

COMPANY INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Mr. Ghulam Dastagir Rajar Mr. Gul Mohammad Mr. Shahid Aziz	(Chairman) (Member) (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
Bank Alfalah 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: ssm@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 nine months period ended June 30, 2011.

Review of the Performance of the Company

The crushing season for the year 2010-2011 commenced on November 22, 2010 and closed 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 sugar cane 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 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 sugar 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 nine months period ended June 30, 2011 along with the comparatives for the corresponding period are given below:

	Oct. to June 2011	Oct. to June 2010
Season started on	22-11-2010	12-11-2009
Season completed on	18-03-2011	05-03-2010
Duration of crushing days	117	114
Sugarcane crushed M – Tons	491,205	484,452
Cane 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 the nine months period ended June 30, 2011 and was able to manufacture reasonable quantity of sugar under the circumstances of lesser availability of sugarcane coupled with higher procurement cost of sugarcane.

Financial Results

The key financial figures of the Company for the nine months period ended June 30, 2011 along with the comparatives for the corresponding period are summarized as under:



	Oct. to June 2011	Oct. to June 2010
	(Rupees in '000)	
Net profit before taxation	55,206	196,261
Taxation	11,752	71,254
Net profit after taxation	43,454	125,007
Earning per share - basic and diluted (Rupees)	3.64	10.46

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 sugar cane and increasing overhead expenses due to inflation as compared with the corresponding period. The Company has made net sales of Rs. 1,248,357 thousand as compared with sales of Rs. 2,209,288 thousand in the corresponding period and gross profit of Rs. 181,669 thousand as compared with the gross profit of Rs. 323,339 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. 43,454 thousand as compared with the net profit after taxation of Rs. 125,007 thousand during the corresponding period ended June 30, 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 ever increasing other overhead expenses, volatile sale prices of sugar, other situations and unpredictable environment 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 matching with the cost of production of sugar 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 stake holders 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: July 25, 2011

Chief Executive



CONDENSED INTERIM BALANCE SHEET AS AT JUNE 30, 2011

		Un-Audited Jun. 30 2011	Audited Sep. 30 2010
ASSETS	Note	(Rupees in '000)	
NON-CURRENT ASSETS			
Property, plant and equipment	6	589,791	477,508
Long Term Deposits		38,045	2,223
		627,836	479,731
CURRENT ASSETS			
Stores, spare parts and loose tools		41,747	40,212
Stock -in-trade	7	1,464,944	88,197
Trade debts		8,259	49,519
Loans and advances		47,885	55,643
Short term prepayments		2,852	647
Other receivables		3,453	—
Cash and bank balances		11,654	6,148
		1,580,794	240,366
Total		<u>2,208,630</u>	<u>720,097</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital		200,000	200,000
20,000,000 shares of Rs.10 each		<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid up capital		119,460	119,460
Unappropriated profit		213,896	186,002
		333,356	305,462
SURPLUS ON REVALUATION OF FIXED ASSETS		43,854	46,213
NON CURRENT LIABILITIES			
Long term financing		—	23,159
Liabilities against asset subject to finance lease	8	87,227	—
Deferred liabilities		138,454	145,489
		225,681	168,648
CURRENT LIABILITIES			
Trade and other payables		721,291	70,855
Accrued mark-up		13,548	10,258
Short term borrowings		800,000	39,070
Current portion of non current liabilities		37,795	21,623
Taxation- net		33,105	57,968
		1,605,739	199,774
CONTINGENCIES AND COMMITMENTS	9		
Total		<u>2,208,630</u>	<u>720,097</u>

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

CHIEF EXECUTIVE

DIRECTOR



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS PERIOD ENDED JUNE 30, 2011 (Un-Audited)

	Note	Nine Months period ended		Quarter ended	
		Jun 30 2011	Jun 30 2010	Jun 30 2011	Jun 30 2010
		(Rupees in '000)			
Sales	10	1,248,357	2,209,288	242,191	1,497,808
Cost of sales		1,066,688	1,885,949	191,666	1,375,623
Gross profit		181,669	323,339	50,525	122,185
Distribution cost		2,030	1,541	59	367
Administrative expenses		66,945	52,852	20,694	15,137
		68,975	54,393	20,753	15,504
Other operating income		5,695	974	88	67
		118,389	269,920	29,860	106,748
Finance cost		55,255	57,514	25,008	28,792
Other operating charges		7,928	16,145	2,686	6,329
		63,183	73,659	27,694	35,121
Net profit before taxation		55,206	196,261	2,166	71,627
Taxation		11,752	71,254	897	26,522
Net profit after taxation		43,454	125,007	1,269	45,105
Earning per share - Basic and diluted		3.64	10.46	0.11	3.78

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

CHIEF EXECUTIVE

DIRECTOR



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS PERIOD ENDED JUNE 30, 2011 (Un-Audited)

	Nine Months period ended		Quarter ended	
	Jun 30 2011	Jun 30 2010	Jun 30 2011	Jun 30 2010
 (Rupees in '000)			
Net Profit after tax	43,454	125,007	1,269	45,105
Other Comprehensive Income				
Incremental depreciation charged on surplus on revaluation of fixed assets net of deferred tax	2,359	3,937	786	1,313
Actuarial loss on defined benefit plan	—	(8)	—	—
Total Other Comprehensive Income	2,359	3,929	786	1,313
Total Comprehensive Income	45,813	128,936	2,055	46,418

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

CHIEF EXECUTIVE

DIRECTOR



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED JUNE 30, 2011 (Un-Audited)

Particulars	Share Capital	Unappropriated Profit	Total
 (Rs. in '000)		
Balance as at October 01, 2009	119,460	60,114	179,574
Total Comprehensive Income for the period			
Net profit after tax for the nine months period ended June 30, 2010	—	125,007	125,007
Other comprehensive income for the period	—	3,929	3,929
	—	128,936	128,936
	119,460	189,050	308,510
Distribution to owners			
Final Dividend for the year ended September 30, 2009		(11,946)	(11,946)
Balance as at June 30, 2010	119,460	177,104	296,564
Balance as at October 01, 2010	119,460	186,002	305,462
Total Comprehensive Income for the period			
Net profit after tax for nine months period ended June 30, 2011	—	43,454	43,454
Other comprehensive income for the period	—	2,359	2,359
	—	45,813	45,813
	119,460	231,815	351,275
Distribution to owners			
Final Dividend for the year ended September 30, 2010	—	(17,919)	(17,919)
Balance as at June 30, 2011	119,460	213,896	333,356

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

CHIEF EXECUTIVE

DIRECTOR



Sanghar Sugar Mills Limited
Condensed Interim Financial Information
Nine Months Period Ended June 30, 2011

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE NINE MONTHS PERIOD ENDED JUNE 30, 2011 (Un-Audited)

	Note	June 30 2011 (Rupees in '000)	June 30 2010
Net profit before taxation		55,206	196,261
Adjustment for non cash charges and other items:			
Depreciation		22,579	20,577
Provision for employees benefits		4,858	3,954
Provision for slow moving items and obsolescence		—	1,154
Finance cost		55,255	57,129
		82,692	82,814
		137,898	279,075
Changes in Working capital			
Decrease / (Increase) in current assets			
Stores, spare parts and loose tools		(1,535)	1,592
Stock - in - trade		(1,376,747)	(267,276)
Trade debts		41,260	(97,208)
Loans and advances		7,758	(21,438)
Short term prepayments		(2,205)	(1,419)
Other receivables		(3,453)	200
		(1,334,922)	(385,549)
Increase in current liabilities			
Trade and other payables		650,436	(30,732)
Cash generated from Operations		(546,588)	(137,206)
Employees benefits paid		(1,057)	(1,174)
Finance cost paid		(51,965)	(49,479)
Taxes paid		(47,452)	(47,144)
		(100,474)	(97,797)
Net cash outflow from operating activities		(647,062)	(235,003)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(134,862)	(7,334)
Net cash outflow from investing activities		(134,862)	(7,334)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term financing		(21,622)	(20,188)
Dividend Paid		(17,919)	(11,946)
Proceeds from sale and lease back transaction		72,500	—
Repayment of liabilities against asset subject to finance lease		(6,459)	—
Net cash inflow/ (out flow) from financing activities		26,500	(32,134)
Net decrease in cash and cash equivalents		(755,424)	(274,471)
Cash and cash equivalents at beginning of the period		(32,922)	(9,159)
Cash and cash equivalents at end of the period	11	(788,346)	(283,630)

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

CHIEF EXECUTIVE

DIRECTOR



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS PERIOD ENDED JUNE 30, 2011 (Un-Audited)

1 THE COMPANY AND ITS OPERATIONS

- 1.1 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.

3 ACCOUNTING POLICIES

- 3.1 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 Jun. 30 2011	Audited Sep. 30 2010
		(Rupees in '000)	
6 PROPERTY, PLANT & EQUIPMENT			
<u>Owned Assets</u>			
Carrying values at start	(Note - 6.1)	477,508	493,260
Add: Additions during the period	(Note - 6.2)	134,862	11,880
		612,370	505,140
Less: Disposal/ deletion during the period			
– Cost	(Note - 6.3)	108,322	54
– Acc. Depreciation		—	(27)
		108,322	27
Less: Depreciation during the period		504,048	505,113
Carrying values at end		(20,323)	(27,605)
		483,725	477,508
<u>Leased Assets</u>			
Carrying values at start		—	—
Add: Additions during the period	(Note - 6.4)	108,322	—
		108,322	—
Less : Depreciation during the period		(2,256)	—
Carrying values at end		106,066	—
Net Carrying values of owned and leased assets at end		589,791	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
Total	134,862	11,880



	Un-Audited Jun. 30 2011 (Rupees in '000)	Audited Sep. 30 2010
6.3 Disposal of owned asset		
Sale and lease back of machinery	<u>108,322</u>	<u>—</u>
6.4 Additions during the period - Leased Assets		
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.620,350 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	11,919	14,635
Later than one year and not later than five years	102,207	14,980	87,227
	<u>128,761</u>	<u>26,899</u>	<u>101,862</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 Jun. 30, 2011 (Rupees in '000)	Un-Audited Jun. 30, 2010
10 SALES		
Local	1,326,604	2,322,322
Less: Sales tax	<u>57,374</u>	<u>94,938</u>
SED/FED	<u>20,873</u>	<u>18,096</u>
	78,247	113,034
	<u>1,248,357</u>	<u>2,209,288</u>



Un-audited Jun. 30, 2011 (Rupees in '000)	Un-Audited Jun. 30, 2010
--	---

11 CASH AND CASH EQUIVALENTS

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

Cash and bank balances	11,654	21,083
Short term borrowings	(800,000)	(304,713)
Net cash and cash equivalents at the end of period	<u>(788,346)</u>	<u>(283,630)</u>

12 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on July 25, 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 nine months period ended June 30, 2010.

CHIEF EXECUTIVE

DIRECTOR

