



**HALF YEARLY  
UNAUDITED ACCOUNTS  
31<sup>ST</sup> MARCH, 2017**

**SAKRAND SUGAR MILLS LIMITED**



## COMPANY PROFILE

<b>BOARD OF DIRECTORS</b>	Mr. Dinshaw H. Anklesaria Mr. Jamil Akberi Syed Abid Hussain Mr. Abdul Naeem Quraishi Mr. Neville Mehta Mrs. Fatma Gulamali Dr. Jamshed H. Anklesaria	Chief Executive/ Director Director / Chairman Director Director Director Director
<b>AUDIT COMMITTEE</b>	Mr. Abdul Naeem Quraishi Mr. Jamil Akberi Mr. Neville Mehta	Chairman Member Member
<b>HR &amp; R COMMITTEE</b>	Syed Abid Hussain Mr. Jamil Akberi Mr. Neville Mehta	Chairman Member Member
<b>CHIEF FINANCIAL OFFICER</b>	Mr. Amad Uddin	
<b>COMPANY SECRETARY</b>	Mr. Amad Uddin	
<b>BANKERS</b>	Allied Bank Limited Bank Al Habib Limited Habib Bank Limited MCB Bank Limited Meezan Bank Limited National Bank of Pakistan Sindh Bank Limited Summit Bank Limited United Bank Limited	
<b>AUDITORS</b>	M/s. Parker Randall - A. J. S. Chartered Accountants	
<b>LEGAL ADVISOR</b>	Abdul Naeem Quraishi, Adv.	
<b>REGISTRAR</b>	M/s JWAFS Registrar Services (Pvt.) Ltd. 407-408, Al Ameera Centre Shahrah-e-Iraq, Saddar Karachi-74400	
<b>REGISTERED OFFICE</b>	41-K, Block 6, P.E.C.H.S., Karachi. UAN: 111-484-848 Fax: 021-34546456 www.sakrandsugar.com	
<b>FACTORY</b>	Deh Tharo Unar, Taluka Sakrand, District Shaheed Benazirabad, Sindh.	



## DIRECTORS' REPORT

On behalf of the Board of Directors, it is my privilege to present to you the unaudited condensed interim financial statements of the Company for the half year ended March 31, 2017.

The financial results show an operating profit of Rs. 31.407 million and pre-tax profit of Rs. 27.059 million as compared to operating loss of Rs. 170.481 million and pre-tax loss of Rs. 178.354 million of the corresponding period 2015-16.

The Company's overall performance can be seen from the following comparative statistics:

OPERATING RESULTS		2016-17	2015-16
Season started		15-Nov-16	24-Nov-15
Season closed		15-Mar-17	01-Mar-16
Duration of season		121	99
Sugarcane crushed	MT	459,573	296,274
Sugar produced	MT	42,320	29,925
Sugar recovery	%	9.221	10.090
Molasses produced	MT	19,530	12,354
Molasses recovery	%	4.252	4.164

The Mill started crushing on November 15, 2016 and closed on March 15, 2017. During the current season, the Mill operated 121 days and crushed 459,573 metric tons of sugarcane and produced 42,320 metric tons of sugar with an average recovery rate of 9.221% as compared to last season when it operated 99 days and crushed 296,274 metric tons of sugarcane to produce 29,925 metric tons of sugar with an average recovery of 10.090%. In current season, the production of molasses increased to 19,530 metric tons with an average recovery of 4.252% as compared to 12,354 metric tons last year with an average recovery of 4.164%.

The Government of Sindh vide notification No.8(142)/S.O(Ext)2016-17/2791 dated October 31, 2016 fixed the minimum sugarcane support price for the season 2016-17 at Rs. 182 per 40 kg and Rs. 0.50 per 40 kg for each 0.1 percent of excess sucrose recovery above 8.7 percent as quality premium (2015-16: Rs. 172 per 40 kg and Rs. 0.50 per 40 kg for each 0.1 percent of excess sucrose recovery above 8.7 percent as quality premium).

This year, the overall sugar mills of Sindh benefited from surplus sugarcane supply, further boosted by supply from South Punjab region. The change in key management paved the way to revival of the Company's strategic outlook. In addition, procurement costs were controlled, production process was optimized and revenue streams were maximized with a strict credit policy. Overall financial controls over entire Company's operations and successful arrangements with banking syndicate are key highlights towards Company's positive long term outlook.

Despite, previous years' losses and growers' pending payment, the new team's intelligent efforts has resulted in a positive bottom line. Further, in pursuance of the revival plan, the board has announced a 100% right shares issuance being a key requirement of the syndicate long term loan.

I would like to appreciate the efforts of the team and look forward towards a new beginning for the Company.

**Dinshaw H. Anklesaria**

Chief Executive

Dated: May 12, 2017



## ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے کھیتی کے چھ ماہی 31 مارچ 2017 تک کے غیر آڈٹ شدہ مالیاتی حسابات پیش خدمت ہیں۔

مالیاتی نتائج میں آپریٹنگ منافع 31.407 ملین روپے اور قبل از ٹیکس منافع 27.059 ملین روپے رہا، ہماوزنگ شدہ چھ ماہی 31 مارچ 2016، جب آپریٹنگ نقصان 170.481 ملین روپے اور قبل از ٹیکس نقصان 178.354 ملین روپے تھا۔

کھیتی کی مجموعی کارکردگی کا تقابلی جائزہ مندرجہ ذیل اعداد و شمار سے لگایا جاسکتا ہے۔

OPERATING RESULTS		2016-17	2015-16
Season started		15-Nov-16	24-Nov-15
Season closed		15-Mar-17	01-Mar-16
Duration of season		121	99
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Molasses produced	MT	19,530	12,354
Molasses recovery	%	4.252	4.164

سکرینڈ شوگر مل نے رواں سال کرشنگ کا آغاز 15 نومبر 2016 کو کیا جبکہ اختتام 15 مارچ 2017 کو ہوا۔ کرشنگ کا کل دورانیہ 121 دن رہا اور 459,573 میٹرک ٹن گنا کرش کیا گیا۔ جبکہ چینی کی پیداوار 9.221 فیصد کی اوسط کے ساتھ 42,320 میٹرک ٹن رہی۔ جبکہ گزشتہ سال کرشنگ کا دورانیہ 99 دن اور 296,274 میٹرک ٹن گنا کرش کیا گیا اور 10.090 فیصد کی اوسط سے 29,925 میٹرک ٹن چینی کی پیداوار رہی تھی۔ اس سال شیرے کی پیداوار میں اضافہ ہوا اور شیرے کی پیداوار 4.252 فیصد کی اوسط کے ساتھ 19,530 میٹرک ٹن رہی جبکہ گزشتہ سال شیرے کی پیداوار 4.164 فیصد کی اوسط کے ساتھ 12,354 میٹرک ٹن تھی۔

حکومت سندھ کے نوٹیفیکیشن نمبر 2791 / S.O. (Ext) 2016 - 17 / 142) 8 بتاریخ 31 اکتوبر 2016 کے مطابق سیزن 2016 - 2017 کے لیے گنے کی قیمت 182 روپے فی 40 کلو (2016 - 2015 : 172 روپے فی 40 کلو) اور 0.50 روپے فی 40 کلو ہر 0.1 فیصد ڈائڈ ٹیکس پر جس کی ریکوری 8.7 فیصد سے ڈائڈ ہو پر بطور گوالٹی پرییمیم کے فحس کی۔

اس سال گنے کی بڑے پیمانے پر کاشت اور جنوبی پنجاب سے گنے کی وارد آمد سندھ کی شوگر ملوں کے لئے فائدہ مند رہی۔ اس کے ساتھ ساتھ قیمت خرید کو کنٹرول کیا گیا، پیداواری عمل کو بہتر کیا گیا، ذرائع آمدن کو بڑھایا گیا اور کریڈٹ پالیسی پر تنقی سے عمل کیا گیا۔ مجموعی طور پر ادارے میں معاشی کنٹرول اور بینک سینڈیکٹ سے کامیاب مذاکرات ادارے کی طویل مدتی مثبت رجحان کی نمایاں دلیل ہیں۔

چھلے سالوں کے خسارے اور کاشتکاروں کو عدم ادائیگی کے باوجود نئی انتظامیہ کی دانشمندانہ کاوشوں کی بدولت مثبت نتائج حاصل ہوئے۔ مزید یہ کہ بورڈ نے 100 فیصد رائٹ حصص جاری کرنے کا اعلان کیا ہے جو کہ سینیڈیکٹ طویل مدتی ترقی کی اہم شگ ہے۔

میں انتظامیہ کی کاوشوں کی بھرپور داد دیتا ہوں اور کھیتی کی ایک نئی شروعات دیکھ رہا ہوں۔

ذاتالہجہ اظہیریا

چیف ایگزیکٹو

کراچی: 12 مئی 2017



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

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of SAKRAND SUGAR MILLS LIMITED (here-in-after referred to as the "Company") as at March 31, 2017, the related condensed statement of profit and loss, condensed interim statement of comprehensive income, condensed interim statement of cash flow, condensed interim statement of changes in equity and notes to the accounts (here-in-after referred to as the 'interim financial information') for the six-months period then ended. Management of the Company is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### **Scope of Review**

We conduct our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of 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.

### **Basis for qualified conclusion**

- a) The Company has derecognized bank liabilities of Rs. 241.815 million in 2009, the waiver of which is dependent on compliance with term of settlement and rescheduling arrangements. This has resulted in understatement of liabilities and losses by Rs. 241.815 million.
- b) Bank statements of five current accounts and four loan accounts have not been received and we could not substantiate the closing balance, markup and activity (if any) in current bank accounts.
- c) Mark-up on IDBP loan liabilities is not recognized since 2010 owing to litigation. Currently, its impact could not be determined owing to non-availability of accurate mark-up rate.

### **Qualified Conclusion**

Except for the effects of adjustments that may arise had we been able to satisfy ourselves regarding matters recognized in paragraphs "a" to "c" above, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



#### **Emphasis of matter**

We draw attention to the matters referred in note 1.2 to the interim financial information for the half year ended March 31, 2017, that the Company has accumulated losses of Rs. 812.781 million and these conditions indicate the existence of material uncertainty that may cause significant doubts about the Company's ability to continue as a going concern.

#### **Other matter**

The figures of the condensed interim statement of profit and loss and condensed interim statement of comprehensive income for the quarters ended March 31, 2017 and 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended March 31, 2017.

Financial statements of the Company for the year ended September 30, 2016 were audited by another firm of chartered accountants who have issued modified audit report dated February 07, 2017.

**Parker Randall - A. J. S.  
Chartered Accountants**

**Engagement Partner:**

Muhammad Shabbir Kasbati

**Date:** May 12, 2017

**Place:** Karachi



**CONDENSED INTERIM BALANCE SHEET  
AS AT MARCH 31, 2017**

	Note	Unaudited March 31, 2017	(Restated) Audited September 30, 2016
(Rupees)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	2,940,163,985	2,347,812,704
Long term investments		168,356,915	158,714,980
Long term loans		250,161	158,311
Long term deposits		1,626,282	1,431,282
		<u>3,110,397,343</u>	<u>2,508,117,277</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		29,113,274	28,000,160
Stock in trade		238,444,566	-
Trade debts - unsecured (considered good)		2,458,528	-
Loans and advances		16,258,537	16,600,234
Prepayments and other receivables		10,132,547	8,130,177
Taxation refundable		37,257,655	49,935,281
Cash and bank balances	7	9,914,967	1,331,543
		<u>343,580,074</u>	<u>103,997,395</u>
<b>TOTAL ASSETS</b>		<u><u>3,453,977,417</u></u>	<u><u>2,612,114,672</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized Capital		<u>600,000,000</u>	<u>250,000,000</u>
Issued, subscribed and paid-up capital		<u>223,080,000</u>	<u>223,080,000</u>
Accumulated loss		<u>(812,781,493)</u>	<u>(1,045,626,408)</u>
		<u>(589,701,493)</u>	<u>(822,546,408)</u>
Surplus on revaluation of fixed assets		<u>1,814,525,854</u>	<u>1,339,697,719</u>
		<u>1,224,824,361</u>	<u>517,151,311</u>
<b>NON CURRENT LIABILITIES</b>			
Deferred taxation		137,540,233	192,254,000
Long term finance secured			
- Mark up bearing		227,357,764	223,979,433
- Mark up free		10,594,143	10,182,759
		<u>237,951,907</u>	<u>234,162,192</u>
Provision for gratuity		11,609,422	11,693,519
<b>CURRENT LIABILITIES</b>			
Subordinated loan from directors	8	138,921,502	65,766,502
Trade and other payables		1,365,186,503	1,257,225,602
Short term borrowings	9	124,996,633	124,996,633
Mark up accrued		44,470,815	40,388,872
Current portion of non current liabilities		168,476,041	168,476,041
		<u>1,842,051,494</u>	<u>1,656,853,650</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	11	<u>3,453,977,417</u>	<u>2,612,114,672</u>
<b>TOTAL EQUITIES AND LIABILITIES</b>		<u><u>3,453,977,417</u></u>	<u><u>2,612,114,672</u></u>

The annexed notes from 1 to 18 form an integral part of these financial statements.

**Dinshaw H. Anklesaria**  
Chief Executive/Director

**Syed Abid Hussain**  
Director



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT  
FOR THE HALF YEAR AND QUARTER ENDED MARCH 31, 2017  
(UN-AUDITED)**

	Note	For the Half Year ended		For the Quarter ended	
		March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
<b>( Rupees )</b>					
Sales - net	12	2,131,689,035	1,528,012,240	1,671,830,028	1,256,774,688
Cost of sales	13	(2,054,934,846)	(1,624,530,872)	(1,517,822,573)	(1,282,200,049)
<b>Gross profit / (loss)</b>		<b>76,754,189</b>	<b>(96,518,632)</b>	<b>154,007,455</b>	<b>(25,425,361)</b>
<b>Operating expenses</b>					
Administrative expenses		(42,221,204)	(70,214,414)	(24,811,669)	(37,228,810)
Distribution cost		(3,126,300)	(3,747,729)	(2,106,950)	(2,700,012)
		(45,347,504)	(73,962,143)	(26,918,619)	(39,928,822)
<b>Operating profit / (loss)</b>		<b>31,406,685</b>	<b>(170,480,775)</b>	<b>127,088,836</b>	<b>(65,354,183)</b>
Finance cost		(14,699,681)	(15,632,344)	(9,263,709)	(9,972,368)
Other charges		-	(164,337)	-	-
Unrealized gain on loan amortization		9,615,411	7,910,086	9,615,411	3,611,407
Other income		736,816	13,350	427,121	13,350
		(4,347,454)	(7,873,245)	778,823	(6,347,611)
<b>Profit / (loss) before tax</b>		<b>27,059,231</b>	<b>(178,354,020)</b>	<b>127,867,659</b>	<b>(71,701,794)</b>
<b>Income tax - net</b>	14	<b>170,937,110</b>	<b>25,976,638</b>	<b>175,535,700</b>	<b>-</b>
<b>Profit / (loss) after tax</b>		<b>197,996,341</b>	<b>(152,377,382)</b>	<b>303,403,359</b>	<b>(71,701,794)</b>
<b>Earning per share</b>					
- Basic and diluted		<b>8.88</b>	<b>(6.83)</b>	<b>13.60</b>	<b>(3.21)</b>

The annexed notes from 1 to 18 form an integral part of these financial statements.

**Dinshaw H. Anklesaria**  
Chief Executive/Director

**Syed Abid Hussain**  
Director





**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF YEAR AND QUARTER ENDED MARCH 31, 2017  
(UN-AUDITED)**

	<b>For the Half Year ended</b>		<b>For the Quarter ended</b>	
	<b>March 31, 2017</b>	<b>March 31, 2016</b>	<b>March 31, 2017</b>	<b>March 31, 2016</b>
	<b>(Rupees)</b>			
<b>Net profit / (loss) for the period</b>	<b>197,996,341</b>	<b>(152,377,382)</b>	<b>303,403,359</b>	<b>(71,701,794)</b>
<b>Other comprehensive income</b>				
Transfer from surplus on revaluation on property, plant and equipment on account of incremental depreciation net of deferred tax	<b>34,848,574</b>	<b>31,337,558</b>	<b>34,848,574</b>	<b>15,547,820</b>
<b>Total comprehensive income / (loss) for the period</b>	<b><u>232,844,915</u></b>	<b><u>(121,039,824)</u></b>	<b><u>338,251,933</u></b>	<b><u>(56,153,974)</u></b>

The annexed notes from 1 to 18 form an integral part of these financial statements.

**Dinshaw H. Anklesaria**  
Chief Executive/Director

**Syed Abid Hussain**  
Director



**CONDENSED INTERIM CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED MARCH 31, 2017  
(UN-AUDITED)**

	Note	March 31, 2017	March 31, 2016
(Rupees)			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Cash (used in) / generated from operations</b>	10	(40,528,246)	23,337,856
Taxes paid		(8,639,264)	(5,320,242)
Finance cost paid		(6,854,546)	(10,846,850)
Gratuity paid		-	(823,039)
		(15,493,810)	(16,990,131)
<b>Net cash (used in) / generated from operating activities</b>		(56,022,057)	6,347,725
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(9,262,669)	(445,500)
Proceeds from disposal of vehicle		1,000,000	-
Long term loans		(195,000)	86,068
Long term deposits		(91,850)	-
<b>Net cash used in investing activities</b>		(8,549,519)	(359,432)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term finance		-	(8,333,333)
Subordinated loan from director		73,155,000	-
<b>Net cash generated from / (used in) financing activities</b>		73,155,000	(8,333,333)
<b>Net increase / (decrease) in cash and cash equivalents</b>		8,583,424	(2,345,040)
<b>Cash and cash equivalents at the beginning of the period</b>		(123,665,090)	(117,642,814)
<b>Cash and cash equivalents at the end of the period</b>		(115,081,666)	(119,987,854)
<b>Cash and cash equivalents comprises of:</b>			
Short term borrowings		(124,996,633)	(124,996,633)
Cash and bank balances		9,914,967	5,008,779
		(115,081,666)	(119,987,854)

The annexed notes from 1 to 18 form an integral part of these financial statements.

**Dinshaw H. Anklesaria**  
Chief Executive/Director

**Syed Abid Hussain**  
Director



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED MARCH 31, 2017  
(UN-AUDITED)**

	<b>Issued, Subscribed &amp; Paid-up Capital</b>	<b>Accumulated Loss</b>	<b>Total</b>
	( Rupees )		
Balance as at October 01, 2015	223,080,000	(881,713,717)	(658,633,717)
Total comprehensive loss for the half year	-	(121,039,824)	(121,039,824)
<b>Balance as at March 31, 2016 (Un-audited)</b>	<u>223,080,000</u>	<u>(1,002,753,541)</u>	<u>(779,673,541)</u>
Balance as at April 01, 2016	223,080,000	(1,002,753,541)	(779,673,541)
Total comprehensive loss for the half year	-	(42,872,867)	(42,872,867)
<b>Balance as at September 30, 2016 (Audited)</b>	<u>223,080,000</u>	<u>(1,045,626,408)</u>	<u>(822,546,408)</u>
Balance as at October 01, 2016	223,080,000	(1,045,626,408)	(822,546,408)
Total comprehensive income for the half year	-	232,844,915	232,844,915
<b>Balance as at March 31, 2017 (Un-audited)</b>	<u>223,080,000</u>	<u>(812,781,493)</u>	<u>(589,701,493)</u>

The annexed notes from 1 to 18 form an integral part of these financial statements.

**Dinshaw H. Anklesaria**  
Chief Executive/Director

**Syed Abid Hussain**  
Director



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE HALF YEAR ENDED MARCH 31, 2017  
(UN-AUDITED)**

**1. THE COMPANY AND ITS OPERATIONS**

Sakrand Sugar Mills Limited (the Company) was incorporated in Pakistan on March 02, 1989, as a public limited company. The Company is listed on Pakistan Stock Exchange. The principal business of the Company is to manufacture and sell white sugar. The manufacturing facilities of the Company including the Mill are located at Deh Tharo Unar, Taluka Sakrand, District Shaheed Benazirabad, Sindh.

**1.1 Seasonality of operations**

Due to the seasonal availability of sugarcane during the period beginning from November 2016 to March 2017, the Company's production facilities operated at 49% capacity during the period covered under this interim financial information. Therefore, costs of production and stock levels are expected to decline in the upcoming half year compared to the period covered under this interim financial information.

- 1.2** The Company earned net profit of Rs. 197.996 million. However, accumulated losses amounted to Rs. 812.781 million and its current liabilities exceeds its current assets by Rs. 1,498.471 million and reflecting that Company is facing liquidity crunch. These factors reflect the existence of material uncertainties that may cause doubts regarding Company's ability to continue as a going concern and accordingly, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

However, the Company has filed suit against IDBP in 2010 in the High Court of Sindh Karachi for wrong charging of mark-up. The amount of unbooked liability is expected to be reversed by the bank as the same is disputed on merit.

In view of above and expectation of improvement in operating activities, these financial statements have been prepared using going concern assumption.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

- 2.1** The condensed interim financial information are un-audited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Pakistan Stock Exchange. The condensed interim financial information have been prepared in accordance with the requirements of the International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan. The condensed interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with Company's annual financial statements for the year ended September 30, 2016. The figures for the half year ended March 31, 2017 have been subject to limited scope review by the auditors as required by the Code of Corporate Governance.



- 2.2** This condensed interim financial information comprises of the condensed interim statement of financial position as at March 31, 2017 and the condensed interim statement of profit and loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and the condensed interim statement of cash flow for the half year then ended which have been subject to a review but not audited. This condensed interim financial information also includes the condensed interim statement of profit and loss for the quarter ended March 31, 2017 which is not subject to a review.
- 2.3** The comparative condensed statement of financial position, presented in this condensed interim financial information, as at September 30, 2016 has been extracted from the annual audited financial statements of the Company for the year ended September 30, 2016 whereas the comparative condensed interim statement of profit and loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flow for the half year ended March 31, 2016 have been extracted from the condensed interim financial information for the half year ended March 31, 2016 which were subject to a review but not audited. The comparative condensed interim statement of profit and loss and condensed interim statement of comprehensive income for the quarter ended March 31, 2016 included in this condensed interim financial report was not subject to a review.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

These interim financial information have been prepared using the same accounting convention, basis of preparation and significant accounting policies as those applied in the preparation of the audited financial statements for the year ended September 30, 2016, except for as disclosed in note 4 below.

### **4. CHANGE IN ACCOUNTING POLICY**

The Company has adopted Technical Release (TR) 32 issued by the Institute of Chartered Accountants of Pakistan (ICAP) on "Accounting Directors' Loan" with the date of initial application of 1 January 2016.

As a result, the Company has classified its subordinated directors' loan from long-term liabilities to short-term liabilities. The change in accounting policy has been applied retrospectively in these condensed interim financial information as per the requirements of International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

As a result of the application of TR 32, Rs. 138,921,502 was classified at 1 January 2016 from non-current liabilities to current liabilities.

The change in accounting policy did not have an effect on earnings per share for the current year. For further details of the impact of adoption of TR 32, refer note 8 of these condensed interim financial information.



## 5. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the condensed interim financial information in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

	Un-audited March 31, 2017	Audited September 30, 2016
	( Rupees )	
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>		
Opening written down value	2,347,812,704	2,468,869,990
<b>Additions to property, plant &amp; equipment during the year</b>		
Plant and machinery	6,214,040	-
Office equipment & others	2,511,572	257,500
Furniture and fixtures	354,745	188,000
Vehicles	182,312	-
	9,262,669	445,500
Disposals	(692,655)	(1,881,300)
Depreciation for the period	(63,435,675)	(119,621,486)
Revaluation surplus	647,216,942	-
<b>Closing written down value</b>	<b>2,940,163,985</b>	<b>2,347,812,704</b>

## 7. CASH AND BANK BALANCES

Cash in hand	27,562	41,143
Cash at banks		
- Current accounts	9,877,405	1,280,400
- Deposit accounts	10,000	10,000
	<b>9,914,967</b>	<b>1,331,543</b>

## 8. SUBORDINATED LOAN FROM DIRECTOR

The Company has adopted Technical Release - 32 (Accounting Directors' Loan) issued by the Institute of Chartered Accountants of Pakistan. In accordance with TR- 32, sponsors' interest free, unsecured loans that are repayable on demand of the Director have been classified in current liabilities. Previously, these loans were classified as non-current liabilities.



		Un-audited March 31, 2017	Audited September 30, 2016
		(Rupees)	
<b>9. SHORT TERM BORROWINGS</b>	<b>Note</b>		
Running finance - National Bank of Pakistan (NBP)	9.1	<b>124,996,633</b>	<b>124,996,633</b>

#### 9.1 Running finance facility

This facility is to meet the working capital requirements of the Company and for procurement of sugarcane carrying mark-up @ 3 months KIBOR + 2.5% p.a. (2016: 3 months KIBOR + 2.5% p.a.).

The facility is secured against first pari passu hypothecation charge over plant and machinery and equipment, and first equitable mortgage over land and building of the Company for Rs. 167 million with 25% margin and personal guarantees of all the directors of the Company.

- 9.2 During the period, negotiations with NBP have reached to an advanced stage for restructuring the running finance as term finance loan.

		March 31, 2017	March 31, 2016
		(Rupees)	

#### 10. CASH FLOWS FROM OPERATING ACTIVITIES

<b>Profit / (loss) before taxation</b>	<b>27,059,231</b>	<b>(178,354,020)</b>
<b>Adjustment for:</b>		
Depreciation	63,435,676	60,852,380
Finance cost	10,936,489	15,632,344
Interest expense - imputed	3,763,192	-
Gain on disposal of property, plant and equipment	(307,345)	-
Gain on amortization of investment	(9,641,935)	(7,910,086)
Effect of increase in KIBOR	26,524	-
Provision for gratuity	989,395	989,395
	<b>69,201,996</b>	<b>69,564,033</b>
<b>Operating profit / (loss) before working capital changes</b>	<b>96,261,227</b>	<b>(108,789,987)</b>
<b>Changes in working capital</b>		
<b>(Increase) / decrease in current assets</b>		
Stores, spares and loose tools	(1,113,114)	3,739,844
Stock in trade	(238,444,566)	8,105,281
Trade debts	(2,458,528)	(1,253,424)
Loans and advances	341,697	3,524,389
Prepayments and other receivables	(2,002,370)	(1,520,663)
	<b>(243,676,881)</b>	<b>12,595,427</b>
	<b>(147,415,654)</b>	<b>(96,194,560)</b>
<b>Increase in current liabilities</b>		
Trade and other payables	106,887,408	119,532,416
<b>Cash (used in) / generated from operating activities</b>	<b>(40,528,246)</b>	<b>23,337,856</b>



## 11. CONTINGENCIES AND COMMITMENTS

### 11.1 Contingencies

The status of contingencies is same as that disclosed in annual audited financial statements for the year ended September 30, 2016.

### 11.2 Commitments

During the period, the Company has outstanding unlifted delivery orders of 2,433 metric tons (2016 : Nil) amounting to Rs. 139.295 million (2016: Nil).

	March 31, 2017	March 31, 2016
	————— ( Rupees ) —————	
<b>12. SALES - NET</b>		
Sales Gross		
- Local	2,362,412,847	1,645,696,665
Less: Sales tax & federal excise duty	<u>(230,723,812)</u>	<u>(117,684,425)</u>
	<u><u>2,131,689,035</u></u>	<u><u>1,528,012,240</u></u>

## 13. COST OF SALES

Note	For the Half Year ended		For the Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	————— (Rupees) —————			
Sugarcane consumed	2,103,604,639	1,455,806,867	1,529,811,860	953,868,922
Manufacturing expenses	189,774,773	160,618,730	115,103,266	81,924,640
	<u>2,293,379,412</u>	<u>1,616,425,597</u>	<u>1,644,915,126</u>	<u>1,035,793,562</u>
<b>Sugar in process</b>				
Opening	-	1,627,979	57,404,009	31,232,138
Closing	<u>(3,373,571)</u>	<u>(527,602)</u>	<u>(3,373,571)</u>	<u>(527,602)</u>
	<u>(3,373,571)</u>	1,100,377	54,030,438	30,704,536
<b>Sugar</b>				
Opening	-	459,164	48,960,000	212,154,167
Closing	<u>(187,272,391)</u>	-	<u>(187,272,391)</u>	-
	<u>(187,272,391)</u>	459,164	<u>(138,312,391)</u>	212,154,167
<b>Molasses</b>				
Opening	-	1,970	4,988,004	3,547,784
Closing	<u>(47,798,604)</u>	-	<u>(47,798,604)</u>	-
	<u>(47,798,604)</u>	1,970	<u>(42,810,600)</u>	3,547,784
<b>Fertilizer</b>				
Opening	-	6,543,764	-	-
Closing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	6,543,764	<u>-</u>	<u>-</u>
	<u><u>2,054,934,846</u></u>	<u><u>1,624,530,872</u></u>	<u><u>1,517,822,573</u></u>	<u><u>1,282,200,049</u></u>





### 13.1 Manufacturing expenses

	For the Half Year ended		For the Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	(Rupees)			
Stores and spares consumed	38,214,494	24,840,588	29,406,876	14,829,603
Fuel and power	17,759,821	8,900,297	12,478,819	3,158,530
Salaries, wages including bonus and staff amenities	54,028,812	51,334,243	33,022,574	30,094,046
Repair and maintenance	23,224,820	19,070,136	8,239,550	5,093,261
Vehicle maintenance	463,363	599,150	275,433	269,149
Insurance	1,064,030	3,047,590	843,544	1,523,795
Depreciation	50,746,528	47,312,699	28,119,115	23,505,949
Others	4,272,905	5,514,027	2,717,355	3,450,307
	<u>189,774,773</u>	<u>160,618,730</u>	<u>115,103,266</u>	<u>81,924,640</u>

13.2 The Company has recorded payable and receivable respectively in respect of sugarcane purchases and receivable from Sindh Government and profit and loss account charge considering the notifications issued by Cane Commissioner Sindh and order passed by Honorable High Court of Sindh on account of quality premium. However, the notifications have been challenged by Pakistan Sugar Mills Association and other sugar mills in the Honor'able Supreme Court of Pakistan. The case has been pending with the Honor'able Supreme Court of Pakistan as at March 31, 2017.

### 13.3 Sugar stock

Sugar stock is valued at cost which is lower than Net Realizable Value (NRV).

## 14. INCOME TAX - NET

	For the Half Year ended		For the Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	(Rupees)			
Current	(21,316,890)	-	(16,718,300)	-
Deferred	192,254,000	25,976,638	192,254,000	-
	<u>170,937,110</u>	<u>25,976,638</u>	<u>175,535,700</u>	<u>-</u>

14.1 The net deferred income tax asset of Rs. 279.810 million (2015: Nil) has not been recognized in these condensed interim financial information.



## 15. RELATED PARTY TRANSACTIONS

The related parties comprise of directors, key management personnel and retirement benefits plan established for the benefits of the employees. There have been no transactions with related parties except for the following:

	For the Half Year ended	
	March 31, 2017	March 31, 2016
	————— ( R u p e e s ) —————	

**Significant transactions with the related parties during the half year ended are as follows:**

Chief executive and directors' remuneration	-	11,762,268
Subordinated loan from director	73,155,000	-

**15.1** No remuneration has been paid by the Company to its chief executive and any of its directors for the current period.

## 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies used to meet these objectives were same as being followed as at September 30, 2016.

## 17. AUTHORIZATION FOR ISSUE

These condensed interim financial information have been authorized for issue on May 12, 2017 by the Board of Directors of the Company.

## 18. GENERAL

Figures have been rounded off to the nearest rupee.

**Dinshaw H. Anklesaria**  
Chief Executive/Director

**Syed Abid Hussain**  
Director

**BOOK POST**

UNDER POSTAL CERTIFICATE



**SAKRAND SUGAR MILLS LIMITED**

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