Annual Report
for the year ended 30 September 2013

# Continued Excellence

Corporate Social Responsibility

Bond with Growers

Innovative Farming

Community Empowerment

JDW

JDW Sugar Mills Limited

## Moving Ahead Together...

*Before bringing life to a vision we have to see it first. And for that we need people who specialize in seeing the impossible. Here at JDW, we are proud of the visionary men we have who take up the responsibility of creating opportunities for the future, not only for our company but for the whole community we operate in.*

*We believe life is about the betterment of the human condition; it's about social awareness, and random acts of kindness that weave the soul of humanity. Together, we all participate in weaving the social fabric; we should all therefore be patching the fabric when it develops holes. The change has begun, here at JDW, as we have started to unpack the challenges that encounter us, realizing that we each have a role that requires us to change and become more responsible for shaping our community and creating magic under JDW's vision. A vision in which everyone is benefited, be it our shareholders, the farmers or you.*



# Contents

# Corporate Information

## Board of Directors
Mukhdoom Syed Ahmed Mahmud
Director/Chairman
Mr. Jahangir Khan Tareen
Director/Chief Executive

Mrs. Sameera Mahmud
Mr. Ejaz Ahmed Phulpoto
Mr. Raheal Masud
Mr. Asim Nisar Bajwa
Mr. Zafar Iqbal

## Chief Operating Officer
Rana Nasim Ahmed

## Group Director (Finance), CFO & Company Secretary
Mr. Muhammad Rafique

## Audit Committee
Mr. Asim Nisar Bajwa
Chairman / Member
Mr. Raheal Masud
Member
Mr. Zafar Iqbal
Member

## HR & R Committee
Mr. Ejaz Ahmed Phulpoto
Chairman / Member
Mr. Raheal Masud
Member
Mr. Zafar Iqbal
Member

## Auditors
KPMG Taseer Hadi & Co.
Chartered Accountants

## Registrar
Corplink (Pvt.) Ltd.

## Legal Advisor
Cornelius, Lane & Mufti

## Bankers
Faysal Bank Limited
MCB Bank Limited
United Bank Limited
Allied Bank Limited
The Bank of Punjab
BankIslami (Pakistan) Limited
Barclays Bank Plc.
Askari Bank Limited
Habib Bank Limited
Pakistan Kuwait Investment Company (Private) Limited
Pair Investment Company Limited
Standard Chartered Bank (Pakistan) Limited
Silk Bank Limited
Pak Brunei Investment Company Limited
Saudi Pak Industrial & Agricultural Investment Company Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited
Soneri Bank Limited
National Bank of Pakistan

## Registered Office
17-Abid Majeed Road,
Lahore Cantonment, Lahore.

## Mills
Unit-I
Mauza Shirin, Jamal Din Wali,
Distt. Rahim Yar Khan.

Unit-II
Machi Goth, Sadiqabad.
Distt. Rahim Yar Khan.

Unit-III
Mauza Laluwali, Near Village
Islamabad, Distt. Ghotki.

## Web Presence
www.jdw-group.com

# Mission & Strategy

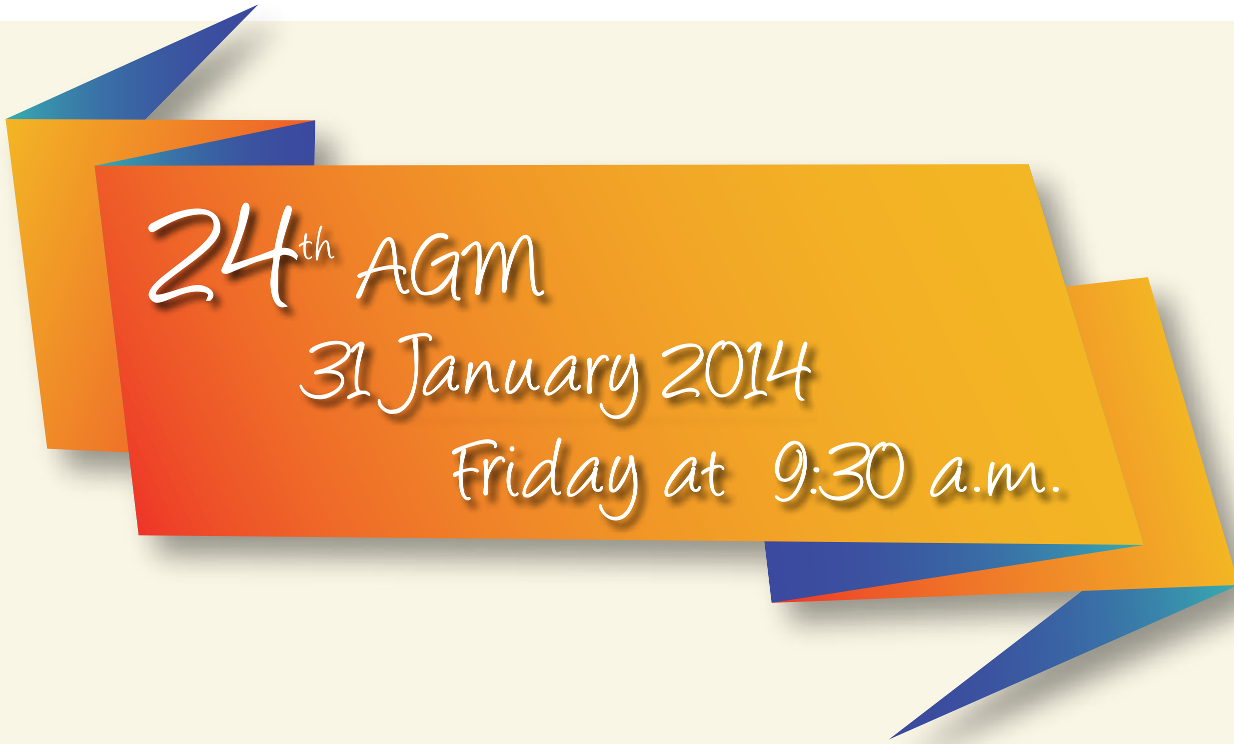
## Mission

- To be the market leader and a world-class organization by meeting and proactively anticipating customer needs.
- To maximize the wealth of stakeholders by optimizing the long term returns and growth of the business.
- To be amongst the most efficient and lowest cost producers in the industry.
- To ensure a safe, harmonious and challenging working environment for the employees.

## Strategy

- To grow our base business in sugar and build those related activities where there is opportunity to smooth the impact of sugar price cycles.
- To produce sugar which is of highest international standards.
- To make investment in sugarcane crop to ensure regular supply of cane and profitability of growers.
- To offer equal and fair growth opportunities to all employees.
- To undertake and support community development and welfare projects in order to fulfil social commitments.

# Notice of Annual General Meeting




Notice is hereby given that 24th Annual General Meeting of JDW Sugar Mills Limited (the "Company") will be held at Summit Hall, Royal Palm, Golf & Country Club, 52-Canal Bank Road, Lahore on Friday, January 31, 2014 at 9:30 a.m., to transact the following business:

## Ordinary Business:

1. To confirm the minutes of the last 23rd Annual General Meeting held on January 31, 2013.

2. To receive, consider and adopt the audited unconsolidated and consolidated financial information of the company for the financial year ended on 30th September, 2013 together with Directors' and Auditors' Reports thereon.

3. To approve a final cash dividend @ 60% i.e. Rs. 6 per share for the financial year ended September 30, 2013 as recommended by the Board of Directors.

4. To appoint Auditors of the Company for the next financial year 2013-14 and fix their remuneration. The retiring Auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants, being eligible, have offered themselves for re-appointment as Auditors of the Company.

## Special Business:

5. Advances To Associated Company - Faruki Pulp Mills Limited

   To consider and if deemed fit to pass the following resolutions with or without modification, addition or deletion, as special resolutions for advances to associated company:

   **a)** **"RESOLVED THAT** consent and approval of the members of the Company be and is hereby accorded under Section 208 of the Companies Ordinance, 1984 for sanction of short term advances to Faruki Pulp Mills Limited, an associated undertaking of the Company, for up to an aggregate amount of Rs. 1,700,000,000 (Rupees one billion seven hundred million) for a period of one year from February 01, 2014 to January 31, 2015 (both days inclusive) at markup rate not less than the borrowing cost of the Company.

   **b)** **FURTHER RESOLVED THAT** Mr. Muhammad Rafique, Company Secretary of the Company be and is hereby authorized to give effect to the above resolution and take all necessary steps as required under law or otherwise and to sign and execute any agreement, documents etc. for and on behalf of the Company in relation to the above advances."

6. To transact any other business with the permission of the Chairman.

By Order of the Board

Dated: January 10, 2014
Lahore:

(Muhammad Rafique)
Company Secretary

# Notice of Annual General Meeting

**NOTES:**

Member's Register Closure:

1. The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from 24th January, 2014 to 31st January, 2014 (both days inclusive).

Appointment of Proxy (ies):

2. A member entitled to attend and vote at the general meeting may appoint any other member as proxy in writing to attend the meeting and vote on his/her behalf.

3. Duly completed form(s) of proxy must be deposited with the Company at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.

4. CDC Account holders will further have to follow the under-mentioned guidelines as laid down in circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meetings :

**In case of individuals,** the account holders or sub-account holders whose registration details are uploaded as per regulations, shall authenticates his/her original valid Computerized National Identity Card (CNIC) or original passport at the time of attending meeting.

**In case of Corporate Entity,** Board of Director's Resolution/Power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

B. For Appointment of Proxies:

i. In case of individuals, the account holder or sub-account holders whose registration details are uploaded as per regulations, shall submit the proxy form as per above requirement.

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

iii. The Proxy shall produce his CNIC or the passport at the time of meeting.

iv. In case of corporate entity, the Board of Director's Resolution/Power of attorney with specimen signature shall be submitted (unless provided earlier) along with proxy form.

v. The Proxy form shall be witnessed by two persons whose name, CNIC No. and address shall be mention on proxy form.

5. Members are requested to notify immediately changes of their addresses (if any) to our Shares Registrar Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore.

Compliance of SECP SRO No. 779(1)2011 dated August 18, 2011:

6. SECP also directed vide SRO No. 779(1)2011 dated August 18, 2011 to issue dividend warrant only crossed as "A/C Payee's Only" and should bear the Computerized National Identity Card Number (CNIC) of the registered member. Members, who have not yet submitted photocopy of their valid CNIC are requested to send the same at the earliest directly to the Company's Share Registrar M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore. No dividend will be payable unless the CNIC number is printed on the dividend warrants, so please let us have your CNIC numbers failing of which we will not be liable if we are not able to pay the dividends.

Compliance of SECP letter No. 8(4) SM/CDC 2008 dated April 05, 2013:

7. As directed by SECP letter No. 8(4) SM/CDC 2008 of 2013 dated April 05, 2013, the shareholders can get amount of dividend by authorizing the Company to directly credit dividend in their bank accounts through electronically (e-dividend) without any delay, if any, declared by the Company in future. If you wish that the dividend if declared by the Company be directly, credited into your bank account, instead of issuing a dividend warrants, to avail e-dividend facility please contact company's shares registrar at Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore.

# Explanatory statement required by section
## 160 (1) (b) of the Companies Ordinance, 1984



Agenda item No. 5:

Brief of Investee Company

Faruki Pulp Mills Limited ("FPML") was incorporated as an unlisted public limited Company on October 02, 1991 and certificate for commencement of business was issued on November 26, 1991. The principal business of FPML is manufacturing of wood pulp from Eucalyptus.

The manufacturing facility of FPML is located in Gujarat, Punjab and is the 'only' Bleached Kraft Pulp ("BKP") manufacturer in Pakistan and based primarily on Eucalyptus wood having a capacity of 200 tons per day ("tpd") or 68,000 tons per annum ("tpa"). FPML is an agricultural based Project using all local raw materials to produce an import substitute/ export.

i) Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established:

Faruki Pulp Mills Limited is an associated company of JDW Sugar Mills Limited ("the Company/JDW") due to common directorship of Mr. Raheal Masud, (Director) of JDW, who is also director in FPML. Moreover JDW owns 51,500,000 shares of Rs. 10 each of FPML, which constitute approximately 47.685% of the total issued and voting shares in FPML.

ii) Amount of loans or advances:

Short term advances will be given up to an aggregate amount of Rs. 1,700,000,000 (Rupees one billion seven hundred million) for one year commencing from February 01, 2014 to January 31, 2015 (both days inclusive).

iii) Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans or advances:

The purpose of the advances is to provide funds to FPML to meet its short term immediate funds requirements.

FPML is an associated company of JDW and JDW owns its 51,500,000 shares of Rs. 10 each, which constitute approximately 47.685% of the total issued and voting shares in FPML. The subject advances to FPML should facilitate FPML to meet its immediate funds requirements. Expected dividend returns from FPML will enhance profitability of the company, which resultantly will strengthen/consolidate its share price and confidence of investors and creditors.

iv) In case any loan has already been granted to the said associated company or associated undertaking, the complete details thereof:

FPML has availed Rs. 1,250,000,000 (Rupees one billion two hundred fifty million) loan from JDW to meet its immediate funds requirements at the mark up rate of not less than the borrowing cost of the company, which is expiring on January 31, 2014.

v) Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements:

Based on the audited financial statements for the financial year ended June 30, 2013, the financial position of FPML appears to be as under:

| Particulars | | Amount (Rs.) |
|---|---|---|
| Paid up capital | : | 1,080,000,000 |
| General reserves | : | Nil |
| Long term loans/leases and other liabilities | : | 1,088,888,890 |
| Sponsors loans | : | 2,306,287,915 |
| Long term deposits | : | Nil |
| Turnover | : | Nil |
| Accumulated losses | : | (712,481,573) |
| Surplus on revaluation of fixed assets | : | Nil |
| Current assets | : | 177,296,972 |
| Profit/(loss) after tax | : | (599,760,868) |
| Current ratio | : | 0.06 : 1 |
| Earnings per share | : | Nil |
| Break up value per share | : | 3.40 |

vi) Average borrowing cost of the investing company or in case of absence of borrowing the Karachi Inter Bank Offered Rate for the relevant period

Average borrowing cost of the company.

vii) Rate of interest, mark up, profit, fees or commission etc. to be charged:

Mark up will be charged at a rate not less than the borrowing cost of the Company.

viii) Source of funds from where loan or advances will be given:

The advances will be advanced primarily out of the Company's available surplus funds from its business activities.

ix) Where loan or advances are being granted using borrowed funds:

I) Justification for granting loan or advance out of borrowed funds;
N/A

# Explanatory statement required by section
## 160 (1) (b) of the Companies Ordinance, 1984

II) Detail of guarantees/assets pledged for obtaining such funds;
N/A

III) Repayment schedules of borrowing of the investing company.
N/A

x) Particulars of Collateral Security to be obtained against loan to the borrowing company or undertaking, if any:

Management of the Company does not consider it necessary to obtain direct collateral security from FPML, since FPML is an associated undertaking of the Company and under common management.

xi) If the loans or advances or advances carry conversion feature.

NIL

xii) Repayment Schedule:

The advances would be for a period of one year from February 1st 2014 to January 31st 2015 (both days inclusive) and would be renewable on terms and conditions as approved by the members through special resolution.

xiii) Salient feature of all agreements entered or to be entered with its associated company with regard to proposed investment:

The company has entered a loan/advances agreement with FPML.

xiv) Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or the transaction under consideration:

The Directors of the Company are interested in the business to the extent that one of the Directors namely Mr. Raheal Masud is also director in FPML and may hold qualification shares in FPML. Moreover the company is owned substantial shareholding of the FPML.

xv) Any other important details necessary for the members to understand the transaction:

All important disclosure has already been provided above in this document.

xvi) In case of investment in a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information is as under:

I) A description of the project and its history since conceptualization;
Faruki Pulp Mills Limited was incorporated as an unlisted public limited Company on October 02, 1991 and certificate for commencement of business was issued on November 26, 1991. The principal business of FPML is manufacturing of wood pulp from Eucalyptus. The manufacturing facility of FPML is located in Gujarat, Punjab and is the ‘only’ Bleached Kraft Pulp (“BKP”) manufacturer in Pakistan and based primarily on Eucalyptus wood having a capacity of 200 tons per day (“tpd”) or 68,000 tons per annum (“tpa”). FPML is an agricultural based Project using all local raw materials to produce an import substitute/ export. The project is at construction, erection and testing stage.

II) Starting date and expected date of completion;
The project is at construction, erection and testing stage.

III) Time by which such project shall become commercially operational;
The project is at construction, erection and testing stage.

IV) Expected return on total capital employed in the project;
In the shape of Expected Dividends.

STATUS OF EQUITY INVESTMENT IN JDW POWER (PRIVATE) LIMITED AS REQUIRED BY SECP NOTIFICATION NO. SRO. 865(I)2000, DATED DECEMBER 6, 2000.

Members in their Extra-Ordinary General Meeting held on Sunday, November 1, 2009 at 11.00 a.m. at Registered Office of the company had approved equity investment of up to an aggregate sum of Rs. 500,000,000 in the equity of JDW Power (Private) Limited (“JDWPL”) which is an associated company of the company and was planning to set up 80 MW co-generation power plant at Jamal Din Wali Distt. Rahim Yar Khan.

By virtue of said approval the company was authorized to subscribe up to 50,000,000 ordinary shares of Rs. 10/- each at par value of JDWPL as and when were offered by JDWPL, out of which company had so far been allotted 9,000,000 shares of Rs. 10 each in the paid up value of Rs. 90,000,000.

Moreover, Board in their meeting held on January 3, 2013 had decided to close permanently the said proposed 80 MW Co-Generation power plant owing to unavoidable circumstances.

STATUS OF FUND INVESTMENT IN FARUKI PULP MILLS LIMITED AS PER SPECIAL RESOLUTION PASSED IN AUGUST 3, 2010 AS REQUIRED UNDER SECP NOTIFICATION NO. SRO. 865(I)2000, DATED DECEMBER 6, 2000.

The Sponsors Support Agreement (“SSA”) was signed by the company after getting approval of its members through special resolution in its Extra Ordinary General meeting held on August 03, 2010 for fulfilling the fund requirements of FPML to complete its project. As of today; no loan/advance or investment has been made to FPML by the company pursuant to the SSA.

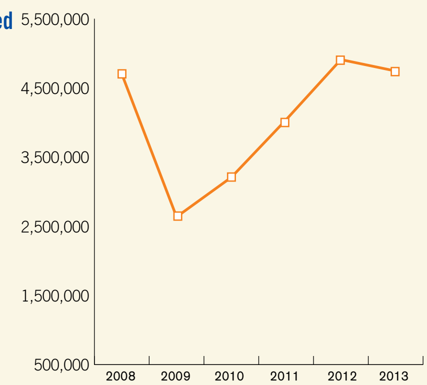
# Operating Highlights

| Operating Results | | 2013 | 2012 | 2011 | 2010 | (Rupees in thousand) 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Gross sales | | **28,516,197** | 24,491,645 | 26,467,626 | 21,386,484 | 11,253,261 | 12,407,766 |
| Net sales | | **27,183,282** | 22,749,880 | 24,729,491 | 20,380,684 | 9,898,459 | 10,801,461 |
| Cost of sales | | **23,981,411** | 20,387,895 | 20,594,228 | 16,744,651 | 7,510,054 | 8,818,583 |
| Administrative & selling expenses | | **769,318** | 485,546 | 445,618 | 356,151 | 242,381 | 351,519 |
| Finance cost | | **1,118,578** | 1,334,999 | 1,375,701 | 1,168,440 | 1,127,468 | 816,218 |
| Other expenses | | **137,650** | 119,204 | 156,975 | 212,051 | 115,553 | 91,141 |
| Other income | | **(134,507)** | (126,044) | (66,439) | (58,066) | (24,439) | (70,322) |
| Profit before taxation | | **1,310,832** | 548,281 | 2,223,409 | 1,957,457 | 927,036 | 794,323 |
| Profit after taxation | | **924,523** | 687,275 | 1,372,430 | 1,245,984 | 587,654 | 484,453 |
| Basic earnings per share | Rs. | **15.47** | 11.52 | 24.95 | 22.89 | 13.50 | 10.94 |
| Dividend - cash | % | **60** | 60 | 90 | 70 | 40 | 35 |
| - bonus | % | **-** | - | - | 10 | - | 15 |

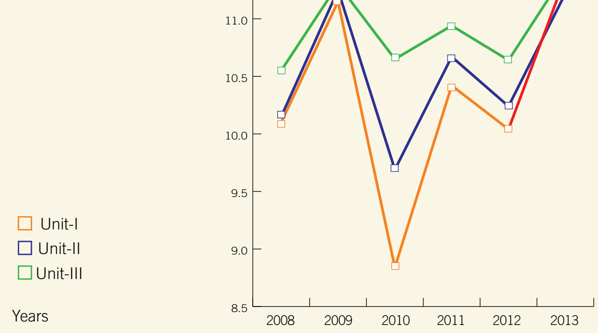
| Production Data | | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| **Unit - I** | | | | | | | |
| Season started | Date | **30-Nov-12** | 18-Nov-11 | 25-Nov-10 | 15-Nov-09 | 23-Nov-08 | 19-Nov-07 |
| Season closed | Date | **11-Apr-13** | 7-Apr-12 | 31-Mar-11 | 5-Mar-10 | 9-Mar-09 | 1-May-08 |
| Days worked | Days | **133** | 142 | 127 | 111 | 107 | 165 |
| Average daily crushing | M.Tons | **19,066** | 19,095 | 16,703 | 15,469 | 13,911 | 17,239 |
| Sugar cane crushed | M.Tons | **2,535,823** | 2,711,463 | 2,121,232 | 1,717,041 | 1,488,463 | 2,844,395 |
| Sugar recovery | % age | **11.40** | 10.04 | 10.42 | 8.84 | 11.15 | 10.16 |
| Sugar production | M.Tons | **289,147** | 272,226 | 221,079 | 151,850 | 165,968 | 288,949 |
| Molasses recovery | % age | **3.90** | 4.40 | 3.84 | 4.48 | 4.03 | 4.74 |
| Molasses production | M.Tons | **99,001** | 119,229 | 81,466 | 77,006 | 60,021 | 134,817 |
| **Unit - II** | | | | | | | |
| Season started | Date | **30-Nov-12** | 18-Nov-11 | 25-Nov-10 | 15-Nov-09 | 23-Nov-08 | 19-Nov-07 |
| Season closed | Date | **7-Apr-13** | 31-Mar-12 | 30-Mar-11 | 1-Mar-10 | 5-Mar-09 | 18-Apr-08 |
| Days worked | Days | **129** | 135 | 126 | 107 | 103 | 152 |
| Average daily crushing | M.Tons | **7,811** | 7,872 | 6,887 | 6,592 | 5,784 | 6,551 |
| Sugar cane crushed | M.Tons | **1,007,658** | 1,062,742 | 867,796 | 705,363 | 595,765 | 995,700 |
| Sugar recovery | % age | **11.36** | 10.24 | 10.67 | 9.69 | 11.25 | 10.15 |
| Sugar production | M.Tons | **114,516** | 108,864 | 92,595 | 68,352 | 67,044 | 101,082 |
| Molasses recovery | % age | **4.11** | 4.21 | 4.17 | 4.35 | 4.21 | 5.11 |
| Molasses production | M.Tons | **41,384** | 44,783 | 36,222 | 30,677 | 25,083 | 50,864 |
| **Unit - III** | | | | | | | |
| Season started | Date | **3-Dec-12** | 25-Nov-11 | 1-Dec-10 | 9-Nov-09 | 1-Dec-08 | 30-Nov-07 |
| Season closed | Date | **27-Mar-13** | 20-Mar-12 | 31-Mar-11 | 5-Mar-10 | 4-Mar-09 | 23-Apr-08 |
| Days worked | Days | **115** | 117 | 121 | 117 | 94 | 146 |
| Average daily crushing | M.Tons | **10,440** | 9,701 | 8,690 | 6,720 | 5,879 | 5,908 |
| Sugar cane crushed | M.Tons | **1,200,650** | 1,135,063 | 1,051,525 | 786,256 | 552,646 | 862,496 |
| Sugar recovery | % age | **11.22** | 10.64 | 10.94 | 10.65 | 11.30 | 10.55 |
| Sugar production | M.Tons | **134,718** | 120,721 | 115,033 | 83,697 | 62,484 | 90,918 |
| Molasses recovery | % age | **4.01** | 4.38 | 4.27 | 4.41 | 4.02 | 5.66 |
| Molasses production | M.Tons | **48,155** | 49,675 | 44,936 | 34,685 | 22,250 | 48,785 |

# Operating Highlights
## Graphical Presentation

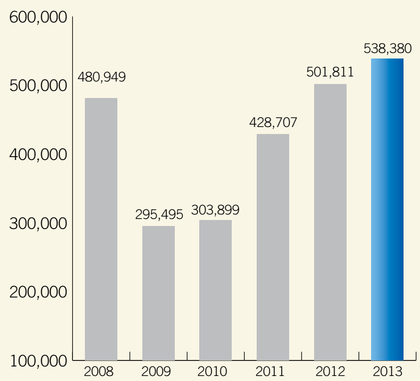
### Sugar Cane Crushed
(M. Tons)



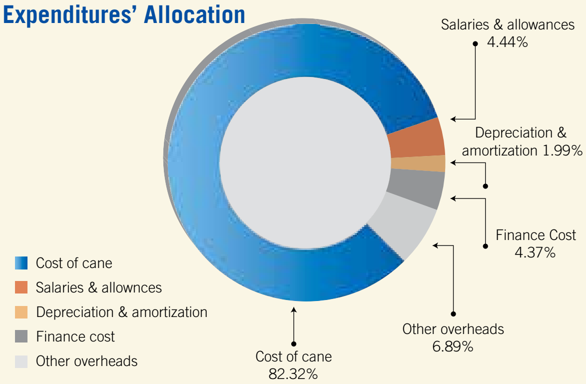

### Sucrose Recovery
(% age)



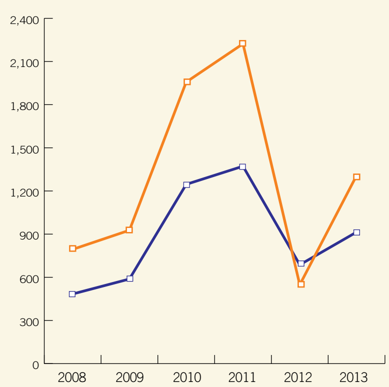

### Sugar Production
(M. Tons)



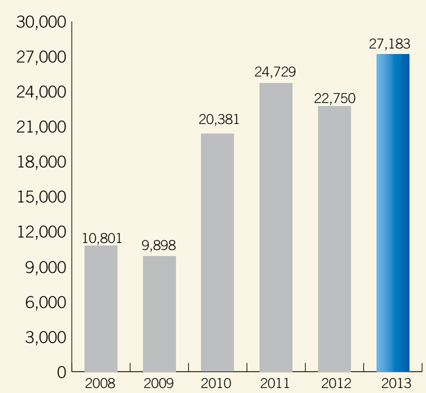

### Expenditures' Allocation



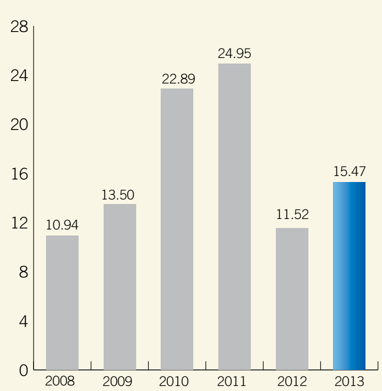

### Profitability
(Rupees in Million)




### Net Sales
(Rupees in Million)




### Earnings Per Share
(Rupees)




OPERATING HIGHLIGHTS

It gives me pleasure in presenting you the Company's 24th Annual Report and Audited Accounts for the year ended 30th September 2013.

The operating and financial results for the year under review are summarized below:

### Operating Results - JDW Sugar Mills Limited

| Description | Unit | 2012-13 | | | | 2011-12 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Unit-I | Unit-II | Unit-III | Combined | Unit-I | Unit-II | Unit-III | Combined |
| Starting | Date | 30.11.12 | 30.11.12 | 03.12.12 | -- | 18.11.11 | 18.11.11 | 25.11.11 | -- |
| Ending | Date | 11.04.13 | 07.04.13 | 27.03.13 | -- | 07.04.12 | 31.03.12 | 20.03.12 | -- |
| Working | Days | 133 | 129 | 115 | 126 | 142 | 135 | 117 | 131 |
| Sugarcane crushed | M.Tons | 2,535,823 | 1,007,658 | 1,200,650 | 4,744,131 | 2,711,463 | 1,062,742 | 1,135,063 | 4,909,268 |
| Sugar Production | M.Tons | 289,147 | 114,516 | 134,718 | 538,380 | 272,226 | 108,864 | 120,721 | 501,811 |
| Sugar Recovery | %age | 11.40 | 11.36 | 11.22 | 11.35 | 10.04 | 10.24 | 10.64 | 10.22 |
| Molasses Production | M.Tons | 99,001 | 41,384 | 48,155 | 188,540 | 119,229 | 44,783 | 49,675 | 213,687 |
| Molasses Recovery | %age | 3.90 | 4.11 | 4.01 | 3.97 | 4.40 | 4.21 | 4.38 | 4.35 |

The comments on these results are as under:

- With average combined crushing of 37,752 tons per day, the Mills on the average were operated for 126 days during the year under review as against 131 days with average crushing of 37,780 tons per day last year. Sugar cane crushed this time was 3.36% less than last year.
- Average sucrose recovery achieved this time was 113 bps higher than last crushing season which increased from 10.22% to 11.35% owing to favorable weather conditions and late start of crushing season. However, molasses recovery has registered from 4.35% to 3.97%. Despite comparatively low sugar cane crushing as stated above the sugar produced was 7.29% higher than last year due to better sucrose recovery achieved.
- JDWSML–Unit I has achieved highest sucrose recovery of 11.40% among all the sugar units of JDW Group. Sucrose recovery achieved by JDW-I was the highest achieved by any Mills in Pakistan, 2nd and 3rd highest sucrose recoveries were achieved by Deharki Sugar Mills and JDW-II (Sadiqabad) respectively whereas JDW-III (Ghotki) was fifth in ranking in this regard.

Deharki Sugar Mills being subsidiary of the company has achieved the following operating results in its second year of operation:

### Operating Results - Subsidiary Company

| | | 2012-13 | 2011-12 |
|---|---|---|---|
| Starting | Date | 30.11.12 | 03.12.11 |
| Ending | Date | 28.03.13 | 27.03.12 |
| Working | Days | 119 | 116 |
| Sugarcane crushed | M.Tons | 1,204,234 | 751,262 |
| Sugar Production | M.Tons | 137,185 | 77,635 |
| Sugar Recovery | %age | 11.39 | 10.34 |
| Molasses Production | M.Tons | 49,746 | 34,501 |
| Molasses Recovery | %age | 4.13 | 4.59 |

### Financial Indicators

An analysis of the key operating results of JDWSML is given below:

| | 30 - Sep -13 | 30 - Sep -12 |
|---|---|---|
| | (Rs. in millions) | |
| Gross Sales | 28,516 | 24,492 |
| Net Sales | 27,183 | 22,750 |
| Operating Profit | 2,433 | 1,876 |
| Profit before Tax | 1,311 | 548 |
| Profit after Tax | 925 | 687 |
| Basic earnings per share | 15.47 | 11.52 |

- The Company's turnover has increased by 16% as compared to last year with total volume has now reached to app. Rs. 29 billion.

- The Company has earned a pre-tax profit amounting to Rs. 1,311 million as against profit of Rs. 548 million last year registering an increase of 139%. Profit after tax has also increased from Rs. 687 million to Rs. 925 million consequently the basic earnings per share have also increased from Rs. 11.52 to Rs.15.47. The gross profit ratio is also better than last year and increased from 10.38% to 11.78%. Sale of electricity and bagasse has contributed significantly in the net profitability of the company. Net outcome from sale of sugar is very discouraging despite better sucrose recoveries achieved this year which was mainly due to depressed sugar prices and increased in production cost caused by disproportionate increase in the minimum support price of sugar cane.

- Depreciation charges are almost the same as were last year. There has been normal increase in administrative expenses which have gone up by 6%. Other operating expenses have increased by 15% due to increase in the provisioning of WPPF and WWF. Substantial increase in selling and distribution expenses is attributable to export of sugar which was app. 19% of the total sugar production.

- There has been Rs. 216 million i.e., 16% saving in the financial charges which is mainly due to reduction in discount rate by SBP and long term loans of the company. The Company is fulfilling its financial obligations on time and enjoying good relations with all the financial institutions it dealing with.

- For crushing season 2012-13 the minimum support price of sugar cane was increased from Rs. 150 to Rs. 170 per 40 kg by the Punjab Govt. and from Rs. 154 to Rs. 172 per 40 kg by the Sindh Govt.

- Due to huge carry over sugar stocks and expected surplus production in the country Federal Government allowed export of sugar up to 1.2 million tons with export incentives of FED reduction from 8% to 0.5% on local sale of sugar equivalent to sugar actually exported in addition to inland freight subsidy @ Rs. 1.75 per kg. The company was successful in exporting 104,407 tons of sugar and availed the FED incentive. However, Ministry of Finance has not yet released funds of inland freight subsidy to Trade Development Authority hence freight subsidy amounting to Rs. 201 Million on account of export of sugar which has actually become due has not been accounted for this year. This subsidy will be taken into account on actual receipt of funds.

- The Company took part in all the tenders floated by TCP for purchase of sugar and was able to sell 22,901 tons of sugar during the year.

- The company has been making investments on steam economy since last three years by virtue of which since last two years surplus bagasse is becoming available for sale. The company has sold bagasse worth of Rs. 305 million this year as against Rs. 201 million last year. For crushing season 2013-14 entire bagasse saved through steam economy would be used internally in the co-gen projects for power generation during coming off season. Company will keep on investing more money in this area until targeted level of "Steam %age to Cane" is achieved.

- Gross revenue from sale of electricity to MEPCO and SEPCO from JDW-I and JDW-III was Rs. 358 million (2011-12: Rs. 406 million) which has dropped from last year due to late finalization of power contract with MEPCO for JDW-I. Electricity from Deharki sugar mills amounting to Rs. 118 Million was also sold to SEPCO as against Rs. 38 Million sold last year.

- The balance sheet size has increased from Rs. 22.6 billion to Rs. 23.8 billion. Accumulated reserves are more than eight times of the paid up capital and increased from Rs. 4.3 billion to Rs. 4.9 billion. Total equity and reserves have increased from Rs. 4.9 billion to Rs. 5.5 billion.

**Other points of your interest are summarized below:**

- The Company continued its policy of prompt payment to growers during the season. Immediately after the close of the crushing season 2012-13 the Company had fully made the balance cane payment which was outstanding for last few days of the season.

- The Company is struggling this year to improve its financial ratios. The core reasons are unfavorable sale prices of sugar, huge carry over sugar stocks, investments in group companies and massive additions to fixed assets. In order to put financial ratios in line with required standards the company has started re-profiling its debt by capitalizing short term borrowings into long term loans for a period of four to five years. During calendar year 2013 an amount of Rs. 1 billion had been capitalized and also entire BMR amounting to Rs. 650 million prior to start of crushing season 2013-14 was completed by arranging long term loans and lease financing.

- Before start of crushing season Federal Government has allowed export of sugar up to 500,000 tons until end February 2014. Once this quota is exhausted the Government intends to give permission of similar quantity. in view of the surplus sugar both in domestic and international market rebates of FED and Freight Subsidy with certain conditions have also been offered by the Government to facilitate sugar industry to compete internationally to sell surplus sugar abroad.

- JCR-VIS Credit Rating Company Limited (JCR-VIS) on October 07, 2013 has reaffirmed the entity ratings of JDW Sugar Mills Limited (JDWSML) at 'A/A-1' (Single A/A-1). Rating of the company's TFC issue of Rs. 1.7b has also been reaffirmed at 'A+' (Single A+). Outlook on the assigned ratings is 'Stable'.

- Pakistan Centre for Philanthropy has ranked JDW Sugar Mills Limited at 4th most giving company with respect to giving as a percentage of profit before tax the basis of Corporate Philanthropy Survey of 2012.

- The Board of directors in its meeting held on 20 November 2013 has decided to acquire all assets & liabilities of JK Farming System Limited pertaining to cultivation of sugar cane. For this purpose 20 November 2013 has been assumed as the cut-off date. The company is working at full pace to complete process of this acquisition at the earliest. This acquisition will help to exercise better controls over the corporate farm under the umbrella of a listed company to bring more technological changes, further increase farm size and maximize the yield per acre.

- The company has been making investments in Faruki Pulp Mills Limited since last few years. The project was completed and put on trial last year but due to technical issues relating to steam and power operations could not be continued. The operations which were not cost effective were stopped. Whatever wood pulp was produced during trial run was sold in the local and international markets and got good response regarding quality of the pulp. In order to fix technical issues company is trying to find out any equity investor for which a mandate is being negotiated with MCB Limited.

## Dividend

The Board of Directors of the company has recommended 60% cash dividend, subject to approval of the shareholders in the Annual General Meeting.

## Appropriation of Profit

The following appropriations were made during the current year.

| | 2013 |
|---|---|
| | (Rs. in thousands) |
| Profit after taxation | 924,523 |
| Un-appropriated profit as at 01 October 2012 | 3,646,971 |
| | 4,571,494 |
| **Appropriations during the Year** | |
| Final cash dividend 60% for the year ended 30 September 2012 | (358,660) |
| Balance as at 30 September 2013 | 4,212,834 |
| **Subsequent Effects** | |
| The Board of Directors of the Company in their meeting held on 04 January 2014 has proposed the following: | |
| Final cash dividend 60% for the year ended 30 September 2013 | (358,660) |
| | 3,854,174 |

## Relationship with Growers

- The Company enjoys cordial relationship with the farmers' community as it considers the growers to be its backbone. To maintain and further strengthen the relationship, the Company always gives priority and endeavors to;

- Consistently follow the policy of timely payments of sugarcane to growers.

- Fulfill farmers' financial requirements by providing them financial assistance from own sources & by arranging loans for them from banks and also through different financial schemes of National Rural Support Programmed (NRSP). During period under review, huge amount of agri loans were advanced to growers in the form of cash, seed, agricultural implements, turbines & tube wells, fertilizers and pesticides.

- Procure and provide latest agricultural equipment on subsidized rates to growers on easy installment basis.

- Enhance technical skills through various extension and advisory programmers.

- Provide better quality and better yield varieties of sugarcane resulting in increased productivity in sugarcane yield per acre.

## Future Outlook

- The crushing season 2013-14 was started in the 3rd week of November, 2013 and on group basis up to 4th January, 2014 2,206,494 tons of sugar cane has been crushed with average sucrose recovery of 10.38% and sugar production of 229,116 tons including sugar in process. Crop size this time is 8% to 10% higher than last crushing season. However, due to heavy frost in late December and early January the company is foreseeing decline in the average sucrose recovery.

  There has been no increase in minimum support price of sugar cane for crushing season 2013-14. The carryover sugar stocks of the industry were at the minimum. Prior to start of crushing season 2013-14 Federal Govt. allowed export of sugar up to 500,000 tons until February 2014. However, all these positive factors are not making any impact on the prices of sugar which have dropped to Rs. 47 per kg from the level of Rs. 57 per kg prevailing in the beginning of the crushing season 2013-14.

  The process of adding higher pressure boilers and power turbines of 26 MW each at JDW II (Sadiqabad) and JDW III (Ghotki) as mentioned in our quarterly reports is now near completion. This change in technology will result in producing surplus power which will be sold to WAPDA during and off the crushing season by using bagasse as fuel. The commissioning of these pioneer projects is expected in February/ March this year. The Provincial and Federal Governments are providing all possible support to these projects. Successful commissioning of these projects will pave way for more such projects as sugar industry in Pakistan has the potential of producing app. 2,500 MW electricity for sale to grid by using bagasse as fuel.

  Sugar industry is going through difficult times where during last few years the minimum support price of sugar cane has been significantly increased which has not been absorbed by the market in view of surplus sugar production both in the domestic and international markets which has kept the sugar prices depressed and even below the manufacturing cost. Imposition of 15 % Regulatory Duty by the previous Government on export of molasses is causing loss of app. Rs. 2,000 per ton of molasses at prevailing export price of molasses to each mill having no distillery set up which is discriminately and not giving level playing field. Govt. needs to come forward to rescue sugar industry by allowing more export with same export incentives as were given by the previous Government, abolishing of Regulatory Duty on export of molasses and also creation of strategic reserves of sugar by TCP up to at-least 500,000 tons in addition to its monthly requirement for USC and other institutions.

- Under above referred challenging environment the company wants to focus more on valuation of it's by-products and making its processes more efficient.

## Code of Corporate Governance

As required under the Code of Corporate Governance, the Board of Directors states that:

- The financial statements present fairly the state of affairs of the Company, the results of its operations, cash flow and changes in equity;

- Proper books of account of the Company have been maintained;

- Accounting policies as stated in the notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable prudent judgment;

- International Financial Reporting Standards, as applicable in Pakistan and the requirements of Companies Ordinance, 1984 have been followed in preparation of the financial statements;

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

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

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

- A statement regarding key financial data for the last six years is annexed to this report;

- Information about taxes and levies is given in the notes to the financial statements.

# Directors' Report

- During the year 11 board meetings were held. Attendance was as under:

| | | Meetings attended |
|---|---|---|
| 1. | Jahangir Khan Tareen | 11 |
| 2. | Makhdoom Syed Ahmed Mahmud | 8 |
| 3. | Mrs. Sameera Mahmud | 9 |
| 4. | Ejaz Ahmed Phulpoto | 11 |
| 5. | Asim Nisar Bajwa | 11 |
| 6. | Raheal Masud | 11 |
| 7. | Zafar Iqbal | 11 |

Directors who could not attend board meetings due to their preoccupations were granted leave of absence

### Audit Committee

The Board has constituted an Audit Committee consisting of three members including Chairman of the Committee. The committee regularly meets as per requirement of the code. The committee assists the Board in reviewing internal audit manual and internal audit system.

### Human Resource and Remuneration Committee

The Board has constituted a Human Resource and Remuneration Committee in compliance with the Code of Corporate Governance 2012.

### Directors' Training Program

The company had arranged one training program for one of its director namely Mr. Raheal Masud during the year, which was organized by Executive Development Centre of The University of Lahore duly approved training institution by Securities and Exchange Commission of Pakistan.

### Value of Provident Fund Investment

The Company operates a recognized provident fund scheme covering all its permanent employees. Equal monthly contributions to the fund are made both by the Company and its employees in accordance with fund rules. As per audited accounts of the Employees Provident Fund the value of its investments as on June 30, 2013 aggregating to Rs. 280 million (2012: Rs. 232 million).

### Pattern of Shareholding

There were 1,240 shareholders of the Company as of 30 September 2013. A statement of pattern of shareholding is enclosed in this report.

Statement of transaction in shares of the Company by the Directors, CEO, CFO and Company Secretary and their spouses and minor children during the year is enclosed in this report.

### National Exchequer

The Company contributed a sum of Rs. 2,810 million (2012: Rs. 2,358 Million) approximately to the national exchequer in the form of taxes & duties during the year under review.

### Corporate Social Responsibility Activities

The Company undertook the Corporate Social Responsibility Activities which are discussed in detail on pages from 19 to 22 during the year under review.

### Auditors

The present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants retire and have offered themselves for re-appointment.

### Acknowledgement

The directors would like to express their appreciation for the dedication, hard work of the workers, staff and members of the management team. Growers are the key element of our industry and we thank them for their continued co-operation. The Directors of the Company are also thankful to the banks and leasing companies for the financial assistance and co-operation they have extended to the Company.

On behalf of the Board of Directors

Lahore:
04 January 2014

**Jahangir Khan Tareen**
Chief Executive

# Pattern of Shareholding

## FORM "34" The Companies Ordinance 1984 (Section 236(1) & 464)

1. Incorporation Number 0021835
2. Name of the Company JDW SUGAR MILLS LIMITED
3. Pattern of holding of the shares held by the shareholders as at 30–09–2013

| 4. No. of Shareholders | Shareholding From | Shareholding To | Total Shares Held |
|---|---|---|---|
| 272 | 1 | 100 | 8,226 |
| 414 | 101 | 500 | 128,498 |
| 99 | 501 | 1,000 | 76,554 |
| 330 | 1,001 | 5,000 | 557,472 |
| 29 | 5,001 | 10,000 | 208,282 |
| 17 | 10,001 | 15,000 | 221,215 |
| 20 | 15,001 | 20,000 | 389,959 |
| 10 | 20,001 | 25,000 | 231,048 |
| 6 | 25,001 | 30,000 | 167,726 |
| 3 | 30,001 | 35,000 | 96,646 |
| 1 | 40,001 | 45,000 | 41,203 |
| 3 | 45,001 | 50,000 | 146,089 |
| 1 | 50,001 | 55,000 | 53,061 |
| 2 | 60,001 | 65,000 | 126,927 |
| 2 | 75,001 | 80,000 | 156,540 |
| 1 | 105,001 | 110,000 | 105,600 |
| 2 | 110,001 | 115,000 | 229,551 |
| 3 | 115,001 | 120,000 | 350,839 |
| 1 | 120,001 | 125,000 | 122,919 |
| 1 | 125,001 | 130,000 | 127,279 |
| 1 | 165,001 | 170,000 | 167,327 |
| 1 | 190,001 | 195,000 | 192,548 |
| 1 | 210,001 | 215,000 | 210,432 |
| 2 | 290,001 | 295,000 | 589,000 |
| 1 | 295,001 | 300,000 | 295,568 |
| 1 | 360,001 | 365,000 | 365,000 |
| 1 | 400,001 | 405,000 | 402,494 |
| 1 | 545,001 | 550,000 | 550,000 |
| 1 | 625,001 | 630,000 | 626,175 |
| 1 | 650,001 | 655,000 | 651,864 |
| 1 | 775,001 | 780,000 | 775,378 |
| 1 | 945,001 | 950,000 | 950,000 |
| 1 | 1,705,001 | 1,710,000 | 1,709,148 |
| 1 | 1,725,001 | 1,730,000 | 1,729,148 |
| 1 | 1,755,001 | 1,760,000 | 1,755,577 |
| 1 | 2,285,001 | 2,290,000 | 2,285,636 |
| 1 | 2,935,001 | 2,940,000 | 2,937,381 |
| 1 | 3,555,001 | 3,560,000 | 3,557,342 |
| 1 | 6,030,001 | 6,035,000 | 6,033,281 |
| 1 | 7,175,001 | 7,180,000 | 7,178,648 |
| 1 | 11,510,001 | 11,515,000 | 11,513,932 |
| 1 | 11,755,001 | 11,760,000 | 11,755,148 |
| **1,240** | | | **59,776,661** |

# Pattern of Shareholding

## FORM "34" The Companies Ordinance 1984 (Section 236(1) & 464)

| 5. | Categories of shareholders | Shares Held | Percentage |
|---|---|---|---|
| 5.1 | Directors and their spouse(s) and minor children | 32,613,596 | 54.56% |
| 5.2 | Associated Companies, undertakings and related parties. | - | - |
| 5.3 | NIT and ICP | 19,968 | 0.03% |
| 5.4 | Banks Development | | |
| | Financial Institutions, Non-Banking Finance Companies. | 675,858 | 1.13% |
| 5.5 | Insurance Companies | - | - |
| 5.6 | Modarabas and Mutual Funds | 25,723 | 0.04% |
| 5.7 | Share holders holding 10% and more | 36,481,009 | 61.03% |
| 5.8 | General Public | | |
| | a. Local | 21,390,845 | 35.78% |
| | b. Foreign | - | - |
| 5.9 | Others (to be specified) | | |
| | Joint Stock Companies | 4,422,011 | 7.40% |
| | Investment Companies | 2,085 | 0.00% |
| | Foreign Companies | 41,203 | 0.07% |
| | Others | 585,372 | 0.98% |

6. Signature of Company Secretary

7. Name of Signatory: MUHAMMAD RAFIQUE

8. Designation: COMPANY SECRETARY

9. CNIC Number: 35201–3029372–5

10. Date: 30–09–2013

# Categories of Shareholders
## As required under Code of Corporate Governance (CCG) As on September 30, 2013

| Sr. No. | Name | | No. of Shares Held | Percentage |
|---|---|---|---|---|
| **I.** | **Associated Companies, Undertakings and Related Parties (name wise details):** | | - | - |
| **II.** | **Mutual Funds (name wise detail):** | | | |
| 1 | CDC - TRUSTEE AKD INDEX TRACKER FUND | | 7,050 | 0.01% |
| 2 | GOLDEN ARROW SELECTED STOCKS FUND LTD. | | 11,573 | 0.02% |
| **III.** | **Directors and their Spouse(s) and Minor Children (name wise detail):** | | | |
| 1 | MR. JAHANGIR KHAN TAREEN | (Director/Chief Executive) | 17,788,429 | 29.76% |
| 2 | MUKHDOOM SYED AHMAD MEHMUD | (Director) | 11,513,932 | 19.26% |
| 3 | MR. EJAZ AHMED PHULPOTO | (Director) | 367,429 | 0.61% |
| 4 | MR. ASIM NISAR BAJWA | (Director) | 1,421 | 0.00% |
| 5 | MR. RAHEAL MASUD | (Director) | 500 | 0.00% |
| 6 | MRS. SAMEERA MEHMUD | (Director) | 651,864 | 1.09% |
| 7 | MR. ZAFAR IQBAL | (Director) | 1,360 | 0.00% |
| 8 | MRS. AMINA TAREEN W/O JAHANGIR KHAN TAREEN | | 2,285,636 | 3.82% |
| 9 | MRS. SARWAT SULTANA W/O EJAZ AHMED PHULPOTO | | 3,025 | 0.01% |
| **IV.** | **Executives:** | | 3,887,381 | 6.50% |
| **V.** | **Public Sector Companies & Corporations:** | | - | - |
| **VI.** | **Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:** | | 682,958 | 1.14% |
| **VII.** | **Shareholders holding five percent or more voting rights in the listed company (name wise details):** | | | |
| 1 | MR. JAHANGIR KHAN TAREEN | | 17,788,429 | 29.76% |
| 2 | MUKHDOOM SYED AHMAD MEHMUD | | 11,513,932 | 19.26% |
| 3 | MR. ALI KHAN TAREEN | | 7,178,648 | 12.01% |
| 4 | JK FARMING SYSTEMS LIMITED | | 3,557,342 | 5.95% |

**All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children:**

| S. No | Name | Sale | Purchase | Deletion Through gift |
|---|---|---|---|---|
| 1 | MR. EJAZ AHMED PHULPOTO | - | 500 | - |
| 2 | RANA NASIM AHMED | - | 590,739 | - |
| 3 | MR. MUHAMMAD RAFIQUE | - | 190,000 | (50,000) |

# Corporate Social Responsibility

The unique socio-economic programs created by JDW Sugar Mills to raise the income and standard of living of local communities continued to expand in 2013. Programs that were originally initiated as pilot projects now play a key role in sustaining economic development of the immediate agricultural region. The programs utilize strong social and cultural bonds to harness the true potential of communities living in the rural areas.

The Company's social responsibility programs take a holistic approach to socio-economic problems and therefore deal with a much wider range of issues and communal groups than traditional single-focus programs.

## Programs

### 1. Sugarcane Productivity Enhancement Project (SPEP)

This program is a truly multi-stakeholder project as it involves partnership between farming communities, the private sector (JDW Sugar Mills Ltd.) and a non-profit organization (National Rural Support Programme).

SPEP has been designed to enhance small farm (<20 acres) profitability through agriculture & livestock extension services and provision of credit without collateral. The community organizations (COs) receive SPEP support from a professional team consisting of a social organizer, an agricultural extension officer, and a veterinary officer.

With continued support from JDW Sugar Mills, NRSP expanded its operation in 58 union councils. The number of active COs grew in 2013 to 1,322 with a membership of 17,027 farmers.

The main features of the SPEP include:

- Social mobilization and organization of the rural poor into Community Organizations (COs)
- Provision of agricultural extension services; agricultural graduates employed by JDW Sugar Mills provide services through direct advice in CO meetings, published literature and farm visits.
- Credit facility from JDW Sugar Mills and NRSP for purchase of seed and other agricultural inputs on guarantee of the CO
- Small farmers have access to farm machinery provided by JDW Sugar Mills on credit at subsidized rates

NRSP has distributed loan of Rs. 542.77 million in the year 2012-13 to raise the productivity & income of the farming communities.

### 2. Crop Improvement program

JDW crop improvement program consists of the producing the new sugarcane varieties with high sucrose contents and high yield to enhance the JDW group Sugar production. CIP is achieving this task by producing its own seed through sugarcane breeding techniques. Sugarcane flowers have been produced with the help of Photoperiod house and through crossing of these flowers,JDW has been able to produce its own seed which has germinated successfully in germination chamber. JDW have 1500 self produced varieties up to date which are under selection stages in field trials.

### 3. Integrated Pest Management System

Humans have been in direct competition with myriad of pest from our ancestral beginnings. Pest competes with humans for food, fiber and shelter. Variety of insect pests attack sugarcane which is divided into two groups (a) sucking pests (b) sugarcane borers. Pests of both groups can damage the crop severely which may lead to low yield and inferior quality cane and juice. JDW group have specialized team for managing insect pests of grower's crop under Umbrella of "Cane Development & Farmer Support Program". Among sucking pests "Pyrilla Perpusilla" is a major threat which severely damage the crop if multiplied unchecked and as far as borers are concerned "Gurdaspur Borer" is the most destructive one.

For management of insect pests IPM team of "JDW group" is working at grass root level and educating the growers through cluster meetings, individual contacts and crop visits. We used integrated approach, utilizing both biological and chemical control methods for keeping pest population below economic threshold level (ETL).

### 4. Farmer Support Program/Livestock Support Project

Livestock (Dairy and fattening animals) has a major share in economy of rural community residing in rural areas of District Rahim Yar Khan. But due to lack of knowledge and skill farmers are not harnessing full potential of animals either in form milk or meat. Under umbrella of "Cane Development and Farmer Support Program" JDW group have a dedicated team of Veterinary Assistants/A. I. Technicians for providing following facilities to growers at their door steps.

1. Artificial Insemination for breed improvement.
2. Deworming for control of endo and ecto parasites.
3. Vaccination for control of diseases like FMD, HS and ETV etc.
4. All kind of treatment on phone call.
5. Special care of model animals for increasing meat and milk production by use of balanced nutrition.

All medicines are provided to the growers at purchase price and services are free of cost.

# Corporate Social Responsibility



| Sr. No | Detail of Work Done | No. of Animals | No. of Beneficiaries |
|---|---|---|---|
| 1 | Artificial Insemination Cases | 2,427 | 2,383 |
| 2 | Deworming | 30,618 | 9,480 |
| 3 | Vaccination Cases | 28,856 | 8,784 |
| 4 | Treatment Cases | 17,474 | 9,931 |
| 5 | Pregnancy Tests | 217 | 209 |
| | **Total** | **79,592** | **30,787** |

## 5. Education

### Quality Education for All (QEFA) in Rasool Pur Union Council

In 2002-03, the District Government of Rahim Yar Khan took a bold initiative in the education sector and handed over the management of all the primary schools of Rasool Pur Union Council to NRSP. JDW Sugar Mills fully supported this initiative and provided operational, financial and logistic support to the project. The local community was mobilized & fully involved in the management of schools. The following additional tasks were given to the community:

- Raising funds for provision of missing facilities
- Reducing the drop-out rate and increasing enrollment
- Reducing teacher's absenteeism.

The project has been a resounding success, resulting in efficient management of schools, increase in the student enrolment, reduction in the drop-out ratio, provision of basic facilities, and involvement of local communities in monitoring the performance of school administration. Since this initiative commenced, JDW Sugar Mills has been provided funds of Rs. 179.32 million out of Rs. 166.21 million has been utilized in district Rahim Yar Khan and Rs. 13.11 million in district Ghotki and Khairpur. These funds have been utilized to address missing facilities and upgrading existing ones. The officers of the World Bank and Government of the Punjab visited these schools and appreciated the "New School Management Approach" adopted in Rasool Pur Union Council. The Punjab Education Sector Reforms Project (PESRP) launched in 2005-06 has been modeled on the lessons learnt from this project.

Since inception, the JDW funded education programme is continued with 164 schools out of 50 girls, 75 boys and 39 are co- education non formal schools. With strong collaboration with the NRSP, the program is aimed at addressing the quality of education in rural areas of district Rahim Yar Khan. The upgrades included employment of 420 teachers, new classrooms, boundary walls, and furniture for students and teachers, toilets, sheds, water supplies, electricity & electrification, IT labs, supports material, walking bridge and whitewash.

Table 2: Progress by the Quality Education Program till 2012-2013.

| Programs | Boys | Girls | Co-Education | Total |
|---|---|---|---|---|
| **QEFA - Rahim Yar Khan** | | | | |
| No. of Schools | 32 | 38 | 29 | **99** |
| Enrollment | 8,243 | 4,962 | - | **13,205** |
| No. of Teachers | 44 | 71 | - | **115** |
| **Ghotki - Khairpur** | | | | |
| No. of Schools | 43 | 12 | 10 | **65** |
| Enrollment | 4,734 | 2,937 | - | **7,671** |
| No. of Teachers | 64 | 27 | - | **91** |
| **Grand Total** | | | | |
| **No. of Schools** | **75** | **50** | **39** | **164** |
| **Enrollment** | **12,977** | **7,899** | **-** | **20,876** |
| **No. of Teachers** | **108** | **98** | **-** | **206** |

JDW Sugar Mills is using its valuable link with the district education department to make another contribution in educational institutes by raising the graduation level of rural community, elementary and higher schools.

## 6. Free Eye Camps

NRSP and JDW Sugar Mills organized 64 free eye camps. JDW Sugar Mills enthusiastically participated in this program by providing both financial and logistical support. These successful eye camps, which focus on providing integrated eye care, have become an ongoing initiative for the poor rural community.

Cataract surgery was initially conducted in Al-Shifa Eye Trust, Sukkur. However, over time the surgery was facilitated in local premises.

| Camps | OPDs Status | | | Cataract Surgeries Status | | |
|---|---|---|---|---|---|---|
| Organized | Male | Female | Total | Male | Female | Total |
| 64 | 20,061 | 20,180 | 40,241 | 1,876 | 1,752 | 3,628 |

Features of the Eye Camp Program:

- Separate arrangements for men and women
- Free Registration
- Free OPD
- Free optical check-up
- Free medicines
- Free cataract surgeries
- Free transportation
- Free accommodation

## 7. CNIC Preparation & Distribution

The JDW area falls in the backward region of Pakistan. To facilitate people, the Group assisted the NADRA Mobile Unit in the preparation of computerized national ID cards during 2012-13: -

| Sr. No. | Details | Nos. |
|---|---|---|
| 1 | Computerized ID Cards Prepared | 23,742 |
| 2 | Computerized ID Cards Distributed | 23,742 |

# Corporate Social Responsibility

# Financial Statements

for the year ended 30 September 2013

# Statement of Compliance
## with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance ("CCG") contained in Regulation No. 35 of listing regulations of Karachi and Lahore Stock Exchanges 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 CCG 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** |
|---|---|
| Independent Directors | Mr. Asim Nisar Bajwa |
| | Mr. Zafar Iqbal |
| | Mr. Raheal Masud |
| Executive Director | Mr. Jahangir Khan Tareen |
| Non-Executive Directors | Mukhdoom Syed Ahmed Mahmud |
| | Mrs. Sameera Mahmud |
| | Mr. Ejaz Ahmed Phulpoto |

The independent directors meet 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.

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 causal vacancy occurred on the board of directors during the year.

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.

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. All the directors on the Board are well conversant with their responsibilities as directors and the company had arranged one training program for one of its director namely Mr. Raheal Masud during the year, which was organized by Executive Development Centre of The University of Lahore duly approved training institution by Securities and Exchange Commission of Pakistan.

10. The Board has approved appointment of Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. 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.

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

13. 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.

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

15. The board has formed an Audit Committee. It comprises of following board members:

| Name | Type of Directorship | Position |
|---|---|---|
| Mr. Asim Nisar Bajwa | Independent Director | Chairman |
| Mr. Raheal Masud | Independent Director | Member |
| Mr. Zafar Iqbal | Independent Director | Member |

16. 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.

17. The board has formed an HR & Remuneration Committee on 01 November 2012. It comprises of following board members:

| Name | Type of Directorship | Position |
|---|---|---|
| Mr. Ejaz Ahmed Phulpoto | Non-Executive Director | Chairman |
| Mr. Raheal Masud | Independent Director | Member |
| Mr. Zafar Iqbal | Independent Director | Member |

18. The board has set up an effective internal audit function which is considered suitably qualified and experience for the purpose and is conversant with the policies and procedures of the company.

19. 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.

20. 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 confirmed that they have observed IFAC guidelines in this regard.

21. 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 exchanges.

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

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

04 January 2014
Lahore

JAHANGIR KHAN TAREEN
Chief Executive

**KPMG Taseer Hadi & Co.**
Chartered Accountants
53 L Gulberg III
Lahore Pakistan

Telephone + 92 (42) 3585 0471-6
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# Review Report to the Members
## on Statement of Compliance with the Best Practices of Code of Corporate Governance

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of JDW Sugar Mills Limited ("the Company") to comply with the Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks. Further, Listing Regulations of Karachi and Lahore Stock Exchanges 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 under taken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

KPMG Taseer Hadi & Co.

04 January 2014
Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

**KPMG Taseer Hadi & Co.**
Chartered Accountants
53 L Gulberg III
Lahore Pakistan

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# Auditors' Report to the Members

We have audited the annexed balance sheet of JDW Sugar Mills Limited ("the Company) as at 30 September 2013 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 conduct 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 accounts 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 accounts and are further in accordance with accounting policies consistently applied;

(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 2013 and of the profit, its 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 Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.

04 January 2014
Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

# Balance Sheet

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **SHARE CAPITAL AND RESERVES** | | | |
| Share capital | 6 | 597,766,610 | 597,766,610 |
| Reserves | | 4,891,150,343 | 4,325,287,489 |
| | | 5,488,916,953 | 4,923,054,099 |
| **NON CURRENT LIABILITIES** | | | |
| Redeemable capital - secured | 7 | 222,243,482 | 391,111,124 |
| Long term loans - secured | 8 | 4,292,190,749 | 2,728,499,991 |
| Liabilities against assets subject to finance lease | 9 | 438,881,076 | 414,748,686 |
| Deferred taxation | 10 | 1,732,216,039 | 1,555,097,927 |
| Staff retirement benefits | 11 | 44,694,419 | 37,428,580 |
| | | 6,730,225,765 | 5,126,886,308 |
| **CURRENT LIABILITIES** | | | |
| Short term borrowings - secured | 12 | 6,834,453,702 | 8,111,666,733 |
| Current portion of non current liabilities | 13 | 1,616,577,269 | 1,449,872,658 |
| Trade and other payables | 14 | 2,789,427,156 | 2,588,412,950 |
| Interest and mark-up accrued | | 302,120,164 | 442,600,039 |
| | | 11,542,578,291 | 12,592,552,380 |
| **CONTINGENCIES AND COMMITMENTS** | 15 | | |
| | | 23,761,721,009 | 22,642,492,787 |

The annexed notes 1 to 47 form an integral part of these financial statements.

04 January 2014
Lahore

# As at 30 September 2013

| | Note | 2013<br>Rupees | 2012<br>Rupees |
|---|---|---|---|
| **NON CURRENT ASSETS** | | | |
| Property, plant and equipment | 16 | 10,072,777,111 | 8,226,573,489 |
| Investment property | 17 | 693,855,251 | 685,973,260 |
| Goodwill | 18 | 608,310,693 | 608,310,693 |
| Investments | 19 | 1,610,250,000 | 1,810,250,000 |
| Long term advances | 20 | 1,650,553,280 | 2,027,500,000 |
| Long term deposits | 21 | 85,380,307 | 105,637,735 |
| | | 14,721,126,642 | 13,464,245,177 |
| **CURRENT ASSETS** | | | |
| Stores, spares and loose tools | 22 | 588,561,594 | 590,954,610 |
| Stock in trade - finished goods | | 3,324,048,252 | 3,731,551,031 |
| Trade debts - unsecured | 23 | 239,661,016 | 369,304,824 |
| Advances, deposits, prepayments and other receivables | 24 | 4,426,525,555 | 4,218,917,643 |
| Tax refund due from Government | | 220,443,055 | 256,136,742 |
| Cash and bank balances | 25 | 41,354,895 | 11,382,760 |
| Non current asset held for sale | 26 | 200,000,000 | - |
| | | 9,040,594,367 | 9,178,247,610 |
| | | 23,761,721,009 | 22,642,492,787 |

Chief Executive

Director

# Profit and Loss Account
## For the year ended 30 September 2013

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **Gross sales** | | 28,516,197,070 | 24,491,645,116 |
| FED, Sales tax and others | | (1,332,915,232) | (1,741,764,905) |
| **Net sales** | 27 | 27,183,281,838 | 22,749,880,211 |
| Cost of sales | 28 | (23,981,411,434) | (20,387,894,576) |
| **Gross profit** | | 3,201,870,404 | 2,361,985,635 |
| Administrative expenses | 29 | (490,343,792) | (462,956,222) |
| Selling expenses | 30 | (278,973,721) | (22,589,638) |
| | | (769,317,513) | (485,545,860) |
| **Operating profit** | | 2,432,552,891 | 1,876,439,775 |
| Other expenses | 31 | (137,649,799) | (119,203,961) |
| Other income | 32 | 134,507,050 | 126,043,597 |
| Finance cost | 33 | (1,118,578,053) | (1,334,998,725) |
| | | (1,121,720,802) | (1,328,159,089) |
| **Profit before taxation** | | 1,310,832,089 | 548,280,686 |
| Taxation | 34 | (386,309,269) | 138,993,868 |
| **Profit after taxation** | | 924,522,820 | 687,274,554 |
| **Earnings per share** | | | |
| **- Basic** | 35.1 | 15.47 | 11.52 |
| **- Diluted** | 35.2 | 15.47 | 11.50 |

The annexed notes 1 to 47 form an integral part of these financial statements.

04 January 2014
Lahore

Chief Executive

Director

# Statement of Comprehensive Income
## For the year ended 30 September 2013

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| **Profit after taxation** | 924,522,820 | 687,274,554 |
| **Other comprehensive income for the year** | - | - |
| **Total comprehensive income for the year** | 924,522,820 | 687,274,554 |

The annexed notes 1 to 47 form an integral part of these financial statements.

04 January 2014
Lahore

Chief Executive

Director

# Cash Flow Statement
## For the year ended 30 September 2013

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| **Cash generated from operations** | 36 | 4,466,947,698 | 2,902,025,103 |
| Income tax paid | | (173,827,199) | (566,260,360) |
| Staff retirement benefits paid | | (29,995,624) | (50,635,148) |
| Workers' Profit Participation Fund paid | | (33,195,478) | (146,922,935) |
| | | (237,018,301) | (763,818,443) |
| **Net cash generated from operations** | | 4,229,929,397 | 2,138,206,660 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Property, plant and equipment | | (2,042,095,369) | (1,068,483,470) |
| Advances to related parties | | (434,303,754) | (1,178,870,424) |
| Long term advances | | (86,000,000) | - |
| Long term deposits - net | | (39,310,458) | 131,661 |
| Proceeds realized from sale of property, plant and equipment | | 23,786,027 | 55,030,930 |
| Investment property | | (7,881,991) | (105,103,494) |
| **Net cash used in investing activities** | | (2,585,805,545) | (2,297,294,797) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Long term loans availed during the year | | 2,448,439,480 | 119,500,000 |
| Proceeds from issuance of term finance certificates | | 333,354,602 | - |
| Short term borrowings - net | | (1,277,213,031) | 2,575,715,418 |
| Finance cost paid | | (1,215,534,122) | (957,208,293) |
| Long term loans repaid during the year | | (678,888,323) | (265,173,527) |
| Redemption of term finance certificates | | (488,888,886) | (438,715,359) |
| Lease rentals paid | | (380,205,957) | (459,567,884) |
| Dividend paid | | (355,215,480) | (531,621,727) |
| Proceeds from issuance of shares under employees' stock option scheme | | - | 11,809,500 |
| **Net cash (used in) / generated from financing activities** | | (1,614,151,717) | 54,738,128 |
| **Net increase / (decrease) in cash and cash equivalents** | | 29,972,135 | (104,350,009) |
| **Cash and cash equivalents at the beginning of the year** | | 11,382,760 | 115,732,769 |
| **Cash and cash equivalents at the end of the year** | 25 | 41,354,895 | 11,382,760 |

The annexed notes 1 to 47 form an integral part of these financial statements.

04 January 2014
Lahore

Chief Executive

Director

# Statement of Changes in Equity
## For the year ended 30 September 2013

| | Share capital | Reserves: Capital: Share premium | Reserves: Capital: Employees' stock option | Reserves: Revenue: Accumulated profit | Total reserves | Total equity |
|---|---|---|---|---|---|---|
| | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees |
| **Balance as at 30 September 2011** | 592,766,610 | 643,951,928 | 21,935,625 | 3,497,685,956 | 4,163,573,509 | 4,756,340,119 |
| **Transaction with owners, recorded directly in equity:** | | | | | | |
| Final dividend @ Rs. 9.00 per share | - | - | - | (537,989,949) | (537,989,949) | (537,989,949) |
| Employees' stock option | - | - | 5,619,875 | - | 5,619,875 | 5,619,875 |
| Shares issued under employees' stock option | 5,000,000 | 34,365,000 | (27,555,500) | - | 6,809,500 | 11,809,500 |
| Total comprehensive income for the year | - | - | - | 687,274,554 | 687,274,554 | 687,274,554 |
| **Balance as at 30 September 2012** | 597,766,610 | 678,316,928 | - | 3,646,970,561 | 4,325,287,489 | 4,923,054,099 |
| **Transaction with owners, recorded directly in equity:** | | | | | | |
| Final dividend @ Rs. 6.00 per share | - | - | - | (358,659,966) | (358,659,966) | (358,659,966) |
| Total comprehensive income for the year | - | - | - | 924,522,820 | 924,522,820 | 924,522,820 |
| **Balance as at 30 September 2013** | 597,766,610 | 678,316,928 | - | 4,212,833,415 | 4,891,150,343 | 5,488,916,953 |

The annexed notes 1 to 47 form an integral part of these financial statements.

04 January 2014
Lahore

Chief Executive

Director

## 1 STATUS AND NATURE OF BUSINESS

JDW Sugar Mills Limited ("the Company") was incorporated in Pakistan on 31 May 1990 as a private limited company under the Companies Ordinance, 1984 and was subsequently converted into a public limited company on 24 August 1991. Shares of the Company are listed on the Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at 17 - Abid Majeed Road, Lahore Cantonment, Lahore. The principal activity of the Company is production and sale of crystalline sugar and electricity.

## 2 BASIS OF PREPARATION

### 2.1 Separate financial statements

These financial statements are the separate financial statements of the Company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investees. Consolidated financial statements of the Company are prepared separately.

The Company has following investments:

| Name of company | Country of incorporation | Shareholding |
|---|---|---|
| **Subsidiary** | | |
| – Deharki Sugar Mills (Private) Limited | Pakistan | 99.98% |
| **Associates** | | |
| – Faruki Pulp Mills Limited | Pakistan | 47.69% |
| – JDW Power (Private) Limited | Pakistan | 47.37% |
| – JK Dairies (Private) Limited | Pakistan | 22.22% |

### 2.2 Statement of compliance

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

### 2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

### 2.4 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is also the Company's functional currency. All financial information presented in Pakistani Rupees has been rounded to the nearest rupee.

## 3 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

– Retirement and other benefits
– Provision for taxation
– Residual values and useful lives of depreciable assets
– Provisions and contingencies

## 4 SIGNIFICANT ACCOUNTING POLICIES

### 4.1 New standards, amendments to approved accounting standards and interpretations which became effective during the year.

There are no amended standards and interpretations that are effective for the first time in the current year that would be expected to have a material impact on the Company.

### 4.2 New standards, amendments to approved accounting standards and interpretations that are not yet effective.

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 October 2013:

– IAS 19 Employee Benefits (amended 2011) – (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

– IAS 27 Separate Financial Statements (2011) – (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 – Consolidated Financial Statements, IFRS 11– Joint Arrangements and IFRS 12– Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

– IAS 28 Investments in Associates and Joint Ventures (2011) – (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

– Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set–off'; and that some gross settlement systems may be considered equivalent to net settlement.

– Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations:

– IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

– IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand–by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

– IAS 32 Financial Instruments: Presentation – is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

– IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

– IFRIC 20 – Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

– IFRIC 21– Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

– IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow–scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

– Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

**4.3 Property, plant and equipment**

Owned

Property, plant and equipment, except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work in progress are stated at cost less any identified impairment loss. Cost includes direct cost and related overheads.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Major repairs and improvements are capitalized. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to profit on reducing balance method so as to write off the written down value of assets over their estimated useful lives at rates disclosed in note 16.1. Depreciation on additions is charged from the date when the asset is available for use, while no depreciation is charged on the date of disposal.

Depreciation methods, residual values and useful lives of assets are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Leased

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. At inception, finance leases are capitalized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets, less accumulated depreciation and impairment loss, if any.

The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease as referred to in note 9. The liabilities are classified as current and non-current depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the estimated useful life of the assets on reducing balance method at the rates disclosed in note 16.1. Depreciation of leased assets is charged to profit and loss account.

Depreciation methods, residual values and useful lives of the assets are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

### 4.4 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

### 4.5 Stores, spares and loose tools

These are valued at lower of weighted average cost and net realizable value except for items in transit, which are valued at cost comprising invoice value and related expenses incurred thereon up to the balance sheet date. Obsolete and used items are recorded at nil value.

### 4.6 Stock in trade

These are valued at the lower of weighted average cost and net realizable value except for stock in transit, which is valued at cost comprising invoice value and related expenses incurred thereon up to the balance sheet date.

Cost is determined as follows:

| | |
|---|---|
| Raw materials | at weighted average cost |
| Work-in-process and finished goods | at lower of weighted average cost plus related manufacturing expenses and net realizable value |
| Molasses and Bagasse | net realizable value |

Net realizable value signifies the estimated selling price in the ordinary course of business less other costs necessary to be incurred to make the sale.

### 4.7 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

### 4.8 Employee benefits

#### 4.8.1 Defined contribution plan

The Company operates approved contributory provident fund for its eligible employees. Equal monthly contribution is made both by the Company and employee to the fund at the rate of 10% of basic salary.

#### 4.8.2 Defined benefit plan

The Company also operates an unfunded gratuity scheme for eligible employees who have completed their qualifying period. Provision is made annually to cover current obligation under the scheme on the basis of actuarial recommendation.

The most recent valuation was carried out as at 30 September 2013 using the “Projected unit credit method”. Following significant assumptions are used for valuation of the scheme:

| | 2013 | 2012 |
|---|---|---|
| Discount rate | 13% | 12% |
| Expected increase in eligible pay | 11% | 10% |
| Expected average working life of employee | 10 years | 10 years |

Cumulative net unrecognized actuarial gains and losses at the end of the previous year which exceed 10% of the present value of the obligations is amortized over the expected average working lives of the participating employees.

#### 4.8.3 Employees’ stock option scheme

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of Share Appreciation Rights (“SARs”), which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is measured at each reporting date and at settlement date based on the fair value of the SARs. Any changes in the liability are recognized in profit or loss.

### 4.9 Taxation

Income tax expense comprises current and deferred tax.

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

**4.10 Revenue recognition**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from the sale of electricity is recognized on transmission of electricity.

Interest and rental income are recognized on accrual basis.

Dividend income is recognized when the right of receipt is established.

**4.11 Cash and cash equivalents**

Cash and cash equivalents are carried at cost in the balance sheet. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances.

**4.12 Provisions**

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

**4.13 Financial instruments**

**4.13.1** Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

**4.13.1(a)** Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

**4.13.1(b)** Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**4.13.1(c)** Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date. Available-for sale financial assets are classified as short term investments in the balance sheet.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised directly in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Company's right to receive payments is established.

**4.13.1(d)** Held to maturity

Held to maturity are financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are carried at amortised cost.

**4.13.1(e)** All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised at trade date i.e. the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. 'Loans and receivables' and 'held to maturity' investments are carried at amortised cost using effective interest rate method.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

**4.13.2** Financial liabilities

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities. The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

**4.13.3** Recognition and derecognition

All the financial assets and financial liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Company looses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

## 4.14 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

**4.15 Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets or settle the liabilities simultaneously.

**4.16 Borrowing cost**

Borrowing costs incurred on finances obtained for the construction of qualifying assets are capitalized up to the date the respective assets are available for the intended use. All other borrowing costs are taken to the profit and loss account currently.

**4.17 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 future for goods and services received.

**4.18 Foreign currency transactions**

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transactions or on the date when fair values are determined. Exchange differences are included in the profit and loss account.

**4.19 Investments**

Investment in equity instruments of subsidiary company

Investment in subsidiary company is measured at cost in the Company's separate financial statements, as per the requirements of IAS-27 "Consolidated and Separate Financial Statements". However, at subsequent reporting dates, the Company reviews the carrying amount of the investment and its recoverability to determine whether there is an indication that such investment has suffered an impairment loss. If any such indication exists the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognized as an expense.

Investments in equity instruments of associated companies

Associates are all entities over which the Company has significant influence but no control. Investments in associates are measured at cost less any identified impairment loss if any in the Company's separate financial statements

"The Company is required to issue consolidated financial statements along with its separate financial statements, in accordance with the requirements of IAS 27 'Consolidated and Separate Financial Statements'. Investments in associated undertakings, in the consolidated financial statements, are being accounted for using the equity method

Available for sale

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are re-measured at fair value, unless fair value cannot be reliably measured. Unrealized gains and losses arising from the changes in the fair value are directly recognized in equity in the period in which they arise. Cumulative gains and losses arising from changes in fair value are included in net profit or loss for the period in which an investment is derecognized.

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

### 4.20 Investment Property

Investment Property is property held either to earn rental income or for capital appreciation or for both, but not for sale in ordinary course of business, use in production or supply of goods or services as for administrative purpose.

The Company's investment property comprises of land which is carried at cost less identified impairment loss, if any. The Company assesses at each balance sheet date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the profit and loss account for the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amounts of the asset is recognized as an income or expense.

### 4.21 Related party transactions

The Company enters into transactions with related parties on an arm's length basis except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Company to do so.

### 4.22 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the net identifiable assets of the merged subsidiaries at the dates of acquisition. Goodwill recognized is tested annually for impairment and carried at cost less accumulated impairment losses.

### 4.23 Dividend

Dividend distribution to shareholders is recognized as a liability in the period in which the dividends are approved.

## 5 EMPLOYEES' STOCK OPTION

The Company operates a stock option scheme "the Scheme" approved by Securities and Exchange Commission of Pakistan "SECP" dated 16 July 2010, under section 86 of the Companies Ordinance, 1984 read with Public Companies' Employee Stock Option Scheme Rules, 2001. Under the Scheme the Compensation Committee of the Company shall recommend to the board as to which of the eligible employees are entitled to grant of option to subscribe for shares at an option price. Option price, unless otherwise determined by the Compensation Committee, will be the lesser of 30% of the average of market price of shares quoted on Karachi Stock Exchange, during 3 months prior to the date of grant of option and 3 months prior to date of exercise of option. The aggregate number of the shares for all options granted or to be granted under the Scheme to all eligible employees shall not, at any time, exceed 1% of the paid up capital of the Company. The Option shall be exercised during the applicable option period, subject to expiry of relevant minimum vesting period.

The Company has neither awarded any option to its eligible employees during the year nor any option is outstanding as at the balance sheet date.

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **6 SHARE CAPITAL** | | | |
| **6.1 Authorized capital** | | | |
| 75,000,000 (2012: 75,000,000) voting ordinary shares of Rs. 10 each | | 750,000,000 | 750,000,000 |
| 25,000,000 (2012: 25,000,000) preference shares of Rs. 10 each | | 250,000,000 | 250,000,000 |
| | | 1,000,000,000 | 1,000,000,000 |
| **6.2 Issued, subscribed and paid up capital** | | | |
| 32,145,725 (2012: 32,145,725) ordinary shares of Rs. 10 each fully paid in cash - voting | | 321,457,250 | 321,457,250 |
| 27,630,936 (2012: 27,630,936) bonus shares of Rs. 10 each fully paid bonus shares - voting | | 276,309,360 | 276,309,360 |
| | | 597,766,610 | 597,766,610 |
| **7 REDEEMABLE CAPITAL - SECURED** | | | |
| Privately Placed Term Finance Certificates - II | 7.1 | 333,354,602 | - |
| Privately Placed Term Finance Certificates | 7.2 | 302,222,236 | 680,000,011 |
| Privately Placed Sukkuk Certificates | 7.3 | 88,888,888 | 199,999,999 |
| | | 724,465,726 | 880,000,010 |
| Current maturity presented under current liabilities | 13 | (502,222,244) | (488,888,886) |
| | | 222,243,482 | 391,111,124 |

### 7.1 Privately Placed Term Finance Certificates - II

These Privately Placed Term Finance Certificates - II ("TFC - II") have been issued by way of private placements with a consortium of institutional investors. The total issue comprises of 10 TFC's having face value of Rs. 50,000,000 each.

Principal repayment

18 equal quarterly installments commencing after a grace period of six months starting from December 2013 and ending on March 2018.

Rate of return

The return on TFC - II is payable quarterly at a rate of three months KIBOR plus 250 bps per annum.

Trustee

In order to protect the interests of TFC - II holders, JS Bank Limited has been appointed as trustee under a trust deed dated 27 June 2013.

Security

This loan is secured by ranking charge on land measuring 3,253 kanals, all present and future fixed assets, plant and machinery of the Company and its subsidiary Deharki Sugar Mills (Private) Limited and personal guarantees of Directors.

### 7.2 Privately Placed Term Finance Certificates

These Privately Placed Term Finance Certificates ("PPTFCs") have been issued by way of private placements with a consortium of institutional investors. The total issue comprises of 340,000 TFC's having face value of Rs. 5,000 each.

Principal repayment

18 unequal quarterly installments commencing after a grace period of eighteen months starting from March 2010 and ending on June 2014.

Rate of return

The return on PPTFC's is payable quarterly at a rate of three months KIBOR plus 125 bps per annum.

Trustee

In order to protect the interests of PPTFC's holders, MCB Bank Limited has been appointed as trustee under a trust deed dated 23 April 2008.

Security

This loan is secured by first pari passu charge on land measuring 3,253 kanals, all present and future fixed assets, plant and machinery of the Company & its subsidiary Deharki Sugar Mills (Private) Limited and personal guarantees of Directors.

### 7.3 Privately Placed Sukkuk Certificates

These Privately Placed Sukkuk Certificates ("PPSCs") have been issued by way of private placements with a consortium of institutional investors. The total issue comprises of 100,000 sukkuk certificates having face value of Rs. 5,000 each.

Principal repayment

18 unequal quarterly installments commencing after a grace period of eighteen months starting from March 2010 and ending on June 2014.

Rate of return

The return on PPSCs is payable quarterly at a rate of three months KIBOR plus 125 bps per annum.

Trustee

In order to protect the interests of sukkuk certificate holders, MCB Bank Limited has been appointed as trustee under a trust deed dated 27 May 2008.

Security

This loan is secured by first pari passu charge on land measuring 3,253 kanals, all present and future fixed assets, plant and machinery of the Company & its subsidiary Deharki Sugar Mills (Private) Limited and personal guarantees of Directors.

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **8 LONG TERM LOANS - SECURED** | | | |
| United Bank Limited - Led Syndicated Loan | 8.1 | 2,057,413,680 | 2,419,500,000 |
| MCB Bank Limited - Led Syndicated Loan | 8.2 | 1,228,637,480 | - |
| Habib Bank Limited - Led Syndicated Loan | 8.3 | 532,999,991 | 787,999,994 |
| Faysal Bank Limited | 8.4 | 500,000,000 | - |
| The Bank of Punjab | 8.5 | 390,000,000 | - |
| Saudi Pak Industrial & Agricultural Investment Company Limited | 8.6 | 300,000,000 | - |
| Pak Brunei Investment Company Limited | 8.7 | 168,000,000 | 200,000,000 |
| | | 5,177,051,151 | 3,407,499,994 |
| Current maturity presented under current liabilities | 13 | (884,860,402) | (679,000,003) |
| | | 4,292,190,749 | 2,728,499,991 |

**8.1 United Bank Limited - Led Syndicated Loan**

This syndicated loan comprises of loans from United Bank Limited, Faisal Bank Limited, Pakistan Kuwait Investment Company (Private) Limited, The Bank of Punjab, Soneri Bank Limited and Meezan Bank Limited. The Company obtained this loan to finance its subsidiary, Deharki Sugar Mills (Private) Limited.

Principal repayment

The loan is repayable in 20 unequal quarterly installments after a grace period of eighteen months starting from March 2013 and ending on December 2017.

Rate of return

The interest is payable quarterly at a rate of three months KIBOR plus 250 bps per annum.

Security

This loan is secured by first pari passu charge on land measuring 3,253 kanals, all present and future fixed assets, plant and machinery of the Company and its subsidiary Deharki Sugar Mills (Private) Limited and personal guarantees of Directors.

**8.2 MCB Bank Limited - Led Syndicated Loan**

This loan has been obtained during the year from a consortium of banks led by MCB Bank Limited to finance the Bagasse-Based Co-Generation Power Project.

Principal repayment

The loan is repayable in 22 unequal quarterly installments after a grace period of eighteen months starting from February 2015 and ending on May 2020.

Rate of return

The interest is payable quarterly at a rate of three months KIBOR plus 225 bps per annum.

Security

This loan is secured by first pari passu charge on land measuring 3,253 kanals, lien over the collection account, all present and future fixed assets, plant and machinery of the Company and its subsidiary Deharki Sugar Mills (Private) Limited and personal guarantees of Directors.

**8.3 Habib Bank Limited - Led Syndicated Loan**

This syndicated loan comprises of loans from Habib Bank Limited, MCB Bank Limited, Faysal Bank Limited, JS Bank Limited and Pakistan Kuwait Investment Company (Private) Limited. This loan was obtained to setup Unit-III of the Company.

Principal repayment

It is repayable in 22 unequal quarterly installments after a grace period of eighteen months starting from June 2010 and ending on December 2015.

Rate of return

The interest is payable quarterly at a rate of three months KIBOR plus 200 bps per annum.

Security

This loan is secured by first pari passu charge on land measuring 3,253 kanals, all present and future fixed assets, plant and machinery of the Company & its subsidiary Deharki Sugar Mills (Private) Limited and personal guarantees of Directors.

**8.4 Faysal Bank Limited**

This loan has been obtained from Faysal Bank Limited for reprofiling of balance sheet of the Company.

Principal repayment

The loan is repayable in 10 unequal semi-annual installments starting from December 2013 and ending on June 2018.

Rate of return

The interest is payable quarterly at a rate of six months KIBOR plus 250 bps per annum.

Security

This loan is secured by ranking charge on land measuring 3,253 kanals, all present and future fixed assets, plant and machinery of the Company and personal guarantees of Directors.

### 8.5 The Bank of Punjab

This loan has been obtained during the year from The Bank of Punjab to finance the Bagasse-Based Co-Generation Power Project.

Principal repayment

The loan is repayable in 22 unequal quarterly installments after a grace period of eighteen months starting from April 2015 and ending on July 2020.

Rate of return

The interest is payable quarterly at a rate of three months KIBOR plus 225 bps per annum.

Security

This loan is secured by ranking charge on land measuring 3,253 kanals, all present and future fixed assets, plant and machinery of the Company and its subsidiary Deharki Sugar Mills (Private) Limited and personal guarantees of Directors.

### 8.6 Saudi Pak Industrial & Agricultural Investment Company Limited

This loan has been obtained from Saudi Pak Industrial & Agricultural Investment Company Limited for reprofiling of balance sheet of the Company.

Principal repayment

The loan is repayable in 18 equal quarterly installments after a grace period of six months starting from March 2014 and ending on June 2018.

Rate of return

The interest is payable quarterly at a rate of three months KIBOR plus 250 bps per annum.

Security

This loan is secured by ranking charge on land measuring 3,253 kanals, all present and future fixed assets, plant and machinery of the Company and personal guarantees of Directors.

### 8.7 Pak Brunei Investment Company Limited

This loan was obtained to finance the capital expenditure of the Company.

Principal repayment

It is repayable in 20 unequal quarterly installments starting from February 2013 and ending on November 2017.

Rate of return

The interest is payable quarterly at a rate of three months KIBOR plus 275 bps per annum.

Security

This loan is secured by first pari passu charge on land measuring 3,253 kanals, all present and future fixed assets, plant and machinery of the Company and its subsidiary Deharki Sugar Mills (Private) Limited and personal guarantees of Directors.

## 9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The amount of future minimum lease payments along with their present value and the periods during which they will fall due are:

| | | 2013 | | |
|---|---|---|---|---|
| | Note | Minimum lease payments | Finance cost for future periods | Present value |
| | | Rupees | Rupees | Rupees |
| Not later than one year | 13 | 287,024,391 | 57,529,768 | 229,494,623 |
| Later than one year and not later than five years | | 476,233,132 | 37,352,056 | 438,881,076 |
| | | 763,257,523 | 94,881,824 | 668,375,699 |

| | 2012 | | |
|---|---|---|---|
| | Minimum lease payments | Finance cost for future periods | Present value |
| | Rupees | Rupees | Rupees |
| Not later than one year | 347,222,923 | 65,239,154 | 281,983,769 |
| Later than one year and not later than five years | 464,702,553 | 49,953,867 | 414,748,686 |
| | 811,925,476 | 115,193,021 | 696,732,455 |

The Company has entered into various lease agreements with financial institutions for plant and machinery, implements and vehicles. Lease rentals are payable on quarterly / monthly basis and include finance cost ranging from six months KIBOR plus 200 to 300 bps per annum (2012: six months KIBOR plus 250 to 500 bps per annum) which has been used as the discounting factor. The Company has the option to purchase the assets upon completion of lease period and has the intention to exercise such option. There are no financial restrictions imposed by lessors.

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **10 DEFERRED TAXATION** | | | |
| The liability for deferred taxation comprises temporary differences relating to: | | | |
| Accelerated tax depreciation | | 1,662,574,913 | 1,612,205,165 |
| Leased assets | | 373,094,371 | 344,428,536 |
| Liabilities against assets subject to finance lease | | (233,931,495) | (243,856,359) |
| Provisions for doubtful debts and obsolescence | | (29,392,858) | (29,392,858) |
| Employee retirement benefits | | (15,643,047) | (13,100,002) |
| Unused tax credits and losses | | - | (105,080,573) |
| Other timing differences | | (24,485,845) | (10,105,982) |
| | | 1,732,216,039 | 1,555,097,927 |
| **11 STAFF RETIREMENT BENEFITS - GRATUITY** | | | |
| Present value of defined benefit obligations | 11.1 | 61,601,620 | 46,368,612 |
| Unrecognized actuarial losses | 11.1.1 | (16,907,201) | (8,940,032) |
| **Liability as at 30 September** | 11.1.2 | 44,694,419 | 37,428,580 |
| **11.1 Movement in liability for defined benefit obligation** | | | |
| Opening present value of defined benefit obligations | | 46,368,612 | 49,810,065 |
| Current service cost for the year | | 5,186,190 | 5,149,409 |
| Interest cost for the year | | 4,666,049 | 4,428,542 |
| Benefit paid during the year | | (3,016,717) | (28,763,466) |
| Actuarial loss on present value of defined benefit obligation | | 8,397,486 | 7,928,777 |
| Curtailment loss | | - | 7,815,285 |
| Closing present value of defined benefit obligations | | 61,601,620 | 46,368,612 |
| **11.1.1 Movement in unrecognized actuarial losses** | | | |
| Opening unrecognized actuarial losses | | (8,940,032) | (4,288,915) |
| Actuarial gain or loss arising during the year | | (8,397,486) | (7,928,777) |
| Actuarial losses recognized | | 430,317 | - |
| Actuarial losses charged to profit and loss account | | - | 3,277,660 |
| Closing unrecognized actuarial losses | | (16,907,201) | (8,940,032) |

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **11.1.2** | **Change in present value of net staff gratuity** | | | |
| | Balance as at 01 October | | 37,428,580 | 45,521,150 |
| | Charge to profit and loss account | 11.1.2.1 | 10,282,556 | 20,670,896 |
| | Payments | | (3,016,717) | (28,763,466) |
| | **Liability as at 30 September** | | 44,694,419 | 37,428,580 |
| **11.1.2.1** | **Charge to profit and loss account for the year comprises** | | | |
| | Current service cost | | 5,186,190 | 5,149,409 |
| | Interest cost for the year | | 4,666,049 | 4,428,542 |
| | Actuarial losses recognized | | 430,317 | - |
| | Curtailment loss | | - | 7,815,285 |
| | Actuarial losses recognized - Due to curtailment | | - | 3,277,660 |
| | | | 10,282,556 | 20,670,896 |

**11.1.3 Historical information comparison for five years**

| | 2013 Rupees | 2012 Rupees | 2011 Rupees | 2010 Rupees | 2009 Rupees |
|---|---|---|---|---|---|
| Present value of defined obligations | 61,601,620 | 46,368,612 | 49,810,065 | 44,927,601 | 33,021,263 |
| Experience adjustment gain / (loss) | 8,397,486 | 7,928,777 | 2,458,352 | (1,073,358) | (3,775,441) |

**11.1.4 Expected expense for the next year**

The expected expense to the gratuity scheme for the year ending 30 September 2014 works out to Rs. 14,827,459.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **12** | **SHORT TERM BORROWINGS - SECURED** | | | |
| | Banking and Financial Institutions | | | |
| - | Cash finances | 12.1 | 2,898,704,467 | 3,693,155,297 |
| - | Running finances | 12.2 | 3,052,450,076 | 3,525,078,380 |
| - | Finance against trust receipts (FATR) | 12.3 | 184,464,713 | 193,435,056 |
| - | Morabaha | 12.4 | 698,834,446 | 699,998,000 |
| | | | 6,834,453,702 | 8,111,666,733 |

**12.1** The Company has obtained cash finance facilities aggregating to Rs. 13,200 million (2012: Rs. 12,300 million). The mark up rates applicable during the year ranges from one to six months KIBOR plus 150 to 250 bps per annum (2012: one to six months KIBOR plus 150 to 250 bps per annum). These are secured against pledge of sugar and personal guarantees of the Directors.

**12.2** The Company has obtained running finance facilities aggregating to Rs. 3,750 million (2012: Rs. 3,493 million). The mark up rates applicable during the year ranges from one to six months KIBOR plus 150 to 250 bps per annum (2012: one to six months KIBOR plus 200 to 300 bps per annum). These are secured against present and future current assets of the Company and personal guarantees of the Directors.

**12.3** The limit of this facility is Rs. 450 million (2012: Rs. 400 million). It carries mark-up ranging from one to six months KIBOR plus 200 to 250 bps per annum (2012: one to three months KIBOR plus 200 to 250 bps per annum ). It is secured against first charge over current assets of Company.

**12.4** The Company has obtained Morabaha / Istisna finance facilities aggregating to Rs. 700 million (2012: Rs. 700 million). The mark up rates applicable during the year ranges from three to six months KIBOR plus 150 to 250 bps per annum (2012: three to six months KIBOR plus 150 to 250 bps per annum). These are secured against present and future current assets of the Company and personal guarantees of the Directors.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **13** | **CURRENT PORTION OF NON CURRENT LIABILITIES** | | | |
| | Redeemable capital - secured | 7 | 502,222,244 | 488,888,886 |
| | Long term loans - secured | 8 | 884,860,402 | 679,000,003 |
| | Liabilities against assets subject to finance lease | 9 | 229,494,623 | 281,983,769 |
| | | | 1,616,577,269 | 1,449,872,658 |
| **14** | **TRADE AND OTHER PAYABLES** | | | |
| | Advances from customers | | 1,458,102,464 | 1,757,398,601 |
| | Trade creditors | 14.1 | 422,039,340 | 399,719,528 |
| | Payable on behalf of growers | | 413,192,541 | 61,852,585 |
| | Federal excise duty and sales tax payable | | 164,934,839 | 221,177,090 |
| | Advance against sale of investment | 26 | 100,000,000 | - |
| | Workers' Profit Participation Fund | 14.2 | 69,959,558 | 28,874,232 |
| | Accrued expenses | | 64,265,097 | 70,631,033 |
| | Retention money | | 19,908,074 | 8,833,164 |
| | Workers' Welfare Fund | 14.3 | 18,399,509 | 329,729 |
| | Unclaimed dividend | | 17,276,564 | 13,832,078 |
| | Tax deducted at source | | 9,312,824 | 2,871,161 |
| | Provident Fund payable | | 4,921,767 | 5,722,348 |
| | Other payables | | 27,114,579 | 17,171,401 |
| | | | 2,789,427,156 | 2,588,412,950 |

**14.1** This includes an amount of Rs. 10,423,462 (2012: Rs. 12,807,229) due to JDW Aviation (Private) Limited, a related party.

| | | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **14.2** | **Workers' Profit Participation Fund** | | |
| | Balance as at 01 October | 28,874,232 | 116,834,189 |
| | Add: Allocation for the year | 69,959,558 | 28,874,232 |
| | Interest on funds utilized in the Company's business | 4,321,246 | 30,088,746 |
| | | 103,155,036 | 175,797,167 |
| | Less: paid during the year | (33,195,478) | (146,922,935) |
| | **Balance as at 30 September** | 69,959,558 | 28,874,232 |
| **14.3** | **Workers' Welfare Fund** | | |
| | Balance as at 01 October | 329,729 | 78,425,348 |
| | Add: Allocation for the year | 18,399,509 | 329,729 |
| | | 18,729,238 | 78,755,077 |
| | Less: adjusted during the year | (329,729) | (78,425,348) |
| | **Balance as at 30 September** | 18,399,509 | 329,729 |

**15 CONTINGENCIES AND COMMITMENTS**

**15.1 Contingencies**

**15.1.1** A sales tax demand was raised by the tax department for the year 2002-2003 on grounds of various observations. Alternative dispute resolution committee unanimously decided the matter partially in favor of the Company and forwarded its recommendations to Federal Board of Revenue ("FBR") for further necessary actions. Subsequent to the year end FBR has decided the case against the Company on 29 November 2013. Company has also filed an appeal before Honorable Lahore High Court against the order passed by the Appellate Tribunal. Based on opinion from legal advisor, management of the Company expects a favorable outcome in this case.

**15.1.2** The Company availed 50% exemption of excise duty in 1990-91 crushing season on account of excess production over last year by having completed full crushing season i.e. 160 days. According to the audit report of Excise Department the exemption was wrongly availed. Therefore, the Deputy Collector issued show cause notice. The Company has challenged the same in Lahore High Court. No provision has been made in financial statements for this as the management is confident that the case will be decided in its favor.

**15.1.3** The Punjab Industrial Development Board (PIDB) has claimed in respect of Pasrur Sugar Mills Limited (formerly subsidiary of United Sugar Mills Limited) an amount of Rs. 10,780,782. A dispute arose at the time of settlement of the consideration of the mills between PIDB and USML and the matter was referred to an arbitrator. An award had been announced by it in favor of the company whereby instead of paying the aforementioned amount, Rs.1,209,385 become recoverable from them. An appeal filed by PIDB against decision of arbitrator in Sindh High Court Karachi was dismissed during the year 2004-05. Now PIDB has again filed a petition and Supreme Court has accepted the petition to re open the case. The final outcome of this case is not known at present. However the management of the Company based on the opinion of its legal advisor is confident that this case will decided in its favor. Accordingly no provision is made in the books of account of the Company.

**15.1.4** The tax department issued a show cause notice to the Company on 09 April 2013 on the grounds that the Company has charged federal excise duty at the rate of 0.5% instead of 8% on local supplies made and raised a demand of Rs. 50.68 million. Consequently, Company filed a writ petition against this notice in the Honorable Lahore High Court ("Court") on the basis that the rate of 0.5% has been charged as allowed by the FBR vide SRO 77(I)/2013 dated 07 February 2013. The Court suspended the proceedings of the notice vide its order dated 24 April 2013 and the final outcome of the case is pending. Based on opinion from legal advisor, management of the Company expects a favorable outcome in this case. Hence no provision has been made in the financial statements.

**15.1.5** Counter guarantees given by the Company to its bankers on account of agricultural loan as at the reporting date amounts to Rs. 4,783.33 million (2012: Rs. 4,483.33 million).

**15.1.6** Cross corporate guarantees given by the Company to its bankers for DSML as at the reporting date amounts to Rs. 380.32 million (2012: Nil).

**15.1.7** Guarantees issued by the banks on behalf of the Company in favour of various parties as at the reporting date amounts to Rs. 123.78 million (2012: Rs. 325.63 million).

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **15.2 Commitments** | | | |
| **15.2.1** Letters of credit for import of machinery and its related components | | 1,771,392,778 | 187,269,707 |
| **16 PROPERTY, PLANT AND EQUIPMENT** | | | |
| Operating fixed assets | 16.1 | 8,153,098,012 | 7,856,588,719 |
| Capital work in progress | 16.2 | 1,919,679,099 | 369,984,770 |
| | | 10,072,777,111 | 8,226,573,489 |

### 16.1 Operating fixed assets

| | Cost | | | | | Depreciation | | | | Net book value |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 01 October 2012 | Additions / (deletions) during the year | Transfers to / (from) | As at 30 September 2013 | Rate | As at 01 October 2012 | For the year | Adjustments | As at 30 September 2013 | as at 30 September 2013 |
| | Rupees | Rupees | Rupees | Rupees | % | Rupees | Rupees | Rupees | Rupees | Rupees |
| **Owned** | | | | | | | | | | |
| Freehold land | 467,115,695 | 4,391,886 | - | 471,507,581 | - | - | - | - | - | 471,507,581 |
| Factory building on freehold land | 844,678,609 | 27,610,260 | - | 872,288,869 | 10 | 396,188,391 | 46,374,126 | - | 442,562,517 | 429,726,352 |
| Non factory building on freehold land | 620,289,824 | 122,370,623 | - | 742,660,447 | 5 | 158,728,512 | 23,815,355 | - | 182,543,867 | 560,116,580 |
| Plant and machinery | 6,793,287,394 | 342,340,426 | 58,832,510 | 7,189,460,330 | 5 | 2,023,927,873 | 246,963,028 | 23,127,182 | 2,290,829,376 | 4,898,630,954 |
| | | (5,000,000) | - | | | | | (3,188,707) | | |
| Motor vehicles | 246,553,456 | 10,846,337 | 17,420,000 | 241,881,928 | 20 | 160,064,363 | 18,795,199 | 10,124,173 | 167,391,422 | 74,490,506 |
| | | (32,937,865) | - | | | | | (21,592,313) | | |
| Electrical installation | 72,456,223 | 6,192,032 | - | 78,648,255 | 10 | 38,122,418 | 3,759,985 | - | 41,882,403 | 36,765,852 |
| Office equipment | 48,374,387 | 7,096,113 | - | 55,416,500 | 20 | 24,010,964 | 5,625,254 | - | 29,608,668 | 25,807,832 |
| | | (54,000) | - | | | | | (27,550) | | |
| Tools and equipment | 44,875,453 | 1,967,360 | - | 46,842,813 | 10 | 22,213,699 | 2,375,916 | - | 24,589,615 | 22,253,198 |
| Agri implements | 309,205,427 | 695,521 | 99,349,210 | 409,250,158 | 10 | 93,760,510 | 28,908,313 | 26,489,462 | 149,158,285 | 260,091,873 |
| Furniture and fixture | 27,780,863 | 1,086,490 | - | 28,867,353 | 10 | 13,877,690 | 1,453,180 | - | 15,330,870 | 13,536,483 |
| Weighbridge | 10,454,656 | - | - | 10,454,656 | 10 | 7,491,583 | 296,307 | - | 7,787,890 | 2,666,766 |
| Roads and boundary wall | 46,451,461 | 286,788 | - | 46,738,249 | 10 | 18,328,702 | 2,820,683 | - | 21,149,385 | 25,588,864 |
| Arms and ammunitions | 7,541,517 | - | - | 7,541,517 | 10 | 3,050,891 | 449,063 | - | 3,499,954 | 4,041,563 |
| Aircraft | 398,645,628 | - | - | 398,645,628 | 10 | 117,030,016 | 28,161,561 | - | 145,191,577 | 253,454,051 |
| Tube well | 2,245,889 | - | - | 2,245,889 | 10 | 1,186,277 | 105,961 | - | 1,292,238 | 953,651 |
| Computers | 19,901,695 | 2,503,307 | - | 22,240,002 | 33 | 11,747,390 | 3,094,901 | - | 14,758,012 | 7,481,990 |
| | | (165,000) | | | | | | (84,279) | | |
| | 9,959,858,177 | 527,387,143 | 175,601,720 | 10,624,690,175 | | 3,089,729,279 | 412,998,832 | 59,740,817 | 3,537,576,079 | 7,087,114,096 |
| | | (38,156,865) | | | | | | (24,892,849) | | |
| **Leased** | | | | | | | | | | |
| Plant and machinery | 542,961,648 | 175,370,080 | (58,832,510) | 659,499,218 | 5 | 72,766,445 | 26,144,781 | (23,127,182) | 75,784,044 | 583,715,174 |
| Agri implements | 447,294,063 | 45,538,000 | (99,349,210) | 393,482,853 | 10 | 86,198,783 | 32,921,192 | (26,489,462) | 92,630,513 | 300,852,340 |
| Motor vehicles | 226,660,580 | 70,401,852 | (17,420,000) | 278,283,432 | 20 | 71,491,242 | 36,151,187 | (10,124,173) | 96,867,030 | 181,416,402 |
| | | (1,359,000) | | | | | | (651,226) | | |
| | 1,216,916,291 | 291,309,932 | (175,601,720) | 1,331,265,503 | | 230,456,470 | 95,217,160 | (59,740,817) | 265,281,587 | 1,065,983,916 |
| | | (1,359,000) | | | | | | (651,226) | | |
| | 11,176,774,468 | 818,697,075 | - | 11,955,955,678 | | 3,320,185,749 | 508,215,992 | - | 3,802,857,666 | 8,153,098,012 |
| | | (39,515,865) | | | | | | (25,544,075) | | |

| | Cost | | | | | Depreciation | | | | Net book value |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 01 October 2011 | Additions / (deletions) during the year | Transfers to / (from) | As at 30 September 2012 | Rate | As at 01 October 2011 | For the year | Adjustments | As at 30 September 2012 | as at 30 September 2012 |
| | Rupees | Rupees | Rupees | Rupees | % | Rupees | Rupees | Rupees | Rupees | Rupees |
| **Owned** | | | | | | | | | | |
| Freehold land | 471,326,656 | 37,504,080 | (41,715,041) | 467,115,695 | - | - | - | - | - | 467,115,695 |
| Factory building on freehold land | 821,380,898 | 23,297,711 | - | 844,678,609 | 10 | 348,371,875 | 47,816,516 | - | 396,188,391 | 448,490,218 |
| Non factory building on freehold land | 601,781,423 | 18,508,401 | - | 620,289,824 | 5 | 135,173,035 | 23,555,477 | - | 158,728,512 | 461,561,312 |
| Plant and machinery | 6,142,840,226 | 699,931,503 | 102,502,043 | 6,793,287,394 | 5 | 1,845,764,802 | 228,996,358 | 12,409,795 | 2,023,927,873 | 4,769,359,521 |
| | | (151,986,378) | | | | | | (63,243,082) | | |
| Motor vehicles | 300,144,572 | 9,828,008 | 4,758,000 | 246,553,456 | 20 | 175,478,649 | 22,254,442 | 1,999,600 | 160,064,363 | 86,489,093 |
| | | (68,177,124) | | | | | | (39,668,328) | | |
| Electrical installation | 69,216,581 | 3,262,142 | (22,500) | 72,456,223 | 10 | 34,523,697 | 3,607,651 | (8,930) | 38,122,418 | 34,333,805 |
| Office equipment | 36,933,867 | 11,940,520 | (200,000) | 48,374,387 | 20 | 19,466,682 | 4,791,264 | (81,516) | 24,010,964 | 24,363,423 |
| | | (300,000) | | | | | | (165,466) | | |
| Tools and equipment | 42,849,056 | 3,159,872 | - | 44,875,453 | 10 | 20,384,413 | 2,372,929 | - | 22,213,699 | 22,661,754 |
| | | (1,133,475) | | | | | | (543,643) | | |
| Agri implements | 295,546,023 | 44,909,129 | 28,863,000 | 309,205,427 | 10 | 71,401,532 | 25,286,099 | 7,550,576 | 93,760,510 | 215,444,917 |
| | | (58,612,800) | (1,499,925) | | | - | | (10,477,697) | | |
| Furniture and fixture | 26,812,474 | 993,903 | (25,514) | 27,780,863 | 10 | 12,393,940 | 1,491,213 | (7,463) | 13,877,690 | 13,903,173 |
| Weighbridge | 10,454,656 | - | - | 10,454,656 | 10 | 7,162,353 | 329,230 | - | 7,491,583 | 2,963,073 |
| Roads and boundary wall | 46,451,461 | - | - | 46,451,461 | 10 | 15,203,951 | 3,124,751 | - | 18,328,702 | 28,122,759 |
| Arms and ammunitions | 7,705,517 | (114,000) | (50,000) | 7,541,517 | 10 | 2,628,575 | 500,974 | (78,658) | 3,050,891 | 4,490,626 |
| Aircraft | 418,645,628 | (20,000,000) | - | 398,645,628 | 10 | 88,794,734 | 32,511,568 | (4,276,286) | 117,030,016 | 281,615,612 |
| Tube well | 2,245,889 | - | - | 2,245,889 | 10 | 1,068,542 | 117,735 | - | 1,186,277 | 1,059,612 |
| Computers | 16,249,425 | 3,652,270 | - | 19,901,695 | 33 | 8,677,034 | 3,070,356 | - | 11,747,390 | 8,154,305 |
| | 9,310,584,352 | 856,987,539 | 92,610,063 | 9,959,858,177 | | 2,786,493,814 | 399,826,563 | 21,040,625 | 3,089,729,279 | 6,870,128,898 |
| | | (300,323,777) | | | | | | (117,631,723) | | |
| **Leased** | | | | | | | | | | |
| Plant and machinery | 579,463,691 | 66,000,000 | (102,502,043) | 542,961,648 | 5 | 62,156,475 | 23,019,765 | (12,409,795) | 72,766,445 | 470,195,203 |
| Implements | 415,435,063 | 60,722,000 | (28,863,000) | 447,294,063 | 10 | 58,114,022 | 35,635,337 | (7,550,576) | 86,198,783 | 361,095,280 |
| Motor vehicles | 195,458,480 | 35,960,100 | (4,758,000) | 226,660,580 | 20 | 40,161,341 | 33,329,501 | (1,999,600) | 71,491,242 | 155,169,338 |
| | 1,190,357,234 | 162,682,100 | (136,123,043) | 1,216,916,291 | | 160,431,838 | 91,984,603 | (21,959,971) | 230,456,470 | 986,459,821 |
| | 10,500,941,586 | 1,019,669,639 | (43,512,980) | 11,176,774,468 | | 2,946,925,652 | 491,811,166 | (919,346) | 3,320,185,749 | 7,856,588,719 |
| | | (300,323,777) | | | | | | (117,631,723) | | |

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **16.1.1** | Depreciation charge for the year has been allocated as follows | | | |
| | Cost of goods manufactured | 28.1 | 462,001,760 | 441,560,248 |
| | Administrative expenses | 29 | 46,214,232 | 50,250,918 |
| | | | 508,215,992 | 491,811,166 |

**16.1.2 Disposal of Property, Plant and Equipment**

| Description | Particulars of buyer | Cost | Accumulated depreciation | Book value | Sale proceeds | Mode of disposal |
|---|---|---|---|---|---|---|
| **Owned** | | Rupees | Rupees | Rupees | Rupees | |
| | **Employees** | | | | | |
| 06 Vehicles | Employees | 4,078,800 | 2,690,464 | 1,388,336 | 1,302,217 | Company Policy |
| 60 Motor cycles | Employees | 3,019,240 | 2,274,564 | 744,676 | 1,566,000 | – do – |
| | **Others parties** | | | | | |
| Plant & Machinery | EFU General Insurance Ltd. | 5,000,000 | 3,188,707 | 1,811,293 | 1,500,000 | Insurance claim |
| Computers | EFU General Insurance Ltd. | 165,000 | 84,279 | 80,721 | 121,500 | – do – |
| 02 Vehicles | ATF Mango Farms (Pvt) Ltd. | 6,533,980 | 4,814,397 | 1,719,583 | 5,250,000 | Negotiation |
| Vehicle | Mr. Kamran Ali Khan | 760,000 | 660,738 | 99,262 | 570,000 | – do – |
| Vehicle | Mr. Nayyar Lodhi | 1,322,500 | 1,111,680 | 210,820 | 925,000 | – do – |
| 02 Vehicles | Mr. Amjad Ali | 4,384,352 | 2,631,688 | 1,752,664 | 2,535,000 | – do – |
| Vehicle | Mr. Maqbool Khan | 1,040,000 | 984,815 | 55,185 | 606,786 | – do – |
| Vehicle | Mr. Aziz ud Din | 2,750,000 | 2,575,381 | 174,619 | 1,200,000 | – do – |
| Vehicle | Mr. Karamat Ali | 1,202,000 | 604,230 | 597,770 | 1,190,000 | – do – |
| Vehicle | Mr. M. Sameer | 1,399,000 | 507,072 | 891,928 | 1,400,000 | – do – |
| 08 Motor Cycles | Mr. Maqbool | 370,382 | 328,644 | 41,738 | 112,000 | – do – |
| Vehicle | Mr. Syed Husnain | 649,000 | 485,138 | 163,862 | 678,600 | – do – |
| Vehicle | Mr. Maqbool | 2,506,331 | 1,222,965 | 1,283,366 | 1,410,000 | – do – |
| Office Equipment | Mr. Zaheer Abbas | 54,000 | 27,550 | 26,450 | 9,000 | – do – |
| Vehicle | Mr. Zaheer Khan | 2,922,280 | 700,537 | 2,221,743 | 2,189,924 | – do – |
| **Leased** | | | | | | |
| Vehicle | EFU General Insurance Ltd. | 1,359,000 | 651,226 | 707,774 | 1,220,000 | Insurance claim |
| | **2013** | 39,515,865 | 25,544,075 | 13,971,790 | 23,786,027 | |
| | 2012 | 300,323,777 | 117,631,723 | 182,692,054 | 206,375,729 | |

**16.2 Capital work in progress**

| 2013 | As at 01 October 2012 | Additions | Transfers | As at 30 September 2013 |
|---|---|---|---|---|
| | Rupees | | | |
| Building | 126,055,338 | 78,412,948 | (150,266,671) | 54,201,615 |
| Plant and machinery | 151,286,519 | 658,290,945 | (356,079,457) | 453,498,007 |
| Advances to suppliers | 92,642,913 | 1,319,336,564 | - | 1,411,979,477 |
| | 369,984,770 | 2,056,040,457 | (506,346,128) | 1,919,679,099 |

| 2012 | As at 01 October 2011 | Additions | Transfers | As at 30 September 2012 |
|---|---|---|---|---|
| | Rupees | | | |
| Building | 54,362,046 | 148,825,534 | (77,132,242) | 126,055,338 |
| Plant and machinery | 60,426,209 | 510,292,819 | (419,432,509) | 151,286,519 |
| Advances to suppliers | 43,700,588 | 92,642,913 | (43,700,588) | 92,642,913 |
| | 158,488,843 | 751,761,266 | (540,265,339) | 369,984,770 |

**16.2.1** Additions to capital work in progress include borrowing costs of Rs. 34.986 million (2012: Nil) relating to specific borrowings at the rates ranging from 11.24% to 12.07% per annum (2012: Nil).

| | | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **17** | **INVESTMENT PROPERTY** | | |
| | Balance as at 01 October | 685,973,260 | 527,290,145 |
| | Transferred from operating fixed assets | - | 41,715,041 |
| | Land purchased during the year | 7,881,991 | 135,103,494 |
| | Less: disposals during the year | - | (18,135,420) |
| | **Balance as at 30 September** | 693,855,251 | 685,973,260 |

It represents agricultural land given on lease. The fair value of investment property is Rs. 1,675,971,369 (2012: Rs 1,668,089,378) on the basis of revaluation carried out on 7 March 2011 by an independent valuer .

**18 GOODWILL**

Goodwill includes Rs. 568,545,391 and Rs. 39,765,302 paid by the Company in excess of the fair value of identifiable net assets of United Sugar Mills Limited ("USML") and Ghotki Sugar Mills (Private) Limited ("GSML") respectively. This goodwill was merged in the Company's financials at the time of merger of USML and GSML into the Company. For impairment testing, the recoverable amount of both cash generating units has been determined based on the value in use calculations by discounting the five years cash flow projections at 18.00%. The calculation of value in use is sensitive to discount rate and local inflation rates.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **19** | **INVESTMENTS** | | | |
| | Investment in subsidiary company | 19.1 | 1,049,750,000 | 1,049,750,000 |
| | Investment in associated companies | 19.2 | 560,500,000 | 760,500,000 |
| | | | 1,610,250,000 | 1,810,250,000 |
| **19.1** | **Investment in subsidiary company - un quoted** | | | |
| | **Deharki Sugar Mills (Private) Limited ("DSML")** | | | |
| | 104,975,000 (2012: 104,975,000) fully paid shares of Rs. 10 each | | | |
| | Equity held 99.98% (2012: 99.98%) | | | |
| | Cost as at 01 October | | 1,049,750,000 | 1,000,000 |
| | Acquired during the year: Nil (2012: 104,875,000) | | - | 1,048,750,000 |
| | **Cost as at 30 September** | | 1,049,750,000 | 1,049,750,000 |
| **19.2** | **Investment in associate - unquoted** | | | |
| | **Faruki Pulp Mills Limited ("FPML")** | | | |
| | 51,500,000 (2012: 51,500,000) fully paid shares of Rs. 10 each | | | |
| | Equity held 47.69% (2012: 47.69%) | | 560,500,000 | 560,500,000 |
| | **JK Dairies (Private) Limited ("JKDL")** | | | |
| | 10,000,000 (2012: 10,000,000) fully paid shares of Rs. 10 each | | | |
| | Equity held 22.22% (2012: 22.22%) | | 200,000,000 | 200,000,000 |
| | Less: investment classified as held for sale | 26 | (200,000,000) | - |
| | | | - | 200,000,000 |
| | **JDW Power (Private) Limited ("JDWPL")** | | | |
| | Cost as at 01 October 9,000,000 (2012: 9,000,000) fully paid shares of Rs. 10 each | | 90,000,000 | 90,000,000 |
| | Less: accumulated impairment allowance | 19.2.1 & 31 | (90,000,000) | (90,000,000) |
| | Equity held 47.37% (2012: 47.37%) | | - | - |
| | | | 560,500,000 | 760,500,000 |

**19.2.1** The impairment was charged on the basis that board of JDWPL had decided to discontinue its operation and has no intention to build, own, operate and maintain a co-generation power plant.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **20** | **LONG TERM ADVANCES** | | | |
| | Advance to subsidiary unsecured - considered good | 20.1 | 1,567,553,280 | 2,027,500,000 |
| | Advances to electricity distribution companies | 20.2 | 83,000,000 | - |
| | | | 1,650,553,280 | 2,027,500,000 |
| **20.1** | **Advance to subsidiary** | | | |
| | Advance given | 20.1.1 | 2,057,413,680 | 2,419,500,000 |
| | Less: current maturity presented under current assets | | (489,860,400) | (392,000,000) |
| | | | 1,567,553,280 | 2,027,500,000 |

**20.1.1** This represents amount given to DSML out of the proceeds of long term loan availed by the Company from United Bank Limited - led syndicated loan. The mark-up and principal repayment terms of the amount given are similar to those narrated in note 8.1 to these financial statements.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **20.2** | **Advances to electricity distribution Companies** | | | |
| | Sukkur Electric Power Company ("SEPCO") | 20.2.1 | 36,000,000 | - |
| | Less: current maturity presented under current assets | | (3,000,000) | - |
| | | | 33,000,000 | - |
| | Multan Electric Power Company ("MEPCO") | 20.2.2 | 50,000,000 | - |
| | | | 83,000,000 | - |

**20.2.1** This represents interest free soft loan given to meet 100 % expenses of grid interconnection at Unit III of the Company for the upcoming Bagasse-Based Co-Generation Power Project. The loan is recoverable in 36 equal monthly installments starting after three months from the commercial operation date.

**20.2.2** This represents interest free soft loan given to meet 100 % expenses of grid interconnection at Unit II of the Company for the upcoming Bagasse-Based Co-Generation Power Project. The loan is recoverable in 36 equal monthly installments starting after eighteen months from the commercial operation date.

## 21 LONG TERM DEPOSITS

These mainly comprise of security deposits with leasing companies in respect of leasing facilities availed.

| | | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **22** | **STORES, SPARES AND LOOSE TOOLS** | | |
| | Stores | 361,527,839 | 359,431,379 |
| | Spares | 254,239,762 | 259,898,232 |
| | Loose tools | 16,876,597 | 15,707,603 |
| | | 632,644,198 | 635,037,214 |
| | Less: provision for obsolescence | (44,082,604) | (44,082,604) |
| | | 588,561,594 | 590,954,610 |

**22.1** Stores, spares and loose tools include items which may result in fixed capital expenditure but are not distinguishable.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **23** | **TRADE DEBTS - UNSECURED** | | | |
| | Trade debts - considered good | 23.1 | 239,661,016 | 369,304,824 |
| | Trade debts - considered doubtful | | 14,486,141 | 14,486,141 |
| | | | 254,147,157 | 383,790,965 |
| | Less: provision for doubtful debts | | (14,486,141) | (14,486,141) |
| | | | 239,661,016 | 369,304,824 |

**23.1** This includes an amount of Rs. 72,313,484 (2012: Rs 33,048,700) due from Riaz Bottlers (Private) Limited, a related party.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **24** | **ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES** | | | |
| | Advance to growers | | | |
| | Unsecured - considered good | 24.1 | 1,530,682,394 | 2,285,046,988 |
| | Unsecured - considered doubtful | | 4,937,966 | 34,976,616 |
| | | | 1,535,620,360 | 2,320,023,604 |
| | Less: provision for doubtful advances | 24.2 | (4,937,966) | (34,976,616) |
| | | | 1,530,682,394 | 2,285,046,988 |
| | Advance to suppliers and contractors | | | |
| | Unsecured - considered good | | 173,060,702 | 114,629,935 |
| | Unsecured - considered doubtful | | 20,472,883 | 25,438,633 |
| | | | 193,533,585 | 140,068,568 |
| | Less: provision for doubtful advances | 24.3 | (20,472,883) | (25,438,633) |
| | | | 173,060,702 | 114,629,935 |
| | Advances to related parties unsecured - considered good | 24.4 | 2,398,827,200 | 1,504,576,726 |
| | Letters of credit | | 208,342,877 | 194,142,915 |
| | Advances to staff - unsecured, considered good | | | |
| | - against salaries | | 23,767,326 | 51,239,771 |
| | - against expenses | | 3,956,209 | 8,529,157 |
| | Deposits | | 45,918,492 | 16,043,975 |
| | Prepaid expenses | | 19,249,930 | 19,017,739 |
| | Excise duty receivable | 24.5 | 9,888,364 | 9,888,364 |
| | Current maturity of long term advances | | 3,000,000 | - |
| | Other receivables | 24.6 | 9,832,061 | 15,802,073 |
| | | | 4,426,525,555 | 4,218,917,643 |

**24.1** It represents advance given to JK Farming Systems Limited (a related party) which includes mark up of Rs. 22,740,641 (2012: 64,156,428) at markup rates ranging from 11.47% to 12.45% per annum (2012: 14.26% to 16.01% per annum).

| | | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **24.2** | **Movement in provision for doubtful advances to growers** | | |
| | As at beginning of the year | 34,976,616 | 34,976,616 |
| | Less: provision written off | (30,038,650) | - |
| | **As at end of the year** | 4,937,966 | 34,976,616 |
| **24.3** | **Movement in provision for doubtful advances to suppliers and contractors** | | |
| | As at beginning of the year | 25,438,633 | 25,438,633 |
| | Less: provision written off | (4,965,750) | - |
| | **As at end of the year** | 20,472,883 | 25,438,633 |

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| 24.4 | **This represents advances given to** | | | |
| | Faruki Pulp Mills Limited | 24.4.1 | 1,433,994,626 | 577,116,848 |
| | Deharki Sugar Mills (Private) Limited | 24.4.2 | 474,972,174 | 535,459,878 |
| | Current portion of long term advances | 20.1 | 489,860,400 | 392,000,000 |
| | | | 2,398,827,200 | 1,504,576,726 |

**24.4.1** This amount includes markup of Rs. 183,994,626 (2012: Rs. 77,116,847) charged at the rates ranging from 11.47% to 12.45% per annum (2012: 14.26% to 16.01% per annum).

**24.4.2** This amount includes markup of Rs. 89,944,494 (2012: Rs. 333,977,040) charged at the rates ranging from 11.47% to 12.45% per annum (2012: 14.26% to 16.01% per annum).

**24.5** The Company claimed an exemption of Rs. 10.75 million from excise duty on an export transaction during 1993-94. However, the Excise Department rejected the claim and the Company deposited Rs. 9.88 million under protest.

**24.6** Other receivables include an amount of Rs. 8,971,958 (2012: Nil) receivable from ATF Mango Farms (Private) Limited (a related party).

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| 25 | **CASH AND BANK BALANCES** | | | |
| | At banks | | | |
| | Current accounts | | 38,559,998 | 10,070,675 |
| | Saving accounts | 25.1 | 1,591,299 | 261,770 |
| | | | 40,151,297 | 10,332,445 |
| | Cash in hand | | 1,203,598 | 1,050,315 |
| | | | 41,354,895 | 11,382,760 |

**25.1** The balances in saving accounts carry mark-up at 6.00% per annum (2012: 6.00% to 8.00% per annum).

## 26 NON-CURRENT ASSET HELD FOR SALE

The Board of Directors in their meeting held on 20 August 2013 decided to sell the Company's entire holding in JK Dairies (Private) Limited ("JKDL") to the CEO of the Company and an advance of Rs. 100,000,000 was received by the Company from CEO for purchase of these shares which is disclosed in note 14. Accordingly, the said investment is presented as non-current asset held for sale.

Moreover, the sale transaction has been completed at a sale price of Rs. 22 per share subsequent to the year end on 28 December 2013.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| 27 | **SALES - NET** | | | |
| | Sugar | | | |
| | - local | | 21,332,257,948 | 21,823,849,477 |
| | - export | | 4,964,242,901 | 542,802,425 |
| | | | 26,296,500,849 | 22,366,651,902 |
| | Molasses & Bagasse | | 1,861,939,318 | 1,719,298,785 |
| | Electricity | | 357,756,903 | 405,694,429 |
| | | | 2,219,696,221 | 2,124,993,214 |
| | | | 28,516,197,070 | 24,491,645,116 |
| | Less: Federal excise duty | 27.1 | (1,209,341,474) | (1,616,581,443) |
| | Sales tax | | (114,241,051) | (112,225,076) |
| | Brokerage, commission and others | | (9,332,707) | (12,958,386) |
| | | | (1,332,915,232) | (1,741,764,905) |
| | | | 27,183,281,838 | 22,749,880,211 |

**27.1** The variation between current and comparative year figures also includes the effect of reduced Federal Excise Duty rate allowed by the Federal Board of Revenue vide S.R.O 77 (1) / 2013 dated 07 February 2013.

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **28 COST OF SALES** | | | |
| Opening stock in trade | | 3,731,551,031 | 1,922,057,309 |
| Cost of goods manufactured | 28.1 | 23,573,908,655 | 22,197,388,298 |
| Less: closing stock in trade | | (3,324,048,252) | (3,731,551,031) |
| | | 23,981,411,434 | 20,387,894,576 |

**28.1 Cost of goods manufactured**

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Cost of sugarcane consumed (including procurement and other costs) | | 21,072,696,642 | 19,914,148,574 |
| Salaries, wages and other benefits | 28.1.1 | 850,953,013 | 750,091,637 |
| Depreciation | 16.1.1 | 462,001,760 | 441,560,248 |
| Stores and spares consumed | | 437,215,736 | 422,335,716 |
| Packing materials consumed | | 237,011,089 | 208,062,494 |
| Chemicals consumed | | 131,545,207 | 114,198,470 |
| Vehicle running and maintenance | | 114,450,158 | 102,508,604 |
| Oil, lubricants and fuel consumed | | 87,139,926 | 81,798,671 |
| Insurance | | 43,513,521 | 35,534,853 |
| Electricity and power | | 43,496,570 | 44,323,655 |
| Repair and maintenance | | 22,161,311 | 18,896,087 |
| Handling and storage | | 19,636,685 | 15,621,707 |
| Freight and octroi | | 18,132,857 | 15,422,519 |
| Mud and bagasse shifting expenses | | 13,549,244 | 8,613,019 |
| Printing and stationery | | 5,220,192 | 7,170,209 |
| Travelling and conveyance | | 2,928,968 | 4,085,165 |
| Telephone and fax | | 2,385,533 | 2,544,497 |
| Assets written off | | - | 728,491 |
| Other expenses | | 9,870,243 | 9,743,682 |
| | | 23,573,908,655 | 22,197,388,298 |

**28.1.1** Salaries, wages and other benefits include Rs. 19,783,216 (2012: Rs. 18,448,705) in respect of provident fund, Rs. 7,197,780 (2012: 14,469,627) in respect of staff gratuity and Rs. Nil (2012: Rs. 2,472,745) in respect of employees' stock option scheme.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **29** | **ADMINISTRATIVE EXPENSES** | | | |
| | Salaries, wages and other benefits | 29.1 | 269,684,069 | 215,425,810 |
| | Depreciation | 16.1.1 | 46,214,232 | 50,250,918 |
| | Charity and donations | 29.2 | 31,469,105 | 61,335,720 |
| | Travelling and conveyance | | 24,908,433 | 26,033,272 |
| | Office rent and renovation | | 23,007,443 | 19,902,978 |
| | Legal and professional services | | 19,108,190 | 11,811,276 |
| | Vehicle running and maintenance | | 18,711,958 | 14,270,331 |
| | Repair and maintenance | | 8,981,212 | 7,191,567 |
| | Fee and taxes | | 8,752,240 | 6,374,870 |
| | Telephone, fax and postage | | 6,211,343 | 6,213,350 |
| | Insurance | | 5,464,954 | 5,426,058 |
| | Printing and stationery | | 5,294,714 | 3,661,888 |
| | Subscription and renewals | | 4,214,664 | 4,091,102 |
| | Electricity and power | | 3,815,972 | 2,875,600 |
| | Auditors' remuneration | 29.3 | 2,245,000 | 1,920,000 |
| | Advertisement | | 1,511,790 | 1,579,005 |
| | Entertainment | | 1,503,323 | 890,905 |
| | Newspapers, books and periodicals | | 161,801 | 130,046 |
| | Arms and ammunition | | 31,000 | 62,600 |
| | Assets written off | | - | 150,106 |
| | Consultancy and advisory | | - | 4,200,000 |
| | Other expenses | | 9,052,349 | 19,158,820 |
| | | | 490,343,792 | 462,956,222 |

**29.1** Salaries, wages and other benefits include Rs. 6,153,900 (2012: Rs. 4,697,583) in respect of provident fund, Rs. 3,084,776 (2012: Rs. 6,201,269) in respect of staff gratuity and Rs. Nil (2012: Rs. 3,147,130) in respect of employees' stock option scheme.

**29.2** None of the Directors of the Company or their spouses have any interest in, or are otherwise associated with any of the recipients of donations made by the Company during the year except for the Lodhran Pilot Project situated at Karoor Pakka Road, Lodhran and National Rural Support Program (NRSP) situated at 46, Aga Khan Road, F6/4, Islamabad in which Mr. Jahangir Khan Tareen is the President and Director respectively.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **29.3** | **Auditors' remuneration** | | | |
| | Statutory audit | | 1,750,000 | 1,500,000 |
| | Half yearly review | | 300,000 | 300,000 |
| | Other certificates | | 105,000 | 65,000 |
| | Out of pocket expenses | | 90,000 | 55,000 |
| | | | 2,245,000 | 1,920,000 |
| **30** | **SELLING EXPENSES** | | | |
| | Freight and handling charges | | 241,308,751 | 1,151,183 |
| | Salaries, wages and other benefits | 30.1 | 15,296,634 | 15,274,770 |
| | Other selling expenses | | 22,368,336 | 6,163,685 |
| | | | 278,973,721 | 22,589,638 |

**30.1** Salaries, wages and other benefits include Rs. 241,210 (2012: Rs. 310,284) in respect of provident fund.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **31** | **OTHER EXPENSES** | | | |
| | Workers' Profit Participation Fund | | 69,959,558 | 28,874,232 |
| | Workers' Welfare Fund | | 18,399,509 | 329,729 |
| | Allowance for impairment of long term investment | 19.2 | - | 90,000,000 |
| | Other expenses | | 49,290,732 | - |
| | | | 137,649,799 | 119,203,961 |
| **32** | **OTHER INCOME** | | | |
| | **Income from financial assets** | | | |
| | Profit on bank deposit | | 1,174,333 | 817,957 |
| | **Income from non financial assets** | | | |
| | Scrap sales | | 43,787,384 | 32,428,242 |
| | Rental income | 32.1 | 20,780,887 | 23,968,588 |
| | Foreign exchange gain | | 19,499,221 | 980,940 |
| | Insurance claim | | 12,505,030 | - |
| | Profit on sale of property, plant and equipment | 16.1.2 | 9,814,237 | 23,683,675 |
| | Profit on sale of investment property | | - | 11,864,580 |
| | Liabilities no longer payable written back | | - | 9,014,462 |
| | Provision for doubtful advances reversed | | - | 1,203,287 |
| | Others | | 26,945,958 | 22,081,866 |
| | | | 133,332,717 | 125,225,640 |
| | | | 134,507,050 | 126,043,597 |

**32.1** It mainly represents the rental income earned from investment property.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **33** | **FINANCE COST** | | | |
| | Interest and mark-up on | | | |
| | - short term borrowings - secured | 33.1 | 814,034,211 | 773,845,177 |
| | - long term loans - secured | 33.2 | 141,339,824 | 245,991,788 |
| | - redeemable capital - secured | | 76,197,590 | 155,800,650 |
| | - finance leases | | 74,188,663 | 107,005,826 |
| | - Workers' Profit Participation Fund | 14.2 | 4,321,246 | 30,088,746 |
| | Bank charges and commission | | 43,482,622 | 22,266,538 |
| | | | 1,153,564,156 | 1,334,998,725 |
| | Less: Borrowing costs capitalized | | (34,986,103) | - |
| | | | 1,118,578,053 | 1,334,998,725 |

**33.1** Mark up on short term borrowings is net of markup from related parties amounting to Rs. 387,579,811 (2012: Rs. 315,660,213) on receivable from these parties. This receivable has been made from the proceeds of short term borrowings from banks.

**33.2** Mark up on long term loans is net of markup from related party amounting to Rs. 279,114,115 (2012: Rs. 278,649,769) on receivable from Deharki Sugar Mills (Private) Limited. This receivable has been made from the proceeds of long term loan from United Bank Limited - Led Syndicated Loan.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **34** | **TAXATION** | | | |
| | Income tax | | | |
| | - current | | 209,191,157 | 46,907,898 |
| | - prior years | 34.1 | - | (288,605,409) |
| | Deferred tax | 34.2 | 177,118,112 | 102,703,643 |
| | | | 386,309,269 | (138,993,868) |

**34.1** This represent refunds allowed by the Department for tax years 2003 & 2006 and other adjustments against the assessments finalized.

**34.2** Deferred tax expense relates to origination and reversal of temporary differences.

**34.3** The assessments of the Company are completed up to tax year 2013.

**34.4 Reconciliation of tax charge for the year**

| | 2013 % age |
|---|---|
| Applicable tax rate | 34 .00 |
| Tax effects of amount not deductable for tax purposes | 0.40 |
| Tax effects of amount deductable for tax purposes | (1.27) |
| Tax effect of income chargeable under final tax regime | (5.33) |
| Others | 1.67 |
| Average effective rate charged to profit and loss account | 29.47 |

Since the last year tax provision was based on minimum tax on turnover under section 113 therefore, no numerical reconciliation has been presented for previous year.

| | | 2013 | 2012 |
|---|---|---|---|
| **35 EARNINGS PER SHARE** | | | |
| **35.1 Basic** | | | |
| Profit after taxation | Rupees | 924,522,820 | 687,274,554 |
| Weighted average number of ordinary shares | No. of shares | 59,776,661 | 59,650,978 |
| Basic earnings per share | Rupees | 15.47 | 11.52 |
| **35.2 Diluted** | | | |
| Profit after taxation | Rupees | 924,522,820 | 687,274,554 |
| Weighted average number of ordinary shares (basic) | | 59,776,661 | 59,650,978 |
| Effect of stock option | | - | 125,683 |
| | No. of shares | 59,776,661 | 59,776,661 |
| Diluted earnings per share | Rupees | 15.47 | 11.50 |

There is no dilution effect on the basic earnings per share of the current year as the Company has no such commitments.

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| **36 CASH GENERATED FROM OPERATIONS** | | |
| Profit before taxation | 1,310,832,089 | 548,280,686 |
| Adjustments for non cash and other items | | |
| Finance cost | 1,118,578,053 | 1,334,998,725 |
| Depreciation | 508,215,992 | 491,811,166 |
| Workers' profit participation fund | 69,959,558 | 28,874,232 |
| Staff retirement benefits | 36,460,882 | 44,127,468 |
| Workers' welfare fund | 18,399,509 | 329,729 |
| Profit on disposal of property, plant and equipment | (9,814,237) | (23,683,675) |
| Allowance for impairment of long term investment | - | 90,000,000 |
| Employees' stock option | - | 5,619,875 |
| Assets written off | - | 878,597 |
| Gain on sale of investment property | - | (11,864,580) |
| Provision for doubtful advances reversed | - | (1,203,287) |
| Liabilities no longer payable | - | (9,014,462) |
| | 1,741,799,757 | 1,950,873,788 |
| **Operating profit before working capital changes** | 3,052,631,846 | 2,499,154,474 |
| **Decrease / (increase) in current assets** | | |
| Stock in trade | 407,502,779 | (1,809,493,722) |
| Trade debts | 129,643,808 | 490,388,356 |
| Stores, spares and loose tools | 2,393,016 | (50,044,091) |
| Advances, deposits, prepayments and other receivables | 735,561,054 | 174,685,748 |
| | 1,275,100,657 | (1,194,463,709) |
| **Increase in current liabilities** | | |
| Trade and other payables | 139,215,195 | 1,597,334,338 |
| **Cash generated from operations** | 4,466,947,698 | 2,902,025,103 |

## 37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Company is as follows:

| | Chief Executive | | Directors Executive | | Directors Non - Executives | | Executives | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees |
| Managerial remuneration | 24,000,000 | 19,333,333 | - | 13,966,667 | 20,800,000 | 2,800,000 | 85,358,147 | 73,407,605 |
| House allowance | 9,600,000 | 7,733,333 | - | 5,586,667 | 8,320,000 | 1,120,000 | 34,143,259 | 29,363,042 |
| Utilities | 2,400,000 | 1,933,333 | - | 1,396,667 | 2,080,000 | 280,000 | 8,535,815 | 7,340,761 |
| Bonus | 12,000,000 | 8,666,660 | - | 6,500,000 | 10,400,000 | 1,400,000 | 70,053,017 | 56,169,336 |
| Company's contribution towards provident fund | - | - | - | - | - | - | 7,841,246 | 6,692,952 |
| Stock option scheme | - | - | - | - | - | - | - | 5,619,875 |
| | 48,000,000 | 37,666,659 | - | 27,450,001 | 41,600,000 | 5,600,000 | 205,931,484 | 178,593,571 |
| Number of persons | 1 | 1 | - | 1 | 2 | 1 | 61 | 62 |

In addition to the above, Chief Executive, one Director and some of the Executives are provided with free use of Company maintained cars.

## 38 FINANCIAL INSTRUMENTS

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react changes in market conditions and the Company's activities.

### 38.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and other parties and loans to / due from related parties. Out of the total financial assets of Rs. 6,191.73 million (2012: Rs. 5,804.54 million) financial assets which are subject to credit risk amount to Rs. 2,715.24 million (2012: Rs. 1,951.26 million).

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To manage exposure to credit risk in respect of trade receivables, management reviews credit worthiness, references, establish purchase limits taking into account the customer's financial position, past experience and other factors. Export sales are secured through letters of credit. The management has set a maximum credit period of 15 days to reduce the credit risk. Limits are reviewed periodically and the customers that fail to meet the Company's benchmark credit worthiness may transact with the Company only on a prepayment basis.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| Trade debts | 239,661,016 | 369,304,824 |
| Advances, deposits, prepayments and other receivables | 2,435,426,587 | 1,571,618,570 |
| Bank balances | 40,151,297 | 10,332,445 |
| | 2,715,538,900 | 1,951,255,839 |
| The aging of trade receivables at the reporting date is: | | |
| Not past due | 239,661,016 | 369,304,824 |
| Past due 365 days | 14,486,141 | 14,486,141 |
| | 254,147,157 | 383,790,965 |

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Gross carrying amount Rupees | Accumulated impairment Rupees | Gross carrying amount Rupees | Accumulated impairment Rupees |
| Neither past due nor impaired | 239,661,016 | - | 369,304,824 | - |
| Past due more than 365 days | 14,486,141 | 14,486,141 | 14,486,141 | 14,486,141 |
| | 254,147,157 | 14,486,141 | 383,790,965 | 14,486,141 |

The analysis of trade receivables from Riaz Bottlers (Private) Limited, an associate of the Company as at the reporting date is as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Gross carrying amount Rupees | Accumulated impairment Rupees | Gross carrying amount Rupees | Accumulated impairment Rupees |
| Neither past due nor impaired | 72,313,484 | - | 33,048,700 | - |
| | 72,313,484 | - | 33,048,700 | - |

The Company's five significant customers account for Rs. 212.34 million (2012: Rs. 415.806 million) of trade debts as at the reporting date, apart from which, exposure to any single customer does not exceed 6% (2012: 5%) of trade debts as at the reporting date.

The Board has formulated a policy to create provision allowance for trade receivables on a time based criteria. Provision allowance on closing trade receivable balances has adequately been created in accordance with the approved policy. Based on past experience the management believes that no further impairment allowance is necessary in respect of trade receivables and there are reasonable grounds to believe that the amounts will be recovered in normal course.

**Credit quality of major financial assets**

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

| Banks | Rating Long term | Rating Short term | Rating Agency | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|---|
| Habib Bank Limited | AA+ | A-1+ | JCR-VIS | 970,313 | 7,884,637 |
| MCB Bank Limited | AA+ | A1+ | PACRA | 1,205,179 | 257,132 |
| National Bank of Pakistan | AAA | A-1+ | JCR-VIS | 1,407,806 | 380,029 |
| United Bank Limited | AA+ | A-1+ | JCR-VIS | 164,211 | 100,682 |
| Bank Alfalah Limited | AA | A1+ | PACRA | 4,518,471 | 156,096 |
| Faysal Bank Limited | AA | A1+ | PACRA | 35,848 | 591,337 |
| KASB Bank Limited | BBB | A3 | PACRA | 8,575 | 20,430 |
| Standard Chartered Bank (Pakistan) Limited | AAA | A1+ | PACRA | - | 17,220 |
| The Bank of Punjab | AA- | A1+ | PACRA | 99,154 | 41,214 |
| Allied Bank Limited | AA+ | A1+ | PACRA | 16,638 | 54,781 |
| Askari Bank Limited | AA | A1+ | PACRA | 50,581 | 115,880 |
| The First Micro Finance Bank Limited | A | A-1 | JCR-VIS | 20,135 | 10,523 |
| Bank Al Habib Limited | AA+ | A1+ | PACRA | 14,733 | 12,259 |
| Al-Baraka Bank (Pakistan) Limited | A | A1 | PACRA | 31,201 | 75,014 |
| JS Bank Limited | A+ | A1 | PACRA | 82,203 | 16,730 |
| Summit Bank Limited | A- | A-2 | JCR-VIS | 1,601,299 | 482,745 |
| Soneri Bank Limited | AA- | A1+ | PACRA | 265,143 | 30,998 |
| Burj Bank Limited | A | A-1 | JCR-VIS | 129,239 | 29,482 |
| Bank Islami Pakistan Limited | A | A1 | PACRA | 1,957,079 | 45,256 |
| Dubai Islamic Bank Pakistan Limited | A | A-1 | JCR-VIS | 9,937 | 10,000 |
| Meezan Bank Limited | AA | A-1+ | JCR-VIS | 5,000 | - |
| NIB Bank Limited | AA- | A1+ | PACRA | 27,553,552 | - |
| The Bank of Khyber | A- | A2 | PACRA | 5,000 | - |
| | | | | 40,151,297 | 10,332,445 |

### 38.2 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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. For this purpose the Company has sufficient running finance facilities available from various commercial banks to meet its liquidity requirements. Further liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the Board.

### 38.2.1 Exposure to liquidity risk

### 38.2.1(a) Contractual maturities of financial liabilities, including estimated interest payments.

| | 2013 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | One year or less | One to five years | More than five years |
| | Rupees | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Redeemable capital | 724,465,726 | 1,037,876,774 | 564,773,989 | 473,102,785 | - |
| Long term loans | 5,177,051,151 | 9,902,786,570 | 1,714,470,439 | 6,965,361,852 | 1,222,954,279 |
| Short term borrowings | 6,834,453,702 | 7,600,735,658 | 7,600,735,658 | - | - |
| Liabilities against assets subject to finance lease | 668,375,699 | 763,257,523 | 287,024,391 | 476,233,132 | - |
| Interest and mark-up accrued | 302,120,164 | 302,120,164 | 302,120,164 | - | - |
| Trade and other payables | 1,138,677,520 | 1,138,677,520 | 1,138,677,520 | - | - |
| | 14,845,143,962 | 20,745,454,209 | 11,607,802,161 | 7,914,697,769 | 1,222,954,279 |

| | 2012 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | One year or less | One to five years | More than five years |
| | Rupees | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Redeemable capital | 880,000,010 | 979,415,557 | 567,001,111 | 412,414,446 | - |
| Long term finances | 3,407,499,994 | 4,318,047,252 | 1,085,293,938 | 3,123,377,814 | 109,375,500 |
| Short term borrowings | 8,111,666,733 | 8,403,224,482 | 8,403,224,482 | - | - |
| Liabilities against assets subject to finance lease | 696,732,455 | 811,925,476 | 347,222,923 | 464,702,553 | - |
| Interest and mark-up accrued | 442,600,039 | 442,600,039 | 442,600,039 | - | - |
| Trade and other payables | 606,636,369 | 606,636,369 | 606,636,369 | - | - |
| | 14,145,135,600 | 15,561,849,175 | 11,451,978,862 | 4,000,494,813 | 109,375,500 |

### 38.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

### 38.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency.

### 38.3.1 (a) Exposure to currency risk

The Company's exposure to currency risk as at the reporting date is as follows:

| | 2013 | 2012 |
|---|---|---|
| | USD | USD |
| | Rupees | Rupees |
| Assets | | |
| Trade receivables | - | 35,855,587 |
| Net exposure | - | 35,855,587 |

**38.3.1 (b) Exchange rates applied during the year**

Foreign exchange rates applied during the year are as follows:

| | 2013 | | |
|---|---|---|---|
| | Spot rate | | Average rate for the year |
| | Buying | Selling | |
| | Rupees | | |
| EURO | 142.20 | 142.47 | 131.78 |
| USD | 105.30 | 105.50 | 95.64 |
| GBP | 170.25 | 170.57 | 167.16 |
| AUD | 98.06 | 98.25 | 93.97 |
| JPY | 1.07 | 1.07 | 1.14 |
| SEK | 16.39 | 16.42 | 16.50 |

| | 2012 | | |
|---|---|---|---|
| | Spot rate | | Average rate for the year |
| | Buying | Selling | |
| | Rupees | | |
| EURO | 122.19 | 122.45 | 118.89 |
| USD | 94.50 | 94.70 | 89.69 |
| GBP | 153.58 | 153.91 | 143.19 |
| AUD | 98.88 | 99.09 | 90.39 |
| JPY | 1.22 | 1.22 | 1.19 |
| SEK | 14.50 | 14.53 | 13.90 |

**38.3.1 (c) Sensitivity analysis**

A ten percent depreciation in Pak Rupee against the following currencies would have increased / (decreased) loss and equity by the amounts presented below. The analysis assumes that all other variables, in particular interest rates, remain constant.

| | 2013 | 2012 |
|---|---|---|
| | Profit | Profit |
| | Rupees | Rupees |
| USD | - | 3,585,559 |

A ten percent appreciation in Pak Rupee against the above currencies would have an equal but opposite effect on profit or loss and equity.

**38.3.1 (d) Currency risk management**

The Company manages its exposure to currency risk through continuous monitoring of expected / forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly basis, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities / payments to assets / receipts, using source inputs in foreign currency and arranging cross currency swaps to hedge non-functional currency debt. The Company maintains foreign currency working capital lines in order to finance production of exportable goods. Proceeds from exports are used to repay / settle / rollover the Company's obligations under these working capital lines which substantially reduces exposure to currency risk in respect of such liabilities. Balances in foreign currency are also maintained in current and saving / deposits accounts with banking companies. The Company also occasionally uses currency options to cover any significant unfavorable rate scenarios.

### 38.3.2 Interest rate risk

The effective interest / mark-up rates for interest/mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest / mark-up bearing financial instruments as at the reporting date are as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Financial asset | Financial liability | Financial asset | Financial liability |
| | Rupees | | | |
| Variable rate instruments | 3,966,380,480 | 13,404,346,278 | 3,532,076,726 | 13,095,899,192 |

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

| | Profit and loss 100 bps | |
|---|---|---|
| | Increase | Decrease |
| | Rupees | |
| As at 30 September 2013 | 94,379,658 | (94,379,658) |
| As at 30 September 2012 | 95,638,225 | (95,638,225)) |

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

### 38.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Equity price risk arises from available-for-sale equity securities held. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. The Company believes that it is not exposed to other price risk.

### 38.3.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or liability be settled between knowledgeable willing parties in an arm's length transaction. As at the reporting date, fair values of all financial instruments are considered to approximate their book values.

### 38.3.5 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

b) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the debt-to-equity ratio as follows:

| | Unit | 2013 | 2012 |
|---|---|---|---|
| Total debt | Rupees | 6,569,892,576 | 4,984,232,459 |
| Total equity and total debt | Rupees | 12,058,809,529 | 9,907,286,558 |
| Debt-to-equity ratio | % age | 54% | 50% |

Total debt comprises of redeemable capital, long term loans, liabilities against assets subject to finance lease and current portion of non-current liabilities.

The increase in the debt-to-equity ratio in 2013 is due to the increase in redeemable capital and long term loan during the year.

There were no changes in the Company's approach to capital management during the year.

## 39 TRANSACTIONS WITH RELATED PARTIES

The related parties comprises of subsidiary company, associated companies, other related companies, directors of the Company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under respective notes to the accounts. Other significant transactions with related parties are as follows:

| | Relationship | Nature of transactions | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **39.1** | **Subsidiary** | | | |
| | | Advances received / (paid) - net | 150,432,198 | (201,482,838) |
| | | Long term loans received / (paid) - net | 362,086,320 | (583,712,971) |
| | | Mark up income | (380,226,208) | (333,977,040) |
| | | Purchase of shares | - | 1,048,750,000 |
| **39.2** | **Associated Companies** | | | |
| | | Advances given | 750,000,000 | 250,000,000 |
| | | Mark up income | (106,877,779) | (56,226,046) |
| | | Sale of molasses | (536,573) | (2,927,773) |
| | | Payment against purchase of aircraft | 3,000,000 | 1,000,000 |
| | | Sale of sugar | (861,899,000) | (811,374,326) |
| | | Assets acquired | - | 135,744,875 |
| | | Advance against issue of shares | - | 43,103,247 |

| | Relationship | Nature of transactions | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **39.3** | **Other Related Party** | | | |
| | | Purchase of sugarcane | 2,940,548,145 | 3,206,166,810 |
| **39.4** | **Post employment benefit plan** | | | |
| | | Provident fund contribution | 52,356,652 | 49,800,372 |

The remuneration paid to Chief Executive, Directors, Executive and Key Management Personnel in terms of their employment is disclosed in note 37 to the financial statements.

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Days | Tonnes | Days | Tonnes |
| **40 CAPACITY AND PRODUCTION** | | | | |
| **Unit I** | | | | |
| Crushing capacity | 120 | 2,460,000 | 120 | 2,460,000 |
| Sugarcane crushed | 133 | 2,535,823 | 142 | 2,711,463 |
| Sugar production | | 289,147 | | 272,226 |
| **Unit II** | | | | |
| Crushing capacity | 120 | 1,020,000 | 120 | 1,020,000 |
| Sugarcane crushed | 129 | 1,007,658 | 135 | 1,062,742 |
| Sugar production | | 114,516 | | 108,864 |
| **Unit III** | | | | |
| Crushing capacity | 120 | 1,320,000 | 120 | 1,320,000 |
| Sugarcane crushed | 115 | 1,200,650 | 117 | 1,135,063 |
| Sugar production | | 134,718 | | 120,721 |

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| **41 RESTRICTION ON TITLE AND ASSETS PLEDGED AS SECURITY** | | |
| **Mortgages and charges** | | |
| Hypothecation of all present and future assets and properties | 23,700,476,230 | 25,015,350,329 |
| Mortgage over land and building | 23,700,476,230 | 25,015,350,329 |
| **Pledge** | | |
| Finished goods | 3,246,789,969 | 3,717,541,698 |

## 42 OPERATING SEGMENTS

These financial statements have been prepared on the basis of single reportable segment.

**42.1** Revenue from sales of sugar represents 92.22% (2012: 91.32%) of the gross sales of the Company.

**42.2** 82.59% (2012: 97.78%) of the gross sales of the Company are made to customers located in Pakistan.

**42.3** All non-current assets of the Company as at 30 September 2013 are located in Pakistan.

## 43 PROVIDENT FUND TRUST

The following information is based on latest audited financial statements of Provident Fund Trust.

| | Unit | 2013 | 2012 |
|---|---|---|---|
| Size of fund - total assets | Rupees | 311,516,427 | 258,760,700 |
| Cost of investments made | Rupees | 253,241,561 | 210,891,110 |
| Percentage of investments made | Percentage | 81.29% | 81.25% |
| Fair value of investment | Rupees | 280,220,298 | 231,794,574 |

The breakup of fair value of investments is as follows:

| | 30 June 2013 | | 30 June 2012 | |
|---|---|---|---|---|
| | Rupees | Percentage | Rupees | Percentage |
| Shares in listed companies | 65,151,232 | 23.25% | 59,715,536 | 25.76% |
| Cash at bank | 215,069,066 | 76.75% | 172,079,038 | 74.24% |
| | 280,220,298 | 100.00% | 231,794,574 | 100.00% |

The investments of the Provident Fund Trust are in compliance with the provision of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

## 44 NUMBER OF EMPLOYEES

The average and total number of employees are as follows:

| | 2013 | 2012 |
|---|---|---|
| Average number of employees during the year | 3,886 | 4,358 |
| Total number of employees as at 30 September | 3,244 | 3,396 |

## 45 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 04 January 2014 by the Board of Directors of the Company.

## 46 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company has proposed a final cash dividend for the year ended 30 September 2013 of Rs. 6.00 per share (2012: Rs. 6.00 per share).

## 47 FIGURES

**47.1** Figures have been rounded off to the nearest rupee.

**47.2** A fire incident occurred on 27 January 2013 at the Company's record office i.e. 32-N, Gulberg II, Lahore destroying substantial records related to accounting, financial, corporate & tax related to all prior years.

04 January 2014
Lahore — Chief Executive — Director

# Consolidated Financial Statements

for the year ended 30 September 2013

KPMG Taseer Hadi & Co.
Chartered Accountants
53 L Gulberg III
Lahore Pakistan

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# Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of JDW Sugar Mills Limited ("the Holding Company") and its subsidiary company Deharki Sugar Mills (Private) Limited ("the Group") as at 30 September 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the Holding Company. The financial statements of the subsidiary company, Deharki Sugar Mills (Private) Limited was audited by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such Company, is based solely on the report of such other auditor. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary company as at 30 September 2013 and the results of their operations for the year then ended.

04 January 2014
Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

# Consolidated Balance Sheet

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **SHARE CAPITAL AND RESERVES** | | | |
| Share capital | 6 | 597,766,610 | 597,766,610 |
| Reserves | | 4,343,938,419 | 4,334,555,982 |
| | | 4,941,705,029 | 4,932,322,592 |
| Non controlling interest | | 192,155 | 248,377 |
| | | 4,941,897,184 | 4,932,570,969 |
| **NON CURRENT LIABILITIES** | | | |
| Redeemable capital - secured | 7 | 222,243,482 | 391,111,124 |
| Long term loans - secured | 8 | 4,292,190,749 | 2,728,499,991 |
| Liabilities against assets subject to finance lease | 9 | 642,013,396 | 414,748,686 |
| Deferred taxation | 10 | 1,555,721,583 | 1,248,740,643 |
| Staff retirement benefits | 11 | 44,694,419 | 37,428,580 |
| | | 6,756,863,629 | 4,820,529,024 |
| **CURRENT LIABILITIES** | | | |
| Short term borrowings - secured | 12 | 7,692,553,702 | 8,698,067,413 |
| Current portion of non current liabilities | 13 | 1,675,060,118 | 1,449,872,658 |
| Trade and other payables | 14 | 3,043,707,130 | 2,937,019,528 |
| Interest and mark-up accrued | | 325,116,640 | 493,364,357 |
| Provision for taxation | | 86,520,545 | 14,123,857 |
| | | 12,822,958,135 | 13,592,447,813 |
| **CONTINGENCIES AND COMMITMENTS** | 15 | | |
| | | 24,521,718,948 | 23,345,547,806 |

The attached notes from 1 to 47 form an integral part of these consolidated financial statements.

04 January 2014
Lahore

# As at 30 September 2013

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **NON CURRENT ASSETS** | | | |
| Property, plant and equipment | 16 | 13,387,593,856 | 11,298,483,247 |
| Investment property | 17 | 693,855,251 | 685,973,260 |
| Goodwill | 18 | 608,310,693 | 608,310,693 |
| Investments | 19 | 239,732,936 | 780,349,093 |
| Long term advances | 20 | 83,000,000 | - |
| Long term deposits | 21 | 104,004,307 | 105,637,735 |
| | | 15,116,497,043 | 13,478,754,028 |
| **CURRENT ASSETS** | | | |
| Stores, spares and loose tools | 22 | 787,936,802 | 817,725,530 |
| Stock in trade - finished goods | | 3,777,690,212 | 4,666,381,509 |
| Trade debts - unsecured, considered good | 23 | 655,358,234 | 451,460,436 |
| Advances, deposits, prepayments and other receivables | 24 | 3,602,014,748 | 3,343,033,326 |
| Tax refund due from Government | | 284,457,186 | 534,592,135 |
| Cash and bank balances | 25 | 77,764,723 | 53,600,842 |
| Non current asset held for sale | 26 | 220,000,000 | - |
| | | 9,405,221,905 | 9,866,793,778 |
| | | 24,521,718,948 | 23,345,547,806 |

Chief Executive

Director

# Consolidated Profit and Loss Account
## For the year ended 30 September 2013

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **Gross sales** | | 36,122,159,213 | 27,507,217,540 |
| FED, Sales tax and others | | (1,699,208,585) | (1,932,565,974) |
| **Net sales** | 27 | 34,422,950,628 | 25,574,651,566 |
| Cost of sales | 28 | (30,589,611,665) | (23,089,404,162) |
| **Gross profit** | | 3,833,338,963 | 2,485,247,404 |
| Administrative expenses | 29 | (621,792,742) | (485,696,888) |
| Selling expenses | 30 | (316,124,334) | (35,364,463) |
| | | (937,917,076) | (521,061,351) |
| **Operating profit** | | 2,895,421,887 | 1,964,186,053 |
| Other expenses | 31 | (178,375,385) | (29,203,961) |
| Other income | 32 | 170,348,397 | 127,802,552 |
| Finance cost | 33 | (1,650,949,363) | (1,703,511,816) |
| | | (1,658,976,351) | (1,604,913,225) |
| Share of loss of associated companies - net of taxation | 19 | (279,890,571) | (33,200,907) |
| **Profit before taxation** | | 956,554,965 | 326,071,921 |
| Taxation | 34 | (588,568,784) | 431,227,295 |
| **Profit after taxation** | | 367,986,181 | 757,299,216 |
| **Attributable to:** | | | |
| Equity holders of the Holding Company | | 368,042,403 | 757,295,171 |
| Non controlling interest | | (56,222) | 4,045 |
| | | 367,986,181 | 757,299,216 |
| **Earnings per share** | | | |
| **- Basic** | 35.1 | 6.16 | 12.70 |
| **- Diluted** | 35.2 | 6.16 | 12.67 |

The attached notes from 1 to 47 form an integral part of these consolidated financial statements.

04 January 2014
Lahore

Chief Executive

Director

# Consolidated Statement of Comprehensive Income
## For the year ended 30 September 2013

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| **Profit after taxation** | 367,986,181 | 757,299,216 |
| Other comprehensive income for the year | - | - |
| **Total comprehensive income for the year** | 367,986,181 | 757,299,216 |
| **Attributable to:** | | |
| Equity holders of the Holding Company | 368,042,403 | 757,295,171 |
| Non controlling interest | (56,222) | 4,045 |
| | 367,986,181 | 757,299,216 |

The attached notes from 1 to 47 form an integral part of these consolidated financial statements.

04 January 2014
Lahore

Chief Executive

Director

# Consolidated Cash Flow Statement
## For the year ended 30 September 2013

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| **Cash generated from operations** | 36 | 5,382,878,130 | 1,969,395,065 |
| Income tax paid | | (190,229,655) | (576,885,395) |
| Workers' Profit Participation Fund paid | | (33,195,478) | (146,922,935) |
| Staff retirement benefits paid | | (43,828,359) | (59,670,194) |
| | | (267,253,492) | (783,478,524) |
| **Net cash generated from operations** | | 5,115,624,638 | 1,185,916,541 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Advances to related parties | | (856,877,778) | (211,042,548) |
| Property, plant and equipment | | (2,184,335,841) | (1,887,439,649) |
| Long term deposits - net | | (57,934,458) | 131,661 |
| Long term advances | | (86,000,000) | - |
| Proceeds realized from sale of property, plant and equipment | | 25,471,027 | 55,030,930 |
| Investment property | | (7,881,991) | (105,103,494) |
| **Net cash used in investing activities** | | (3,167,559,041) | (2,148,423,100) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Short term borrowings - net | | (1,005,513,711) | 3,162,116,101 |
| Long term loans availed during the year | | 2,448,439,480 | 119,500,000 |
| Proceeds from issuance of term finance certificates | | 333,354,602 | - |
| Redemption of term finance certificates | | (488,888,886) | (438,715,359) |
| Finance cost paid | | (1,754,819,337) | (996,307,299) |
| Long term loans repaid during the year | | (678,888,323) | (265,173,527) |
| Lease rentals paid | | (422,370,061) | (459,567,884) |
| Dividend paid | | (355,215,480) | (531,621,727) |
| Proceeds from issuance of shares under employees' stock option scheme | | - | 11,809,500 |
| **Net cash (used in) / generated from financing activities** | | (1,923,901,716) | 602,039,805 |
| **Net increase / (decrease) in cash and cash equivalents** | | 24,163,881 | (360,466,754) |
| **Cash and cash equivalents at the beginning of the year** | | 53,600,842 | 414,067,596 |
| **Cash and cash equivalents at the end of the year** | 25 | 77,764,723 | 53,600,842 |

The attached notes from 1 to 47 form an integral part of these consolidated financial statements.

04 January 2014
Lahore

Chief Executive

Director

# Consolidated Statement of Changes in Equity
## For the year ended 30 September 2013

| | Attributable to equity holders of the Holding Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Reserves | | | | | | |
| | Share capital | Share premium | Employees' stock option | Accumulated profit | Sub Total | Total | Non controlling interest | Total equity |
| | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees |
| **Balance as at 30 September 2011** | 592,766,610 | 643,951,928 | 21,935,625 | 3,439,304,043 | 4,105,191,596 | 4,697,958,206 | (2,125,879) | 4,695,832,327 |
| **Transactions with owners, recorded directly in equity:** | | | | | | | | |
| Final dividend @ Rs. 9.00 per share | - | - | - | (537,989,949) | (537,989,949) | (537,989,949) | - | (537,989,949) |
| Employees' stock option | - | - | 5,619,875 | - | 5,619,875 | 5,619,875 | - | 5,619,875 |
| Shares issued under employees' stock option | 5,000,000 | 34,365,000 | (27,555,500) | - | 6,809,500 | 11,809,500 | - | 11,809,500 |
| Effect of increase in percentage of holding in subsidiary company | - | - | - | (2,370,211) | (2,370,211) | (2,370,211) | 2,370,211 | - |
| Total comprehensive income for the year | - | - | - | 757,295,171 | 757,295,171 | 757,295,171 | 4,045 | 757,299,216 |
| **Balance as at 30 September 2012** | 597,766,610 | 678,316,928 | - | 3,656,239,054 | 4,334,555,982 | 4,932,322,592 | 248,377 | 4,932,570,969 |
| **Transactions with owners, recorded directly in equity:** | | | | | | | | |
| Final dividend @ Rs. 6.00 per share | - | - | - | (358,659,966) | (358,659,966) | (358,659,966) | - | (358,659,966) |
| Total comprehensive income for the year | - | - | - | 368,042,403 | 368,042,403 | 368,042,403 | (56,222) | 367,986,181 |
| **Balance as at 30 September 2013** | 597,766,610 | 678,316,928 | - | 3,665,621,491 | 4,343,938,419 | 4,941,705,029 | 192,155 | 4,941,897,184 |

The attached notes from 1 to 47 form an integral part of these consolidated financial statements.

04 January 2014
Lahore

Chief Executive

Director

1 **STATUS AND NATURE OF BUSINESS**

**The Group comprises of**

- JDW Sugar Mills Limited ("the Holding Company"); and
- Deharki Sugar Mills (Private) Limited ("the Subsidiary Company").

**1.1** JDW Sugar Mills Limited was incorporated in Pakistan on 31 May 1990 as a private limited company under the Companies Ordinance, 1984 and was subsequently converted into a public limited company on 24 August 1991. Shares of the Company are listed on the Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at 17 - Abid Majeed Road, Lahore Cantonment, Lahore. The principal activity of the Company is production and sale of crystalline sugar and electricity.

**1.2** Deharki Sugar Mills (Private) Limited was incorporated in Pakistan on 14 July 2010 as a Private Limited Company under the Companies Ordinance, 1984. The registered office of the Company is situated at 17-Abid Majeed Road, Lahore Cantonment Lahore. The principal activity of the Company is production and sale of crystalline sugar. There were no changes in ownership interest in Subsidiary Company during the year.

**1.3** Details regarding the Group's investment in associates are given in note 19 to these consolidated financial statements.

2 **BASIS OF PREPARATION**

**2.1** These consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company for the year ended 30 September 2013 and the audited financial statements of Deharki Sugar Mills (Private) Limited for the year ended 30 September 2013. Details regarding the financial information of associates used in the preparation of these consolidated financial statements are given in note 19 to these consolidated financial statements.

The accounting policies used by the Subsidiary Company in preparation of its financial statements are consistent with that of the Holding Company. The accounting policies used by the Group's associates in preparation of their respective financial statements are also consistent with that of the Holding Company.

**2.2 Statement of compliance**

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Standard Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

**2.3 Basis of measurement**

These consolidated financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value. In these consolidated financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

**2.4 Functional and presentation currency**

These consolidated financial statements are presented in Pakistani Rupees which is also the Group's functional currency. All financial information presented in Pakistani Rupees has been rounded to the nearest rupee.

3 **USE OF ESTIMATES AND JUDGMENTS**

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to Group's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Retirement and other benefits
- Provision for taxation
- Residual values and useful lives of depreciable assets
- Provisions and contingencies

## 4 SIGNIFICANT ACCOUNTING POLICIES

**4.1** New standards, amendments to approved accounting standards and interpretations which became effective during the year.

There are no amended standards and interpretations that are effective for the first time in the current year that would be expected to have a material impact on the Group.

**4.2** New standards, amendments to approved accounting standards and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 October 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

**4.2** Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations:

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

**4.3 Property, plant and equipment**

Owned

Property, plant and equipment, except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work in progress are stated at cost less any identified impairment loss. Cost includes direct cost and related overheads.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Major repairs and improvements are capitalized. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to profit on reducing balance method so as to write off the written down value of assets over their estimated useful lives at rates disclosed in note 16.1. Depreciation on additions is charged from the date when the asset is available for use, while no depreciation is charged on the date of disposal.

Depreciation methods, residual values and useful lives of assets are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

The Group assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Leased

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. At inception, finance leases are capitalized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets, less accumulated depreciation and impairment loss, if any.

The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease as referred to in note 9. The liabilities are classified as current and non-current depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the estimated useful life of the assets on reducing balance method at the rates disclosed in note 16.1. Depreciation of leased assets is charged to profit and loss account.

Depreciation methods, residual values and useful lives of the assets are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

### 4.4 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

**4.4 Stores, spares and loose tools**

These are valued at lower of weighted average cost and net realizable value except for items in transit, which are valued at cost comprising invoice value and related expenses incurred thereon up to the balance sheet date. Obsolete and used items are recorded at nil value.

**4.5 Stock in trade**

These are valued at the lower of weighted average cost and net realizable value except for stock in transit, which is valued at cost comprising invoice value and related expenses incurred thereon up to the balance sheet date.

Cost is determined as follows:

| | |
|---|---|
| Raw materials | at weighted average cost |
| Work-in-process and finished goods | at lower of weighted average cost plus related manufacturing expenses and net realizable value |
| Molasses & Bagasse | net realizable value |

Net realizable value signifies the estimated selling price in the ordinary course of business less other costs necessary to be incurred to make the sale.

**4.6 Trade debts**

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

**4.7 Employee benefits**

**4.7.1 Defined contribution plan**

The Group operates approved contributory provident fund for its eligible employees. Equal monthly contribution is made both by the Holding Company and Subsidiary Company & their respective employees to the fund at the rate of 10% of basic salary.

**4.7.2 Defined benefit plan**

The Holding Company also operates an unfunded gratuity scheme for eligible employees who have completed their qualifying period. Provision is made annually to cover current obligation under the scheme on the basis of actuarial recommendation.

The most recent valuation was carried out as at 30 September 2013 using the “Projected unit credit method”. Following significant assumptions are used for valuation of the scheme:

| | 2013 | 2012 |
|---|---|---|
| Discount rate | 13% | 12% |
| Expected increase in eligible pay | 11% | 10% |
| Expected average working life of employee | 10 years | 10 years |

Cumulative net unrecognized actuarial gains and losses at the end of the previous year which exceed 10% of the present value of the obligations is amortized over the expected average working lives of the participating employees.

**4.7.3 Employees’ stock option scheme**

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of Share Appreciation Rights ("SARs"), which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is measured at each reporting date and at settlement date based on the fair value of the SARs. Any changes in the liability are recognized in profit or loss.

### 4.8 Taxation

Income tax expense comprises current and deferred tax.

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

### 4.9 Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from the sale of electricity is recognized on transmission of electricity.

Interest and rental income are recognized on accrual basis.

Dividend income is recognized when the right of receipt is established.

### 4.10 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. For the purpose of consolidated cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances.

### 4.11 Provisions

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

### 4.12 Financial instruments

### 4.12.1 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

#### 4.12.1(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

#### 4.12.1(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

#### 4.12.1(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date. Available for sale financial assets are classified as short term investments in the balance sheet.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised directly in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Group's right to receive payments is established.

#### 4.12.1 (d) Held to maturity

Held to maturity are financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are carried at amortised cost.

**4.12.1(e)** All financial assets are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised at trade date i.e. the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. 'Loans and receivables' and 'held to maturity' investments are carried at amortised cost using effective interest rate method.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (for unlisted securities), the Group measures the investments at cost less impairment in value, if any.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

### 4.12.2 Financial liabilities

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities. The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

### 4.12.3 Recognition and derecognition

All the financial assets and financial liabilities are recognized at the time when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Group looses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

### 4.13 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Non-financial assets

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

### 4.14 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated financial statements only when there is a legally enforceable right to set off the recognized amount and the Group intends either to settle on a net basis or to realize the assets or settle the liabilities simultaneously.

### 4.15 Borrowing cost

Borrowing costs incurred on long term finances obtained for the construction of qualifying assets are capitalized up to the date the respective assets are available for the intended use. All other borrowing costs are taken to the profit and loss account currently.

### 4.16 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 future for goods and services received.

### 4.17 Foreign currency transactions

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transactions or on the date when fair values are determined. Exchange differences are included in the profit and loss account.

### 4.18 Basis of consolidation

a) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

i) the fair value of the consideration transferred; plus

ii) the recognized amount of any non-controlling interests in the acquiree; plus

iii) if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less

iv) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and / or future service.

b) Non-controlling interest

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

i) at fair value; or

ii) at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in profit or loss.

c) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

d) Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. The Group transfers the revaluation surplus directly to retained earnings when it loses control of the subsidiary. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

e) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

f) Associates

Entities in which the Group has significant influence but not control and which are neither subsidiaries nor joint ventures of the members of the Group are associates and are accounted for under the equity method of accounting (equity accounted investees).

These investments are initially recognized at cost. The consolidated financial statements include the associates' share of profit or loss and movements in other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date it ceases. Share of post acquisition profit and loss of associates is recognized in the profit and loss account. Distributions received from associates reduce the carrying amount of investment. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that investment (including any long-term interests that, in substance, form part of the Group's net investment in the associate) is reduced to nil and the recognition of further losses is discontinued.

The carrying amount of investments in associates is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the investments is estimated which is higher of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount and is charged to profit and loss account. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of the investments. A reversal of impairment loss is recognized in the profit and loss account.

### 4.19 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in ordinary course of business, use in production or supply of goods or services as for administrative purpose.

The Group's investment property comprises of land which is carried at cost less identified impairment loss, if any. The Group assesses at each balance sheet date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the profit and loss account for the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amounts of the asset is recognized as an income or expense.

### 4.20 Related party transactions

The Group enters into transactions with related parties on an arm's length basis except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Group to do so.

### 4.21 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the net identifiable assets of the merged subsidiaries at the dates of acquisition. Goodwill recognized is tested annually for impairment and carried at cost less accumulated impairment losses.

### 4.22 Dividend

Dividend distribution to shareholders is recognized as a liability in the period in which the dividends are approved.

## 5 EMPLOYEES' STOCK OPTION

The Holding Company operates a stock option scheme "the Scheme" approved by Securities and Exchange Commission of Pakistan "SECP" dated 16 July 2010, under section 86 of the Companies Ordinance, 1984 read with Public Companies' Employee Stock Option Scheme Rules, 2001. Under the Scheme the Compensation Committee of the Holding Company shall recommend to the board as to which of the eligible employees are entitled to grant of option to subscribe for shares at an option price. Option price, unless otherwise determined by the Compensation Committee, will be the lesser of 30% of the average of market price of shares quoted on Karachi Stock Exchange, during 3 months prior to the date of grant of option and 3 months prior to date of exercise of option. The aggregate number of the shares for all options granted or to be granted under the Scheme to all eligible employees shall not, at any time, exceed 1% of the paid up capital of the Holding Company. The Option shall be exercised during the applicable option period, subject to expiry of relevant minimum vesting period.

The Holding Company has neither awarded any option to its eligible employees during the year nor any option is outstanding as at the balance sheet date.

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **6 SHARE CAPITAL** | | | |
| **6.1 Authorized capital** | | | |
| 75,000,000 (2012: 75,000,000) voting ordinary shares of Rs. 10 each | | 750,000,000 | 750,000,000 |
| 25,000,000 (2012: 25,000,000) preference shares of Rs. 10 each | | 250,000,000 | 250,000,000 |
| | | 1,000,000,000 | 1,000,000,000 |
| **6.2 Issued, subscribed and paid up capital** | | | |
| 32,145,725 (2012: 32,145,725) ordinary shares of Rs. 10 each fully paid in cash - voting | | 321,457,250 | 321,457,250 |
| 27,630,936 (2012: 27,630,936) bonus shares of Rs. 10 each fully paid bonus shares - voting | | 276,309,360 | 276,309,360 |
| | | 597,766,610 | 597,766,610 |
| **7 REDEEMABLE CAPITAL - SECURED** | | | |
| Privately Placed Term Finance Certificates - II | 7.1 | 333,354,602 | - |
| Privately Placed Term Finance Certificates | 7.2 | 302,222,236 | 680,000,011 |
| Privately Placed Sukkuk Certificates | 7.3 | 88,888,888 | 199,999,999 |
| | | 724,465,726 | 880,000,010 |
| Current maturity presented under current liabilities | 12 | (502,222,244) | (488,888,886) |
| | | 222,243,482 | 391,111,124 |

### 7.1 Privately Placed Term Finance Certificates - II

These Privately Placed Term Finance Certificates - II ("TFC - II") have been issued by way of private placements with a consortium of institutional investors. The total issue comprises of 10 TFC's having face value of Rs. 50,000,000 each.

Principal repayment

18 equal quarterly installments commencing after a grace period of six months starting from December 2013 and ending on March 2018.

Rate of return

The return on TFC - II is payable quarterly at a rate of three months KIBOR plus 250 bps per annum.

Trustee

In order to protect the interests of TFC - II holders, JS Bank Limited has been appointed as trustee under a trust deed dated 27 June 2013.

Security

This loan is secured by ranking charge on land measuring 3,253 kanals, all present and future fixed assets, plant and machinery of the Holding Company & the Subsidiary Company and personal guarantees of Directors.

**7.2 Privately Placed Term Finance Certificates**

These Privately Placed Term Finance Certificates ("PPTFCs") have been issued by way of private placements with a consortium of institutional investors. The total issue comprises of 340,000 TFC's having face value of Rs. 5,000 each.

Principal repayment

18 unequal quarterly installments commencing after a grace period of eighteen months starting from March 2010 and ending on June 2014.

Rate of return

The return on PPTFC's is payable quarterly at a rate of three months KIBOR plus 125 bps per annum.

Trustee

In order to protect the interests of PPTFC's holders, MCB Bank Limited has been appointed as trustee under a trust deed dated 23 April 2008.

Security

This loan is secured by first pari passu charge on land measuring 3,253 kanals, all present and future fixed assets, plant and machinery of the Holding Company & the Subsidiary Company and personal guarantees of Directors.

**7.3 Privately Placed Sukkuk Certificates**

These Privately Placed Sukkuk Certificates ("PPSCs") have been issued by way of private placements with a consortium of institutional investors. The total issue comprises of 100,000 sukkuk certificates having face value of Rs. 5,000 each.

Principal repayment

18 unequal quarterly installments commencing after a grace period of eighteen months starting from March 2010 and ending on June 2014.

Rate of return

The return on PPSCs is payable quarterly at a rate of three months KIBOR plus 125 bps per annum.

Trustee

In order to protect the interests of sukkuk certificate holders, MCB Bank Limited has been appointed as trustee under a trust deed dated 27 May 2008.

Security

This loan is secured by first pari passu charge on land measuring 3,253 kanals, all present and future fixed assets, plant and machinery of the Holding Company & the Subsidiary Company and personal guarantees of Directors.

| | Note | 2013<br>Rupees | 2012<br>Rupees |
|---|---|---|---|
| **8 LONG TERM LOANS - SECURED** | | | |
| United Bank Limited - Led Syndicated Loan | 8.1 | 2,057,413,680 | 2,419,500,000 |
| MCB Bank Limited - Led Syndicated Loan | 8.2 | 1,228,637,480 | - |
| Habib Bank Limited - Led Syndicated Loan | 8.3 | 532,999,991 | 787,999,994 |
| Faysal Bank Limited | 8.4 | 500,000,000 | - |
| The Bank of Punjab | 8.5 | 390,000,000 | - |
| Saudi Pak Industrial & Agricultural Investment Company Limited | 8.6 | 300,000,000 | - |
| Pak Brunei Investment Company Limited | 8.7 | 168,000,000 | 200,000,000 |
| | | 5,177,051,151 | 3,407,499,994 |
| Current maturity presented under current liabilities | 13 | (884,860,402) | (679,000,003) |
| | | 4,292,190,749 | 2,728,499,991 |

**8.1 United Bank Limited - Led Syndicated Loan**

This syndicated loan comprises of loans from United Bank Limited, Faisal Bank Limited, Pakistan Kuwait Investment Company (Private) Limited, The Bank of Punjab, Soneri Bank Limited and Meezan Bank Limited. The Holding Company obtained this loan to finance its subsidiary, Deharki Sugar Mills (Private) Limited.

Principal repayment

The loan is repayable in 20 unequal quarterly installments after a grace period of eighteen months starting from March 2013 and ending on December 2017.

Rate of return

The interest is payable quarterly at a rate of three months KIBOR plus 250 bps per annum.

Security

This loan is secured by first pari passu charge on land measuring 3,253 kanals, all present and future fixed assets, plant and machinery of the Holding Company & the Subsidiary Company and personal guarantees of Directors.

**8.2 MCB Bank Limited - Led Syndicated Loan**

This loan has been obtained during the year from a consortium of banks led by MCB Bank Limited to finance the Bagasse-Based Co-Generation Power Project.

Principal repayment

The loan is repayable in 22 unequal quarterly installments after a grace period of eighteen months starting from Funerary 2015 and ending on May 2020.

Rate of return

The interest is payable quarterly at a rate of three months KIBOR plus 225 bps per annum.

Security

This loan is secured by first pari passu charge on land measuring 3,253 kanals, all present and future fixed assets, plant and machinery of the Holding Company and the Subsidiary Company and personal guarantees of Directors.

**8.3 Habib Bank Limited - Led Syndicated Loan**

This syndicated loan comprises of loans from Habib Bank Limited, MCB Bank Limited, Faysal Bank Limited, JS Bank Limited and Pakistan Kuwait Investment Company (Private) Limited. This loan was obtained to setup Unit-III of the Holding Company.

Principal repayment

It is repayable in 22 unequal quarterly installments after a grace period of eighteen months starting from June 2010 and ending on December 2015.

Rate of return

The interest is payable quarterly at a rate of three months KIBOR plus 200 bps per annum.

Security

This loan is secured by first pari passu charge on land measuring 3,253 kanals, all present and future fixed assets, plant and machinery of the Holding Company and the Subsidiary Company and personal guarantees of Directors.

**8.4 Faysal Bank Limited**

This loan has been obtained from Faysal Bank Limited for reprofiling of balance sheet of the Company.

Principal repayment

The loan is repayable in 10 unequal semi-annual installments starting from December 2013 and ending on June 2018.

Rate of return

The interest is payable quarterly at a rate of six months KIBOR plus 250 bps per annum.

Security

This loan is secured by ranking charge on land measuring 3,253 kanals, all present and future fixed assets, plant and machinery of the Holding Company and personal guarantees of Directors.

**8.5 The Bank of Punjab**

This loan has been obtained during the year from The Bank of Punjab to finance the Bagasse-Based Co-Generation Power Project.

Principal repayment

The loan is repayable in 22 unequal quarterly installments after a grace period of eighteen months starting from April 2015 and ending on July 2020.

Rate of return

The interest is payable quarterly at a rate of three months KIBOR plus 225 bps per annum.

Security

This loan is secured by ranking charge on land measuring 3,253 kanals, all present and future fixed assets, plant and machinery of the Holding Company and the Subsidiary Company and personal guarantees of Directors.

**8.6 Saudi Pak Industrial & Agricultural Investment Company Limited**

This loan has been obtained from Saudi Pak Industrial & Agricultural Investment Company Limited for reprofiling of balance sheet of the Holding Company.

Principal repayment

The loan is repayable in 18 equal quarterly installments after a grace period of six months starting from March 2014 and ending on June 2018.

Rate of return

The interest is payable quarterly at a rate of three months KIBOR plus 250 bps per annum.

Security

This loan is secured by ranking charge on land measuring 3,253 kanals, all present and future fixed assets, plant and machinery of the Holding Company and personal guarantees of Directors.

**8.7 Pak Brunei Investment Company Limited**

This loan was obtained to finance the capital expenditure of the Company..

Principal repayment

It is repayable in 20 unequal quarterly installments starting from February 2013 and ending on November 2017.

Rate of return

The interest is payable quarterly at a rate of three months KIBOR plus 275 bps per annum.

Security

This loan is secured by first pari passu charge on land measuring 3,253 kanals, all present and future fixed assets, plant and machinery of the Holding Company and the Subsidiary Company and personal guarantees of Directors.

## 9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The amount of future minimum lease payments along with their present value and the periods during which they will fall due are:

| | | 2013 | | |
|---|---|---|---|---|
| | Note | Minimum lease payments | Finance cost for future periods | Present value |
| | | Rupees | Rupees | Rupees |
| Not later than one year | 13 | 372,398,677 | 84,421,205 | 287,977,472 |
| Later than one year and not later than five years | | 709,018,847 | 67,005,451 | 642,013,396 |
| | | 1,081,417,524 | 151,426,656 | 929,990,868 |

| | Note | 2012 Minimum lease payments | 2012 Finance cost for future periods | 2012 Present value |
|---|---|---|---|---|
| | | Rupees | Rupees | Rupees |
| Not later than one year | | 347,222,923 | 65,239,154 | 281,983,769 |
| Later than one year and not later than five years | | 464,702,553 | 49,953,867 | 414,748,686 |
| | | 811,925,476 | 115,193,021 | 696,732,455 |

The Group has entered into various lease agreements with financial institutions for plant and machinery, implements and vehicles. Lease rentals are payable on quarterly / monthly basis and include finance cost ranging from six months KIBOR plus 200 to 300 bps per annum (2012: six months KIBOR plus 250 to 500 bps per annum) which has been used as the discounting factor. The Group has the option to purchase the assets upon completion of lease period and has the intention to exercise such option. There are no financial restrictions imposed by lessors.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **10** | **DEFERRED TAXATION** | | | |
| | The liability for deferred taxation comprises temporary differences relating to: | | | |
| | Accelerated tax depreciation | | 2,260,852,016 | 2,091,421,471 |
| | Leased assets | | 373,094,371 | 344,428,536 |
| | Liabilities against assets subject to finance lease | | (316,570,252) | (243,856,359) |
| | Provisions for doubtful debts and obsolescence | | (29,392,858) | (29,392,858) |
| | Employee retirement benefits | | (15,643,047) | (13,100,002) |
| | Unused tax credits and losses | | (692,132,802) | (890,654,163) |
| | Other timing differences | | (24,485,845) | (10,105,982) |
| | | | 1,555,721,583 | 1,248,740,643 |
| **11** | **STAFF RETIREMENT BENEFITS - GRATUITY** | | | |
| | Present value of defined benefit obligations | 11.1 | 61,601,620 | 46,368,612 |
| | Unrecognized actuarial losses | 11.1.1 | (16,907,201) | (8,940,032) |
| | **Liability as at 30 September** | 11.1.2 | 44,694,419 | 37,428,580 |
| **11.1** | **Movement in liability for defined benefit obligation** | | | |
| | Opening present value of defined benefit obligations | | 46,368,612 | 49,810,065 |
| | Current service cost for the year | | 5,186,190 | 5,149,409 |
| | Interest cost for the year | | 4,666,049 | 4,428,542 |
| | Benefit paid during the year | | (3,016,717) | (28,763,466) |
| | Actuarial loss on present value of defined benefit obligation | | 8,397,486 | 7,928,777 |
| | Curtailment loss | | - | 7,815,285 |
| | Closing present value of defined benefit obligations | | 61,601,620 | 46,368,612 |
| **11.1.1** | **Movement in unrecognized actuarial losses** | | | |
| | Opening unrecognized actuarial losses | | (8,940,032) | (4,288,915) |
| | Actuarial gain or loss arising during the year | | (8,397,486) | (7,928,777) |
| | Actuarial losses recognized | | 430,317 | - |
| | Actuarial losses charged to profit and loss account | | - | 3,277,660 |
| | Closing unrecognized actuarial losses | | (16,907,201) | (8,940,032) |
| **11.1.2** | **Change in present value of net staff gratuity** | | | |
| | Balance as at 01 October | | 37,428,580 | 45,521,150 |
| | Charge to profit and loss account | 11.1.2.1 | 10,282,556 | 20,670,896 |
| | Payments | | (3,016,717) | (28,763,466) |
| | **Liability as at 30 September** | | 44,694,419 | 37,428,580 |

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| **11.1.2.1 Charge to profit and loss account for the year comprises:** | | |
| Current service cost | 5,186,190 | 5,149,409 |
| Interest cost for the year | 4,666,049 | 4,428,542 |
| Actuarial losses recognized | 430,317 | - |
| Actuarial losses recognized - Due to curtailment | - | 3,277,660 |
| Curtailment loss | - | 7,815,285 |
| | 10,282,556 | 20,670,896 |

**11.1.3 Historical information comparison for five years**

| | 2013 Rupees | 2012 Rupees | 2011 Rupees | 2010 Rupees | 2009 Rupees |
|---|---|---|---|---|---|
| Present value of defined obligations | 61,601,620 | 46,368,612 | 49,810,065 | 44,927,601 | 33,021,263 |
| Experience adjustment gain / (loss) | 8,397,486 | 7,928,777 | 2,458,352 | (1,073,358) | (3,775,441) |

**11.1.4 Expected expense for the next year**

The expected expense to the gratuity scheme for the year ending 30 September 2014 works out to Rs. 14,827,459.

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **12 SHORT TERM BORROWINGS - SECURED** | | | |
| Banking and financial institutions | | | |
| - Cash finances | 12.1 | 3,506,804,467 | 4,279,555,977 |
| - Running finances | 12.2 | 3,302,450,076 | 3,525,078,380 |
| - Finance against trust receipts (FATR) | 12.3 | 184,464,713 | 193,435,056 |
| - Morabaha | 12.4 | 698,834,446 | 699,998,000 |
| | | 7,692,553,702 | 8,698,067,413 |

**12.1** The Group has obtained cash finance facilities aggregating to Rs. 14,735 million (2012: Rs. 13,500 million). The mark up rates applicable during the year ranges from one to six months KIBOR plus 150 to 250 bps per annum (2012: one to six months KIBOR plus 150 to 250 bps per annum). These are secured against pledge of sugar and personal guarantees of the Directors.

**12.2** The Group has obtained running finance facilities aggregating to Rs. 4,000 million (2012: Rs. 3,493 million). The mark up rates applicable during the year ranges from one to six months KIBOR plus 150 to 300 bps per annum (2012: one to six months KIBOR plus 200 to 300 bps per annum). These are secured against present and future current assets of the Group and personal guarantees of the Directors.

**12.3** The limit of this facility is Rs. 450 million (2012: Rs. 400 million). It carries mark-up ranging from one to six months KIBOR plus 200 to 250 bps per annum (2012: one to three months KIBOR plus 200 to 250 bps per annum ). It is secured against first charge over current assets of Group.

**12.4** The Group has obtained Morabaha / Istisna finance facilities aggregating to Rs. 700 million (2012: Rs. 700 million). The mark up rates applicable during the year ranges from three to six months KIBOR plus 150 to 250 bps per annum (2012: three to six months KIBOR plus 150 to 250 bps per annum). These are secured against present and future current assets of the Group and personal guarantees of the Directors.

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **13 CURRENT PORTION OF NON CURRENT LIABILITIES** | | | |
| Redeemable capital - secured | 7 | 502,222,244 | 488,888,886 |
| Long term loans - secured | 8 | 884,860,402 | 679,000,003 |
| Liabilities against assets subject to finance lease | 9 | 287,977,472 | 281,983,769 |
| | | 1,675,060,118 | 1,449,872,658 |

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **14** | **TRADE AND OTHER PAYABLES** | | | |
| | Advances from customers | | 1,574,152,066 | 1,892,730,701 |
| | Trade creditors | 14.1 | 498,494,283 | 582,834,150 |
| | Payable on behalf of growers | | 413,192,541 | 61,852,585 |
| | Federal excise duty and sales tax payable | | 211,719,145 | 221,177,090 |
| | Advance against sale of investment | 26 | 100,000,000 | - |
| | Accrued expenses | | 78,587,923 | 79,341,688 |
| | Workers' Profit Participation Fund Payable | 14.2 | 69,959,558 | 28,874,232 |
| | Workers' Welfare Fund | 14.3 | 18,399,509 | 329,729 |
| | Unclaimed dividend | | 17,276,564 | 13,832,078 |
| | Tax deducted at source | | 9,312,824 | 3,031,603 |
| | Retention money | | 19,908,074 | 19,662,822 |
| | Provident Fund payable | | 5,590,064 | 15,082,852 |
| | Other payables | | 27,114,579 | 18,269,998 |
| | | | 3,043,707,130 | 2,937,019,528 |

**14.1** This includes an amount of Rs. 10,423,462 (2012: Rs. 12,807,229) due to JDW Aviation (Private) Limited, a related party.

| | | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **14.2** | **Workers' Profit Participation Fund** | | |
| | Balance as at 01 October | 28,874,232 | 116,834,189 |
| | Add: Allocation for the year | 69,959,558 | 28,874,232 |
| | Interest on funds utilized in the Company's business | 4,321,246 | 30,088,746 |
| | | 103,155,036 | 175,797,167 |
| | Less: paid during the year | (33,195,478) | (146,922,935) |
| | **Balance as at 30 September** | 69,959,558 | 28,874,232 |
| **14.3** | **Workers' Welfare Fund** | | |
| | Balance as at 01 October | 329,729 | 78,425,348 |
| | Add: Allocation for the year | 18,399,509 | 329,729 |
| | | 18,729,238 | 78,755,077 |
| | Less: adjusted during the year | (329,729) | (78,425,348) |
| | **Balance as at 30 September** | 18,399,509 | 329,729 |

## 15 CONTINGENCIES AND COMMITMENTS

### 15.1 Contingencies

Holding Company

**15.1.1** A sales tax demand was raised by the tax department for the year 2002-2003 on grounds of various observations. Alternative dispute resolution committee unanimously decided the matter partially in favor of the Holding Company and forwarded its recommendations to Federal Board of Revenue ("FBR") for further necessary actions. Subsequent to the year end FBR has decided the case against the Holding Company on 29 November 2013. Holding Company has also filed an appeal before Honorable Lahore High Court against the order passed by the Appellate Tribunal. Based on opinion from legal advisor, management of the Holding Company expects a favorable outcome in this case.

**15.1.2** The Holding Company availed 50% exemption of excise duty in 1990 - 91 crushing season on account of excess production over last year by having completed full crushing season i.e. 160 days. According to the audit report of Excise Department the exemption was wrongly availed. Therefore, the Deputy Collector issued show cause notice. The Holding Company has challenged the same in Lahore High Court. No provision has been made in financial statements for this as the management is confident that the case will be decided in its favor.

**15.1.3** The Punjab Industrial Development Board (PIDB) has claimed in respect of Pasrur Sugar Mills Limited (formerly subsidiary of United Sugar Mills Limited) an amount of Rs. 10,780,782. A dispute arose at the time of settlement of the consideration of the mills between PIDB and USML and the matter was referred to an arbitrator. An award had been announced by it in favor of the Holding Company whereby instead of paying the aforementioned amount, Rs.1,209,385 become recoverable from them. An appeal filed by PIDB against decision of arbitrator in Sindh High Court Karachi was dismissed during the year 2004-05. Now PIDB has again filed a petition and Supreme Court has accepted the petition to re open the case. The final outcome of this case is not known at present. However the management of the Holding Company based on the opinion of its legal advisor is confident that this case will decided in its favor. Accordingly no provision is made in the books of account of the Holding Company.

**15.1.4** The tax department issued a show cause notice to the Holding Company on 09 April 2013 on the grounds that the Holding Company has charged federal excise duty at the rate of 0.5% instead of 8% on local supplies made and raised a demand of Rs. 50.68 million. Consequently, Holding Company filed a writ petition against this notice in the Honorable Lahore High Court ("Court") on the basis that the rate of 0.5% has been charged as allowed by the FBR vide SRO 77(I)/2013 dated 07 February 2013. The Court suspended the proceedings of the notice vide its order dated 24 April 2013 and the final outcome of the case is pending. Based on opinion from legal advisor, management of the Holding Company expects a favorable outcome in this case. Hence no provision has been made in the financial statements.

**15.1.5** Counter guarantees given by the Holding Company to its bankers on account of agricultural loan as at the reporting date amounts to Rs. 4,783.33 million (2012: Rs. 4,483.33 million).

**15.1.6** Cross corporate guarantees given by the Holding Company to its bankers for DSML as at the reporting date amounts to Rs. 380.32 million (2012: Nil).

**15.1.7** Guarantees issued by the banks on behalf of the Holding Company in favour of various parties as at the reporting date amounts to Rs. 123.78 million (2012: Rs. 325.63 million).

Subsidiary Company

**15.1.8** The Subsidiary Company is in a Constitutional Petition with the Additional Secretary Industries and Commerce Department, Government of Sindh against cancelling of No Objection Certificate (collectively "impugned Cancellation Order"). However the Honorable Sindh High Court has suspended the Impugned Cancellation Order and the respondents in the Constitutional Petition have been restrained from interfering in the construction of the sugar mill. The actual date of further hearing in this case is yet to be notified by the high court. Whilst in the view of legal advisor the Subsidiary Company has an arguable case, and it is not possible at this stage to give a definitive opinion on the ultimate outcome or any losses that may be incurred by the Subsidiary Company.

**15.1.9** The Subsidiary Company has received a show cause notice u/s 14 of the Federal Excise Act, 2005 for availing the facility of SRO 77(I)/2013 dated February 07, 2013 against local supplies amounting to Rs. 211,265,244/- and charging FED at the reduced rate of 0.5% (Rs. 1,056,326/-) instead of charging FED at rate of 8% (Rs. 16,901,220/-) in the month of February, 2013. Therefore the difference amount of FED (Rs. 15,884,894/-) is recoverable by the FBR as per the show cause notice.

However, the Subsidiary Company has filed a petition against SRO 77(I)/2013 and above mentioned show cause notice for challenging actions and omissions of the FBR to the extent they purport to restrict and impose conditions and limitations on availment of benefit of reduced FED. Adjudication is still pending and the case has been adjourned till 22 January 2014.

| | | 2013<br>Rupees | 2012<br>Rupees |
|---|---|---|---|
| **15.2** | **Commitments** | | |
| **15.2.1** | **Letters of credit for Import of machinery and to related components** | | |
| | Holding Company | 1,771,392,778 | 187,269,707 |
| | Subsidiary Company | - | 285,000,000 |

## 16 PROPERTY, PLANT AND EQUIPMENT

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Operating fixed assets | 16.1 | 11,421,421,476 | 10,716,371,088 |
| Capital work in progress | 16.2 | 1,966,172,380 | 582,112,159 |
| | | 13,387,593,856 | 11,298,483,247 |

### 16.1 Operating fixed assets

| | Cost: As at 01 October 2012 | Cost: Additions / (deletions) during the year | Cost: Transfers to / (from) | Cost: As at 30 September 2013 | Rate | Depreciation: As at 01 October 2012 | Depreciation: For the year | Depreciation: Adjustments | Depreciation: As at 30 September 2013 | Net book value as at 30 September 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rupees | Rupees | Rupees | Rupees | % | Rupees | Rupees | Rupees | Rupees | Rupees |
| **Tangible** | | | | | | | | | | |
| **Owned** | | | | | | | | | | |
| Freehold land | 591,103,359 | 4,391,886 | - | 595,495,245 | - | - | - | - | - | 595,495,245 |
| Factory building on freehold land | 1,196,556,362 | 55,735,859 | - | 1,252,292,221 | 10 | 418,957,039 | 80,941,750 | - | 499,898,789 | 752,393,432 |
| Non factory building on freehold land | 779,241,598 | 132,373,163 | - | 911,614,761 | 5 | 169,495,449 | 31,447,341 | - | 200,942,790 | 710,671,971 |
| Plant and machinery | 9,090,879,346 | 473,879,313 | 58,832,510 | 9,618,591,169 | 5 | 2,172,790,052 | 358,086,122 | 23,127,182 | 2,550,814,649 | 7,067,776,520 |
| | | (5,000,000) | | | | | | (3,188,707) | | |
| Motor vehicles | 273,882,169 | 11,146,735 | 17,420,000 | 267,013,629 | 20 | 165,288,390 | 23,147,275 | 10,124,173 | 176,376,704 | 90,636,925 |
| | | (35,435,275) | | | | | | (22,183,134) | | |
| Electrical installation | 83,976,598 | 6,192,032 | - | 90,168,630 | 10 | 38,912,685 | 4,866,503 | - | 43,779,188 | 46,389,442 |
| Office equipment | 50,146,895 | 7,194,713 | - | 57,287,608 | 20 | 24,306,136 | 5,928,273 | - | 30,206,859 | 27,080,749 |
| | | (54,000) | | | | | | (27,550) | | |
| Tools and equipment | 49,102,541 | 2,637,685 | - | 51,740,226 | 10 | 22,536,463 | 2,805,655 | - | 25,342,118 | 26,398,108 |
| Agri implements | 312,600,427 | 1,360,312 | 99,349,210 | 413,309,949 | 10 | 93,920,056 | 29,231,858 | 26,489,462 | 149,641,376 | 263,668,573 |
| | - | | | | | | | | | |
| Furniture and fixture | 32,881,175 | 1,173,444 | - | 34,054,619 | 10 | 14,265,991 | 1,930,397 | - | 16,196,388 | 17,858,231 |
| Weighbridge | 10,454,656 | - | - | 10,454,656 | 10 | 7,491,583 | 296,307 | - | 7,787,890 | 2,666,766 |
| Roads and boundary wall | 108,462,549 | 584,375 | - | 109,046,924 | 10 | 21,150,079 | 8,757,183 | - | 29,907,262 | 79,139,662 |
| Arms and ammunitions | 7,541,517 | - | - | 7,541,517 | 10 | 3,050,891 | 449,063 | - | 3,499,954 | 4,041,563 |
| Aircraft | 398,645,628 | - | - | 398,645,628 | 10 | 117,030,016 | 28,161,561 | - | 145,191,577 | 253,454,051 |
| Tubewell | 2,245,889 | - | - | 2,245,889 | 10 | 1,186,277 | 105,961 | - | 1,292,238 | 953,651 |
| Computers | 24,802,710 | 2,763,087 | - | 27,400,797 | 33 | 12,875,000 | 4,385,970 | - | 17,176,691 | 10,224,106 |
| | | (165,000) | | | | | | (84,279) | | |
| | - | | | - | | | | | - | |
| | 13,012,523,419 | 699,432,604 | 175,601,720 | 13,846,903,468 | | 3,283,256,107 | 580,541,219 | 59,740,817 | 3,898,054,473 | 9,948,848,995 |
| | | (40,654,275) | | | | | | (25,483,670) | | |
| **Leased** | | | | | | | | | | |
| Plant and machinery | 542,961,648 | 594,124,535 | (58,832,510) | 1,078,253,673 | 5 | 72,766,445 | 38,742,122 | (23,127,182) | 88,381,385 | 989,872,288 |
| Agri implements | 447,294,063 | 45,538,000 | (99,349,210) | 393,482,853 | 10 | 86,198,783 | 32,921,192 | (26,489,462) | 92,630,513 | 300,852,340 |
| Motor vehicles | 226,660,580 | 70,401,852 | (17,420,000) | 278,283,432 | 20 | 71,491,242 | 36,151,187 | (10,124,173) | 96,867,030 | 181,416,402 |
| | | (1,359,000) | | | | | | (651,226) | | |
| | 1,216,916,291 | 710,064,387 | (175,601,720) | 1,750,019,958 | | 230,456,470 | 107,814,501 | (59,740,817) | 277,878,928 | 1,472,141,030 |
| | | (1,359,000) | | | | | | (651,226) | | |
| **Intangible** | | | | | | | | | | |
| Software | 1,000,000 | - | - | 1,000,000 | 33 | 356,045 | 212,504 | - | 568,549 | 431,451 |
| | 14,230,439,710 | 1,409,496,991 | - | 15,597,923,426 | | 3,514,068,622 | 688,568,224 | - | 4,176,501,950 | 11,421,421,476 |
| | | (42,013,275) | | | | | | (26,134,896) | | |

# Notes to the Consolidated Financial Statements
## For the year ended 30 September 2013

| | Cost | | | | | Depreciation | | | | Net book value as at 30 September 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 01 October 2011 | Additions / (deletions) during the year | Transfers to / (from) | As at 30 September 2012 | Rate | As at 01 October 2011 | For the year | Adjustments | As at 30 September 2012 | |
| | Rupees | Rupees | Rupees | Rupees | % | Rupees | Rupees | Rupees | Rupees | Rupees |
| **Tangible** | | | | | | | | | | |
| **Owned** | | | | | | | | | | |
| Freehold land | 595,106,325 | 37,712,075 | (41,715,041) | 591,103,359 | - | - | - | - | - | 591,103,359 |
| Factory building on freehold land | 821,380,898 | 375,175,464 | - | 1,196,556,362 | 10 | 348,371,875 | 70,585,164 | - | 418,957,039 | 777,599,323 |
| Non factory building on freehold land | 601,781,423 | 177,460,175 | - | 779,241,598 | 5 | 135,173,035 | 34,322,414 | - | 169,495,449 | 609,746,149 |
| Plant and machinery | 6,222,727,332 | 2,776,394,304 | 102,502,043 | 9,090,879,346 | 5 | 1,845,961,216 | 315,856,088 | 12,409,795 | 2,172,790,052 | 6,918,089,294 |
| | | (10,744,333) | - | | | | | (1,437,047) | | |
| Motor vehicles | 306,107,374 | 28,696,509 | 4,758,000 | 273,882,169 | 20 | 175,932,355 | 26,874,317 | 1,999,600 | 165,288,390 | 108,593,779 |
| | | (65,679,714) | - | | | | | (39,517,882) | | |
| Electrical installation | 70,676,319 | 13,322,779 | (22,500) | 83,976,598 | 10 | 34,551,938 | 4,369,677 | (8,930) | 38,912,685 | 45,063,913 |
| Office equipment | 37,314,775 | 13,332,120 | (200,000) | 50,146,895 | 20 | 19,504,099 | 5,049,019 | (81,516) | 24,306,136 | 25,840,759 |
| | | (300,000) | - | | | | | (165,466) | | |
| Tools and equipment | 43,705,048 | 6,530,968 | - | 49,102,541 | 10 | 20,389,108 | 2,690,998 | - | 22,536,463 | 26,566,078 |
| | | (1,133,475) | - | | | | - | (543,643) | | |
| Agri implements | 295,546,023 | 48,304,129 | 28,863,000 | 312,600,427 | 10 | 71,401,532 | 25,445,645 | 7,550,576 | 93,920,056 | 218,680,371 |
| | | (58,612,800) | (1,499,925) | | | | | (10,477,697) | | |
| Furniture and fixture | 27,592,309 | 5,314,380 | (25,514) | 32,881,175 | 10 | 12,406,868 | 1,866,586 | (7,463) | 14,265,991 | 18,615,184 |
| Weighbridge | 10,454,656 | - | - | 10,454,656 | 10 | 7,162,353 | 329,230 | - | 7,491,583 | 2,963,073 |
| Roads and boundary wall | 46,451,461 | 62,011,088 | - | 108,462,549 | 10 | 15,203,951 | 5,946,128 | - | 21,150,079 | 87,312,470 |
| Arms and ammunitions | 7,705,517 | (114,000) | (50,000) | 7,541,517 | 10 | 2,628,575 | 500,974 | (78,658) | 3,050,891 | 4,490,626 |
| Aircraft | 418,645,628 | (20,000,000) | - | 398,645,628 | 10 | 88,794,734 | 32,511,568 | (4,276,286) | 117,030,016 | 281,615,612 |
| Tubewell | 2,245,889 | - | - | 2,245,889 | 10 | 1,068,542 | 117,735 | - | 1,186,277 | 1,059,612 |
| Computers | 17,142,898 | 7,659,812 | - | 24,802,710 | 33 | 8,813,182 | 4,061,818 | - | 12,875,000 | 11,927,710 |
| | 9,524,583,875 | 3,551,913,803 | 92,610,063 | 13,012,523,419 | | 2,787,363,363 | 530,527,361 | 21,040,625 | 3,283,256,107 | 9,729,267,312 |
| | | (156,584,322) | | | | | | (55,675,242) | | |
| **Leased** | | | | | | | | | | |
| Plant and machinery | 579,463,691 | 66,000,000 | (102,502,043) | 542,961,648 | 5 | 62,156,475 | 23,019,765 | (12,409,795) | 72,766,445 | 470,195,203 |
| Agri implements | 415,435,063 | 60,722,000 | (28,863,000) | 447,294,063 | 10 | 58,114,022 | 35,635,337 | (7,550,576) | 86,198,783 | 361,095,280 |
| Motor vehicles | 195,458,480 | 35,960,100 | (4,758,000) | 226,660,580 | 20 | 40,161,341 | 33,329,501 | (1,999,600) | 71,491,242 | 155,169,338 |
| | 1,190,357,234 | 162,682,100 | (136,123,043) | 1,216,916,291 | 1 | 60,431,838 | 91,984,603 | (21,959,971) | 230,456,470 | 986,459,821 |
| **Intangible** | | | | | | | | | | |
| Software | 1,000,000 | - | - | 1,000,000 | 33 | 38,877 | 317,168 | - | 356,045 | 643,955 |
| | 10,715,941,109 | 3,714,595,903 | (43,512,980) | 14,230,439,710 | | 2,947,834,078 | 622,829,132 | (919,346) | 3,514,068,622 | 10,716,371,088 |
| | | (156,584,322) | | | | | | (55,675,242) | | |

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **16.1.1** | Depreciation charge for the year has been allocated as follows: | | | |
| | Cost of goods manufactured | 28.1 | 642,141,488 | 572,261,046 |
| | Administrative expenses | 29 | 46,426,736 | 50,568,086 |
| | | | 688,568,224 | 622,829,132 |

### 16.1.2 Disposal of Property, Plant and Equipment

| Description | Particulars of buyer | Cost | Accumulated depreciation | Book value | Sale proceeds | Mode of disposal |
|---|---|---|---|---|---|---|
| **Owned** | | Rupees | Rupees | Rupees | Rupees | |
| | **Employees** | | | | | |
| 06 Vehicles | Employees | 4,078,800 | 2,690,464 | 1,388,336 | 1,302,217 | Company Policy |
| 60 Motor cycles | Employees | 3,019,240 | 2,274,564 | 744,676 | 1,566,000 | – do – |
| | **Others parties** | | | | | |
| Plant & machinery | EFU General Insurance Ltd. | 5,000,000 | 3,188,707 | 1,811,293 | 1,500,000 | Insurance claim |
| Computers | EFU General Insurance Ltd. | 165,000 | 84,279 | 80,721 | 121,500 | – do – |
| 02 Vehicles | ATF Mango Farms (Pvt) Ltd. | 6,533,980 | 4,814,397 | 1,719,583 | 5,250,000 | Negotiation |
| Vehicle | Mr. Kamran Ali Khan | 760,000 | 660,738 | 99,262 | 570,000 | – do – |
| Vehicle | Mr. Nayyar Lodhi | 1,322,500 | 1,111,680 | 210,820 | 925,000 | – do – |
| 02 Vehicles | Mr. Amjad Ali | 4,384,352 | 2,631,688 | 1,752,664 | 2,535,000 | – do – |
| Vehicle | Mr. Maqbool Khan | 1,040,000 | 984,815 | 55,185 | 606,786 | – do – |
| Vehicle | Mr. Aziz ud Din | 2,750,000 | 2,575,381 | 174,619 | 1,200,000 | – do – |
| Vehicle | Mr. Karamat Ali | 1,202,000 | 604,230 | 597,770 | 1,190,000 | – do – |
| Vehicle | Mr. M. Sameer | 1,399,000 | 507,072 | 891,928 | 1,400,000 | – do – |
| 08 Motor Cycles | Mr. Maqbool | 370,382 | 328,644 | 41,738 | 112,000 | – do – |
| Vehicle | Mr. Syed Husnain | 649,000 | 485,138 | 163,862 | 678,600 | – do – |
| Vehicle | Mr. Maqbool | 2,506,331 | 1,222,965 | 1,283,366 | 1,410,000 | – do – |
| Office Equipment | Mr. Zaheer Abbas | 54,000 | 27,550 | 26,450 | 9,000 | – do – |
| Vehicle | Mr. Zaheer Khan | 2,922,280 | 700,537 | 2,221,743 | 2,189,924 | – do – |
| Vehicle | Gul Auto Garage | 2,497,410 | 590,821 | 1,906,589 | 1,685,000 | – do – |
| **Leased** | | | | | | |
| Vehicle | EFU General Insurance Ltd. | 1,359,000 | 651,226 | 707,774 | 1,220,000 | Insurance claim |
| | **2013** | 42,013,275 | 26,134,896 | 15,878,379 | 25,471,027 | |
| | 2012 | 156,584,322 | 55,675,242 | 100,909,080 | 120,813,135 | |

### 16.2 Capital work in progress

| | 2013 | | | |
|---|---|---|---|---|
| | As at 01 October 2012 | Additions | Transfers | As at 30 September 2013 |
| | Rupees | | | |
| Building | 155,397,459 | 128,439,725 | (190,824,364) | 93,012,820 |
| Plant and machinery | 303,466,196 | 955,380,482 | (797,666,594) | 461,180,084 |
| Advances to suppliers | 92,642,912 | 1,319,336,564 | - | 1,411,979,476 |
| Stores and spares held for capital expenditure | 30,605,592 | - | (30,605,592) | - |
| | 582,112,159 | 2,403,156,771 | (1,019,096,550) | 1,966,172,380 |

| | 2012 | | | |
|---|---|---|---|---|
| | As at 01 October 2011 | Additions | Transfers | As at 30 September 2012 |
| | Rupees | | | |
| Building | 353,022,959 | 238,464,360 | (436,089,860) | 155,397,459 |
| Plant and machinery | 906,200,318 | 1,218,268,726 | (1,821,002,848) | 303,466,196 |
| Advances to suppliers | 700,182,547 | 92,642,913 | (700,182,548) | 92,642,912 |
| Stores and spares held for capital expenditure | 287,180,489 | - | (256,574,897) | 30,605,592 |
| | 2,246,586,313 | 1,549,375,999 | (3,213,850,153) | 582,112,159 |

**16.2.1** Additions to capital work in progress include borrowing costs of Rs. 34.986 million (2012: Nil) relating to specific borrowings at the rates ranging from 11.24% to 12.07% per annum (2012: Nil).

| | | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **17** | **INVESTMENT PROPERTY** | | |
| | Balance as at 01 October | 685,973,260 | 527,290,145 |
| | Transferred from operating fixed assets | - | 41,715,041 |
| | Land purchased during the year | 7,881,991 | 135,103,494 |
| | Less: disposals during the year | - | (18,135,420) |
| | **Balance as at 30 September** | 693,855,251 | 685,973,260 |

It represents agricultural land given on lease. The fair value of investment property is Rs. 1,675,971,369 (2012: Rs 1,668,089,378) on the basis of revaluation carried out on 7 March 2011 by an independent valuer.

**18 GOODWILL**

Goodwill includes Rs. 568,545,391 and Rs. 39,765,302 paid by the Holding Company in excess of the fair value of identifiable net assets of United Sugar Mills Limited ("USML") and Ghotki Sugar Mills (Private) Limited ("GSML") respectively. This goodwill was merged in the Holding Company's financials at the time of merger of USML and GSML into the Holding Company. For impairment testing, the recoverable amount of these cash generating units have been determined based on the value in use calculations by discounting the five years cash flow projections at 18%. The calculation of value in use is sensitive to discount rate and local inflation rates.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **19** | **INVESTMENTS** | | | |
| | **Investment in associated companies- unquoted** | | | |
| | Cost of investments | | 850,500,000 | 850,500,000 |
| | **Share of loss** | | | |
| | Opening balance | | (70,150,907) | (36,950,000) |
| | Share of loss for the year | | (273,914,957) | (33,200,907) |
| | Impairment allowance for the year | | (5,975,614) | - |
| | Closing balance | | (350,041,478) | (70,150,907) |
| | | | 500,458,522 | 780,349,093 |
| | Less: investment classified as held for sale | | (260,725,586) | - |
| | | 19.1, 19.2 & 19.3 | 239,732,936 | 780,349,093 |
| **19.1** | **Faruki Pulp Mills Limited ("FPML")** | | | |
| | **Cost of investment** | | | |
| | 51,500,000 (2012: 51,500,000) fully paid shares of Rs. 10 each Equity held 47.69% (2012 : 47.69%) | | 560,500,000 | 560,500,000 |
| | **Share of loss** | | | |
| | Opening balance | | (34,769,984) | (19,614,146) |
| | Share of loss for the year | | (285,997,080) | (15,155,838) |
| | Closing balance | | (320,767,064) | (34,769,984) |
| | | | 239,732,936 | 525,730,016 |
| **19.2** | **JK Dairies (Private) Limited ("JKDL")** | | | |
| | **Cost of investment** | | | |
| | 10,000,000 (2012: 10,000,000) fully paid shares of Rs. 10 each Equity held 22.22% (2012 : 22.22%) | | 200,000,000 | 200,000,000 |
| | **Share of profit** | | | |
| | Opening balance | | 54,619,077 | 368,357 |
| | Share of profit for the year | | 6,106,509 | 54,250,720 |
| | Closing balance | | 60,725,586 | 54,619,077 |
| | | | 260,725,586 | 254,619,077 |
| | Less: investment classified as held for sale | 26 | (260,725,586) | - |
| | | | - | 254,619,077 |

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **19.3** | **JDW Power (Private) Limited ("JDWPL")** | | | |
| | **Cost of investment** | | | |
| | 9,000,000 (2012: 9,000,000) fully paid shares of Rs. 10 each<br>Equity held 47.37% (2012 : 47.37%) | | 90,000,000 | 90,000,000 |
| | **Share of loss** | | | |
| | Opening balance | | (90,000,000) | (17,704,211) |
| | Share of profit / (loss) for the year | | 5,975,614 | (72,295,789) |
| | Closing balance | | (84,024,386) | (90,000,000) |
| | | | 5,975,614 | - |
| | Less: impairment loss | 19.3.1 | (5,975,614) | - |
| | | | - | - |

**19.3.1** The impairment was charged on the basis that board of JDWPL had decided to discontinue its operation and has no intention to build, own, operate and maintain a co-generation power plant.

Summarised financial information in respect of associated companies is set out below:

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | FPML | JKDL | JDWPL | FPML | JKDL | JDWPL |
| | Rupees | | | Rupees | | |
| Assets | 4,350,846,580 | 1,192,313,018 | 3,354,508 | 4,323,362,218 | 978,197,108 | 108,195,081 |
| Liabilities | 3,983,328,153 | 287,549,848 | 170,182 | 3,356,082,923 | 104,390,548 | 624,219 |
| Equity | 367,518,427 | 904,763,170 | 3,184,326 | 967,279,295 | 873,806,559 | 107,570,862 |
| Revenues | - | 584,850,889 | - | - | 550,677,761 | - |
| (Loss) / profit after tax for the year | (599,760,868) | 30,956,611 | 22,250,070 | (31,783,117) | 188,147,954 | (162,259,329) |

Investments of the Group in associated companies has been accounted for under equity mehtod of accounting based on its financial statements based as at 30 June 2013.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **20** | **LONG TERM ADVANCES** | | | |
| | Sukkur Electric Power Company ("SEPCO") | 20.1 | 36,000,000 | - |
| | Less: current maturity presented under current assets | | (3,000,000) | - |
| | | | 33,000,000 | - |
| | Multan Electric Power Company ("MEPCO") | 20.2 | 50,000,000 | - |
| | | | 83,000,000 | - |

**20.1** This represents interest free soft loan given to meet 100 % expenses of grid interconnection at Unit III of the Holding Company for the upcoming Bagasse-Based Co-Generation Power Project. The loan is recoverable in 36 equal monthly installments starting after three months from the commercial operation date.

**20.2** This represents interest free soft loan given to meet 100 % expenses of grid interconnection at Unit II of the Holding Company for the upcoming Bagasse-Based Co-Generation Power Project. The loan is recoverable in 36 equal monthly installments starting after eighteen months from the commercial operation date.

## 21 LONG TERM DEPOSITS

These mainly comprise of security deposits with leasing companies in respect of leasing facilities availed.

| | | | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **22** | **STORES, SPARES AND LOOSE TOOLS** | | | |
| | Stores | | 461,784,370 | 491,473,998 |
| | Spares | | 349,673,689 | 381,276,465 |
| | Loose tools | | 20,561,347 | 19,663,263 |
| | | | 832,019,406 | 892,413,726 |
| | Less: Provision for obsolescence | | (44,082,604) | (44,082,604) |
| | Stores held for capital expenditures | | - | (30,605,592) |
| | | | 787,936,802 | 817,725,530 |

**22.1** Stores, spares and loose tools include items which may result in fixed capital expenditure but are not distinguishable.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **23** | **TRADE DEBTS - UNSECURED** | | | |
| | Trade debts - unsecured, considered good | 23.1 | 655,358,234 | 451,460,436 |
| | Trade debts - unsecured, considered doubtful | | 14,486,141 | 14,486,141 |
| | | | 669,844,375 | 465,946,577 |
| | Less: Provision for doubtful debts | | (14,486,141) | (14,486,141) |
| | | | 655,358,234 | 451,460,436 |

**23.1** This includes an amount of Rs. 72,313,484 (2012: Rs 33,048,700) due from Riaz Bottlers (Private) Limited, a related party.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **24** | **ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES** | | | |
| | Advance to growers | | | |
| | Unsecured - considered good | 24.1 | 1,634,460,792 | 2,315,277,236 |
| | Unsecured - considered doubtful | | 4,937,966 | 34,976,616 |
| | | | 1,639,398,758 | 2,350,253,852 |
| | Less: Provision for doubtful advances | 24.2 | (4,937,966) | (34,976,616) |
| | | | 1,634,460,792 | 2,315,277,236 |
| | Advance to suppliers and contractors | | | |
| | Unsecured - considered good | | 207,817,960 | 135,338,316 |
| | Unsecured - considered doubtful | | 20,472,883 | 25,438,633 |
| | | | 228,290,843 | 160,776,949 |
| | Less: Provision for doubtful advances | 24.3 | (20,472,883) | (25,438,633) |
| | | | 207,817,960 | 135,338,316 |
| | Advances to related parties | 24.4 | 1,433,994,626 | 577,116,848 |
| | Letters of credit | | 208,342,877 | 194,142,915 |
| | Advances to staff - unsecured, considered good | | | |
| | - against salaries | | 24,129,087 | 51,625,456 |
| | - against expenses | | 3,956,209 | 8,529,157 |
| | Prepaid expenses | | 20,597,423 | 19,189,511 |
| | Deposits | | 45,918,492 | 16,107,975 |
| | Excise duty receivable | 24.5 | 9,888,364 | 9,888,364 |
| | Current maturity of long term advances | | 3,000,000 | - |
| | Other receivables | 24.6 | 9,908,918 | 15,817,548 |
| | | | 3,602,014,748 | 3,343,033,326 |

**24.1** This includes Rs. 1,530,682,394 (2012: Rs. 2,285,046,988) given to JK Farming Systems Limited (a related party) which includes mark up of Rs. 22,740,641 (2012: 64,156,428) at markup rates ranging from 11.47% to 12.45% per annum (2012: 14.26% to 16.01% per annum).

| | | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| 24.2 | **Movement in provision for doubtful advances to growers** | | |
| | As at beginning of the year | 34,976,616 | 34,976,616 |
| | Less: provision written off | (30,038,650) | - |
| | **As at end of the year** | 4,937,966 | 34,976,616 |
| 24.3 | **Movement in provision for doubtful advances to suppliers and contractors** | | |
| | As at beginning of the year | 25,438,633 | 25,438,633 |
| | Less: provision written off | (4,965,750) | - |
| | **As at end of the year** | 20,472,883 | 25,438,633 |

**24.4** This represents advance given to Faruki Pulp Mills Limited and includes markup of Rs. 183,994,626 (2012: Rs. 77,116,847) charged at the rates ranging from 11.47% to 12.45% per annum (2012: 14.26% to 16.01% per annum).

**24.5** The Holding Company claimed an exemption of Rs. 10.75 million from excise duty on an export transaction during 1993-94. However, the Excise Department rejected the claim and the Holding Company deposited Rs. 9.88 million under protest.

**24.6** Other receivables include an amount of Rs. 8,971,958 (2012: Nil) receivable from ATF Mango Farms (Private) Limited (a related party).

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| 25 | **CASH AND BANK BALANCES** | | | |
| | At banks: | | | |
| | Current accounts | | 40,700,766 | 11,385,747 |
| | Saving accounts | 25.1 | 35,668,902 | 40,931,906 |
| | | | 76,369,668 | 52,317,653 |
| | Cash in hand | | 1,395,055 | 1,283,189 |
| | | | 77,764,723 | 53,600,842 |

**25.1** The balances in saving accounts carry mark-up at 6.00% to 10.00% per annum (2012: 6.00% to 8.00% per annum).

## 26 NON-CURRENT ASSET HELD FOR SALE

The Board of Directors in their meeting held on 20 August 2013 decided to sell the Group's entire holding in JK Dairies (Private) Limited ("JKDL") to the CEO of the Holding Company and an advance of Rs. 100,000,000 was received by the Group from the CEO of the Holding Company for purchase of these shares which is disclosed in note 14. Accordingly, the said investment is presented as non-current asset held for sale.

Moreover, the sale transaction has been completed at a sale price of Rs. 22 per share subsequent to the year end on 28 December 2013.

| | Note | 2013 Rupees |
|---|---|---|
| Carrying value as at 20 August | | 260,725,586 |
| Less: impairment loss | 26.1 | (40,725,586) |
| **Fair value less cost to sell** | | 220,000,000 |

**26.1** Since the sale transaction has been completed at a sale price of Rs. 22 per share subsequent to year end on 28 December 2013, therefore an impairment loss has been charged to measure the value of non-curent asset held for sale at lower of its carrying amount and fair value less costs to sell.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| 27 | **SALES - NET** | | | |
| | Sugar | | | |
| | - local | | 27,252,072,065 | 24,306,092,225 |
| | - export | | 6,112,984,173 | 796,631,215 |
| | | | 33,365,056,238 | 25,102,723,440 |
| | Molasses & Bagasse | | 2,281,505,653 | 1,960,801,257 |
| | Electricity | | 475,597,322 | 443,692,843 |
| | | | 2,757,102,975 | 2,404,494,100 |
| | | | 36,122,159,213 | 27,507,217,540 |
| | Less: Federal excise duty | 27.1 | (1,550,397,607) | (1,800,451,355) |
| | Sales tax | | (138,061,265) | (119,156,233) |
| | Brokerage, commission and others | | (10,749,713) | (12,958,386) |
| | | | (1,699,208,585) | (1,932,565,974) |
| | | | 34,422,950,628 | 25,574,651,566 |

**27.1** The variation between current and comparative year figures also includes the effect of reduced Federal Excise Duty rate allowed by the Federal Board of Revenue vide S.R.O 77 (1) / 2013 dated 07 February 2013.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| 28 | **COST OF SALES** | | | |
| | Opening stock in trade | | 4,666,381,509 | 1,922,057,309 |
| | Cost of goods manufactured | 28.1 | 29,700,920,368 | 25,833,728,362 |
| | Less: Closing stock in trade | | (3,777,690,212) | (4,666,381,509) |
| | | | 30,589,611,665 | 23,089,404,162 |

**28.1 Cost of goods manufactured**

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Cost of sugarcane consumed (including procurement and other costs) | | 26,516,208,397 | 22,987,623,877 |
| Salaries, wages and other benefits | 28.1.1 | 1,040,467,776 | 909,359,348 |
| Stores and spares consumed | | 579,660,727 | 566,087,694 |
| Depreciation | 16.1.1 | 642,141,488 | 572,261,046 |
| Packing materials consumed | | 299,841,954 | 239,505,298 |
| Vehicle running and maintenance | | 141,679,587 | 130,987,107 |
| Chemicals consumed | | 162,124,279 | 130,183,493 |
| Oil, lubricants and fuel consumed | | 95,086,897 | 96,344,407 |
| Electricity and power | | 51,305,815 | 51,033,044 |
| Insurance | | 50,892,957 | 38,819,314 |
| Repair and maintenance | | 29,988,174 | 20,615,728 |
| Mud and bagasse shifting expenses | | 15,827,111 | 17,004,646 |
| Freight and octroi | | 23,551,763 | 22,206,766 |
| Handling and storage | | 25,798,498 | 18,975,582 |
| Printing and stationery | | 6,772,068 | 10,435,135 |
| Travelling and conveyance | | 3,780,557 | 5,148,133 |
| Telephone and fax | | 3,127,391 | 3,335,181 |
| Assets written off | | - | 728,491 |
| Other expenses | | 12,664,929 | 13,074,072 |
| | | 29,700,920,368 | 25,833,728,362 |

**28.1.1** Salaries, wages and other benefits include Rs. 24,804,166 (2012: Rs. 23,032,625) in respect of provident fund, Rs. 7,197,780 (2012: 14,469,627) in respect of staff gratuity and Nil (2012: Rs. 2,472,745) in respect of employees' stock option scheme.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **29** | **ADMINISTRATIVE EXPENSES** | | | |
| | Salaries, wages and other benefits | 29.1 | 342,007,159 | 217,989,334 |
| | Depreciation | 16.1.1 | 46,426,736 | 50,568,086 |
| | Charity and donations | 29.2 | 82,319,105 | 76,086,920 |
| | Legal and professional services | | 22,417,850 | 12,838,476 |
| | Travelling and conveyance | | 25,004,438 | 26,114,772 |
| | Office rent and renovation | | 23,887,443 | 20,502,978 |
| | Repair and maintenance | | 9,347,329 | 7,233,917 |
| | Vehicle running and maintenance | | 19,040,268 | 14,611,536 |
| | Consultancy and advisory | | - | 4,200,000 |
| | Fee and taxes | | 10,083,545 | 6,489,445 |
| | Insurance | | 5,466,568 | 6,972,086 |
| | Telephone, fax and postage | | 6,298,693 | 6,286,585 |
| | Subscription and renewals | | 4,214,664 | 4,091,102 |
| | Printing and stationery | | 5,444,906 | 3,705,653 |
| | Advertisement | | 1,511,790 | 1,579,005 |
| | Electricity and power | | 4,030,703 | 2,972,956 |
| | Auditors' remuneration | 29.3 | 2,995,000 | 2,225,000 |
| | Entertainment | | 1,522,143 | 921,680 |
| | Newspapers, books and periodicals | | 161,801 | 130,046 |
| | Arms and ammunition | | 31,000 | 62,600 |
| | Other expenses | | 9,581,601 | 20,114,711 |
| | | | 621,792,742 | 485,696,888 |

**29.1** Salaries, wages and other benefits include Rs. 6,273,478 (2012: Rs. 4,815,565) in respect of provident fund, 3,084,776 (2012: Rs. 6,201,269) in respect of staff gratuity and Rs. Nil (2012: Rs. 3,147,130) in respect of employees' stock option scheme.

**29.2** None of the Directors of the Group or their spouses have any interest in, or are otherwise associated with any of the recipients of donations made by the Group during the year except for the Lodhran Pilot Project situated at Karoor Pakka Road, Lodhran and Tareen Education Foundation situated at 17-Abid Majeed Road, Lahore Cantt, Lahore in which Mr. Jahangir Khan Tareen is President and National Rural Support Program (NRSP) situated at 46, Aga Khan Road, F6/4, Islamabad in which Mr. Jahangir Khan Tareen is the Director.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **29.3** | **Auditors' remuneration** | | | |
| | **KPMG Taseer Hadi & Co.** | | | |
| | Statutory audit | | 1,750,000 | 1,500,000 |
| | Half yearly review | | 300,000 | 300,000 |
| | Other certificates | | 105,000 | 65,000 |
| | Out of pocket expenses | | 90,000 | 55,000 |
| | **Riaz Ahmed Saqib Gohar & Co.** | | | |
| | Statutory audit | | 315,000 | 275,000 |
| | Other certificates | | 435,000 | - |
| | Out of pocket expenses | | - | 30,000 |
| | | | 2,995,000 | 2,225,000 |
| **30** | **SELLING EXPENSES** | | | |
| | Freight and handling charges | | 273,786,164 | 12,929,759 |
| | Salaries, wages and other benefits | 30.1 | 15,467,939 | 15,351,870 |
| | Other selling expenses | | 26,870,231 | 7,082,834 |
| | | | 316,124,334 | 35,364,463 |

**30.1** Salaries, wages and other benefits include Rs. 241,210 (2012: Rs. 310,284) in respect of provident fund.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **31** | **OTHER EXPENSES** | | | |
| | Workers' Profit Participation Fund | | 69,959,558 | 28,874,232 |
| | Workers' Welfare Fund | | 18,399,509 | 329,729 |
| | Impairment of non-current asset held for sale | 26.1 | 40,725,586 | - |
| | Other expenses | | 49,290,732 | - |
| | | | 178,375,385 | 29,203,961 |
| **32** | **OTHER INCOME** | | | |
| | **Income from financial assets** | | | |
| | Profit on bank deposit | | 4,362,349 | 4,823,644 |
| | **Income from non financial assets** | | | |
| | Rental income | 32.1 | 20,780,887 | 23,968,588 |
| | Scrap sales | | 52,494,220 | 32,428,242 |
| | Profit on sale of property, plant and equipment | 16.1.2 | 9,592,648 | 19,904,055 |
| | Insurance claim | | 12,505,030 | - |
| | Foreign exchange gain | | 29,342,279 | 980,940 |
| | Profit on sale of investment property | | - | 11,864,580 |
| | Liabilities no longer payable written back | | - | 9,014,462 |
| | Provision for doubtful advances reversed | | - | 1,203,287 |
| | Others | | 41,270,984 | 23,614,754 |
| | | | 165,986,048 | 122,978,908 |
| | | | 170,348,397 | 127,802,552 |

**32.1** It mainly represents the rental income earned from investment property.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **33** | **FINANCE COST** | | | |
| | Interest and mark-up on: | | | |
| | - short term borrowings - secured | 33.1 | 1,041,305,112 | 861,072,773 |
| | - long term loans - secured | | 420,454,740 | 524,641,557 |
| | - redeemable capital - secured | | 76,197,590 | 155,800,650 |
| | - finance leases | | 95,042,600 | 107,005,826 |
| | - Workers' Profit Participation Fund | | 4,321,246 | 30,088,746 |
| | Bank charges and commission | | 48,614,178 | 24,902,264 |
| | | | 1,685,935,466 | 1,703,511,816 |
| | Less: Borrowing costs capitalized | | (34,986,103) | - |
| | | | 1,650,949,363 | 1,703,511,816 |

**33.1** Mark up on short term borrowings is net of markup from related parties amounting to 286,468,518 (2012: Rs. 260,332,942) on receivable from these parties. This receivable has been made from the proceeds of short term borrowings from banks.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **34** | **TAXATION** | | | |
| | Income tax | | | |
| | current | | 281,587,845 | 61,031,755 |
| | prior years | 34.1 | - | (288,605,409) |
| | Deferred tax | 34.2 | 306,980,939 | (203,653,641) |
| | | | 588,568,784 | (431,227,295) |

**34.1** This represents refunds allowed by the Department for tax years 2003 & 2006 and other adjustments against the assessments finalized.

**34.2** Deferred tax expense relates to origination and reversal of temporary differences.

**34.3** The assessments of the Holding Company and Subsidiary Company are completed upto tax year 2013 and 2012 respectively..

| | | 2013 % age |
|---|---|---|
| 34.4 | **Reconciliation of tax charge for the year** | |
| | Applicable tax rate | 34.00 |
| | Tax effects of amount not deductable for tax purposes | 0.40 |
| | Tax effects of amount deductable for tax purposes | (1.27) |
| | Tax effect of income chargeable under final tax regime | (5.33) |
| | Others | 1.67 |
| | Average effective rate charged to profit and loss account | 29.47 |

Since the last year tax provision of the Group was based on minimum tax on turnover under section 113 therefore no numerical reconciliation has been presented for previous year. Further, the current year charge of subsidiary company is based on minimum tax, therefore, only the holding company's tax charge reconciliation has presented in the above note.

| | | | | 2013 | 2012 |
|---|---|---|---|---|---|
| 35 | **EARNINGS PER SHARE** | | | | |
| | 35.1 | **Basic** | | | |
| | | Profit after taxation | Rupees | 367,986,181 | 757,299,216 |
| | | Weighted average number of ordinary shares | No. of shares | 59,776,661 | 59,650,978 |
| | | Basic earnings per share | Rupees | 6.16 | 12.70 |
| | 35.2 | **Diluted** | | | |
| | | Profit after taxation | Rupees | 367,986,181 | 757,299,216 |
| | | Weighted average number of ordinary shares (basic) | | 59,776,661 | 59,650,978 |
| | | Effect of stock option | | - | 125,683 |
| | | | No. of shares | 59,776,661 | 59,776,661 |
| | | Diluted earnings per share | Rupees | 6.16 | 12.67 |

There is no dilution effect on the basic earnings per share of the current year as the Group has no such commitments.

| | | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| 36 | **CASH GENERATED FROM OPERATIONS** | | |
| | Profit before taxation | 956,554,965 | 326,071,921 |
| | Adjustments for non cash and other items | | |
| | Finance cost | 1,650,949,363 | 1,703,511,816 |
| | Depreciation | 688,568,224 | 622,829,132 |
| | Workers' profit participation fund | 69,959,558 | 28,874,232 |
| | Workers' welfare fund | 18,399,509 | 329,729 |
| | Staff retirement benefits | 41,601,410 | 53,162,514 |
| | Share of loss of associated companies | 279,890,571 | 33,200,907 |
| | Impairment loss | 40,725,586 | - |
| | Profit on disposal of property, plant and equipment | (9,592,648) | (19,904,055) |
| | Employees' stock option | - | 5,619,875 |
| | Assets written off | - | 878,597 |
| | Gain on sale of investment property | - | (11,864,580) |
| | Provision for doubtful advances reversed | - | (1,203,287) |
| | Liabilities no longer payable | - | (9,014,462) |
| | | 2,780,501,573 | 2,406,420,418 |
| | **Operating profit before working capital changes** | 3,737,056,538 | 2,732,492,339 |
| | **(Increase) / decrease in current assets** | | |
| | Stock in trade | 888,691,297 | (2,744,324,200) |
| | Trade debts | (203,897,798) | 408,232,744 |
| | Stores, spares and loose tools | 29,788,728 | (267,970,548) |
| | Advances, deposits, prepayments and other receivables | 877,658,567 | 277,828,209 |
| | | 1,592,240,794 | (2,326,233,795) |
| | **Increase in current liabilities** | | |
| | Trade and other payables | 53,580,798 | 1,563,136,521 |
| | **Cash generated from operations** | 5,382,878,130 | 1,969,395,065 |

## 37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Group is as follows:

| | Chief Executive | | Directors - Executive | | Directors - Non - Executives | | Executives | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees |
| Managerial remuneration | 24,000,000 | 19,333,333 | - | 13,966,667 | 20,800,000 | 2,800,000 | 89,877,347 | 75,702,939 |
| House allowance | 9,600,000 | 7,733,333 | - | 5,586,667 | 8,320,000 | 1,120,000 | 35,950,939 | 30,281,175 |
| Utilities | 2,400,000 | 1,933,333 | - | 1,396,667 | 2,080,000 | 280,000 | 8,987,735 | 7,570,294 |
| Bonus | 12,000,000 | 8,666,660 | - | 6,500,000 | 10,400,000 | 1,400,000 | 140,095,804 | 57,331,584 |
| Company's contribution towards provident fund | - | - | - | - | - | - | 8,291,605 | 6,912,600 |
| Stock option scheme | - | - | - | - | - | - | - | 5,619,875 |
| | 48,000,000 | 37,666,659 | - | 27,450,001 | 41,600,000 | 5,600,000 | 283,203,430 | 183,418,467 |
| Number of persons | 1 | 1 | - | 1 | 2 | 1 | 68 | 66 |

In addition to the above, Chief Executive, one Director and some of the Executives are provided with free use of Group maintained cars.

## 38 FINANCIAL INSTRUMENTS

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react changes in market conditions and the Group's activities.

### 38.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and other parties and loans to / due from related parties. Out of the total financial assets of Rs. 2,761.38 million (2012: Rs. 1,478.51 million) financial assets which are subject to credit risk amount to Rs. 2,202.76 million (2012: Rs. 1,148.34 million).

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To manage exposure to credit risk in respect of trade receivables, management reviews credit worthiness, references, establish purchase limits taking into account the customer's financial position, past experience and other factors. Export sales are secured through letters of credit. The management has set a maximum credit period of 15 days to reduce the credit risk. Limits are reviewed periodically and the customers that fail to meet the Group's benchmark credit worthiness may transact with the Group only on a prepayment basis.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Group believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| Trade debts | 655,358,234 | 451,460,436 |
| Advances, deposits, prepayments and other receivables | 1,471,032,631 | 644,559,852 |
| Bank balances | 76,369,668 | 52,317,653 |
| | 2,202,760,533 | 1,148,337,941 |

The aging of trade receivables at the reporting date is:

| | 2013 | 2012 |
|---|---|---|
| Not past due | 655,358,234 | 451,460,436 |
| Past due 365 days | 14,486,141 | 14,486,141 |
| | 669,844,375 | 465,946,577 |

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Gross carrying amount Rupees | Accumulated impairment Rupees | Gross carrying amount Rupees | Accumulated impairment Rupees |
| Neither past due nor impaired | 655,358,234 | - | 451,460,436 | - |
| Past due more than 365 days | 14,486,141 | 14,486,141 | 14,486,141 | 14,486,141 |
| | 669,844,375 | 14,486,141 | 465,946,577 | 14,486,141 |

The analysis of trade receivables from Riaz Bottlers (Private) Limited, an associate of the Group as at the reporting date is as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Gross carrying amount Rupees | Accumulated impairment Rupees | Gross carrying amount Rupees | Accumulated impairment Rupees |
| Neither past due nor impaired | 72,313,484 | - | 33,048,700 | - |
| | 72,313,484 | - | 33,048,700 | - |

The Group's five significant customers account for Rs. 573.10 million (2012: Rs. 415.806 million) of trade debts as at the reporting date, apart from which, exposure to any single customer does not exceed 2% (2012: 5%) of trade debts as at the reporting date.

The Board has formulated a policy to create provision allowance for trade receivables on a time based criteria. Provision allowance on closing trade receivable balances has adequately been created in accordance with the approved policy. Based on past experience the management believes that no further impairment allowance is necessary in respect of trade receivables and there are reasonable grounds to believe that the amounts will be recovered in normal course.

**Credit quality of major financial assets**

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

| Banks | Rating Long term | Rating Short term | Rating Agency | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|---|
| Habib Bank Limited | AA+ | A-1+ | JCR-VIS | 1,521,358 | 8,778,676 |
| MCB Bank Limited | AA+ | A1+ | PACRA | 16,004,307 | 310,886 |
| National Bank of Pakistan | AAA | A-1+ | JCR-VIS | 1,430,792 | 380,029 |
| United Bank Limited | AA+ | A-1+ | JCR-VIS | 2,545,129 | 41,029,120 |
| Bank Alfalah Limited | AA | A1+ | PACRA | 5,169,192 | 202,893 |
| Faysal Bank Limited | AA | A1+ | PACRA | 176,988 | 595,287 |
| KASB Bank Limited | BBB | A3 | PACRA | 8,575 | 20,430 |
| Standard Chartered Bank (Pakistan) Limited | AAA | A1+ | PACRA | - | 17,220 |
| The Bank of Punjab | AA- | A1+ | PACRA | 116,209 | 41,214 |
| Allied Bank Limited | AA+ | A1+ | PACRA | 9,190,372 | 71,833 |
| Askari Bank Limited | AA | A1+ | PACRA | 50,581 | 115,880 |
| The First Micro Finance Bank Limited | A | A-1 | JCR-VIS | 20,135 | 10,523 |
| Bank Al Habib Limited | AA+ | A1+ | PACRA | 14,733 | 12,259 |
| Al-Baraka Bank (Pakistan) Limited | A | A1 | PACRA | 148,785 | 75,014 |
| JS Bank Limited | A+ | A1 | PACRA | 82,203 | 16,730 |
| Summit Bank Limited | A- | A-2 | JCR-VIS | 1,618,090 | 504,955 |
| Soneri Bank Limited | AA- | A1+ | PACRA | 266,878 | 43,372 |
| Burj Bank Limited | A | A-1 | JCR-VIS | 129,239 | 29,482 |
| Bank Islami Pakistan Limited | A | A1 | PACRA | 10,104,475 | 45,256 |
| Dubai Islamic Bank Pakistan Limited | A | A-1 | JCR-VIS | 9,937 | 10,000 |
| Meezan Bank Limited | AA | A-1+ | JCR-VIS | 177,664 | - |
| NIB Bank Limited | AA- | A1+ | PACRA | 27,553,552 | - |
| The Bank of Khyber | A- | A2 | PACRA | 5,000 | - |
| Silk Bank Limited | A- | A-2 | JCR-VIS | 25,474 | 6,594 |
| | | | | 76,369,668 | 52,317,653 |

### 38.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. For this purpose the Group has sufficient running finance facilities available from various commercial banks to meet its liquidity requirements. Further liquidity position of the Group is closely monitored through budgets, cash flow projections and comparison with actual results by the Board.

### 38.2.1 Exposure to liquidity risk

#### 38.2.1(a) Contractual maturities of financial liabilities, including estimated interest payments.

| | 2013 Carrying amount | Contractual cash flows | One year or less | One to five years | More than five years |
|---|---|---|---|---|---|
| | Rupees | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Redeemable capital | 724,465,726 | 1,037,876,774 | 564,773,989 | 473,102,785 | - |
| Long term loans | 5,177,051,151 | 9,902,786,570 | 1,714,470,439 | 6,965,361,852 | 1,222,954,279 |
| Short term borrowings | 7,692,553,702 | 7,750,735,658 | 7,750,735,658 | - | - |
| Liabilities against assets subject to finance lease | 929,990,868 | 1,081,417,524 | 372,398,677 | 709,018,847 | - |
| Interest and mark-up accrued | 325,116,640 | 325,116,640 | 325,116,640 | - | - |
| Trade and other payables | 1,230,123,586 | 1,230,123,586 | 1,230,123,586 | - | - |
| | 16,079,301,673 | 21,328,056,752 | 11,957,618,989 | 8,147,483,484 | 1,222,954,279 |

| | 2012 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Expected cash flows | One year or less | One to five years | More than five years |
| | | | Rupees | | |
| **Non-derivative financial liabilities** | | | | | |
| Redeemable capital | 880,000,010 | 979,415,557 | 567,001,111 | 412,414,446 | - |
| Long term finances | 3,407,499,994 | 4,318,047,252 | 1,085,293,938 | 3,123,377,814 | 109,375,500 |
| Short term borrowings | 8,698,067,413 | 9,010,702,169 | 9,010,702,169 | - | - |
| Liabilities against assets subject to finance lease | 696,732,455 | 811,925,476 | 347,222,923 | 464,702,553 | - |
| Interest and mark-up accrued | 493,364,357 | 493,364,357 | 493,364,357 | - | - |
| Trade and other payables | 819,750,405 | 819,750,405 | 819,750,405 | - | - |
| | 14,995,414,634 | 16,433,205,216 | 12,323,334,903 | 4,000,494,813 | 109,375,500 |

### 38.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

### 38.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency.

### 38.3.1(a) Exposure to currency risk

The Group's exposure to currency risk as at the reporting date is as follows:

| | 2013 | 2012 |
|---|---|---|
| | USD | USD |
| | Rupees | Rupees |
| Assets | | |
| Trade receivables | - | 54,518,951 |
| Net exposure | - | 54,518,951 |

### 38.3.1(b) Exchange rates applied during the year

Foreign exchange rates applied during the year are as follows:

| | 2013 | | |
|---|---|---|---|
| | Spot rate | | Average rate for the year |
| | Buying | Selling | |
| | Rupees | | |
| EURO | 142.20 | 142.47 | 131.78 |
| USD | 105.30 | 105.50 | 95.64 |
| GBP | 170.25 | 170.57 | 167.16 |
| AUD | 98.06 | 98.25 | 93.97 |
| JPY | 1.07 | 1.07 | 1.14 |
| SEK | 16.39 | 16.42 | 16.50 |

| | 2012 | | |
|---|---|---|---|
| | Spot rate | | Average rate for the year |
| | Buying | Selling | |
| | Rupees | | |
| EURO | 122.19 | 122.45 | 118.89 |
| USD | 94.50 | 94.70 | 89.69 |
| GBP | 153.58 | 153.91 | 143.19 |
| AUD | 98.88 | 99.09 | 90.39 |
| JPY | 1.22 | 1.22 | 1.19 |
| SEK | 14.50 | 14.53 | 13.90 |

**38.3.1 (c) Sensitivity analysis**

A ten percent depreciation in Pak Rupee against the following currencies would have increased / (decreased) loss and equity by the amounts presented below. The analysis assumes that all other variables, in particular interest rates, remain constant.

| | 2013 Profit Rupees | 2012 Profit Rupees |
|---|---|---|
| USD | - | 5,451,895 |

A ten percent appreciation in Pak Rupee against the above currencies would have an equal but opposite effect on profit or loss and equity.

**38.3.1 (d) Currency risk management**

The Group manages its exposure to currency risk through continuous monitoring of expected / forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly basis, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities / payments to assets / receipts, using source inputs in foreign currency and arranging cross currency swaps to hedge non-functional currency debt. The Group maintains foreign currency working capital lines in order to finance production of exportable goods. Proceeds from exports are used to repay / settle / rollover the Group's obligations under these working capital lines which substantially reduces exposure to currency risk in respect of such liabilities. Balances in foreign currency are also maintained in current and saving / deposits accounts with banking companies. The Group also occasionally uses currency options to cover any significant unfavorable rate scenarios.

**38.3.2 Interest rate risk**

The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Group's interest / mark-up bearing financial instruments as at the reporting date are as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Financial asset | Financial liability | Financial asset | Financial liability |
| | Rupees | | | |
| Variable rate instruments | 1,433,994,626 | 14,524,061,447 | 577,116,848 | 13,682,299,872 |

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

| | Profit and loss 100 bps | |
|---|---|---|
| | Increase | Decrease |
| | Rupees | |
| As at 30 September 2013 | 130,900,668 | (130,900,668) |
| As at 30 September 2012 | 131,051,830 | (131,051,830) |

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Group.

### 38.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Equity price risk arises from available-for-sale equity securities held. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. The Group believes that it is not exposed to other price risk.

### 38.3.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or liability be settled between knowledgeable willing parties in an arm's length transaction. As at the reporting date, fair values of all financial instruments are considered to approximate their book values.

### 38.3.5 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Group defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

b) to provide an adequate return to shareholders.

The Group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-equity ratio as follows:

| | Unit | 2013 | 2012 |
|---|---|---|---|
| Total debt | Rupees | 6,831,507,745 | 4,984,232,459 |
| Total equity and total debt | Rupees | 11,773,212,774 | 9,916,555,051 |
| Debt-to-equity ratio | % age | 58% | 50% |

Total debt comprises of redeemable capital, long term loans and liabilities against assets subject to finance lease and current portion of non-current liabilities.

The increase in the debt-to-equity ratio in 2013 is due to the increase in redeemable capital and long term loan during the year.

There were no changes in the Group's approach to capital management during the year.

## 39 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, other related companies, Directors of the Group, key management personnel and post employment benefit plans. the Group in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under respective notes to the accounts. Other significant transactions with related parties are as follows:

| | Relationship | Nature of transactions | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| 39.1 | **Associated Companies** | | | |
| | | Advances given | 750,000,000 | 250,000,000 |
| | | Mark up income | (106,877,779) | (56,226,046) |
| | | Sale of molasses | (536,573) | (2,927,773) |
| | | Payment against purchase of aircraft | 3,000,000 | 1,000,000 |
| | | Sale of sugar | (861,899,000) | (811,374,326) |
| | | Assets acquired | - | 135,744,875 |
| | | Advance against issue of shares | - | 43,103,247 |
| 39.2 | **Other Related Party** | | | |
| | | Purchase of sugarcane | 3,824,979,816 | 3,415,729,089 |
| 39.3 | **Post employment benefit plan** | | | |
| | | Provident fund contribution | 62,637,708 | 49,800,372 |

The remuneration paid to Chief Executive, Directors, Executive and Key Management Personnel in terms of their employment is disclosed in note 37 to the financial statements.

## 40 CAPACITY AND PRODUCTION

| | 2013 Days | 2013 Tonnes | 2012 Days | 2012 Tonnes |
|---|---|---|---|---|
| **Holding Company** | | | | |
| **Unit I** | | | | |
| Crushing capacity | 120 | 2,460,000 | 120 | 2,460,000 |
| Sugarcane crushed | 133 | 2,535,823 | 142 | 2,711,463 |
| Sugar production | | 289,147 | | 272,226 |
| **Unit II** | | | | |
| Crushing capacity | 120 | 1,020,000 | 120 | 1,020,000 |
| Sugarcane crushed | 129 | 1,007,658 | 135 | 1,062,742 |
| Sugar production | | 114,516 | | 108,864 |
| **Unit III** | | | | |
| Crushing capacity | 120 | 1,320,000 | 120 | 1,320,000 |
| Sugarcane crushed | 115 | 1,200,650 | 117 | 1,135,063 |
| Sugar production | | 134,718 | | 120,721 |
| **Subsidiary Company** | | | | |
| Crushing capacity | 120 | 1,320,000 | 120 | 960,000 |
| Sugarcane crushed | 119 | 1,204,234 | 116 | 751,262 |
| Sugar production | | 137,185 | | 77,635 |

| | | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **41** | **RESTRICTION ON TITLE AND ASSETS PLEDGED AS SECURITY** | | |
| | **Mortgages and charges** | | |
| | Hypothecation of all present and future assets and properties | 38,841,138,793 | 33,748,683,663 |
| | Mortgage over land and building | 38,841,138,793 | 33,748,683,663 |
| | **Pledge** | | |
| | Finished goods | 3,700,431,929 | 4,652,372,176 |

**42 OPERATING SEGMENTS**

These financial statements have been prepared on the basis of single reportable segment.

**42.1** Revenue from sale of sugar represents 92.37% (2012: 91.26%) of the gross sales of the Group.

**42.2** 83.08% (2012: 97.10%) of the gross sales of the Group are made to customers located in Pakistan.

**42.3** All non-current assets of the Group as at 30 September 2013 are located in Pakistan.

**43 PROVIDENT FUND TRUST**

The following information is based on latest audited financial statements of Provident Fund Trust.

**Holding Company**

| | Unit | 2013 | 2012 |
|---|---|---|---|
| Size of fund - total assets | Rupees | 311,516,427 | 258,760,700 |
| Cost of investments made | Rupees | 253,241,561 | 210,891,110 |
| Percentage of investments made | Percentage | 81.29% | 81.50% |
| Fair value of investment | Rupees | 280,220,298 | 231,794,574 |

The breakup of fair value of investments is as follows:

| | 30 June 2013 | | 30 June 2012 | |
|---|---|---|---|---|
| | Rupees | Percentage | Rupees | Percentage |
| Shares in listed companies | 65,151,232 | 23.25% | 59,715,536 | 25.76% |
| Cash at bank | 215,069,066 | 76.75% | 172,079,038 | 74.24% |
| | 280,220,298 | 100.00% | 231,794,574 | 100.00% |

**Subsidiary Company**

| | Unit | 2013 | 2012 |
|---|---|---|---|
| Size of fund - total assets | Rupees | 16,989,647 | 8,328,265 |
| Cost of investments made | Rupees | 15,835,661 | - |
| Percentage of investments made | Percentage | 93.21% | 0.00% |
| Fair value of investment | Rupees | 15,835,661 | - |

| | 30 June 2013 | | 30 June 2012 | |
|---|---|---|---|---|
| | Rupees | Percentage | Rupees | Percentage |
| Cash at bank | 15,835,661 | 100.00% | - | 0.00% |
| | 15,835,661 | 100.00% | - | 0.00% |

The investments of the Provident Fund Trust of the Group are in compliance with the provision of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

**44 NUMBER OF EMPLOYEES**

**Holding Company**

The average and total number of employees are as follows:

| | 2013 | 2012 |
|---|---|---|
| Average number of employees during the year | 3,886 | 4,358 |
| Total number of employees as at 30 September | 3,244 | 3,396 |

**Subsidiary Company**

The average and total number of employees are as follows:

| | 2013 | 2012 |
|---|---|---|
| Average number of employees during the year | 981 | 969 |
| Total number of employees as at 30 September | 741 | 790 |

**45 DATE OF AUTHORIZATION FOR ISSUE**

These consolidated financial statements were authorized for issue on 04 January 2014 by the Board of Directors of the Group.

**46 EVENTS AFTER THE BALANCE SHEET DATE**

The Board of Directors of the Group has proposed a final cash dividend for the year ended 30 September 2013 of Rs. 6.00 per share (2012: Rs. 6.00 per share).

**47 FIGURES**

**47.1** Figures have been rounded off to the nearest rupee.

**47.2** A fire incident occurred on 27 January 2013 at the Holding Company's record office i.e. 32-N, Gulberg II, Lahore destroying substantial records related to accounting, financial, corporate & tax related to all prior years.

04 January 2014
Lahore Chief Executive Director

Proxy Form

# JDW Sugar Mills Limited

## 24th Annual General Meeting

Folio No./CDC A/c No. ____________________

I/We ________________________________________ of ________________________________________

in the district of __________________________________ being a member/members of JDW Sugar Mills Limited

holding ____________________ shares of Rs.10 each, hereby appoint Mr./Ms.______________________

of ____________________________________________ a member of the Company, vide Registered Folio/CDC

A/c No. ______________________ or failing him / her, ______________________ as my/our proxy to vote for

me/us and on my/our behalf at the 24th Annual General Meeting of the Company to be held at Summit Hall, Royal Palm, Golf & Country Club, 52–Canal Bank Road, Lahore on Friday, January 31, 2014 at 9:30 a.m. and at any adjournment thereof or of any ballot to be taken in consequence thereof.

Signed this __________________ day of January, 2014

Witnesses:

1. Signature ____________________________
   Name: ____________________________
   CNIC: ____________________________
   Address: ____________________________
   ____________________________

Affix Revenue stamp of Rupees Five

Signature by Member(s)

2. Signature ____________________________
   Name: ____________________________
   CNIC: ____________________________
   Address: ____________________________
   ____________________________

Note:
All proxies, in order to be effective, must be received at the Company's Registered Office not less than forty eight (48) hours before the time fixed for holding the Annual General Meeting and must be duly stamped, signed and witnessed as required.

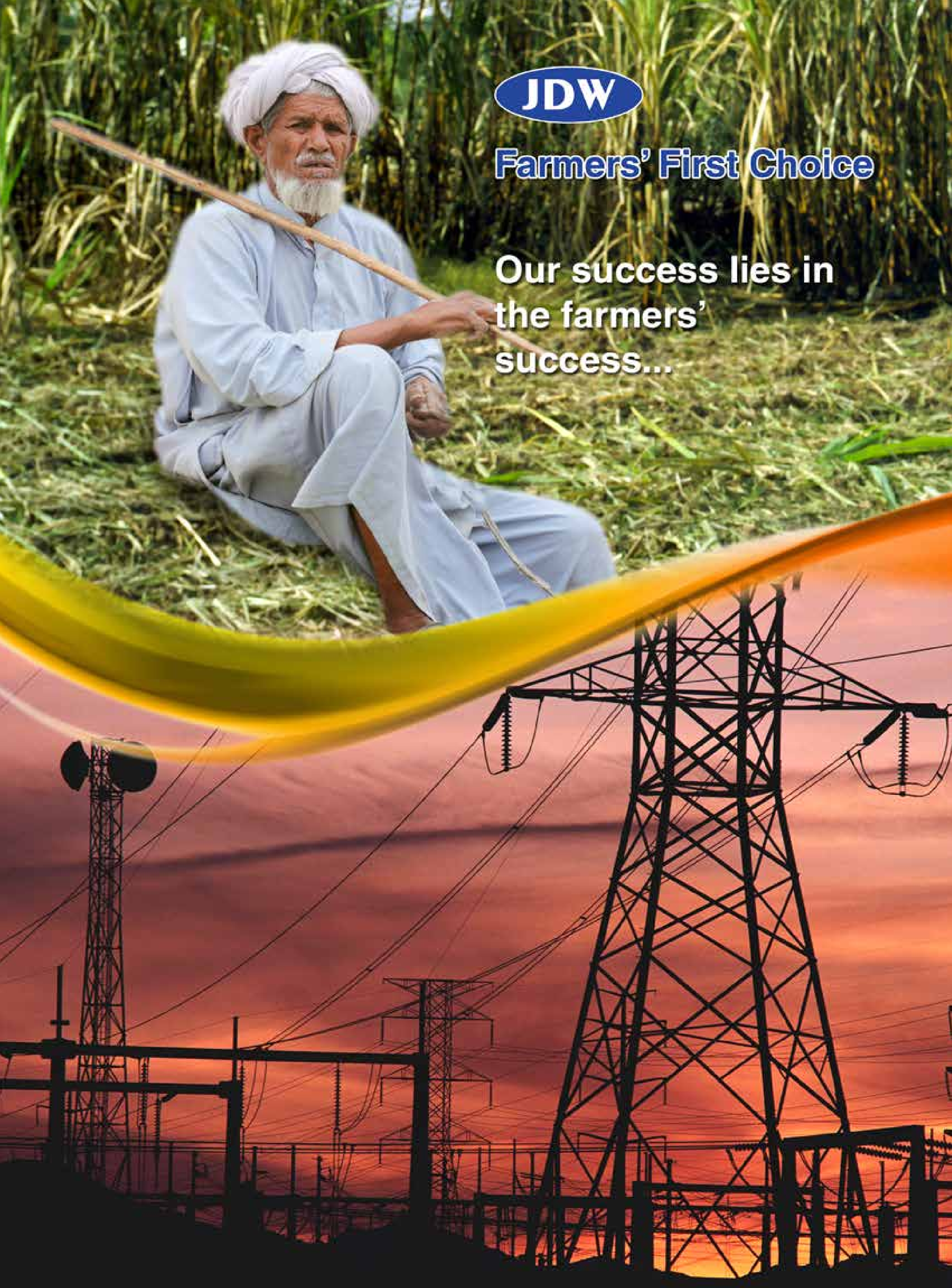
AFFIX
CORRECT
POSTAGE

The Company Secretary

JDW Sugar Mills Limited

Registered Office: 17– Abid Majeed Road,

Lahore Cantt. Pakistan.


JDW
Farmers' First Choice
Our success lies in the farmers' success...

Annual Report 2013

Annual Report 2013

JDW Sugar Mills Limited

Head Office: 17-Abid Majeed Road,
Lahore Cantt, Pakistan.