

**Nine Months Report**  
**June 30, 2014**

**Registered Office:**  
S -Nasim, C.H.S, Major Nazir Bhatti Road,  
Off Shaheed-e-Millat Road, Karachi

Designed by A.Q Interactive 0371-4311235

**Nine Months Report**  
(June 30, 2014)



**MACCA GROUP**

**Abdullah Shah Ghazi**  
**Sugar Mills Limited**



## CONTENTS

Company Information.....	03
Director Report.....	04
Balance Sheet.....	05
Profit & Loss Account.....	06
Statement of Comprehensive Income .....	07
Cash Flow Statement.....	08
Statement of Changes in Equity.....	09
Notes to the Financial Statements.....	10

## Company Information

### Board Directors

Mr. Muhammad Irshad Butt (Chairman/Chief Executive)  
Mr. Riaz Qadeer Butt  
Muhammad Rashid Rana  
Atif Butt  
Muhammad Talib  
Yasir Iqbal  
Shoukat Ali Butt

### Audit Committee

Mr. Muhammad Irshad Butt (Chairman)  
Mr. Riaz Qadeer Butt (Member)  
Muhammad Rashid Rana (Member)

### Chief Financial Officer

Imran Mirza

### Company Secretary

Malik Riaz Hussain

### Internal Auditors

Riaz Ahmad, Saqib, Gohar and Company  
Chartered Accountants

### Auditors

Faruq Ali And Company  
Chartered Accountants

### Registrar

Central Depository Company of Pakistan,  
CDC House, 99-B, Block-B, S.M.C.H.S.,  
Main Shahrah-e-Faisal, Karachi, Pakistan.

### Registered Office

5 -Nasim, C.H.S, Major Nazir Bhatti Road,  
Off Shaheed-e-Millat Road, Karachi

### Mill

Abdullah Shah, Ghaizabad Garho, District Thatta, Sindh.

### Bankers

BankIslami Pakistan Limited  
Summit Bank Limited  
Bank Al-Falah Limited  
Silk Bank Limited  
MCB Bank Limited  
Meezan Bank Limited  
Habib Metropolitan Bank Limited  
United Bank Limited  
Allied Bank Limited  
KASB Bank Limited

## DIRECTOR'S REPORT

Dear Members,

The Directors of the Company have pleasure presenting to you the Nine Months performance report together with un-audited Condensed Interim Financial Statements for the period ended June 30, 2014.

The summarized operation result of the company are as follows:

Particulars	2013 - 2014	2012 - 2013
Crushing Days	127	82
Sugar Cane Crushed	249,886.963	217,538.902
Sugar produced	24,641.500	21,195.000
Sugar recovery	9.861	9.721

Sugar industry in Pakistan continued to be under stress due to prolonged depression of the Sugar prices, both locally and in export markets. Whereas the constant upward push in raw material prices have made the production dearer every year. This mismatch between the cost of production and price has affected the financial performance of the Company.

But despite all the hardships the Company managed to service its debt obligations intime resulting in decline in the mark up.

The future of the sugar industry is heavily dependent on the rationalizing of cost and price of raw material and sugar.

### Acknowledgments:

We like to put on record our appreciation for all our staff members for their day and night efforts and be a part in strive to improve bor company all round.

On Behalf of the Board

Muhammad Irshad Butt

Date: 2 August 2014

## CONDENSED INTERIM BALANCE SHEET AS AT JUNE 30, 2014

	Notes	(UN-AUDITED) June 30, 2014	(AUDITED) September 30, 2013
<b>LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital 100,000,000 (2013:100,000,000) ordinary shares of Rs. 10/- each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital	4	792,616,660	792,616,660
Accumulated loss		(814,807,446)	(697,947,398)
		(22,190,786)	94,669,262
Surplus on revaluation of property, plant and equipment		582,836,455	608,649,931
<b>NON-CURRENT LIABILITIES</b>			
Long term loans - Unsecured	5	531,592,879	531,592,879
Deferred liabilities		312,928,454	325,062,517
<b>CURRENT LIABILITIES</b>			
Accrued markup		31,465,143	26,350,342
Trade and other payables		1,394,661,974	788,790,385
Borrowing from banks - Secured	6	767,881,813	790,191,916
		2,194,008,930	1,605,332,643
<b>CONTINGENCIES</b>			
	7	--	--
		3,599,175,932	3,165,307,232
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipments	8	1,781,719,705	1,811,671,217
Long term deposits		5,376,065	5,376,065
<b>CURRENT ASSETS</b>			
Stores and spares		320,453,674	232,063,286
Stock in trade		1,336,873,635	1,015,679,872
Trade Debtors - Unsecrued, considered good	9	418,129	--
Advances, deposits and prepayments		131,698,961	89,940,535
Advance income tax net		5,860,831	5,700,811
Cash and bank balances		16,774,932	4,875,446
		1,812,080,162	1,348,259,950
		3,599,175,932	3,165,307,232

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

CHIEF EXECUTIVE

DIRECTOR



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE NINE MONTHS ENDED JUNE 30, 2014**

	9 months		3 months	
	Oct 2013 to Jun 2014	Oct 2012 to Jun 2013	Apr 2014 to Jun 2014	Apr 2013 to Jun 2013
	RUPEES		RUPEES	
Sales - Net	943,101,244	1,193,235,924	181,244,874	103,586,985
Cost of sales	997,197,625	1,095,422,410	259,693,492	82,252,623
Gross profit	(54,096,381)	97,813,514	(78,448,618)	21,334,362
<b>OPERATING EXPENSES</b>				
Administrative and general expenses	22,309,947	14,907,553	9,802,319	3,951,848
Distribution expenses	3,111,779	5,209,669	870,020	554,887
	25,421,726	20,117,222	10,672,339	4,506,735
Operating profit	(79,518,107)	77,696,292	(89,120,957)	16,827,627
Finance cost	72,743,599	76,154,975	24,118,309	24,013,706
Workers' profit participation fund	--	77,252	--	(359,265)
Workers' welfare fund	--	30,901	--	(134,976)
	72,743,599	76,263,127	24,118,309	23,519,464
Profit / (loss) for the period	(152,261,706)	1,433,165	(113,239,266)	(6,691,837)
Other income	521,963	3,713	520,000	766
Profit / (loss) before taxation	(151,739,743)	1,436,878	(112,719,266)	(6,691,071)
Provision for taxation				
- Current	(4,833,343)	(8,122,477)	(906,224)	(729,016)
- Deferred	13,899,563	14,465,880	5,160,465	11,084,613
	9,066,220	6,343,403	4,254,241	10,355,597
Profit / (loss) after taxation	(142,673,523)	7,780,281	(108,465,025)	3,664,526
Earnings / (loss) per share - Basic and diluted	(1.80)	0.10	(1.37)	0.05

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE NINE MONTHS ENDED JUNE 30, 2014**

	9 months		3 months	
	Oct 2013 to Jun 2014	Oct 2012 to Jun 2013	Apr 2014 to Jun 2014	Apr 2013 to Jun 2013
	RUPEES		RUPEES	
Profit / (loss) for the period	(142,673,523)	7,780,281	(108,265,025)	3,664,526
Other comprehensive income:				
Transfer from surplus on revaluation of property, plant and equipment	39,713,038	41,331,086	14,009,847	13,942,887
Related deferred tax	(13,899,563)	(14,465,880)	(5,160,465)	(4,880,010)
	25,813,475	26,865,206	8,849,382	9,062,877
Total comprehensive income / (loss) for the period	(116,860,048)	34,645,487	(99,415,643)	12,727,403

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF EXECUTIVE

DIRECTOR

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE NINE MONTHS ENDED JUNE 30, 2014**

	Jun 2014 RUPEES	Jun 2013 RUPEES
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	(151,739,743)	1,436,878
<b>Adjustments for non cash and other items:</b>		
Depreciation	67,175,133	72,289,064
Financial charges	72,743,599	76,154,975
Workers' profit participation fund	--	77,252
Workers' welfare fund	--	30,901
Provision for gratuity	2,200,000	--
	142,118,732	148,552,191
Cash flow before working capital changes	(9,621,011)	149,989,069
<b>Movement in working capital (increase) / decrease in current assets</b>		
Stores and spares	(88,390,388)	81,137,047
Stock in trade	(321,193,763)	(123,648,987)
Trade debts	(418,129)	(23,587,404)
Advances, deposits and prepayments	(41,758,426)	(26,072,172)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	605,871,589	223,034,190
	154,110,883	130,862,674
<b>Cash (used) in operations</b>		
Payments for:		
Taxes	(4,993,363)	(5,259,848)
Financial charges	(67,628,798)	(97,952,161)
Gratuity	(434,500)	(174,000)
	(73,056,661)	(103,386,009)
<b>Net cash used from operating activities</b>		
	71,433,211	177,465,734
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(37,223,621)	(147,826,418)
Long Term Security Deposit	--	(8,474,705)
<b>Net cash used in investing activities</b>		
	(97,223,621)	(156,301,123)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Lease finance - Net	--	(3,928,964)
Short term borrowings - Net	(22,310,103)	(11,417,767)
<b>Net cash generated from financing activities</b>		
	(22,310,103)	(15,346,731)
<b>Net decrease in cash and cash equivalent</b>		
	11,899,487	5,817,880
Cash and bank balances at the beginning of the period	4,875,446	12,494,831
Cash and bank balances at the end of the period	16,774,933	18,312,711

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE NINE MONTHS ENDED JUNE 30, 2014**

	Share capital	Accumulated loss	Total
		Rupees	
<b>Balance as at October 01, 2012</b>	792,616,660	(632,197,603)	160,419,057
Total comprehensive income for the year	--	34,645,487	34,645,487
<b>Balance as at June 30, 2013</b>	792,616,660	(597,552,116)	195,064,544
<b>Balance as at October 01, 2013</b>	792,616,660	(697,947,398)	94,669,262
Total comprehensive income for the period			
Loss for the period	--	(142,673,523)	(142,673,523)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation - Net of tax	--	25,813,475	25,813,475
	--	(116,860,048)	(116,860,048)
<b>Balance as at June 30, 2014</b>	<b>792,616,660</b>	<b>(814,807,446)</b>	<b>(22,190,786)</b>

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

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



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
( UN - AUDITED ) FOR THE NINE MONTHS ENDED JUNE 30, 2014**

**1- STATUS AND NATURE OF BUSINESS**

The Company was incorporated in Pakistan on February 25, 1984 as a Private Limited Company and was subsequently converted into a Public Limited Company on February 11, 1990. The company is listed in Karachi and Lahore Stock Exchanges. The principal business of the Company is manufacturing and selling of refined sugar. The Mill is located at Garho, Sindh.

**2- BASIS OF PREPARATION**

These interim condensed financial statements are un audited but subject to limited scope review by the auditors. These are required to be presented to the share holders under section 245 of the ordinance and have been prepared in a condensed form in accordance with the requirements of the international accounting standard (IAS-34) "interim financial reporting" as applicable in Pakistan. The figures of the interim condensed profit and loss account for the quarters ended 30, June 2014 and 2013 have not been reviewed by the auditors of the company as they have reviewed the cumulative figures for the half year ended 31, March 2013 and 2014. These interim condensed financial statements do not include all the information and disclosure 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, 2013.

**3- SIGNIFICANT ACCOUNTING POLICIES**

3.1 The accounting policies and estimates adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the company's annual financial statements for the year ended September 30, 2013.

3.2 The Preparation of interim condensed financial information in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The Estimates and judgement applied by the management in preparation of this interim condensed financial information is same as those applied in preparation of Annual financial statements of the company for the year ended September 30, 2013.

**4- ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

79,261,666 (Sep 2013: 79,261,666) ordinary shares of Rs. 10/- each fully paid in cash

	Un - Audited June 30, 2014	Audited September 30, 2013
	RUPEES	

792,616,660	792,616,660
-------------	-------------

4.1 77,691,800 (Sep 2013: 77,691,800) shares are held by Haq Bahu Sugar Mill (Private) Limited (holding company) representing 98.02% (Sep 2013: 98.02%) shareholding in the company.

**5- Long Terms Loans -unsecured**

Subordinated Sponsors' loan	5.1	166,457,861	166,457,861
Others - Interest free	5.2	365,135,018	365,135,018
		<u>531,592,879</u>	<u>531,592,879</u>

**5.1 Subordinated Sponsors Loan:**

The loan has been advanced by M/s Haq Bahu Sugar Mills (Pvt.) Ltd which carries markup @ six months KIBOR plus 4%. This also include outstanding markup amounting to Rs.43,042 million (September 2013 Rs.43,042 million). Since the loan alongwith markup will not be repayable within next twelve months therefore the same has been classified as long term liability. The loan is subordinated to the short term finance facility obtained by the company.

**5.2 Others -Interest free**

		Un - Audited June 30, 2014	Audited September 30, 2013
		RUPEE	
Loan from previous management	5.2.1	158,329,843	158,329,843
Others	5.2.2	206,805,175	206,805,175
		<u>365,135,018</u>	<u>365,135,018</u>

5.2.1 This represents unsecured & interest free loans from the private concerns since 1998. During the year ended September 30, 2005, an amount of Rs. 46,460 million was agreed to be waived by the party and the same has been transferred to income in that year. the matter of settlement of remaining liabilities is pending subject to the final outcome of the discussion with the previous management. till a final conclusion is reached the new management has decided to disclose the entire outstanding amount as its long term liability.

5.2.2 This represents amount received from various parties as interest / mark-up free accommodating finance payable / adjustable and can be rolled over to future period.

**6- BORROWING FROM BANKS -Secured**

Short term finances	767,881,813	790,191,916
---------------------	-------------	-------------

6.1 During the year company has obtained various short term borrowings facilities from various banks against the available limit of Rs. 800 millions (September 2013, Rs. 1,426,000 millions). These facilities are secured on all present & future fixed assets of the company, pledge of refined sugar stock and personal guarantees of directors.

6.2 The facilities amounting to Rs. 32.118 millions (September 2013: Rs. 635.808 million) from the banks remained un-availed at the balance sheet date.

**7. CONTINGENCIES:**

The Status of contingencies and commitments are same as reported in the annual financial statements for the year ended September 30, 2013.

**8. PROPERTY, PLANT AND EQUIPMENTS:**

Operating fixed assets - At cost less accumulated depreciation	8.1	1,567,563,230	1,628,827,757
Capital work in progress - At cost	8.2	214,156,475	182,843,460
		<u>1,781,719,705</u>	<u>1,811,671,217</u>

**8.1 Additions in property, plant and equipments during the period**

Owned		
Non-Factory Building	3,652,617	--
Plant and Machinery	353,600	--
Electric equipment	258,950	75,000
Furniture and fixture	268,049	39,600
Tents and Tarpaulins	839,500	708,335
Computers	43,230	384,118
Vehicles	230,000	2,305,431
Tools and equipment	85,640	--
Office equipment	179,020	3,032,390
	<u>5,910,606</u>	<u>6,544,874</u>

**8.2 Capital work in progress - At cost**

Opening balance	182,843,460	111 730 915
Additions during the period	31,313,015	71,112,545
	214,156,475	182,843,460
	<u>214,156,475</u>	<u>182,843,460</u>

**8.2.1 Breakup is as follows**

Plant and machinery	198,986,759	168,081,225
Civil works	15,169,716	14,762,235
	<u>214,156,475</u>	<u>182,843,460</u>

**9. STOCK IN TRADE**

Work in process	1,526,715	4,553,615
Finished goods	1,335,346,920	1,011,126,257
	<u>1,336,873,635</u>	<u>1,015,679,872</u>

9.1 Finished goods stock valuing Rs. 500.500 million (September 2013: Rs. 749.322 million) were pledged as security for the finances obtained from commercial banks.

**10. TRANSACTION WITH RELATED PARTIES**

**Holding Company**

Considering the financial position of the company, markup for the period amounting to Rs.11.026 (June 2013: Rs. 10.808) million has been waived by the holding company.

**11. CORRESPONDING FIGURES**

In order to comply with the requirements of International Accounting Standard 34 " Interim Financial Reporting", balance sheet has been compared with the balances of annual financial statements, whereas profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity have been compared with the balances of comparable period of immediately preceding financial year.

**12. DATE OF AUTHORIZATION FOR ISSUE**

The interim condensed financial information was authorized for issue on 2 - 08 - 2014 in accordance with the resolution of the Board of Directors of the company.

**13. GENERAL**

These interim condensed financial information is presented in Rupees, which is the Company's functional currency. All financial information presented in Rupees have been rounded off to nearest rupees.