LIVING OUR VALUES

ANNUAL REPORT 2013

WWW.MEHRANSUGAR.COM

LIVING OUR VALUES

At Mehran, our core objective is to produce sugar and its allied products in the most cost-efficient manner. Our aim is to achieve this by not compromising the values of our Company which have been embedded in the last 48 years.

Key Figures

Operating Profit	Earnings per Share (Rs.)
+64%	15.70
Production	Dividend
+39.6%	50%
Shareholders' Equity	Market Capitalization
1,385,548,825	1,772,226,799

VISION

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

MISSION

Preamble: We the management of Enterprise, have set forth our belief as to the purpose for which the Company is established and the principles under which it should operate. We pledge our efforts to the accomplishment of the purpose within the agreed principles.

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

Mohammed Kasim Hasham

Mohammed Ebrahim Hasham

Mohammed Hussain Hashim

Farooq Hassan

Muhammad Iqbal

Khurram Kasim

Ahmed Ebrahim Hasham

Important Events In 2013

We have able to export

37,848 tons

of sugar which allowed us to earn valuable foreign exchange to the tune of

$18.67 million

Our Recovery was

11.31% which is

10%

higher than last year and again the highest we have achieved.

We built a state-of-the-art sugar godown of

60,000

square feet which would help us to store

35,000 tons of sugar.

We paid highest dividend of

Rs.101.07 million

this year, which is

22.26%

higher than last year.

We were able to achieve a milestone production figure of

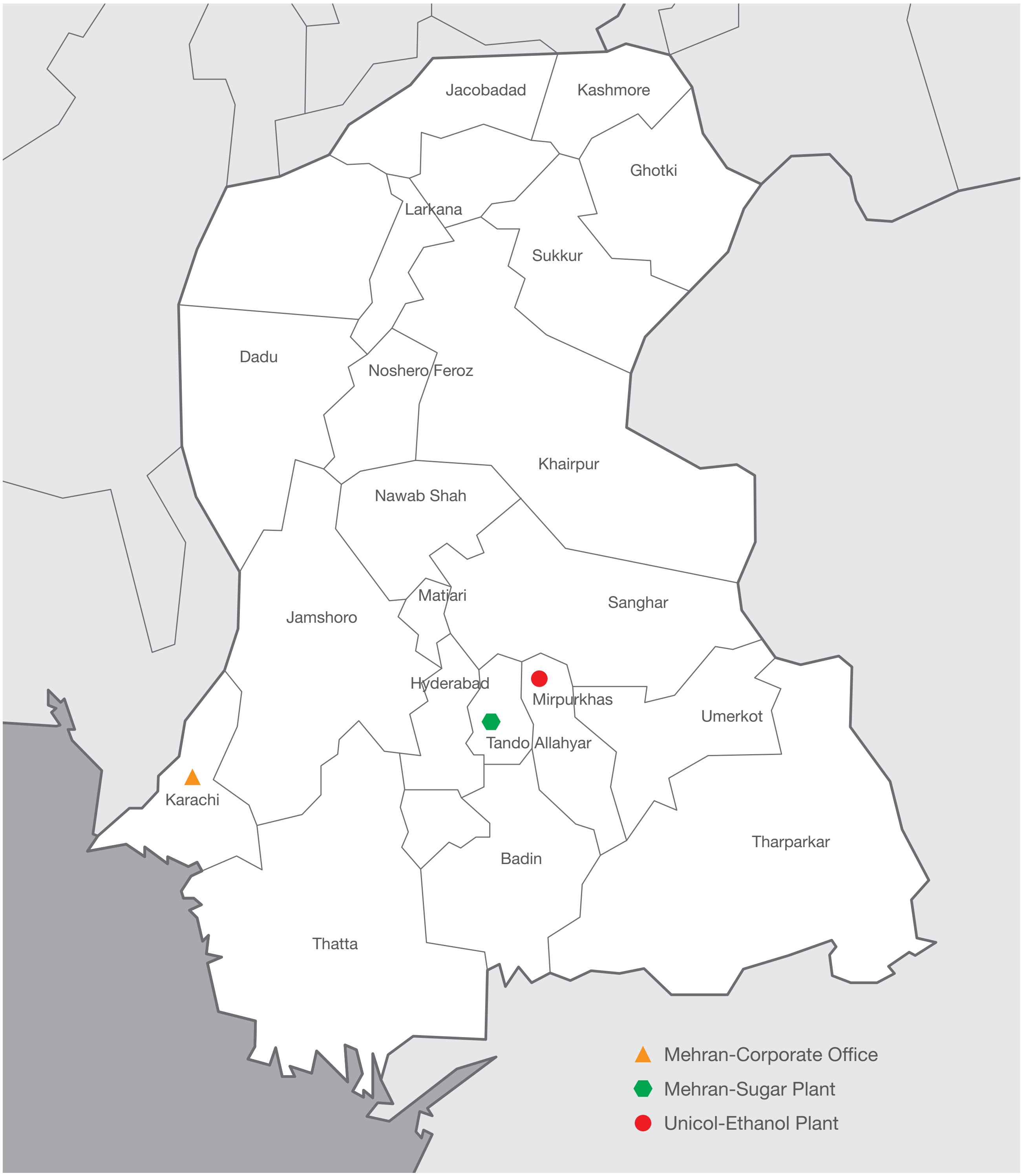
103,580 tons

The Company for the first time in its history crossed the

100,000 tons

sugar mark.

Geographical Location



Contents

LIVING OUR VALUES MAXIMIZING RETURNS

Our shareholders are a key stakeholder and we continually strive to create value for them. We use a variety of channels to engage with them to explain our business model and our strategy for long-term value creation. Our annual report and annual general meeting (AGM) provide an important forum for discussion and debate. We declare and pay dividends to our shareholders on a quarterly basis and we intend our dividend policy to be progressive. Since 2009 we have paid a dividend of Rs. 381.441 million.

Corporate History

1965

The Company is incorporated as a public limited company.

1968

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

1968

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

1994

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

1998

The Company is awarded ISO-9002 - QMS Certification.

2001

Company touches billion Rupees sales.

2012

Crushing capacity increases from 7,000 TCD to 9,500 TCD.

1978

Steady re-engineering increase the crushing capacity to 3,500 TCD.

1983

Recognize by the Karachi Stock Exchange as one of the Top 25 Companies for the first time.

1986

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

2006

The Company crosses the Rs. 2.0 Billion sales milestone.

2007

The joint venture distillery, Unicol Limited commences commercial production.

2010

The Company crosses the Rs. 4.0 Billion sales milestone.

2013

Record highest sugar production, sucrose recovery, turnover and profits.

Company Information

Audit Committee

Mr. Farooq Hassan
Chairman

Mr. Khurram Kasim
Member

Mr. Muhammad Iqbal
Member

CFO and Company Secretary

Mr. Muhammad Hanif Aziz
FCMA

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Internal Auditors

Haroon Zakaria & Company
Chartered Accountants

Cost Auditors

Haroon Zakaria & Company
Chartered Accountants

Legal Advisor

Sayeed & Sayeed
Advocate & Legal Consultants

Bankers

MCB Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Al Baraka Bank (Pakistan) Limited
Meezan Bank Limited
BankIslami Pakistan Limited
Habib Bank Limited
Bank of Punjab Limited

Registered Office

Executive Tower, Dolmen City,
14-B, 14th Floor, HC-3, Block-4,
Marine Drive, Clifton,
Karachi-75600
Tel : (92 21) 35297814-17
Fax : (92 21) 35297818, 35297827
Email : msm@mehransugar.com
URL : www.mehransugar.com

Mills

Tando Adam Road, Distt. Tando Allahyar.
Tel:(022) 3890856, 3890407, 3891984
Fax:(022) 3890568

LIVING OUR VALUES BINDING ASSOCIATIONS

We maintain a long-term working relationship with our bankers. We feel they are a major facilitator in enhancing our business opportunities. Since the inception of Mehran Sugar 48 years ago we are proud to say we have consistently met all our financial obligations in a timely manner.

SWOT Analysis

STRENGTHS

- Mehran has one of the most densely populated cane zones in Pakistan. The population of cane in the area means the company pays minimal transport costs for cane arrivals to the factory which gives it a comparative advantage.
- The majority of cane in Mehran's cane zone is early maturing which allows the Company to achieve recoveries which are approximately 10% higher than the national average. This gives the Company a comparative advantage as compared to most other sugar mills in Pakistan.
- Mehran's goodwill in the region allows it to procure cane competitively. The Company is thus able to get a preference in terms of quality, quantity and pricing.
- Mehran has a crushing capacity which is 50% larger than the national average of Pakistan sugar mills which allows us to utilize better economies of scale.
- The Company's investment in Unicol Limited has allowed a diversified income base. Unicol is presently expanding capacity and utilizing its revenue stream to grow its ethanol and allied business's. We expect Unicol to start paying dividends from 2015 which shall become a substantial source of revenue for Mehran going ahead.
- The company also manages an equity portfolio which shall increase to Rs. 500 million by the end of this financial year. Dividends and capital gains from this portfolio also allow a continual income stream.

WEAKNESS

- The nature of the sugar industry remains a controlled one. The provincial government sets cane prices which at times are not in line with sugar sales prices. This reliance on government intervention can have a negative impact on the overall business.
- Change in the size of the sugarcane crop can have an effect on the financial results of the Company. Sugarcane crop sizes vary depending on the weather, water availability and pricing of competitive crops. Sugarcane disease can have a detrimental effect on both farmer and factory yields.
- Since sugar is a commodity, the Company does not have much pricing power or any relative advantage as compared to its competitors. The only advantage the Company has is in timing its sales keeping in mind market movements.
- Sugar prices have continued to remain extremely volatile which doesn't allow one to forecast future revenue streams. While sugar production is a seasonal operation, sales continue throughout the year, thus holding inventory is a risk, especially in a high interest rate environment like Pakistan.
- Sugar cane prices are set by the government on the basis of cost of sugarcane production. Thus low farmer yields have meant that this price is set higher than what the global average. The high sugar cane price makes sugar production at times unviable for sale in the global market.

OPPORTUNITIES

- A modern sugar complex is a sugar, ethanol and power producer. While we at Mehran have tapped sugar production and recently ethanol production the opportunity to produce power remains a huge one.
- Pakistan remains a power deficit nation and the opportunity to produce power remains huge. The sugar industry has the potential to produce over 3,000 MW of power whereby individual mills can set up plants as large as 100 MW.
- The need of the time is to bring new varieties with high sucrose recovery to improve our overall sugar production. Therefore, research and development need to be given preferred attention for continuous improvement. While Pakistan's national recovery remains between 9.50-10.50% there are varieties being developed which could fetch recoveries of 12.00 % and higher. Such varieties would make Pakistan globally competitive thus enhancing both farmer and miller revenue.
- There also lies potential in increasing farm yields which would reduce the cost of the farmer thus making sugar cane cheaper as a raw material.
- Pakistan has a large indigenous population of close to 200 Million. This population continues to grow at a healthy rate. The population growth along with income prosperity means that demand for sugar is expected to grow continually for the foreseeable future allowing for future growth in the industry.

THREATS

- Sugar mills are typically located in rural areas which are more susceptible to Law and Order situation. The movement of our cane team as well as farming team in specific areas can also be difficult and restricted.
- Inflation affects the business due to unprecedented cost increase. It also reduces the consumer buying power. Pakistan has been going through near double digit inflation since the last 5 years. In order to curb inflation, State Bank of Pakistan regularly intervenes and revises interest rates which affect the cost of doing business. A sudden surge in borrowing rates could adversely impact the Company's financials.
- Since 1970 Pakistan has witnessed annual devaluation of local currency of 6.5%. This devaluation increases the cost of imports thereby increasing our processing cost as well as the cost of capital expenditure.
- Proper maintenance during the off-season enables the plant to run smoothly during the season. Since the season is for a limited duration, a major breakdown could affect financial results for the entire year.
- In the last two decades the industry has consistently increased its sugarcane crushing capacities without objectively ensuring an increase in the size of crop. A major challenge going ahead is to ensure increased sugarcane cultivation to match crushing capacity.
- Sugar cane requires abundant quantity of water for cultivation. Pakistan with its growing population can in the future face such water constrains which could mitigate the growth of sugarcane and the industry.

Business Strategy & Goal

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

Management Committees

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

Executive Committee

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

Audit Committee

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

Human Resource Development Committee

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

Information Technology Committee

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

LIVING OUR VALUES EMPOWERING GROWERS

We are committed to provide high quality seed to our farmers and paying them advances to facilitate them in providing high quality raw material. We have leased farms of 900 Acres so that we can continue to plant latest seed varieties which would help increase both farm and factory yield. As a policy, we ensure prompt payment to our farmers and try to ensure payments within 72 hours of cane supply. We feel prompt payments ensure sustainable development of a healthy sugarcane crop in the region. Our farmers are enablers of our sustainable growth and overall success.

Board of Directors

Mr. Khurram Kasim
Director

Mr. Muhammad Iqbal
Director

Mr. Farooq Hassan
Director

Mr. Mohammed Kasim Hasham
Chairman

Mr. Mohammed Ebrahim Hasham
Chief Executive Officer

Mr. Ahmed Ebrahim Hasham
Managing Director

Mr. Mohammed Hussain Hashim
Director

LIVING OUR VALUES ENSURING SAFETY

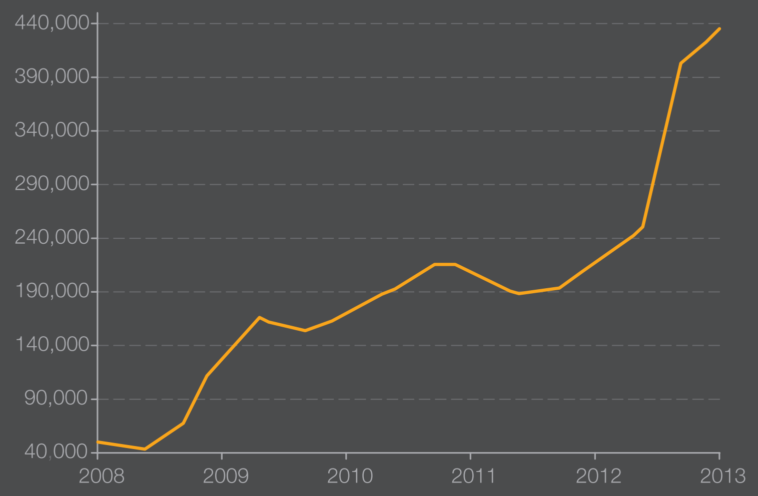
We conduct our business with high regard for the health and safety of our employees, contractors and communities. We have established an HSE department and continually strive to make sure we can create a conducive work environment.

Mehran's Share

Long-term shareholder value

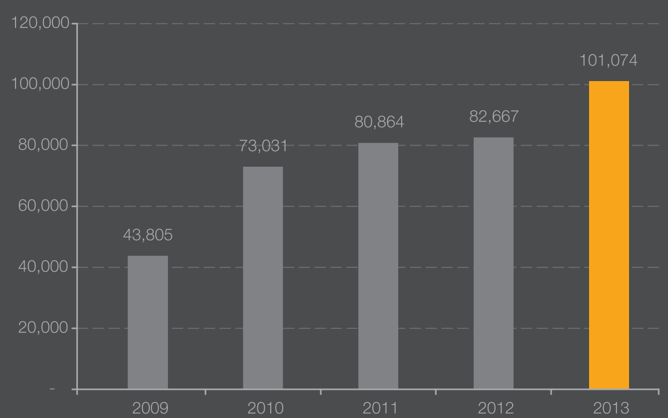
A shareholder, who on October 1st 2008 acquired 1,863 shares of Mehran Sugar Mills Ltd. at a price of Rs. 26.84 per share, totaling an investment of Rs. 50,000, and if he re-invested all dividends, would have a portfolio worth Rs. 435,000 on September 30, 2013 representing accumulative gain of 771%. The average annual return of the Mehran portfolio over this entire period was 54% versus the average annual return of the KSE 100 index for the same period was 19%.

Long-term shareholder value (Rs.)



Share Performance 2013

Shareholders' Remuneration (Rupees in thousand)



Mehran Sugar Mills Limited assigned 101.07 million to Dividends in 2012-13, which is 22.26% higher than 2011-12.

Dividend per share (Rs.)

5.0

Market Capitalization (Rs.)

1,772,226,799

Mehran's Share

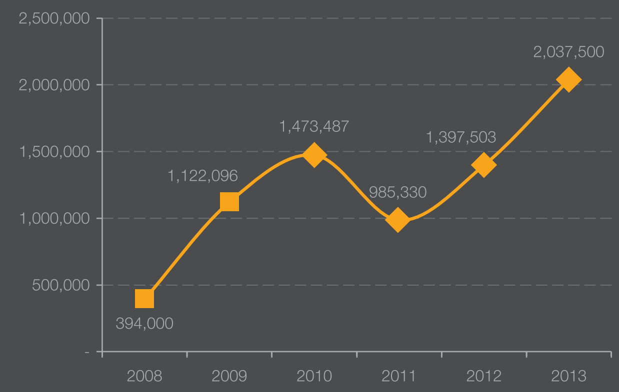
Share Registrar	Evolution factor (Pvt.) Ltd. 407-408, Al Ameera Centre, Shahrah-e-Iraq, Saddar, Karachi Ph: +92 - 21 -35662023-24, 35213104
Contact Person	Mr. Saad Mansoor
Date of Annual General meeting	27/01/2014

Date of Board of Directors meeting (Tentative)	1st Quarter	Half Year	3rd Quarter	Annual
	29/01/2014	20/05/2014	30/07/2014	8/12/2014

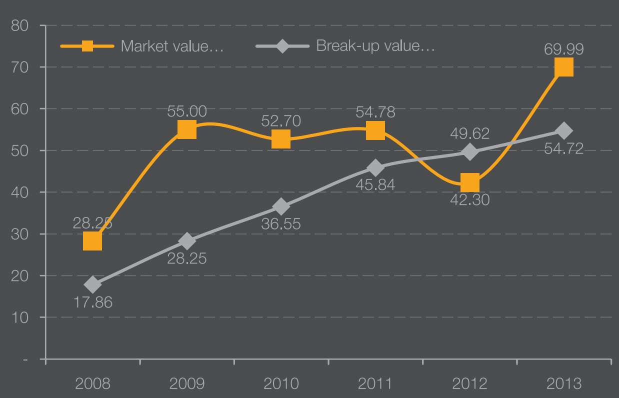
	2013	2012	2011	2010	2009	2008
Number of Shares (Issued / Paid-up)	25,321,143	20,926,565	17,294,682	14,293,125	11,812,500	9,843,750
Earnings per share	15.70	13.02	18.67	16.93	14.89	5.83
Break-up value per share	54.72	49.62	45.84	36.55	28.25	17.86
Market Capitalization	1,772,226,799	885,193,700	947,402,680	753,247,688	649,687,500	278,085,938
Market value of share at the close of the year	69.99	42.30	54.78	52.70	55.00	28.25
P/E Ratio	4.46	3.25	2.93	3.11	3.69	4.85
Cash Dividend %	25	25	35	35	35	-
Bonus Shares %	25	20	20	20	30	-
Number of shares Traded	2,037,500	1,397,503	985,330	1,473,487	1,122,096	394,000
Highest price during the year	75.40	56.99	68.49	71.00	56.45	28.25
Lowest price during the year	41.26	38.00	50.10	48.10	17.50	14.00

Share price trend

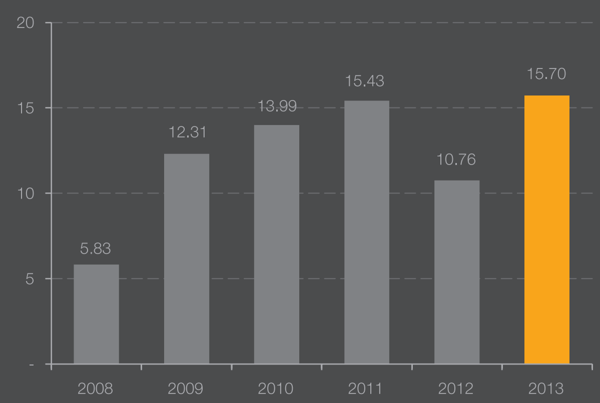
Mehran's Shares Trunover



Breakup vs Market value



Earnings per share



Management Team

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

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

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

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

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

Ehtesham-ud-Din
Director Cane/Development
Bachelor of Arts
Joined Mehran in 2004

Horizontal & Vertical Analysis
Profit & Loss Account

HORIZONTAL ANALYSIS	2013 Rs. in million	2013 %	2012 Rs. in million	2012 %
Turnover	5,797.47	39.69	4,150.11	(4.71)
Cost of sales	(5,215.46)	38.27	(3,771.97)	(0.04)
Gross Profit	**582.01**	**53.92**	**378.14**	**(34.96)**
Distribution costs	(93.92)	240.60	(27.58)	434.02
Administrative expenses	(132.30)	29.54	(102.13)	(1.17)
Other operating expenses	(15.70)	12.09	(14.01)	(67.83)
Other operating income	149.20	133.62	63.87	(20.43)
Finance costs	(186.84)	60.63	(116.32)	(13.04)
Share of Profit from an associate	128.58	(25.10)	171.67	322.40
Profit before tax	**431.02**	**21.88**	**353.64**	**(15.09)**
Taxation	(33.52)	(58.65)	(81.08)	(13.41)
Profit after taxation	**397.50**	**45.84**	**272.56**	**(15.58)**

VERTICAL ANALYSIS	2013 Rs. in million	2013 %	2012 Rs. in million	2012 %
Turnover	5,797.47	100.00	4,150.11	100.00
Cost of sales	(5,215.46)	(89.96)	(3,771.97)	(90.89)
Gross Profit	**582.01**	**10.04**	**378.14**	**9.11**
Distribution costs	(93.92)	(1.62)	(27.58)	(0.66)
Administrative expenses	(132.30)	(2.28)	(102.13)	(2.46)
Other operating expenses	(15.70)	(0.27)	(14.01)	(0.34)
Other operating income	149.20	2.57	63.87	1.54
Finance costs	(186.84)	(3.22)	(116.32)	(2.80)
Share of Profit from an associate	128.58	2.22	171.67	4.14
Profit before tax	**431.02**	**7.43**	**353.64**	**8.52**
Taxation	(33.52)	(0.58)	(81.08)	(1.95)
Profit after taxation	**397.50**	**6.86**	**272.56**	**6.57**

2011		2010		2009		2008	
Rs. in million	%	Rs. in million	%	Rs. in million	%	Rs. in million	%
4,355.04	13.37	3,841.34	60.90	2,387.45	85.87	1,284.44	(0.33)
(3,773.64)	12.09	(3,366.57)	68.80	(1,994.38)	71.06	(1,165.86)	(10.05)
581.40	22.46	474.78	20.79	393.07	231.49	118.58	1,710.99
(5.16)	(5.12)	(5.44)	1.41	(5.37)	(60.72)	(13.66)	609.97
(103.33)	26.09	(81.95)	33.06	(61.59)	21.73	(50.60)	22.49
(43.54)	30.46	(33.38)	(56.79)	(77.24)	453.74	(13.95)	362.44
80.26	105.39	39.08	73.39	22.54	(20.83)	28.47	319.22
(133.76)	81.24	(73.80)	12.96	(65.33)	49.71	(43.64)	(24.47)
40.64	2,098.94	1.85	(95.34)	39.62	12.02	35.37	(713.75)
416.50	29.70	321.13	30.70	245.69	305.67	60.56	154.88
(93.64)	18.32	(79.14)	13.42	(69.78)	2,088.36	(3.19)	(113.53)
322.86	33.42	241.99	37.56	175.91	206.60	57.38	166.12
4,355.04	100.00	3,841.34	100.00	2,387.45	100.00	1,284.44	100.00
(3,773.64)	(86.65)	(3,366.57)	(87.64)	(1,994.38)	(83.54)	(1,165.86)	(90.77)
581.40	13.35	474.78	12.36	393.07	16.46	118.58	9.23
(5.16)	(0.12)	(5.44)	(0.14)	(5.37)	(0.22)	(13.66)	(1.06)
(103.33)	(2.37)	(81.95)	(2.13)	(61.59)	(2.58)	(50.60)	(3.94)
(43.54)	(1.00)	(33.38)	(0.87)	(77.24)	(3.24)	(13.95)	(1.09)
80.26	1.84	39.08	1.02	22.54	0.94	28.47	2.22
(133.76)	(3.07)	(73.80)	(1.92)	(65.33)	(2.74)	(43.64)	(3.40)
40.64	0.93	1.85	0.05	39.62	1.66	35.37	2.75
416.50	9.56	321.13	8.36	245.69	10.29	60.56	4.72
(93.64)	(2.15)	(79.14)	(2.06)	(69.78)	(2.92)	(3.19)	(0.25)
322.86	7.41	241.99	6.30	175.91	7.37	57.38	4.47

Horizontal Analysis - Balance Sheet

	2013		2012	
	Rs. in million	%	Rs. in million	%
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	1,509.20	8.68	1,388.68	27.54
Long term receivable - unsecured	-	-	-	-
Long term investment	505.42	34.12	376.83	73.88
Long term deposits	2.80	(39.59)	4.64	(45.69)
	2,017.42	**13.97**	**1,770.15**	**34.71**
CURRENT ASSETS				
Biological assets	56.30	(1.97)	57.42	32.57
Stores and spare parts	67.02	(8.43)	73.20	(5.91)
Stock-in-trade	688.43	(37.15)	1,095.30	(24.91)
Trade debts - unsecured	9.96	(86.38)	73.17	1,462.43
Loans and advances - unsecured	53.35	59.07	33.54	8.09
Trade deposits and short term prepayments	38.12	87.26	20.36	38.78
Other receivables	3.30	113.37	1.55	227.32
Short term investments	292.50	43.11	204.40	25.41
Advance Income Tax	83.51	30.97	63.76	100.00
Cash and bank balances	6.11	(95.78)	144.77	1,112.14
	1,298.61	**(26.53)**	**1,767.46**	**(2.11)**
TOTAL ASSETS	**3,316.04**	**(6.26)**	**3,537.62**	**13.40**
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Issued, subscribed and paid-up capital	253.21	21.00	209.27	21.00
Reserves	1,132.34	36.58	829.04	33.74
	1,385.55	**33.44**	**1,038.30**	**30.96**
NON-CURRENT LIABILITIES				
Subordinated loans	-	-	-	-
Long-term financing - secured	454.24	19.44	380.31	117.32
Liabilities against assets subject to finance leases	16.07	30.98	12.27	(12.74)
Deferred liabilities	7.56	17.48	6.44	13.32
Deferred taxation	240.54	4.17	230.90	46.09
Provision	119.29	-	119.29	-
	837.70	**11.81**	**749.21**	**58.70**
CURRENT LIABILITIES				
Trade and other payables	455.50	(61.05)	1,169.36	(28.44)
Accrued mark-up	22.00	56.49	14.06	46.05
Short term borrowings - secured	397.18	22.05	325.43	100.00
Current maturity of liabilities agaisnt assets subject to finance lease	126.07	(14.35)	147.19	14.32
Current portion of long term financing	12.27	72.34	7.12	12.12
Provision for market committee fee	59.16	18.31	50.00	16.88
Income tax payable	-	-	-	(100.00)
Sales tax / excise duty payable	20.61	(44.21)	36.94	201.35
	1,092.79	**(37.56)**	**1,750.10**	**(5.63)**
TOTAL EQUITY AND LIABILITIES	**3,316.04**	**(6.26)**	**3,537.62**	**13.40**

2011		2010		2009		2008	
Rs. in million	%	Rs. in million	%	Rs. in million	%	Rs. in million	%
1,088.78	28.40	847.95	65.56	512.17	20.42	425.34	1.32
-	-	-	-	-	(100.00)	42.51	-
216.72	23.08	176.08	1.06	174.23	29.44	134.61	42.84
8.55	114.05	3.99	100.38	1.99	3.10	1.93	451.48
1,314.04	27.82	1,028.02	49.34	688.40	13.90	604.39	8.53
43.32	224.52	13.35	52.57	8.75	120.40	3.97	83.26
77.80	36.58	56.96	(5.55)	60.31	49.54	40.33	57.64
1,458.57	474.61	253.84	79.65	141.30	(67.67)	437.06	269.18
4.68	(94.83)	90.56	(19.22)	112.10	267.41	30.51	(1.81)
31.03	(63.27)	84.49	102.59	41.70	53.28	27.21	168.60
14.67	515.83	2.38	81.31	1.31	(59.23)	3.22	(69.73)
0.47	(16.14)	0.56	(41.42)	0.96	46.86	0.65	(16.69)
162.99	78.17	91.48	134.25	39.05	131.09	16.90	362.50
-	-	-	(100.00)	23.22	(9.63)	25.69	1,119.43
11.94	(89.50)	113.75	8,381.63	1.34	(19.10)	1.66	(25.00)
1,805.47	155.24	707.37	64.49	430.05	(26.76)	587.20	184.03
3,119.51	79.76	1,735.39	55.16	1,118.44	(6.14)	1,191.59	56.04
172.95	21.00	142.93	21.00	118.13	20.00	98.44	-
619.89	63.35	379.48	76.05	215.56	178.68	77.35	287.25
792.84	51.76	522.41	56.56	333.68	89.82	175.79	48.45
-	-	-	-	-	(100.00)	27.98	(34.39)
175.00	(14.11)	203.75	137.71	85.71	(32.11)	126.25	(16.43)
14.06	(13.33)	16.22	229.89	4.92	290.01	1.26	11.78
5.68	(1.05)	5.74	17.96	4.87	(11.23)	5.48	(6.29)
158.05	35.96	116.25	32.38	87.81	279.58	23.13	3.55
119.29	-	119.29	-	119.29	-	119.29	18.45
472.09	2.35	461.25	52.43	302.60	(0.26)	303.40	(6.29)
1,634.13	169.42	606.53	95.18	310.76	(30.91)	449.76	259.83
9.63	(10.92)	10.81	5.31	10.26	(65.10)	29.41	(5.60)
-	(100.00)	30.00	(57.46)	70.52	(57.89)	167.48	92.30
128.75	221.88	40.00	3,598.57	1.08	(20.15)	1.35	(9.72)
6.35	(13.89)	7.37	(79.76)	36.43	164.94	13.75	(71.67)
42.78	30.82	32.70	-	32.70	-	32.70	100.00
20.70	39.60	14.82	100.00	-	-	-	-
12.26	29.20	9.49	(53.50)	20.41	13.70	17.95	(36.31)
1,854.59	146.71	751.72	55.91	482.16	(32.32)	712.40	121.61
3,119.51	79.76	1,735.39	55.16	1,118.44	(6.14)	1,191.59	56.04

Vertical Analysis - Balance Sheet

	2013		2012	
	Rs. In Million	%	Rs. In Million	%
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	1,509.20	45.51	1,388.68	39.25
Long term receivable - unsecured	-	-	-	-
Long term investment	505.42	15.24	376.83	10.65
Long term deposits	2.80	0.08	4.64	0.13
	2,017.42	60.84	1,770.15	50.04
CURRENT ASSETS				
Biological assets	56.30	1.70	57.42	1.62
Stores and spare parts	67.02	2.02	73.20	2.07
Stock-in-trade	688.43	20.76	1,095.30	30.96
Trade debts - unsecured	9.96	0.30	73.17	2.07
Loans and advances - unsecured	53.35	1.61	33.54	0.95
Trade deposits and short term prepayments	38.12	1.15	20.36	0.58
Other receivables	3.30	0.10	1.55	0.04
Short term investments	292.50	8.82	204.40	5.78
Advance Income Tax	83.51	2.52	63.76	1.80
Cash and bank balances	6.11	0.18	144.77	4.09
	1,298.61	39.16	1,767.46	49.96
TOTAL ASSETS	3,316.04	100.00	3,537.62	100.00
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Issued, subscribed and paid-up capital	253.21	7.64	209.27	5.92
Reserves	1,132.34	34.15	829.04	23.43
	1,385.55	41.78	1,038.30	29.35
NON-CURRENT LIABILITIES				
Subordinated loans	-	-	-	-
Long-term financing - secured	454.24	13.70	380.31	10.75
Liabilities against assets subject to finance leases	16.07	0.48	12.27	0.35
Deferred liabilities	7.56	0.23	6.44	0.18
Deferred taxation	240.54	7.25	230.90	6.53
Provision	119.29	3.60	119.29	3.37
	837.70	25.26	749.21	21.18
CURRENT LIABILITIES				
Trade and other payables	455.50	13.74	1,169.36	33.06
Accrued mark-up	22.00	0.66	14.06	0.40
Short term borrowings - secured	397.18	11.98	325.43	9.20
Current maturity of liabilities agaisnt assets subject to finance lease	126.07	3.80	147.19	4.16
Current portion of long term financing	12.27	0.37	7.12	0.20
Provision for market committee fee	59.16	1.78	50.00	1.41
Income tax payable	-	-	-	-
Sales tax / excise duty payable	20.61	0.62	36.94	1.04
	1,092.79	32.95	1,750.10	49.47
TOTAL EQUITY AND LIABILITIES	3,316.04	100.00	3,537.62	100.00

2011		2010		2009		2008	
Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%
1,088.78	34.90	847.95	48.86	512.17	45.79	425.34	35.69
-	-	-	-	-	-	42.51	3.57
216.72	6.95	176.08	10.15	174.23	15.58	134.61	11.30
8.55	0.27	3.99	0.23	1.99	0.18	1.93	0.16
1,314.04	42.12	1,028.02	59.24	688.40	61.55	604.39	50.72
43.32	1.39	13.35	0.77	8.75	0.78	3.97	0.33
77.80	2.49	56.96	3.28	60.31	5.39	40.33	3.38
1,458.57	46.76	253.84	14.63	141.30	12.63	437.06	36.68
4.68	0.15	90.56	5.22	112.10	10.02	30.51	2.56
31.03	0.99	84.49	4.87	41.70	3.73	27.21	2.28
14.67	0.47	2.38	0.14	1.31	0.12	3.22	0.27
0.47	0.02	0.56	0.03	0.96	0.09	0.65	0.05
162.99	5.22	91.48	5.27	39.05	3.49	16.90	1.42
-	-	-	-	23.22	2.08	25.69	2.16
11.94	0.38	113.75	6.55	1.34	0.12	1.66	0.14
1,805.47	57.88	707.37	40.76	430.05	38.45	587.20	49.28
3,119.51	100.00	1,735.39	100.00	1,118.44	100.00	1,191.59	100.00
172.95	5.54	142.93	8.24	118.13	10.56	98.44	8.26
619.89	19.87	379.48	21.87	215.56	19.27	77.35	6.49
792.84	25.42	522.41	30.10	333.68	29.83	175.79	14.75
-	-	-	-	-	-	27.98	2.35
175.00	5.61	203.75	11.74	85.71	7.66	126.25	10.60
14.06	0.45	16.22	0.93	4.92	0.44	1.26	0.11
5.68	0.18	5.74	0.33	4.87	0.44	5.48	0.46
158.05	5.07	116.25	6.70	87.81	7.85	23.13	1.94
119.29	3.82	119.29	6.87	119.29	10.67	119.29	10.01
472.09	15.13	461.25	26.58	302.60	27.06	303.40	25.46
1,634.13	52.38	606.53	34.95	310.76	27.78	449.76	37.74
9.63	0.31	10.81	0.62	10.26	0.92	29.41	2.47
-	-	30.00	1.73	70.52	6.31	167.48	14.06
128.75	4.13	40.00	2.31	1.08	0.10	1.35	0.11
6.35	0.20	7.37	0.42	36.43	3.26	13.75	1.15
42.78	1.37	32.70	1.88	32.70	2.92	32.70	2.74
20.70	0.66	14.82	0.85	-	-	-	-
12.26	0.39	9.49	0.55	20.41	1.82	17.95	1.51
1,854.59	59.45	751.72	43.32	482.16	43.11	712.40	59.79
3,119.51	100.00	1,735.39	100.00	1,118.44	100.00	1,191.59	100.00

LIVING OUR VALUES CLEANER ENVIRONMENT

We are committed to minimizing environmental impacts by reducing wastes and emissions. Mehran is proud to be one of the pioneers in ensuring there is zero fly ash discharge from its boilers. A SUPARCO testing done in our 2012 season validated our performance. Mehran has spent Rs. 100 million in the last 3 years to comply with environmental standards which we feel is our duty as a responsible corporate citizen.

Our Factory Profile

Date of Incorporation December 22, 1965	Total Farming Area 900 Acres
Date of Commencement of Business March 19, 1966	Permanent Employees 351
Start of Commercial Production January 1969	Population of the Staff Colony 950
Installed Capacity 10,000 Tons Cane Crushing Per Day	No. of Students Daood Memorial School - 556 The Citizens Foundation - 150
Total Land Area 118 Acres	Housing 92 Family Homes for Executives, Officers and Workers and a Hostel consisting of 55 rooms for Workers and Contractors

Facilities at our Mills

- Two Mosques - Factory & Colony.
- Mobile Dispensary along with a qualified MBBS Doctor and trained staff.
- Recreation Centres equipped with Indoor Games, TV, Videos, Dish Antennas and other facilities for Executives, Workers and Ladies.
- Cricket Ground, Tennis Court, Park and Rose Garden, School/ College Bus facility.
- Private Electric Generator for Uninterrupted Power Supply.
- Clean Water Supply with UV Filters.
- Transport Facility for City & Adjoining Areas.
- Accommodation for Officers and Company Guests with all facilities.
- A new hostel of 36,000 sq.ft for accommodation has been built for seasonal workers and staff of various contractors engaged during crushing season.

How we Added Value

	2013		2012	
	Rupees	%	Rupees	%
WEALTH GENERATED				
Net revenue	5,952,044,247		4,596,296,142	
Expenses	4,849,926,197		3,550,637,297	
Wealth generated	1,102,118,050	100	1,045,658,845	100
WEALTH DISTRIBUTED				
To Government				
Sales Tax, Income Tax, Road Cess	184,186,243	28	298,149,637	28
To Employees				
Salaries, Benefits and Other related cost	211,770,835	17	173,522,656	17
To Providers of capital				
Mark-up on borrowed funds	186,842,345	11	133,757,171	13
Shareholders as Dividend/Bonus shares	121,425,352	9	82,543,560	8
	308,267,697	20	216,300,731	21
Retained with the business				
Depreciation	112,185,475	10	75,567,941	7
Retained profit	285,707,800	25	282,117,881	27
	397,893,275	35	357,685,822	34
	1,102,118,050	100	1,045,658,846	100

Value addition and distribution during the year 2013 Rs. 1,1102.12 million

- Government as taxes 28%
- Employees as remuneration 17%
- Financial, Dividend and bonus shares 20%
- Ratained within the business 35%

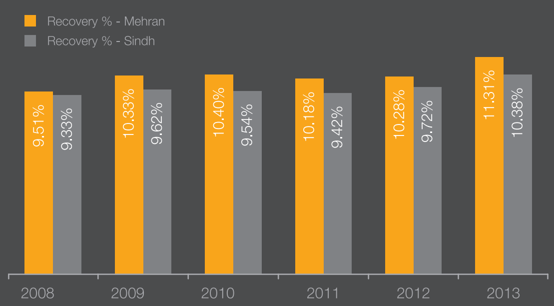
Six Years' Review at a Glance

	2013	2012	2011	2010	2009	2008
Operational Trends						
Sugarcane crushed - M.Tons	915,666	809,034	667,628	538,930	741,383	589,378
Sugar produced - M.Tons	103,580	84,894	69,450	55,678	70,558	50,796
Sugar produced - Raw Sugar (M.Tons)	-	-	-	-	-	-
Average sucrose recovery - %	11.31	10.18	10.40	10.33	9.51	8.63
Crushing days	108	156	122	113	136	138
Average crushing per day - M.Tons	8,478	5,186	5,472	4,769	5,451	4,271
Balance Sheet			Rupees in million			
Share capital	253.21	209.27	172.95	142.93	118.13	98.44
Reserves	1,132.34	829.04	619.89	379.48	215.56	77.35
Shareholders' equity	1,385.55	1,038.31	792.84	522.41	333.69	175.79
Non current liabilities	837.70	749.21	472.09	461.25	302.60	303.40
Current liabilities	1,092.79	1,750.10	1,854.59	751.72	482.16	712.40
Total Equity & Liabilities	**3,316.04**	**3,537.62**	**3,119.52**	**1,735.38**	**1,118.45**	**1,191.59**
Fixed Assets	1,509.20	1,388.68	1,088.78	847.95	512.17	425.34
Non current assets	2,017.42	1,770.15	1,314.04	1,028.02	688.40	604.39
Current assets	1,298.61	1,767.46	1,805.47	707.37	430.05	587.20
Total assets	**4,825.23**	**4,926.29**	**4,208.29**	**2,583.34**	**1,630.62**	**1,616.93**
Financial Trends			Rupees in million			
Turnover	5,952.04	4,419.27	4,603.48	4,025.77	2,692.04	1,439.29
Gross profit	582.01	378.14	581.40	474.78	393.07	118.58
EBITDA	730.05	565.85	625.82	442.83	347.52	138.89
Operating profit	489.28	298.29	509.61	393.08	271.40	68.83
Pre-tax profit	431.02	353.64	416.50	321.13	245.69	60.56
After-tax profit	397.50	272.56	322.86	241.99	175.91	57.38
Capital Expenditure (additions during the year)	367.19	279.55	258.94	385.83	92.74	63.93
Cash Flows			Rupees in million			
Operating activities	(1.16)	10.36	317.29	507.05	292.07	54.32
Investing activities	(213.36)	(380.81)	(396.42)	(445.87)	(129.79)	(59.25)
Financing activities	(160.31)	464.44	7.32	91.75	(65.64)	(76.01)
Cash and Cash equivalents at the end of the year	(268.89)	105.94	11.94	83.75	(69.18)	(165.83)
Profitability Indicators						
Grosss profit margin (%)	9.78	8.56	12.63	11.79	14.60	8.24
Net profit margin (%)	6.68	6.17	7.01	6.01	6.53	3.99
Return on shareholders' equity (%)	28.69	26.25	40.72	46.32	52.72	32.64
Operating profit on capital employed (%)	13.11	9.39	21.65	21.46	23.63	7.61
Return on total assets (%)	8.24	5.53	7.67	9.37	10.79	3.55
EBITDA margin (%)	12.27	12.80	13.59	11.00	12.91	9.65

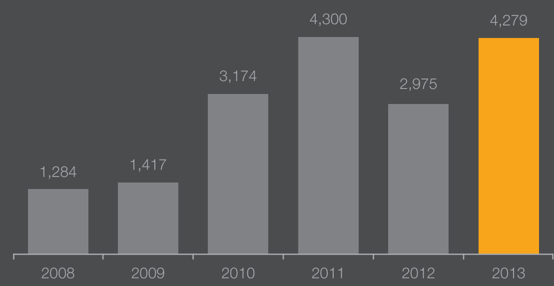
	2013	2012	2011	2010	2009	2008
Capital Efficiency / Operating Performance						
Inventory turnover ratio	5.85	2.95	4.41	17.04	6.90	4.20
Inventory turnover in days	62.00	124.00	83.00	21.00	53.00	87.00
Debtor turnover ratio	143.19	113.53	96.67	39.73	37.75	46.74
Debtor turnover in days	2.55	3.22	3.78	9.19	9.67	7.81
Total assets turnover ratio	1.23	0.90	1.09	1.56	1.65	0.89
Fixed assets turnover ratio	3.94	3.18	4.23	4.75	5.26	3.38
Operating cycle in days	64.55	127.22	86.78	30.19	62.67	94.81
Capital employed turnover ratio	1.59	1.39	1.96	2.20	2.34	1.59
Investment Valuation			Rupees in million			
Earnings per share	15.70	10.76	15.43	13.99	12.31	5.83
Break-up value per share	54.72	49.62	45.84	36.55	28.25	17.86
Price earning ratio	4.46	3.93	3.55	3.77	4.47	4.85
Dividend yield (%)	6.43	10.64	9.13	10.44	11.82	-
Dividend payout (%)	28.66	41.82	32.40	39.31	52.80	-
Market value per share (at the year end)	69.99	42.30	54.78	52.70	55.00	28.25
Cash Dividend (%)	25.00	25.00	30.00	35.00	35.00	-
Bonus Shares (%)	25.00	20.00	20.00	20.00	30.00	-
Financial gearing						
Debt Ratio	0.25 : 1	0.27 : 1	0.19 : 1	0.3 : 1	0.21 : 1	0.38 : 1
Debt : Equity Ratio	25 : 75	27 : 73	19 : 81	30 : 70	21 : 79	38 : 62
Interest cover ratio	3.31	4.04	4.11	5.35	4.76	2.39
Liquidity measurement						
Current ratio	1.19 : 1	1.01 : 1	0.97 : 1	0.94 : 1	0.89 : 1	0.82 : 1
Quick ratio/Acid test ratio	0.56 : 1	0.38 : 1	0.19 : 1	0.6 : 1	0.6 : 1	0.21 : 1
Value addition			Rupees in million			
Employees as remuneration	211.77	167.79	173.52	137.80	121.46	94.29
Government as taxes	184.19	282.00	298.00	239.00	313.06	161.88
Financial charges to providers of finance	186.84	116.32	133.76	73.80	65.33	43.64
Shareholders as dividend and bonus shares	121.43	89.02	82.54	75.04	70.38	0.00
Retained within the business	397.89	352.28	357.69	243.29	206.70	92.86

Six Years' Sugarcane Trends Analysis

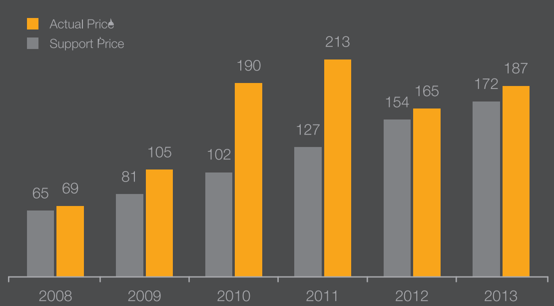
Avg. Recovery % of Mehran vs Avg. Recovery % of Sindh



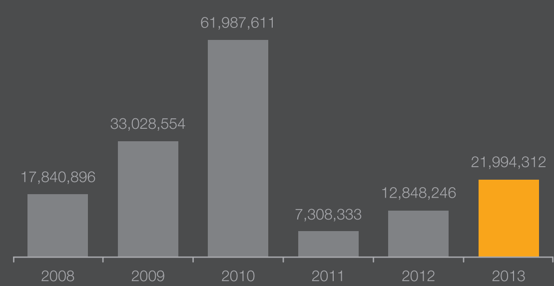
Cane Purchases (Rupees in million)



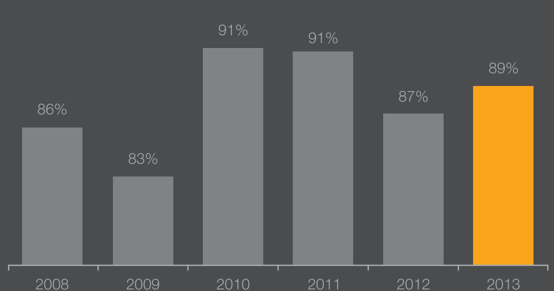
Support price vs Actual price



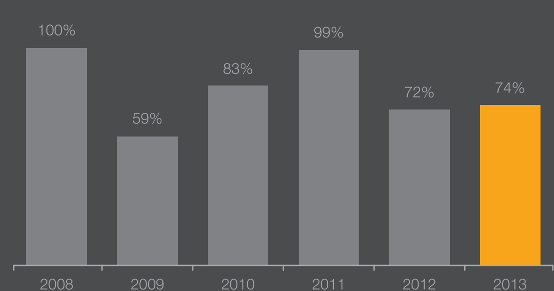
Loan to Cane Growers (Rupees)



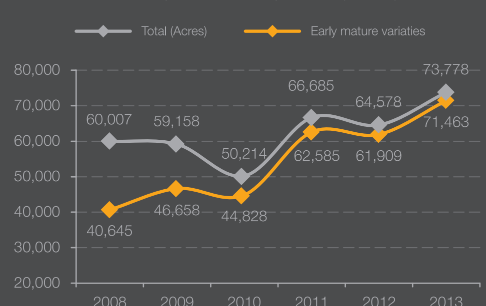
Cost of Cane as % of COGM



Cost of Cane as % of Turnover



Trend Analysis of Quality Cane (Acres)



Chairman's Review

Dear Shareholders

It gives me great pleasure to address you at the conclusion of yet another historic year for Mehran during which it successfully continued to set new benchmarks. Your company once again improved upon its past performance with both volumes and profits touching record highs. I, along with all the shareholders, commend the hard work and the achievements of the entire team.

It is now fairly evident that Mehran's pursuit of improving its efficiency by investing in new technologies as well as consistently diversifying its balance sheet has paid rich dividends in the shape of better earnings to the company and subsequently to its shareholders.

I'm also pleased to note that Mehran is making a greater effort to meet and maintain the highest standards of corporate governance within the company. A robust corporate governance framework is vital to support any business in today's corporate culture and will help us fulfill our goals and shape our strategies for the future.

As it continues to grow, it is imperative that Mehran has a sound and solid strategic direction and vision. The board of Mehran is therefore consistently reviewing and researching various avenues and opportunities, both within and outside the company, which could benefit us in the long run. At the same time, like all large, successful and responsible organizations, it continues to address a wide range of other issues such as safety and environmental concerns, human resources, monitoring business and industry performance, optimizing capital allocation and expenditure whilst carefully evaluating any number of risks that the business could face in the future.

Lastly, our efforts continue to focus on ensuring that the profile, skill sets, diversity and individual qualities of our executives and non-executives can serve the current and future needs of the business and the ever-changing environment in which we operate.

I once again congratulate the management on its historic performance and am fully confident that they shall continue their steady march towards even greener and sweeter pastures.

I wholeheartedly acknowledge and appreciate the constant support of all the shareholders and board members.

God bless us all

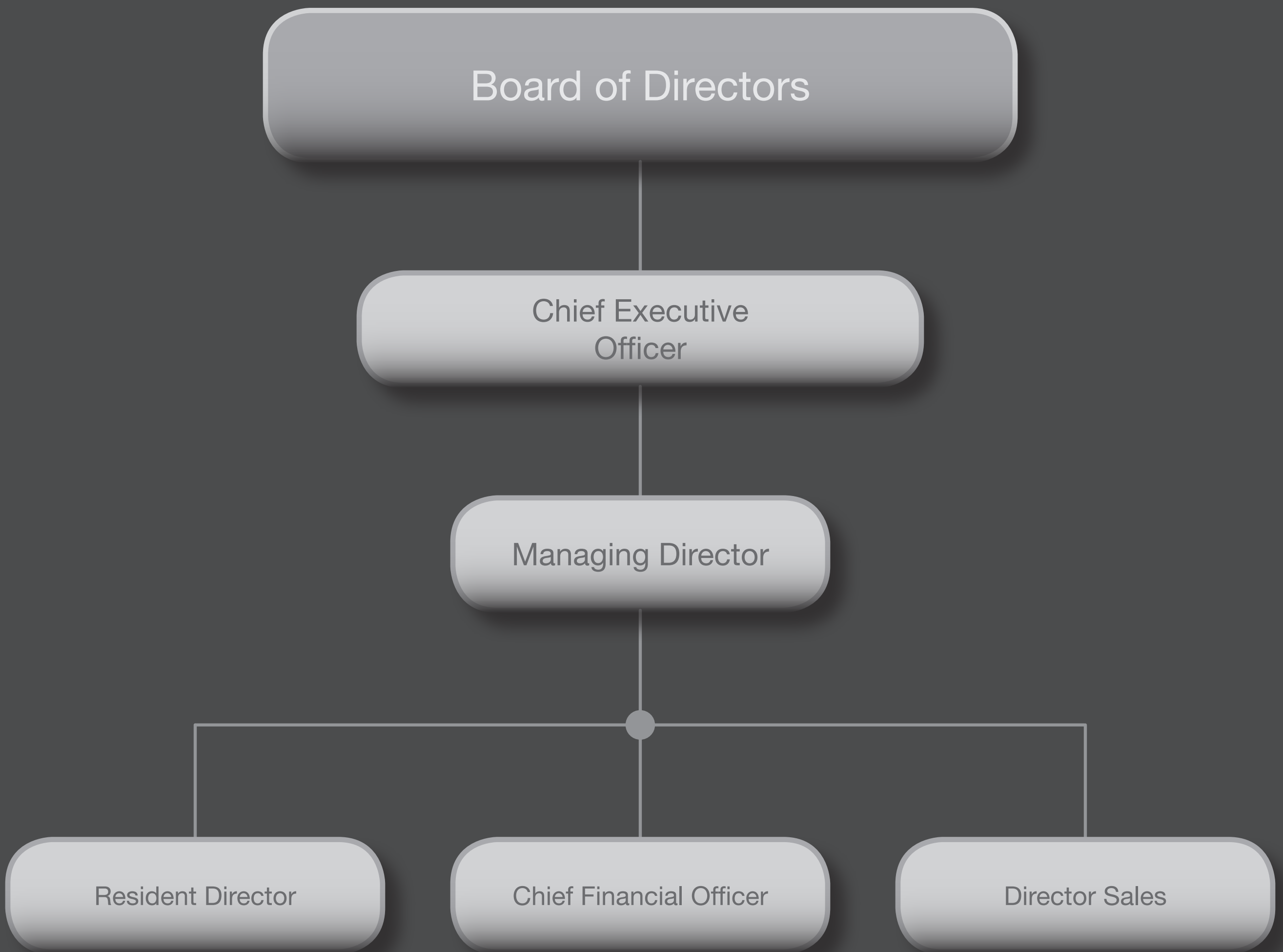
Karachi: December 18, 2013

Mohammed Kasim Hasham

LIVING OUR VALUES PROVIDING EDUCATION

We live by our principle of corporate social responsibility and make a difference through our social development programs. At Mehran, we feel education in the rural sector is direly needed and we continue to play a strong role in ensuring we fulfill this need. Our Dawood Memorial School which was founded in 2000 now caters to 550 students. While the TCF – Hasham campus which we made in Piyaro Lund in 2011 at a cost of Rs. 10 million has 150 students.

Organogram


Board of Directors
Chief Executive Officer
Managing Director
Resident Director
Chief Financial Officer
Director Sales

Directors' Report

Dear Shareholders

The Board of Directors of the Company is pleased to present its report along with audited financial statements for the year ended September 30, 2013.

The Economy

The year has seen a smooth transfer of power to a newly elected government as per norms of democracy and was considered a landmark in the country's 65 years history since it was the first time this was achieved. The new government has promised to prioritize power sector reforms and improve the law and order situation which are a pre requisite for the revival of business and industry. The FY'13 was badly hit by energy crisis, structural weaknesses and security concerns. GDP for the year was 3.6% against a budgetary target of 4.3%, while it is forecast to increase to 4.4% in 2014.

Pakistan's economy continues to face challenges particularly the Balance of Payments position. Despite Coalition Support Fund (CSF) inflows, strong remittances and lower trade deficit, foreign exchange reserves remained under pressure due to IMF repayments of $3 Billion during the year. These payments brought Pak Rupees under pressure and resulted in its depreciation by 5.4% to close the year at Rs. 99.66/$. Therefore, the country had no choice but to enter an IMF program amounting to US $6.6 Billion in September 2013 to control external pressures. In addition, structural reforms in the power sector and increase in the tax base are also eminent for improvement of the economy. The low inflation numbers enabled State Bank of Pakistan to reduce the discount rate by cumulative of 3% to 9%.

With a population in excess of 200 million people, Pakistan is one of the most populous country in the world. This leads to strong domestic demand and is one of the key long term drivers for growth. According to a UN report, Pakistan has one of the world's largest youth population with more than 35% of the population aged below 15 which translates into an important demographic advantage for the future.

Pakistan has immense resource potential and is one of the world's largest producer of the key commodities. In addition, Pakistan has vast untapped natural resources of copper and coal.

Industry Review

The Provincial Government announced a minimum Support Price of Rs.172/40 Kg reflecting an increase of 11.69% over previous year's price of Rs.154/40 Kg. In 2012 the government had increased prices by 21.26%. It is interesting to note that since 2008 sugarcane prices have increased from Rs. 63/40 Kgs to Rs 172/40 Kgs reflecting an increase of 173%! This huge increase in sugarcane support price has had multiple effects for the sugar industry. It has meant that sugarcane has become one of the most viable crops for farmers which has increased planted acreage and allowed Pakistan to produce record quantities of sugar. However it has also meant that the country is sitting on huge sugar surpluses which have depressed sugar prices tremendously. It doesn't help that the world market is in surplus production as well which has depressed international prices.

International sugar prices were trading at $725/- Ton in 2011, $575/- Ton in 2012 and are presently in the range of $440 - $450/- Ton. The Pakistan domestic sugar price has increased from an average price of Rs 28/- Kg to Rs 47/- Kg presently which reflects an increase of 70%. What is concerning is that while sugar prices have increased by 70 % in last 5 years, (that too mainly due to currency devaluation which has been 38%) sugarcane prices have increased by 173%. This has severely squeezed margins for the industry and has caused financial constraints for many mills.

Higher input costs due to devaluation of currency and its inflationary effects along with depressed sugar prices made life difficult for a majority of mills in season 2013. We give credit to the previous federal government for taking pro active decisions based on the huge sugarcane crop and allowing 1.2 million tons of exports along with local buying by the Trading Corporation of Pakistan (TCP). The government allowed the sugar industry a reduced FED of 0.5 % on every ton of local sale for every ton of sugar exported. The sugar industry utilized the overall quota very effectively and was able to export close to 1.2 million tons to varied destinations. This allowed the industry to earn foreign exchange of approximately $570 million for the country.

Pakistan was able to achieve a record sugar production with the final figure breaking the 5.0 million tons mark for the first time. Production for season 2013-2014 is expected to increase further by 5-10% which would be the 4th year of increased sugar production.

Our newly built 60,000 square feet Godown caters for 35,000 Tons of Sugar and shall be operational from crushing season 2013-2014.

Operational Highlights

	2012-13	2011-12
Season Started	28-11-2012	09-12-2011
Season Closed	15-03-2013	21-03-2012
Duration-Days	108	104
Crushing-M.Tons	915,666	722,120
Sucrose Recovery	11.31%	10.28%
Sugar Production –M.Tons	103,580	74,201
Molasses production – M.Tons	38,639	36,563

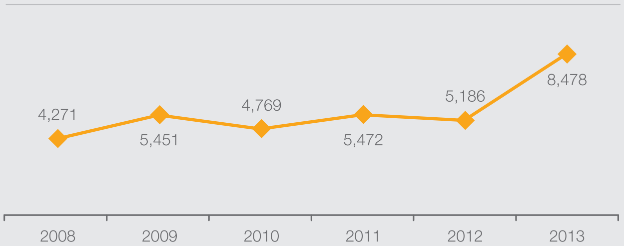
Operational Performance

Despite adverse circumstances prevailing in the industry on account of sugar glut, Mehran was able to post improved results. A record production of 103,580 metric tons coupled with an all time high sucrose recovery of 11.31% was achieved. This was 40% and 10% higher respectively as compared to the previous year. The Company was for the first time able to cross the land mark 100,000 Tons sugar production mark.

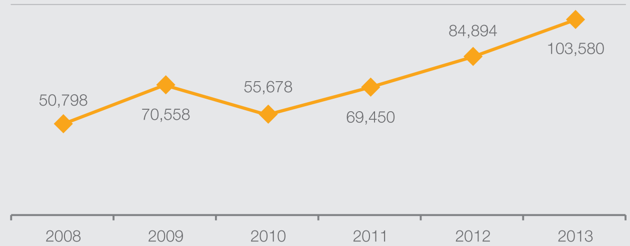
Our investments in plant and machinery over the last few years paid dividends as the Company was well positioned to utilize capacity when sugarcane crop was available in abundance. Also our efforts in the field to work closely with our farmer and plant improved varieties and ensure the crop is managed in an appropriate manner also paid off well. We were able to achieve a sucrose recovery which was approximately 15 % higher than the national average which gave the company an inherent comparative advantage.

Regular and consistent crushing improved the capacity utilization to 85% as compared to 69% in the preceding year.

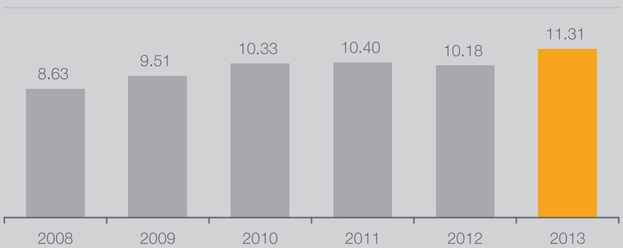
Average Crushing per day — Metric Tons



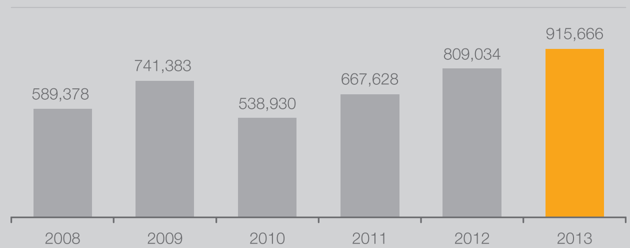
Sugar Produced — Metric Tons



Sucrose Recovery — %



Cane Crushed — Metric Tons



Financial Highlights

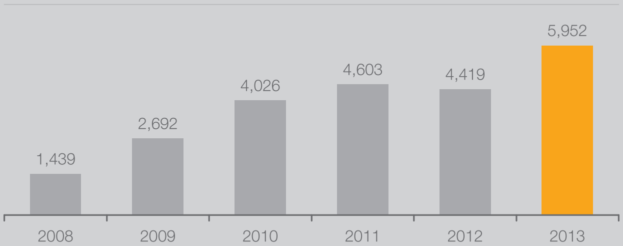
	2012-13	2011-12
	(Rupees in Thousand except EPS)	
Turnover	5,952,044	4,419,275
Sales tax /F.E.D	154,575	269,166
Gross profit	582,010	378,137
Profit before tax	431,022	353,635
Profit after tax	397,499	272,556
Earnings per share	15.70	10.76

In line with Government's policy for export of sugar, Mehran aggressively participated in exports and a record quantity of 37,848 metric tons was exported during the period through reputable international trade houses. Majority destinations were African and South East Asian countries. This allowed us to claim Federal excise duty subsidy on our local sales of a similar quantity.

During the year under review, the Company spent more than Rs.110 million towards BMRE. The major investments being done by the company presently are to improve its infrastructure to cater its crushing capacity. Thus the company constructed a new sugar Gowdown of 60,000 square feet which will cater for the storage of 35,000 Tons of sugar. Unlike previous storage facilities this one was made with imported pre-cast material which allowed the new facility to be commissioned in less than 6 months. The company also invested in another fly ash system. Both the investments were in line with the management's philosophy of regular up gradation of the factory to keep it in line with international practices.

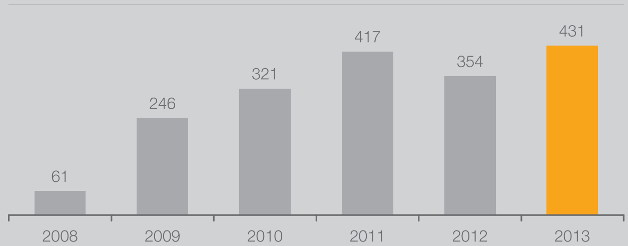
Turnover

Rupees in Million



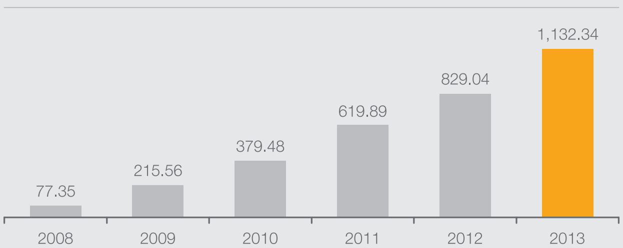
Pre-Tax Profit

Rupees in Million



Reserves

Rupees in Million



Shareholders' equity

Rupees in Million

The Company was able to surpass its previous best turnover of Rs. 4.4 billion and attained Rs. 5.9 billion despite lower prices of sugar.

Major reasons for improved profitability are given below:

- Savings in FED on account of exports

- Higher molasses prices which were 22% higher than the previous year

- Capital gains/dividend income of Rs. 96.62 million from Equities Portfolio

- Profit from farming operations

- Contribution of Rs. 128.58 million from Unicol Limited

The higher cane prices as well as financial expenses were impediments to further growth in profits. Our policy of consistent cane payments has meant that the use of short term finances ballooned during the season. Due to the huge volume of cane payments and slow off take of sugar we incurred a financial expense of Rs. 186.84 million which was the highest ever. We are making conscious efforts in the next season to reduce the total financial expenses especially since rates shall increase due to the higher discount rates in Pakistan. We shall continue to review our sales strategy to ensure we are successful in achieving this.

Our return on equity however still remained at a decent level and was 33% for the year.

Unicol Limited

The total production of ethanol totaled 28,093 MT. The expansion work for doubling the capacity is ongoing and is expected to be completed Inshallah by February 15, 2013. Unicol would then be able to produce 200,000 liters of Extra Neutral Ethanol per day. This would make Unicol the largest producer of ENA grade Ethanol in Pakistan.

Brief statistics relating to financial performance for the year 2013 are given below:

Unicol's Financial Highlights

	2012-13	2011-12
	(Rupees in Thousand except EPS)	
Turnover	**2,595,818**	2,137,306
Profit after tax	**387,619**	500,190
Earnings per share	7.4	9.54

Unicol was able to export 29,886 MT at a total value of $26.27 million. Out of this quantity, 21,362 MT were exported in bulk while 8,524 MT were exported in ISO containers. Thus ISO containers constituted 32.44% of the total volume which is healthy sign as it fetches premium over the bulk shipment.

Future Outlook

Favorable weather conditions and a yearly increase in Minimum Support Price has increased the sugarcane cultivation resulting in bumper harvests for the last 4 years. These overall surpluses locally as well as globally have put pressure on international and thus domestic sugar prices resulting in immense pressure on mills to recover their cost of production. The same situation is expected to continue during the crushing campaign 2013-14. The country expects to produce around 5.5 million tons of sugar this year and overall national requirement would not be more than 4.75 million tons. Hence the country would have a 1.25 million tons sugar surplus, considering year end stocks, The Government has allowed exports of 500,000 tons; however, the depressed international market is not allowing local mills to make any significant headway. Trading Corporation of Pakistan has also decided on building buffer stocks and has committed to procure 150,000 tons quarterly.

Given the tough market conditions, only efficient mills who have economies of scale as well as high sucrose recoveries will be able to absorb these conditions. We at Mehran are fully geared to take on this challenge and would strive to achieve decent results with the help of our enhanced capacity and efficient operations.

We also feel that this year we might be at the end of the cyclical curve in the sugar industry. We have managed to come out of these tough few years with a stronger balance sheet and more efficient operations. This would enable us to reap the benefits when the industry becomes more profitable and global surpluses are reduced.

Our investment in Unicol Ltd. continuous to be fruitful. The Company's expected capacity and allied products are expected to be commissioned by February 2014. Unicol has grown sizably since its inception. Its larger balance sheet and improved financials would allow the company to start paying dividends from 2015 onwards while also allowing continual growth within the company.

Contribution to Society

It is Mehran's passion to contribute significantly in the development of the society. Corporate Social Responsibility is therefore considered an essential part of our business activity. We believe in maintaining long term relationship with our clients, employees and society and accordingly make a conscious effort to attain this goal. We have taken a long term view in this respect and attach our corporate decisions with ethical, social and environmental concerns. Mehran is putting in serious efforts to improve the health and education standards in under developed areas of Sindh especially in our mills area. We fund programs that are measurable, attainable and sustainable and subsequently monitor them closely to ensure their benefit.

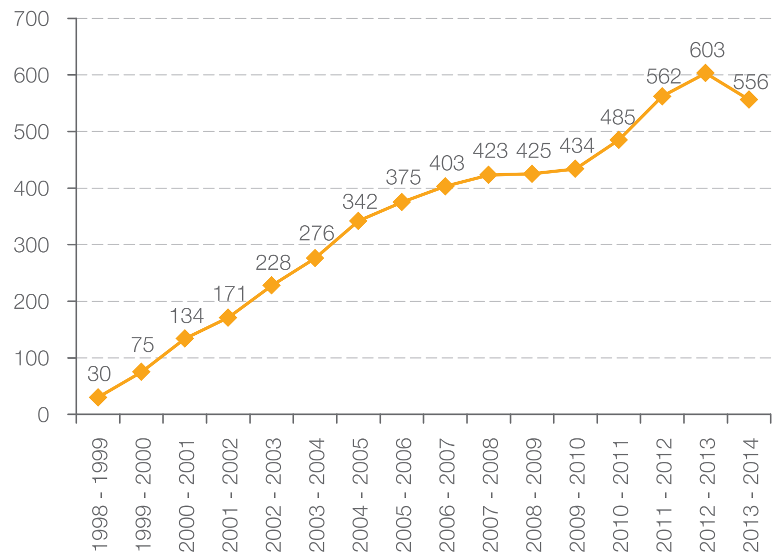
Some of the projects undertaken include:

Daood Memorial School (DMS)

Daood Memorial School, situated within the premises of our Mills, is a fully equipped modern educational centre primarily for our mill employees and generally for the youth of surrounding areas. For more than 15 years the school has been providing quality education and facilitating students to learn and create their future themselves. By the grace of Allah Almighty and due to conscious efforts and commitment of the faculty and the management, the school has been growing steadily. It has been providing education upto Matriculation. We are committed to provide adequate infrastructure for further increase in students.

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

Period	No. of students	Growth %
1998-1999	30	-
1999-2000	75	150%
2000-2001	134	79%
2001-2002	171	28%
2002-2003	228	33%
2003-2004	276	21%
2004-2005	342	24%
2005-2006	375	10%
2006-2007	403	7.5%
2007-2008	423	5%
2008-2009	425	1%
2009-2010	434	2%
2010-2011	485	12%
2011-2012	562	16%
2012-2013	603	7%
2013-2014	556	-8%
Growth Plan (Projected)		
2014-2015	584	5%



TCF School-Haji Hasham Campus

In line with its ambitions to improve the educational standard of the area, we have donated funds to Hasham Foundation (An associated concern established for undertaking charitable activities on behalf of the group). They had assigned the job for establishing a modern school in Piyaro Lund area, approx. 13 kms from Tando Allahyar to The Citizens Foundation. The School is now operational and 150 kids have been enrolled so far. The number is expected to rise to 180 by the next year the School is currently providing education upto primary level. It is expected to raise the School upto Secondary level in next five years.

MSML Mobile Dispensary

The MSML Mobile Dispensary has been introduced to provide free of cost basic health care services at the doorstep of the poor and needy people in the surroundings of Tando Allahyar. This service was introduced in June 2004 and so far it has diagnosed and treated 37,928 patients for various ailments. During the period October 2012 to September 2013, it had provided services to 3,208 patients. A full time doctor and relevant staff has been assigned with this unit.

Mehran Vocational Training Centre for Women

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

Board of Directors

The Board of Directors of the Company consists of seven members, comprising one independent, two non-executive (including the Chairman) and four executive Directors. The Board is responsible for independently and transparently monitoring the performance of the Company and taking strategic decisions to achieve sustainable growth in the Company operations. Written notices of the Board meetings were sent to the members seven days before the meetings.

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

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

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

Statement of Ethics & Business Practices

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

Audit Committee

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

External Audit

The Company wishes to place on record its appreciation for the services rendered by the Company's auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder., Chartered Accountants, who completed the audit of financial statements of the Company for the year ended September 30, 2013.

Cost Audit

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

Corporate & Financial Reporting Framework

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

- The financial statements, prepared by the management of the Mehran Sugar Mills Limited, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;

- The Company has maintained proper books of accounts as required under the law;

- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements for the year ended September 30, 2013;

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

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

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

- The summary of key operating and financial data for last six years is annexed;

- Company have made contribution towards the national exchequer by paying more than Rs. 184.186 million in the form of Federal, Provincial and local taxes and levies;

- The Company is operating a Provident Fund Scheme for its permanent employees. The value of the fund as at September 30, 2013 was Rs 88.256 million (approx);

- There is also an un-funded gratuity scheme. On the basis of actuarial valuation conducted during 2013, a net liability of Rs. 7.56 million as at September 30, 2013 has been provided;

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

Certificate of Related Parties Transactions

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

Material Changes

There have been no material changes since September 30, 2013 and the Company has not entered into any commitment, which would affect its financial position at the date.

Pattern of Shareholding

The pattern of shareholding as on September 30, 2013 is included in the annexed shareholders' information.

Acknowledgment

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

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

For and on behalf of the Board of Directors

Mohammed Ebrahim Hasham

Karachi: December 18, 2013

Notice of the Annual General Meeting

Notice is hereby given that the 48th Annual General Meeting of the members of the Company will be held at I.C.A.P. Auditorium, Chartered Accountants Avenue, Clifton, Karachi on Monday, January 27, 2014 at 1600 PST to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on January 28, 2013;

2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' Reports for the year ended September 30, 2013;

3. To consider and approve Final Cash Dividend issued @7.5% i.e. Re. 0.75 per share in addition to 17.5% i.e. Rs. 1.75 per share interim dividend already paid and 15% bonus shares i.e. 15 shares for every 100 shares held, in addition to 10% interim bonus shares already issued by way of issue of fully paid ordinary shares in the proportion of 10 shares for every 100 shares held by the members for the year ended September 30, 2013 as recommended by the Board of Directors of the Company.

4. To appoint auditors for the year ending September 30, 2014 and to fix their remuneration. The retiring auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants being eligible, have offered themselves for re-appointment.

SPECIAL BUSINESS

5. To elect eight (8) Directors as fixed by the Board for the term of three years, in accordance with the provisions of Section 178 of the Companies Ordinance, 1984.

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

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

Karachi: December 18, 2013

NOTES

1. The share transfer books of the Company will remain closed from January 21, 2014 to January 27, 2014 (both days inclusive).

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

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

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

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

Statement of Compliance with the Code of Corporate Governance

For the year ended September 30, 2013

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

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

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

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

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

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

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

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

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

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

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

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with

agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. 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.

10. No new appointment of Chief Financial officer, Company secretary and head of internal audit was made during the year.

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

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

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

14. The board has formed an Audit Committee. It comprises three members, of whom one independent Director, one non-executive and one executive directors and the chairman of the committee is an Independent director.

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

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

17. The board has outsourced the internal audit function to Haroon Zakaria & Company, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company. However, subsequent to September 30, 2013 the Board has appointed a Head of internal Audit according to the guide line given by the Code.

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

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

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

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

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

For and on behalf of the Board

Karachi: December 04, 2013

Mohammed Ebrahim Hasham
Chief Executive Officer

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 30 September 2013 prepared by the Board of Directors of Mehran Sugar Mills Limited (the Company) to comply with Listing Regulation No. 35 (Chapter XI) of The Karachi Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's 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, the Listing Regulations require the Company to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended 30 September 2013.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Karachi: December 18, 2013

Auditors' Report to the Members

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

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

b) in our opinion:

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September 2013 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

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

We draw attention to notes 26.1 to 26.7 to the financial statements which describe the uncertainty relating to the outcome of the lawsuits and appeals filed by / against the Company. Our opinion is not qualified in respect of these matters.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner: Khurram Jameel

Karachi: December 18, 2013

Balance Sheet

As at September 30, 2013

	Note	2013	2012
		Rupees	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,509,202,543	1,388,678,801
Long-term receivable	6	-	-
Long-term investment	7	505,415,137	376,834,660
Long-term deposits		2,803,650	4,640,900
		2,017,421,330	1,770,154,361
CURRENT ASSETS			
Biological assets	8	56,295,200	57,424,050
Stores and spare parts	9	67,024,769	73,198,231
Stock-in-trade	10	688,431,560	1,095,298,026
Trade debts	11	9,963,768	73,171,715
Loans and advances	12	75,491,524	33,539,996
Trade deposits and short-term prepayments	13	15,985,845	20,359,105
Other receivables	14	3,297,801	1,545,595
Income tax – net		83,505,783	63,760,617
Short-term investments	15	292,503,684	204,396,724
Cash and bank balances	16	6,114,516	144,769,742
		1,298,614,450	1,767,463,801
TOTAL ASSETS		3,316,035,780	3,537,618,162
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	17	253,211,430	209,265,650
Reserves		1,132,337,395	829,037,028
		1,385,548,825	1,038,302,678
NON-CURRENT LIABILITIES			
Long-term financing	18	454,241,072	380,312,500
Liabilities against assets subject to finance leases	19	16,068,494	12,267,661
Deferred liability	20	7,564,191	6,438,840
Deferred taxation	21	240,536,912	230,902,814
Provision for quality premium	22	119,290,919	119,290,919
		837,701,588	749,212,734
CURRENT LIABILITIES			
Trade and other payables	23	455,497,657	1,169,363,442
Accrued mark up		22,003,620	14,060,321
Short-term borrowings	24	397,176,948	325,428,839
Current portion of long-term financing	18	126,071,428	147,187,500
Current maturity of liabilities against assets subject to finance leases	19	12,269,035	7,119,185
Provision for market committee fee	25	59,155,823	49,999,163
Sales tax and federal excise duty payable		20,610,856	36,944,300
		1,092,785,367	1,750,102,750
CONTINGENCIES AND COMMITMENTS	26		
TOTAL EQUITY AND LIABILITIES		3,316,035,780	3,537,618,162

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive Officer

Director

Profit and Loss Account

For the year ended September 30, 2013

	Note	2013	2012
		---------------- Rupees	----------------
Turnover	27	5,797,469,558	4,150,108,933
Cost of sales	28	(5,215,459,529)	(3,771,972,032)
Gross profit		582,010,029	378,136,901
Distribution costs	29	(93,923,771)	(27,576,075)
Administrative expenses	30	(132,299,256)	(102,127,246)
Other operating expenses	31	(15,704,414)	(14,010,238)
Other operating income	32	149,200,939	63,865,561
		(92,726,502)	(79,847,998)
		489,283,527	298,288,903
Share of profit from an associate – net of tax	7.2	128,580,477	171,666,322
Finance costs	33	(186,842,345)	(116,319,761)
Profit before taxation		431,021,659	353,635,464
Taxation	34	(33,522,605)	(81,079,316)
Profit after taxation		397,499,054	272,556,148
			(Restated)
Basic and diluted earnings per share	35	15.70	10.76

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive Officer

Director

Statement of Comprehensive Income

For the year ended September 30, 2013

	2013	2012
	---------------- Rupees	----------------
Net profit for the year	397,499,054	272,556,148
Other comprehensive income		
Items to be classified to profit and loss account in subsequent periods		
Unrealised gain on revaluation of investments during the year	25,662,918	16,996,527
Reclassification during the year to profit and loss account for (gain) / loss on sale of investments	(18,787,499)	2,260,055
	6,875,419	19,256,582
Total comprehensive income for the year	404,374,473	291,812,730

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive Officer

Director

Cash Flow Statement

For the year ended September 30, 2013

	Note	2013	2012
		---------- Rupees ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		431,021,659	353,635,464
Adjustments for non-cash items:			
Depreciation		112,185,475	95,898,700
Share of profit from an associate		(128,580,477)	(171,666,322)
Gain on disposal of fixed assets		(3,961,227)	(1,633,679)
Finance costs		186,842,345	116,319,761
Gain on disposal of short term investments		(79,275,183)	(12,746,078)
Provision for gratuity		1,550,959	1,440,195
Impairment on short-term investments		-	1,583,222
Provision for market committee fee		9,156,660	7,221,204
Working capital changes	36	(291,627,601)	(165,547,261)
		(193,709,049)	(129,130,258)
Gratuity paid		(425,608)	(683,342)
Income taxes paid		(43,633,673)	(92,687,577)
Finance costs paid		(178,899,046)	(111,886,501)
Net cash generated from operating activities		14,354,283	19,247,786
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(236,132,336)	(398,401,937)
Long term deposits		1,837,250	3,904,835
Dividends received		-	11,549,998
Short-term investments made during the year		(353,179,285)	(79,867,238)
Proceeds from disposal of short term investments		351,222,927	68,878,841
Proceeds from disposal of operating fixed assets		7,384,346	4,239,023
Net cash used in investing activities		(228,867,098)	(389,696,478)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing		52,812,500	223,750,000
Short-term borrowings		71,748,109	325,428,839
Liabilities against assets subject to finance lease		8,950,683	(1,021,988)
Dividend paid		(57,653,703)	(44,881,750)
Net cash generated from financing activities		75,857,589	503,275,101
Net (decrease) /increase in cash and cash equivalents		(138,655,226)	132,826,409
Cash and cash equivalents at the beginning of the year		144,769,742	11,943,333
Cash and cash equivalents at the end of the year	16	6,114,516	144,769,742

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive Officer

Director

Statement of Changes in Equity

For the year ended September 30, 2013

	Issued, subscribed and paid-up capital	Reserves					Total
		Capital reserve - Share premium	General reserve	Unrealized gain on revaluation of investments	Unappropriated profit	Total reserves	
	-----------------------------	------------------------------	----Rupees----	------------------------------			
Balance as at September 30, 2011	172,946,820	63,281,250	85,000,000	(513,868)	472,124,375	619,891,757	792,838,577
Final dividend for the year ended September 30, 2011 @ 7.5%	-	-	-	-	(12,970,875)	(12,970,875)	(12,970,875)
First interim dividend @ 5%	-	-	-	-	(8,646,928)	(8,646,928)	(8,646,928)
Bonus shares issued during the year in the ratio of 1 ordinary share for every 10 ordinary shares held	17,294,680	-	-	-	(17,294,680)	(17,294,680)	-
Second interim dividend @ 7.5%	-	-	-	-	(14,267,963)	(14,267,963)	(14,267,963)
Bonus shares issued during the year in the ratio of 1 ordinary share for every 10 ordinary shares held	19,024,150	-	-	-	(19,024,150)	(19,024,150)	-
Third interim dividend @ 5%	-	-	-	-	(10,462,863)	(10,462,863)	(10,462,863)
Net profit for the year	-	-	-	-	272,556,148	272,556,148	272,556,148
Net gain on revaluation of available for sale investments	-	-	-	19,256,582	-	19,256,582	19,256,582
Total comprehensive income for the year	-	-	-	19,256,582	272,556,148	291,812,730	291,812,730
Balance as at September 30, 2012	**209,265,650**	**63,281,250**	**85,000,000**	**18,742,714**	**662,013,064**	**829,037,028**	**1,038,302,678**
Final dividend for the year ended September 30, 2012 @ 7.5%	-	-	-	-	(15,694,766)	(15,694,766)	(15,694,766)
First interim dividend @ 5%	-	-	-	-	(11,509,145)	(11,509,145)	(11,509,145)
Bonus shares issued during the year in the ratio of 1 ordinary share for every 10 ordinary shares held	20,926,560	-	-	-	(20,926,560)	(20,926,560)	-
Second interim dividend @ 7.5%	-	-	-	-	(17,264,275)	(17,264,275)	(17,264,275)
Bonus shares issued during the year in the ratio of 1 ordinary share for every 10 ordinary shares held	23,019,220	-	-	-	(23,019,220)	(23,019,220)	-
Third interim dividend @ 5%	-	-	-	-	(12,660,140)	(12,660,140)	(12,660,140)
Net profit for the year	-	-	-	-	397,499,054	397,499,054	397,499,054
Net gain on revaluation of investments	-	-	-	6,875,419	-	6,875,419	6,875,419
Total comprehensive income for the year	-	-	-	6,875,419	397,499,054	404,374,473	404,374,473
Balance as at September 30, 2013	253,211,430	63,281,250	85,000,000	25,618,133	958,438,012	1,132,337,395	1,385,548,825

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chief Executive Officer

Director

Notes to the Financial Statements

For the year ended September 30, 2013

1. THE COMPANY AND ITS OPERATIONS

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for available for sale investments which are shown at fair value and biological assets which are shown at fair value less costs to sell.

2.3 New and amended standards and interpretations

The Company has adopted the following IFRSs which became effective during the year:

IAS 1 – Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (Amendment)

IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any material effect on the financial statements.

Accounting standards not yet effective for the current financial year

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

	Standards	Effective date (accounting periods beginning on or after)
IFRS 7	– Financial Instruments : Disclosures – (Amendments)	
	– Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 19	– Employee Benefits –(Revised)	January 01, 2013
IAS 32	– Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IFRIC 20	– Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013
IFRIC 21	– Levies	January 01, 2014

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application other than the amendments to IAS 19 'Employees Benefits'. Such amendments range from fundamental changes to simple clarification and re-wording. While the Company is currently assessing the full impact of the above amendments which are effective from January 01, 2013 on the financial statements, it is expected that the adoption of the said amendments will result in change in the Company's accounting policy related to recognition of actuarial gain / (loss) to recognize actuarial gain / (loss) in total in other comprehensive income in the period in which they occur. However, this change will not have material impact on the financial results of the Company as the staff gratuity balance is immaterial in relation to the financial statements.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2013. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Property, plant and equipment

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

Biological assets

The fair value of standing crop is determined based on the selling prices fixed by the Government less estimated costs to sell at the harvesting state.

Inventories

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

Trade debts and receivables

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

Taxation

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

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

Provision for quality premium and market committee fee

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land, which is stated at cost.

Depreciation is charged to profit and loss account using the reducing balance method, at the rates specified in note 5.1. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month the asset is in use.

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

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

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

Leased

Leases, recorded under the requirements of IAS 17 – "Leases", which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item are capitalized at the inception of the lease, at the fair value of the leased property or, if lower at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Assets acquired under finance lease are depreciated using the same basis as for owned assets.

Leases are classified as Ijarah, under the requirements of IFAS 2 – "Ijarah", when a significant portion of the risks and rewards of ownership is retained by the Muj'ir (lessor) and Ijarah agreement has been entered into. Payments made under Ijarah are charged to profit and loss account on a straight-line basis over the period of Ijarah.

Capital work-in-progress

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

4.2 Investments

4.2.1 Associates

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

4.2.2 Available-for-sale

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

These investments are initially recognised at cost, being the fair value of the consideration given including transaction costs associated with the investment. After initial recognition, these investments are remeasured at fair value. For investments traded in active market, fair value is determined by reference to quoted market price and the investments for which a quoted market price is not available, or the fair value cannot be reasonably calculated, are measured at cost, subject to review for impairment at each balance sheet date.

Gains or losses on available-for-sale investments are recognised in other comprehensive income until the investment is disposed of or determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is taken to profit and loss account.

4.2.3 Held-to-maturity

Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held to maturity investments. These are initially measured at cost, being the fair value of the consideration given including transaction costs associated with the investment, and are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the investments are derecognised or impaired, as well as through the amortisation process.

4.3 Biological assets

These are measured at fair value less costs to sell on initial recognition at each balance sheet date. Gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset at the balance sheet date included in profit and loss account for the period in which it arises.

4.4 Stores and spare parts

These are valued at lower of moving average cost and net realizable value.

4.5 Stock-in-trade

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

4.6 Trade debts and other receivables

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

4.7 Cash and cash equivalents

These are carried in the balance sheet at cost. For the purposes of cash flow, cash and cash equivalents comprise cash in hand and bank balances and other short term highly liquid investments.

4.8 Staff retirement benefits

Gratuity

The Company operates an unfunded gratuity scheme for its mill employees. An actuarial valuation has been carried out at September 30, 2013, using the Project Unit Credit Method, to cover the obligation under the scheme for its employees eligible to gratuity benefits.

Provident fund

The Company operates a recognized provident fund for those permanent employees who have opted for it. Equal monthly contributions are made to the fund by the Company and employees in accordance with the fund's rules. Contributions are made by the employees at mill and the employees at head office at the rate of 11% and 10% respectively, of the aggregate of basic salary.

	2013	2012
	Rupees	
General disclosures	(Unaudited)	(Audited)
Size of the fund	88,255,754	80,232,504
Cost of investments	66,746,932	61,116,046
Fair value of investments	68,069,426	63,302,114
Percentage of investments	76%	76%

Categories of investments as a percentage of total assets of provident fund:

	2013		2012	
	(Unaudited)		(Audited)	
	(Rupees)	(%)	(Rupees)	(%)
Defence Saving Certificates	58,748,712	67	49,177,923	61
Mutual fund units	7,998,220	9	7,269,823	9
Term Finance Certificates	-		4,668,300	6
Total	66,746,932	76	61,116,046	76

Investments of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

Compensated absences

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

4.9 Taxation

Current

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

Deferred

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

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

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

4.10 Trade and other payables

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

4.11 Provisions

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

4.12 Foreign currency transactions and translation

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

4.13 Borrowing costs

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

4.14 Financial instruments

Financial assets and liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument and are derecognized in the case of assets, when the contractual rights under the instruments are realized, expired or surrendered and in the case of liability, when the obligation is discharged, cancelled or expired. Any gain / loss on the recognition and derecognition of the financial assets and liabilities is included in the profit and loss account for the period in which it arises.

4.15 Offsetting of financial assets and financial liabilities

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

4.16 Revenue recognition

- Sales are recognized as revenue when invoiced, which generally coincides with the delivery of goods.
- Interest on term deposit receipts is recognized on accrual basis.
- Dividend income is recognized when the dividend is actually received.
- Gain on sale of investments is recognized in profit and loss account in the year in which it arises.
- Farm income is recognized at the time of initial recognition of fair value and any changes due to change in fair value estimated previously.

4.17 Dividend and appropriation to reserves

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

4.18 Functional and presentation currency

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

	Note	2013	2012
		Rupees	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	1,424,307,615	1,172,730,789
Capital work-in-progress	5.2	84,894,928	215,948,012
		1,509,202,543	1,388,678,801

Notes to the Financial Statements

For the year ended September 30, 2013

5.1 Operating fixed assets

Description	Cost at October 01, 2012	Additions/ (deletions)	Cost at September 30, 2013	Accumulated depreciation at October 01, 2012	Depreciation for the year/ (accumulated depreciation on deletions)	Accumulated depreciation at September 30, 2013	Book value at September 30, 2013	Dep. Rate % / yrs**
	2013							
	Rupees							
Owned								
Freehold land	180,720	-	180,720	-	-	-	180,720	-
Building on freehold land								
- Factory	151,269,373	6,321,243	157,590,616	67,056,159	8,679,420	75,735,579	81,855,037	10
- Non-factory	14,119,611	30,971,633	45,091,244	8,121,107	428,974	8,550,081	36,541,163	5
Leasehold improvements	23,370,864	1,147,930 (24,518,794)*	-	1,391,123	1,704,638 (3,095,761)*	-	-	7**
Plant, machinery and Equipment	1,596,500,884	241,343,172	1,837,844,056	596,441,786	87,930,810	684,372,596	1,153,471,460	7.5
Furniture and fittings	9,024,834	892,940	9,917,774	2,611,437	681,369	3,292,806	6,624,968	10
Vehicles	31,841,786	1,119,081 (5,075,100)	27,885,767	18,237,490	2,656,234 (3,795,219)	17,098,505	10,787,262	20
Office premises	-	60,092,250 24,518,794*	84,611,044	-	2,037,882 3,095,761*	5,133,643	79,477,401	5
Office equipment	7,342,145	518,690	7,860,835	5,583,093	212,750	5,795,843	2,064,992	10
Electric installation	13,294,160	3,359,115	16,653,275	8,578,142	541,045	9,119,187	7,534,088	10
Weighbridge and scales	1,202,624	-	1,202,624	910,874	29,175	940,049	262,575	10
Workshop tools and other equipment	8,910,896	-	8,910,896	5,595,328	331,557	5,926,885	2,984,011	10
Computers	7,573,465	926,866	8,500,331	4,569,034	1,030,243	5,599,277	2,901,054	30
Airconditioners and refrigerators	10,453,231	852,000	11,305,231	5,486,009	536,764	6,022,773	5,282,458	10
	1,875,084,593	347,544,920 (5,075,100)	2,217,554,413	724,581,582	106,800,861 (3,795,219)	827,587,224	1,389,967,189	
Leased								
Vehicles	35,294,000	19,640,500 (3,969,000)	50,965,500	13,066,222	5,384,614 (1,825,762)	16,625,074	34,340,426	20
Total	1,910,378,593	367,185,420 (9,044,100)	2,268,519,913	737,647,804	112,185,475 (5,620,981)	844,212,298	1,424,307,615	

* Represents internal transfer between different classes of operating fixed assets.

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

* Represents transfers from leased assets to owned assets

		Note	2013	2012
			Rupees	
5.1.1	Depreciation charge for the year has been allocated as follows:			
	Cost of sales	28	97,940,981	84,676,152
	Administrative expenses	30	14,244,494	11,222,548
			112,185,475	95,898,700

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

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain	Mode of Disposal	Particulars of Purchaser
	(Rupees)						
Motorcycles	834,200	415,607	418,593	695,060	276,467	Policy	Various employees
Toyota Corolla GLI ASA-475 - Leased	1,269,000	739,066	529,934	1,082,077	552,143	Policy	Mr. Khurram Shahzad – employee
Honda CD 70 KEP–4317	62,900	25,327	37,573	43,710	6,137	Insurance claim	Adamjee Insurance Company Limited
Suzuki Alto AXE-504 - Leased	796,000	106,133	689,867	700,000	10,133	Insurance claim	Adamjee Insurance Company Limited
Suzuki Potohar BC-5759	678,000	569,938	108,062	335,000	226,938	Negotiation	Mr. Mohammad Arif s/o Mr. Yaqoob Khan
Toyota Corolla XLI ATQ-715 - Leased	1,289,000	571,285	717,715	1,025,000	307,285	Policy	Mr. Abdul Haq – employee
Land Cruiser BD-0151	3,500,000	2,784,347	715,653	3,100,000	2,384,347	Policy	Mr. Muhammad Asif
Suzuki Alto ARK-060 - Leased	615,000	409,278	205,722	403,499	197,777	Policy	Mr. Nihal Shah – employee
Total	9,044,100	5,620,981	3,423,119	7,384,346	3,961,227		

		Note	2013	2012
			Rupees	
5.2	Capital work-in-progress			
	Civil works		53,211,137	14,702,914
	Advance against supply of plant and machinery	5.2.1	31,683,791	201,245,098
			84,894,928	215,948,012

5.2.1 Movement in capital work-in-progress

	Civil works	Advance against supply of plant and machinery	Total
	Rupees		
Balance as at September 30, 2011	13,963,623	83,130,522	97,094,145
Capital expenditure incurred / advances made during the year	7,613,539	297,064,943	304,678,482
Transfer to operating fixed assets	(6,874,248)	(178,950,367)	(185,824,615)
Balance as at September 30, 2012	14,702,914	201,245,098	215,948,012
Capital expenditure incurred / advances made during the year	55,012,476	69,068,042	124,080,518
Transfer to operating fixed assets	(16,504,253)	(238,629,349)	(255,133,602)
Balance as at September 30, 2013	53,211,137	31,683,791	84,894,928

6. LONG-TERM RECEIVABLE

	Note	2013	2012
		Rupees	
Tender earnest money		1,000,000	1,000,000
Down payment		33,125,000	33,125,000
Other costs		8,385,996	8,385,996
		42,510,996	42,510,996
Provision for doubtful receivable	6.1	(42,510,996)	(42,510,996)
		-	-

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

7. LONG TERM INVESTMENT – in an associated company

	Note	2013	2012
		--------------- Rupees	---------------
Associated company – unquoted	7.1	505,415,137	376,834,660

7.1 The Company holds 17,469,373 (2012: 12,704,998) shares representing 33.33 (2012: 33.33) percent of the total equity of Unicol Limited which is involved in the manufacturing and selling of industrial ethanol. Total bonus shares issued during the year were 4,764,375 (2012: 1,155,000).

7.2 Movement of investment

	Note	2013	2012
		--------------- Rupees	---------------
Opening balance		376,834,660	216,718,336
Dividend received during the year		-	(11,549,998)
		376,834,660	205,168,338
Share of profit for the year – net of tax		129,206,196	167,355,908
Prior year adjustment	7.2.1	(625,719)	4,310,414
		128,580,477	171,666,322
		505,415,137	376,834,660

7.2.1 Represents net over / under profit booked in prior years on the basis of unaudited financial statements.

7.3 The summarized financial information of Unicol Limited based on unaudited financial statements for the year ended September 30, 2013 (2012: audited), are as follows:

	Note	2013	2012
		Rupees	
Aggregate amount of:			
- assets		3,926,004,401	1,800,206,000
- liabilities		2,409,649,999	671,579,000
- revenue		2,595,817,661	2,137,306,000
- profit		387,618,632	500,190,000

8. BIOLOGICAL ASSETS – at fair value

	Note	2013	2012
Carrying value at beginning of the year		57,424,050	43,315,568
Addition due to cultivation		28,863,440	29,276,902
Gain arising from initial recognition of standing crop less costs to sell		27,431,760	28,147,148
		113,719,250	100,739,618
Reduction due to harvesting		(57,424,050)	(43,315,568)
Carrying value at the end of the year		56,295,200	57,424,050

Operations and principal activities at farms

The Company is principally engaged in sugar cane cultivation.

9. STORES AND SPARE PARTS

	Note	2013	2012
Stores		6,549,100	10,289,203
Spare parts		60,475,669	62,909,028
		67,024,769	73,198,231

10. STOCK-IN-TRADE

	Note	2013	2012
Manufactured sugar			
- Work-in-process		2,103,958	2,959,297
- Finished goods		686,327,602	1,092,338,729
		688,431,560	1,095,298,026

11. TRADE DEBTS – unsecured

	Note	2013	2012
Considered good	11.1	9,963,768	73,171,715
Considered doubtful	11.2	16,987,867	16,987,867
		26,951,635	90,159,582
Less: Provision for doubtful debts	11.2	16,987,867	16,987,867
		9,963,768	73,171,715

		2013	2012
		--------------- Rupees	---------------
11.1	The aging of trade debts at September 30 is as follows:		
	Neither past due nor impaired	6,251,497	-
	Past due but not impaired		
	- within 90 days	-	69,766,122
	- 91 - 180 days	-	3,405,593
	- over 365 days	3,712,271	-
		3,712,271	73,171,715
		9,963,768	73,171,715

11.2 Includes an amount of Rs. 14.519 million due from the GoS which was withheld by the GoS from the bills raised by the Company during the years 1981 to 1983, on account of a dispute regarding the quality of sugar. Consequently, the Company has withheld mark-up due to the GoS, amounting to Rs. 6.192 million. Since then, the matter is under litigation and pending before the Honorable High Court of Sindh. The amount receivable from the GoS has been fully provided as a matter of prudence since the case is pending since a considerable period. Accordingly, the respective liability of mark-up due to the GoS was also written back.

		Note	2013	2012
			--------------- Rupees	---------------
12.	LOANS AND ADVANCES – unsecured, considered good			
	Loans to staff	12.1	3,497,123	4,298,554
	Advances			
	- to suppliers		26,735,270	15,588,151
	- to cane growers		21,994,312	12,848,246
	- against expenses		1,126,819	805,045
	- federal excise duty		22,138,000	-
			71,994,401	29,241,442
			75,491,524	33,539,996

12.1 Represent interest-free loans given to employees for purchase of vehicles, repayable latest by September 30, 2014, in monthly installments.

	Note	2013	2012
		--------------- Rupees	---------------

13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2013	2012
Trade deposits			
Considered good		478,500	238,500
Considered doubtful	13.1	8,196,113	8,196,113
		8,674,613	8,434,613
Less: Provision for doubtful deposits		8,196,113	8,196,113
		478,500	238,500
Short-term prepayments			
Considered good		15,507,345	20,120,605
Considered doubtful		563,441	563,441
		16,070,786	20,684,046
Less: Provision for doubtful prepayments		563,441	563,441
		15,507,345	20,120,605
		15,985,845	20,359,105

13.1 Represents amount paid by the Company during the years 1995 and 1996 to the Director General Defence Procurement (DGDP) as tender money, which was withheld by the DGDP on account of his risk purchase claim on the Company, as fully described in note 28.2 to the financial statements. Although the matter is under litigation, the Company, as a matter of prudence, has made full provision against the deposit in these financial statements.

	Note	2013	2012
		--------------- Rupees	---------------

14. OTHER RECEIVABLES

	Note	2013	2012
Due from related parties:			
Pakistan Molasses Company (Private) Limited		2,331,099	1,001,670
Mogul Tobacco Company (Private) Limited		717,702	378,925
		3,048,801	1,380,595
Others		249,000	165,000
		3,297,801	1,545,595

15. SHORT-TERM INVESTMENTS

	Note	2013	2012
Held to maturity			
Term deposit certificates	15.1	3,300,000	3,300,000
Available for sale			
Equity securities	15.2	289,203,684	201,096,724
		292,503,684	204,396,724

15.1 These carry interest at the rate of 6 (2012: 5) percent per annum, having maturity upto six months.

15.2 Available for sale investments

2013	2012		2013	2012
Number of shares of par value Rs. 10/- each			------------- Rupees -------------	
		Quoted companies		
124,500	180,000	Allied Bank Limited	9,607,665	11,561,400
20,000	-	Attock Cement Pakistan Limited	2,633,000	-
1,100,000	500,000	Bank Al- Habib Limited	39,897,000	14,155,000
-	350,000	Century Paper & Board Mills Limited	-	8,190,000
197,934	469,934	Chashma Sugar Mills Limited	1,929,857	3,665,485
300,000	-	Cherat Cement Limited	14,838,000	-
430,000	-	D.G.Khan Cement Limited	29,614,100	-
25,008	10,008	Engro Corporation Limited	3,395,586	1,068,554
100,000	-	Fatima Fertilizer Company Limited	2,600,000	-
100,000	-	Fauji Fertilizer Company Limited	10,137,000	-
40,000	-	Habib Bank Limited	6,098,400	-
-	104,501	Habib Metropolitan Bank Limited	-	1,833,993
150,000	50,000	Hub Power Company Limited	9,559,500	2,344,000
-	61,554	Hum Network Limited	-	1,322,180
-	34,660	Indus Motors Limited	-	8,838,300
427,755	454,255	International Industries Limited	18,076,926	17,025,477
-	1,121,500	International Steel Limited	-	15,689,785
-	33,801	JDW Sugar Mills Limited	-	3,465,279
50,000	-	Kohat Cement Company Limited	4,628,500	-
-	200,000	Lotte Pakistan PTA Limited	-	1,420,000
60,000	-	Lucky Cement Limited	13,877,400	-
875,000	-	Maple Leaf Cement Factory Limited	18,707,500	-
20,000	65,000	MCB Bank Limited	5,261,000	12,091,950
580,000	300,000	Meezan Bank Limited	21,523,800	8,250,000
-	15,000	National Refinery Limited	-	3,528,150
70,000	200,000	NishatChunian Limited	3,939,600	4,442,000
200,000	50,000	NishatChunian Power Limited	7,192,000	835,000
80,000	120,000	Nishat Mills Limited	7,413,600	6,799,200
200,000	50,000	Nishat Power Limited	6,160,000	785,500
-	192,853	Pakistan Cables Limited	-	10,982,976
40,000	27,500	Pakistan Oil Fields Limited	17,149,200	11,917,400
100,271	62,817	Pakistan Petroleum Limited	19,111,650	11,051,395
-	1,155,000	Pakgen Power Limited	-	19,219,200
20,000	10,000	Pakistan State Oil Company Limited	5,242,000	2,172,000
80,000	250,000	United Bank Limited	10,610,400	18,442,500
			289,203,684	201,096,724

Notes to the Financial Statements

For the year ended September 30, 2013

	2013	2012
	Rupees	
16. CASH AND BANK BALANCES		
In hand	174,742	155,434
Cash with banks in current accounts	5,939,774	144,614,308
	6,114,516	144,769,742

17. SHARE CAPITAL

2013 (Number of shares)	2012 (Number of shares)		2013 Rupees	2012 Rupees
Authorized capital				
50,000,000	50,000,000	Ordinary shares of Rs. 10/- each	500,000,000	500,000,000
Issued, subscribed and paid-up capital				
Ordinary shares of Rs. 10/- each				
5,968,750	5,968,750	Fully paid in cash	59,687,500	59,687,500
350,000	350,000	Issued for consideration other than cash	3,500,000	3,500,000
19,002,393	14,607,815	Issued as fully paid bonus shares	190,023,930	146,078,150
25,321,143	20,926,565		253,211,430	209,265,650

	Note	2013	2012
		Rupees	
18. LONG TERM FINANCING – secured			
From banking companies	18.1	454,241,072	380,312,500

18.1	Note	Installments		Mark-up	2013	2012
		Number	Commencing from		------------- Rupees	-------------
Diminishing Musharaka						
Al Baraka Bank Pakistan Limited	18.2	16 quarterly	April 2014	6 months KIBOR plus 1.75% per annum	150,000,000	-
Al Baraka Bank Pakistan Limited	18.2	16 quarterly	October 2009	6 months KIBOR plus 1.75% per annum	-	25,000,000
Bank Islami Pakistan Limited	18.2	24 quarterly	March 2014	3 months KIBOR plus 1.25% per annum	50,000,000	-
Meezan Bank Limited	18.2	16 quarterly	March 2013	3 months KIBOR plus 1.30% per annum	60,937,500	75,000,000
Meezan Bank Limited	18.2	16 quarterly	April 2013	3 months KIBOR plus 1.30% per annum	56,875,000	65,000,000
Term loans						
Bank Al Habib Limited	18.3	12 quarterly	February 2011	6 months KIBOR plus 1.75% per annum	25,000,000	75,000,000
Bank Al Habib Limited	18.3	14 quarterly	April 2014	6 months KIBOR plus 1.75% per annum	100,000,000	100,000,000
MCB Bank Limited	18.3	12 quarterly	February 2012	3 months KIBOR plus 2% per annum	37,500,000	87,500,000
MCB Bank Limited	18.3	14 quarterly	May 2014	3 months KIBOR plus 2% per annum	100,000,000	100,000,000
					580,312,500	527,500,000
Less: Current portion shown under current liabilities					(126,071,428)	(147,187,500)
					454,241,072	380,312,500

18.2 These are secured by way of first pari passu charge over fixed assets of the Company amounting to Rs. 525 million.

18.3 These are secured by way of hypothecation charge over fixed assets of the Company amounting to Rs. 618 million.

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Represent finance leases entered into with commercial banks for vehicles. Total lease rentals due under various lease agreements aggregate to Rs. 33,044,429/- (2012: Rs. 23,564,186/-)and are payable in equal monthly installments latest by June2018. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee has to pay the entire rent for unexpired period. Financing rates of approximately 11.33 to 13.15 (2012: 12.72 to 14.25) percent per annum has been used as discounting factor. Purchase options can be exercised by the lessee in accordance with the respective lease agreements. The movement in the finance lease liability is as follows:

	2013		2012	
	Minimum lease Payments	Present Value	Minimum lease Payments	Present Value
	(Rupees)			
Within one year	15,142,452	12,269,035	9,305,133	7,119,185
After one year but not more than five years	17,901,977	16,068,494	14,259,053	12,267,661
Total minimum lease payments	33,044,429	28,337,529	23,564,186	19,386,846
Less: Amount representing finance charges	4,706,900	-	4,177,340	-
Present value of minimum lease payments	28,337,529	28,337,529	19,386,846	19,386,846
Less: Current maturity shown under current liability	12,269,035	12,269,035	7,119,185	7,119,185
	16,068,494	16,068,494	12,267,661	12,267,661

20. DEFERRED LIABILITY

	Note	2013	2012
		Rupees	
Staff gratuity	20.1	7,564,191	6,438,840
20.1 Staff gratuity			
Opening balance		6,438,840	5,681,987
Expense for the year	20.2	1,550,959	1,440,195
		7,989,799	7,122,182
Benefits paid during the year		(425,608)	(683,342)
Closing balance		7,564,191	6,438,840
20.2 Expense for the year			
Current service cost		715,494	732,103
Interest cost		809,385	708,092
Actuarial (gain) / loss recognized		26,080	-
Expense for the year		1,550,959	1,440,195

	2013	2012
	------------- Rupees	-------------
20.3 Principal actuarial assumptions		
Discount rate	11.5%	13%
Expected rate of increase in salary level	8.5%	10%
Expected average remaining life of employees	24 years	30 years

20.4 Comparisons for five years

	2013	2012	2011	2010	2009
	------------------	------------------	(Rupees)	------------------	------------------
Present value of defined benefit obligation	7,564,191	6,438,840	5,681,987	5,742,073	4,867,802

21. DEFERRED TAXATION

	2013	2012
	------------- Rupees	-------------
Credit balances arising due to:		
Accelerated tax depreciation	263,149,616	253,534,297
Assets subject to finance lease	2,040,985	994,326
Long term investment	33,072,141	24,978,468
	298,262,742	279,507,091
Debit balances arising due to:		
Provision for gratuity	(2,571,825)	(2,253,594)
Provision for doubtful debts	(3,670,483)	(3,778,438)
Provision for doubtful deposits and prepayments	(2,978,248)	(3,065,844)
Provision for impairment on short-term investments	(120,360)	(123,900)
Provision for doubtful long-term receivable	(14,453,739)	(14,878,849)
Carry over of minimum tax	(33,931,175)	(24,503,652)
	(57,725,830)	(48,604,277)
	240,536,912	230,902,814

22. PROVISION FOR QUALITY PREMIUM

As required under the provisions of Sugar Factories Control Act, 1950, sugar mills in Sindh are required to pay quality premium to cane growers at the rate of 50 paisas per 40 Kg cane for each 0.1 percent of excess sucrose recovery above the benchmark of 8.7 percent, determined on the aggregate sucrose recovery of each mill. The Company had challenged the levy of quality premium before the Honorable High Court of Sindh, however, the matter was decided against the Company. Thereafter, the Company filed an appeal with the Honorable Supreme Court of Pakistan which then granted stay to the Company, while admitting the appeal against the impugned judgment of the Honorable High Court of Sindh. The Punjab Government is not levying any quality premium in view of an earlier decision of Lahore High Court, in a similar case, wherein the Court had declared the demand of quality premium as unlawful. Although the matter is under litigation, the Company carries full provision against quality premium pertaining to the period from the year 1999 to 2008, as a matter of prudence.

Notes to the Financial Statements

For the year ended September 30, 2013

		Note	2013	2012
			Rupees	
23.	TRADE AND OTHER PAYABLES			
	Creditors		49,835,584	56,534,262
	Accrued expenses		12,139,754	10,364,672
	Advances from customers	23.1	333,509,308	1,053,890,371
	Workers' Profits Participation Fund	23.2	9,260,652	7,174,383
	Workers' Welfare Fund	23.3	21,474,386	15,113,124
	Unclaimed dividend		8,310,624	8,836,001
	Deposits from employees against purchase of vehicles		10,186,596	8,297,574
	Others		10,780,753	9,153,055
			455,497,657	1,169,363,442

23.1 Include advances amounting to Rs. 32.3 million (2012: Nil) received from Unicol Limited, a related party.

		2013	2012
		Rupees	
23.2	Workers' Profits Participation Fund		
	Balance at the beginning of the year	7,174,383	22,149,673
	Allocation for the year	9,260,652	7,174,383
		16,435,035	29,324,056
	Interest on funds utilized in the Company's business	-	223,750
		16,435,035	29,547,806
	Amount paid to trustees of the fund	(7,174,383)	(22,373,423)
		9,260,652	7,174,383

23.3 During the year ended September 30, 2011, the Company filed a petition in the Honorable High Court of Sindh pleading that the basis for calculating charge for Worker's Welfare Fund (WWF) should be taxable income, instead of higher of accounting profit before tax and taxable income. In June 2011, the Honorable High Court of Sindh granted stay to the Company against payment to WWF till the final decision of the case. Consequently, the Company has not made payment to WWF for the financial years 2011, 2012 and 2013. However, as a matter of prudence, the Company has provided charge for WWF on the higher of accounting profit before tax (excluding share of profit from associate), being the higher of accounting profit before tax and taxable income.

		Note	2013	2012
			Rupees	
24.	SHORT- TERM BORROWINGS – secured			
	Running finance under markup arrangements	24.1	122,176,948	38,832,978
	Short term loans	24.2	275,000,000	286,595,861
			397,176,948	325,428,839

24.1 The aggregate facilities for short term running finance available from various banks as of September 30, 2013 amounted to Rs. 135 million (2012: Rs. 100 million), of which Rs. 12.823 million (2012: Rs. 61.167 million) remained unutilized at year end. These facilities are secured against hypothecation of current assets of the Company. These carry mark up at the rates ranging between 10.17 and 12.04 (2012: 12.22 and 15.52) percent per annum, payable quarterly.

24.2 These represent outstanding portion of loan facilities aggregating to Rs. 3,100 million (2012: 1,900 million) obtained from various banks. The loans carry mark-up rates ranging between 10.76 and 13.40 (2012: 11.54 and 13.89) percent per annum, payable quarterly. These are secured against pledge of stock-in-trade and are repayable within six months, latest by October 29, 2013.

25. PROVISION FOR MARKET COMMITTEE FEE

During the year 1999-2000, the Market Committee filed a law suit for the recovery of market committee fee before the Senior Civil Judge, Tando Allahyar. The Company contested the law suit on the ground that the Market Committee was not lawfully constituted. However, the Senior Civil Judge, Tando Allahyar passed a decree against the Company on March 12, 2003 which amounted to Rs. 43.7 million and fee amounting to Rs. 9.85 million, relating to years upto 2003 and 2004. Subsequently, the GoS withdrew the levy of the Market Committee for crushing season of year 2004-2005. The Company filed an appeal against the aforesaid order of Senior Civil Judge Tando Allahyar with the District Judge, Hyderabad and the same was dismissed by the District Judge during the year 2007. Consequently, in the year 2007 the Company filed an appeal and obtained a stay order from the Honorable High Court of Sindh. In the year 2009, the Honorable High Court of Sindh made a decision in this respect and determined the Company's liability amounted to Rs. 32.70 million upto the month of June 2008. During the year ended 2008, the Company filed an appeal in the Honorable Supreme Court of Pakistan, which is currently pending decision. However, as a matter of prudence, the Company fully provided the amount determined by the Honourable High Court of Sindh and has also provided further liability on account of market committee fee for subsequent crushing seasons 2008-2013 amounting to Rs. 26.46 million, which includes Rs. 9.16 million provided during the current year.

26. CONTINGENCIES AND COMMITMENTS

Contingencies

26.1 Contribution demanded by SESSI amounting to Rs. 3.28 million (2012: Rs. 3.28 million), for the period July 1987 to August 1990, had been disputed by the Company. The case is currently pending decision before the Honorable High Court of Sindh. The Company and its legal counsel are hopeful of the favorable outcome of the case and hence, no provision has been made against the above demand in these financial statements.

26.2 DGDP's risk purchase claim amounting to Rs. 38.58 million (2012: Rs. 38.58 million), was disputed by the Company on the grounds that the goods were delivered in time, however, the DGDP failed to lift the goods thereby indulging in breach of the contract. The Company has filed a counter claim of Rs. 25.81million (2012: Rs. 25.81 million) against the said breach of contract. The said cases are pending before the Honorable Supreme Court of Pakistan, and the Honorable Lahore High Court. The management and legal counsel of the Company are confident that no liability will arise in respect of the risk purchase claim, and hence no provision has been made for the same in these financial statements.

26.3 The Company filed an appeal before the Honorable High Court of Sindh and was granted a stay against the order of Customs, Excise and Sales Tax Appellate Tribunal, Karachi, upholding allegation of non payment of sales tax on advances etc., amounting to Rs. 11.087 (2012: Rs. 11.087) million. Based on the advise of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these financial statements.

26.4 The Company has filed an appeal before Customs, Excise and Sales Tax Appellate Tribunal, Karachi, which is pending for hearing, against the order of the Deputy Collector, Collectorate of Customs, Excise and Sales Tax (Adjudication), Hyderabad to pay off alleged demand of Rs.10.7 (2012: Rs. 10.7) million alongwith additional tax and penalty. Based on the advise of the tax advisor, the management is confident of a favorable outcome and hence, no provision has been made in these financial statements.

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

26.6 During the current year, the Company received a letter from Deputy Commissioner / Collector, District Tando Allahyar (DCO) alleging that the Company's mill was causing air and water pollution and advised the Company to avoid environmental impact failing which the mill will be sealed on the pretext of the mill's operations being hazardous for the environment. Since the Company had already installed a fly ash arrester system in compliance of all requisite laws and directions of the concerned departments, the Company denied the said allegations of the DCO and requested him to withdraw his letter which was, however, refused by the DCO. Consequently, the Company thereafter filed a petition in the Honorable High Court of Sindh on the grounds that the DCO does not have the competent authority to take action in respect of perceived environmental threats. As a result of this, the Court has granted stay to the Company against any coercive action. The management and legal counsel of the Company are confident that no liability will arise in respect of this matter.

26.7 Contingency relating to long-term receivable is described in note 6.1 to the financial statements.

		2013	2012
	Commitments	--------------- Rupees	---------------
26.8	Commitments in respect of capital expenditure	19,494,000	26,418,000
26.9	Commitments in respect of operating lease rentals for farms	39,150,000	54,995,000
26.10	Future minimum rentals for Ijarah in respect of motor vehicles	4,551,468	2,517,150

Notes to the Financial Statements

For the year ended September 30, 2013

	Note	2013	2012
		---------------- Rupees	----------------
27. TURNOVER			
Sales			
- Sugar – exports		1,829,209,183	516,520,354
- Sugar – local		3,760,042,126	3,612,514,844
- Molasses		346,289,785	279,385,495
- Bagasse		16,503,153	10,854,124
		5,952,044,247	4,419,274,817
Less:			
- Sales tax		2,589,480	1,659,212
- Federal excise duty		151,985,209	267,506,672
		154,574,689	269,165,884
		5,797,469,558	4,150,108,933
28. COST OF SALES			
Manufactured sugar:			
Cost of sugarcane consumed (including procurement and other expenses)		4,279,022,978	2,975,479,545
Market committee fee		9,156,660	7,221,204
Road cess on sugarcane		5,723,047	4,513,378
Salaries, wages and other benefits	28.1	138,705,489	111,025,315
Stores and spare parts consumed		184,310,640	133,127,359
Repairs and maintenance		40,925,629	46,775,418
Fuel, electricity and water charges		15,884,628	14,351,765
Vehicle running and maintenance expenses		6,091,779	6,685,979
Insurance		8,790,384	6,730,459
Depreciation	5.1.1	97,940,981	84,676,152
Other overheads		22,040,848	18,113,081
		4,808,593,063	3,408,699,655
Opening stock of work-in-process		2,959,297	3,763,964
Closing stock of work-in-process		(2,103,958)	(2,959,297)
		855,339	804,667
Cost of goods manufactured		4,809,448,402	3,409,504,322
Opening stock of finished goods		1,092,338,729	1,454,806,439
Closing stock of finished goods		(686,327,602)	(1,092,338,729)
		406,011,127	362,467,710
		5,215,459,529	3,771,972,032

28.1 Include gratuity expense of Rs. 1,550,959/- (2012: Rs. 1,440,195/-) and contribution to provident fund of Rs. 3,237,005/- (2012: Rs. 2,988,409/-).

29. DISTRIBUTION COSTS

	Note	2013	2012
		Rupees	
Salaries and other benefits	29.1	1,940,658	1,499,492
Insurance		20,000	18,800
Stacking and loading		9,434,199	6,639,717
Export expenses		80,691,661	19,178,898
Selling expenses		1,837,253	239,168
		93,923,771	27,576,075

29.1 Include contribution to provident fund of Rs. 70,713/- (2012: Rs. 73,806/-).

30. ADMINISTRATIVE EXPENSES

	Note	2013	2012
		Rupees	
Salaries and other benefits	30.1	71,124,688	55,268,301
Rent, rates and taxes		2,374,456	3,456,773
Electricity, telephone, fax and postage		6,042,950	5,583,417
Printing and stationery		2,146,591	2,276,453
Travelling and conveyance		6,872,475	5,669,054
Vehicle running and maintenance expenses		8,563,308	6,762,367
Ijarah rentals		1,737,685	503,430
Auditors' remuneration	30.2	1,430,200	1,236,625
Legal and professional		3,308,977	1,302,737
Fees and subscription		2,576,832	1,971,789
Insurance		166,400	176,720
Repairs and maintenance		3,742,115	4,015,725
Advertising		279,312	997,296
Donations	30.3	6,978,200	1,252,267
Depreciation	5.1.1	14,244,494	11,222,548
Other expenses		710,573	431,744
		132,299,256	102,127,246

30.1 Include contribution to provident fund of Rs. 1,801,034/- (2012: Rs. 1,462,540/-).

		2013	2012
		Rupees	
30.2	Auditors' remuneration		
	Statutory audit		
	Ernst & Young Ford Rhodes Sidat Hyder		
	Statutory audit fee	825,000	750,000
	Review of half yearly financial statements and	410,600	292,500
	compliance with Code of Corporate Governance	79,600	64,125
	Out of pocket expenses	1,315,200	1,106,625
	Cost audit		
	Haroon Zakaria & Co.		
	Cost audit fee	115,000	115,000
	Out of pocket expenses	-	15,000
		1,430,200	1,236,625

30.3 Include Rs. 6,450,000/- (2012: Rs. 500,000/-) paid to Hasham Foundation which is a project of Hasham Group. The directors of the Company namely Mr. Mohammed Kasim Hasham, Mr. Mohammed Ebrahim Hasham, Mr. Mohammed Hussain Hasham, Mr. Khurram Kasim and Mr. Ahmed Ebrahim Hasham are the trustees of the said Foundation. No other directors or their spouses have any interest in any donee's fund to which donation was made.

		Note	2013	2012
			Rupees	
31.	**OTHER OPERATING EXPENSES**			
	Workers' Profits Participation Fund	23.2	9,260,652	7,174,383
	Workers' Welfare Fund		6,361,262	3,860,072
	Provision for impairment on short-term investments		-	1,583,222
	Exchange loss		-	1,310,061
	Zakat		82,500	82,500
			15,704,414	14,010,238
32.	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Interest on term deposit receipts		1,495,813	1,093,848
	Gain on disposal of short term investments		79,275,183	12,746,078
	Exchange gain		7,275,311	-
	Dividend income		17,348,099	12,789,414
			105,394,406	26,629,340
	Income from non financial assets			
	Net farm income		36,226,772	23,980,452
	Scrap sales		3,618,534	11,622,090
	Gain on disposal of fixed assets		3,961,227	1,633,679
			43,806,533	37,236,221
			149,200,939	63,865,561

	2013	2012
	------------- Rupees -------------	

33. FINANCE COSTS

	2013	2012
Mark-up on:		
Long-term financing	57,824,932	49,988,901
Short-term borrowings	124,420,409	61,541,200
Lease finance	2,217,176	2,876,070
	184,462,517	114,406,171
Bank charges	2,379,828	1,913,590
	186,842,345	116,319,761

34. TAXATION

	2013	2012
Current	25,047,394	8,127,749
Prior year	(1,158,887)	103,583
	23,888,507	8,231,332
Deferred	9,634,098	72,847,984
	33,522,605	81,079,316

34.1 During the year, provision for current tax is based on minimum tax. Accordingly, tax reconciliation is not presented in the financial statements.

34.2 Income tax assessments of the Company have been completed upto the tax year 2013 (accounting year ended September 30, 2012).

35. BASIC AND DILUTED EARNING PER SHARE

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

		2013	2012
Profit after taxation attributable to ordinary shares	(Rupees)	397,499,054	272,556,148
			(Restated)
Weighted average number of ordinary shares		25,321,143	25,321,143
			(Restated)
Earnings per share	(Rupees)	15.70	10.76

36. WORKING CAPITAL CHANGES

	2013	2012
	Rupees	
(Increase) / decrease in current assets		
Biological assets	1,128,850	(14,108,482)
Stores and spare parts	6,173,462	4,597,231
Stock-in-trade	406,866,466	363,272,377
Trade debts	63,207,947	(68,488,552)
Loans and advances	(41,951,528)	(2,510,584)
Trade deposits and short-term prepayments	4,373,260	(5,689,510)
Other receivables	(1,752,206)	(1,073,424)
	438,046,251	275,999,056
Increase / (decrease) in current liabilities		
Trade and other payables	(713,340,408)	(466,230,864)
Sales tax and federal excise duty payable	(16,333,444)	24,684,547
	(729,673,852)	(441,546,317)
	(291,627,601)	(165,547,261)

37. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associates [Pakistan Molasses Company (Private) Limited, Mogul Tobacco Company (Private) Limited, Unicol Limited, Adamjee Insurance Company Limited], retirement funds, directors and key management personnel. Transactions and balances with related parties, other than those disclosed elsewhere in the financial statements, are as follows:

	2013	2012
	Rupees	
Associates		
Sales	356,106,346	285,268,393
Expenses shared	1,355,073	1,257,256
Insurance premium	10,758,055	9,423,640
Donations	6,450,000	500,000
Retirement benefit plans		
Provident fund contribution	5,108,752	4,524,755

38. CAPACITY AND PRODUCTION

	Rated capacity		Capacity utilisation	
	M. Tons	Days	M. Tons	Days
Season 2012-2013	10000 TCD	108	8478 TCD	108
Season 2011-2012	9500 TCD	104	6943 TCD	104

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

39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2013				2012			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	Rupees							
Fees	40,000	90,000	-	130,000	35,000	80,000	-	115,000
Managerial remuneration	3,870,000	4,953,000	13,099,483	21,922,483	3,519,000	4,497,000	11,252,819	19,268,819
Retirement benefits	-	-	1,320,068	1,320,068	-	-	1,162,288	1,162,288
Perquisites and other benefits	3,555,000	4,561,000	12,725,196	20,841,196	2,361,000	3,032,000	7,898,285	13,291,285
	7,465,000	9,604,000	27,144,747	44,213,747	5,915,000	7,609,000	20,313,392	33,837,392
Number of persons	1	3	12	16	1	3	12	16

39.2 In addition, the Chief Executive and Executive Directors are provided with free use of the Company maintained cars, in accordance with their terms of service.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

	2013	2012
	--------------- Rupees	---------------
Trade debts	9,963,768	73,171,715
Investments – held to maturity	3,300,000	3,300,000
Loans and advances	75,491,524	33,539,996
Deposits	478,500	238,500
Other receivables	3,297,801	1,545,595
Bank balances	5,939,774	144,614,308
	98,471,367	256,410,114

Quality of financial assets

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

	2013	2012
	--------------- Rupees	---------------
40.1.1 Trade debts		
Customers with no defaults in the past one year	9,963,768	73,171,715
40.1.2 Bank balances		
With external credit rating		
A1	1,243,886	101,449,026
A1+	4,695,888	43,165,282
	5,939,774	144,614,308

40.2 Liquidity risk

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

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	Amount in Rupees				
Long-term financing	-	33,750,000	92,321,428	454,241,072	580,312,500
Liabilities against assets subject to finance lease	-	3,359,339	8,909,696	16,068,494	28,337,529
Trade and other payables	8,716,123	395,781,478	10,078,422	10,186,596	424,762,619
Accrued markup	-	22,003,620	-	-	22,003,620
Short term borrowings	-	122,176,948	275,000,000	-	397,176,948
Year ended 30 September 2013	8,716,123	577,071,385	386,309,546	480,496,162	1,452,593,216

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	Amount in Rupees				
Long-term financing	-	31,250,000	115,937,500	380,312,500	527,500,000
Liabilities against assets subject to finance lease	-	1,829,067	5,290,118	12,267,661	19,386,846
Trade and other payables	17,805,941	1,117,440,618	11,829,376	-	1,147,075,935
Accrued markup	-	14,060,321	-	-	14,060,321
Short term borrowings	-	175,428,839	150,000,000	-	325,428,839
Year ended 30 September 2012	17,805,941	1,340,008,845	283,056,994	392,580,161	2,033,451,941

40.3 Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate and foreign exchange rates.

40.3.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates mainly relates to long term financing, short term borrowings and lease obligations. Management of the Company estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the Company's profit before tax by Rs. 1.845 million and a 1% decrease would result in the increase in the Company's profit before tax by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

40.3.2 Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The management of the Company manages the above market risks through diversification of investment portfolio. The management estimates that a 10% increase in the overall equity prices in the market with all of the factors remaining constant would increase the Company's profit before tax by Rs. 28.92 million and a 10% decrease would result in a decrease in the Company's profit before tax by the same amount.

40.3.3 Foreign currency risk

Foreign currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist as a result of transactions with foreign undertakings. As at September 30, 2013, the Company does not have any financial assets or financial liabilities which are denominated in foreign currencies.

41. CAPITAL RISK MANAGEMENT

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital. The Company manages its capital structure and makes adjustment to it, in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Company is currently financing of its operations through long-term and short-term financing in addition to its equity. The Company has a gearing ratio of 55.20% (2012: 61.19%) as of the balance sheet date, which in view of the management is adequate considering the size of the operations.

42. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The carrying amount of the financial assets and liabilities reflected in the financial statements approximate their fair values.

Fair value hierarchy

The Company uses the following hierarchy for disclosure of the fair value of financial instruments by valuation techniques:

- Level 1: quoted prices in active market for identical assets;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of the balance sheet date, the Company has only Level 1 investments of Rs. 292.504 million

Notes to the Financial Statements

For the year ended September 30, 2013

43. NUMBER OF EMPLOYEES

Number of persons employed as at year end were 505 (2012: 525) and the average number of persons employed during the year were 515 (2012: 502).

44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on December 18, 2013 by the Board of Directors of the Company.

45. DIVIDEND AND APPROPRIATIONS

The Board of Directors in its meeting held on December 18, 2013 has recommended a final cash dividend of Re. 0.75/- per share 7.5% (2012: Re. 0.75/- per share 7.5%) and issue of bonus shares in the proportion of fifteen (15) (2012: ten (10)) ordinary shares for every hundred (100) ordinary shares held 15% for the year ended September 30, 2013 (2012: 10%). The approval of the members for the proposed final cash dividend and the proposed bonus issue will be obtained at the Annual General Meeting of the Company to be held on January 27, 2014. The financial statements for the year ended September 30, 2013 do not include the effect of the final cash dividend and proposed bonus issue which will be accounted for in the financial statements for the year ending September 30, 2014.

46. GENERAL

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

Chief Executive Officer	Director

Pattern of Shareholding

as at September 30, 2013

Number of Shareholders	Shareholdings From		Shareholdings To	Total Number of Shares Held
1,076	1	-	100	17,066
271	101	-	500	62,674
82	501	-	1,000	56,256
139	1,001	-	5,000	287,073
48	5,001	-	10,000	319,565
17	10,001	-	15,000	203,400
12	15,001	-	20,000	209,882
2	20,001	-	25,000	47,907
7	25,001	-	30,000	186,867
3	30,001	-	35,000	96,320
3	35,001	-	40,000	110,803
1	40,001	-	45,000	41,737
1	45,001	-	50,000	46,100
2	50,001	-	55,000	103,692
3	55,001	-	60,000	174,561
1	60,001	-	65,000	63,376
2	65,001	-	70,000	134,124
1	75,001	-	80,000	77,348
1	85,001	-	90,000	86,169
1	105,001	-	110,000	106,480
1	140,001	-	145,000	142,719
1	145,001	-	150,000	148,035
1	150,001	-	155,000	152,675
1	195,001	-	200,000	200,000
1	205,001	-	210,000	205,426
1	215,001	-	220,000	220,000
1	220,001	-	225,000	222,776
2	255,001	-	260,000	512,292
1	295,001	-	300,000	298,991
2	315,001	-	320,000	633,574
1	335,001	-	340,000	336,075
1	340,001	-	345,000	342,173
1	645,001	-	650,000	647,672
1	715,001	-	720,000	715,561
1	2,670,001	-	2,675,000	2,672,758
1	2,675,001	-	2,680,000	2,677,964
1	3,855,001	-	3,860,000	3,859,467
1	4,445,001	-	4,450,000	4,449,249
1	4,450,001	-	4,455,000	4,452,336
1,694				25,321,143

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Financial Insitutions	1	506	0.00%
Insurance Companies	1	255,303	1.01%
Joint Stock Companies	14	669,355	2.64%
Individuals	1,669	24,388,056	96.31%
Co-operative Societies	8	1,590	0.01%
Others	1	6,333	0.03%
	1,694	25,321,143	100.00%

Additional Information

as at September 30, 2013

	Categories	Number of Shareholders	Shares held	Percentage
a)	Associated Undertaking and related parties			
	PAKISTAN MOLASSES COMPANY (PVT.) LIMITED	1	106,480	0.42
b)	NIT and ICP			
	INVESTMENT CORP. OF PAKISTAN	1	856	0.00
c)	Directors / CEO and their spouse and minor children			
	Mr. Mohammed Kasim Hasham	1	4,452,336	17.58
	Mr. Mohammed Ebrahim Hasham	1	3,859,467	15.24
	Mr. Mohammed Hussain Hasham	1	4,449,249	17.57
	Mr. Khurram Kasim	1	2,672,758	10.56
	Mr. Ahmed Ebrahim Hasham	1	2,677,964	10.58
	Mr. Muhammad Iqbal	1	6,431	0.03
	Mr. Farooq Hassan	1	4,426	0.02
	Mrs. Kulsoom Kasim	1	316,500	1.25
	Mrs. Khursheed Ebrahim	1	647,672	2.56
	Mrs. Marium Hussain	1	256,989	1.01
d)	Executives	None	-	-
e)	Public Sector Companies and Corporations			
	HABIB SUGAR MILLS LTD	1	46,100	0.18
	AL-ABBAS SUGAR MILLS LIMITED	1	200,000	0.79
	SULTAN TEXTILE MILLS (KARACHI) LIMITED	1	1,331	0.01
f)	Bank, DFIs, NBFIs, Insurance Companies, Mudarbas & Mutual Funds			
	MCB Bank Limited	1	200	0.00
	Habib Bank Limited	1	1,772	0.01
	EFU General Insurance Limited	1	28	0.00
	State Life Insurance Corporation of Pakistan	1	255,303	1.01
	Industrial Development Bank Limited	1	506	0.00
g)	Shareholders holding 10% or more voting interest			
	Mr. Mohammed Kasim Hasham	1	4,452,336	17.58
	Mr. Mohammed Ebrahim Hasham	1	3,859,467	15.24
	Mr. Mohammed Hussain Hasham	1	4,449,249	17.57
	Mr. Khurram Kasim	1	2,672,758	10.56
	Mr. Ahmed Ebrahim Hasham	1	2,677,964	10.58

Proxy Form

48th Annual General Meeting

I / We ____

of ____________________________________ being member of Mehran Sugar Mills Limited,

holding ________________________ ordinary shares hereby appoint __________________

______________________________ of ___________________________ or failing

him / her ____

of ______________ who is/are also member(s) of Mehran Sugar Mills Limited as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the 48th Annual General Meeting of the Company to be held on January 27, 2014 at 1600 PST and at any adjournment thereof.

As witness my our hand seal this _________________ day of ________________ 2014

Signed by the said ______________

in the presence of ______________

Signature of Shareholders

Please affix Five Rupees Revenue Stamp

Important:

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

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

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

For CDC Account Holders / Corporate Entities.

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

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

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

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

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