



Condensed Interim Financial Information

For the Nine Months Period Ended

June 30, 2013

(Un-Audited)



ساڻگھڙ شوگر ملز لميٽيڊ

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

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 nine months period ended June 30, 2013 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 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 in the rural areas of the Country, particularly Sanghar district which was devastated by floods.

Operating Results

A brief summary of operating results of the Company during nine months period ended June 30, 2013 along with the comparatives for the corresponding period are given below:

		Oct. to June 2013	Oct. to June 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 nine months period ended June 30, 2013 under the prevailing circumstances as compared with the corresponding period.

Financial Results

The key financial figures of the Company for the nine months period ended June 30, 2013 along with the corresponding period are summarized as under:

	Oct. to June 2013	Oct. to June 2012
	Rupees '000'	
Profit before taxation	23,593	44,316
Taxation	(5,050)	(19,408)
Profit after taxation	18,543	24,908
Earning per share - Basic and diluted (Rupees)	1.55	2.09



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 nine months period ended June 30, 2013 to some extent. Although export quota approved by ECC has benefited the Company to avail relief in FED, but higher sugar production and unsold carryover sugar stock in the country depressed sugar prices. The Company has earned profit after tax amounting to Rs.18,543 thousand as compared to profit after tax amounting to Rs. 24,908 thousand in the same period last year.

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: July 30, 2013



CONDENSED INTERIM BALANCE SHEET AS AT JUNE 30, 2013

	Note	Un-Audited June 30 2013 (Rupees in '000)	Audited Sep. 30 2012
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	734,418	747,116
Long Term Deposits		36,369	36,369
		770,787	783,485
CURRENT ASSETS			
Stores, spare parts and loose tools		45,340	50,204
Stock-in-trade		1,127,814	499,923
Trade debts		79,588	317,421
Loans and advances		25,106	39,097
Short term prepayments		7,536	994
Income tax refundable - Payments less provision		33,788	22,128
Cash and bank balances		44,975	5,341
		1,364,147	935,108
TOTAL ASSETS		2,134,934	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		235,959	211,238
		355,419	330,698
SURPLUS ON REVALUATION OF FIXED ASSETS		154,064	160,241
NON CURRENT LIABILITIES			
Liabilities against asset subject to finance lease		47,101	64,908
Deferred liabilities	7	216,339	216,974
		263,440	281,882
CURRENT LIABILITIES			
Trade and other payables		549,280	475,558
Accrued mark-up		28,725	20,176
Short term borrowings		762,542	428,420
Current portion of non current liabilities		21,464	21,618
		1,362,011	945,772
CONTINGENCIES AND COMMITMENTS	8		
TOTAL EQUITY AND LIABILITIES		2,134,934	1,718,593

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

CHIEF EXECUTIVE

DIRECTOR

Karachi: July 30, 2013



Sanghar Sugar Mills Limited
Condensed Interim Financial Information
Nine Months Period Ended June 30, 2013

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS PERIOD ENDED JUNE 30, 2013 (Un-Audited)

		<u>Nine Months period ended</u>		<u>Quarter ended</u>	
		<u>June 30</u>	<u>June 30</u>	<u>June 30</u>	<u>June 30</u>
		<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
..... (Rupees in '000)					
Sales	9	2,062,374	2,300,594	371,953	850,850
Cost of sales		1,900,906	2,114,959	272,841	716,716
Gross Profit		161,468	185,635	99,112	134,134
Distribution cost		6,150	3,194	826	373
Administrative expenses		67,832	65,614	19,153	17,822
		73,982	68,808	19,979	18,195
Other operating expenses		8,457	5,439	2,600	3,810
Finance cost		67,200	69,633	28,034	36,667
		75,657	75,072	30,634	40,477
		11,829	41,755	48,499	75,462
Other operating income		11,764	2,561	1,273	34
Profit before taxation		23,593	44,316	49,772	75,496
Taxation		(5,050)	(19,408)	(3,619)	(6,845)
Profit after taxation		18,543	24,908	46,153	68,651
Earnings per share - Basic and diluted (Rupees)		1.55	2.09	3.86	5.75

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

CHIEF EXECUTIVE

DIRECTOR

Karachi: July 30, 2012



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS PERIOD ENDED JUNE 30, 2013 (Un-Audited)

	Nine months period ended		Quarter ended	
	June 30 2013	June 30 2012	June 30 2013	June 30 2012
(Rupees in '000)				
Profit after taxation	18,543	24,908	46,153	68,651
Other Comprehensive Income				
Incremental depreciation charged on surplus on revaluation of fixed assets net of deferred tax	6,178	6,602	2,059	2,201
Total Other Comprehensive Income	6,178	6,602	2,059	2,201
Total Comprehensive Income for the period	24,721	31,510	48,212	70,852

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

CHIEF EXECUTIVE

DIRECTOR

Karachi: July 30, 2013

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED JUNE 30, 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			
Profit after tax for period ended June 30, 2012	—	24,908	24,908
Incremental depreciation charged on surplus on revaluation of fixed assets net of deferred tax	—	6,602	6,602
	—	31,510	31,510
Balance as at June 30, 2012	119,460	240,499	359,959
Balance as at October 01, 2012	119,460	211,238	330,698
Total Comprehensive Income for the period			
Profit after tax for period ended June 30, 2013	—	18,543	18,543
Incremental depreciation charged on surplus on revaluation of fixed assets net of deferred tax	—	6,178	6,178
	—	24,721	24,721
Balance as at June 30, 2013	119,460	235,959	355,419

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

CHIEF EXECUTIVE

DIRECTOR

Karachi: July 30, 2013



CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE NINE MONTHS PERIOD ENDED JUNE 30, 2013 (Un Audited)

	Note	June 30 2013 (Rupees in '000)	June 30 2012
Profit before taxation		23,593	44,316
Adjustment for non cash charges and other items:			
Depreciation		30,631	31,412
Provision for employees benefits		6,397	6,396
Provision for market committee fee		5,423	4,833
Gain on disposal of property, plant & equipment		(358)	—
Finance cost		67,200	69,633
		108,037	112,274
		131,630	156,590
Changes in Working capital			
Decrease / (Increase) in current assets			
Stores, spare parts and loose tools		4,864	(1,042)
Stock - in - trade		(627,891)	250,819
Trade debts		237,833	(120,063)
Loans and advances		13,991	3,914
Short term prepayments		(6,542)	(1,624)
		(377,745)	132,004
Increase / (Decrease) in current liabilities			
Trade and other payables		73,722	(224,533)
Cash generated from Operations		(172,393)	64,061
Employees benefits paid		(1,440)	(1,878)
Finance cost paid		(58,651)	(70,002)
Taxes paid		(26,622)	(59,708)
		(86,713)	(131,588)
Net cash outflow from operating activities		(259,106)	(67,527)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(20,206)	(32,431)
Proceeds from disposal of fixed assets		2,631	1,365
Net cash outflow from investing activities		(17,575)	(31,066)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term financing		—	(11,180)
Repayment of liabilities against asset subject to finance lease		(17,807)	(12,502)
Net cash out flow from financing activities		(17,807)	(23,682)
Net decrease in cash and cash equivalents		(294,488)	(122,275)
Cash and cash equivalents at beginning of the period		(423,079)	(341,636)
Cash and cash equivalents at end of the period	10	(717,567)	(463,911)

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

CHIEF EXECUTIVE

DIRECTOR

Karachi: July 30, 2013



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS PERIOD ENDED JUNE 30, 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 June 30, 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 nine months period ended 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 June 30, 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 nine months period ended June 30, 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, 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 Provisions

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

	Un-Audited June 30 2013	Audited Sep 30 2012
	(Rupees in '000)	
6 PROPERTY, PLANT & EQUIPMENT		
<u>Owned Assets</u>		
Carrying values at start	644,918	644,376
Add: Additions during the period (Note - 6.1)	13,690	37,820
	658,608	682,196
Less : Disposal during the period at NBV (Note - 6.2)	(2,273)	(297)
	656,335	681,899
Less : Depreciation during the period (Note - 6.4)	(26,901)	(36,981)
Carrying values at end	629,434	644,918
Add: Capital work-in-progress (Note - 6.3)	9,238	2,722
	638,672	647,640
<u>Leased Assets</u>		
Carrying values at start	99,476	104,711
Less : Depreciation during the period (Note - 6.4)	(3,730)	(5,235)
Carrying values at end	95,746	99,476
Net Carrying values of owned and leased assets at end	734,418	747,116
6.1 Additions during the period - Owned Assets		
Plant & Machinery – Direct addition	5,028	4,923
– Transfer from CWIP	3,899	26,547
Vehicles	4,763	5,608
Furniture & Fittings	—	471
Computer, Equipment & Appliances	—	271
Total	13,690	37,820
6.2 Disposals during the period - Owned Assets		
Vehicles:		
Cost	3,477	1,369
Accumulated Depreciation	1,204	1,072
Written down Value	2,273	297
6.3 Capital Work in Progress		
Plant & Machinery - under erection		
Opening balance as at October 01	2,722	4,918
Additions during the period / year	10,415	24,351
Transfer to operating fixed assets	(3,899)	(26,547)
Closing balance as at June 30 & September 30	9,238	2,722



	Un-Audited June 30 2013	Audited Sep 30 2012
	(Rupees in '000)	
6.4 Depreciation charged		
Owned Assets	26,901	36,981
Leased Assets	3,730	5,235
	<u>30,631</u>	<u>42,216</u>
7 DEFERRED LIABILITIES		
Deferred taxation	146,776	156,611
Market committee fee	34,239	28,816
Employees benefits		
– Defined benefits plan	35,324	31,547
	<u>216,339</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 Sindh High Court in Karachi challenging the jurisdiction of Competition Commission of Pakistan. The honourable High Court has stayed the show cause notice and case hearings are in progress in Sindh High Court Karachi. 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 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 a 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 June 30 2013 (Rupees in '000)	Un-audited June 30 2012
9 SALES		
Export	904,952	—
Local	1,211,070	2,484,465
Less: Federal Excise Duty	53,648	183,871
	<u>1,157,422</u>	<u>2,300,594</u>
	<u>2,062,374</u>	<u>2,300,594</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	44,975	1,974
Short term borrowings	(762,542)	(465,885)
Cash and cash equivalents at the end of period	<u>(717,567)</u>	<u>(463,911)</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 June 30, 2013 (Rupees in '000)	Un-Audited June 30, 2012
Directors, Key Management Personnel and their relatives	Purchase of sugarcane	33,423	29,940
CEO, Directors & Executives	Salaries and Benefits	13,671	13,133
Non - Executive Directors	Meeting fee	145	100

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 July 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: July 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