar. 31 2011	Audited Sep. 30 2010
(Rupees in '000)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	598,092	477,508
Long Term Deposits		38,045	2,223
		<b>636,137</b>	479,731
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		40,790	40,212
Stock -in-trade	7	1,663,597	88,197
Trade debts		51,742	49,519
Loans and advances		41,825	55,643
Short term prepayments		6,785	647
Cash and bank balances		43,974	6,148
		<b>1,848,713</b>	240,366
<b>Total</b>		<b>2,484,850</b>	<b>720,097</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
20,000,000 shares of Rs.10 each		<b>200,000</b>	200,000
Issued, subscribed and paid up capital		119,460	119,460
Unappropriated profit		211,841	186,002
		<b>331,301</b>	305,462
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		44,640	46,213
<b>NON CURRENT LIABILITIES</b>			
Long term financing		—	23,159
Liabilities against assets subject to finance lease	8	88,619	—
Deferred liabilities		139,162	145,489
		<b>227,781</b>	168,648
<b>CURRENT LIABILITIES</b>			
Trade and other payables		972,699	70,855
Accrued mark-up		19,108	10,258
Short term borrowings		800,000	39,070
Current portion of non current liabilities		48,562	21,623
Taxation- net		40,759	57,968
		<b>1,881,128</b>	199,774
<b>CONTINGENCIES AND COMMITMENTS</b>	9		
<b>Total</b>		<b>2,484,850</b>	<b>720,097</b>

The annexed notes form an integral part of this condensed interim financial information.

**CHIEF EXECUTIVE**

Karachi: May 27, 2011

**DIRECTOR**



**Sanghar Sugar Mills Limited**  
Condensed Interim Financial Information  
Half Year Ended March 31, 2011

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS PERIOD ENDED MARCH 31, 2011 (Un Audited)

	Note	Six months period ended		Quarter ended	
		Mar 31 2011	Mar 31 2010	Mar 31 2011	Mar 31 2010
		..... (Rupees in '000) .....			
Sales	10	1,006,166	711,480	786,631	352,230
Cost of sales		875,022	510,326	700,852	230,171
<b>Gross profit</b>		131,144	201,154	85,779	122,059
Distribution cost		1,971	1,174	1,531	896
Administrative expenses		46,251	37,053	29,122	20,921
		48,222	38,227	30,653	21,817
Other operating income		5,607	907	933	883
		88,529	163,834	56,059	101,125
Finance cost		30,247	28,699	26,425	23,857
Other operating charges		5,242	10,501	2,974	6,289
		35,489	39,200	29,399	30,146
<b>Net profit before taxation</b>		53,040	124,634	26,660	70,979
Taxation		10,855	44,732	719	24,881
<b>Net profit after taxation</b>		42,185	79,902	25,941	46,098
<b>Earning per share - Basic and diluted</b>		3.53	6.69	2.17	3.86

The annexed notes form an integral part of this condensed interim financial information.

**CHIEF EXECUTIVE**

**DIRECTOR**

Karachi: May 27, 2011



## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED MARCH 31, 2011 (Un Audited)

	Six months period ended		Quarter ended	
	Mar 31 2011	Mar 31 2010	Mar 31 2011	Mar 31 2010
	(Rupees in '000)			
Net Profit after tax	42,185	79,902	25,941	46,098
<b>Other Comprehensive Income</b>				
Incremental depreciation charged on surplus on revaluation of fixed assets net of deferred tax	1,573	2,624	363	1,312
Actuarial loss on defined benefit plan	—	(8)	—	—
<b>Total Other Comprehensive Income</b>	1,573	2,616	363	1,312
<b>Total Comprehensive Income</b>	<u>43,758</u>	<u>82,518</u>	<u>26,304</u>	<u>47,410</u>

The annexed notes form an integral part of this condensed interim financial information.

**CHIEF EXECUTIVE**

**DIRECTOR**

Karachi: May 27, 2011

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED MARCH 31, 2011 (Un Audited)

Particulars	Share Capital	Unappropriated Profit	Total
	(Rs. in '000)		
<b>Balance as at October 01, 2009</b>	119,460	60,114	179,574
<b>Total Comprehensive Income for the period</b>			
Net profit after tax for the six months period ended March 31, 2010	—	79,902	79,902
Net other comprehensive income for the period	—	2,616	2,616
	—	82,518	82,518
	119,460	142,632	262,092
<b>Distribution to owners</b>			
Final Dividend for the year ended September 30, 2009	—	(11,946)	(11,946)
<b>Balance as at March 31, 2010</b>	119,460	130,686	250,146
<b>Balance as at October 01, 2010</b>	119,460	186,002	305,462
<b>Total Comprehensive Income for the period</b>			
Net profit after tax for six months period ended March 31, 2011	—	42,185	42,185
Other comprehensive income for the period	—	1,573	1,573
	—	43,758	43,758
	119,460	229,760	349,220
<b>Distribution to owners</b>			
Final Dividend for the year ended September 30, 2010	—	(17,919)	(17,919)
<b>Balance as at March 31, 2011</b>	<u>119,460</u>	<u>211,841</u>	<u>331,301</u>

The annexed notes form an integral part of this condensed interim financial information.

**CHIEF EXECUTIVE**

**DIRECTOR**

Karachi: May 27, 2011



## CONDENSED INTERIM CASH FLOW STATEMENT

### FOR THE SIX MONTHS PERIOD ENDED MARCH 31, 2011 (Un Audited)

	March 31 2011	March 31 2010
	(Rupees in '000)	
Net profit before taxation	53,040	124,634
<b>Adjustment for non cash charges and other items:</b>		
Depreciation	14,278	13,672
Provision for employees benefits	3,239	2,628
Provision for slow moving items and obsolescence	—	854
Finance cost	30,247	28,337
	47,764	45,491
	100,804	170,125
<b>Changes in Working capital</b>		
<b>Decrease / (Increase) in current assets</b>		
Stores, spare parts and loose tools	(578)	404
Stock - in - trade	(1,575,400)	(1,639,019)
Trade debts	(2,223)	16,210
Loans and advances	13,818	8,156
Short term prepayments	(6,138)	(3,225)
Other receivables	—	(800)
	(1,570,521)	(1,618,274)
<b>Increase in current liabilities</b>		
Trade and other payables	901,844	518,410
<b>Cash generated from Operations</b>	(567,873)	(929,739)
Employees benefits paid	(745)	(544)
Finance cost paid	(21,397)	(12,104)
Taxes paid	(36,885)	(28,332)
	(59,027)	(40,980)
<b>Net cash outflow from operating activities</b>	(626,900)	(970,719)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(134,862)	(4,577)
<b>Net cash outflow from investing activities</b>	(134,862)	(4,577)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of long term financing	(10,173)	(9,232)
Dividend Paid	(17,919)	(11,946)
Proceeds from sale and lease back transaction	72,500	—
Repayment of liabilities against asset subject to finance lease	(5,750)	—
<b>Net cash inflow/(out flow) from financing activities</b>	38,658	(21,178)
<b>Net decrease in cash and cash equivalents</b>	(723,104)	(996,474)
Cash and cash equivalents at beginning of the period	(32,922)	(9,159)
<b>Cash and cash equivalents at end of the period</b>	(756,026)	(1,005,633)

The annexed notes form an integral part of this condensed interim financial information.

**CHIEF EXECUTIVE**

Karachi: May 27, 2011

**DIRECTOR**





# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED MARCH 31, 2011 (Un Audited)

## 1 THE COMPANY AND ITS OPERATIONS

The Company is a listed Company incorporated in Pakistan under the Companies Ordinance, 1984. Its shares are listed at Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at 101, 1st Floor, Ocean Centre, Talpur Road, Karachi and production facilities located at 13th K.m, Sanghar-Sindhri Road, Sanghar, Sindh. The Company is principally engaged in the manufacture and sale of sugar and its by-products i-e molasses and bagasse.

## 2 BASIS OF PREPARATION

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" and is submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984. This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual published financial statements for the year ended September 30, 2010.

The figures of the condensed interim profit and loss account and the condensed interim statement of comprehensive income for the quarters ended March 31, 2010 and March 31, 2011 and notes forming part thereof have not been reviewed by the auditors of the Company as they have reviewed the cumulative figures for the six months period ended March 31, 2010 and March 31, 2011.

## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies, related judgments, estimates and assumptions adopted for the preparation of this condensed interim financial information are the same as those applied in preparation of the annual financial statements of the Company for the year ended September 30, 2010.

Property, plant and equipment obligations under finance lease are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets at the inception of lease. Subsequently these are stated at cost less accumulated depreciation and any identified impairment loss. The related obligations of the leases are accounted for as liabilities.

Assets acquired under a finance lease are depreciated over a useful life by using the rate @ 5% per annum. Depreciation on additions to leased asset is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

## 4 SEASONAL PRODUCTION

Due to seasonal availability of sugarcane, the manufacturing of sugar is carried out during the period of sugarcane and costs incurred / accrued up to the reporting date have been accounted for. Accordingly, the cost incurred / accrued after the reporting date will be reported in the subsequent financial statements.

## 5 PROVISIONS

### 5.1 Current Taxation

The Company falls under the presumptive tax regime under Sections 154 and 169 of the Income tax Ordinance, 2001, to the extent of direct export sales. Provision for tax on other income and local sales is based on taxable income at the rates applicable for current tax year, after considering the rebates and tax credits available, if any.



## 5.2 Deferred Taxation

Deferred tax is provided by using the liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognized only to the extent that it is probable that future profits will be available against which the assets can be utilized.

## 5.3 Workers' profit participation fund and Workers' welfare fund

Provision in respect of workers' profit participation fund and workers' welfare fund are estimated only and final liabilities will be determined on the basis of annual results.

		Un-Audited Mar. 31 2011	Audited Sep. 30 2010
		(Rupees in '000)	
<b>6 PROPERTY, PLANT &amp; EQUIPMENT</b>			
<b><u>Owned Assets</u></b>			
Carrying values at start	(Note - 6.1)	477,508	493,260
Add: Additions during the period	(Note - 6.2)	134,862	11,880
		<b>612,370</b>	505,140
Less: Disposal/deletion during the period			
– Cost	(Note - 6.3)	108,322	54
– Acc. Depreciation		—	(27)
		<b>108,322</b>	27
		<b>504,048</b>	505,113
Less: Depreciation during the period		(13,375)	(27,605)
Carrying values at end		<b>490,673</b>	477,508
<b><u>Leased Assets</u></b>			
Carrying values at start		—	—
Add: Additions during the period	(Note - 6.4)	108,322	—
		<b>108,322</b>	—
Less: Depreciation during the period		(903)	—
Carrying values at end		<b>107,419</b>	—
<b>Net Carrying values of owned and leased assets at end</b>		<b>598,092</b>	477,508

6.1 Besides book value at start of comparative figure amounting to Rs. 493,260 thousands, there was capital work in progress amounting to Rs. 771 thousands.

## 6.2 Additions during the period - Owned Assets

Non-Factory Building	—	771
Plant & Machinery	132,606	8,201
Vehicles	1,484	2,294
Furniture & Fittings	690	267
Computer, Equipment & Appliances	82	347
<b>Total</b>	<b>134,862</b>	<b>11,880</b>



	Un-Audited Mar. 31, 2011 (Rupees in '000)	Audited Sep. 30, 2010
<b>6.3 Disposal of owned asset</b>		
Sale and lease back of machinery	<u>108,322</u>	<u>—</u>
<b>6.4 Additions during the period - Leased Assets</b>		
Plant & Machinery	<u>108,322</u>	<u>—</u>

- 7 The carrying values of sugar being shown under the head of stock in trade includes sugar costing Rs. 468,650 thousands which have been contracted for sale, however the same have yet to be lifted. Such stock is valued at average cost being lower than net realizable value as per requirement of IAS-2. The closing stock of sugar bags having carrying value of Rs. 800,000 thousands has been pledged against cash finance obtained from Banking Companies.

## 8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The amount of future minimum lease payments along with their present value and the periods during which they will fall due are:

	Minimum Lease Payments (MLP)	Finance cost for future periods	Present value of MLP
	..... (Rupees in '000) .....		
Not later than one year	26,554	12,601	<b>13,953</b>
Later than one year and not later than five years	106,183	17,564	<b>88,619</b>
	<u>132,737</u>	<u>30,165</u>	<u>102,572</u>

Under the lease agreements, rentals are payable quarterly. Taxes, repairs, replacement and insurance cost, if any are borne by the Company. The finances carry finance cost rate from 17.67% to 21.02% (2010: Nil) per annum which has been used as discounting factor. The Company can exercise the purchase option by making payment of residual value/adjustment of security deposit of the leased assets at the expiry of the lease term.

## 9 CONTINGENCIES AND COMMITMENTS

### 9.1 Contingencies:

There is no change in the contingencies as already disclosed in the audited financial statements for the year ended September 30, 2010.

	Un-audited Mar. 31, 2011 (Rupees in '000)	Un-Audited Mar. 31, 2010
<b>10 SALES</b>		
Local	<u>1,058,982</u>	753,827
<b>Less:</b> Sales tax	<u>41,867</u>	35,232
Special Excise Duty	<u>10,949</u>	7,115
	<u>52,816</u>	42,347
	<u>1,006,166</u>	<u>711,480</u>



Un-audited Mar. 31, 2011 (Rupees in '000)	Un-Audited Mar. 31, 2010
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**11 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise of the following items as included in the balance sheet

Cash and bank balances	43,974	24,878
Short term borrowings	(800,000)	(1,030,511)
Net cash and cash equivalents at the end of period	<u>(756,026)</u>	<u>(1,005,633)</u>

**12 DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was authorized for issue on May 27, 2011 by the Board of Directors of the Company.

**13 GENERAL**

**13.1** Figures have been rounded off to nearest thousand of rupees.

**13.2 Corresponding Figures:**

Corresponding figures in the condensed interim balance sheet comprise of balances as per annual audited financial statements for the year ended September 30, 2010. Corresponding figures in the condensed interim profit and loss account, statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement comprise of balances of comparable period as per the condensed interim financial information for the six months period ended March 31, 2010.

**CHIEF EXECUTIVE**

**DIRECTOR**

Karachi: May 27, 2011

