



Condensed Interim Financial Information

For the First Quarter ended
December 31, 2014
(Un-Audited)



سانگھڑ شوگر ملز لمیٹید
Sanghar Sugar Mills Limited

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Ghulam Dastagir Rajar (Chairman)
Haji Khuda Bux Rajar (Chief Executive)
Mr. Mohammad Aslam
Mr. Rahim Bux
Mr. Ghulam Hyder
Mr. Qazi Shamsuddin
Mr. Shahid Aziz (Nominee of N.I.T.)

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Rahim Bux (Chairman)
Mr. Ghulam Hyder
Mr. Shahid Aziz

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Rahim Bux (Chairman)
Mr. Ghulam Hyder
Mr. Shahid Aziz

EXECUTIVE DIRECTOR / COMPANY SECRETARY

Mr. Abdul Ghafoor Ateeq

CHIEF FINANCIAL OFFICER

Syed Rehan Ahmad Hashmi

STATUTORY AUDITORS

Kreston Hyder Bhimji & Co.
Chartered Accountants

COST AUDITORS

Siddiqi & Company
Cost & Management Accountants

SHARE REGISTRAR

Hameed Majeed Associates (Pvt) Limited
Karachi Chambers, Hasrat Mohani Road,
Karachi.
Phone: 021 32424826
Fax: 021 32424835

BANKERS

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

REGISTERED / HEAD OFFICE

C-27, Plot No. F-24, Block - 9, Clifton
Karachi - 75600
Phone: 021 35371441 to 43 (3 lines)
Fax: 021 35371444
Website: www.sangharsugarmills.com
E-mail: info@sangharsugarmills.com

MANUFACTURING FACILITIES

13th KM, Sanghar - Sindhari Road
Deh Kehore, District Sanghar, Sindh
Phone: (0345) 3737001 8222911



DIRECTORS' REVIEW

The Un-audited Condensed Interim Financial Information of the Company for the first quarter ended December 31, 2014 is presented to the Shareholders of the Company.

Review of the Performance of the Company

The crushing season for the year 2014-2015 commenced on November 15, 2014. 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 is evident from the fact that though prices of sugar crashed, the Government enhanced the price of sugarcane from Rs 172 (for last season 2013-2014) to Rs 182 per 40 kg for the current season. This policy together with the inflationary pressure on other inputs exposed the industry under tremendous strain. The Government of Pakistan, realizing the gravity of the situation, has taken steps to contain the irreparable damage to the sugar industry and has since allowed export of sugar to the tune of 650,000 M. Tons and related exemption in F.E.D. Under these tiring circumstances, the Company has made its best efforts to play its role with regard to its social and corporate responsibilities for economic well – being and development of the Country along with 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, 2014 along with the comparatives for the corresponding period are given below:

	Oct – Dec 2014	Oct – Dec 2013
Season started on	15-11-2014	01-11-2013
Duration of crushing days	47	61
Sugarcane crushed M-Tons	223,291	288,849
Cane sugar produced M-Tons	20,580	24,540
Sucrose recovery %	9.45	8.78

Review of Operation

The Company operated at optimum level during the first quarter ended December 31, 2014 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, 2014 along with the comparatives for the corresponding period are summarized as under:



	Oct – Dec 2014	Oct – Dec 2013
	(Rupees '000)	
(Loss) / Profit before taxation	(16,282)	12,054
Taxation	1,100	7,875
(Loss) / Profit after taxation	<u>(17,382)</u>	<u>4,179</u>
(Loss) / Earning per share – basic and diluted (Rupees)	<u>(1.46)</u>	<u>0.35</u>

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, 2014. Thus, the Company incurred loss after taxation of Rs 17,382 thousand as compared with profit after taxation of Rs 4,179 thousand during the first quarter ended December 31, 2013.

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. The Government exercise control over the price of sugarcane to protect the interest of the sugar cane growers, but similar practice is not exercised over the price of sugar to have a win win position for all stakeholders.

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 30, 2015



**CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2014**

	Notes	Un-Audited December 31 2014	Audited September 30 2014
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	1,130,702	1,146,348
Intangible Assets	7	456	497
Long Term Deposits		9,478	9,478
		1,140,636	1,156,323
CURRENT ASSETS			
Stores, spare parts and loose tools		50,958	42,125
Stock-in-trade		724,826	442,118
Loans and advances		74,366	67,069
Trade deposits & short term prepayments		6,315	64,174
Other Receivables		23,114	23,196
Tax refund due from Government - net of provision less payments		24,610	24,177
Cash and bank balances		196,598	7,274
		1,100,787	670,133
TOTAL ASSETS		<u>2,241,423</u>	<u>1,826,456</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital		200,000	200,000
20,000,000 shares of Rs.10 each			
Issued, subscribed and paid up capital		119,460	119,460
Unappropriated profit		239,227	251,401
		358,687	370,861
Surplus on Revaluation of Property, Plant & Equipment		422,079	427,287
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		20,957	23,174
Long Term Financing		1,000	—
Deferred liabilities	8	322,333	320,838
		344,290	344,012
CURRENT LIABILITIES			
Trade and other payables		775,044	137,603
Accrued mark-up / Financial Charges		7,931	20,314
Short term borrowings		325,000	470,058
Current portion of liabilities against assets subject to finance lease		8,392	56,321
		1,116,367	684,296
CONTINGENCIES AND COMMITMENTS	9	—	—
TOTAL EQUITY AND LIABILITIES		<u>2,241,423</u>	<u>1,826,456</u>

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

CHIEF EXECUTIVE

Karachi: January 30, 2015

DIRECTOR



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE FIRST QUARTER ENDED DECEMBER 31, 2014 (Un Audited)**

	Note	Un-Audited December 31 2014 (Rupees in '000)	Un-Audited December 31 2013
Sales	10	752,621	688,159
Cost of sales	11	737,103	650,771
Gross Profit		15,518	37,388
Distribution cost		220	1,022
Administrative expenses		17,937	19,482
Other operating expenses		166	1,177
		18,323	21,681
		(2,805)	15,707
Other income		7	196
Operating (Loss) / Profit		(2,798)	15,903
Finance cost		13,484	3,849
(Loss) / Profit before taxation		(16,282)	12,054
Taxation		1,100	7,875
(Loss) / Profit after taxation		(17,382)	4,179
(Loss) / Earnings per share - Basic and diluted (Rupees)		(1.46)	0.35

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

CHIEF EXECUTIVE

DIRECTOR

Karachi: January 30, 2015



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED DECEMBER 31, 2014 (Un Audited)**

	Un-Audited December 31 2014	Un-Audited December 31 2013
	(Rupees in '000)	
(Loss) / profit after taxation	(17,382)	4,179
Other Comprehensive Income	—	—
Total Comprehensive Income for the period	(17,382)	4,179

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

CHIEF EXECUTIVE

DIRECTOR

Karachi: January 30, 2015

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED DECEMBER 31, 2014 (Un Audited)**

Particulars	Share Capital	Unappropriated Profit	Total
 (Rupees in '000)		
Balance as at October 01, 2013	119,460	235,305	354,765
Total Comprehensive Income for the period			
Profit after tax for quarter ended December 31, 2013	—	4,179	4,179
Incremental depreciation charged on surplus on revaluation of property, plant & equipment - net of deferred tax	—	1,866	1,866
	—	6,045	6,045
Balance as at December 31, 2013	119,460	241,350	360,810
Balance as at October 01, 2014	119,460	251,401	370,861
Total Comprehensive Income for the period			
Loss after tax for quarter ended December 31, 2014	—	(17,382)	(17,382)
Incremental depreciation charged on surplus on revaluation of property, plant & equipment - net of deferred tax	—	5,208	5,208
	—	(12,174)	(12,174)
Balance as at December 31, 2014	119,460	239,227	358,687

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

CHIEF EXECUTIVE

DIRECTOR

Karachi: January 30, 2015



CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE FIRST QUARTER ENDED DECEMBER 31, 2014 (Un Audited)

	Note	Un-Audited December 31 2014 (Rupees in '000)	Un-Audited December 31 2013
(Loss) / Profit before taxation		(16,282)	12,054
Adjustment for non cash charges and other items:			
Depreciation		15,683	9,833
Amortization		41	—
Employees retirement benefits expense		2,593	2,309
Provision for market committee fee		2,233	—
Finance cost		13,484	3,849
		34,034	15,991
		17,752	28,045
Changes in Working capital			
Decrease /(Increase) in current assets			
Stores, spare parts and loose tools		(8,833)	(5,967)
Stock - in - trade		(282,708)	(541,757)
Trade debts		—	(9,931)
Loans and advances		(7,297)	(23)
Trade deposits & Short term prepayments		22,037	(7,147)
Other Receivables		82	81
		(276,719)	(564,744)
Increase in current liabilities			
Trade and other payables		637,441	329,164
Cash generated / (used in) from Operations		378,474	(207,535)
Employees retirement benefits paid during the period		(843)	(425)
Finance cost paid during the period		(25,867)	(4,481)
Income tax paid during the period		(4,021)	(5,333)
		(30,731)	(10,239)
Net cash inflow / (out flow) from operating activities		347,743	(217,774)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions in operating fixed assets		(24)	—
Additions in capital work in progress		(13)	—
Net cash outflow from investing activities		(37)	—
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Long Term financing		1,000	—
Payments of liabilities against asset subject to finance lease		(14,324)	(12,365)
Net cash outflow from financing activities		(13,324)	(12,365)
Net increase / (decrease) in cash and cash equivalents		334,382	(230,139)
Cash and cash equivalents at beginning of the period		(462,784)	21,717
Cash and cash equivalents at end of the period	12	(128,402)	(208,422)

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

CHIEF EXECUTIVE

Karachi: January 30, 2015

DIRECTOR



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE FIRST QUARTER ENDED DECEMBER 31, 2014 (Un Audited)**

1 THE COMPANY AND ITS OPERATIONS

The Company is a public limited Company incorporated in 1986 in Pakistan 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 C-27, Plot No. F-24, Block - 9, Clifton, Karachi and its manufacturing facilities are located in district Sanghar, Sindh.

2 BASIS OF PREPARATION

This condensed interim financial information has 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. 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 published annual financial statements for the year ended September 30, 2014.

This condensed interim financial information comprises of the condensed interim balance sheet as at December 31, 2014 and the condensed interim profit & loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity for the first quarter ended are not audited. This also includes the condensed interim profit & loss account, condensed interim statement of comprehensive income for the first quarter ended December 31, 2013. 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, 2014, 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 first quarter ended December 31, 2013.

3 ACCOUNTING POLICIES

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, 2014.

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

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



		Un-Audited December 31 2014	Audited September 30 2014
		(Rupees in '000)	
6	PROPERTY, PLANT & EQUIPMENT		
	Operating Fixed Assets:		
	Owned	1,084,813	959,169
	Leased	36,899	127,143
		1,121,712	1,086,312
	Capital Work in Progress	8,990	60,036
		<u>1,130,702</u>	<u>1,146,348</u>
6.1	Owned Operating Fixed Assets		
	Opening Net Book Value	959,169	588,006
	Revaluation during the period / year		
	Free hold land	—	67,900
	Factory Building on free hold land	—	101,868
	Non-Factory Building on free hold land	—	61,950
	Plant & Machinery	—	160,646
		—	392,364
	Direct additions during the period / year		
	Vehicles	—	781
	Furniture & Fittings	—	45
	Computer, Equipment & Appliances	24	354
	Stores & Spares held for capital expenditure	—	2,088
		24	3,268
	Transferred from Capital Work in Progress		
	Factory Building on free hold land	2,091	—
	Non-Factory Building on free hold land	776	—
	Plant & Machinery	48,192	8,707
		51,059	8,707
	Transferred from Leased Assets		
	Plant & Machinery at NBV	89,777	—
		89,777	—
	Disposal during the period / year at NBV		
	Vehicles	—	(109)
		—	(109)
	Depreciation during the period / year	(15,216)	(33,067)
	Closing Net Book Value	<u>1,084,813</u>	<u>959,169</u>
6.2	Leased Operating Fixed Assets		
	Opening Net Book Value	127,143	133,835
	Transferred to owned assets - Plant & Machinery at NBV	(89,777)	—
	Depreciation during the period / year	(467)	(6,692)
	Closing Net Book Value	<u>36,899</u>	<u>127,143</u>



	Un-Audited December 31 2014	Audited September 30 2014
	(Rupees in '000)	
6.3 Capital Work in Progress		
Opening balance	60,036	7,844
Additions during the period / year		
Civil Works	—	2,867
Plant & Machinery	13	58,032
	13	60,899
Transfer to operating fixed assets		
Factory & Non Factory Building on free hold land	(2,867)	—
Plant & Machinery	(48,192)	(8,707)
	(51,059)	(8,707)
Closing balance	<u>8,990</u>	<u>60,036</u>
7 INTANGIBLE ASSETS		
Opening Net Book Value	497	—
Additions during the period / year	—	637
Amortization charged during the period / year	(41)	(140)
Closing Net Book Value	<u>456</u>	<u>497</u>
8 DEFERRED LIABILITIES		
Deferred taxation	236,300	238,788
Market committee fee	43,854	41,621
Employees retirement benefits		
– Defined benefits plan	42,179	40,429
	<u>322,333</u>	<u>320,838</u>
9 CONTINGENCIES AND COMMITMENTS		
9.1 Contingencies:		
There is no material change in the status of contingencies as disclosed in note No. 21.1.2 to 21.1.5 of the annual financial statements for the year ended September 30, 2014 and;		
a)	The amount of the aggregate provision of the market committee fee, as stated in note # 21.1.1 of the annual financial statements, has increased to Rs. 43,854 thousands due to provision in respect of current crushing season amounting to Rs. 2,233 thousands.	
9.2 Commitments:		
a)	Commitments in respect of capital expenditure in plant and machinery amount to Rs. 40,000 thousands (September 2014: Rs. 40,000 thousands).	
b)	The Company is committed for minimum Ijarah rental payments for each of the following period as follows:	

	Un-Audited December 31 2014	Audited September 30 2014
	(Rupees in '000)	
Not more than one year	7,533	7,533
More than one year but not more than five years	22,598	24,481
	<u>30,131</u>	<u>32,014</u>



	Un-Audited December 31 2014	Un-Audited December 31 2013
	(Rupees in '000)	
10 SALES		
Export	—	7,171
Local	812,817	735,467
Less: Federal Excise Duty	60,196	54,479
	<u>752,621</u>	680,988
	<u>752,621</u>	<u>688,159</u>
11 COST OF SALES		
Opening stock of finished goods	440,832	299,754
Cost of goods manufactured during the period	1,012,228	1,179,969
	<u>1,453,060</u>	1,479,723
Closing stock of finished goods	(715,957)	(828,952)
	<u>737,103</u>	<u>650,771</u>

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents, for the purpose of cash flow statement, comprise of the following items;

	Un-Audited December 31 2014	Un-Audited December 31 2013
	(Rupees in '000)	
Cash and bank balances	196,598	41,540
Short term borrowings	(325,000)	(249,962)
	<u>(128,402)</u>	<u>(208,422)</u>

13 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, 2014	Un-Audited December 31, 2013
		(Rupees in '000)	
Directors, Key Management Personnel and their relatives	Purchase of sugarcane	10,024	41,821
CEO, Directors & Executives	Salaries and Benefits	4,919	4,999

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

14 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on January 30, 2015 by the Board of Directors of the Company.

15 GENERAL

Figures have been rounded off to nearest thousand of rupees.

CHIEF EXECUTIVE

DIRECTOR

Karachi: January 30, 2015



BOOK POST

UNDER
CERTIFICATE
OF POSTING

REGISTERED / HEAD OFFICE:

C-27, Plot No. F-24, Block-9, Clifton, Karachi-75600
Telephone No. 021-35371441 to 43 (three lines), Fax No.: 021-35371444.
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