



M I R Z A

SUGAR

MILLS

LIMITED

**CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED
MARCH 31, 2014
(REVIEWED)**

COMPANY PROFILE

BOARD OF DIRECTORS:

MR. GHULAM MOHIUDDIN ABBASI Chairman & Chief Executive
DR. ZULFIQAR ALI MIRZA
MS. FARIDA ABBASI
MR. ARSHAD ABID ABBASI
MS. FAREHA ABID KAZI
MIRZA SAULAT RAZA
MR. IRSHAD HUSSAIN MIRZA

AUDIT COMMITTEE:

MIRZA SAULAT RAZA - Chairman
MS. FARIDA ABBASI - Member
MR. IRSHAD HUSSAIN MIRZA - Member

HR & R COMMITTEE:

MS. FARIDA ABBASI - Chairperson
MIRZA SAULAT RAZA - Member
MR. IRSHAD HUSSAIN MIRZA - Member

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY:

MR. IRSHAD HUSSAIN MIRZA

LEGAL ADVISOR:

MR. GHULAM QADIR ZARGAR

AUDITORS:

M/S. RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ
(CHARTERED ACCOUNTANTS)

BANKERS TO THE COMPANY:

HABIB BANK LIMITED
NIB BANK LIMITED.
MCB BANK LIMITED.

SHARES REGISTRAR:

M/S. TECHNOLOGY TRADE (PVT) LIMITED
DAGIA HOUSE, 241-C,
BLOCK-2, P.E.C.H.S.
OFF: SHAHRAH-E-QUAIDEEN,
KARACHI. TEL NO. 021-34391316-7

REGISTERED OFFICE:

10TH FLOOR, PORTION 'B'
LAKSON SQUARE, BUILDING NO. 1,
SARWAR SHAHEED ROAD, KARACHI.

MILLS:

DEH CHHARO TAPPO, LOWARI SHARIFF
DISTRICT BADIN, SINDH.

E-MAIL ADDRESS:

pmsml@hotmail.com

WEBSITE:

www.mirzasugar.com

DIRECTORS' REPORT

Dear Shareholders :

Directors are pleased to present half yearly accounts of the company duly reviewed by the company auditors along with brief resume of company's activities during the period ended March 31, 2014.

General

In the absence of working capital finance (WCF) and limited resources proper maintenance of the mills could not be done.

However, the management with limited resources got the mill maintenance completed to start crushing in the Season 2013-14. Unfortunately, during trial run serious fault developed in the 5000 KVA Turbine Generator. In spite of our best efforts, the generator could not become operational in time during the season. The 5000 KVA Turbine Generator is the only source of power generation. Thus, the mill could not operate during Crushing Season 2013-14.

On the other hand no working capital was provided to us by financial institutions, even financing against their scheme specifically framed for revival of sick industrial units.

Shortage of sugarcane persisted during Season 2013-14. Even though the Government kept the sugarcane support price for the Crushing Season 2013-14 on the same level as that of Season 2012-13, which is still high in comparison to the depressed price of sugar in the market.

Operating Results

As the mill did not operate during Crushing Season 2013-14, there is no operational activity during the period ended March 31, 2014 .

Particulars

	<u>Season 2013-2014</u> <u>Full Season &</u> <u>March 31, 2014</u>	<u>Season 2012-2013</u> <u>Full Season &</u> <u>March 31, 2013</u>
Season started	-	04-01-2013
Season closed	-	16-02-2013
Days worked	-	44
Sugarcane crushing (Tons)	-	35,301
“ “ (Maunds)	-	882,519
Sugar recovery (%)	-	9.23
Sugar production (Tons)	-	3,263
Molasses recovery (%)	-	4.67
Molasses production (Tons)	-	1,654

Financial Results

Accounts duly reviewed by auditors show a gross loss of Rs. 9.981 million during the half year ended March 31, 2014 compared to a gross loss of Rs. 51.609 million during the corresponding period last year. Net loss after tax of Rs. 19.958 million was recorded during the period under report compared to a net loss of Rs. 79.556 million during the same period last year.

Auditors' Review Report

In their Review Report for the half year ended March 31, 2014, the Auditors have formed adverse opinion. Following factors are briefly highlighted to mitigate their concern, which have been disclosed in detail in Note 1.2 to the interim financial information and our Directors' Report for the period under review:

The main reason for non-operation of the mill during the Season 2013-14 was the breakdown of the turbine generator during trial run. On the other hand no working capital was provided to us by financial institutions, even financing against their scheme specifically framed for revival of sick industrial units.

With reference to growers' liabilities, the management has assured the growers and received counter assurance from growers for the next season for settlement of their liabilities as well as for the supply of sugarcane to our mill in the next season.

The management expects to commence operations in next season as market is expected to improve by next season, and to arrange working capital finance through customers advance against sugar and other sources; hence the financial statements for the half year under review have been prepared on going concern basis.

With reference to settlement for repayment of long term outstanding loans of NIB Bank Limited and Industrial Development Bank of Pakistan, please refer Note. 1.2 to the financial information.

Future Prospects

We will try again for working capital finance from financial institutions and also against their scheme for revival of sick industrial units. We are positive that we will get the financing. The management will do every thing possible to operate the mill during Crushing Season 2014-15 including arrangement with growers for supply of cane to our mills.

May 27, 2014

GHULAM MOHIUDDIN ABBASI
Chairman & Chief Executive

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Mirza Sugar Mills Limited** ("the Company") as at **March 31, 2014** and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement for the half year then ended together with the notes forming part thereof (herein-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of the interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on the 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 the quarters ended March 31, 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended March 31, 2014.

Scope of review

We conducted our review in accordance with International Standards on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consist 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 Adverse conclusion

1. As disclosed in note 1.2 to the interim financial information, company's operation remained suspended during the season as a result of breakdown of power generation and delay in making that functional. The interim financial information of the company reflects a gross loss of Rs. 9.98 million for the period ended March 31, 2014 (March 31, 2013: gross loss of Rs. 51.61 million), its accumulated loss amounted to Rs.641.98 million (September 30, 2013: Rs.622.02 million) and the equity is negative by Rs.500.98 million (September 30, 2013: Rs.481.02 million) as a result of net loss of Rs.19.96 million for the current period. Its current liabilities exceed its current assets by Rs. 514.06 million (September 30, 2013:Rs. 501.46 million). Its long term loan of Rs.342 million (September 2013: 342 million) is outstanding since long and for which NIB Bank Limited and Industrial Development Bank of Pakistan has filed recovery suits in the year 2003 and 2002 respectively against the company. The company has overdue liability payable to growers of Rs. 152.9 million at the period end (September 2013: 152.9 million).

These conditions indicate the existence of significant uncertainties which may cast doubt on ability of the company to continue as going concern and to realize its assets and to discharge its liabilities in due course of time. The Interim financial information (and notes thereto) do not disclose this fact.

Other matter

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended March 31, 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended March 31, 2014

Conclusion

Based on our review, because of the pervasive effects on the interim financial information of matters highlighted in paragraph a above, the accompanying interim financial information as at March 31, 2014 is not prepared fairly, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.

Dated: May 27, 2014
Karachi.

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner: **Muhammad Waseem**

CONDENSED INTERIM BALANCE SHEET AS AT MARCH 31, 2014

	Notes	Unaudited March 31, 2014	Audited September 30, 2013
		Rupees	
ASSETS			
NON - CURRENT ASSETS			
Property, Plant and Equipment	5	151,226,836	159,149,292
CURRENT ASSETS			
Stores, spares and loose tools		24,534,334	24,534,334
Stock-in-trade		1,947,496	22,900,294
Trade debts - unsecured considered good		41,443,309	26,259,168
Prepayments, loans and advances		8,088,294	9,079,600
Cash and bank balances		1,130,882	2,233,385
		77,144,315	85,006,781
		228,371,151	244,156,073
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
AUTHORIZED CAPITAL			
15,000,000 (September 2013:15,000,000) Ordinary shares of Rs. 10/- each		150,000,000	150,000,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
14,100,000 (September 2013:14,100,000) Ordinary shares of Rs. 10/-each fully paid in cash		141,000,000	141,000,000
Accumulated loss		(641,974,650)	(622,016,257)
		(500,974,650)	(481,016,257)
NON-CURRENT LIABILITIES			
Long-term finances		16,788,482	16,788,482
Deferred liabilities		121,348,870	121,920,553
CURRENT LIABILITIES			
Current portion of long-term finances		342,487,991	342,487,991
Trade and other payables		208,923,604	204,178,450
Accrued mark-up on finances		18,991,927	18,991,927
Provision for taxation		20,804,927	20,804,927
		591,208,449	586,463,295
TOTAL EQUITY AND LIABILITIES		228,371,151	244,156,073
CONTINGENCIES AND COMMITMENTS			
	6	-	-

The annexed notes from 1 to 11 form an integral part of these condensed interim financial information.

Chief Executive

Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
(UN-AUDITED) FOR THE HALF YEAR AND QUARTER
ENDED MARCH 31, 2014**

Notes	Half year ended		Quarter ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	Rupees			
Sales - net	20,963,202	173,786,637	-	133,402,285
Cost of sales	7 <u>(30,944,940)</u>	<u>(225,396,571)</u>	<u>(4,661,349)</u>	<u>(163,675,110)</u>
Gross loss	(9,981,738)	(51,609,934)	(4,661,349)	(30,272,825)
Operating expenses				
Administrative expenses	<u>9,958,602</u>	<u>28,510,449</u>	<u>3,040,424</u>	<u>13,275,880</u>
Distribution costs	<u>8,629</u>	<u>422,237</u>	<u>(43,320)</u>	<u>407,042</u>
	<u>(9,967,231)</u>	<u>(28,932,686)</u>	<u>(2,997,104)</u>	<u>(13,682,922)</u>
Operating loss	(19,948,969)	(80,542,620)	(7,658,453)	(43,955,747)
Finance costs	<u>(581,107)</u>	<u>(948,409)</u>	<u>(571,578)</u>	<u>(915,949)</u>
Other (charges) / income	<u>-</u>	<u>2,107,933</u>	<u>-</u>	<u>2,100,433</u>
	<u>(581,107)</u>	<u>1,159,524</u>	<u>(571,578)</u>	<u>1,184,484</u>
Net loss before taxation	(20,530,076)	(79,383,096)	(8,230,031)	(42,771,263)
Taxation - Current	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
- Deferred	<u>571,683</u>	<u>(173,288)</u>	<u>571,683</u>	<u>(173,288)</u>
	<u>571,683</u>	<u>(173,288)</u>	<u>571,683</u>	<u>(173,288)</u>
Net loss after taxation	(19,958,393)	(79,556,385)	(7,658,348)	(42,944,552)
Earnings per share - basic & diluted	<u>(1.42)</u>	<u>(5.64)</u>	<u>(0.54)</u>	<u>(3.05)</u>

The annexed notes from 1 to 11 form an integral part of these condensed interim financial information.

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(UN-AUDITED) FOR THE HALF YEAR AND QUARTER
ENDED MARCH 31, 2014**

	For the half year ended		For the quarter ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	Rupees			
Loss for the period	(19,958,393)	(79,556,385)	(7,658,348)	(42,944,552)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period transferred to equity	(19,958,393)	(79,556,385)	(7,658,348)	(42,944,552)

The annexed notes from 1 to 11 form an integral part of these condensed interim financial information.

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(UN-AUDITED) FOR THE HALF YEAR ENDED MARCH 31, 2014**

	Share Capital	Accumulated Profit / (Loss)	Total
	————— Rupees —————		
Balance as at September 30, 2012	141,000,000	(500,335,753)	(359,335,753)
Comprehensive loss for half year (unaudited)	-	(79,556,385)	(79,556,385)
Balance as at March 31, 2013	<u>141,000,000</u>	<u>(579,892,138)</u>	<u>(438,892,138)</u>
Balance as at April 01, 2013	141,000,000	(579,892,138)	(438,892,138)
Comprehensive loss for half year (unaudited)	-	(42,124,119)	(42,124,119)
Balance as at September 30, 2013	<u>141,000,000</u>	<u>(622,016,257)</u>	<u>(481,016,257)</u>
Balance as at October 01, 2013	141,000,000	(622,016,257)	(481,016,257)
Comprehensive loss for half year (unaudited)	-	(19,958,393)	(19,958,393)
Balance as at March 31, 2014	<u>141,000,000</u>	<u>(641,974,650)</u>	<u>(500,974,650)</u>

The annexed notes from 1 to 11 form an integral part of these condensed interim financial information.

Chief Executive

Director

**CONDENSED INTERIM CASH FLOW STATEMENT
(UN-AUDITED) FOR THE HALF YEAR
ENDED MARCH 31, 2014**

	March 31, 2014	March 31, 2013
	Rupees	
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss before taxation	(20,530,076)	(79,383,097)
Adjustments for :		
Depreciation	7,922,456	8,914,513
Finance costs	581,107	948,409
Loss / (gain) on disposal of fixed assets	-	(7,500)
	8,503,563	9,855,422
Operating loss before working capital changes	(12,026,513)	(69,527,675)
Changes in working capital		
(Increase) / Decrease in current assets		
Stores, spares and loose tools	-	1,857,352
Stock in trade	20,952,798	18,390,743
Trade debtors - unsecured	(15,184,141)	24,726,000
Prepayments, loan and advances, and other receivables	991,306	5,380,959
Increase in current liabilities		
Trade and other payables	4,184,050	22,217,659
	10,944,013	72,572,713
Cash generated from operations	(1,082,500)	3,045,038
Taxes paid	-	(840,014)
Financial charges paid	(20,003)	(948,409)
	(20,003)	(1,788,423)
Net cash generated from operating activities	(1,102,503)	1,256,615
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-	(1,327,500)
Proceeds from disposal of fixed assets	-	67,000
Net cash used in investing activities	-	(1,260,500)
CASH FLOW FROM FINANCING ACTIVITIES	-	-
Net Increase / (Decrease) in cash and cash equivalent during the period	(1,102,503)	(3,885)
Cash and cash equivalents at beginning of the period	2,233,385	2,315,570
Cash and cash equivalents at end of the period	1,130,882	2,311,684

The annexed notes from 1 to 11 form an integral part of these condensed interim financial information.

Chief Executive

Director

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED MARCH 31, 2014

1 THE COMPANY AND ITS OPERATIONS

- 1.1 The company was incorporated in Pakistan on January 16, 1990, as a public limited company and listed on Karachi and Lahore Stock Exchanges. The principal business of the company is to manufacture and sell white sugar.
- 1.2 Company's operation remained suspended during the season as a result of breakdown of power generation and delay in making that functional. The financial statements of the company reflects a gross loss of Rs. 9.98 million for the period ended March 31, 2014 (March 31, 2013: gross loss of Rs. 51.61 million), its accumulated loss amounted to Rs. 641.98 million (September 30, 2013: Rs. 622.02 million) and the equity is negative by Rs. 500.98 million (September 30, 2013: Rs.481.02 million) as a result of net loss of Rs.19.96 million for the current period. Its current liabilities exceed its current assets by Rs. 514 million (September 30, 2013: Rs. 501.46 million). Its long term loan is outstanding by Rs. 342 million (September 2013: Rs. 342 million) and is in respect of NIB Bank Limited and Industrial Development Bank of Pakistan for which recovery suits were filed in the years 2003 and 2002 respectively against the company. The company has overdue liability payable to growers of Rs. 152.95 million at the period end (September 2013: Rs. 152.95 million).

There is hence a material uncertainty related to long term loan liability of NIB Bank Limited which is disputed and suit and counter suit between the parties are pending in High court. The management of the company, on the other hand, also seeks a negotiated settlement with the NIB Bank Limited and expects that its effort will materialize in due course of time. It plans to settle the liability in installments if approved by the banks management.

The management expects to commence operations in next season as market is expected to improve by next season. It shall arrange working capital finance for next season through customers advance against sugar and other sources according to the requirements of production as well to manage settlement of growers' liability.

In view of above the financial statements are prepared on going concern basis.

2 STATEMENT OF COMPLIANCE

- 2.1 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 and the requirements under section 245 of the Companies Ordinance 1984. 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 the Companies annual Financial Statements for the year ended September 30, 2013. The figures for the half year ended March 31, 2014 have been subjected 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 balance sheet as at March 31, 2014 and the condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and the condensed interim cash flow statement for the half year then ended which have been subjected to a review but not audited. This condensed interim financial information also includes the condensed interim profit and loss account for the quarter ended March 31, 2014 which is not subject to a review.
- 2.3 The comparative condensed balance sheet, presented in this condensed interim financial information, as at September 30, 2013 has been extracted from the annual 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 statement of changes in equity and condensed interim cash flow statement for the half year ended March 31, 2013 have been extracted from the condensed interim financial information for the half year ended March 31, 2013 which were subjected to a review but not audited. The comparative condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended March 31, 2014 included in this condensed interim financial report was not subject to a review.

3 SIGNIFICANT ACCOUNTING POLICIES

These 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, 2013.

4 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.

In preparing the condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding published annual financial statements of the Company as at and for the year ended September 30, 2013.

5 PROPERTY, PLANT & EQUIPMENT

Note	March 31, 2014	September 30, 2013
	Rupees	
Opening WDV	159,149,292	175,726,018
Addition to Property Plant and Equipment during the period		
Plant and machinery	-	1,260,000
Vehicles	-	67,500
Disposal in Property, Plant and Equipment		
Vehicles	-	(78,458)
Impairment loss	-	-
Depreciation for the period	(7,922,456)	(17,825,767)
Closing WDV	151,226,836	159,149,292

6 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

Contingencies are the same as have been reported in the financial statements of the company for the year ended September 30, 2013.

COMMITMENTS

There were no commitments as on March 31, 2014 (September 30, 2013 : 479.4 M.Ton unlifted delivery orders amounting Rs. 22.8 million).

7 COST OF SALES

	Half year ended		Quarter ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	Rupees			
Raw material consumed (including procurement and development expenses)	45,000	154,929,503	45,000	154,767,703
Chemicals	-	2,355,672	-	2,270,073
Oil & Lubricants	-	1,114,634	-	751,570
Stores and spares consumed	-	9,274,618	-	4,326,116
Packing material consumed	-	1,409,785	-	1,409,785
Salaries and allowances	451,085	19,987,929	431	11,922,614
Repair and maintenance	-	648,307	-	441,930
Fuel and power	233,664	4,659,648	-	3,188,484
Insurance	2,268,237	2,583,001	1,118,840	1,301,175
Freight and handling	-	612,794	-	170,534
Depreciation	6,994,156	7,765,742	3,497,078	3,885,496
Others	-	1,664,196	-	1,664,196
	9,992,142	207,005,828	4,661,349	186,099,675
Opening stock				
- Finished stock	20,952,798	85,337,759	-	46,394,352
- Sugar in process	1,947,496	1,871,901	1,947,496	-
	22,900,294	87,209,660	1,947,496	46,394,352
	32,892,436	294,215,488	6,608,845	232,494,027
Closing stock				
- Finished stock	-	66,871,463	-	66,871,463
- Sugar in process	1,947,496	1,947,454	1,947,496	1,947,454
	(1,947,496)	(68,818,917)	(1,947,496)	(68,818,917)
	30,944,940	225,396,571	4,661,349	163,675,110

	Half year ended March 31, 2014	March 31, 2013
	Rupees	

8 RELATED PARTY TRANSACTIONS

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

Contribution to Workers' profit participation fund	-	637,123
Contribution to Provident fund trust	78,935	280,178
Chief executive and directors' remuneration	1,649,328	2,344,500
	March 31, 2014	September 30, 2013

Balances with related parties at the end of the period are as follows:

Payable to Workers' profit participation fund	9,936,282	9,375,178
Payable to Workers' welfare fund	1,357,338	1,357,338
Payable to Provident fund trust	1,882,575	1,257,077
Loan from related parties - interest free	16,788,482	16,788,482

9 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, 2013.

10 AUTHORIZATION FOR ISSUE

These condensed interim financial information have been authorized by the Board of Directors of the Company for issue on May 27, 2014 .

11 GENERAL

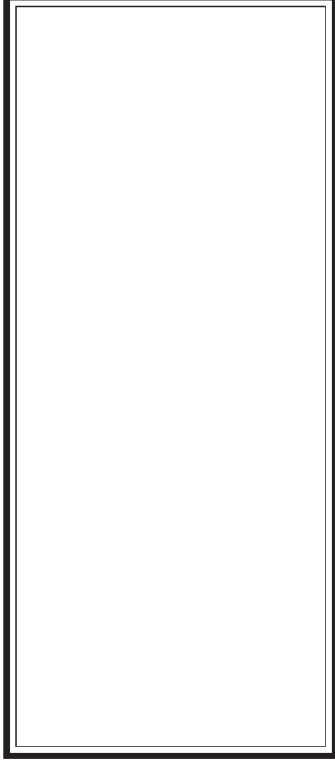
Figures have been rounded off to the nearest rupee.

Chief Executive

Director

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