

Condensed Interim Financial Information

For the Nine Months Period Ended

June 30, 2014

(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

Syed Rehan Ahmad Hashmi

Statutory Auditors

Kreston Hyder Bhimji & Co.
Chartered Accountants

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
Website: www.sangharsugarmills.com
E-mail : info@sangharsugarmills.com

Factory

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



DIRECTORS' REVIEW

The Unaudited Condensed Interim Financial Information of the Company for Nine Months period ended June 30, 2014 is submitted to the Shareholders of the Company.

Review of the Performance of the Company

The crushing season for the year 2013-2014 started on November 01, 2013 and completed on March 31, 2014. Due to bumper crop in Sanghar district, your Company is able to operate for 151 days crushing at the rate of 4,889 M. Tons of sugarcane per day as compared with 4,482 M. Tons per day of the previous season, achieving its second highest crushing and highest recovery in the history of the Company.

Operating Results

A summary of operating results of the Company during nine months period ended June 30, 2014 along with the comparatives for the corresponding period are given below:

		Oct. to Jun. 2013-2014	Oct. to Jun. 2012-2013
Season started on		01-11-2013	03-11-2012
Season completed on		31-03-2014	03-03-2013
Duration of crushing	Days	151	121
Sugarcane crushed	M-Tons	738,209	542,289
Sugar Produced	M-Tons	72,530	52,823
Sucrose recovery	%	9.81	9.77

Review of Operation

As mentioned above, the Company operated at the better level during the nine months period ended June 30, 2014 under the prevailing circumstances as compared with the corresponding period.

Financial Results

The key figures of financial results of the Company for nine months period ended June 30, 2014 along with the comparatives for the corresponding period are summarized as under:

	Oct. to Jun. 2013-2014	Oct. to Jun. 2012-2013
	(Rupees '000')	
Profit before taxation	39,264	23,593
Taxation	(26,459)	(5,050)
Profit after taxation	12,805	18,543
Earnings per share		
Basic and diluted (Rupees)	1.07	1.55



Review of Financial Results

As reported above and in the previous report, the Company has manufactured the larger quantity of sugar as compared with the corresponding period. But due to the depressed prices of sugar as compared with the corresponding period, the Company earned nominal profit after taxation of Rs. 12,805 thousand as compared with profit after taxation of Rs. 18,543 thousand during the corresponding period ended June 30, 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 Government exercises control over the price of sugarcane to protect the interest of the growers, but similar practice is not exercised over the price of sugar to have a win win position for all the stakeholders. Under these circumstances despite the approval for export to the tune of 750,000 M. Tons for the Country the over all situation of the sugar industry could not be termed as satisfactory.

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

Director

Karachi: July 23, 2014



CONDENSED INTERIM BALANCE SHEET AS AT JUNE 30, 2014

		Un-Audited June 30 2014	Audited Sept 30 2013
	Note	(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	701,771	729,685
Intangible Assets	7	549	—
Long Term Deposits		9,478	45,300
		711,798	774,985
CURRENT ASSETS			
Stores, spare parts and loose tools		51,983	43,246
Stock-in-trade		1,265,413	302,300
Loans and advances		66,441	24,909
Trade deposits & short term prepayments		71,382	14,135
Other Receivables		22,996	23,077
Income tax refundable - Payments less provision		27,728	32,209
Cash and bank balances		85,004	21,717
		1,590,947	461,593
TOTAL ASSETS		2,302,745	1,236,578
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		253,709	235,305
		373,169	354,765
Surplus on Revaluation of Property, Plant & Equipment		141,202	146,801
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		25,057	75,242
Deferred liabilities	8	220,631	210,011
		245,688	285,253
CURRENT LIABILITIES			
Trade and other payables		343,714	415,817
Accrued mark-up		40,017	1,688
Short term borrowings		1,099,630	—
Current portion of liabilities against assets subject to finance lease		59,325	32,254
		1,542,686	449,759
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		2,302,745	1,236,578

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

Statement u/s 241(2) of the Companies Ordinance, 1984

The Chief Executive of the Company is out of the country. Due to the reason, the condensed interim financial information for the nine months period ended June 30, 2014 has been signed by two directors of the Company under the provisions of section 241(2) of the Companies Ordinance, 1984.

DIRECTOR
Karachi: July 23, 2014

DIRECTOR



Sanghar Sugar Mills Limited
Condensed Interim Financial Information
Nine Months Period Ended June 30, 2014

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS PERIOD ENDED JUNE 30, 2014 (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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
..... (Rupees in '000)					
Sales	10	2,431,614	2,062,374	913,513	371,953
Cost of sales	11	2,247,329	1,900,906	839,846	272,841
Gross Profit		184,285	161,468	73,667	99,112
Distribution cost		11,263	6,150	6,004	826
Administrative expenses		54,372	67,832	15,499	19,153
Other operating expenses		7,103	8,457	724	2,600
		72,738	82,439	22,227	22,579
		111,547	79,029	51,440	76,533
Other income		356	11,764	285	1,273
		111,903	90,793	51,725	77,806
Finance cost		72,639	67,200	40,920	28,034
Profit before taxation		39,264	23,593	10,805	49,772
Taxation		(26,459)	(5,050)	(10,022)	(3,619)
Profit after taxation		12,805	18,543	783	46,153
Earnings per share					
- Basic and diluted (Rupees)		1.07	1.55	0.07	3.86

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DIRECTOR

DIRECTOR

Karachi: July 23, 2014



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS PERIOD ENDED JUNE 30, 2014 (Un-Audited)

	Nine months period ended		Quarter ended	
	June 30 2014	June 30 2013	June 30 2014	June 30 2013
	(Rupees in '000)			
Profit after taxation	12,805	18,543	783	46,153
Other Comprehensive Income				
Items that will not be reclassified to Profit & Loss:				
Incremental depreciation charged on surplus on revaluation of property, plant & equipment - net of deferred tax	5,599	6,178	1,866	2,059
Total Comprehensive Income for the period	18,404	24,721	2,649	48,212

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DIRECTOR

DIRECTOR

Karachi: July 23, 2014

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED JUNE 30, 2014 (Un-Audited)

Particulars	Share Capital	Unappropriated Profit	Total
	(Rs. in '000)		
Balance as at October 01, 2012	119,460	210,471	329,931
Total Comprehensive Income for the nine months period ended June 30, 2013			
Net Profit after tax	—	18,543	18,543
Other comprehensive income			
Incremental depreciation charged on surplus on revaluation of property, plant & equipment - net of deferred tax	—	6,178	6,178
	—	24,721	24,721
Balance as at June 30, 2013	119,460	235,192	354,652
Balance as at October 01, 2013	119,460	235,305	354,765
Total Comprehensive Income for the nine months period ended June 30, 2014			
Profit after tax	—	12,805	12,805
Other comprehensive income			
Incremental depreciation charged on surplus on revaluation of property, plant & equipment - net of deferred tax	—	5,599	5,599
	—	18,404	18,404
Balance as at June 30, 2014	119,460	253,709	373,169

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DIRECTOR

DIRECTOR

Karachi: July 23, 2014



CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE NINE MONTHS PERIOD ENDED JUNE 30, 2014 (Un-Audited)

	Note	June 30 2014 (Rupees in '000)	June 30 2013
Profit before taxation		39,264	23,593
Adjustment for non cash charges and other items:			
Depreciation		29,721	30,631
Amortization		88	—
Employees retirement benefits expense		6,926	6,397
Provision for market committee fee		7,382	5,423
Provision for slow moving items and obsolescence		1,027	—
Gain on disposal of property, plant & equipment		(274)	(358)
Finance cost		72,639	67,200
		117,509	108,037
		156,773	131,630
Changes in Working capital			
Decrease / (Increase) in current assets			
Stores, spare parts and loose tools		(9,764)	4,864
Stock - in - trade		(963,113)	(627,891)
Trade debts		—	237,833
Loans and advances		(41,532)	13,991
Trade deposits & Short term prepayments		(21,427)	(6,542)
Other Receivables		81	—
		(1,035,755)	(377,745)
Increase in current liabilities			
Trade and other payables		(72,103)	73,722
		(951,085)	(172,393)
Employees retirement benefits paid during the period		(1,965)	(1,440)
Finance cost paid		(34,310)	(58,651)
Income tax paid during the period		(23,699)	(26,622)
		(59,974)	(86,713)
Net cash out flow from operating activities		(1,011,059)	(259,106)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions in property, plant & equipment		(1,943)	(20,206)
Additions in intangible assets		(637)	—
Proceeds from disposal of property, plant & equipment		410	2,631
Net cash outflow from investing activities		(2,170)	(17,575)
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of liabilities against asset subject to finance lease		(23,114)	(17,807)
Net cash out flow from financing activities		(23,114)	(17,807)
Net decrease in cash and cash equivalents		(1,036,343)	(294,488)
Cash and cash equivalents at beginning of the period		21,717	(423,079)
Cash and cash equivalents at end of the period	12	(1,014,626)	(717,567)

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DIRECTOR

DIRECTOR

Karachi: July 23, 2014



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS PERIOD ENDED JUNE 30, 2014 (Un-Audited)

1 THE COMPANY AND ITS OPERATIONS

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. 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

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, 2013.

This condensed interim financial information comprises of the condensed interim balance sheet as at June 30, 2014 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 & loss account, condensed interim statement of comprehensive income for the quarter ended June 30, 2014. 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, 2013, 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, 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, 2013.

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 nine months period results and final liabilities will be determined on the basis of annual results.



		Un-Audited June 30 2014	Audited Sep 30 2013	
		(Rupees in '000)		
6	PROPERTY, PLANT & EQUIPMENT			
	Operating Fixed Assets:			
	Owned	6.1	572,955	588,006
	Leased	6.2	128,816	133,835
			701,771	721,841
	Capital Work in Progress	6.3	—	7,844
			701,771	729,685
6.1	Owned Operating Fixed Assets			
	Opening Net Book Value		588,006	644,918
	Direct additions during the period / year			
	Plant & Machinery		624	5,028
	Vehicles		781	6,540
	Furniture & Fittings		45	27
	Computer, Equipment & Appliances		253	797
	Stores & Spares held for capital expenditure		—	3,779
			1,703	16,171
	Transferred from Capital Work in Progress			
	Factory Building on lease hold land		—	1,579
	Plant & Machinery		8,084	4,719
			8,084	6,298
	Disposal during the period / year at WDV			
	Plant & Machinery		—	(41,509)
	Vehicles		(136)	(2,484)
			(136)	(43,993)
	Depreciation during the period / year		(24,702)	(35,388)
	Closing Net Book Value		572,955	588,006
6.2	Leased Operating Fixed Assets			
	Opening Net Book Value		133,835	99,476
	Additions during the period / year - Plant & Machinery		—	40,000
	Depreciation during the period / year		(5,019)	(5,641)
	Closing Net Book Value		128,816	133,835
6.3	Capital Work in Progress			
	Opening balance		7,844	2,722
	Additions during the period / year			
	Factory Building on free hold land		—	1,579
	Plant & Machinery		240	9,841
			240	11,420
	Transfer to operating fixed assets			
	Factory Building on free hold land		—	(1,579)
	Plant & Machinery		(8,084)	(4,719)
			(8,084)	(6,298)
	Closing balance		—	7,844



	Un-Audited June 30 2014	Audited Sep 30 2013
	(Rupees in '000)	
7 INTANGIBLE ASSETS		
Carrying values at start	—	—
Additions during the period	637	—
Amortization charged during the period	(88)	—
Carrying values at end	549	—
8 DEFERRED LIABILITIES		
Deferred taxation	139,292	141,015
Market committee fee	41,621	34,239
Employees benefits		
— Defined benefits plan	39,718	34,757
	220,631	210,011

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies:

There is no material change in the status of contingencies as disclosed in note No. 23.1.2 & 23.1.3 of the annual financial statements for the year ended September 30, 2013 and;

- The amount of the aggregate provision of the market committee fee, as stated in note # 23.1.1 of the annual financial statements, has increased to Rs. 41,621 thousands due to provision in respect of current crushing season amounting to Rs. 7,382 thousands.
- A show cause notice has been issued by the department of Inland Revenue Service-LTU against the company regarding the reduced rate of Federal Excise Duty availed by the company amounting to Rs.58,106 thousands under SRO 77(1)/ 2013 dated 7th February 2013. The Company has filed an appeal before the Honourable High Court of Sindh against the show cause notice and the Honourable High Court of Sindh has issued stay order against the proceedings on the show cause notice.

9.2 Guarantees

Rs. 75,000 thousands (2013: 50,000 thousands) guarantee issued by the Bank for six months period in favour of Engro Fertilizers Limited on behalf of the Company for the procurement of Fertilizers for onward supply to sugarcane growers for the next season. The guarantee is secured against the 25% cash margin and rest against the existing charge over current and fixed assets of the Company held as collateral.

9.3 Commitments:

- Commitments in respect of plant and machinery amount to Rs. Nil thousands (September 2013: Rs. 8,200 thousands).
- The Company is committed to Trading Corporation of Pakistan (Pvt) Limited in respect of the contract of sale of sugar amounting to Rs. 173,462 thousands (September 30, 2013: Rs. 259,776 thousands).
- The Company is committed for minimum ljarah rental payments for each of the following period as follows:

	Un-Audited June 30 2014	Audited Sep 30 2013
	(Rupees in '000)	
Not more than one year	7,533	5,824
More than one year but not more than five years	26,364	30,131
More than five years but not more than six years	—	1,883
	33,897	37,838



	Un-Audited June 30 2014	Un-Audited June 30 2013
	(Rupees in '000)	
10 SALES		
Export	140,786	904,952
Local	2,465,468	1,211,070
Less: Federal Excise Duty	174,640	53,648
	2,290,828	1,157,422
	2,431,614	2,062,374
11 COST OF SALES		
Opening stock of finished goods	299,754	497,147
Cost of goods manufactured during the period	3,211,205	2,520,839
	3,510,959	3,017,986
Closing stock of finished goods	11.1 (1,263,630)	(1,117,080)
	2,247,329	1,900,906

11.1 This includes stock of refined sugar amounting to Rs. 1,007,558 thousands (June 30, 2013: 1,115,066 thousands) pledged with banks against short term borrowings.

12 CASH AND CASH EQUIVALENTS

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

Cash and bank balances	85,004	44,975
Short term borrowings	(1,099,630)	(762,542)
	(1,014,626)	(717,567)

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 June 30, 2014	Un-Audited June 30, 2013
		(Rupees in '000)	
Directors, Key Management Personnel and their relatives	Purchase of sugarcane	105,620	93,643
CEO, Directors & Executives	Salaries and Benefits	15,444	13,671
Non Executive Directors	Director's Fee	130	145

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 July 23, 2014 by the Board of Directors of the Company.

15 GENERAL

Figures have been rounded off to nearest thousand of rupees.

Statement u/s 241(2) of the Companies Ordinance, 1984

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Karachi: July 23, 2014

DIRECTOR

DIRECTOR



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