



**Condensed Interim
Financial Information**
**For the Half Year ended
March 31, 2013**
(Un-Audited)



ساڻگھڙ شوگر ملز لميٽيڊ

Sanghar Sugar Mills Limited

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

Mr. Abdul Ghafoor Ateeq

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
E-mail : info@sangharsugarmills.com

Factory

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



DIRECTORS' REVIEW

The Unaudited Condensed Interim Financial Information of the Company for the half year ended March 31, 2013 duly reviewed by the Statutory Auditors of the Company is submitted to the shareholders of the Company.

Review of the Performance of the Company

The crushing season for the year 2012-2013 started on November 03, 2012 and completed on March 03, 2013. The Government has continued the long debated 'mismatch' in the policy while fixing the minimum price of sugarcane whereas adopting free market policy with regard to price of sugar. This is evident from the fact that though price of sugar crashed, the Government enhanced the minimum price of sugarcane from Rs 154 (for the last season, 2011-2012) to Rs 172 per 40 Kg for the current season. This policy together with the increasing inflationary pressure on other overhead expenses exposed 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 in the rural areas of the Country, particularly Sanghar district which was devastated by flood.

Operating Results

A brief summary of operating results of the Company during the half year ended March 31, 2013 along with the comparatives for the corresponding period are given below:

		Oct. – March 2013	Oct. – March 2012
Season started on		03-11-2012	25-11-2011
Season completed on		03-03-2013	12-03-2012
Duration of crushing	Days	121	109
Sugarcane crushed	M-Tons	542,289	483,352
Sugar Produced	M-Tons	52,823	46,516
Sucrose recovery	%	9.77	9.62

Review of Operation

The Company operated at the optimum level during the half year ended March 31, 2013 under the prevailing circumstances as compared with the corresponding period.

Financial Results

The key financial figures of the Company for the half year ended March 31, 2013 along with the corresponding period are summarized as under:

	Oct. – March 2013	Oct. – March 2012
	(Rupees '000)	
Loss before taxation	(26,179)	(31,180)
Taxation	(1,431)	(12,563)
Loss after taxation	<u>(27,610)</u>	<u>(43,743)</u>
Loss per share - Basic and diluted (Rupees)	<u>(2.31)</u>	<u>(3.66)</u>



Review of Financial Results

As reported above and in the previous report, the Company although manufactured the higher quantity of sugar as compared with the corresponding period, but significantly enhanced procurement cost of sugarcane together with increasing other overhead expenses, mismatching prices of sugar and carry over stock of sugar as compared with the corresponding period were the main factors that had directly affected the financial results of the Company for the half year ended March 31, 2013 to a great extent. Consequently, the Company incurred loss after taxation of Rs 27,610 thousand as compared with loss after taxation of Rs 43,743 thousand during the half year ended March 31, 2012.

Future Prospects

As mentioned above the sugar industry is functioning under the peculiar environment affected by the policies of the Government as well as the trend of the international and local markets. The rising trend of procurement cost of sugarcane along with increasing other overhead expenses, mismatching in the sale price of sugar with its cost of production, glut 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 these 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: May 30, 2013



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

INTRODUCTION:

We have reviewed the accompanying condensed interim balance sheet of **SANGHAR SUGAR MILLS LIMITED** as of March 31, 2013, 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 "condensed interim 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 information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for quarters ended March 31, 2013 and March 31, 2012 have not been reviewed, as we were required to review only the cumulative figures for the half year ended March 31, 2013.

SCOPE OF REVIEW:

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of 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 procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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 on March 31, 2013, is not prepared, in all material respects, in accordance with approved Accounting Standards as applicable in Pakistan.

HYDER BHIMJI & CO.

Chartered Accountants

Engagement partner: Shaikh Mohammad Tanvir

Karachi: May 30, 2013



CONDENSED INTERIM BALANCE SHEET AS AT MARCH 31, 2013

		Un-Audited March 31 2013	Audited Sep. 30 2012
		(Rupees in '000)	
ASSETS	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	6	740,448	747,116
Long Term Deposits		36,369	36,369
		776,817	783,485
CURRENT ASSETS			
Stores, spare parts and loose tools		51,825	50,204
Stock-in-trade		1,355,156	499,923
Trade debts		313,579	317,421
Loans and advances		20,981	39,097
Short term prepayments		10,877	994
Income tax refundable - Payments less provision		35,985	22,128
Cash and bank balances		65,055	5,341
		1,853,458	935,108
TOTAL ASSETS		2,630,275	1,718,593
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
20,000,000 shares of Rs.10 each		200,000	200,000
Issued, subscribed and paid up capital		119,460	119,460
Unappropriated profit		187,747	211,238
		307,207	330,698
SURPLUS ON REVALUATION OF FIXED ASSETS		156,123	160,241
NON CURRENT LIABILITIES			
Liabilities against asset subject to finance lease		51,766	64,908
Deferred liabilities		212,084	216,974
		263,850	281,882
CURRENT LIABILITIES			
Trade and other payables		958,268	475,558
Accrued mark-up		18,464	20,176
Short term borrowings		900,000	428,420
Current portion of non current liabilities		26,363	21,618
		1,903,095	945,772
CONTINGENCIES AND COMMITMENTS	8		
TOTAL EQUITY AND LIABILITIES		2,630,275	1,718,593

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

CHIEF EXECUTIVE

DIRECTOR

Karachi: May 30, 2013



Sanghar Sugar Mills Limited
Condensed Interim Financial Information
Half Year Ended March 31, 2013

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS PERIOD ENDED MARCH 31, 2013 (Un Audited)

		Six months period ended		Quarter ended	
		Mar 31 2013	Mar 31 2012	Mar 31 2013	Mar 31 2012
	Note	(Rupees in '000)			
Sales	9	1,690,421	1,449,744	736,361	718,265
Cost of sales		1,628,065	1,398,243	723,651	694,893
Gross profit		62,356	51,501	12,710	23,372
Distribution cost		5,324	2,821	3,358	1,907
Administrative expenses		48,679	47,792	26,044	28,854
		54,003	50,613	29,402	30,761
Other operating expenses		5,857	1,628	4,651	1,136
Finance cost		39,166	32,967	24,754	22,769
		45,023	34,595	29,405	23,905
		(36,670)	(33,707)	(46,097)	(31,294)
Other operating income		10,491	2,527	8,964	2,479
Loss before taxation		(26,179)	(31,180)	(37,133)	(28,815)
Taxation		(1,431)	(12,563)	12,420	(13,655)
Loss after taxation		(27,610)	(43,743)	(24,713)	(42,470)
Loss per share - Basic and diluted (Rupees)		(2.31)	(3.66)	(2.07)	(3.56)

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

CHIEF EXECUTIVE

DIRECTOR

Karachi: May 30, 2013



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED MARCH 31, 2013 (Un Audited)

	Six months period ended		Quarter ended	
	Mar 31 2013	Mar 31 2012	Mar 31 2013	Mar 31 2012
	(Rupees in '000)			
Loss after taxation	(27,610)	(43,743)	(24,713)	(42,470)
Other Comprehensive Income				
Incremental depreciation charged on surplus on revaluation of fixed assets net of deferred tax	4,119	4,401	1,985	2,200
Total Other Comprehensive Income	4,119	4,401	1,985	2,200
Total Comprehensive Income for the period	(23,491)	(39,342)	(22,728)	(40,270)

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

CHIEF EXECUTIVE

Karachi: May 30, 2013

DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED MARCH 31, 2013 (Un Audited)

Particulars	Share Capital	Unappropriated Profit	Total
	(Rs. in '000)		
Balance as at October 01, 2011	119,460	208,989	328,449
Total Comprehensive Income for the period			
Loss after tax for period ended March 31, 2012	—	(43,743)	(43,743)
Incremental depreciation charged on surplus on revaluation of fixed assets net of deferred tax	—	4,401	4,401
	—	(39,342)	(39,342)
Balance as at March 31, 2012	119,460	169,647	289,107
Balance as at October 01, 2012	119,460	211,238	330,698
Total Comprehensive Income for the period			
Loss after tax for period ended March 31, 2013	—	(27,610)	(27,610)
Incremental depreciation charged on surplus on revaluation of fixed assets net of deferred tax	—	4,119	4,119
	—	(23,491)	(23,491)
Balance as at March 31, 2013	119,460	187,747	307,207

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

CHIEF EXECUTIVE

Karachi: May 30, 2013

DIRECTOR



CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS PERIOD ENDED MARCH 31, 2013 (Un Audited)

	Note	March 31 2013 (Rupees in '000)	March 31 2012
Loss before taxation		(26,179)	(31,180)
Adjustment for non cash charges and other items:			
Depreciation		20,302	20,651
Provision for employees benefits		1,905	4,264
Provision for market committee fee		5,423	4,833
Gain on disposal of property, plant & equipment		(358)	—
Finance cost		39,166	32,967
		66,438	62,715
		40,259	31,535
Changes in Working capital			
Decrease / (Increase) in current assets			
Stores, spare parts and loose tools		(1,621)	327
Stock - in - trade		(855,233)	(448,611)
Trade debts		3,842	(16,214)
Loans and advances		18,116	23,852
Short term prepayments		(9,883)	(4,391)
		(844,779)	(445,037)
Increase in current liabilities			
Trade and other payables		482,710	117,709
Cash generated from Operations		(321,809)	(295,793)
Employees benefits paid		(1,139)	(1,529)
Finance cost paid		(40,878)	(39,546)
Taxes paid		(26,367)	(59,138)
		(68,384)	(100,213)
Net cash Outflow from operating activities		(390,193)	(396,006)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(15,907)	(29,567)
Proceeds from disposal of fixed assets		2,631	1,365
Net cash outflow from investing activities		(13,276)	(28,202)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term financing		—	(11,180)
Repayment of liabilities against asset subject to finance lease		(8,397)	(12,502)
Net cash out flow from financing activities		(8,397)	(23,682)
Net increase in cash and cash equivalents		(411,866)	(447,890)
Cash and cash equivalents at beginning of the period		(423,079)	(341,636)
Cash and cash equivalents at end of the period	10	(834,945)	(789,526)

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

CHIEF EXECUTIVE

DIRECTOR

Karachi: May 30, 2013



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED MARCH 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 i.e molasses and bagasse. 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, 2012.

This condensed interim financial information comprises of the condensed interim balance sheet as at March 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 half year ended which have been subjected to review and are not audited. This also includes the condensed interim profit and loss account and the condensed interim statement of comprehensive income for the quarter ended March 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, 2012, 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 half year ended March 31, 2012.

The figures of the condensed interim profit and loss account and the condensed interim statement of comprehensive income for the quarter ended March 31, 2013 and 2012 are not subject to review.

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, 2012.

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 Workers' profit participation fund and Workers' welfare fund

In view of losses. Contribution to workers' profit participation fund and workers' welfare fund works out at Nil.

5.4 Provisions

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

**Un-audited
March 31
2013
(Rupees in '000)**

**Audited
September 30
2012**

6 PROPERTY, PLANT & EQUIPMENT

Owned Assets

Carrying values at start	
Add: Additions during the period	(Note - 6.1)
Less : Disposal during the period at NBV	(Note - 6.2)
Less : Depreciation during the period	(Note - 6.4)
Carrying values at end	
Add: Capital work-in-progress	(Note - 6.3)

644,918	644,376
13,690	37,820
658,608	682,196
(2,273)	(297)
656,335	681,899
(17,815)	(36,981)
638,520	644,918
4,939	2,722
643,459	647,640

Leased Assets

Carrying values at start	
Less : Depreciation during the period	(Note - 6.4)
Carrying values at end	

99,476	104,711
(2,487)	(5,235)
96,989	99,476
740,448	747,116

Net Carrying values of owned and leased assets at end

6.1 Additions during the period - Owned Assets

Plant & Machinery – Direct addition	
– Transfer from CWIP	

5,028	4,923
3,899	26,547
4,763	5,608
—	471
—	271
13,690	37,820

Vehicles	
Furniture & Fittings	
Computer, Equipment & Appliances	

Total

6.2 Disposals during the period - Owned Assets

Vehicles:

Cost	
Accumulated Depreciation	
Written down Value	

3,477	1,369
1,204	1,072
2,273	297

6.3 Capital Work in Progress (CWIP)

Plant & Machinery - under erection

Opening balance as at October 01	
Additions during the period / year	
Transfer to operating fixed assets	
Closing balance as at March 31 & September 30	

2,722	4,918
6,116	24,351
(3,899)	(26,547)
4,939	2,722



	Un-audited March 31 2013	Audited September 30 2012
	(Rupees in '000)	
6.4 Depreciation charged		
Owned Assets	17,815	36,981
Leased Assets	2,487	5,235
	<u>20,302</u>	<u>42,216</u>
7 DEFERRED LIABILITIES		
Deferred taxation	145,532	156,611
Market committee fee	34,239	28,816
Employees benefits		
— Defined benefits plan	32,313	31,547
	<u>212,084</u>	<u>216,974</u>

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies:

8.1.1 The Company has filed a case in the Honourable High Court of Sindh against the levy of market committee fee by the Government of Sindh on sugarcane purchases at the factory. The Sindh High Court has granted status quo. Full provision of Rs. 34,239 thousands (2012: 28,816 thousands) has been made as a matter of prudence, which includes Rs. 5,423 thousands for the current crushing season 2012-2013.

8.1.2 The Competition Commission of Pakistan has issued show cause notice to the Company alleging cartelization by industry. The Company has challenged this show cause notice in Honourable High Court of Sindh in Karachi challenging the jurisdiction of Competition Commission of Pakistan. The Honourable High Court has stayed the show cause notice and the case hearings are in progress. There is no financial implications related to this matter at the moment.

8.1.3 The Company in 2010, has filed a suit before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority (the Authority) challenging the levy of marking fee under PSQCA Act-VI of 1996. The Authority has demanded a fee payment @ 0.1% of ex-factory price for the year 2008-2009 amounting to Rs. 1,915 thousands. The Company is of the view that demand notifications so raised are without any lawful authority under the PSQCA Act-VI of 1996 and are in violation of the constitution. The Honourable High Court of Sindh has accepted the petition and termed that impugned notifications have been issued without lawful authority and suspended the operation of the impugned notifications. On December 04, 2012, the said petition filed in the Honourable High Court of Sindh has allowed in favour of the Company. Furthermore, the Company has filed caveat in respect of an appeal to be filed by PSQCA against the judgement in CP-2515 of 2010 in the Honourable Supreme Court of Pakistan. No provision has been made in this regard since the management is confident that the outcome would be in Company's favour and the amount is insignificant and is not likely to be materialized.

8.2 Commitments:

8.2.1 Commitments in respect of plant and machinery amount to Rs. 41,180 thousands (2012: Rs. 31,222 thousands).

8.2.2 Outstanding letter of credit amounts to Rs. 32,000 thousands in respect of plant and machinery. (2012: Rs. Nil thousands)



	Un-audited March 31 2013 (Rupees in '000)	Un-audited March 31 2012
9 SALES		
Export	804,647	—
Local	935,579	1,565,547
Less: Federal Excise Duty	49,805	115,803
	885,774	1,449,744
	<u>1,690,421</u>	<u>1,449,744</u>
10 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents comprise of the following items as included in the balance sheet		
Cash and bank balances	65,055	10,452
Short term borrowings	(900,000)	(799,978)
Net cash and cash equivalents at the end of period	<u>(834,945)</u>	<u>(789,526)</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 March 31 2013 (Rupees in '000)	Un-Audited March 31 2012
Directors, Key Management Personnel and their relatives	Purchase of sugarcane	33,423	29,940
CEO, Directors & Executives	Salaries and Benefits	10,365	9,826
Non - Executive Directors	Meeting fee	95	60

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

This condensed interim financial information was authorized for issue on May 30, 2013 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: May 30, 2013



BOOK POST

UNDER
CERTIFICATE
OF POSTING

REGISTERED OFFICE:

101-First Floor, Ocean Centre, Talpur Road, Karachi - Pakistan.

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

E-mail: info@sangharsugarmills.com

FACTORY:

13th Km, Sanghar Sindhri Road, Deh Kehar, District Sanghar, Sindh.

Phone : 02355-42158, 0345-8222911, 0345-3737001