

# Condensed Interim Financial Information

For the First Quarter ended  
**December 31, 2013**  
(Un-Audited)



سانگھڑ شوگر ملز لمیٹیڈ

**Sanghar Sugar Mills Limited**

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## COMPANY INFORMATION

### Board of Directors

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

### Audit Committee

Mr. Ghulam Dastagir Rajar	(Chairman)
Mr. Jam Mitha Khan	(Member)
Mr. Shahid Aziz	(Member)

### Human Resource & Remuneration Committee

Mr. Ghulam Dastagir Rajar	(Chairman)
Mr. Jam Mitha Khan	(Member)
Mr. Shahid Aziz	(Member)

### Executive Director/Company Secretary

Mr. Abdul Ghafoor Ateeq

### Chief Financial Officer

Syed Rehan Ahmad Hashmi

### 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  
Bank Al-Falah Limited  
Habib Bank Limited  
MCB Bank Limited  
National Bank of Pakistan

### Share Registrar

Hameed Majeed Associates (Pvt) Ltd.  
Karachi Chambers, Hasrat Mohani Road,  
Karachi  
Phone : 021 - 32424826  
Fax No: 021 - 32424835

### Registered Office

101 – First Floor, Ocean Centre  
Talpur Road, Karachi  
Phone : 021-32427171–72  
Fax No: 021–32410700  
Website: [www.sangharsugarmills.com](http://www.sangharsugarmills.com)  
E-mail : [info@sangharsugarmills.com](mailto:info@sangharsugarmills.com)

### Factory

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



## DIRECTORS' REVIEW

The Un-audited Condensed Interim Financial Information of the Company for the first quarter ended December 31, 2013 is presented to the Shareholders of the Company.

### Review of the Performance of the Company

The crushing season for the year 2013-2014 commenced on November 01, 2013. The Government has continued the long debated 'mismatch' in the policy while fixing the minimum price of sugarcane, whereas adopting a free market policy with regard to price of sugar. This policy together with increasing inflationary pressure on other overhead expenses exposed the Company under tremendous strain. The Company, under these circumstances, has made its best efforts to play its role with regard to uplift of the people living in the rural areas of the Country.

### Operating Results

The summary of operating results of the Company during the first quarter ended December 31, 2013 along with the comparatives for the corresponding period are given below:

	Oct – Dec 2013	Oct – Dec 2012
Season started on	01-11-2013	03-11-2012
Duration of crushing days	61	59
Sugarcane crushed M-Tons	288,849	284,829
Cane sugar produced M-Tons	24,540	24,930
Sucrose recovery %	8.78	9.02

### Review of Operation

The Company operated at optimum level during the first quarter ended December 31, 2013 and was able to manufacture reasonable quantity of sugar under the circumstances as compared with the corresponding period.

### Financial Results

The key financial figures of the financial results of the Company for the first quarter ended December 31, 2013 along with the comparatives for the corresponding period are summarized as under:

	Oct – Dec 2013	Oct – Dec 2012
	(Rupees '000)	
Profit before taxation	12,054	10,954
Taxation	7,875	13,851
Profit/(Loss) after taxation	4,179	(2,897)
Earning/(Loss) per share – basic and diluted (Rupees)	0.35	(0.24)



## Review of Financial Results

As already reported above, the Company was able to manufacture the reasonable quantity of sugar, but enhanced production cost of sugarcane together with increasing other overhead expenses, mis-matching prices of sugar and carry over stock of sugar as compared with the corresponding quarter, were the main factors that had directly affected the financial results of the Company for the first quarter ended December 31, 2013. Thus, the Company earned nominal profit after taxation of Rs 4,179 thousand as compared with loss after taxation of Rs 2,897 thousand during the first quarter ended December 31, 2012.

## Future Prospects

As already reported above and in the previous report of the Company, the sugar industry is functioning under the peculiar environment affected by the policies of Federal and Provincial Government as well as the trend of the international and local markets. The rising trend of production cost of sugar along with increasing other overhead expenses, mismatching sale prices of sugar with its cost of production, expected surplus production of sugar in the Country, and other unpredictable circumstances prevailing in the sugar industry might affect the profitability of the Company currently and in the future as well. Under the circumstances, certain remedial measures taken by the Government to reduce the surplus stock of sugar, stability and rationality in sugar prices in the local and international market will shape the future prospect of the sugar industry, which must operate viably to continue providing various economic and financial opportunities to uplift the rural community 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.

The Directors would like to thank all the government functionaries, banking and non-banking financial institutions, suppliers and shareholders for their continued support and cooperation for the betterment and prosperity of the Company.

For and on behalf of the Board of Directors

Chief Executive

Karachi: January 29, 2014



## CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2013

		Un-Audited Dec. 31 2013	Audited Sep. 30 2013
<u>ASSETS</u>	Notes	(Rupees in '000)	
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	719,852	729,685
Long Term Deposits		45,300	45,300
		<b>765,152</b>	774,985
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		49,213	43,246
Stock-in-trade		844,057	302,300
Trade debts		9,931	—
Loans and advances		24,932	24,909
Trade deposits & short term prepayments		21,282	14,135
Other Receivables		22,996	23,077
Income tax refundable - Payments less provision		29,393	32,209
Cash and bank balances		41,540	21,717
		<b>1,043,344</b>	461,593
<b>TOTAL ASSETS</b>		<b>1,808,496</b>	<b>1,236,578</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		241,350	235,305
		<b>360,810</b>	354,765
Surplus on Revaluation of Property, Plant & Equipment		144,935	146,801
<b>NON CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease		65,244	75,242
Deferred liabilities	7	211,621	210,011
		<b>276,865</b>	285,253
<b>CURRENT LIABILITIES</b>			
Trade and other payables		744,981	415,817
Accrued mark-up		1,056	1,688
Short term borrowings		249,962	—
Current portion of liabilities against assets subject to finance lease		29,887	32,254
		<b>1,025,886</b>	449,759
<b>CONTINGENCIES AND COMMITMENTS</b>	8		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,808,496</b>	<b>1,236,578</b>

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

**CHIEF EXECUTIVE**

Karachi: January 29, 2014

**DIRECTOR**



**Sanghar Sugar Mills Limited**  
Condensed Interim Financial Information  
First Quarter Ended December 31, 2013

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE FIRST QUARTER ENDED DECEMBER 31, 2013 (Un Audited)

	Note	Un-Audited December 31 2013 (Rupees in '000)	Un-Audited December 31 2012
Sales	9	688,159	954,060
Cost of sales		650,771	904,414
<b>Gross Profit</b>		<b>37,388</b>	49,646
Distribution cost		1,022	1,966
Administrative expenses		19,482	22,635
		20,504	24,601
Finance cost		3,849	14,412
Other operating expenses		1,177	1,206
Other income		(196)	(1,527)
		4,830	14,091
<b>Profit before taxation</b>		<b>12,054</b>	10,954
Taxation		7,875	13,851
<b>Profit / (Loss) after taxation</b>		<b>4,179</b>	(2,897)
<b>Earnings / (Loss) per share - Basic and diluted (Rupees)</b>		<b>0.35</b>	(0.24)

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

CHIEF EXECUTIVE

DIRECTOR

Karachi: January 29, 2014



## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED DECEMBER 31, 2013 (Un Audited)

	Un-Audited December 31 2013	Un-Audited December 31 2012
	(Rupees in '000)	
Profit / (Loss) after taxation	4,179	(2,897)
<b>Other Comprehensive Income</b>		
<b>Items that will not be reclassified to Profit &amp; Loss:</b>		
Incremental depreciation charged on surplus on revaluation of property, plant & equipment - net of deferred tax	1,866	2,134
<b>Total Other Comprehensive Income</b>	1,866	2,134
<b>Total Comprehensive Income for the period</b>	6,045	(763)

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

**CHIEF EXECUTIVE**

**DIRECTOR**

Karachi: January 29, 2014

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED DECEMBER 31, 2013 (Un Audited)

Particulars	Share Capital	Unappropriated Profit	Total
	..... (Rs. in '000) .....		
<b>Balance as at October 01, 2012 as previously reported</b>	119,460	211,238	330,698
Effect of retrospective application of change in an accounting policy related to recognition of Actuarial gains / (losses) for the year ended September 30, 2011. Referred in note 5 of Annual Financial Statements September 30, 2013.	—	(1,180)	(1,180)
Impact of Deferred tax	—	413	413
	—	(767)	(767)
<b>Balance as at October 01, 2012 as restated</b>	<b>119,460</b>	<b>210,471</b>	<b>329,931</b>
<i>Total Comprehensive Income for the period</i>	—	(2,897)	(2,897)
Loss after tax for quarter ended December 31, 2012	—	2,134	2,134
Incremental depreciation charged on surplus on revaluation of property, plant & equipment - net of deferred tax	—	2,134	2,134
	—	(763)	(763)
<b>Balance as at December 31, 2012 as restated</b>	<b>119,460</b>	<b>209,708</b>	<b>329,168</b>
<b>Balance as at October 01, 2013</b>	<b>119,460</b>	<b>235,305</b>	<b>354,765</b>
<i>Total Comprehensive Income for the period</i>	—	4,179	4,179
Profit after tax for quarter ended December 31, 2013	—	1,866	1,866
Incremental depreciation charged on surplus on revaluation of property, plant & equipment - net of deferred tax	—	1,866	1,866
	—	6,045	6,045
<b>Balance as at December 31, 2013</b>	<b>119,460</b>	<b>241,350</b>	<b>360,810</b>

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

**CHIEF EXECUTIVE**

**DIRECTOR**

Karachi: January 29, 2014





# CONDENSED INTERIM CASH FLOW STATEMENT

## FOR THE FIRST QUARTER ENDED DECEMBER 31, 2013 (Un Audited)

	Un-Audited December 31 2013	Un-Audited December 31 2012
Note	(Rupees in '000)	
Profit before taxation	12,054	10,954
<b>Adjustment for non cash charges and other items:</b>		
Depreciation	9,833	10,165
Employees retirement benefits expense	2,309	2,132
Provision for market committee fee	—	2,848
Finance cost	3,849	14,412
	15,991	29,557
	28,045	40,511
<b>Changes in Working capital</b>		
<b>(Increase) / Decrease in current assets</b>		
Stores, spare parts and loose tools	(5,967)	(1,317)
Stock - in - trade	(541,757)	(290,401)
Trade debts	(9,931)	(42,576)
Loans and advances	(23)	(5,974)
Trade deposits & Short term prepayments	(7,147)	(4,904)
Other Receivables	81	—
	(564,744)	(345,172)
<b>Increase in current liabilities</b>		
Trade and other payables	329,164	482,467
<b>Cash (used)/generated from Operations</b>	(207,535)	177,806
Employees retirement benefits paid during the period	(425)	(189)
Finance cost paid	(4,481)	(29,126)
Income tax paid during the period	(5,333)	(6,956)
	(10,239)	(36,271)
<b>Net cash (out flow) / inflow from operating activities</b>	(217,774)	141,535
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions in operating fixed assets	—	(2,088)
<b>Net cash outflow from investing activities</b>	—	(2,088)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payments of liabilities against assets subject to finance lease	(12,365)	(8,453)
<b>Net cash out flow from financing activities</b>	(12,365)	(8,453)
<b>Net (decrease) / increase in cash and cash equivalents</b>	(230,139)	130,994
Cash and cash equivalents at beginning of the period	21,717	(423,079)
<b>Cash and cash equivalents at end of the period</b>	(208,422)	(292,085)

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

**CHIEF EXECUTIVE**

**DIRECTOR**

Karachi: January 29, 2014



# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE FIRST QUARTER ENDED DECEMBER 31, 2013 (Un Audited)

## 1 THE COMPANY AND ITS OPERATIONS

- 1.1 The Company is a public limited Company incorporated in Pakistan in 1986 under the Companies Ordinance, 1984. Its shares are quoted on Karachi and Lahore Stock Exchanges. The Company is principally engaged in the manufacture and sale of sugar and its by-products. 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.

## 2 BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with the requirements of the International Accounting Standards 34 "Interim Financial Reporting" and is submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984. These condensed interim financial statements does not include all of the information required for full annual financial statements and should be read in conjunction with the published annual financial statements for the year ended September 30, 2013.

This condensed interim financial information comprises of the condensed interim balance sheet as at December 31, 2013 and the condensed interim profit & loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and the condensed interim statement of changes in equity for the quarter ended are not audited. The comparative balance sheet presented in these condensed interim financial information has been extracted from audited financial statements of the Company for the year ended September 30, 2013, whereas the comparative 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 figures have been extracted from the financial information for the quarter ended December 31, 2012.

## 3 ACCOUNTING POLICIES

- 3.1 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, 2013.

## 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 local sales and other income is based on taxable income at the applicable tax rates 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 Provisions

Provisions in respect of current taxation, deferred taxation, workers' profit participation fund and workers' welfare fund, if any, are based on three months quarter ended results and final liabilities will be determined on the basis of annual results.



**Un-Audited      Audited**  
**December 31    September 30**  
**2013              2013**  
**(Rupees in '000)**

**6 PROPERTY, PLANT & EQUIPMENT**

**Operating Fixed Assets:**

**Owned Assets**

Carrying values at start

Add: Additions during the period / year (Note - 6.1)

Less : Disposal during the period / year at NBV (Note - 6.2)

Less : Depreciation during the period / year (Note - 6.3)

Carrying values at end

**Leased Assets**

Carrying values at start

Add: Additions during the period / year (Note - 6.1)

Less : Depreciation during the period / year (Note - 6.3)

Carrying values at end

Net Carrying values of owned and leased assets at end

Add: Capital work-in-progress (Note - 6.4)

**Property, Plant & Equipment**

**6.1 Additions during the period / year**

**Owned Assets**

**Transferred from Capital Work in Progress (CWIP)**

Factory Building on lease hold land

– Transfer from CWIP

Plant & Machinery

– Transfer from CWIP

**Direct Additions**

Plant & Machinery

Vehicles

Furniture & Fittings

Computer, Equipment & Appliances

Stores & Spares held for capital expenditure

**Leased Assets**

Plant & Machinery

**Total**

**6.2 Disposals during the period / year**

**Owned Assets**

**Plant & Machinery**

Cost

Accumulated Depreciation

Written down Value

**Vehicles**

Cost

Accumulated Depreciation

Written down Value

Written Down Value of disposals during the period / year

<b>588,006</b>	644,918
—	22,469
<b>588,006</b>	667,387
—	(43,993)
<b>588,006</b>	623,394
<b>(8,160)</b>	(35,388)
<b>579,846</b>	588,006
<b>133,835</b>	99,476
—	40,000
<b>(1,673)</b>	(5,641)
<b>132,162</b>	133,835
<b>712,008</b>	721,841
<b>7,844</b>	7,844
<b>719,852</b>	729,685
—	1,579
—	4,719
—	6,298
—	5,028
—	6,540
—	27
—	797
—	3,779
—	16,171
—	22,469
—	40,000
—	62,469
—	61,364
—	19,855
—	41,509
—	4,154
—	1,670
—	2,484
—	43,993



	Un-Audited December 31 2013 (Rupees in '000)	Audited September 30 2013
<b>6.3 Depreciation charged</b>		
Owned Assets	8,160	35,388
Leased Assets	<u>1,673</u>	<u>5,641</u>
	<u><b>9,833</b></u>	<u><b>41,029</b></u>
<b>6.4 Capital Work in Progress - CWIP</b>		
Opening balance at start	7,844	2,722
Additions during the period / year	—	11,420
Transfer to operating fixed assets	—	<u>(6,298)</u>
Closing balance at end	<u><b>7,844</b></u>	<u><b>7,844</b></u>
<b>7 DEFERRED LIABILITIES</b>		
<b>Deferred taxation</b>	<b>140,741</b>	141,015
<b>Market committee fee</b>	<b>34,239</b>	34,239
<b>Employees benefits</b>		
– Defined benefits plan	<u>36,641</u>	<u>34,757</u>
	<u><b>211,621</b></u>	<u><b>210,011</b></u>

## 8 CONTINGENCIES AND COMMITMENTS

### 8.1 Contingencies:

There is no change in the contingencies as disclosed in the Annual Financial Statements for the year ended September 30, 2013.

### 8.2 Guarantee:

There is no change in the guarantee as disclosed in the Annual Financial Statements for the year ended September 30, 2013.

### 8.3 Commitments:

**8.3.1** Commitments in respect of plant and machinery amount to Rs. 8,200 thousands (September 2013: Rs. 8,200 thousands).

**8.3.2** The Company has entered into Ijarah Lease agreement, for the amount of Rs. 29,508 thousands with Al-Baraka Bank Pakistan Limited to acquire of Shredder Turbine for enhancing power generation capacity. The Company has option to purchase the assets upon expiry of the lease term by making payment of residual value / adjustment of security deposit. Minimum lease payments have been discounted using discount rates linked with KIBOR aggregating to 14.59%. Lease rentals are payable in 20 quarterly installments starting from March 2014.

The Company is committed for minimum Ijarah rental payments for each of the following period as follows:

	Un-Audited December 31 2013 (Rupees in '000)	Audited September 30 2013
Not more than one year	7,707	5,824
More than one year but not more than five years	<u>30,131</u>	<u>30,131</u>
More than five years but not more than six years	—	<u>1,883</u>
	<u><b>37,838</b></u>	<u><b>37,838</b></u>



	Un-Audited December 31 2013 (Rupees in '000)	Un-Audited December 31 2012
<b>9 SALES</b>		
Export	7,171	362,744
Local	735,467	638,621
<b>Less:</b> Federal Excise Duty	54,479	47,305
	<u>680,988</u>	591,316
	<u>688,159</u>	<u>954,060</u>
<b>10 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents comprise of the following items as included in the balance sheet		
Cash and bank balances	41,540	7,915
Short term borrowings	(249,962)	(300,000)
Net cash and cash equivalents at the end of period	<u>(208,422)</u>	<u>(292,085)</u>

#### 11 RELATED PARTY TRANSACTIONS

The Company in the normal course of business carries out transactions with related parties. The details of the transactions carried out as detailed below:

Relationship with Company	Nature of Transaction	Un-Audited December 31, 2013 (Rupees in '000)	Un-Audited December 31, 2012
Directors, Key Management Personnel and their relatives	Purchase of sugarcane	41,821	45,143
CEO, Directors & Executives	Salaries and Benefits	4,999	4,732

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

#### 12 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial information were authorized for issue on January 29, 2014 by the Board of Directors of the Company.

#### 13 GENERAL

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

CHIEF EXECUTIVE

DIRECTOR

Karachi: January 29, 2014



**BOOK POST**

**UNDER  
CERTIFICATE  
OF POSTING**

**REGISTERED OFFICE:**

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Phone : 021-32427171-72 Fax No : 021-32410700  
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