
www.mehransugar.com
Just Think
MEHRAN SUGAR MILLS LIMITED
Annual Report 2012

"The world as we have created it is a process of our thinking.
It cannot be changed without changing our thinking."

Albert Einstein

# Contents

# Vision

Focusing on customers and shareholders satisfaction with challenging spirit and flexibility, we are dedicated to have eminent position in manufacturing and supplying quality white refined sugar and allied products and thereby play a vital role in the social economic development of the country.

# Mission

## Preamble

We the management of Enterprise, have set forth our belief as to the purpose for which the Company is established and the principles under which it should operate.

We pledge our efforts to the accomplishment of the purpose within the agreed principles.

## Basic Purpose

The basic purpose of Enterprise is to perpetuate as a Public Limited Company engaged in manufacturing and marketing white refined cane sugar, food products, sugar by-products and other products wherein management or sponsors have expertise. In addition we preserve to assume a leadership position in related industry regarding quality of the product, cost effectiveness, turnover and technology.

After a period of 42 years, we have shifted our Registered Office from Adamjee House, I.I. Chundrigar Road to Dolmen City, Executive Tower, Clifton.

# Business Strategy & Goal

Mehran Sugar Mills Limited is a growth oriented sugarcane milling Company. We strive to attain a leadership role in the field of sugar manufacturing as well as investing in projects which add value to sugarcane processing. We aim to increase our production capacity on a consistent basis as well as applying latest technology to attain maximum productivity. Our ultimate goal is to ensure consistent returns to our shareholders and create value.

# Risks / Challenges associated with Sugar Industry

Each business has its peculiar risks and challenges. Accordingly, we have tried to highlight risks and challenges which particularly affect the sugar business.

1. Sugar price fluctuation
   Sugar prices like most commodities primarily depend on supply and demand. International prices also play an important role in determining local prices. In addition, the cost of production especially cane price affects sugar prices as well. It has been noted that international and domestic sugar prices have continued to remain extremely volatile which doesn't allow one to forecast future revenue streams. While sugar production is a seasonal operation for approximately 100 - 125 days, sales continue throughout the year, thus holding inventory is a risk, especially in a high interest rate environment.

2. Plant efficiency during the season
   Proper maintenance during the off-season enables the plant to run smoothly during the season. Since the season is for a limited duration, a major breakdown could affect financial results for the entire year.

3. Cyclical nature of sugarcane crop
   Change in the size of the sugarcane crop can have an effect on the financial results of a company. Sugarcane crop sizes vary depending on the weather, water availability and pricing of competitive crops. Sugarcane disease can have a detrimental effect on both farmer and factory yields.

4. Correlation between Cane and Sugar prices
   Cane prices have a minimum support price and are determined through a free market mechanism. Whereas sugar prices though supposedly free market are met with resistance when prices co-relate with cane prices. Thus government intervention cab be a benefit and yet a challenge for the industry.

5. Molasses price fluctuation
   Price primarily depends on supply and demand. Bulk of Molasses is now bought by ethanol distilleries as export of molasses is no more a feasible option in view of duty structure. Prices remain volatile and have swung by as much as 100 percent in some financial years. Since molasses revenue is an important determinant of our cash flow, this fluctuation does not allow us to forecast our revenue stream.

6. Fluctuating interest rates
   In order to curb inflation, State Bank of Pakistan regularly intervenes and revises interest rates which affect the cost of doing business. A sudden surge in borrowing rates could adversely impact the Company's financials.

7. Law and Order
   Sugar mills are typically located in rural areas which are more susceptible to Law and Order situation. The movement of our cane team as well as farming team in specific areas can also be difficult and restricted.

8. Inflation
   Inflation affects the business due to unprecedented cost increase. It also reduces the consumer buying power. Pakistan has been going through near double digit inflation since the last 5 years.

9. Foreign Exchange Risk
   Devaluation of local currency increases cost of imports thereby increasing our processing cost as well as the cost of capital expenditure.

10. Cane crop vs Crushing Capacities
    In the last two decades the industry has consistently increased its sugarcane crushing capacities without objectively ensuring an increase in the size of crop. A major challenge going ahead is to ensure increased sugarcane cultivation to match crushing capacity. However we feel that there is still an unabated bandwagon of capacities without similar growth or a long term plan for increasing the cane crop.

11. Sugarcane Varieties
    With the passage of time, the sucrose recovery from traditional varieties is reducing. The need of the time is to bring new varieties with high sucrose recovery to mitigate the reduction and improve our overall sugar production. Therefore, research and development need to be given preferred attention for continuous improvement. This will give long term sustainability to the industry. Currently many varieties are being sown without any formal attestation from recognized research institutes which is a risk.

12. Regulatory Environment
    Changes in taxation regime (Sales Tax/Excise duty) and Provincial levies (Road Cess/Market Committee fee) also affect the sentiments of sugar market and cause abrupt change in supply demand cycle. Similarly control on foreign sugar trade also deprives the country availing timely opportunities for exports in case of surplus production and imports during shortage. The procurement or sales policy of the TCP which is now a major player in the sugar market can be a challenge.

# ThinkDifferent

At Mehran we work closely with our grower. While our core business is sugarcane milling, we feel our advantage lies in the strength of our farmer. Thus we think differently. We believe it is imperative to make cash payments to our farmers as well as facilitate their crop plantation through loaning of fertilizers and seeds. We ensure their crop is maintained in good condition by hiring world renowned consultants to detect pest infestation. We believe a strong and efficient farmer will ensure a progressive and sustainable mill.

# Management Committees

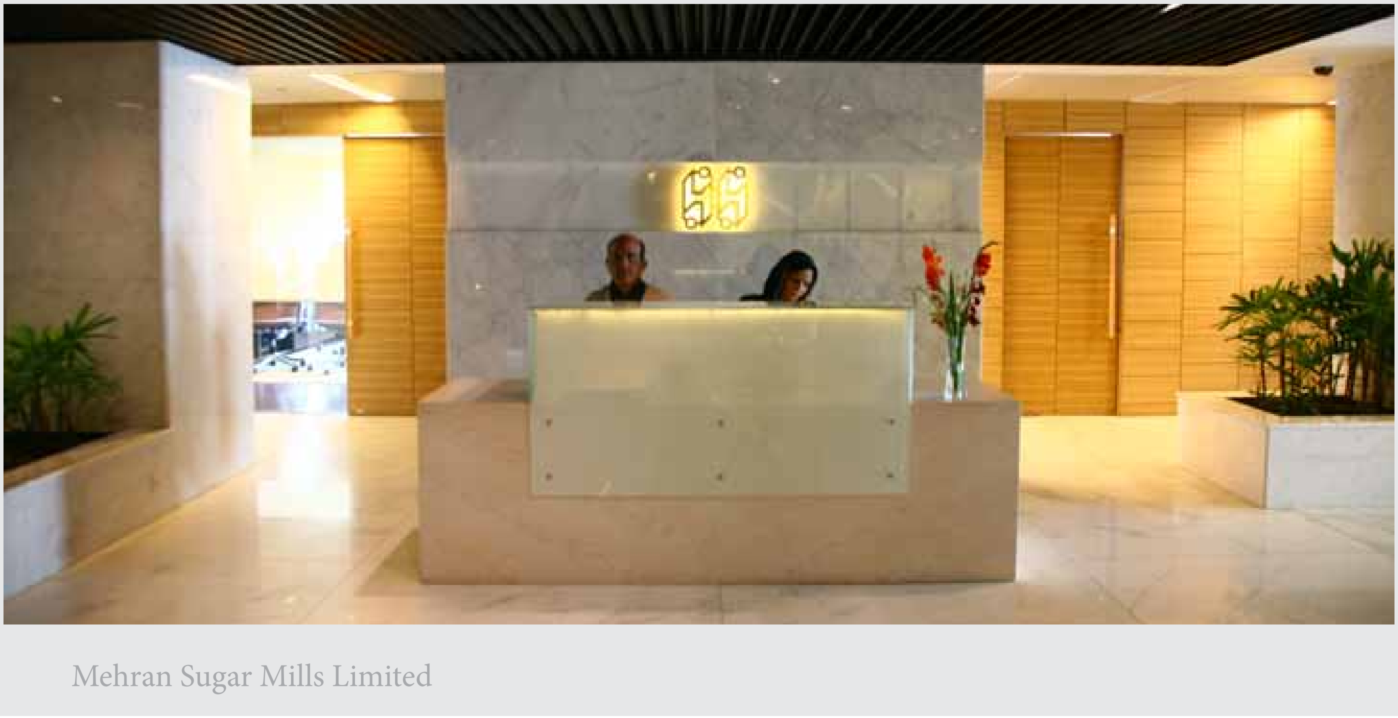
Various committees have been formed to look after the operational and financial matters of the Company. A brief description of the composition and their related tasks are as follows:

## Executive Committee

The Committee meets to discuss and coordinate various operational activities of the Company. Chief Executive Officer of the Company is the Chairman of the Committee while Managing Director, Chief Financial Officer, Resident Director, Director Cane/Development are the members of the Committee.

## Human Resource Development Committee

The Human Resource Development Committee is responsible for necessary training and capacity building of staff at mill site as well as at H.O. It is also responsible for staff annual appraisal and compensation. The Committee comprises of Chairman, a non-Executive Director and Chief Executive Officer.



## Information Technology Committee

The Committee meets to decide adaptation of latest innovations in the field of Information Technology. It comprises of Managing Director, Chief Financial Officer and Manager IT.

## Audit Committee

It is a statutory Committee formed as per requirements of Code of Corporate Governance; it is responsible to ensure that all functions of the Company operations are regularly audited and their reports are reviewed regularly for ensuring the work as per Company policy. It consists of a Chairman and two other Directors (including one non-Executive Director).

In the year 2011-12 our emphasis has been to uplift our infrastructure. We have thus invested in creating a more conducive environment at all our locations. We feel this investment will allow people to think differently and will ensure improved productivity.

Our newly renovated Management House at Mills

Office of our Resident Director

Our new Technical House Conference Room

# Corporate History

## 1965
The Company is incorporated as a public limited company.

## 1968
Shares of the Company are listed on the Karachi Stock Exchange.

## 1968
Plant commences trial production with a crushing capacity of 1,500 TCD. Complete plant is procured from M/s Mitsubishi Japan.

## 1978
Steady re-engineering increased crushing capacity to 3,500 TCD.

## 1983
Recognized by the Karachi Stock Exchange as one of the Top 25 Companies for the first time.

## 1986
Again selected by the Karachi Stock Exchange for its Top 25 Company Award.

## 1994
Company starts commercial production of second parallel milling unit, thus increasing crushing capacity to 7,000 TCD.

## 1998
The Company is awarded ISO-9002 - QMS Certification.

## 2001
Company touched billion Rupees sales.

## 2006
The Company crosses the Rs. 2.0 Billion sales milestone.

## 2007
The joint venture distillery-Unicol Limited commenced commercial production.

## 2010
The Company crosses the Rs. 4.0 Billion sales milestone.

## 2011
Record highest sugar production, turnover and profits.

## 2012
Crushing capacity increased from 7,000 TCD to 9,500 TCD.

# Board of Directors

| Front Row (left to right) | Back Row (left to right) |
| --- | --- |
| Mr. Mohammed Ebrahim Hasham<br>Chief Executive Officer | Mr. Farooq Hassan<br>Director |
| Mr. Mohammed Kasim Hasham<br>Chairman | Mr. Khurram Kasim<br>Director |
| Mr. Mohammed Hussain Hashim<br>Director | Mr. Muhammad Iqbal<br>Director |
| | Mr. Ahmed Ebrahim Hasham<br>Managing Director |

# Company Information

## Audit Committee

Mr. Khurram Kasim
Chairman

Mr. Farooq Hassan
Member

Mr. Muhammad Iqbal
Member

Abdul Razzaq Usman
Secretary

## CFO and Company Secretary

Mr. Muhammad Hanif Aziz
FCMA

## Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

## Internal Auditors

Haroon Zakaria & Company
Chartered Accountants

## Cost Auditors

Haroon Zakaria & Company
Chartered Accountants

## Legal Advisor

Sayeed & Sayeed
Advocate & Legal Consultants

## Bankers

MCB Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Al Baraka Bank (Pakistan) Limited
Meezan Bank Limited

## Registered Office

Executive Tower, Dolmen City,
14-B, 14th Floor, HC-3, Block-2,
Marine Drive, Clifton,
Karachi-75600
Tel: (92-21) 35297814-17
Fax: (92-21) 35297818, 35297827
Email: msm@mehransugar.com
URL: www.mehransugar.com

## Mills

Tando Adam Road, Distt. Tando Allahyar.
Tel: (92-22) 3890856, 3890407, 3891984
Fax: (92-22) 3890568

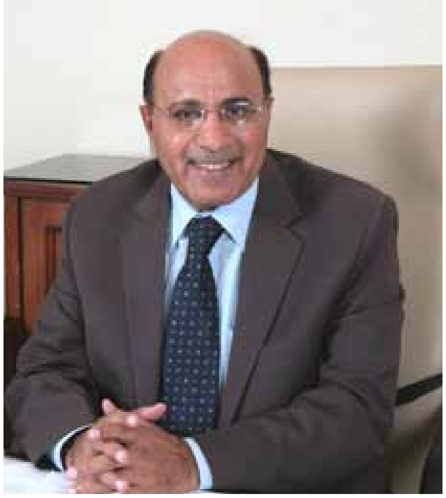
# Management Team

Mohammed Ebrahim Hasham
Chief Executive Officer
M.A. (Management)
Chapman University, Orange California
Joined Mehran in 1973

Ahmed Ebrahim Hasham
Managing Director
Bachelor of Arts (Economics and IR)
Tufts University, Medford MA, USA
Joined Mehran in 2000

Muhammad Iqbal
Director-Sales & Marketing
B.Com, C.A. (Finalist)
Joined Mehran in 2003

Muhammad Hanif Aziz
C.F.O. / Company Secretary
FCMA, FCIS
Joined Mehran in 2004



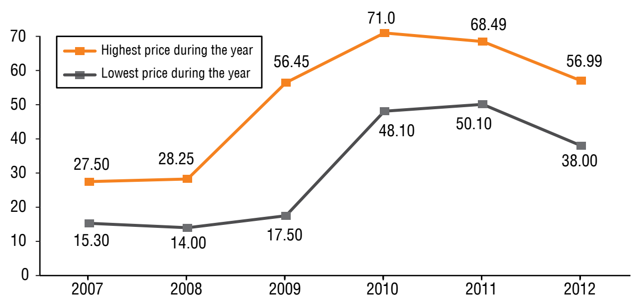
Ikhlas Ahmed Khan
Resident Director
B.E / PGD (Chemical Engineering)
University Of Punjab, Lahore
Joined Mehran in 2007

Ehthesham-Ud-Din
Director Cane/Development
Bachelor of Arts
Joined Mehran in 2004

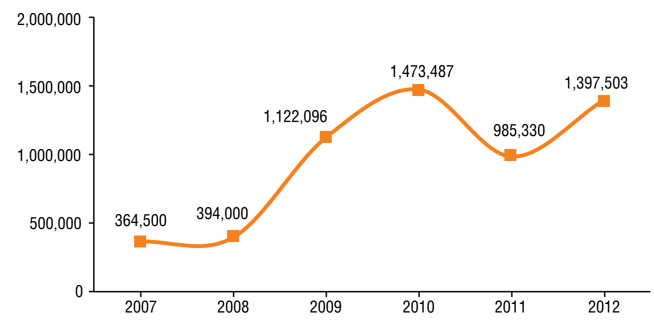
# ThinkTogether

In 2007 Mehran along with two leading Sugar mills in Sind established Unicol Limited. Unicol operates a state-of-the-art ethanol plant. The partnership has grown with time and Unicol is presently in the process of doubling its capacity along with setting up a $CO_2$ plant as well as a co-generation power plant. This expansion will rank Unicol amongst the top three ethanol producers in Pakistan from November 2013.

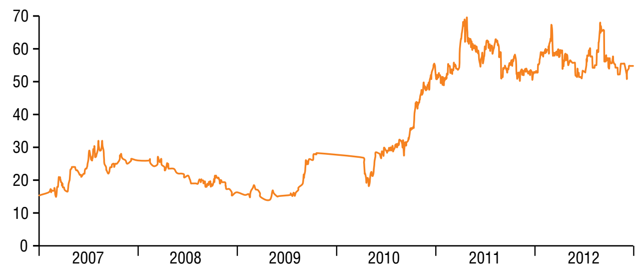
## Highest vs Lowest price



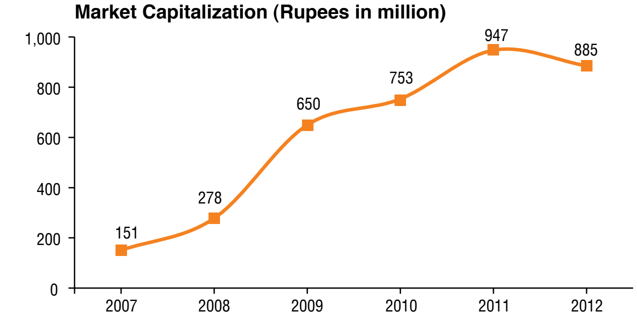

## Shares Turnover



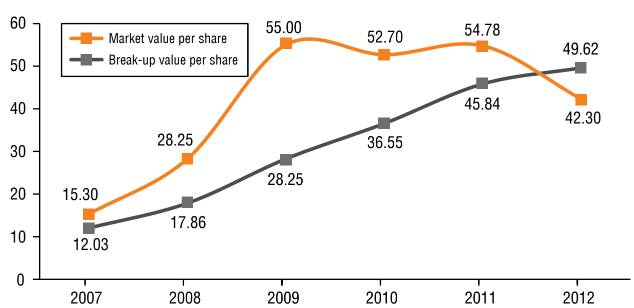

## Share Price Trend



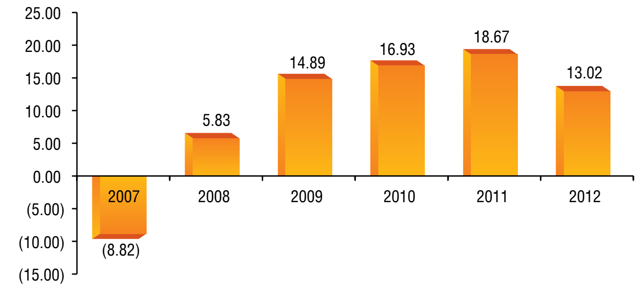

## Market Capitalization (Rupees in million)




## Breakup vs Market value




## Earnings per share



# Shareholders Information/Investor Relations

| | |
|---|---|
| **Share Registrar** | Evolution Factor (Pvt) Ltd.<br>407-408, Al Ameera Centre,<br>Shahrah-e-Iraq, Saddar, Karachi<br>Ph: +92 - 21 -35662023-24, 35213104 |
| **Contact Person** | Mr. Saham Ansari |
| **Date of the Annual General Meeting** | 28/01/2013 |

| Date of Board of Directors meeting (Tentative) | 1st Qtr | Half Year | 3rd Qtr | Annual |
|---|---|---|---|---|
| | 29/01/2013 | 20/05/2013 | 25/07/2013 | 04/12/2013 |

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|
| Number of Shares (Issued / Paid-up) | 20,926,565 | 17,294,682 | 14,293,125 | 11,812,500 | 9,843,750 | 9,843,750 |
| Earnings per share | 13.02 | 18.67 | 16.93 | 14.89 | 5.83 | (8.82) |
| Break-up value per share | 49.62 | 45.84 | 36.55 | 28.25 | 17.86 | 12.03 |
| Market Capitalization | 885,193,700 | 947,402,680 | 753,247,688 | 649,687,500 | 278,085,938 | 150,609,375 |
| Market value of share at the close of the year | 42.30 | 54.78 | 52.70 | 55.00 | 28.25 | 15.30 |
| P/E Ratio | 3.25 | 2.93 | 3.11 | 3.69 | 4.85 | - |
| Cash Dividend % | 25 | 30 | 35 | 35 | - | - |
| Bonus Shares % | 20 | 20 | 20 | 30 | - | - |
| Number of shares Traded | 1,397,503 | 985,330 | 1,473,487 | 1,122,096 | 394,000 | 364,500 |
| Highest price during the year | 56.99 | 68.49 | 71.00 | 56.45 | 28.25 | 27.50 |
| Lowest price during the year | 38.00 | 50.10 | 48.10 | 17.50 | 14.00 | 15.30 |

# Think Building

Our focus at Mehran is continual growth. We feel this is only possible through continuous investment in building capacity in all our businesses. We have grown from a capacity of 1,500 TCD to 9,500 TCD and are presently doubling our ethanol production capacity at Unicol Ltd. from 100,000 LPD (liters per day) to 200,000 LPD. Our farming business has also steadily grown from 200 acres to 900 acres. Our equity portfolio has also steadily grown from Rs. 50 million to Rs. 225 million.

# Corporate Profile

**Date of Incorporation**
December 22, 1965

**Date of Commencement of Business**
March 19, 1966

**Start of Commercial Production**
January 1969

**Installed Capacity**
9,500 Tons Cane Crushing Per Day

**Total Land Area**
118 Acres

**Permanent Employees**
352

**Housing**
92 Family Homes for Executives, Officers and Workers

**Population of the Staff Colony**
1,070

**Children at the Daood Memorial School**
603

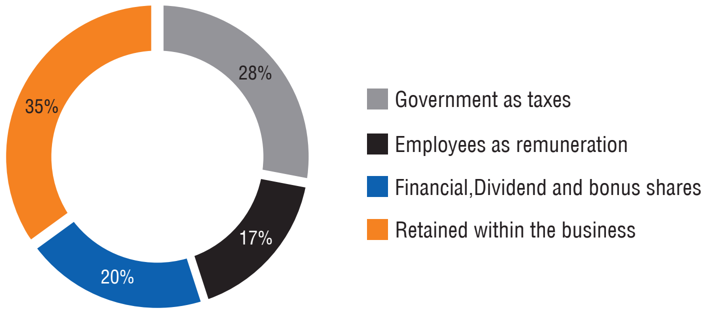
## Facilities at the MSM Staff Colony

- Mosque
- Mobile Dispensary
- Recreation Centres equipped with Indoor Games, TV, Videos, Dish Antennas and other facilities for Executives, Workers and Ladies
- Cricket Ground, Tennis Court, Park and Rose Garden, School/ College Bus facility
- Private Electric Generator for Uninterrupted Power Supply
- Clean Water Supply with UV Filters
- Transport Facility for City & Adjoining Areas
- Accommodation for Officers and Company Guests with all facilities
- A new hostel for accomodation has been built for seasonal workers and staff of various contractors engaged during crushing season.

# Statement of Value Added

| | 2012 (Rupees) | % | 2011 (Rupees) | % |
|---|---|---|---|---|
| **WEALTH GENERATED** | | | | |
| Net revenue | 4,419,274,817 | | 4,596,296,142 | |
| Expenses | 3,411,948,522 | | 3,550,637,297 | |
| Wealth generated | 1,007,326,295 | 100 | 1,045,658,845 | 100 |
| **WEALTH DISTRIBUTED** | | | | |
| To Government | | | | |
| Sales Tax, Income Tax, Road Cess | 281,910,594 | 28 | 298,149,637 | 28 |
| To Employees | | | | |
| Salaries, Benefits and Other related cost | 167,793,108 | 17 | 173,522,656 | 17 |
| To Providers of capital | | | | |
| Mark-up on borrowed funds | 116,319,761 | 11 | 133,757,171 | 13 |
| Shareholders as Dividend/Bonus shares | 89,023,392 | 9 | 82,543,560 | 8 |
| | 205,343,153 | 20 | 216,300,731 | 21 |
| Retained within the business | | | | |
| Depreciation | 95,898,700 | 10 | 75,567,941 | 7 |
| Retained profit | 256,380,740 | 25 | 282,117,881 | 27 |
| | 352,279,440 | 35 | 357,685,822 | 34 |
| | 1,007,326,295 | 100 | 1,045,658,845 | 100 |

Value addition and distribution during the year 2012 Rs. 1,007.33 million



# ThinkBusiness

Mehran strives to operate different business operations so as to have a diverse income base. We have invested in Unicol Ltd. in 2004 and started a farming division in 2007. Since 2009 the Company has created an equity portfolio which invests in blue chip Companies listed on the Karachi Stock Exchange.

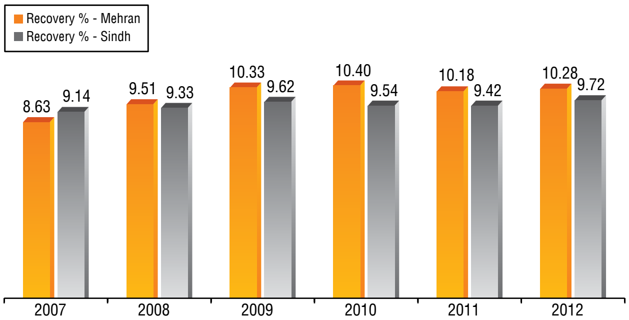
# Six Years' Review at a Glance

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|
| **Operational Trends** | | | | | | |
| Sugarcane crushed - M.Tons | 722,120 | 809,034 | 667,628 | 538,930 | 741,383 | 589,378 |
| Sugar produced - M.Tons | 74,201 | 84,894 | 69,450 | 55,678 | 70,558 | 50,796 |
| Average sucrose recovery - % | 10.28 | 10.18 | 10.40 | 10.33 | 9.51 | 8.63 |
| Crushing days | 104 | 156 | 122 | 113 | 136 | 138 |
| Average crushing per day - M.Tons | 6,943 | 5,186 | 5,472 | 4,769 | 5,451 | 4,271 |
| **Balance Sheet** | | Rupees in million | | | | |
| Share capital | 209.27 | 172.95 | 142.93 | 118.13 | 98.44 | 98.44 |
| Reserves | 829.04 | 619.89 | 379.48 | 215.56 | 77.35 | 19.97 |
| **Shareholders' equity** | **1,038.31** | **792.84** | **522.41** | **333.69** | **175.79** | **118.41** |
| Non current liabilities | 749.21 | 472.09 | 461.25 | 302.60 | 303.40 | 323.76 |
| Current liabilities | 1,750.10 | 1,854.59 | 751.72 | 482.16 | 712.40 | 321.46 |
| **Total Equity & Liabilities** | **3,537.62** | **3,119.52** | **1,735.38** | **1,118.45** | **1,191.59** | **763.63** |
| Fixed Assets | 1,388.68 | 1,088.78 | 847.95 | 512.17 | 425.34 | 419.79 |
| Non current assets | 381.48 | 225.27 | 180.06 | 176.23 | 179.05 | 137.10 |
| Current assets | 1,767.46 | 1,805.47 | 707.37 | 430.05 | 587.20 | 206.74 |
| **Total assets** | **3,537.62** | **3,119.52** | **1,735.38** | **1,118.45** | **1,191.59** | **763.63** |
| **Financial Trends** | | Rupees in million | | | | |
| Turnover | 4,419.27 | 4,603.48 | 4,025.77 | 2,692.04 | 1,439.29 | 1,485.94 |
| Gross profit / (loss) | 378.14 | 581.40 | 474.78 | 393.07 | 118.58 | (7.36) |
| EBITDA | 565.85 | 625.82 | 442.83 | 347.52 | 138.89 | (18.30) |
| Operating profit / (loss) | 298.29 | 509.61 | 393.08 | 271.40 | 68.83 | (46.82) |
| Pre-tax profit / (loss) | 353.64 | 416.50 | 321.13 | 245.69 | 60.56 | (110.36) |
| After-tax profit / (loss) | 272.56 | 322.86 | 241.99 | 175.91 | 57.38 | (86.78) |
| Capital Expenditure (additions during the year) | 279.55 | 258.94 | 385.83 | 92.74 | 63.93 | 32.58 |
| **Cash Flows** | | Rupees in million | | | | |
| Operating activities | 19.25 | 317.29 | 507.05 | 292.07 | 55.94 | 44.33 |
| Investing activities | (389.70) | (396.42) | (445.87) | (129.79) | (62.57) | (75.58) |
| Financing activities | 464.44 | 7.32 | 91.75 | (65.64) | (74.30) | 94.37 |
| Cash and Cash equivalents at the end of the year | 105.94 | 11.94 | 83.75 | (69.18) | (165.83) | (84.89) |

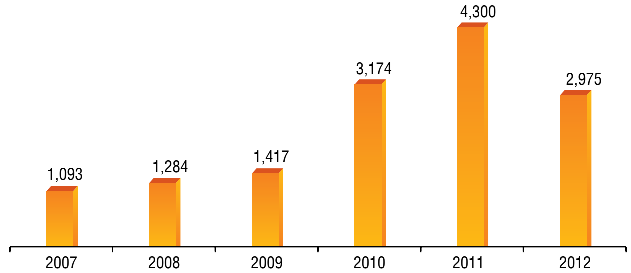
| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|
| **Profitability Indicators** | | | | | | |
| Gross profit margin (%) | 8.56 | 12.63 | 11.79 | 14.60 | 8.24 | (0.50) |
| Net profit margin (%) | 6.17 | 7.01 | 6.01 | 6.53 | 3.99 | (5.84) |
| Return on shareholders' equity (%) | 26.25 | 40.72 | 46.32 | 52.72 | 32.64 | (73.29) |
| Operating profit / (loss) on capital employed (%) | 16.69 | 40.29 | 39.96 | 42.65 | 14.36 | (10.59) |
| Return on total assets (%) | 7.70 | 10.35 | 13.94 | 15.73 | 4.82 | (11.36) |
| EBITDA margin (%) | 12.80 | 13.59 | 11.00 | 12.91 | 9.65 | (1.23) |
| **Capital Efficiency/Operating Performance** | | | | | | |
| Inventory turnover ratio | 2.95 | 4.41 | 17.04 | 6.90 | 4.20 | 10.04 |
| Inventory turnover in days | 124 | 83 | 21 | 53 | 87 | 36 |
| Debtor turnover ratio | 113.53 | 96.52 | 39.73 | 37.75 | 46.74 | 33.38 |
| Debtor turnover in days | 3 | 4 | 10 | 11 | 9 | 13 |
| Total assets turnover ratio | 1.25 | 1.47 | 2.32 | 2.41 | 1.21 | 1.95 |
| Fixed assets turnover ratio | 3.18 | 4.22 | 4.75 | 5.26 | 3.38 | 3.54 |
| Operating cycle in days | 127 | 87 | 31 | 64 | 96 | 49 |
| Capital employed turnover ratio | 2.47 | 3.63 | 4.09 | 4.23 | 3.00 | 3.36 |
| **Investment Valuation** | | | | | | |
| Earnings per share (Rupees) | 13.02 | 18.67 | 16.93 | 14.89 | 5.83 | (8.82) |
| Break-up value per share (Rupees) | 49.62 | 45.84 | 36.55 | 28.25 | 17.86 | 12.03 |
| Price earning ratio | 3.25 | 2.93 | 3.11 | 3.69 | 4.85 | (1.73) |
| Dividend yield (%) | 10.64 | 9.13 | 10.44 | 11.82 | - | - |
| Dividend payout (%) | 34.56 | 26.78 | 32.49 | 43.65 | - | - |
| Market value per share (at the year end) | 42.30 | 54.78 | 52.70 | 55.00 | 28.25 | 15.30 |
| Cash Dividend (%) | 25 | 30 | 35 | 35 | - | - |
| Bonus Shares (%) | 20 | 20 | 20 | 30 | - | - |
| **Financial Gearing** | | | | | | |
| Debt Ratio | 0.71 : 1 | 0.75 : 1 | 0.7 : 1 | 0.7 : 1 | 0.85 : 1 | 0.84 : 1 |
| Debt : Equity Ratio | 27 : 73 | 19 : 81 | 30 : 70 | 21 : 79 | 38 : 62 | 49 : 51 |
| Interest cover ratio | 4.04 | 4.11 | 5.35 | 4.76 | 2.39 | (0.91) |
| **Liquidity Measurement** | | | | | | |
| Current ratio | 1.01 : 1 | 0.97 : 1 | 0.94 : 1 | 0.89 : 1 | 0.82 : 1 | 0.64 : 1 |
| Quick ratio/Acid test ratio | 0.38 : 1 | 0.19 : 1 | 0.6 : 1 | 0.6 : 1 | 0.21 : 1 | 0.27 : 1 |
| **Value Addition** | | Rupees in million | | | | |
| Employees as remuneration | 167.79 | 173.52 | 137.80 | 121.46 | 94.29 | 81.75 |
| Government as taxes | 282.00 | 298.00 | 239.00 | 313.06 | 161.88 | 207.37 |
| Financial charges to providers of finance | 116.32 | 133.76 | 73.80 | 65.33 | 43.64 | 57.77 |
| Shareholders as dividend and bonus shares | 89.02 | 82.54 | 75.04 | 70.38 | - | - |
| Retained within the business | 352.28 | 357.69 | 243.29 | 206.70 | 92.86 | (82.51) |

# Six Years' Sugarcane Trends Analysis

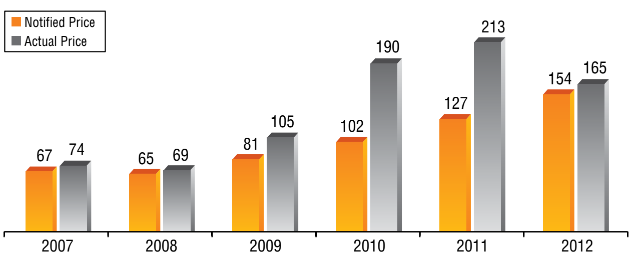
**Avg. Recovery % of Mehran vs Avg. Recovery % of Sindh**



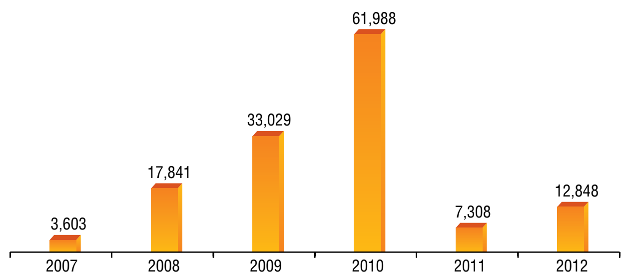

**Cane Purchases (Rupees in million)**



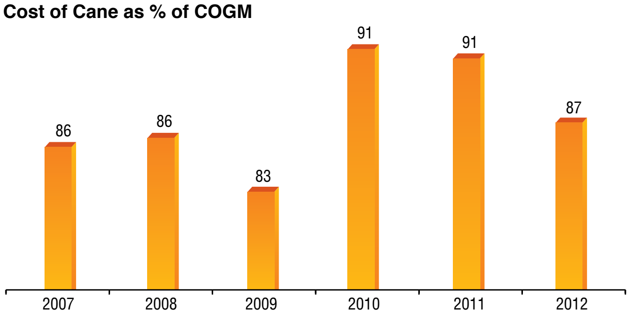

**Support price vs Actual price**



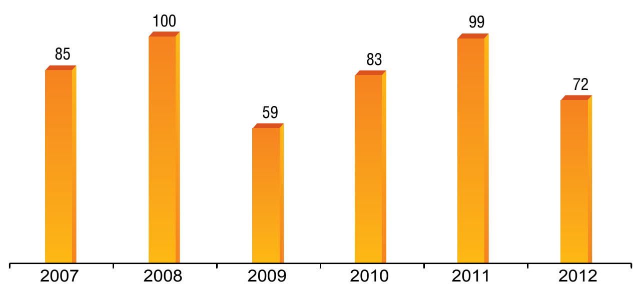

**Loan to Cane Growers (Rupees in thousand)**



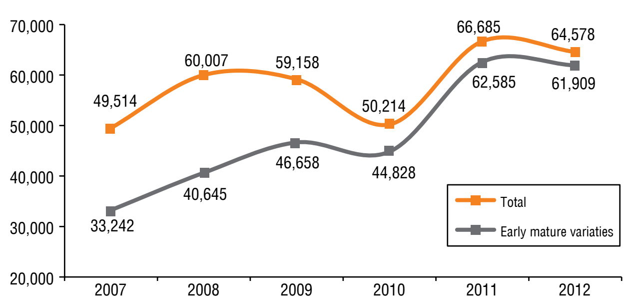

**Cost of Cane as % of COGM**




**Cost of Cane as % of Turnover**




**Trend Analysis of Quality Cane (Acres)**



# Chairman's Review

Dear Shareholders,

I am pleased to share my views on another encouraging performance from our company for the year ended September 30, 2012.

Due to a combination of increased production of sugar and depressed sugar prices, the year was quite demanding for the industry as a whole. The fact that Mehran still managed to maintain its profitability trend in a trying year is a testament to the hard work and policies of its management. On behalf of all the shareholders I commend their resilience and dedication and congratulate them on another successful season.

I would also like to highlight the remarkable performance of Unicol Limited and its contribution during this year. We can all appreciate Mehran's timely decision to invest in this project which has proven to be very beneficial for the company. I now look forward to the early conclusion of the expansion at Unicol which will hopefully generate additional revenue in years to come.

One of Mehran's main initiative during the last few years had been to enhance its capacity and improve its efficiency by investing in improved technologies at its plant. I am pleased to announce that the majority of these tasks have now concluded. I am confident that the coming year will be a year of consolidation of these endeavours.

In conclusion I would like to add that it is a source of great satisfaction that Mehran once again paid quarterly dividends to its shareholders throughout the year. This is becoming something of a tradition at Mehran which we are quite proud of. It not only affirms our financial and managerial strength as a company but also our principle of sharing our success with our shareholders.

As for the future, I have full confidence that the team at Mehran will continue to perform with the same zeal and dedication it has shown in the past. I pray to Almighty Allah to continue to bless Mehran with many more "sweet" seasons for years to come, so it continues to grow and prosper and contribute to the growth and prosperity of our beloved Pakistan.

I thank all the board members and shareholders for their support.

Mohammed Kasim Hasham
Chairman

# ThinkTechnology

At Mehran we continue to use new technology to enhance our business productivity. We have implemented modern technology in our sugar milling and process operations as well as in our financial and managerial systems. We practice modern farming techniques and keep our farmers abreast of all latest developments.

# Directors' Report

## Dear Shareholders,

On behalf of the Board, I am pleased to present the audited financial statements of the Company for the year ended September 30, 2012.

## The Economy

The economy of Pakistan has shown improvement due to higher export earnings, increased remittances and decline in inflation due to decrease in commodity prices owing to better crop. Despite global slowdown, Pakistan managed to maintain its exports during the year to last year's level. Remittances remained upbeat and reached the record level of US$ 13.2 billion, an increase of 17.7%, as compared to last year. CPI inflation during July-June 2012 period averaged 11%, as compared to 13.7% during July-June 2011. The State Bank of Pakistan (SBP) continued with its policy of gradually easing discount rate to enhance growth with the reduction in CPI inflation.

Pakistan's current account marked a surplus of US$ 432 million for the first quarter (July-September) of the FY 2012-13, as compared to a deficit of US$ 1,339 million witnessed in corresponding period last year. This is primarily due to strong remittances. On a positive side, trade deficit declined by 9.97% in the first quarter due to rise in exports by 4.26% YoY (US$ 6.19 billion) and decline in imports by 2.4% YoY, (US$ 10.85 billion) for the July-September FY 2012-13 period. The foreign exchange reserves of the country stood at US$ 14.9 billion as of 28 September 2012.

## Industry Review

The Minimum Support Price announced by the Provincial Government was 21.26% higher than the previous year. The notified price has interestingly increased from Rs. 63/40 kgs in 2008 to Rs. 154/40 kgs in 2011 thus reflecting an increase of 144%. Unlike previously, this year's support price (though necessary to ensure sugarcane competitiveness) was difficult for the industry to absorb. Increased prices for sugar cane inputs such as fertilizer, pesticides and diesel compelled the government to increase cane prices. However, depressed sugar prices made it very difficult for millers to absorb this increase. The London sugar market fell from an average of $ 725/-Ton in 2011 to $ 575/-Ton in 2012. After a 3 year deficit the world sugar trade balance was in surplus thus leading to a continual bearish spell in the international markets.

## Operational Highlights

| | 2011-12 | 2010-11 |
|---|---|---|
| Season Started | 09-12-2011 | 29-10-2010 |
| Season Closed | 21-03-2012 | 02-04-2011 |
| Duration-Days | 104 | 156 |
| Crushing-M.Tons | 722,120 | 809,034 |
| Sucrose Recovery | 10.28% | 10.18% |
| Sugar Production-M.Tons | 74,201 | 84,894 |
| Molasses production-M.Tons | 36,563 | 38,900 |

The lower margins due to higher raw material and inflationary cost effects coupled with low sugar prices made it a difficult year for the Pakistan sugar industry. Domestic prices year around remained below international levels and the government allowed only limited exports. The government preferred ensuring adequate stocks were in the country and thus preferred buying sugar from mills rather than allowing open ended exports. Thus the TCP in total bought 687,000 Tons of sugar during the year. This strategy allowed mills to sell sugar to the TCP and raise cash flows to make steady cane payments. However in the later part of the year the TCP began off loading stocks which continued to depress the sugar market and kept it below Rs. 50/-kg for most of the season.

As per the global trend the local production in Pakistan was also at record levels. The incremental rise in cane prices in the last few years had made it very lucrative for cane to be planted which led to the huge crop numbers. It was heartening to note that the national sugar production achieved its best during the year and surpassed its previous record by 12%. The eventual production for season 2011-2012 was recorded at 4.8 Million Tons.

### Operational Performance

Mehran was affected severely this year due to a historic rainfall in its as well as its neighboring area. Record rainfall in Tando Allahyar compelled the government to declare the district as calamity hit. Due to rains and after effects of floods in other parts of the country, the start of crushing season was considerably delayed. We finally went into production on the 9th of December 2011 which is the latest start in the company's history. Our district was severely hit and up to 25% of our crop was relatively damaged. This reduced our overall operational days to 104 as compared to 156 during the year 2010-11. Luckily, the increase in capacity, efficient milling owing to continuous BMRE during the last few years and improved sucrose recovery allowed us to offset this reduction to an extent. Resultantly, capacity utilization also increased to 73% from the previous year's 58%. However overall our crushing and production were down by 10.74% & 12.6% respectively.

Our higher recovery as well as better capacity utilization allowed us to survive in what was an exceptionally difficult year for the sugar industry. Our sales strategy mix also gave us higher revenue streams especially due to sales to TCP as well by exporting sugar when the government allowed us to do so. We sold 11,555 metric tons at an average price of Rs. 47,270/-metric ton to the TCP and we exported 9,700 metric tons through reputable trade houses to the Middle East, Africa and Asia. The average selling price of exports at Rs. 53,250/-metric tons helped our overall average.
The company continues to invest on its plant both towards capacity expansion as well as energy efficiency. During the year we incurred Rs. 300 million on capital expenditure.

## Financial Highlights

| | 2011-12 | 2010-11 |
|---|---|---|
| | (Rupees in Thousand except EPS) | |
| Turnover | 4,419,275 | 4,603,483 |
| Sales tax / F.E.D. / S.E.D. | 269,166 | 248,445 |
| Gross profit | 378,137 | 581,396 |
| Profit before tax | 353,635 | 416,497 |
| Profit after tax | 272,556 | 322,857 |
| Earnings per share | 13.02 | 15.43 |

## Operational Statistics

The Company was able to achieve a turnover of Rs. 4.4 billion of turnover despite decrease in sugar prices by 15.49%. The total sugar quantity sold during the year was 16.57% more as compared to last year. The contribution to the national exchequer in the shape of GST/FED Duty was 6.09% of turnover as compared to 5.4% last year.

The primary reasons for decrease in profitability were:

Comparatively lower sugar selling prices.
Lower sugar production due to flood hit area.

Higher depreciation expense due to capitalization of the last few years.

One of the major factors this year towards improved profitability was the results at Unicol. Mehran's profit from our investment in Unicol amounted to Rs. 171 million which was the highest ever and 322% higher than the last year.

A maiden cash dividend was declared by Unicol Limited during the year to the tune of Rs. 11.55 Million.

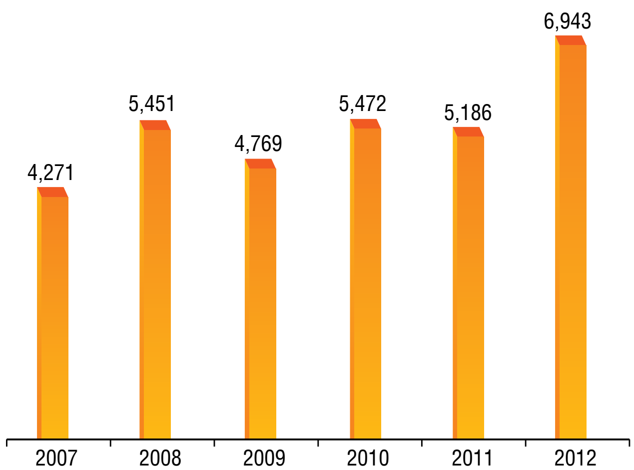
Our total income from our equity portfolio was Rs. 25.5 million which included Rs. 12.7 million in capital gains and Rs. 12.8 million in dividend. The total value of our portfolio at the year end was Rs. 201 million.
Farming Division profitability decreased from Rs. 32,154,120 to Rs. 23,980,452 primarily due to lower sugarcane prices as well as a major damage due to floods at one of our locations.

The Company has made considerable investment of more than Rs. 900 Millions in BMRE during the last three years. During the year under review, a further investment of Rs. 200 Millions was made towards procurement of two turbines from Japan. These turbines are expected to economize on fuel consumption. In addition, work on completion of new Labour Housing, Technical Block and Management House is expected to conclude before commencement of new crushing campaign.

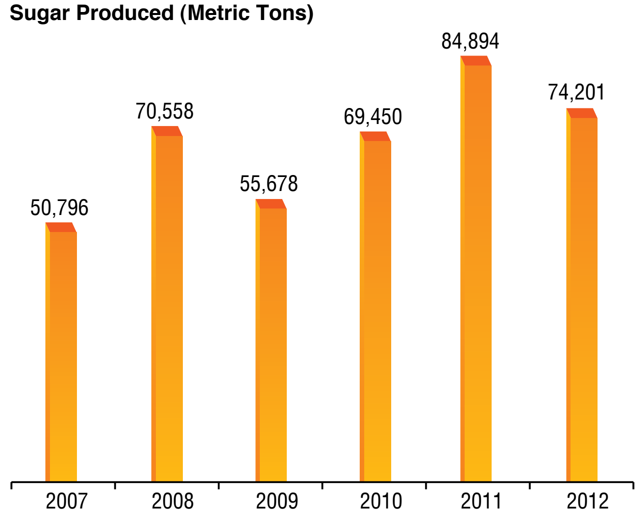
Our newly installed 6 MW Turbine alongwith recently renovated Power House Control Room

# Operational Highlights

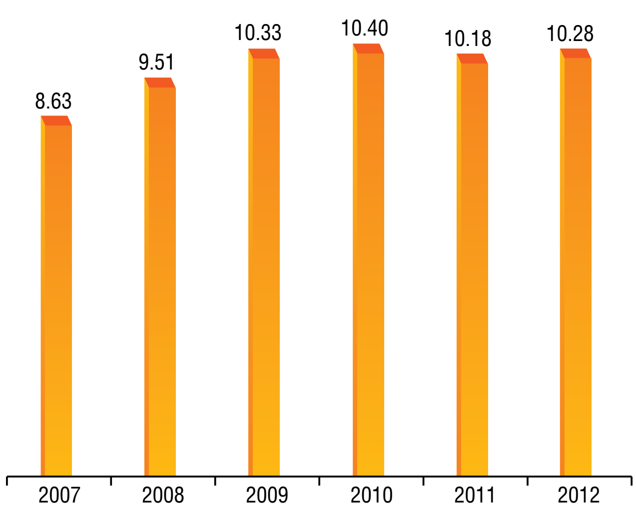
Average Crushing per day (Metric Tons)



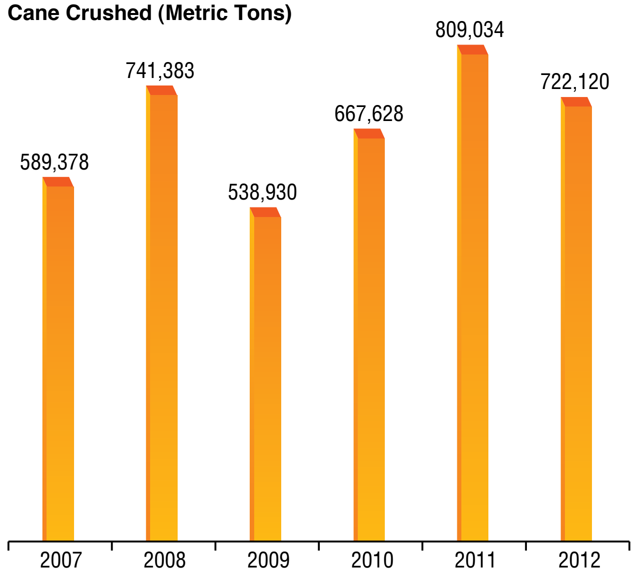

Sugar Produced (Metric Tons)




Sucrose Recovery (%)

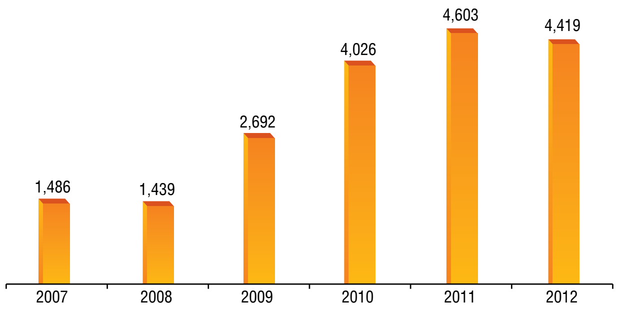



Cane Crushed (Metric Tons)

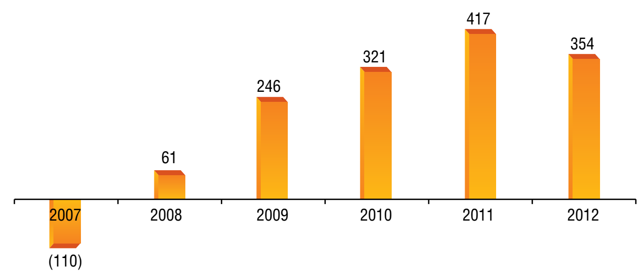


# Company Performance at a Glance

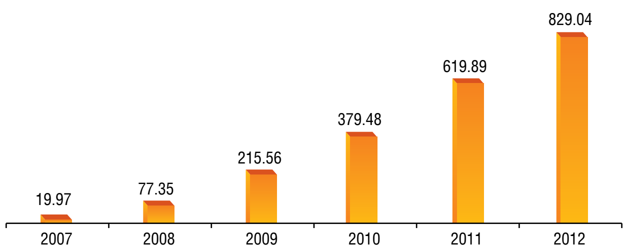
**Turnover** (Rupees in million)



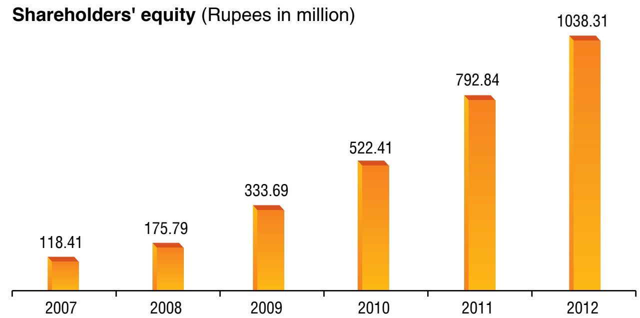

**Pre-Tax Profit/Loss** (Rupees in million)



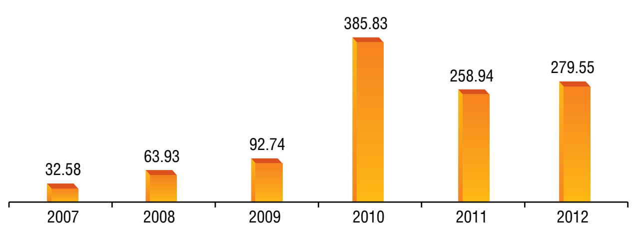

**Reserrves** (Rupees in million)




**Shareholders' equity** (Rupees in million)




**Capital Expenditure** (Rupees in million)



## Unicol Limited

By the Grace of God sales and profit of Unicol were the highest ever. The company generated a profit of Rs. 502 million during the year under review. The next year also seems favourable for Unicol as molasses prices should remain stable due to the good crop.
In line with rising demand of ethanol across the world and emergence of new markets, the management of Unicol Limited has embarked upon expansion of its production capacity. This expansion entails an investment of more Rs. 1.6 Billion and is expected to be concluded by December 31,2013. After capacity expansion, Unicol will be able to produce 200,000 liters of ethanol per day. The financing of the new project shall be a mix of internal cash flows, long term debt and if required equity injection from the sponsors.

Key operating figures of Unicol Limited:

| | 2011-12 | 2010-11 |
|---|---|---|
| Turnover | 2,137,306 | 1,981,436 |
| Profit before Tax | 523,441 | 148,225 |
| Profit after Tax | 502,068 | 128,269 |
| Earnings per share | 13.17 | 3.70 |

## Future Outlook

The weather pattern during last few months was quite conducive for sugarcane crop. The regular increase in Minimum Support Price has also motivated farmers to bring additional area under cultivation. Therefore, we expect another record crop during the coming campaign. The recently announced Minimum Support Price of Rs. 172/40 kgs depicts an increase of 11.69% over previous year. The country thus expects to produce overall 5 million Tons which could again create a glut like situation in the sugar market.

This stagnancy in sugar price is a cause of concern for millers. In a bid to address this issue partially, the Government has indicated its willingness to allow further exports. So far exports of 200,000 metric tons have been announced however it is expected that this could increase up to 500,000 Tons. It is also expected that the government would allow procurement via TCP.

Your company is fully equipped to take advantage of exports as and when a government policy is announced. Though the year remains a tough one for the industry we feel well prepared considering we have a healthy crop in our area and thus should be able to utilize our new capacity and take advantage of a higher production number.

## Contribution to Society

Mehran always envisioned playing significant role in the development of the society in general and in the vicinity of Tando Allahyar in particular. Corporate Social Responsibility is therefore considered an integral part of our business. We believe in maintaining a trusting relationship with our customers, employees and society. We are therefore, making a conscious effort to attend to this objective. We have set out long term plan in this regard and connect our business decisions with ethical, social and environmental concerns.

Mehran through its social activities, has been trying to improve the health and education standards in the under developed areas of Sindh especially in our mills area. We fund programs that are measurable, sustainable and replicable and subsequently monitor them closely to ensure their success. In addition, we also give donations to renowned trusts which are also providing services similar to our desire.

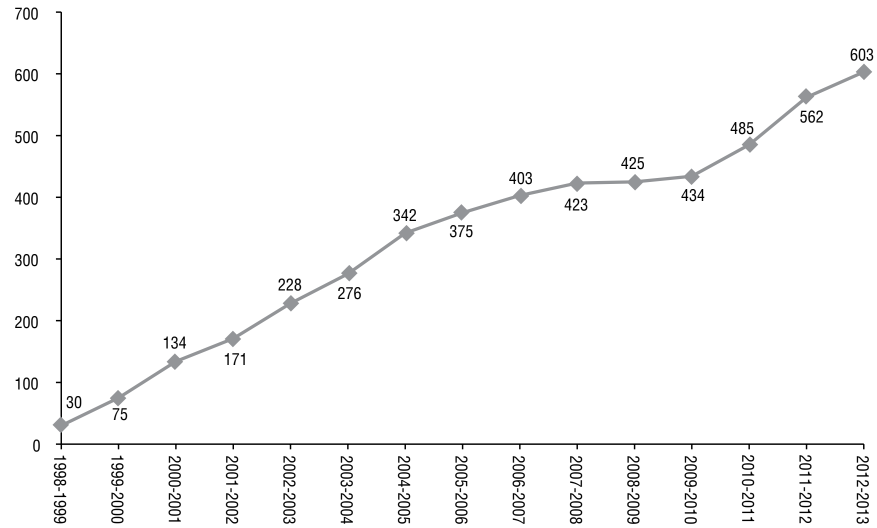
Some of the projects undertaken include:

## Daood Memorial School (DMS)

Daood Memorial School, situated inside the premises of MSML, is a fully equipped educational centre specifically meant for our mill employees and generally for the youth of Tando Allahyar and its vicinity. For more than a decade the school has been providing quality education and facilitating students to learn and create their future themselves. By the grace of Allah Almighty and due to the untiring efforts and commitment of the faculty and the management, the school has been growing steadily. It has been providing education upto Matriculation. In view of the growth of DMS, we intend to increase the number of students from 603 to 900 in next three years and continue to provide adequate infrastructure for the same.

The graph and table below show the growth trend in DMS.

| Period | No. of Students | Growth % |
|---|---|---|
| 1998-1999 | 30 | - |
| 1999-2000 | 75 | 150% |
| 2000-2001 | 134 | 79% |
| 2001-2002 | 171 | 28% |
| 2002-2003 | 228 | 33% |
| 2003-2004 | 276 | 21% |
| 2004-2005 | 342 | 24% |
| 2005-2006 | 375 | 10% |
| 2006-2007 | 403 | 7.5% |
| 2007-2008 | 423 | 5% |
| 2008-2009 | 425 | 1% |
| 2009-2010 | 434 | 2% |
| 2010-2011 | 485 | 12% |
| 2011-2012 | 562 | 16% |
| 2012-2013 | 603 | 7% |
| **Growth Plan (Projected)** | | |
| 2013-2014 | 703 | 17% |




Daood Memorial School celebrating its 15th Anniversary on December 13, 2012


## MSML Mobile Dispensary

The objective of MSML Mobile Dispensary is to provide free of cost health care services at the doorstep of the poor and needy in the surroundings of Tando Allahyar. We started our first Mobile Dispensary unit in June 2004 and so far it has diagnosed and treated 34,720 patients for various ailments. During the period October 2011 to September 2012, it had provided services to 5,057 patients.

## Mehran Vocational Training Centre for Women

The Mehran Vocational Training Centre, located at the MSML Staff Colony, provides basic training to the women of the colony and surrounding areas for sewing, embroidery, cooking and stitching. So far, almost 360 women have attended beneficial courses at our vocational training centre enabling them to utilize their spare time in a creative and constructive way and bringing some improvement in their routine life style.

## TCF School-Haji Hasham Campus

In line with its ambitions to improve the educational standard of the youth of the area, we have donated Rs. 8 million to Hasham Foundation (An associated concern established for undertaking charitable activities). They have combined hands with The Citizens Foundation for establishing a modern school in Piyaro Lund area, approx. 13 kms from Tando Allahyar. The School is now operational and 120 kids have been enrolled so far. The number is expected to rise to 180 by the next year the School is currently providing education upto primary level. It is expected to raise the School upto Secondary level in next five years.

Our newly built Mosque adjacent to our Technical House

## Board of Directors

The Board of Directors of the Company consists of seven members, comprising of three non-executives (including the Chairman) and four executive Directors. The Board is responsible for independently and transparently monitoring the performance of the Company and taking strategic decisions.

During the year under review, a total of four meetings of the Board were convened and the attendance of the members was as follows:

| Sr. # | Name of Directors | Meetings attended |
|---|---|---|
| 01. | Mr. Mohammed Kasim Hasham | 2 |
| 02. | Mr. Mohammed Ebrahim Hasham | 4 |
| 03. | Mr. Mohammed Hussain Hashim | 1 |
| 04. | Mr. Khurram Kasim | 4 |
| 05. | Mr. Ahmed Ebrahim Hasham | 4 |
| 06. | Mr. Mohammad Iqbal | 4 |
| 07. | Mr. Farooq Hassan | 3 |

The leave of absence was granted to the directors who could not attend some of the meetings due to their absence from the country or ill health.

## Statement of Ethics & Business Practices

The board has adopted the statement of Ethics & business practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to customers, suppliers and regulations.

## Audit Committee

The Audit Committee (AC) of the Company comprises of three non-executive (including the Chairman) Directors. A total of four meetings of the AC were held during the year.

## External Audit

The Company wishes to place on record its appreciation for the services rendered by the Company's auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder., Chartered Accountants, who completed the audit of financial statements of the Company for the year ended September 30, 2012.

## Cost Audit

The Company's Accounts were also subject to cost audit under the Companies (Audit of Cost Accounts) Rules, 1998. M/s. Haroon Zakaria & Company, Chartered Accountants performed the cost audit of the Company, who were recommended for appointment by the Board of Directors and duly approved by the Securities and Exchange Commission of Pakistan (SECP).

## CORPORATE & FINANCIAL REPORTING FRAMEWORK

As required by the Code of Corporate Governance, your Directors are pleased to report that:

- The financial statements, prepared by the management of the Mehran Sugar Mills Limited, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- The Company has maintained proper books of accounts as required under the law;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements for the year ended September 30, 2012;

- The system of internal control is sound in design and has been effectively implemented and monitored;

- There are no significant doubts upon the Company's ability to continue as a going concern;

- There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations;

- The summary of key operating and financial data for last six years is annexed;
- Company have made contribution towards the national exchequer by paying more than Rs. 298.91 million in the form of Federal, Provincial and local taxes and levies.

- The Company is operating a Provident Fund Scheme for its permanent employees. The value of the fund as at September 30, 2011 was Rs 73.50 million.

- There is also an un-funded gratuity scheme. On the basis of actuarial valuation conducted during 2011, a net liability of Rs. 6.44 million as at September 30, 2012 has been provided.

- None of the directors, CEO, CFO, Company Secretary and their spouses and minor children carried out any transaction in the shares of the Company during the year under review:

## Certificate of Related Parties Transactions

It is confirmed that the transactions entered with related parties have been verified by the audit committee and the Board, and provides the information about the amount due from related parties at the balance sheet date, and the proportion of receivables from related parties provided as doubtful debts, if any.

## Material Changes

There have been no material changes since September 30, 2012 and the Company has not entered into any commitment, which would affect its financial position at the date.

## Pattern of Shareholding

The pattern of shareholding as on September 30, 2012 is included in the annexed shareholders' information.

## Acknowledgment

We are trying to cultivate our future with a sharpened focus on delivering greater shareholders' satisfaction. For enhancing our efforts, we would like to appreciate the devotion and efforts of the workers, staff and executives and anticipate that in the future as well they will contribute towards the enhancement of the productivity and well being of the Company with greater zeal and spirit.

The Board further extends its gratitude to the government functionaries, associations, banking and financial institutions, shareholders and suppliers for the valued support and co-operation extended by them for the betterment and prosperity of the Company.

For and on behalf of the Board of Directors

Mohammed Ebrahim Hasham
Chief Executive Officer

Karachi: December 4, 2012

Our newly built Officers' Mess

A view of Guest House at Mills

# ThinkCreative

At Mehran we continue to raise the bar in creativity. We have recently launched our new retail products such as 500 gm and 1 kg packing for both brown and white sugar. The packing is very different as compared to the standard packaging in the market and has had a very good response in terms in brand development as well as quality of the product.

# Notice of the Annual General Meeting

Notice is hereby given that the 47th Annual General Meeting of the members of the Company will be held at I.C.A.P. Auditorium, Chartered Accountants Avenue, Clifton, Karachi on Monday, January 28, 2013 at 1600 PST to transact the following business:

## Ordinary Business

1. To confirm the minutes of the Annual General Meeting held on January 31, 2012;

2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' Reports for the year ended September 30, 2012;

3. To consider and approve Final Cash Dividend issued @7.5% i.e. Re. 0.75 per share in addition to 22.5% i.e. Rs. 2.25 per share interim dividend already paid and 10% bonus shares in addition to 10% interim bonus shares already issued by way of issue of fully paid ordinary shares in the proportion of 10 shares for every 100 shares held by the members for the year ended September 30, 2012 as recommended by the Board of Directors of the Company.

4 To appoint auditors for the year ending September 30, 2013 and to fix their remuneration. The retiring auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants being eligible, have offered themselves for re-appointment.

5. To transact any other business with the permission of the Chair.

By order of the of Board of Directors
Muhammad Hanif Aziz
Company Secretary

Karachi: December 04, 2012

## Notes

1. The share transfer books of the Company will remain closed from January 22, 2013 to January 28, 2013 (both days inclusive).

2. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her behalf. Proxies in order to be effective must be received by the Company at its Registered Office not later than 48 hours before the time fixed for holding the Annual General Meeting.

3. The shareholders whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring their CNIC alongwith their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders the guidelines as contained in SECP's circular 1 of 26th January, 2000 to be followed.

4. The shareholders are requested to notify the Company immediately the change in their address, if any.

5. The shareholders are also requested to intimate us their CNIC # to implement the requirements of Annual Returns (Form A) which the Company is required to file with the SECP under section 156 of the Companies Ordinance 1984.

# Statement of Compliance with the Code of Corporate Governance

For the year ended September 30, 2012

The statement is being presented to comply with the Code of Corporate Governance (The Code) contained in Regulation No. 35 of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

| Category | Names |
|---|---|
| Non-Executive Directors | Mr. Mohammed Kasim<br>Mr. Khurram Kasim |
| Executive Directors | Mr. Mohammed Ebrahim Hasham<br>Mr. Mohammed Hussain Hashim<br>Mr. Ahmed Ebrahim Hasham<br>Mr. Muhammad Iqbal |
| Independent Directors | Mr. Farooq Hassan |

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a Banking Company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that Stock Exchange.

4. There was no casual vacancy on the board in the current period.

5. The company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive Directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Upto the year 2012 one of the Director has completed the training conducted by PICG.

10. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

12. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

13. The company has complied with all the corporate and financial reporting requirements of the CCG.

14. The board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors and the Chairman of the committee is a non-executive director.

15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the Committee for compliance.

16. The board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive Directors and the chairman of the committee is an executive director.

17. The board has out sourced the internal audit function to Haroon Zakaria & Company, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company. However, the Board has initiated to establish its own internal Audit department according to the guide line given by the Code.

18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have 40 confirmed that they have observed IFAC guidelines in this regard.

20. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.

21. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

22. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board of Directors

Karachi: December 04, 2012

Mohammed Ebrahim Hasham
Chief Executive Officer

# Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 September 2012 prepared by the Board of Directors of Mehran Sugar Mills Limited (the Company) to comply with the Listing Regulations No. 35 Chapter XI of Karachi Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control systems to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation No. 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm‘s length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

As explained in paragraph 17 which describes that the Company is in the process of establishing its own internal audit department and currently there is no person appointed as Head of Internal Audit to act as coordinator between the firm providing internal audit services and the Board.

Based on our review, except for the matter as explained in the above paragraph, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code for the year ended 30 September 2012.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

KARACHI: December 4, 2012

# Auditors' Report to the Members

We have audited the annexed balance sheet of Mehran Sugar Mills Limited (the Company) as at 30 September 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes as stated in note 2.3 to the accompanying financial statements with which we concur;
   ii) the expenditure incurred during the year was for the purpose of the Company's business; and
   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September 2012 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We draw your attention to notes 27.1 to 27.5 to the accompanying financial statements which describe the uncertainty relating to the outcome of the lawsuits and appeals filed by the Company. Our opinion is not qualified in respect of these matters.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner: Riaz A Rehman Chamdia

Karachi: December 4, 2012

# Balance Sheet
As at September 30, 2012

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 5 | 1,388,678,801 | 1,088,780,908 |
| Long-term receivable | 6 | - | - |
| Long-term investment | 7 | 376,834,660 | 216,718,336 |
| Long-term deposits | | 4,640,900 | 8,545,735 |
| | | 1,770,154,361 | 1,314,044,979 |
| **CURRENT ASSETS** | | | |
| Biological assets | 8 | 57,424,050 | 43,315,568 |
| Stores and spare parts | 9 | 73,198,231 | 77,795,462 |
| Stock-in-trade | 10 | 1,095,298,026 | 1,458,570,403 |
| Trade debts | 11 | 73,171,715 | 4,683,163 |
| Loans and advances | 12 | 33,539,996 | 31,029,412 |
| Trade deposits and short-term prepayments | 13 | 20,359,105 | 14,669,595 |
| Other receivables | | 1,545,595 | 472,171 |
| Income tax – net | | 63,760,617 | - |
| Short-term investments | 14 | 204,396,724 | 162,988,889 |
| Cash and bank balances | 15 | 144,769,742 | 11,943,333 |
| | | 1,767,463,801 | 1,805,467,996 |
| **TOTAL ASSETS** | | 3,537,618,162 | 3,119,512,975 |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Share capital | 16 | 209,265,650 | 172,946,820 |
| Reserves | 17 | 829,037,028 | 619,891,757 |
| | | 1,038,302,678 | 792,838,577 |
| **NON-CURRENT LIABILITIES** | | | |
| Long-term financing | 18 | 380,312,500 | 175,000,000 |
| Liabilities against assets subject to finance leases | 19 | 12,267,661 | 14,058,991 |
| Deferred liability | 20 | 6,438,840 | 5,681,987 |
| Deferred taxation | 21 | 230,902,814 | 158,054,830 |
| Provision for quality premium | 22 | 119,290,919 | 119,290,919 |
| | | 749,212,734 | 472,086,727 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 23 | 1,169,363,442 | 1,634,127,427 |
| Accrued mark up | 24 | 14,060,321 | 9,627,061 |
| Short-term borrowings | 25 | 325,428,839 | - |
| Current portion of long-term financing | 18 | 147,187,500 | 128,750,000 |
| Current maturity of liabilities against assets subject to finance leases | 19 | 7,119,185 | 6,349,843 |
| Provision for market committee fee | 26 | 49,999,163 | 42,777,959 |
| Income tax – net | | - | 20,695,628 |
| Sales tax and federal excise duty payable | | 36,944,300 | 12,259,753 |
| | | 1,750,102,750 | 1,854,587,671 |
| **CONTINGENCIES AND COMMITMENTS** | 27 | | |
| **TOTAL EQUITY AND LIABILITIES** | | 3,537,618,162 | 3,119,512,975 |

The annexed notes from 1 to 44 form an integral part of these financial statements.

Chief Executive Officer

Director

# Profit and Loss Account

For the year ended September 30, 2012

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| Turnover | 28 | 4,419,274,817 | 4,603,482,822 |
| Less: | | | |
| - Sales tax | | 1,659,212 | 176,608,005 |
| - Special excise duty | | - | 34,417,165 |
| - Federal excise duty | | 267,506,672 | 37,419,347 |
| | | 269,165,884 | 248,444,517 |
| | | 4,150,108,933 | 4,355,038,305 |
| Cost of sales | 29 | (3,771,972,032) | (3,773,642,501) |
| **Gross profit** | | 378,136,901 | 581,395,804 |
| Distribution costs | 30 | (27,576,075) | (5,163,852) |
| Administrative expenses | 31 | (102,127,246) | (103,333,544) |
| Other operating expenses | 32 | (14,010,238) | (43,544,444) |
| Other operating income | 33 | 63,865,561 | 80,259,085 |
| | | (79,847,998) | (71,782,755) |
| | | 298,288,903 | 509,613,049 |
| Share of profit from an associate – net of tax | 7 | 171,666,322 | 40,640,865 |
| Finance costs | 34 | (116,319,761) | (133,757,171) |
| **Profit before taxation** | | 353,635,464 | 416,496,743 |
| Taxation | 35 | (81,079,316) | (93,640,144) |
| **Profit after taxation** | | 272,556,148 | 322,856,599 |
| | | | (Restated) |
| **Basic and diluted earnings per share** | 36 | 13.02 | 15.43 |

The annexed notes from 1 to 44 form an integral part of these financial statements.

Chief Executive Officer

Director

# Statement of Comprehensive Income
For the year ended September 30, 2012

| | 2012 | 2011 |
|---|---|---|
| | Rupees | |
| **PROFIT FOR THE YEAR** | 272,556,148 | 322,856,599 |
| **OTHER COMPREHENSIVE INCOME:** | | |
| **Net loss on available for sale investments** | | |
| Unrealised gain / (loss) on revaluation of investments during the year | 16,996,527 | (515,932) |
| Reclassification adjustments included in the profit and loss account for: | | |
| - Loss / (gain) on sale of investments – net | 2,260,055 | (1,067,898) |
| | 19,256,582 | (1,583,830) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | 291,812,730 | 321,272,769 |

The annexed notes from 1 to 44 form an integral part of these financial statements.

Chief Executive Officer

Director

# Cash Flow Statement

For the year ended September 30, 2012

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Profit before taxation** | | 353,635,464 | 416,496,743 |
| Adjustment for non-cash items: | | | |
| Depreciation | | 95,898,700 | 75,567,941 |
| Share of profit from an associate | | (171,666,322) | (40,640,865) |
| Gain on disposal of fixed assets | | (1,633,679) | (412,552) |
| Finance costs | | 116,319,761 | 133,757,171 |
| Realised gain on disposal of short term investments | | (12,746,078) | (14,177,188) |
| Provision for staff gratuity | | 1,440,195 | 1,097,678 |
| Impairment on short-term investments | | 1,583,222 | 16,965,229 |
| Provision for market committee fee | | 7,221,204 | 10,077,959 |
| Working capital changes | 37 | (165,547,261) | (94,370,936) |
| | | (129,130,258) | 87,864,437 |
| Staff gratuity paid | | (683,342) | (1,157,764) |
| Taxes paid | | (92,687,577) | (50,978,308) |
| Finance costs paid | | (111,886,501) | (134,937,038) |
| **Net cash generated from operating activities** | | 19,247,786 | 317,288,070 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Fixed capital expenditure | | (398,401,937) | (317,816,699) |
| Long term deposits | | 3,904,835 | (4,553,335) |
| Dividends received on short term investments | | 11,549,998 | - |
| Short-term investments | | (79,867,238) | (158,871,673) |
| Proceeds from disposal of short term investments | | 68,878,841 | 82,991,689 |
| Proceeds from disposal of operating fixed assets | | 4,239,023 | 1,833,905 |
| **Net cash used in investing activities** | | (389,696,478) | (396,416,113) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Long term financing – net | | 223,750,000 | 60,000,000 |
| Short-term borrowings | | 286,595,861 | - |
| Liabilities against assets subject to finance lease | | (1,021,988) | (3,187,279) |
| Dividend paid | | (44,881,750) | (49,489,612) |
| **Net cash generated from financing activities** | | 464,442,123 | 7,323,109 |
| **Net increase / (decrease) in cash and cash equivalents during the year** | | 93,993,431 | (71,804,934) |
| **Cash and cash equivalents at the beginning of the year** | | 11,943,333 | 83,748,267 |
| **Cash and cash equivalents at the end of the year** | | 105,936,764 | 11,943,333 |
| **Cash and cash equivalents comprise of:** | | | |
| **Cash and bank balances** | 15 | 144,769,742 | 11,943,333 |
| **Short-term running finance** | 25 | (38,832,978) | - |
| | | 105,936,764 | 11,943,333 |

The annexed notes from 1 to 44 form an integral part of these financial statements.

Chief Executive Officer

Director

# Statement of Changes in Equity

## For the year ended September 30, 2012

| | Issued, subscribed and paid-up capital | Reserves | | | | | Total |
|---|---|---|---|---|---|---|---|
| | | Capital reserve - Share premium | Revenue reserve - General reserve | Unrealized gain/ (loss) on revaluation of Available-for- Sale Investments | Accumulated Profit | Total Reserves | |
| | -----Rupees----- | | | | | | |
| Balance as at September 30, 2010 | 142,931,250 | 63,281,250 | 85,000,000 | 1,069,962 | 230,131,897 | 379,483,109 | 522,414,359 |
| Final dividend for the year ended September 30, 2010 @ 10% | - | - | - | - | (14,293,125) | (14,293,125) | (14,293,125) |
| Bonus shares issued during the year in the ratio of 1 ordinary share for every 10 ordinary shares held | 14,293,130 | - | - | - | (14,293,130) | (14,293,130) | - |
| First interim dividend @ 7.5% | - | - | - | - | (11,792,058) | (11,792,058) | (11,792,058) |
| Bonus shares issued during the year in the ratio of 1 ordinary share for every 10 ordinary shares held | 15,722,440 | - | - | - | (15,722,440) | (15,722,440) | - |
| Second interim dividend @ 7.5% | - | - | - | - | (11,792,056) | (11,792,056) | (11,792,056) |
| Third interim dividend @ 7.5% | - | - | - | - | (12,971,312) | (12,971,312) | (12,971,312) |
| Profit for the year | - | - | - | - | 322,856,599 | 322,856,599 | 322,856,599 |
| Net loss on revaluation of available for sale investments | - | - | - | (1,583,830) | - | (1,583,830) | (1,583,830) |
| Total comprehensive income for the year | - | - | - | (1,583,830) | 322,856,599 | 321,272,769 | 321,272,769 |
| Balance as at September 30, 2011 | 172,946,820 | 63,281,250 | 85,000,000 | (513,868) | 472,124,375 | 619,891,757 | 792,838,577 |
| Final dividend for the year ended September 30, 2011 @ 7.5% | - | - | - | - | (12,970,875) | (12,970,875) | (12,970,875) |
| First interim dividend @ 5% | - | - | - | - | (8,646,928) | (8,646,928) | (8,646,928) |
| Bonus shares issued during the year in the ratio of 1 ordinary share for every 10 ordinary shares held | 17,294,680 | - | - | - | (17,294,680) | (17,294,680) | - |
| Second interim dividend @ 7.5% | - | - | - | - | (14,267,963) | (14,267,963) | (14,267,963) |
| Bonus shares issued during the year in the ratio of 1 ordinary share for every 10 ordinary shares held | 19,024,150 | - | - | - | (19,024,150) | (19,024,150) | - |
| Third interim dividend @ 5% | - | - | - | - | (10,462,863) | (10,462,863) | (10,462,863) |
| Profit for the year | - | - | - | - | 272,556,148 | 272,556,148 | 272,556,148 |
| Net gain on revaluation of available for sale investments | - | - | - | 19,256,582 | - | 19,256,582 | 19,256,582 |
| Total comprehensive income for the year | - | - | - | 19,256,582 | 272,556,148 | 291,812,730 | 291,812,730 |
| Balance as at September 30, 2012 | 209,265,650 | 63,281,250 | 85,000,000 | 18,742,714 | 662,013,064 | 829,037,028 | 1,038,302,678 |

Chief Executive Officer

Director

# Notes to the Financial Statements
For the year ended September 30, 2012

## 1. THE COMPANY AND ITS OPERATIONS

Mehran Sugar Mills Limited (the Company) was incorporated in Pakistan as a public limited company on December 22, 1965 under the Companies Act, 1913 (now Companies Ordinance, 1984). The shares of the Company are quoted on Karachi Stock Exchange. The Company is principally engaged in the manufacturing and sale of sugar. The registered office of the Company is situated at 14th floor, Dolmen City Executive Tower, Marine Drive, Block 4, Clifton, Karachi. The mill of the Company is located at Distt. Tando Allahyar, Sindh.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

### 2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for available for sale financial assets which are shown at fair value as required under IAS – 39 "Financial Instruments: Recognition and Measurement".

### 2.3 New and amended standards and interpretations

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 7 – Financial Instruments: Disclosures (Amendments)
IAS 24 – Related Party Disclosures (Revised)
IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 – Financial Instruments Disclosures
– Clarification of Disclosures
IAS 1 – Presentation of Financial Statements
– Clarification of Statement of Changes in Equity
IAS 34 – Interim Financial Reporting
– Significant events and transactions
IFRIC 13 – Customer Loyalty Programmes
– Fair value of award credits

The adoption of above standards, amendments / improvements and interpretations did not have any material effect on the financial statements.

**Standards and interpretations issued but not yet effective for the current financial year**

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective revised standard or interpretation:

| | Standard or Interpretation | Effective date (annual periods beginning on or after) |
|---|---|---|
| IFRS 7 | – Financial Instruments: Disclosures (Amendments) | |
| | – Amendments enhancing disclosures about transfers of financial assets | 01 January 2013 |
| | – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities | 01 January 2013 |
| IAS 1 | – Presentation of Financial Statements – Presentation of items of comprehensive income | 01 July 2012 |
| IAS 12 | – Income Taxes (Amendment) - Recovery of Underlying Assets | 01 January 2012 |
| IAS 19 | – Employee Benefits (Amendment) | 01 January 2013 |
| IAS 32 | – Offsetting Financial Assets and Financial Liabilities (Amendment) | 01 January 2014 |
| IFRIC 20 | – Stripping Costs in the Production Phase of a Surface Mine | 01 January 2013 |

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application except the following:

IAS 19 - Employee Benefits (Revised) requires actuarial gains and losses to be recognised in other comprehensive income as these occur. Further, amounts recorded in profit and loss account are limited to current and past service costs, gains or losses on settlements and net interest income (expense). Furthermore, all other changes in the net defined benefit asset (liability) are recognised in other comprehensive income with no subsequent recycling to profit and loss account.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| | Standard | IASB Effective date (annual periods beginning on or after) |
|---|---|---|
| IFRS 9 | – Financial Instruments: Classification and Measurement | 01 January 2015 |
| IFRS 10 | – Consolidated Financial Statements | 01 January 2013 |
| IFRS 11 | – Joint Arrangements | 01 January 2013 |
| IFRS 12 | – Disclosure of Interest in Other Entities | 01 January 2013 |
| IFRS 13 | – Fair Value Measurement | 01 January 2013 |

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The management continually evaluates estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognized prospectively.

In the process of applying the Company's accounting policies, management has made the following estimates, judgements and assumptions which are significant to the financial statements:

**Property, plant and equipment**

The Company reviews appropriateness of the rate of depreciation and useful life used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

**Biological assets**

The fair value of growing crops is determined based on the estimated selling prices approximately those at year end less estimated costs to sell at the harvesting state.

The fair value of growing crops is based on the minimum prices fixed by the Government.

**Stock-in-trade and stores and spare parts**

The Company reviews the net realizable value of stock-in-trade and stores and spare parts to assess any diminution in the respective carrying values. Net realizable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

**Trade debts and receivables**

The Company reviews its doubtful trade debts and receivables at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

**Taxation**

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past.

# Notes to the Financial Statements
For the year ended September 30, 2012

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

**Staff Retirement benefits**

Certain actuarial assumptions have been adopted as disclosed in note 20.2 to the financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

**Quality premium and market committee fee**

The Company accounts for provision for quality premium and market committee fee taking into consideration the advice of its legal counsel and recent decisions of the relevant authorities.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing these financial statements are as follows:

### 4.1 Property, plant and equipment

**Owned**

These are stated at cost less accumulated depreciation and any accumulated impairment in value, except for land, which is stated at cost.

Depreciation is charged to income using the reducing balance method except for leasehold improvements which are depreciated using the straight line method at the rates / years specified in note 5.1. Depreciation on additions is charged from the month in which the asset is put to use and on disposals up to the month the asset in use.

The carrying values of the Company's property plant and equipment are reviewed at each financial year end for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Repairs and maintenance cost is written off to the profit and loss account in the year in which it is incurred. Major renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Company.

An item of property plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss on disposal of property plant and equipment is recognized in the period of disposal.

**Leased**

Leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item are capitalized at the inception of the lease, at the fair value of the leased property or, if lower at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets acquired under finance lease are depreciated using the same basis as for owned assets.

**Capital work-in-progress**

These are stated at cost less accumulated impairment, if any, and represent expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant property plant and equipment category as and when assets are available for their intended use.

## 4.2 Investments

### 4.2.1 In an associated company

Investment in an associated company is accounted for using equity method of accounting. Investments over which investor has "significant influence" are accounted for under this method i.e., investments to be carried in the balance sheet at cost plus post-acquisition changes in the share of net assets of the associate, less any impairment in value, if material. The profit and loss account reflects the share of the results of operations of the associate. If an associate uses accounting policies other than those of the Company, adjustments are made to conform the associate's policies to those of the Company, if the impact is considered material.

### 4.2.2 Investments – available-for-sale

Investments which the management intends to hold for an indefinite period, but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

These investments are initially recognised at cost, being the fair value of the consideration given including transaction costs associated with the investment. After initial recognition, these investments are remeasured at fair value.

For investments traded in active market, fair value is determined by reference to quoted market price and the investments for which a quoted market price is not available, or the fair value cannot be reasonably calculated, are measured at cost, subject to review for impairment at each balance sheet date.

Gains or losses on available-for-sale investments are recognised in equity until the investment is disposed or determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

### 4.2.3 Investments – Held-to-maturity

Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

# Notes to the Financial Statements

For the year ended September 30, 2012

**4.3 Biological Assets**

International Accounting Standard (IAS) – 41 “Agriculture” requires biological assets to be measured on initial recognition and at each balance sheet date at its fair value less costs to sell. A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in profit or loss for the period in which it arises.

**4.4 Stores and spare parts**

These are valued at lower of cost, calculated on moving average basis less provision for obsolescence and slow moving, if any, and net realizable value. Items in transit are stated at invoice value plus other charges incurred thereon, if any.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

**4.5 Stock-in-trade**

Stock-in-trade is valued at the lower of moving average cost and net realizable value. Cost in relation to work-in-process and finished goods consist of manufacturing cost comprising prime cost and appropriate proportion of factory overheads.

Items in transit are stated at cost comprising invoice value plus other charges paid thereon at the balance sheet date.

Net realizable value signifies the prevailing selling prices in the ordinary course of business less estimated costs of completion and selling expenses incidental to sales.

**4.6 Trade debts and other receivables**

Trade debts and other receivables are stated at original invoice amount less provision for doubtful debts, if any. Provision for doubtful debts/ receivable is based on the management’s assessment of customers’ outstanding balances and creditworthiness. Bad debts are written-off when identified.

**4.7 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow, cash and cash equivalents comprise cash in hand, cheques in hand, deposits held with banks and other short term highly liquid investments net of short term running finance.

**4.8 Staff retirement benefits**

**Gratuity**

The Company operates an unfunded gratuity scheme (defined benefit scheme) for its employees. An actuarial valuation has been carried out at September 30, 2011, using the Project Unit Credit Method, to cover the obligation under the scheme for its employees eligible to gratuity benefits.

**Provident fund**

The Company also operates a recognized provident fund for those permanent employees who have opted for it. Equal monthly contributions are made to the fund by the Company and employees in accordance with the fund's rules.

**Compensated absences**

The Company accrues it's estimated liability towards leaves accumulated by employees on an accrual basis using current salary level.

### 4.9 Taxation

**Current**

Provision for current taxation is based on taxable income at the current rates of taxation, after taking into account tax credits and rebates available, if any, or one half percent of turnover, whichever is higher and tax based on Final Tax Regime.

**Deferred**

Deferred tax is recognized using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

### 4.10 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### 4.11 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**4.12 Foreign currency transactions and translation**

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

**4.13 Borrowing costs**

Interest / mark-up directly attributable to the acquisition / construction / installation of qualifying assets is capitalized. All other finance costs are charged to profit and loss account currently.

**4.14 Impairment**

The carrying values of the Company's assets except for inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists the assets recoverable amount is estimated and impairment losses are recognised in the profit and loss account.

**4.15 Related Party Transactions**

All transactions with related parties are carried out by the Company using the methods prescribed under the Companies Ordinance, 1984.

**4.16 Financial instruments**

All financial assets and liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument and are derecognized in the case of assets, when the contractual rights under the instruments are realized, expired or surrendered and in the case of liability, when the obligation is discharged, cancelled or expired.

Financial instruments carried on the balance sheet include investments, deposits, receivables, loans, cash and bank balances, borrowings, long term financing, trade and other payables. The particular recognition method adopted is disclosed in the individual policy statements associated with each financial instrument.

Any gain / loss on the recognition and derecognition of the financial assets and liabilities is included in the profit and loss for the period in which it arises.

**4.17 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to set-off the transaction and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

# Notes to the Financial Statements
For the year ended September 30, 2012

**4.18 Revenue recognition**

Sales are recognized as revenue when invoiced, which generally coincides with delivery.

Return on bank deposits is recognized on accrual basis.

**4.19 Ijarah rentals**

Ijarah payments under an Ijarah arrangement are recognized as an expense in the profit and loss account on a straight line basis over the Ijarah term unless another systematic basis is representative of the time pattern of the user's benefit.

**4.20 Dividend and appropriation to reserves**

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

**4.21 Functional and presentation currency**

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| **5. PROPERTY, PLANT AND EQUIPMENT** | | | |
| Operating fixed assets | 5.1 | 1,172,730,789 | 991,686,763 |
| Capital work-in-progress | 5.2 | 215,948,012 | 97,094,145 |
| | | 1,388,678,801 | 1,088,780,908 |

# Notes to the Financial Statements

## For the year ended September 30, 2012

**5.1 Operating fixed assets**

| Description | Cost at October 01, 2011 | Additions/ (deletions)/ transfers* | Cost at September 30, 2012 | Accumulated depreciation at October 01, 2011 | Depreciation for the year/ (accumulated depreciation on deletions) | Accumulated depreciation at September 30, 2012 | Book value at September 30, 2012 | Dep. Rate % /yrs** |
|---|---|---|---|---|---|---|---|---|
| | 2012 – Rupees | | | | | | | |
| **Owned** | | | | | | | | |
| Freehold land | 180,720 | - | 180,720 | - | - | - | 180,720 | - |
| Leasehold improvements | - | 23,370,864 | 23,370,864 | - | 1,391,123 | 1,391,123 | 21,979,741 | 7** |
| Building on freehold land | | | | | | | | |
| - Factory | 100,431,851 | 50,837,522 | 151,269,373 | 59,592,143 | 7,464,016 | 67,056,159 | 84,213,214 | 10 |
| - Non-factory | 14,119,611 | - | 14,119,611 | 7,805,396 | 315,711 | 8,121,107 | 5,998,504 | 5 |
| Plant, machinery and Equipment | 1,410,843,500 | 185,657,384 | 1,596,500,884 | 520,467,955 | 75,973,831 | 596,441,786 | 1,000,059,098 | 7.5 |
| Furniture and fittings | 3,989,585 | 5,035,249 | 9,024,834 | 2,423,343 | 188,094 | 2,611,437 | 6,413,397 | 10 |
| Vehicles | 18,773,316 | 2,908,550<br>(3,319,080)<br>13,479,000* | 31,841,786 | 13,523,477 | 3,241,815<br>(1,959,700)<br>3,431,898* | 18,237,490 | 13,604,296 | 20 |
| Office equipment | 6,738,592 | 603,553 | 7,342,145 | 5,437,065 | 146,028 | 5,583,093 | 1,759,052 | 10 |
| Electric installation | 13,294,160 | - | 13,294,160 | 8,054,140 | 524,002 | 8,578,142 | 4,716,018 | 10 |
| Weighbridge and scales | 1,122,624 | 80,000 | 1,202,624 | 880,679 | 30,195 | 910,874 | 291,750 | 10 |
| Workshop tools and other equipment | 8,910,896 | - | 8,910,896 | 5,226,931 | 368,397 | 5,595,328 | 3,315,568 | 10 |
| Computers | 6,008,717 | 1,564,748 | 7,573,465 | 3,833,810 | 735,224 | 4,569,034 | 3,004,431 | 30 |
| Airconditioners and refrigerators | 8,657,531 | 1,795,700 | 10,453,231 | 5,019,947 | 466,062 | 5,486,009 | 4,967,222 | 10 |
| | 1,593,071,103 | 271,853,570<br>(3,319,080)<br>13,479,000* | 1,875,084,593 | 632,264,886 | 90,844,498<br>(1,959,700)<br>3,431,898* | 724,581,582 | 1,150,503,011 | |
| **Leased** | | | | | | | | |
| Vehicles | 43,063,500 | 7,694,500<br>(1,985,000)<br>(13,479,000)* | 35,294,000 | 12,182,954 | 5,054,202<br>(739,036)<br>(3,431,898)* | 13,066,222 | 22,227,778 | 20 |
| Total | 1,636,134,603 | 279,548,070<br>(5,304,080) | 1,910,378,593 | 644,447,840 | 95,898,700<br>(2,698,736) | 737,647,804 | 1,172,730,789 | |

* Represents transfers from leased assets to owned assets

# Notes to the Financial Statements

For the year ended September 30, 2012

| Description | Cost at October 01, 2010 | Additions/ (deletions)/ | Cost at September 30, 2011 | Accumulated depreciation at October 01, 2010 | Depreciation for the year/ (accumulated depreciation on deletions) | Accumulated depreciation at September 30, 2011 | Book value at September 30, 2011 | Dep. Rate % |
|---|---|---|---|---|---|---|---|---|
| | ------2012------ | | | | | | | |
| | ------Rupees------ | | | | | | | |
| **Owned** | | | | | | | | |
| Freehold land | 180,720 | - | 180,720 | - | - | - | 180,720 | - |
| Building on freehold land | | | | | | | | |
| - Factory | 81,295,490 | 19,136,361 | 100,431,851 | 55,543,721 | 4,048,422 | 59,592,143 | 40,839,708 | 10 |
| - Non-factory | 14,119,611 | - | 14,119,611 | 7,473,069 | 332,327 | 7,805,396 | 6,314,215 | 5 |
| Plant, machinery and Equipment | 1,186,150,660 | 224,692,840 | 1,410,843,500 | 460,202,245 | 60,265,710 | 520,467,955 | 890,375,545 | 7.5 |
| Furniture and fittings | 3,853,565 | 136,020 | 3,989,585 | 2,256,276 | 167,067 | 2,423,343 | 1,566,242 | 10 |
| Vehicles | 19,208,916 | 733,400<br>(1,169,000) | 18,773,316 | 13,263,637 | 1,274,554<br>(1,014,714) | 13,523,477 | 5,249,839 | 20 |
| Office equipment | 6,698,592 | 40,000 | 6,738,592 | 5,296,154 | 140,911 | 5,437,065 | 1,301,527 | 10 |
| Electric installation | 10,763,906 | 2,530,254 | 13,294,160 | 7,510,493 | 543,647 | 8,054,140 | 5,240,020 | 10 |
| Weighbridge and scales | 1,090,624 | 32,000 | 1,122,624 | 854,685 | 25,994 | 880,679 | 241,945 | 10 |
| Workshop tools and other equipment | 8,910,896 | - | 8,910,896 | 4,817,602 | 409,329 | 5,226,931 | 3,683,965 | 10 |
| Computers | 4,481,618 | 1,527,099 | 6,008,717 | 3,088,054 | 745,756 | 3,833,810 | 2,174,907 | 30 |
| Airconditioners and refrigerators | 8,021,131 | 636,400 | 8,657,531 | 4,653,522 | 366,425 | 5,019,947 | 3,637,584 | 10 |
| | 1,344,775,729 | 249,464,374<br>(1,169,000) | 1,593,071,103 | 564,959,458 | 68,320,142<br>(1,014,714) | 632,264,886 | 960,806,217 | |
| **Leased** | | | | | | | | |
| Vehicles | 35,556,000 | 9,471,500<br>(1,964,000) | 43,063,500 | 5,632,088 | 7,247,799<br>(696,933) | 12,182,954 | 30,880,546 | 20 |
| Total | 1,380,331,729 | 258,935,874<br>(3,133,000) | 1,636,134,603 | 570,591,546 | 75,567,941<br>(1,711,647) | 644,447,840 | 991,686,763 | |

### 5.1.1 Depreciation charge for the year has been allocated as follows:

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| Cost of sales | 29 | 84,676,152 | 65,625,429 |
| Administrative expenses | 31 | 11,222,548 | 9,942,512 |
| | | 95,898,700 | 75,567,941 |

# Notes to the Financial Statements
For the year ended September 30, 2012

**5.1.2 The following operating fixed assets were disposed off during the year:**

| Particulars | Cost | Accumulated Depreciation | Book Value | Sale Proceeds | Gain | Mode of Disposal | Particulars of Purchaser |
|---|---|---|---|---|---|---|---|
| | (Rupees) | | | | | | |
| Motorcycles | 1,148,680 | 593,688 | 554,992 | 926,697 | 371,705 | Policy | Sold to various employees |
| Toyota Corolla Gli APP-409 | 1,020,500 | 612,808 | 407,692 | 925,000 | 517,308 | Negotiation | Mr.Ashraf Ali S/O Jamsher Ali (CNIC 42201-9393968-9) |
| Suzuki Cultus ALY-176 | 630,000 | 423,562 | 206,438 | 367,416 | 160,978 | Policy | Mr. Ikhlas Ahmed - employee |
| Car Van Suzuki Bolan CR-5495 | 454,000 | 327,445 | 126,555 | 382,500 | 255,945 | Negotiation | Mr. Zahid Mehmood (CNIC 42000-0771902-3) |
| Suzuki Alto ATL-419 Leased | 662,000 | 256,856 | 405,144 | 580,000 | 174,856 | Insurance claim | Adamjee Insurance Company Limited |
| Toyota Corolla Xli ATY-257 Leased | 1,323,000 | 482,180 | 840,820 | 1,000,000 | 159,180 | Insurance claim | Adamjee Insurance Company Limited |
| Honda CD 70 KFJ - 5589 | 65,900 | 2,197 | 63,703 | 57,410 | (6,293) | Insurance claim | Adamjee Insurance Company Limited |
| Total | 5,304,080 | 2,698,736 | 2,605,344 | 4,239,023 | 1,633,679 | | |

## 5.2 CAPITAL WORK-IN-PROGRESS

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| Civil works | | 14,702,914 | 13,963,623 |
| Advance against supply of plant and machinery | 5.2.1 | 201,245,098 | 83,130,522 |
| | | 215,948,012 | 97,094,145 |

### 5.2.1 Movement

| | Civil works | Advance against supply of plant and machinery | Total |
|---|---|---|---|
| | Rupees | | |
| Balance as at September 30, 2010 | 8,621,318 | 29,592,002 | 38,213,320 |
| Capital expenditure incurred / advances made during the year | 20,070,190 | 139,974,495 | 160,044,685 |
| Transfer to operating fixed assets | (14,727,885) | (86,435,975) | (101,163,860) |
| Balance as at September 30, 2011 | 13,963,623 | 83,130,522 | 97,094,145 |
| Capital expenditure incurred / advances made during the year | 7,613,539 | 297,064,943 | 304,678,482 |
| Transfer to operating fixed assets | (6,874,248) | (178,950,367) | (185,824,615) |
| Balance as at September 30, 2012 | 14,702,914 | 201,245,098 | 215,948,012 |

# Notes to the Financial Statements
For the year ended September 30, 2012

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| **6. LONG-TERM RECEIVABLE – Unsecured** | | | |
| Tender earnest money | | 1,000,000 | 1,000,000 |
| Down payment | | 33,125,000 | 33,125,000 |
| Other costs | | 8,385,996 | 8,385,996 |
| | | 42,510,996 | 42,510,996 |
| Provision for doubtful receivable | 6.1 | (42,510,996) | (42,510,996) |
| | | - | - |

**6.1** This represents down payment made in respect of purchase of Thatta Sugar Mills (the mill) and other cost incurred in running the mill from November 1992 up to July 1993, when the mill was forcibly taken over by the Government of Sindh (GoS) without paying any amount. The Company filed a law suit for Rs. 166 million being the amount of down payment, expenses incurred (including payment to workers) and loss of profits. The GoS made a counter claim of Rs. 402 million against the Company. The case is currently pending in the Honorable High Court of Sindh for recording of evidences. While the Company's suit for recovery of compensation is pending in the Honorable High Court of Sindh, the GoS invited bids for sale of Thatta Sugar Mills through Sindh Privatization Commission but it could not succeed. The GoS is now trying to privatize it through the Federal Privatization Commission. The representative of the GoS has also admitted the fact that the mill was taken by Government without payment to the Company. The Company has made provision against the aforesaid receivable as a matter of prudence and the fact that the debt is outstanding for a considerable period.

**7. LONG TERM INVESTMENT**

- In an associate

| Number of shares 2012 | Number of shares 2011 | Face value per share Rupees | Name of the Company | Note | 2012 Rupees | 2011 Rupees |
|---|---|---|---|---|---|---|
| 12,704,998 | 11,549,998 | 10 | Unicol Limited - an un-quoted company | 7.1 | 376,834,660 | 216,718,336 |

**7.1 Movement of investment in an associate**

| | Note | 2012 | 2011 |
|---|---|---|---|
| Opening balance | | 216,718,336 | 176,077,471 |
| Share of profit for the year – net of tax | | 167,355,908 | 38,446,000 |
| Dividend received during the year | | (11,549,998) | - |
| Prior year's adjustment | 7.1.1 | 4,310,414 | 2,194,865 |
| | | 376,834,660 | 216,718,336 |

The Company holds 33.33 (2011: 33.33) percent of the investee's total equity.

Total bonus shares issued during the year 1,155,000 (2011:1,050,000).

**7.1.1** Represents net under profit booked in prior years on the basis of unaudited financial statements.

# Notes to the Financial Statements
For the year ended September 30, 2012

**7.2** The summarized financial information of the associate company based on unaudited financial statements for the year ended September 30, 2012 (September 30, 2011: audited), are as follows:

| | 2012 | 2011 |
|---|---|---|
| | Rupees | |
| Aggregate amount of: | | |
| - assets | 1,800,207,000 | 1,650,350,000 |
| - liabilities | 669,703,000 | 987,263,000 |
| - revenue | 2,137,306,000 | 1,981,436,000 |
| - profit | 502,068,000 | 128,270,000 |

## 8. BIOLOGICAL ASSETS – At fair value

| | 2012 | 2011 |
|---|---|---|
| Carrying value at beginning of the year | 43,315,568 | 13,347,530 |
| Addition due to cultivation | 29,276,902 | 21,340,095 |
| Gain arising from changes in fair value less costs to sell | 28,147,148 | 21,975,473 |
| | 100,739,618 | 56,663,098 |
| Reduction due to harvesting | (43,315,568) | (13,347,530) |
| Carrying value at the end of the year | 57,424,050 | 43,315,568 |

**Operations and Principal Activities at Farms:**

The Company is principally engaged in sugar cane cultivation.

**Financial Risk Management Strategies:**

The Company is exposed to financial risks arising from changes in sugar cane prices. The Company does not anticipate that sugar cane prices will decline significantly in the foreseeable future and has therefore, has not entered into any contracts to manage the risk of a decline in sugar cane prices.

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| **9. STORES AND SPARE PARTS** | | | |
| Stores | | 10,289,203 | 10,079,643 |
| Spare parts | | 62,909,028 | 67,715,819 |
| | | 73,198,231 | 77,795,462 |
| **10. STOCK-IN-TRADE** | | | |
| Manufactured sugar | | | |
| - Finished | | 1,092,338,729 | 1,454,806,439 |
| - Work-in-process | | 2,959,297 | 3,763,964 |
| | | 1,095,298,026 | 1,458,570,403 |
| **11. TRADE DEBTS – unsecured** | | | |
| Considered good | 11.1,11.2 & 11.3 | 73,171,715 | 4,683,163 |
| Considered doubtful | 11.4 | 16,987,867 | 16,987,867 |
| | | 90,159,582 | 21,671,030 |
| Less: Provision for doubtful debts | 11.4 | 16,987,867 | 16,987,867 |
| | | 73,171,715 | 4,683,163 |

# Notes to the Financial Statements

For the year ended September 30, 2012

| | 2012 | 2011 |
|---|---|---|
| | Rupees | |
| **11.1** The aging of trade debts at September 30 is as follows: | | |
| Neither past due nor impaired | - | - |
| Past due but not impaired | | |
| - within 90 days | 69,766,122 | 158,463 |
| - 91 - 180 days | 3,405,593 | 4,524,700 |
| | 73,171,715 | 4,683,163 |

**11.2** Includes receivable from Unicol Limited, an associated company amounting to Rs. 3.406 (2011: Rs. 4.525 million.

**11.3** The maximum aggregate amount due from associated company at the end of any month during the year was Rs. 38.926 (2011: Rs. 209.319) million.

**11.4** Includes an amount of Rs. 14.519 million due from the Food Department, Government of Sindh (GoS). This represents amount withheld by the Government of Sindh from the bills raised by the Company during the years from 1981 to 1983 on account of a dispute regarding the quality of sugar. Consequently, the Company has withheld mark-up due to the Food Department, amounting to Rs. 6.192 million. Since then, the matter is under litigation and pending before the Honorable High Court of Sindh. The amount receivable from the Department has been provided because it has been long time the case is pending and the respective liability of mark-up due to the Food Department, GoS was also written back.

| | Note | 2012 | 2011 |
|---|---|---|---|
| **12. LOANS AND ADVANCES – Unsecured, considered good** | | Rupees | |
| Loans to staff | 12.1 | 4,298,554 | 1,672,422 |
| Advances | | | |
| - to suppliers | | 15,588,151 | 20,823,218 |
| - to cane growers | 12.2 | 12,848,246 | 7,308,333 |
| - against expenses | | 805,045 | 1,225,439 |
| | | 29,241,442 | 29,356,990 |
| | | 33,539,996 | 31,029,412 |

**12.1** Includes interest free loans to employees for purchase of vehicle, repayable in monthly installments repayable latest by September 30, 2013.

**12.2** Includes cost of seeds provided to the cane growers and the same are adjusted when sugarcane is purchased from these cane growers.

# Notes to the Financial Statements
For the year ended September 30, 2012

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| **13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS** | | | |
| Trade deposits | | | |
| Considered good | | 238,500 | 148,500 |
| Considered doubtful | 13.1 | 8,196,113 | 8,196,113 |
| | | 8,434,613 | 8,344,613 |
| Less: Provision for doubtful deposits | | 8,196,113 | 8,196,113 |
| | | 238,500 | 148,500 |
| Short-term prepayments | | | |
| Considered good | | 20,120,605 | 14,521,095 |
| Considered doubtful | | 563,441 | 563,441 |
| | | 20,684,046 | 15,084,536 |
| Less: Provision for doubtful prepayments | | 563,441 | 563,441 |
| | | 20,120,605 | 14,521,095 |
| | | 20,359,105 | 14,669,595 |

**13.1** Represents amount paid by the Company to the Director General Defence Procurement (DGDP) as tender money during the year 1995 to 1996 which has been withheld by them on account of DGDP's risk purchase claim on the Company, as fully described in note 27.2 to the financial statements. Although the matter is under litigation, the Company, as a matter of prudence, has made full provision against the deposit in these financial statements.

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| **14. SHORT-TERM INVESTMENTS** | | | |
| **Held to maturity** | | | |
| Term deposit certificates | 14.1 | 3,300,000 | 3,300,000 |
| **Available for sale** | | | |
| Equity securities | | 201,096,724 | 159,688,889 |
| | | 204,396,724 | 162,988,889 |

**14.1** Represents term deposit certificates deposited with the bankers under lien against guarantees issued by them on behalf of the Company having maturity upto six months. These carry profit at the rate of 5.0 (2011: 5.0) percent per annum.

# Notes to the Financial Statements
For the year ended September 30, 2012

**14.2 Available for sale Investments**

| 2012 | 2011 | | 2012 | 2011 |
|---|---|---|---|---|
| Number of shares | | | Rupees | |
| | | **Quoted companies** | | |
| 180,000 | 80,000 | Allied Bank Limited | 11,561,400 | 4,848,000 |
| - | 11,000 | Attock Petroleum Limited | - | 4,376,350 |
| 500,000 | 285,145 | Bank Al- Habib Limited | 14,155,000 | 8,517,281 |
| 350,000 | - | Century Paper & Board Mills Limited | 8,190,000 | - |
| 469,934 | 469, 823 | Chashma Sugar Mills Limited | 3,665,485 | 4,129,744 |
| - | 470,614 | Cherat Cement Limited | - | 3,882,566 |
| - | 325,000 | D.G.Khan Cement Limited | - | 6,685,250 |
| 10,008 | 38,160 | Engro Corporation Limited | 1,068,554 | 5,471,762 |
| - | 7,500 | Fauji Fertilizer Company Limited | - | 1,214,250 |
| 104,501 | 104,501 | Habib Metropolitan Bank Limited | 1,833,993 | 1,912,368 |
| 50,000 | 50,000 | Hub Power Company Limited | 2,344,000 | 2,075,000 |
| 61,554 | 61,554 | Hum Network Limited | 1,322,180 | 758,961 |
| 34,660 | 15,660 | Indus Motors Limited | 8,838,300 | 3,022,537 |
| 454,255 | 401,085 | International Industries Limited | 17,025,477 | 16,059,443 |
| 1,121,500 | 1,200,000 | International Steel Limited | 15,689,785 | 14,760,000 |
| 33,801 | 22,301 | JDW Sugar Mills Limited | 3,465,279 | 1,830,466 |
| 200,000 | - | Lotte Pakistan PTA Limited | 1,420,000 | - |
| 65,000 | 40,000 | MCB Bank Limited | 12,091,950 | 6,930,800 |
| 300,000 | - | Meezan Bank Limited | 8,250,000 | - |
| - | 11,587 | Mirpurkhas Sugar Mills Limited | - | 615,038 |
| 15,000 | 10,000 | National Refinery Limited | 3,528,150 | 3,871,300 |
| 200,000 | 200,000 | Nishat Chunian Limited | 4,442,000 | 4,226,000 |
| 50,000 | - | Nishat Chunian Power Limited | 835,000 | - |
| 120,000 | 180,000 | Nishat Mills Limited | 6,799,200 | 8,296,200 |
| 50,000 | - | Nishat Power Limited | 785,500 | - |
| 192,853 | 171,522 | Pakistan Cables Limited | 10,982,976 | 7,018,680 |
| 27,500 | 35,000 | Pakistan Oil Fields Limited | 11,917,400 | 12,892,600 |
| 62,817 | 53,016 | Pakistan Petroleum Limited | 11,051,395 | 10,050,243 |
| 1,155,000 | 1,155,000 | Pakgen Power Limited | 19,219,200 | 16,516,500 |
| 10,000 | 7,500 | Pakistan State Oil Company Limited | 2,172,000 | 1,909,350 |
| 250,000 | 130,000 | United Bank Limited | 18,442,500 | 7,818,200 |
| | | | 201,096,724 | 159,688,889 |

All shares are ordinary shares of Rs.10/- each.

**14.3** The aggregate cost of the above investment is Rs. 185.683 (2011: Rs. 177.170) million. These investments are stated at fair value.

# Notes to the Financial Statements
For the year ended September 30, 2012

## 15. CASH AND BANK BALANCES

| | 2012 | 2011 |
|---|---|---|
| | Rupees | |
| Cash in hand | 155,434 | 92,837 |
| Cash with banks in current accounts | 144,614,308 | 11,850,496 |
| | 144,769,742 | 11,943,333 |

## 16. SHARE CAPITAL

| 2012 | 2011 | | 2012 | 2011 |
|---|---|---|---|---|
| (Number of shares) | | | Rupees | |
| **Authorized capital** | | | | |
| 50,000,000 | 50,000,000 | Ordinary shares of Rs. 10 each | 500,000,000 | 500,000,000 |
| **Issued, subscribed and paid-up capital** | | | | |
| 5,968,750 | 5,968,750 | Ordinary shares of Rs. 10/- each fully paid in cash | 59,687,500 | 59,687,500 |
| 350,000 | 350,000 | Ordinary shares of Rs. 10/- each issued for consideration other than cash | 3,500,000 | 3,500,000 |
| | | Issued as fully paid bonus shares | | |
| 10,975,932 | 7,974,375 | Opening balance | 109,759,320 | 79,743,750 |
| 3,631,883 | 3,001,557 | Issued during the year | 36,318,830 | 30,015,570 |
| 14,607,815 | 10,975,932 | Closing balance | 146,078,150 | 109,759,320 |
| 20,926,565 | 17,294,682 | | 209,265,650 | 172,946,820 |

## 17. RESERVES

| | 2012 | 2011 |
|---|---|---|
| **Capital reserve** | | |
| Share premium | 63,281,250 | 63,281,250 |
| **Revenue reserve** | | |
| General | 85,000,000 | 85,000,000 |
| Accumulated profit | 662,013,064 | 472,124,375 |
| | 747,013,064 | 557,124,375 |
| Unrealized gain/(loss) on revaluation of available for sale investments | 18,742,714 | (513,868) |
| | 829,037,028 | 619,891,757 |

## 18. LONG TERM FINANCING – Secured

| | Note | Installments Number | Installments Commencing from | Mark-up | 2012 Rupees | 2011 Rupees |
|---|---|---|---|---|---|---|
| From banking companies | | | | | | |
| Al Baraka Bank Pakistan Limited | 18.1 & 18.2 | 16 quarterly | October 2009 | 6 months KIBOR plus 1.8% per annum | 25,000,000 | 50,000,000 |
| Bank Al Habib Limited | 18.2 | 8 quarterly | January 2010 | 6 months KIBOR plus 2.25% per annum | - | 3,750,000 |
| Bank Al Habib Islamic | 18.2 | 12 quarterly | February 2011 | 6 months KIBOR plus 1.75% per annum | 75,000,000 | 125,000,000 |
| MCB Bank Limited | 18.2 | 12 quarterly | February 2012 | 3 months KIBOR plus 2.% per annum | 87,500,000 | 125,000,000 |
| Bank Al Habib Limited | 18.2 | 14 quarterly | May 2014 | 6 months KIBOR plus 1.75% per annum | 100,000,000 | - |
| MCB Bank Limited | 18.2 | 14 quarterly | May 2014 | 3 months KIBOR plus 2% per annum | 100,000,000 | - |
| Meezan Bank Limited | 18.1 & 18.2 | 16 quarterly | March 2013 | 3 months KIBOR plus 1.30% per annum | 75,000,000 | - |
| Meezan Bank Limited | 18.1 & 18.2 | 16 quarterly | April 2013 | 3 months KIBOR plus 1.30% per annum | 65,000,000 | - |
| | | | | | 527,500,000 | 303,750,000 |
| Less: Current portion shown under current liabilities | | | | | 147,187,500 | 128,750,000 |
| | | | | | 380,312,500 | 175,000,000 |

**18.1** Represents Diminishing Musharaka obtained from banks. The assets are jointly owned by the bank to the extent of bank's musharaka share.

**18.2** These are secured by way of first pari passu charge over fixed assets of the Company amounting to Rs.1,001 million.

## 19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Represent finance leases entered into with commercial banks for vehicles. Total lease rentals due under various lease agreements aggregate to Rs. 23,564,186/- (2011: Rs. 25,872,532/-) and are payable in equal monthly installments latest by March 2016. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee has to pay the entire rent for unexpired period. Financing rates of approximately 12.72 to 14.25 (2011: 15.07 to 16.00) percent per annum has been used as discounting factor. Purchase options can be exercised by the lessee in accordance with the respective lease agreements. The movement in the finance lease liability is as follows:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Minimum lease Payments | Present Value | Minimum lease Payments | Present Value |
| | (Rupees) | | | |
| Within one year | 9,305,133 | 7,119,185 | 9,054,715 | 6,349,843 |
| After one year but not more than five years | 14,259,053 | 12,267,661 | 16,817,817 | 14,058,991 |
| Total minimum lease payments | 23,564,186 | 19,386,846 | 25,872,532 | 20,408,834 |
| Less: Amount representing finance charges | 4,177,340 | - | 5,463,698 | - |
| Present value of minimum lease payments | 19,386,846 | 19,386,846 | 20,408,834 | 20,408,834 |
| Less: Current maturity shown under current liability | 7,119,185 | 7,119,185 | 6,349,843 | 6,349,843 |
| | 12,267,661 | 12,267,661 | 14,058,991 | 14,058,991 |

# Notes to the Financial Statements
For the year ended September 30, 2012

| | | Note | 2012 | 2011 |
|---|---|---|---|---|
| | | | Rupees | |
| **20.** | **DEFERRED LIABILITY** | | | |
| | Staff gratuity | 20.1 | 6,438,840 | 5,681,987 |
| **20.1** | **Staff gratuity** | | | |
| | Opening net liability | | 5,681,987 | 5,742,073 |
| | Expense for the year | | 1,440,195 | 1,097,678 |
| | | | 7,122,182 | 6,839,751 |
| | Benefits paid during the year | | (683,342) | (1,157,764) |
| | Liability to be recognized | | 6,438,840 | 5,681,987 |
| | **Expense for the year** | | | |
| | Current service cost | | 732,103 | 602,081 |
| | Interest cost | | 708,092 | 671,215 |
| | Actuarial (gain) / loss recognized | | - | (175,618) |
| | Expense for the year | | 1,440,195 | 1,097,678 |
| | **Reconciliation** | | | |
| | Present value of defined benefit obligation | | 6,438,840 | 5,681,987 |
| | Unrealized (gain) / actuarial losses | | - | - |
| | Liability to be recognized as at September 30 | | 6,438,840 | 5,681,987 |

Comparisons for five years:

| As at September 30 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| | (Rupees) | | | | |
| Present value of defined benefit obligation | 6,438,840 | 5,681,987 | 5,742,073 | 4,867,802 | 5,483,775 |
| Fair value of plan assets | - | - | - | - | - |
| Deficit | 6,438,840 | 5,681,987 | 5,742,073 | 4,867,802 | 5,483,775 |

**20.2** The Projected Unit Credit Method, using the following significant assumptions was used for the valuation of the scheme:

- discount rate at 13 % per annum;
- expected rate of increase in salary level at 10 % per annum;
- expected average remaining life of employees 30 years.

# Notes to the Financial Statements

For the year ended September 30, 2012

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| **21. DEFERRED TAXATION** | | | |
| Credit balances arising due to : | | | |
| Accelerated tax depreciation, assets subject to finance leases, accrued markup and long term investment | | 281,674,406 | 227,644,570 |
| Debit balances arising due to: | | | |
| Provision for gratuity | | (2,253,594) | (1,988,695) |
| Provision for doubtful debts | | (5,945,753) | (5,945,753) |
| Provision for doubtful deposits and prepayments | | (3,065,844) | (3,065,844) |
| Provision for impairment on short-term investments | | (123,900) | (123,900) |
| Provision for doubtful long-term receivable | | (14,878,849) | (14,878,848) |
| Carry over of minimum tax | | (24,503,652) | (43,586,700) |
| | | (50,771,592) | (69,589,740) |
| | | 230,902,814 | 158,054,830 |
| **22. PROVISION FOR QUALITY PREMIUM** | | | |
| Provision for quality premium | 22.1 | 119,290,919 | 119,290,919 |

**22.1** Sugar mills in Sindh are required to pay quality premium to cane growers at the rate of fifty (50) paisas per forty (40) Kg cane for each 0.1 percent of excess sucrose recovery above the benchmark of 8.7 percent determined on over all sucrose recovery of each mill. The Company has challenged the levy of quality premium before the Honorable High Court of Sindh, which decided the matter against the Company. The Company has filed an appeal with the Honorable Supreme Court of Pakistan. While admitting the appeal against the impugned judgment of the Honorable High Court of Sindh, the Honorable Supreme Court of Pakistan granted stay to the Company. The Punjab Government is not levying any quality premium in view of an earlier decision of Lahore High Court in a similar case wherein the Court had declared the demand of quality premium as unlawful.

Although the matter is under litigation, the Company carries full provision against quality premium pertaining to the period from 1999 to 2008, as a matter of prudence.

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| **23. TRADE AND OTHER PAYABLES** | | | |
| Creditors | | 56,534,262 | 79,762,214 |
| Accrued expenses | | 10,364,672 | 3,270,183 |
| Advances from customers | | 1,053,890,371 | 1,498,357,826 |
| Workers' profits participation fund | 23.1 | 7,174,383 | 22,149,673 |
| Workers' welfare fund | 23.2 | 15,113,124 | 11,253,052 |
| Unclaimed dividend | | 8,836,001 | 7,369,122 |
| Other liabilities | | 17,450,629 | 11,965,357 |
| | | 1,169,363,442 | 1,634,127,427 |

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| **23.1 Workers' Profit Participation Fund** | | | |
| Balance at the beginning of the year | | 22,149,673 | 17,265,025 |
| Allocation for the year | 23.1.1 | 7,174,383 | 22,149,673 |
| | | 29,324,056 | 39,414,698 |
| Add: Interest on funds utilized in the Company's business | | 223,750 | 113,800 |
| | | 29,547,806 | 39,528,498 |
| Less: Amount paid to trustees of the fund | | 22,373,423 | 17,378,825 |
| | | 7,174,383 | 22,149,673 |

**23.1.1** During the current year the Company, based on the advice of the legal advisor, has changed the basis for calculating charge for WPPF. Up to prior years, the Company calculated and paid charge for WPPF on the basis of five percent of accounting profit before tax. However, the legal advisor is of the view that a company may have associated companies and for the purpose of calculating charge for WPPF all such entities shall be treated as separate and distinct entities. Consequently, profit cannot be taxed twice. Further, agriculture income and income from capital gains do not constitute part of profit and the same should also be excluded from accounting profit before tax when calculating charge for WPPF.

Had the Company provided the charge for WPPF on the basis of accounting profit before tax without considering the advice of the legal advisor, the charge for WPPF would have been Rs 18.233 million instead of Rs 7.174 million provided for in the financial statement for the current year.

**23.2** During the previous year in January 2011, the Company filed a petition in the Honorable High Court of Sindh pleading that the basis for calculating charge for Worker's Welfare Fund (WWF) should be taxable income instead of higher of accounting profit before tax and taxable income. In June 2011, the Honorable High Court of Sindh granted stay to the Company against payment to WWF till the final decision of the case. Consequently, the Company has not made payment to WWF for the financial year 2011 and 2012. However, as a matter of prudence, the Company has provided charge for WWF on the higher of accounting profit before tax excluding share of profit from associate, being higher of accounting profit before tax and taxable income.

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| **24. ACCRUED MARK-UP** | | | |
| - Subordinated loans – from related parties | | 219,161 | 219,161 |
| - Short-term borrowings | | 4,861,155 | 213,118 |
| - Long-term financing | | 8,980,005 | 9,194,782 |
| | | 14,060,321 | 9,627,061 |

# Notes to the Financial Statements
For the year ended September 30, 2012

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| **25. SHORT- TERM BORROWINGS – Secured** | | | |
| From banking companies | | | |
| - Running finance under markup arrangements | 25.1 | 38,832,978 | - |
| - Short term loans | 25.2 | 286,595,861 | - |
| | | 325,428,839 | - |

**25.1** The aggregate facilities for short term running finance available from various banks as of September 30, 2012 amount to Rs. 100 million (2011: Rs. 50 million) of which Rs. 61.167 million (2011: Rs. 50 million) remained unutilized at year end. These are under mark up arrangements and are secured against hypothecation of stores and spare parts and trade receivables. These finances carried mark up ranging between 12.22 to 15.52 (2011: 14.74 to 15.79) percent payable quarterly.

**25.2** This represents a utilized portion of loan facilities of Rs. 1,900 million (2011: 1,675 million) obtained from various banks and carried markup ranging between 11.54 to 13.89 (2011: 15.01 to 15.87) percent. These are secured against pledge of stock of sugar. These are repayable latest by March 31, 2013.

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| **26. PROVISION FOR MARKET COMMITTEE FEE** | | | |
| Provision for market committee fee | 26.1 | 49,999,163 | 42,777,959 |

26.1 During the year 1999-2000, the Market Committee filed a law suit for the recovery of market committee fee before the Senior Civil Judge Tando Allahyar. The Company contested the law suit on the ground that Market Committee was not lawfully constituted. The Senior Civil Judge Tando Allahyar, however, passed a decree against the Company on March 12, 2003 amounting to Rs. 43.7 million plus fee amounting to Rs. 9.85 million relating to the years upto 2003-2004. Subsequently, the Government of Sindh withdrew the levy of Market Committee for crushing season of 2004-2005. The Company filed an appeal against the aforesaid order of Senior Civil Judge Tando Allahyar with the District Judge, Hyderabad and the same was dismissed by the District Judge during 2006-2007. Consequently, in 2006-2007 the Company filed an appeal and obtained a stay order from the Honorable High Court of Sindh. In the year 2008-2009, the Honorable High Court of Sindh made a decision in this respect and determined the Company's liability in the sum of Rs. 32.70 million upto the month of June 2008. The Company filed an appeal in the Supreme Court of Pakistan against the amount of liability determined by the High Court of Sindh which is pending. During the prior years, as a matter of prudence, the Company fully provided the amount determined by the Honourable High Court of Sindh and has also provided further liability on account of market committee fee for subsequent crushing seasons 2008-2012 amounting to Rs. 17.29 million which includes Rs. 7.22 million provided during the current year.

## 27. CONTINGENCIES AND COMMITMENTS CONTINGENCIES

**27.1** Contribution demanded by SESSI amounted to Rs. 3.28 million (2011: Rs. 3.28 million) for the period from July 1987 to August 1990 which has been disputed by the Company. The case is pending before the Honorable High Court of Sindh. The Company and its legal counsel are hopeful of the favourable outcome of the case and hence, no provision has been made against the above demand in these financial statements.

# Notes to the Financial Statements
For the year ended September 30, 2012

**27.2** DGDP risk purchase claim amounted to Rs. 38.58 million (2011: Rs. 38.58 million) which is disputed by the Company on the ground that the goods were already delivered and the DGDP had no right to make the risk purchase claim and that the DGDP who failed to lift the goods was responsible for the breach of the contract. The Company has filed a counter claim of Rs. 25.81 million (2011: Rs. 25.81 million) against the said breach of contract. The cases are pending before the Honorable Supreme Court of Pakistan - Rawalpindi bench and the Honorable Lahore High Court, Rawalpindi Bench. The management and legal counsel of the Company are confident that no liability will arise in respect of the risk purchase claim, and hence no provision has been made for the same in these financial statements.

**27.3** The Company has filed an appeal before the Honorable High Court of Sindh which has granted a stay to the Company against the order of Customs, Excise and Sales Tax Appellate Tribunal, Karachi upholding allegation of non payment of sales tax on advances etc., amounting to Rs. 11,087,051/- (2011: Rs. 11,087,051/-). Based on the facts and advise of the legal advisor, the management is confident of a favorable outcome and hence no provision is made in these financial statements.

**27.4** The Company has also filed an appeal before Customs, Excise and Sales Tax Appellate Tribunal, Karachi, which is pending for hearing, against the order of the Deputy Collector, Collectorate of Customs, Excise and Sales Tax (Adjudication), Hyderabad to pay off alleged demand of Rs.10,746,624/- (2011: Rs. 10,746,624/-) alongwith additional tax and penalty. Based on the advise of the legal advisor, the management is confident of a favourable outcome and hence no provision is made in these financial statements.

**27.5** Pakistan Standards and Quality Control Authority had demanded a fee payment at the rate of 0.1 percent of ex-factory price for the year 2008-09 amounting to Rs. 2.2 million. The Company is of the view that demand notifications so raised are without any lawful authority under the PSQCA Act-VI of 1996 and are in violation of the constitution. Based on the advise of the legal advisor, the management is confident that it would not be liable to pay the said marking fee and hence no provision is made in these financial statements.

**COMMITMENTS**

**27.6** Commitments in respect of capital expenditure as on September 30, 2012 amounted to Rs. 26.418 million (2011: Rs. 246.130 million).

**27.7** Commitments in respect of operating lease rentals for farms as on September 30, 2012 amounted to Rs. 54.995 million (2011: Rs. 86.175 million).

| | Year | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| **27.8** Commitments for Ijarah rentals in respect of motor vehicles | 2012-2013 | 1,006,860 | - |
| | 2013-2014 | 1,006,860 | - |
| | 2014-2015 | 503,430 | - |
| | | 2,517,150 | - |

# Notes to the Financial Statements
For the year ended September 30, 2012

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| **28. TURNOVER** | | | |
| Sales | | | |
| - Sugar – exports | | 516,520,354 | - |
| - Sugar – local | | 3,612,514,844 | 4,226,267,604 |
| - Molasses | | 279,385,495 | 330,102,696 |
| - Bagasse | | 10,854,124 | 47,112,522 |
| | | 4,419,274,817 | 4,603,482,822 |
| **29. COST OF SALES** | | | |
| **Manufactured sugar:** | | | |
| Cost of sugarcane consumed (including procurement and other expenses) | | 2,975,479,545 | 4,521,188,762 |
| Market committee fee | | 7,221,204 | 10,077,959 |
| Road cess on sugarcane | | 4,513,378 | 5,056,498 |
| Salaries, wages and other benefits | 29.1 | 111,025,315 | 113,665,847 |
| Stores and spare parts consumed | | 133,127,359 | 175,606,159 |
| Repairs and maintenance | | 46,775,418 | 40,478,478 |
| Fuel, electricity and water charges | | 14,351,765 | 17,341,151 |
| Vehicle running and maintenance expenses | | 6,685,979 | 5,388,014 |
| Insurance | | 6,730,459 | 6,182,635 |
| Depreciation | 5.1.1 | 84,676,152 | 65,625,429 |
| Other overheads | | 18,113,081 | 17,764,996 |
| | | 3,408,699,655 | 4,978,375,928 |
| Opening stock of work-in-process | | 3,763,964 | 3,207,539 |
| Closing stock of work-in-process | | (2,959,297) | (3,763,964) |
| | | 804,667 | (556,425) |
| Cost of goods manufactured | | 3,409,504,322 | 4,977,819,503 |
| Opening stock of finished goods | | 1,454,806,439 | 250,629,437 |
| Closing stock of finished goods | | (1,092,338,729) | (1,454,806,439) |
| | | 362,467,710 | (1,204,177,002) |
| | | 3,771,972,032 | 3,773,642,501 |

**29.1** This includes contribution to provident fund of Rs. 2,988,409/- (2011: Rs. 2,465,379/-) and gratuity fund of Rs 1,440,195/- (2011: Rs. 1,097,678/-).

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| **30. DISTRIBUTION COSTS** | | | |
| Salaries and other benefits | 30.1 | 1,499,492 | 1,386,065 |
| Insurance | | 18,800 | 18,800 |
| Stacking and loading | | 6,639,717 | 3,603,537 |
| Export expenses | | 19,178,898 | - |
| Selling expenses | | 239,168 | 155,450 |
| | | 27,576,075 | 5,163,852 |

**30.1** This includes contribution to provident fund of Rs. 73,806/- (2011: Rs. 51,561/-).

# Notes to the Financial Statements
For the year ended September 30, 2012

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | Rupees | |
| **31. ADMINISTRATIVE EXPENSES** | | | |
| Salaries and other benefits | 31.1 | 55,268,301 | 58,470,744 |
| Rent, rates and taxes | | 3,456,773 | 1,652,505 |
| Electricity, telephone, fax and postage | | 5,583,417 | 4,922,066 |
| Printing and stationery | | 2,276,453 | 1,693,076 |
| Travelling and conveyance | | 5,669,054 | 3,181,066 |
| Vehicle running and maintenance expenses | | 6,762,367 | 6,089,925 |
| Ijarah rentals | | 503,430 | - |
| Auditors' remuneration | 31.2 | 1,236,625 | 1,180,500 |
| Legal and professional | | 1,302,737 | 2,427,970 |
| Fees and subscription | | 1,971,789 | 888,032 |
| Insurance | | 176,720 | 176,720 |
| Repairs and maintenance | | 4,015,725 | 3,083,434 |
| Advertising | | 997,296 | 813,645 |
| Donations | 31.3 | 1,252,267 | 8,662,520 |
| Depreciation | 5.1.1 | 11,222,548 | 9,942,512 |
| Other expenses | | 431,744 | 148,829 |
| | | 102,127,246 | 103,333,544 |

**31.1** This includes contribution to provident fund of Rs. 1,462,540/- (2011: Rs. 1,335,088/-).

| | 2012 | 2011 |
|---|---|---|
| | Rupees | |
| **31.2 Auditors' remuneration** | | |
| **Statutory audit** | | |
| Ernst & Young Ford Rhodes Sidat Hyder | | |
| Statutory audit fee | 750,000 | 660,000 |
| Review of half yearly financial statements and compliance with Code of Corporate Governance | 292,500 | 300,000 |
| Other services | - | 50,000 |
| Out of pocket expenses | 64,125 | 70,500 |
| | 1,106,625 | 1,080,500 |
| **Cost audit** | | |
| Haroon Zakaria & Co. | | |
| Cost audit fee | 115,000 | 100,000 |
| Out of pocket expenses | 15,000 | - |
| | 1,236,625 | 1,180,500 |

**31.3** Includes Rs.500,000/- (2011: Rs. 8,000,000/-) paid to Hasham Foundation which is a project of Hasham Group. Mr. Mohammed Kasim Hasham, Mr. Mohammed Ebrahim Hasham, Mr. Mohammed Hussain Hasham, Mr. Khurram Kasim and Mr. Ahmed Ebrahim Hasham are trustees of the said Foundation. No other directors or their spouses have any interest in any donee's fund to which donation was made.

# Notes to the Financial Statements
For the year ended September 30, 2012

| | | Note | 2012 | 2011 |
|---|---|---|---|---|
| | | | Rupees | |
| **32.** | **OTHER OPERATING EXPENSES** | | | |
| | Workers' Profits Participation Fund | 23.1 | 7,174,383 | 22,149,673 |
| | Workers' Welfare Fund | | 3,860,072 | 4,347,042 |
| | Provision for impairment on short-term investments | | 1,583,222 | 16,965,229 |
| | Exchange loss | | 1,310,061 | - |
| | Zakat | | 82,500 | 82,500 |
| | | | 14,010,238 | 43,544,444 |
| **33.** | **OTHER OPERATING INCOME** | | | |
| | **Income from financial assets** | | | |
| | Profit on bank deposits | | 1,093,848 | 5,548,727 |
| | Gain on disposal of short term investments | | 12,746,078 | 14,177,188 |
| | Dividend income | | 12,789,414 | 9,904,872 |
| | | | 26,629,340 | 29,630,787 |
| | **Income from non financial assets** | | | |
| | Net farm income | | 23,980,452 | 32,154,120 |
| | Scrap sales | | 11,622,090 | 17,845,997 |
| | Gain on disposal of fixed assets | | 1,633,679 | 412,552 |
| | Rental income | | - | 215,629 |
| | | | 37,236,221 | 50,628,298 |
| | | | 63,865,561 | 80,259,085 |
| **34.** | **FINANCE COSTS** | | | |
| | Mark-up on: | | | |
| | Long-term financing | | 49,988,901 | 48,382,141 |
| | Short-term borrowings | | 61,541,200 | 80,263,954 |
| | Lease finance | | 2,876,070 | 3,702,891 |
| | | | 114,406,171 | 132,348,986 |
| | Bank charges | | 1,913,590 | 1,408,185 |
| | | | 116,319,761 | 133,757,171 |
| **35.** | **TAXATION** | | | |
| | Current | | 8,127,749 | 45,595,461 |
| | Prior year | | 103,583 | 6,239,841 |
| | | | 8,231,332 | 51,835,302 |
| | Deferred | 35.1 | 72,847,984 | 41,804,842 |
| | | | 81,079,316 | 93,640,144 |

**35.1** The Company is subject to Minimum Tax and Final Tax Regime under section 113 and section 169 respectively of the Income Tax Ordinance, 2001, therefore relationship between income tax expense and accounting profit has not been presented for the current year.

**35.2** Income tax assessments of the Company have been completed upto the tax year 2012 (accounting year ended September 30, 2011).

# Notes to the Financial Statements
For the year ended September 30, 2012

## 36. BASIC AND DILUTED EARNING PER SHARE

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

| | | 2012 | 2011 |
|---|---|---|---|
| Earnings after taxation attributable to ordinary shares | (Rupees) | 272,556,148 | 322,856,599 (Restated) |
| Weighted average number of ordinary shares | | 20,926,565 | 20,926,565 (Restated) |
| Earnings per share – after tax | (Rupees) | 13.02 | 15.43 |

## 37. WORKING CAPITAL CHANGES

| | 2012 | 2011 |
|---|---|---|
| | Rupees | |
| **(Increase)/decrease in current assets** | | |
| Biological assets | (14,108,482) | (29,968,038) |
| Stores and spare parts | 4,597,231 | (20,833,747) |
| Stock-in-trade | 363,272,377 | (1,204,733,427) |
| Trade debts | (68,488,552) | 85,877,826 |
| Loans and advances | (2,510,584) | 53,457,996 |
| Trade deposits and short-term prepayments | (5,689,510) | (12,287,536) |
| Other receivables | (1,073,424) | 90,906 |
| | 275,999,056 | (1,128,396,020) |
| **Increase / (decrease) in current liabilities** | | |
| Trade and other payables | (466,230,864) | 1,031,254,655 |
| Sales tax payable | 24,684,547 | 2,770,429 |
| | (441,546,317) | 1,034,025,084 |
| | (165,547,261) | (94,370,936) |

## 38. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of Pakistan Molasses Company (Private) Limited, Mogul Tobacco Company (Private) Limited, Unicol Limited, Adamjee Insurance Company Limited. Transactions with related parties, other than remuneration and benefits to directors and key management personnel under the terms of their employment, as disclosed in note 40, are as follows:

| | 2012 | 2011 |
|---|---|---|
| | Rupees | |
| **Relationships – Common directorship** | | |
| Sales | 285,268,393 | 377,215,218 |
| Expenses shared | 1,257,256 | 308,693 |
| Insurance premium | 9,423,640 | 8,535,097 |
| Donations paid | 500,000 | 8,000,000 |
| **Retirement benefit plans** | | |
| Provident fund contribution | 4,524,755 | 3,852,028 |

**38.1** Balances outstanding with related parties have been disclosed in the respective notes to the financial statements.

## 39. CAPACITY AND PRODUCTION

| | Rated capacity | | Capacity utilisation | |
|---|---|---|---|---|
| | M. Tons | Days | M. Tons | Days |
| Season 2011-2012 | 9500 TCD | 104 | 6943 TCD | 104 |
| Season 2010-2011 | 7000 TCD | 160 | 5186 TCD | 156 |

The short fall in crushing is due to shortage of raw material i.e. sugar cane.

## 40. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

**40.1** The aggregate amount, charged in the financial statements for the year are as follows:

| | 2012 | | | | 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Chief Executive Officer | Directors | Executives | Total | Chief Executive Officer | Directors | Executives | Total |
| | Rupees | | | | | | | |
| Fees | 35,000 | 80,000 | - | 115,000 | 17,000 | 43,000 | - | 60,000 |
| Managerial remuneration | 3,519,000 | 4,497,000 | 11,252,819 | 19,268,819 | 3,207,000 | 4,725,000 | 9,587,835 | 17,519,835 |
| Retirement benefits | - | - | 1,162,288 | 1,162,288 | - | 59,100 | 1,008,594 | 1,067,694 |
| Perquisites and other benefits | 2,361,000 | 3,032,000 | 7,898,285 | 13,291,285 | 2,950,000 | 4,348,500 | 9,288,385 | 16,586,885 |
| | 5,915,000 | 7,609,000 | 20,313,392 | 33,837,392 | 6,174,000 | 9,175,600 | 19,884,814 | 35,234,414 |
| Number of persons | 1 | 3 | 12 | 16 | 1 | 4 | 12 | 17 |

**40.2** In addition, the chief executive officer and executive directors are provided with free use of the Company maintained cars, in accordance with their terms of service.

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and equity price risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

### 41.1 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Company is exposed to credit risk on long-term deposits, trade debts, long term investments, loans and advances, trade deposits, other receivables, short term investments and bank balances. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

# Notes to the Financial Statements
For the year ended September 30, 2012

| | Carrying Values 2012 | Carrying Values 2011 |
|---|---|---|
| | Rupees | |
| Long-term deposits | 4,640,900 | 8,545,735 |
| Trade debts | 73,171,715 | 4,683,163 |
| Long term investment | 376,834,660 | 216,718,336 |
| Loans and Advances | 33,539,996 | 31,029,412 |
| Trade Deposits | 238,500 | 148,500 |
| Other receivables | 1,545,595 | 472,171 |
| Short term Investments | 204,396,724 | 162,988,889 |
| Bank balances | 144,614,308 | 11,850,496 |
| | 838,982,398 | 436,436,702 |

**Quality of financial assets**

The credit quality of financial assets can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

| | Carrying Values 2012 | Carrying Values 2011 |
|---|---|---|
| | Rupees | |
| **41.1.1 Trade debts** | | |
| Customers with no defaults in the past one year | 73,171,715 | 4,683,163 |
| Customers with some defaults in past one year which have been fully recovered | - | - |
| Customers with defaults in past one year which have not yet been recovered | - | - |
| | 73,171,715 | 4,683,163 |
| **41.1.2 Investments** | | |
| **Available for sale investments** | | |
| With external credit rating | | |
| A1 | 5,856,013 | 2,589,427 |
| A1+ | 75,164,493 | 51,650,262 |
| A-2 | 835,000 | - |
| Without external credit rating | 119,241,218 | 105,449,200 |
| | 201,096,724 | 159,688,889 |
| **Held-to-maturity investments** | | |
| With external credit rating | | |
| A1+ | 3,300,000 | 3,300,000 |
| **41.1.3 Bank balances** | | |
| With external credit rating | | |
| A1 | 101,449,026 | 281,957 |
| A1+ | 43,165,282 | 11,568,539 |
| A2 | - | - |
| | 144,614,308 | 11,850,496 |

# Notes to the Financial Statements
For the year ended September 30, 2012

## 41.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The Company applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates:

| **Year ended 30 September 2012** | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| Long-term financing – secured | - | 31,250,000 | 115,937,500 | 380,312,500 | - | 527,500,000 |
| Liabilities against assets subject to finance lease | - | 1,829,067 | 5,290,118 | 12,267,661 | - | 19,386,846 |
| Trade and other payables | 17,805,941 | 1,117,440,618 | 11,829,376 | - | - | 1,147,075,935 |
| Accrued markup | 219,161 | 13,841,160 | - | - | - | 14,060,321 |
| Short term borrowings | - | 175,428,839 | 150,000,000 | - | - | 325,428,839 |
| | 18,025,102 | 1,339,789,684 | 283,056,994 | 392,580,161 | - | 2,033,451,941 |

| **Year ended 30 September 2011** | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| Long-term financing – secured | - | 35,000,000 | 93,750,000 | 175,000,000 | - | 303,750,000 |
| Liabilities against assets subject to finance lease | - | 2,260,003 | 4,089,840 | 14,058,991 | - | 20,408,834 |
| Trade and other payables | 13,446,808 | 1,575,845,901 | 11,431,993 | - | - | 1,600,724,702 |
| Accrued markup | - | 9,627,061 | - | - | - | 9,627,061 |
| | 13,446,808 | 1,622,732,965 | 109,271,833 | 189,058,991 | - | 1,934,510,597 |

## 41.3 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates to the Company's long-term debt obligations, short-term borrowings, subordinated loans and lease obligations with floating interest rates.

### Sensitivity Analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

| | Increase / decrease in basis points | Effect on profit before tax |
|---|---|---|
| 2012 | | |
| KIBOR | +100 | (1,144,062) |
| KIBOR | -100 | 1,144,062 |
| 2011 | | |
| KIBOR | +100 | (1,323,490) |
| KIBOR | -100 | 1,323,490 |

**41.4 Equity price risk**

The Company's listed equity securities are susceptible to market price risk arising from uncertainties about future values of investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity instrument decisions.

At the balance sheet date, the exposure to listed equity securities held as Available for sale was Rs. 201.097million.

A (decrease) / increase of 10% on the stock exchange index would have an impact of approximately Rs. 20.11 million on the equity of the Company, depending on whether or not the (decrease) / increase is significant and prolong.

**41.5 Capital risk management**

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, trade and other payables, less cash and bank balances and investments. Capital signifies equity as shown in the balance sheet plus net debt.

The gearing ratios as at September 30, 2012 and 2011 were as follows:

| | 2012 | 2011 |
|---|---|---|
| Short term borrowings – secured | 325,428,839 | - |
| Long term financing | 303,750,000 | 527,500,000 |
| Trade and other payables | 1,634,127,427 | 1,169,363,442 |
| Accrued mark-up | 14,060,321 | 9,627,061 |
| Liabilities against asset subject to finance lease | 19,386,846 | 20,408,834 |
| Total debt | 2,055,739,448 | 1,967,913,322 |
| Less: Cash and bank balances | (11,943,333) | (144,769,742) |
| Short term investments | (162,988,889) | (204,396,724) |
| **Net debt** | 1,706,572,982 | 1,792,981,100 |
| Share capital | 209,265,650 | 172,946,820 |
| Reserves | 829,037,028 | 619,891,757 |
| **Equity** | 1,038,302,678 | 792,838,577 |
| **Capital** | 2,744,875,660 | 2,585,819,677 |
| **Gearing ratio** | 62% | 69% |

The Company finances its investment portfolio through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

# Notes to the Financial Statements
For the year ended September 30, 2012

**41.6 Fair value of financial instruments**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The Company has available for sale investments which are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

**42. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on December 04, 2012 by the Board of Directors of the Company.

**43. DIVIDEND AND APPROPRIATIONS**

The Board of Directors in their board meeting held on December 04, 2012 has recommended a final cash dividend of Re. 0.75/- per share 7.5% (2011: Re. 0.75/- per share 7.5%) and issue of bonus shares in the proportion of ten (10) ordinary shares for every hundred (100) ordinary shares held 10%. (2011: ten (10) ordinary shares for every hundred (100) ordinary shares held 10%) for the year ended September 30, 2012. The approval of the members for the proposed final cash dividend and the proposed bonus issue will be obtained at the Annual General Meeting of the Company to be held on January 28, 2013. The financial statements for the year ended September 30, 2012 do not include the effect of the final cash dividend and proposed bonus issue which will be accounted for in the financial statements for the year ending September 30, 2013.

**44. GENERAL**

Amounts have been rounded off to the nearest rupee unless otherwise stated.

Chief Executive Officer

Director

# Pattern of Shareholding
as at September 30, 2012

| Number of Shareholders | Shareholdings From | | Shareholdings To | Total Number of Shares Held |
|---|---|---|---|---|
| 1108 | 1 | - | 100 | 17,073 |
| 271 | 101 | - | 500 | 62,030 |
| 82 | 501 | - | 1000 | 61,068 |
| 113 | 1001 | - | 5000 | 246,799 |
| 30 | 5001 | - | 10000 | 194,324 |
| 14 | 10001 | - | 15000 | 174,208 |
| 6 | 15001 | - | 20000 | 98,586 |
| 6 | 20001 | - | 25000 | 133,142 |
| 4 | 25001 | - | 30000 | 109,768 |
| 4 | 30001 | - | 35000 | 132,274 |
| 4 | 40001 | | 45000 | 171,199 |
| 1 | 45001 | | 50000 | 47,832 |
| 1 | 50001 | - | 55000 | 55,000 |
| 2 | 60001 | - | 65000 | 124,107 |
| 2 | 70001 | - | 75000 | 146,151 |
| 2 | 85001 | | 90000 | 177,000 |
| 1 | 95001 | - | 100000 | 96,403 |
| 1 | 110001 | - | 115000 | 114,950 |
| 1 | 115001 | - | 120000 | 119,344 |
| 1 | 120001 | - | 125000 | 123,179 |
| 1 | 175001 | - | 180000 | 178,200 |
| 1 | 180001 | - | 185000 | 184,113 |
| 1 | 205001 | - | 210000 | 206,964 |
| 2 | 210001 | - | 215000 | 423,384 |
| 1 | 220001 | - | 225000 | 222,151 |
| 1 | 245001 | - | 250000 | 247,100 |
| 1 | 270001 | - | 275000 | 271,047 |
| 1 | 310001 | - | 315000 | 310,335 |
| 2 | 335001 | - | 340000 | 671,941 |
| 1 | 635001 | - | 640000 | 638,481 |
| 1 | 2205001 | - | 2210000 | 2,208,891 |
| 1 | 2210001 | - | 2215000 | 2,213,194 |
| 1 | 3385001 | - | 3390000 | 3,389,643 |
| 2 | 3675001 | - | 3680000 | 7,356,684 |
| 1671 | | | | 20,926,565 |

| Shareholder's Category | Number of Shareholders | Number of Shares Held | Percentage |
|---|---|---|---|
| FINANCIAL INSTITUTIONS | 1 | 419 | 0.00% |
| INDIVIDUALS | 1658 | 20,367,356 | 97.33% |
| INSURANCE COMPANY | 1 | 210,995 | 1.01% |
| JOINT STOCK COMPANIES | 8 | 341,376 | 1.63% |
| TRUST FUND | 0 | - | 0.00% |
| COOPERATIVES SOCIETY | 2 | 1,184 | 0.01% |
| OTHERS | 1 | 5,235 | 0.03% |
| INVESTMENT COMPANY | 0 | - | 0.00% |
| | 1671 | 20,926,565 | 100.00% |

# Additional Information
as at September 30, 2012

| Categories | | Number of Shareholders | Shares held | Percentage |
|---|---|---|---|---|
| a) | Associated Undertaking and related parties | None | - | 0.00 |
| b) | NIT and ICP | | | |
| | National Bank of Pakistan | None | | |
| | Investment Corporation of Pakistan | 1 | 774 | 0.00 |
| c) | Directors / CEO and their spouse and minor children | | | |
| | Mr. Mohammed Kasim Hasham | 1 | 3,679,618 | 17.58 |
| | Mr. Mohammed Ebrahim Hasham | 1 | 3,389,643 | 16.20 |
| | Mr. Mohammed Hussain Hasham | 1 | 3,677,066 | 17.57 |
| | Mr. Khurram Kasim | 1 | 2,208,891 | 10.56 |
| | Mr. Ahmed Ebrahim Hasham | 1 | 2,213,194 | 10.58 |
| | Mr. Muhammad Iqbal | 1 | 5,316 | 0.03 |
| | Mr. Farooq Hassan | 1 | 3,659 | 0.02 |
| | Mrs. Kulsoom Kasim | 1 | 183,597 | 0.88 |
| | Mrs. Khursheed Ebrahim | 1 | 335,267 | 1.60 |
| | Mrs. Marium Hussain | 1 | 175,529 | 0.84 |
| d) | Executives | None | 0 | 0.00 |
| e) | Public Sector Companies and Corporations | 6 | 286,630 | 1.37 |
| f) | Bank, DFIs, NBFIs, Insurance Companies, Mudarbas & Mutual Funds | | | |
| | MCB Bank Limited | 1 | 166 | 0.00 |
| | Habib Bank Limited | 1 | 1,756 | 0.01 |
| | EFU General Insurance Limited | 1 | 24 | 0.00 |
| | State Life Insurance Corporation of Pakistan | 1 | 210,995 | 1.01 |
| | Investment Corporation of Pakistan | 1 | 709 | 0.00 |
| g) | Shareholders holding 10% or more voting interest | | | |
| | Mr. Mohammed Kasim Hasham | 1 | 3,679,618 | 17.58 |
| | Mr. Mohammed Ebrahim Hasham | 1 | 3,389,643 | 16.20 |
| | Mr. Mohammed Hussain Hasham | 1 | 3,677,066 | 17.57 |
| | Mr. Khurram Kasim | 1 | 2,208,891 | 10.56 |
| | Mr. Ahmed Ebrahim Hasham | 1 | 2,213,194 | 10.58 |

# Proxy Form

47th Annual General Meeting

I / We ____________________________________________

of ______________________________ being member of Mehran Sugar Mills Limited,

holding ____________________ ordinary shares hereby appoint ______________

______________________________ of ______________________________ or failing

him / her ____________________________________________

of ______________ who is/are also member(s) of Mehran Sugar Mills Limited as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the 46th Annual General Meeting of the Company to be held on January 28, 2013 at 1600 PST and at any adjournment thereof.

As witness my our hand seal this ________________ day of ________________ 2013

______________

Signed by the said ______________

in the presence of ______________

______________

Signature of Shareholders

Please affix Five Rupees Revenue Stamp

**Important:**

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company 14th floor, Dolmen City Executive Tower, Marine Drive, Block 4, Cliftion, Karachi, not less than 48 hours before the time fixed for holding the Annual General Meeting.

2. No person shall act as proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.

3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

**For CDC Account Holders / Corporate Entities.**

In addition to the above, the following requirements have to be met:

i) The Proxy form shall be witnessed by two persons whose names, address and CNIC numbers shall be mentioned on the Form

ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form

iii) The Proxy shall produce his/her original CNIC or original passport at the time of the meeting.

iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with Proxy Form to the Company.

Executive Tower, Dolmen City,
14-B, 14th Floor, HC-3, Block-2,
Marine Drive, Clifton,
Karachi-75600
Tel: (92-21) 35297814-17
Fax: (92-21) 35297818, 35297827
Email: msm@mehransugar.com
Website: www.mehransugar.com