



MIRZA SUGAR MILLS LTD.

24TH ANNUAL REPORT

2013

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COMPANY PROFILE

BOARD OF DIRECTORS:

DR. (MRS). FEHMIDA MIRZA	Chairperson & Chief Executive
DR. ZULFIQAR ALI MIRZA	
MS. FARIDA ABBASI	
MR. ARSHAD ABID ABBASI	
MS. FAREHA ABID KAZI	
MIRZA SAULAT RAZA	
MR. IRSHAD HUSSAIN MIRZA	

AUDIT COMMITTEE:

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

HR & R COMMITTEE:

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

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY:

MR. TARIQ MAHMOOD

LEGAL ADVISOR:

MR. GHULAM QADIR ZARGAR

AUDITORS:

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

BANKERS TO THE COMPANY:

HABIB BANK LIMITED
NIB BANK LIMITED.
MCB BANK LIMITED.

SHARES REGISTRAR:

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

REGISTERED OFFICE:

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

MILLS:

DEH CHHARO TAPPO, LOWARI SHARIFF
DISTRICT BADIN, SINDH.

E-MAIL ADDRESS:

pmsml@hotmail.com

WEBSITE:

www.mirzasugar.com



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **24th Annual General Meeting** of the Company will be held on **Thursday, January 30, 2014 at 02.30 p.m** at the Auditorium of The Pakistan Institute of International Affairs (PIIA), Near Sidco Avenue Center, Opposite: Libra Autos CNG Pump, Maulana Deen Muhammad Wafai Road, Karachi to transact the following ordinary business:

1. To confirm the Minutes of the 23rd Annual General Meeting of the Company held on January 30, 2013.
2. To receive, consider and adopt the Annual Audited Accounts of the Company alongwith the Directors' and Auditors' Reports thereon for the year ended September 30, 2013.
3. To appoint Auditors of the Company for the year ending September 30, 2014 and fix their remuneration. The retiring Auditors, **M/s. Rahman Sarfaraz Rahim Iqbal Rafiq**, Chartered Accountants, being eligible, have offered themselves for re-appointment.

By Order of the Board

Karachi: January 08, 2014

TARIQ MAHMOOD
Company Secretary

NOTES:

1. The Shares Transfer Books of the Company will remain closed and no transfer of shares will be accepted for registration from **January 21, 2014 to January 30, 2014**. (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his/her behalf.

Form of Proxies, in order to be valid, must be received at the Registered Office of the Company 48 hours before the scheduled time of Meeting. A Proxy must be a member of the Company.

3. Account holders and sub-account holders of CDC are requested to bring their original National Identity Cards/Passports for the purpose of identification to attend the meeting.
4. Members having physical shares are requested to provide copy of their CNIC/Passport.
5. Shareholders are requested to notify any change in address immediately.



DIRECTORS' REPORT

Dear Shareholders:

The Directors are pleased to present the annual audited accounts and financial statements of the Company for the year ended September 30, 2013 along with the operational performance and Auditors' Report thereon.

GENERAL

Season 2012-13 was shrouded with a hosts of uncertainties particularly with regard to sugarcane availability in our zone and bearish out look of sugar prices in local as well as world markets.

Boilers were lighted on November 29, 2012. As we already reported earlier, Government of Sindh enhanced the support price of sugarcane to Rs.172/40 kg for the season which was a mismatch with prevailing market price of sugar. We intentionally delayed the crushing operation in the hope that cane harvesting will pick up. MSML started crushing season on January 04, 2013. But due to extremely poor availability of cane, cane-arrival at mills was very discouraging. Due to non-availability of sugarcane, we had to close the operation on February 16, 2013 to avoid further losses. We could crush only 35,301 tons of cane and produce only 3,263 tons of sugar. Sucrose recovery achieved was only 9.23% compared to 9.87% last year.

On overall basis, performance of MSML during 2012-13 was unsatisfactory due to exogenous factors beyond the control of the management.

OPERATING RESULTS

The operating results of the company during the season along with those of previous season are summarized as under:

<u>Particulars</u>	<u>2012-2013</u>	<u>2011-2012</u>
Season started	04-01-2013	27-12-2011
Season closed	16-02-2013	04-03-2012
Days worked	44	69
Sugarcane crushing (Tons)	35,301	162,690
“ “ (Maunds)	882,519	4,067,257
Sugar recovery (%)	9.23	9.87
Sugar production (Tons)	3,263	16,050
Molasses recovery (%)	4.67	4.95
Molasses production (Tons)	1,654	8,042



FINANCIAL RESULTS

The Company's financial results are appended below :-

	<u>2012-2013</u>	<u>2011-2012</u>
	Rs.	Rs.
Profit/(Loss) before taxation	(120,186,669)	159,149,636
Provision for taxation	<u>(1,493,835)</u>	<u>(40,276,519)</u>
Profit/(Loss) after taxation	(121,680,503)	118,873,117
Accumulated loss brought forward	<u>(500,335,753)</u>	<u>(619,208,870)</u>
Accumulated loss carried forward	<u>(622,016,256)</u>	<u>(500,335,753)</u>
Earning per share – basic & diluted	(8.63)	8.43

The Company booked a gross loss of Rs.72.557 million during the year under report compared to a gross loss of Rs.55.313 million booked during last year. The Company recorded a net loss of Rs.121.680 million during the year under report compared to a net profit of Rs.118.873 million recorded last year (because reversal of deferred liabilities).

SEASON 2013-2014

In a new competitive environment and unfavourable conditions, any mistake may result in significant adverse consequences. Sugarcane shortage in Southern Sindh is posing a big challenge. Sugar market price continues to plunge below Rs.46 per kg. This has made sugar-manufacturing uneconomical. Government of Sindh has very reluctantly retained as sugarcane support price for the Season 2013-14 at last year level. Even with a very optimistic recovery of 9.50%, cost of sugarcane alone per kg works out at Rs.45.26. PSMA-Centre reports that as on 30-09-2013, the country has carried over stock of 837,171 metric tons of sugar. Therefore market price is likely to remain depressed.

Due to fund-shortage, repair and maintenance works got considerably delayed. The Company approached Sindh Bank for obtaining financing facility for BMR and working capital as the Bank is presently carrying out a special financing scheme for revival of weak industrial units. But the response from Sindh Bank has so far not been positive. It may be noted that the Company has been running for over 10 years without any financing facility from any bank. The Company is exploring other financing options.

World sugar prices are bearish because of exportable surplus in Thailand, India and Pakistan. All these realities have made not only us but many other sugar mills in Southern region to think twice before jumping into the 2013-14 crushing season. We are still undecided to start crushing. Unviable sugar production-economics and acute shortage of sugarcane in our zone may be the ultimate deciding factors. The mill has not yet started crushing operations.

HEALTH, SAFETY AND ENVIRONMENT

Appropriate facilities existed for safeguarding the health of employees in accordance with the Factories Act 1948 and National Environment Quality Standard (N.E.Q.S.) for Sugar Industry. We are collaborating with Environmental Protection Agency, Government of Sindh and facilities are being developed at site to minimize the emissions to the desired standard level. The plant has also been registered with the Agency as per "SMART", Self Monitoring and Reporting Tool.



INFORMATION TECHNOLOGY

Improvement and up-gradation of the existing instruments are being continuously made to cope with the requirements of technological advancement in this field.

AUDIT REPORT

Auditor's Observation About Going Concern

Without qualifying their report, the auditors have given, as a matter of emphasis, a paragraph about going concern assumption used by the Company in the preparation of its financial statements and that it is dependent on the ultimate outcome of the matters disclosed in Note 1.2 to the financial statements.

In this respect the management has made a fair assessment and accordingly prepared the financial statements by using going concern assumption.

Due to high prices of sugarcane and increased competition, the operations of the Company have been reduced and management is not expecting to achieve production at optimum level next year. However, the management has prepared sugar cane development program and projected financial information for the next five years in support of its going concern assessment.

During the year company has incurred a loss of Rs.121.68 million. However, company's profit for the year 2012 and 2011 amounted to Rs.159 million and Rs.39.334 million respectively and over the past few years it has reduced its long term balances through regular payments. There is a material uncertainty related to long term loan that includes disputed liability of NIB Bank Limited which is subject of suit and counter suit in High Court. The management is also seeking out of court settlement in line with the disclosure made in note 9.1 which it intend to pay through generation of substantial cash flows from operations in easy installments as soon as an agreement is reached with NIB and a repayment schedule is freshly drawn.

The Company foresee positive cash flows from future operations in expectation of better availability and price of sugar cane in the following seasons and better sugar prices. The management expects to arrange and meet its working capital finance for next season through advance against sugar and other sources according to the requirements of production.

In view of the above, these financial statements have been prepared using going concern assumption.

BOARD OF DIRECTORS

There has been no change so far in the Board of Directors since after its constitution through Election of Directors on 29th January, 2012 for a term of 3 (three) years. The next election of directors is due on 29th January, 2015.

AUDITORS

The retiring Auditors, M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, being eligible, have given their consent and offered themselves for re-appointment as Auditors of the Company for the year ending September 30, 2014. The Audit Committee has recommended for their re-appointment.

CODE OF CORPORATE GOVERNANCE

The Company has adopted the Code of Corporate Governance promulgated by the Securities & Exchange Commission of Pakistan. We have implemented the mandatory provisions and welcome the government step to more fully disclose and monitor the corporate sector. We hope it will go a long way in confidence building of small investors and will boost corporate investment.



STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAME WORK

- a. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b. Proper books of accounts of the company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- e. The system of internal control, which was in place, is sound in design and has been effectively implemented and monitored. However, it is being continuously reviewed by internal audit and other officers handling such procedures. The process of review will continue and any weaknesses in control will be removed. The function of Internal Audit has been implemented and operating successfully.
- f. There are no significant doubts on the Company's ability to continue as going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h. The operating results of the company during the year under review was unsatisfactory compared to last season due to acute shortage and poor quality of cane in the zone area.

During the year under review, mills crushed lesser quantity of cane and produced lesser quantity of sugar compared to last year because damaging exogenous factors (cane shortage and poor quality cane) were more dominant during 2012-13 than those in 2011-12.

- i. Key operating and financial data for last six (6) years in summarized form is annexed.
- j. Because of the accumulated losses, the Company has not declared any dividend or issued Bonus Shares for the year.
- k. Outstanding taxes and levies are being accrued and paid as per law.
- l. Value of investments based on audited accounts of Provident Fund is Rs. 56.910 million.
- m. During the year 4 (four) meetings of the Board of Directors were held. Attendance by each Director is as follows:

<u>Name of Director</u>	<u>No. of Meetings Attended</u>
Dr (Mrs) Fehmida Mirza	-
Dr. Zulfiqar Ali Mirza	3
Ms Farida Abbasi	4
Mr Arshad Abid Abbasi	-
Ms Fareha Abid Kazi	2
Mirza Saulat Raza	4
Mr. Irshad Hussain Mirza	4

Leave of absence is granted in all cases to the directors.

- n. During the year 7 (seven) meetings of the Audit Committee were held. Attendance by each Member is as follows :



<u>Name of Members</u>	<u>No. of Meetings Attended</u>
Mirza Saulat Raza	7
Ms. Farida Abbasi	7
Mr. Irshad Hussain Mirza	7

- o. One meeting of the HR&R Committee was held during the year.
- p. According to requirement of the revised Code 2012, at least one director is required to have the certification of directors' training program by June 30, 2013 and by June 30, 2016 every year at least one director to acquire the said certification; thereafter all directors shall obtain it.

However, there is a provision that individuals with a minimum of 14 years of education and 15 years of experience on the board of a listed company shall be exempted from the directors' training program. At present three of our directors already meet the exemption criteria by dint of qualification and experience and need not attend the training program. The condition of training certification for the other directors will be complied in due course.

- q. The pattern of shareholding is annexed.
- r. Except for NIB and IDBP dues, which are pending in the courts of law, the Company successfully negotiated terms of settlement with banks/financial institutions and kept on repaying their dues, which have already been paid in full as disclosed in the financial statements of the respective years.

Negotiations are underway with NIB Bank Limited and we expect to reach a settlement with them in due course of time for repayment of their dues. The repayment will start as soon as the settlement is reached. The position of IDBP is the same as disclosed in Note 9.2 of the financial statements for the year ended September 30, 2013. However, we are also in contact with them to reach an amicable settlement.

- s. There was no trading in shares of MSML held by its directors, CEO, CFO, Company Secretary and their spouses and minor children.

VARIATION IN REMUNERATION OF CHIEF EXECUTIVE & WHOLE TIME DIRECTORS

Abstract of variation in the remuneration of the Chief Executive and whole time directors is annexed.

ACKNOWLEDGEMENT

We would like to take this opportunity to convey our deep appreciation to the shareholders, the workers, staff and officers of the Company for their patience, tolerance and forbearance, as well as the assistance and cooperation to the management during these hard days.

We would also like to thank our valued dealers, suppliers, financiers and shareholders for their cooperation and the trust reposed in our Company.

In the end, let us pray to Almighty Allah to guide us in all our pursuits of national development and for the betterment of your organization, Ameen.

On behalf of the Board

MIRZA SAULAT RAZA
Director

IRSHAD HUSSAIN MIRZA
Director

Karachi
January 3, 2014

Note: The Chief Executive being out of station, the Directors' Report has been signed by two directors.

**ABSTRACT OF VARIATION IN THE REMUNERATION/TERM OF
THE CHIEF EXECUTIVE AND WHOLE TIME DIRECTORS
(Section 218 of the Companies Ordinance, 1984)**

Following are the approved limit of remunerations at a maximum for the Chief Executive and the below mentioned Executive (whole time) Directors (including all allowances, benefits/perquisites, utilities etc.) along with transport and its maintenance for their official and personal use :

Annual Entitlement

	<u>w.e.f.</u>	<u>Amount</u>	<u>w.e.f.</u>	<u>Amount</u>
		Rs.		Rs.

Dr. (Mrs) Fehmida Mirza Chairperson & Chief Executive	May 29, 2007	2,000,000	June 10, 2009	4,000,000
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Ms Farida Abbasi Director	-	-	August 5, 2009	780,000
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Monthly remunerations of Chief Executive and Executive Directors :

Monthly Remuneration

	<u>w.e.f.</u>	<u>Amount</u>	<u>w.e.f.</u>	<u>Amount</u>
		Rs.		Rs.

Dr. (Mrs) Fehmida Mirza Chairperson & Chief Executive	June 01, 2012	252,650	June 01, 2013	268,150
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Ms Farida Abbasi Director	June 01, 2011	37,950	June 01, 2013	40,663
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**PATTERN OF SHAREHOLDINGS
AS AT 30TH SEPTEMBER 2013**

No. Of Shareholders	Shareholding		Total Shares Held	Percentage
	From	To		
925	1	100	84,169	0.60
684	101	500	311,484	2.21
124	501	1000	119,043	0.84
166	1001	5000	497,083	3.53
54	5001	10000	439,525	3.12
17	10001	15000	226,388	1.61
17	15001	20000	308,591	2.19
13	20001	25000	314,133	2.23
2	25001	30000	60,000	0.43
6	30001	35000	200,000	1.42
4	35001	40000	155,000	1.10
1	40001	45000	40,200	0.29
10	45001	50000	495,500	3.51
1	50001	55000	51,528	0.37
3	55001	60000	180,000	1.28
4	65001	70000	280,000	1.99
2	75001	80000	160,000	1.13
1	90001	95000	90,900	0.64
14	95001	100000	1,400,000	9.93
1	100001	105000	104,000	0.74
1	105001	110000	108,920	0.77
1	115001	120000	115,500	0.82
3	135001	140000	411,100	2.92
3	145001	150000	450,000	3.19
1	165001	170000	166,606	1.18
2	175001	180000	352,906	2.50
1	195001	200000	200,000	1.42
1	235001	240000	237,253	1.68
1	245001	250000	250,000	1.77
1	260001	265000	262,090	1.86
3	375001	380000	1,140,000	8.09
1	495001	500000	499,220	3.54
1	745001	750000	748,800	5.31
1	995001	1000000	999,001	7.09
1	1260001	1265000	1,261,060	8.94
1	1375001	1380000	1,380,000	9.79
2072			14,100,000	100



CATEGORIES OF SHAREHOLDINGS (30-09-2013) ADDITIONAL INFORMATION

Categories of ShareHolders	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties	-	-
Mutual Funds	-	-
NIT and ICP		
Investment Corporation of Pakistan, (ICP)	200	0.00
Directors, CEO and their Spouse(s) and minor Children.		
Dr. (Mrs). Fehmida Mirza (Chief Executive).	1,380,000	9.79
Dr. Zulfiqar Ali Mirza (Director) (Husband of Dr. (Mrs). Fehmida Mirza)	380,000	2.70
Ms. Farida Abbasi (Director)	2,500	0.02
Mr. Arshad Abid Abbasi (Director)	100,000	0.71
Ms. Fareha Abid Kazi (Director)	100,000	0.71
Mirza Saulat Raza (Director)	8,500	0.06
Mr. Irshad Hussain Mirza (Director)	1,000	0.01
	1,972,000	13.99
Executives	-	-
Public sector companies and corporations	-	-
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds; and		
The Bank of Punjab	17,500	0.12
State Life Insurance Corp. of Pakistan	175,277	1.24
National Insurance Company Ltd.	100,000	0.71
	292,777	2.08
Shareholders holding five percent or more voting rights in the listed company.		
Capital Industries (Pvt) Ltd	1,165,607	8.27
Others / Joint Stock Companies		
M/s.Asonix Ind. (pvt) Ltd	700	0.00
M/s. Sarfaraz Mahmood (Pvt) Ltd	500	0.00
Y.S. Securities & Services (Pvt) Ltd	5,500	0.04
Darson Securities (Pvt) Ltd.	100	0.00
Mian Mohammad Akram Sec. (Pvt) Ltd.	2,000	0.01
Stock Master Securities (Pvt) Ltd	990	0.01
Axis Global Limited	500	0.00
A.I Securities (Pvt) Ltd.	35,000	0.25
NCC - Retrieval Account	1,800	0.01
	47,090	0.33
Individuals	10,622,326	75.34
TOTAL	14,100,000	100.00



CORPORATE VISION / MISSION STATEMENT

VISION

The Company, one of the leading sugar mills in Sindh, aims at producing international quality white refined sugar for local consumption and export purpose. Our vision is to transform MSML into a modern and dynamic industry, highly indulgent in the well being of the investors, workforce and the agriculture community of the area. We want to fully equip the company to play a meaningful role on sustainable basis in the economic and social development of the country and protect the environment.

MISSION

Our mission is to promote agriculture and to achieve operating & financial stability for our company. This would help us to have meaningful role for a sound and dynamic industrial system to achieve sustainable and equitable economic growth of the Country. We would like to transform the agriculture community of the area into an exemplary force to become a role model for others. We would endeavor to enhance the value of our shareholders, to provide a secure place of work to our employees and to be an ethical partner to all our business associates.



SIX YEARS DATA AT A GLANCE

Rupees in Thousand

<u>PARTICULARS</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u> Restated
FINANCIAL DATA						
1 Financial Position						
Paid up Capital	Rs. 141,000	141,000	141,000	141,000	141,000	141,000
Accumulated (loss)/Profit	Rs. (622,016)	(500,336)	(619,209)	(637,962)	(777,157)	(939,242)
Long term Loan	Rs. 16,788	16,788	16,788	64,110	143,773	261,997
Deferred Liabilities	Rs. 121,920	120,427	386,698	386,698	386,698	191,691
Fixed Assets (At Cost)	Rs. 731,983	730,767	735,856	720,294	692,765	694,223
Accumulated Depreciation	Rs. 572,834	555,041	535,286	513,838	493,560	473,103
Long term Advance/Deposits	Rs. -	-	-	1,427	1,427	1,427
Current Assets	Rs. 85,006	162,400	283,828	171,537	100,351	86,858
Current Liabilities	Rs. 586,463	560,246	553,121	425,573	421,886	653,958
2. INCOME						
Sales	Rs. 217,645	774,361	1,465,478	1,328,623	649,457	627,212
Gross Profit/(Loss)	Rs. (72,557)	(55,313)	110,279	221,042	93,295	26,105
Other Income	Rs. 2,434	286,882	6,700	357	140,055	62,490
Pre-Tax (Loss)/Profit	Rs. (120,187)	159,150	39,335	152,482	166,796	31,726
Taxation	Rs. (1,494)	(40,277)	(14,722)	(13,286)	(4,711)	-
3. STATISTICS AND RATIOS						
Gross Profit/(Loss) to Sales	% (33.34)	(7.14)	7.53	16.64	14.37	4.16
Pre-Tax Profit/(Loss) to Sales	% (55.22)	20.55	2.68	11.48	25.68	5.06
Pre-Tax Profit/(Loss) to Capital	% (85.24)	112.87	27.90	108.14	118.29	22.50
Current Ratio	1:6.90	1:3.45	1:1.95	1:2.48	1:4.20	1:7.52
Paid - up Value per Share	Rs. 10	10	10	10	10	10
Earnings per Share	Rs. (8.63)	8.43	1.75	9.87	2.89	(2.18)
Cash Dividend	Rs. -	-	-	5,860	-	-
Market Value Per Share	Rs. 3.57	3.49	2.35	4.85	5.50	1.81
4. OPERATING DATA						
Season Started	04.01.2013	27.12.2011	26-11-2010	16-11-2009	15-12-2008	19-11-2007
Season Closed	16.02.2013	04.03.2012	28-03-2011	06-03-2010	13-03-2009	14-04-2008
Days Worked	44	69	123	111	89	148
Sugarcane Crushed	M.T. 35,301	162,690	244,767	208,921	176,738	334,735
Sugarcane Crushed	Mds 882,519	4,067,257	6,119,180	5,223,025	4,418,450	8,368,386
Sugar Recovery	% 9.23	9.870	9.850	10.075	10.180	9.280
Sugar Production	M.T. 3,263	16,050	24,095	21,055	18,000	31,090
Molasses Recovery	% 4.670	4.950	4.854	4.719	4.638	5.230
Molasses Production	M.T. 1,654	8,042	11,876	9,861	8,198	17,520



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE {See Clause (xl) of the revised Code 2012}

Name of Company : **MIRZA SUGAR MILLS LIMITED**
Year Ended : **30th September, 2013**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35, Chapter XI of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited for the purpose of establishing a frame-work 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 representing minority interests on the board of directors. The Board comprises of seven directors including the C.E.O. At present the Board includes :

Category	N a m e s
Executive Directors	Dr. (Mrs.) Fehmida Mirza Ms Farida Abbasi
Non-Executive Directors	Dr. Zulfiqar Ali Mirza Mr Arshad Abid Abbasi Ms. Fareha Abid Kazi Mirza Saulat Raza Mr. Irshad Hussain Mirza

2. The directors have confirmed that none of them is serving as a director in more than seven (7) listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-banking Financial Institution. None of the directors of the company is member of any Stock Exchange.
4. No casual vacancy occurred in the Board of Directors during the year under review.
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 and other executive and non-executive directors, have been taken by the Board/Shareholders.
8. The meetings of the Board were chaired by the Chairperson and, in his absence, by a director elected by the Board for this purpose and he 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 meeting were appropriately recorded and circulated.
9. According to the requirement of the revised Code 2012, at least one director is required to have the certification of directors' training program by June 30, 2013 and by June 30, 2016 every year at least one director to acquire the said certification; thereafter all directors shall obtain it.

However, there is a provision that individuals with a minimum of 14 years of education and 15 years



of experience on the board of a listed company shall be exempted from the directors' training program. At present three of our directors already meet the exemption criteria by dint of qualification and experience and need not attend the training program. The condition of training certification for our other directors will be complied with in due course.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit. All these appointments were made before the revised CCG has taken effect.
11. The directors' report for the year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has already formed an audit committee. It comprises of 3 (three) members of whom 2 (two) are non-executive directors and the Chairman is a non-executive director.
16. The meetings of the audit committee were held at least once in 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 already been formed and advised to the committee for compliance.
17. The board has already formed an HR and Remuneration (HR&R) Committee comprising of three members including the Chairperson. The Chairperson of the Committee is an executive director of the Company.
18. The Board has set-up an internal audit function. Its effectiveness has to be improved as to its independence for which efforts are being made.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The closed period, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information, if any, has been disseminated among all market participants at once through stock exchange(s).
23. Our CFO is an ACMA (a professional accountant) and thus meets the qualification requirement of CCG. However, our Head of Internal Audit qualify for the post under the provision contained in Clauses (x1v) of the revised CCG regarding qualification criteria.
24. We confirm that all other material principles contained in the CCG have been complied with.

Karachi
January 3, 2014

DIRECTOR

DIRECTOR



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Mirza Sugar Mills Limited** ("the Company"), to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges Limited, where the Company is listed.

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

As part of the 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 Boards statement on internal control covers all risks and control, or to form an opinion on the effectiveness of such internal controls, the company corporate governance procedures and risks.

Further Listing Regulations of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited requires 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 the 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 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, except for the matter stated in note 9 of Statement of Compliance, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended **September 30, 2013**.

Karachi:
Dated: January 03, 2014

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



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **MIRZA SUGAR MILLS LIMITED** ("the Company") as at September 30, 2013, the related profit & loss account, statement of comprehensive income, statement of changes in equity and cash flow statement 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 purpose 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 accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion;
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted 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, statement of changes in equity and cash flow statement 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 September 30, 2013, of the loss, its changes in equity and cash flows for the year then ended; and

(d) in our opinion, no zakat was deductible at source under the Zakat and Ushar Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to note 1.2 in the financial statements which indicates that the company's equity is negative by Rs.481.02 million (2012: Rs.359.34 million), its accumulated loss amounted to Rs.622.02 million (2012: Rs.500.3 million) and its current liabilities exceeded its current assets by Rs.501.46 million (2012: 397.8 million) as at the balance sheet date. In addition to the above, the ultimate outcome of the litigations between the company and NIB bank limited against company as disclosed in note 9 and 13 to the financial statements is not presently ascertainable. These conditions, along with other matters as set forth in note 1.2, indicate the existence of a material uncertainty that may cause significant doubt about the Company's ability to continue as a going concern.

Karachi.

Dated: January 03, 2014

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



BALANCE SHEET AS AT SEPTEMBER 30, 2013

ASSETS		2013	2012
NON-CURRENT ASSETS	Note	Rupees	
Property, plant and equipment	4	159,149,292	175,726,018
CURRENT ASSETS			
Stores, spares and loose tools	5	24,534,334	26,372,886
Stock-in-trade	6	22,900,294	87,209,660
Trade debts- Unsecured, considered good		26,259,168	26,951,149
Prepayments, loan and advances, and other receivables	7	9,079,600	19,550,550
Cash and bank balances	8	2,233,385	2,315,569
		85,006,781	162,399,814
TOTAL ASSETS		244,156,073	338,125,832
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Capital			
15,000,000 (2012: 15,000,000) Ordinary Shares of Rs. 10/- each.		150,000,000	150,000,000
Issued, Subscribed and Paid up Capital			
14,100,000 (2012: 14,100,000) Ordinary Shares of Rs. 10/- each fully paid in cash		141,000,000	141,000,000
Accumulated loss		(622,016,257)	(500,335,753)
		(481,016,257)	(359,335,753)
NON-CURRENT LIABILITIES			
Long-term finances	9	16,788,482	16,788,482
Deferred liabilities	10	121,920,553	120,426,718
CURRENT LIABILITIES			
Current portion of long-term finances	9	342,487,991	342,487,992
Trade and other payables	11	204,178,450	176,830,407
Accrued markup on finances		18,991,927	18,991,927
Provision for taxation	12	20,804,927	21,936,059
		586,463,295	560,246,385
TOTAL EQUITY AND LIABILITIES		244,156,073	338,125,832
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes from 1 to 32 form an integral part of these financial statements.

Note: As required under section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in absence of Chief Executive of the Company who is for the time being out of station.

DIRECTOR

DIRECTOR



**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Note	2013 Rupees	2012
Sales - net	14	217,644,919	774,360,704
Cost of sales	15	<u>(290,201,877)</u>	<u>(829,673,359)</u>
Gross loss		(72,556,958)	(55,312,655)
Operating expenses			
Administrative expenses	16	<u>48,353,265</u>	<u>58,782,738</u>
Distribution costs	17	<u>537,005</u>	<u>1,006,346</u>
		<u>(48,890,270)</u>	<u>(59,789,084)</u>
Operating loss		(121,447,228)	(115,101,739)
Other operating expenses			
Finance costs	18	<u>(1,173,366)</u>	<u>(2,897,005)</u>
Other income	19	<u>2,433,925</u>	<u>286,882,015</u>
Other charges	20	<u>-</u>	<u>(9,733,635)</u>
		<u>1,260,559</u>	<u>274,251,374</u>
(Loss) / profit before taxation		<u>(120,186,669)</u>	<u>159,149,636</u>
Taxation			
Current - for the year		<u>-</u>	<u>(20,346,650)</u>
Prior year tax		<u>-</u>	<u>(380,289)</u>
Deferred tax	21	<u>(1,493,835)</u>	<u>(19,549,580)</u>
		<u>(1,493,835)</u>	<u>(40,276,519)</u>
(Loss) / profit after taxation		<u>(121,680,503)</u>	<u>118,873,117</u>
Earnings per share - basic & diluted	22	<u>(8.63)</u>	<u>8.43</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

DIRECTOR

DIRECTOR



**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>2013</u>	2012
	<u>Rupees</u>	<u> </u>
(Loss) / profit after taxation	(121,680,503)	118,873,117
Other comprehensive income	-	-
Total comprehensive (loss) / income for the year transferred to equity	<u>(121,680,503)</u>	<u>118,873,117</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

DIRECTOR

DIRECTOR



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Issued, subscribed & paid up capital	Accumulated losses	Other comprehensive income/(loss)	Total
	Rupees			
Balance as at October 01, 2011	141,000,000	(619,208,870)	-	(478,208,870)
Comprehensive income / (loss) for the year	-	118,873,117	-	118,873,117
Balance as at September 30, 2012	141,000,000	(500,335,753)	-	(359,335,753)
Balance as at October 01, 2012	141,000,000	(500,335,753)	-	(359,335,753)
Comprehensive loss for the year	-	(121,680,503)	-	(121,680,503)
Balance as at September 30, 2013	141,000,000	(622,016,257)	-	(481,016,257)

The annexed notes from 1 to 32 form an integral part of these financial statements.

DIRECTOR

DIRECTOR

**CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	2013	2012
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(120,186,669)	159,149,636
Adjustments for :		
Depreciation	17,825,767	19,928,173
Reversal of Deferred Liabilities	-	(285,821,063)
Loss/(gain) on disposal of fixed assets	62,500	(13,756)
Finance costs	1,173,366	2,897,005
	19,061,633	(263,009,641)
Operating cash outflow before working capital changes	(101,125,036)	(103,860,005)
Changes in working capital		
(Increase)/Decrease in current assets:		
Stores, spares and loose tools	1,838,552	2,114,072
Stock in trade	64,309,366	53,616,952
Prepayments, loan and advances, and other receivables	691,981	21,289,327
Trade debtors - unsecured	10,470,950	9,058,981
Increase / (Decrease) in current liabilities:		
Trade and other payables	27,348,043	34,025,524
	104,658,892	120,104,856
Cash generated from operations	3,533,856	16,244,851
Taxes paid	(1,131,132)	(6,629,416)
Financial cost paid	(1,173,366)	(2,897,005)
	(2,304,498)	(9,526,421)
Net cash generated from operating activities	1,229,358	6,718,430
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(1,327,500)	(1,162,294)
Proceed from sale of fixed assets	15,958	91,900
Net cash used in investing activities	(1,311,542)	(1,070,394)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(323,524)
Repayment of long term finances	-	(17,204,316)
Net cash used in financing activities	-	(17,527,840)
Net decrease in cash and cash equivalents	(82,184)	(11,879,804)
Cash and cash equivalents at beginning of the year	2,315,569	14,195,373
Cash and cash equivalents at end of the year	2,233,385	2,315,569

The annexed notes from 1 to 32 form an integral part of these financial statements.

DIRECTOR

DIRECTOR



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

1 STATUS AND NATURE OF BUSINESS

1.1 The Company was incorporated in Pakistan as a Public Limited Company on January 16, 1990. Its shares are listed at Karachi and Lahore Stock Exchanges. The registered office of the company is situated at 10th Floor, Portion B, Lakson Square Building No.1, Sarwar Shaheed Road, Karachi. The Company is mainly engaged in the production and sale of sugar and molasses.

1.2 As of the reporting date, company's equity is negative by Rs.481.02 million (2012: Rs.359.34 million), its accumulated loss amounted to Rs.622.02 million (2012: Rs.500.3 million) and its current liabilities exceeded its current assets by Rs.501.46 million (2012: 397.8 million).

Due to high prices of sugar cane and increased competition, the operations of the Company have been reduced and management is not expecting to achieve production at optimum level next year. However the management has prepared sugar cane development program and projected financial information for the next five years in support of its going concern assessment.

During the year company has incurred a loss of Rs.121.68 million. However, company's profit for the years 2012 and 2011 amounted to Rs.159 million and Rs.39.334 million and over the past few years it has reduced its long term balances through regular payments. There is a material uncertainty related to long term loan that includes disputed liability of NIB Bank Limited which is subject of suit and counter suit in High court. The management is also seeking out of court settlement in line with the disclosure made in note 9.1 which it intend to pay through generation of substantial cash flows from operations in easy installments as soon as an agreement is reached with NIB and a repayment schedule is freshly drawn.

The company foresee positive cash flows from future operations in expectation of better availability and price of sugar cane in the following seasons and better sugar prices. The management expects to arrange and meet its working capital finance for next season through advance against sugar and other sources according to the requirements of production.

In view of the above, these financial statements have been prepared using going concern assumption.

The projected financial information prepared by management to support its going concern assessment is based on the following assumptions:

	Projected			
	2014	2015	2016	2017
Sugar cane Crushing (M.T) (10-11 % recovery)	162,000	210,000	270,000	320,000
Sugar cane rate (Rs.)	175	182	195	205
Sugar price per Kg (Sugar) (Rs.)	52	54	54	56

2 SIGNIFICANT ACCOUNTING POLICIES

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 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 have been followed.



2.2 Accounting Convention

2.2.1 Basis of measurement

These financial statements have been prepared under the basis of 'historical cost' convention.

2.2.2 Functional and Presentation Currency

These Financial statements are presented in Pakistani Rupee which is the company's functional currency.

2.2.3 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgments made by management in the application of Accounting Standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with significant risk of material judgment in the next year are as follows:

	<u>Note</u>
a) Useful life and residual values of property, plant and equipment	3.1
b) Provision for slow moving stores and spares	3.2
c) Provision for obsolete and slow moving inventories	3.3
d) Provision for taxation	3.8
e) Impairment in respect of financial assets	3.12.2

2.2.4 Initial application of standards, amendments or interpretations to existing standards

(a) Standards, amendments to published approved accounting standards and interpretations that are effective in 2013 and are relevant to the Company:

Prepayments of a minimum funding requirement (amendments to IFRIC 14), effective from January 1, 2011. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The Company's does not have any defined benefit plan, hence, these amendments will have no impact on the Company's financial statements.

IAS 24 (revised), 'Related Party Disclosures', effective from January 1, 2011. The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Company's financial statements.



(b) Standards, amendments to published approved accounting standards and interpretations effective but not relevant

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and therefore have not been analyzed in detail.

(c) Standards, amendments to published approved accounting standards and interpretations not yet effective

Following new standards, amendments and interpretation to existing standards have been issued but are not effective for the financial year beginning on October 1, 2012 and have not been early adopted by the Company:

IAS 19 (amendments) - effective from January 1, 2013. It prescribes the accounting and disclosure by employers for employee benefits.

IAS 32 (amendments) - 'Offsetting Financial Assets and Financial Liabilities' effective from January 1, 2014. The amendments clarify (a) the meaning of 'currently has a legally enforceable right of set-off'; and (b) that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle.

IFRS 7 (amendments) - 'Disclosures - Offsetting Financial Assets and Financial Liabilities' effective from January 1, 2013. These amendments require entities to disclose information so that users of its financial statements are able to evaluate the effect or potential effect of netting arrangements and similar agreements on the entity's financial position.

IFRS 9, 'Financial Instruments', effective for periods beginning on or after January 1, 2015. IFRS 9 addresses the classification and measurement of financial assets. The Company is yet to assess the full impact of IFRS 9.

IFRS 10, 'Consolidation financial statements', effective for periods beginning on or after January 1, 2013. This standard replaces all of the guidance on control and consolidation in IAS 27, 'Consolidated and separate financial statements' and SIC 12, 'Consolidation - separate purpose entities'. This standard is not expected to have any impact on the Company's financial statements.

IFRS 11, 'Joint arrangements', effective for periods beginning on or after January 1, 2013. This standard brings in changes in definition of joint arrangements and reduces the 'types' of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. This standard is not expected to have any impact on the Company's financial statements.

IFRS 12, 'Disclosure of interests in other entities', effective for periods beginning on or after January 1, 2013. This standard set out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11; it replaces the disclosure requirements currently found in IAS 28, 'Investments in associates'; and requires entities to disclose information that helps users to evaluate the nature, risks and financial effects associated with the entity's interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities. This standard is not expected to have any impact on the Company's financial statements.

IFRS 13, 'Fair value measurement', effective for periods beginning on or after January 1, 2013. This standard explains how to measure fair value and aims to enhance fair value disclosures; it does not say when to measure fair value or require additional fair value measurements. This standard is not expected to have any impact on the Company's financial statements.



There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published in May and June 2013 (not addressed above). These amendments are unlikely to have any impact on the Company's financial statements and therefore have not been analyzed in detail.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant & equipment

Operating assets

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to profit & loss account applying the reducing balance method whereby the cost of an asset is written off over its useful life at the rates specified in note 4 to the financial statements. Depreciation on additions is charged for the quarter in which an asset is put to use and no depreciation is charged in the quarter in which assets are disposed.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate assets, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposal of assets, if any, are taken to the profit and loss account.

The assets' residual values, useful lives methods are reviewed and adjusted if appropriate, at each financial year. The Company's estimate of residual values of property, plant and equipment as at 30 September 2013 did not require any adjustment as its impact is considered insignificant.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the year asset is derecognized.

Capital work in progress

Capital work-in-progress is stated at cost less impairment, if any. It consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant category as and when assets are available for use.

3.2 Stores, spares and loose tools

Stores, spares and loose tools excluding items in transit are valued at lower of moving average cost and net realizable value. Provision is made for slow moving and obsolete items.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon to the reporting date.

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

Provisions are made in the financial statements for obsolete and slow moving stores and spares based on management's best estimate regarding their future usability.

3.3 Stock in trade

All stock in trade except molasses are valued at lower of cost and net realizable value where cost is determined by applying the following basis:



- Finished sugar at average manufacturing cost;
- Sugar in process at average manufacturing cost;
- Molasses at contracted price / net realizable value;

Average cost in relation to work in process and finished goods signifies the cost of sugar including a portion of related direct overheads.

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

Provisions are made in the financial statements for obsolete and slow moving inventory based on management's best estimate regarding their future usability.

3.4 Trade and other receivables

Trade and other receivables are carried at original invoice amount/cost, which is the fair value of the consideration to be received, less an estimate made for doubtful receivables which is determined based on management review of outstanding amounts and previous repayment pattern. Balance considered bad and irrevocable are written off.

3.5 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts / short term borrowings. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.6 Staff retirement benefits

The company operates an approved provident fund for eligible employees. The Company contributes equal amount of employees contribution i.e. 8.33% of basic salary.

3.7 Deferred income

Deferred income primarily relates to restructuring/rescheduling of the finances with the banks/financial institutions expected to be earned on meeting the specified obligations against such restructuring/rescheduling arrangements.


Deferred income will be taken to profit and loss account, after final waiver of the related obligations by the corresponding banks/financial institutions.

3.8 Current and deferred income tax

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rate enacted or subsequently enacted by the reporting date, and any adjustment to the tax payable in respect of previous year. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions



available, if any or 1% of turnover. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred

Deferred income tax is recognized using the balance sheet liability method on all temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on the tax rates that have been enacted substantively enacted by the reporting date. Deferred tax is charged or credited to income except in the case of items credited or charged to equity in which case it is included in equity. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.9 Trade and other payables

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

3.10 Provisions

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

3.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.12 Financial assets

3.12.1 Classification

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

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.



b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'loans and deposits', 'trade debts and other receivables' and 'cash and cash equivalents' in the balance sheet.

c) Held to maturity financial assets

Held to maturity financial assets are non derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity. There were no held to maturity financial assets at the balance sheet date.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose off it within 12 months of the end of the reporting date.

3.12.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within 'other operating income/expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account as part of other income. Dividends on available for sale equity instruments are recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in relevant notes.



3.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle either on a net basis, or realise the asset and settle the liability simultaneously.

3.14 Foreign currency translation

Foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year-end spot foreign exchange rates. Non-monetary assets are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in income currently.

3.15 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets carried at cost are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognized in profit and loss account.

3.16 Basic and diluted earnings per share

The company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

3.17 Related Party Transactions

Transactions with related parties are carried out on commercial terms and conditions.

3.18 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and is reduced for marketing allowances. Revenue is recognised on the following basis:

- Sales of goods are recognized when goods are delivered to the customer.
- Income on deposits and other financial assets is recognised on accrual basis.

3.19 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset.

4 PROPERTY, PLANT & EQUIPMENT

	Freehold land	Factory building	Non factory building	Plant and machinery	Office equipment	Arms and Ammunition	Furniture and fixture	Vehicles	Total
As at October 01, 2011									
Cost	8,612,324	110,114,312	1,523,712	588,614,509	4,385,842	298,700	2,362,684	19,944,048	735,856,131
Accumulated depreciation	-	(74,983,503)	(1,152,788)	(446,759,591)	(2,950,221)	(165,496)	(1,711,576)	(7,562,916)	(535,286,090)
Impairment loss	-	(4,322,589)	-	(1,374,411)	-	-	(303,000)	-	(6,000,000)
Net book value	8,612,324	30,808,220	370,924	140,480,507	1,435,621	133,204	348,108	12,381,132	194,570,041
Year ended September 30, 2012									
Opening net book value	8,612,324	30,808,220	370,924	140,480,507	1,435,621	133,204	348,108	12,381,132	194,570,041
Additions(including transfers) during the year	-	-	-	-	926,724	-	165,570	70,000	1,162,294
Disposals / transfers	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	251,455	251,455
Accumulated depreciation	-	-	-	-	-	-	-	(173,311)	(173,311)
Net book value	-	-	-	-	-	-	-	(78,144)	(78,144)
Depreciation for the year	-	(3,080,822)	(37,092)	(14,048,051)	(236,235)	(13,320)	(47,229)	(2,465,424)	(19,928,173)
Closing net book value	8,612,324	27,727,398	333,832	126,432,456	2,126,110	119,884	466,449	9,907,564	175,726,018
As at October 01, 2012									
Cost	8,612,324	105,791,723	1,523,712	587,240,098	5,312,566	298,700	2,225,254	19,762,593	730,766,970
Accumulated depreciation	-	(78,064,325)	(1,189,880)	(460,807,642)	(3,186,456)	(178,816)	(1,758,805)	(9,855,029)	(555,040,952)
Net book value	8,612,324	27,727,398	333,832	126,432,456	2,126,110	119,884	466,449	9,907,564	175,726,018
Year ended September 30, 2013									
Opening net book value	8,612,324	27,727,398	333,832	126,432,456	2,126,110	119,884	466,449	9,907,564	175,726,018
Additions(including transfers) during the year	-	-	-	1,260,000	-	-	-	67,500	1,327,500
Disposals / transfers	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	111,000	111,000
Accumulated depreciation	-	-	-	-	-	-	-	(32,542)	(32,542)
Net book value	-	-	-	-	-	-	-	(78,458)	(78,458)
Depreciation for the year	-	(2,772,740)	(33,383)	(12,763,996)	(212,611)	(11,988)	(46,645)	(1,984,404)	(17,825,767)
Closing net book value	8,612,324	24,954,658	300,449	114,928,460	1,913,499	107,896	419,804	7,912,202	159,149,292
As at September 30, 2013									
Cost	8,612,324	105,791,723	1,523,712	588,500,098	5,312,566	298,700	2,225,254	19,719,093	731,983,470
Accumulated depreciation	-	(80,837,065)	(1,223,263)	(473,571,638)	(3,399,067)	(190,804)	(1,805,450)	(11,806,891)	(572,834,178)
Net book value	8,612,324	24,954,658	300,449	114,928,460	1,913,499	107,896	419,804	7,912,202	159,149,292
Annual rates of depreciation	0%	10%	10%	10%	10%	10%	10%	20%	

4.1 Allocation of Depreciation

	2013	2012
Cost of sales	15,536,735	17,128,873
Administrative expenses	2,289,032	2,799,300
	17,825,767	19,928,173

4.2 Particulars of Disposal

Particulars	Cost	Acc. Depreciation	Carrying value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of purchaser
Honda Motorcycle KFB-2623	70,000	10,500	59,500	67,000	7,500	Negotiation	Company's Employee
Others	41,000	22,042	18,958	18,958	-	Negotiation	Company's Employee
September 2013	111,000	32,542	78,458	85,958	7,500		
September 2012	251,455	173,311	78,144	91,900	13,756		

5	STORES, SPARES AND LOOSE TOOLS	Note	2013	2012
			Rupees	
	Stores		14,689,134	15,022,946
	Spares		11,970,581	13,436,648
	Loose tools		335,072	373,745
			<u>26,994,787</u>	<u>28,833,339</u>
	Less: Provision for slow moving stores		<u>(2,460,453)</u>	<u>(2,460,453)</u>
			<u>24,534,334</u>	<u>26,372,886</u>

5.1 The company has made provision of slow moving stores on those item of store or spares which have not moved from last three years.

6	STOCK IN TRADE	Note	2013	2012
			Rupees	
	Finished sugar	6.1	20,952,798	85,337,759
	Sugar in process		1,947,496	1,871,901
			<u>22,900,294</u>	<u>87,209,660</u>

6.1 The cost of inventories recognised as expense due to lower of market value of finished stock and is included in 'cost of sales' amounted to Rs. 9.65 million (2012: Rs. 1.857 million).

7	LOANS, PREPAYMENTS AND ADVANCES	Note	2013	2012
			Rupees	
	Unsecured and considered good Advances			
	- To suppliers		1,991,135	5,197,266
	- To contractors		460,360	471,361
	- Advance against expense		239,290	641,373
	- To growers		4,472,960	9,251,605
			7,163,745	15,561,605
	- Staff Loan	7.1	1,915,855	3,988,944
			<u>9,079,600</u>	<u>19,550,550</u>



7.1 Loan to staff and executive are interest free and unsecured and given for general purpose in accordance with the company's policy and are repayable within one year.

8	CASH AND BANK BALANCES	2013	2012
		Rupees	
	Cash in hand	55,133	172,105
	Cash at banks in current accounts	2,178,252	2,143,464
		<u>2,233,385</u>	<u>2,315,569</u>

9 LONG TERM FINANCINGS

Secured

	Note	Mark - up rate p.a.	Contracted Cash flows	Installments		2013	2012
				Number	Commencing from	(Rupees)	
Long term finance utilised under mark-up arrangements:							
NIB Bank Limited - locally manufactured machinery 1	9.1	6.0% p.a	25,570,579	19 quarter	April 1, 2001	25,570,579	25,570,579
NIB Bank Limited - locally manufactured machinery 2	9.1	6.0% p.a	26,033,368	19 quarter	April 1, 2001	26,033,368	26,033,368
NIB Bank Limited - overdue 1	9.1	14.0% p.a	129,333,255	46 quarter	April 1, 2001	129,009,206	129,009,206
NIB Bank Limited - overdue 2	9.1	14.0% p.a	128,189,621	46 quarter	April 1, 2001	127,859,708	127,859,708
NIB Bank Limited - interest account	9.1	Mark up free	27,124,224	46 quarter	April 1, 2001	27,124,224	27,124,224
Industrial Development Bank of Pakistan	9.2	14.0% p.a	6,890,906	46 quarter	April 1, 2001	6,890,906	6,890,906
Loans from related party	9.3	Mark up free	16,788,482	-	-	16,788,482	16,788,482
						359,276,474	359,276,474
Less: Current portion shown under current liabilities						-	-
Overdue portion shown under current liabilities						(342,487,992)	(342,487,992)
						<u>(342,487,992)</u>	<u>(342,487,992)</u>
						<u>16,788,482</u>	<u>16,788,482</u>

9.1 NIB Bank Ltd (formerly PICIC)

The loan is secured by:

- First charge by way of an equitable mortgage on all the immovable properties, hypothecation of stock and a floating charge on all other assets.
- A demand promissory note duly signed by the directors for the purchase price.

The total amount of loan represents the LMM finance including the capitalized mark up/interest as broken down given above.

These loans are based on terms and conditions of restructuring as approved by CRSIU and agreed between the parties in the year 2000.

As per the repayment schedule as agreed in aforesaid restructuring agreement, the principal loan represented by LMM 1 and LMM 2 is scheduled to be repaid in 19 quarterly installments starting from April 01, 2001 and cost of fund @ 6% per annum. The company fully recognised mark up as per repayment schedule and no further mark up was recognised in this respect.



The liability represented by overdue 1 and over due 2 was scheduled to be repaid in 46 quarterly installments along with cost of fund @ 14% starting from April 01, 2001. The company is accruing the mark up as per schedule agreed in the restructuring agreement.

The installment along with the cost of fund was paid by the company as per restructuring schedule till the year 2003.

In the year 2003 the bank preferred to file suit B-24 of 2003 for recovery of Rs.355.3 million along with cost of funds and other charges which is contested by the company in High Court.

Subsequently in the year 2004, the liability was considered and approved for settlement by SBP Committee for Resolution of Disputes with that of other bank liabilities in terms of SBP Circular 29 using FSV of the fixed assets of the company amounted to Rs.348.2 million determined by PBA approved professional valuer. This remained unimplemented owing to preconditions set by bank and FSV disputed by the company.

In terms of the approval by SBP Committee, the Bank conveyed its willingness to settle its liability at Rs.205 million which represents 58.82% of FSV value of Rs. 348.26 million with a precondition to drop all proceedings in court, while the company sought settlement based on lower FSV of Rs. 213 million as per valuation conducted by the valuer appointed by the company at proportionate share of NIB of Rs.105 million. The dispute remains unresolved. The matter continues to be contested in Court.

9.2 Industrial Development Bank of Pakistan (formerly ICP)

The loan is secured by:

- i) First charge by way of an equitable mortgage on all the immovable properties, hypothecation of stock and floating charge on all other assets.
- ii) Floating charge on all other assets and properties of the Company ranking pari passu with the charge created in favor of other secured creditors.
- iii) A demand promissory note for the purchase price.
- iv) Personal guarantees of all directors.

This is made up of balance of principal of Rs.4.345 million and mark up of Rs.2.526 million of LMM finance remaining after the company had complied with the decree issued by the Banking Court for making payment of Rs. 8.234 million in 24 monthly installments of Rs.343,104/= each with effect from 1st July, 2002 and 8% p.a. as cost of the fund in respect of suit filed by Industrial Development Bank of Pakistan (IDBP).

The company paid the last installment of Rs 1.313 million on February 23, 2007, along with cost of funds demanded by IDBP of Rs.1.32 million in accordance with court order dated 24/6/2006 to meet its obligations as per decree issued by banking court.

Further except for cost of fund demanded and paid no interest was accrued since the year 2002 as a result of full and final settlement through aforesaid decree. The amount subject to dispute between the company and IDBP was Rs. 0.94 million which was additionally claimed by bank and is required to be reconciled.



The Court vide its order dated August 26, 2010 appointed a firm of Chartered Accountants, to examine the books of account of both the company and IDBP to settle the account between them, however, the aforesaid firm did not commence reconciliation work and therefore IDBP during the year requested the Court to change the Chartered Accountants firm on which the Court is yet to issue an order.

As a result, the liability to the extent extinguished amounting to Rs. 4.136 million has not been taken to income since the aforesaid dispute of Rs. 0.94 million is yet to be settled between the parties.

9.3 Loans from Related Parties

These represents unsecured and interest free loans with no fixed term for repayment.

10 DEFERRED LIABILITY	Note	2013 ———— Rupees ————	2012 ———— Rupees ————
Quality premium	10.1	100,877,138	100,877,138
Deferred tax Liability	10.2	21,043,415	19,549,580
		121,920,553	120,426,718

10.1 This represents liability made in respect of quality premium to growers for the period from 1998-99 to 2002-2003. The matter of payment of quality premium to growers continues to be pending with the Honorable Supreme Court of Pakistan since the year 2004 after it granted leave to defend on the question of issue of quality premium. Appeals filed in this matter are pending before the Supreme Court of Pakistan. Supreme Court granted injunction on the appeal citing conflicting judgment of the High Court of Sindh and the High Court of Punjab on the issue of validity of QP passing restraining order for recovery of QP till the matter is finally decided by the court. The Company's cane procurement is made as per the notification of Government of Sindh not below the minimum cane price fixed by it alongwith QP and other subsidies over the period from 2004-2013 excluding year 2007-08.

10.2 DEFERRED TAXATION	2013 ———— Rupees ————	2012 ———— Rupees ————
Taxable temporary differences		
On property, plant & equipment	21,904,573	22,877,300
Deductable temporary difference		
Brought forward losses	-	-
Other deductible differences	861,158	3,327,720
	(861,158)	(3,327,720)
	21,043,415	19,549,580

11 TRADE AND OTHER PAYABLES

Creditors

For sugarcane	152,954,293	146,240,238
For stores and spares	2,660,814	2,257,864
	155,615,107	148,498,102

Accrued Liabilities

Accrued expenses	14,051,817	9,826,861
Road cess	1,496,604	1,496,604
	15,548,421	11,323,464

Other Liabilities

Advance from customers against sales	10,714,752	-
Employees provident fund	1,257,077	5,692
Federal excise duty payable	836,648	565,302
Income tax withheld payable	727,673	561,104
Retention money	42,877	28,309
Workers' profits participation fund	9,375,178	11,142,064
Workers' welfare fund	1,357,338	1,357,338
Dividend payable	908,912	908,912
Others	7,794,467	2,440,119
	<u>33,014,922</u>	<u>17,008,840</u>
	<u>204,178,450</u>	<u>176,830,407</u>

11.1 Workers' profits participation fund

Opening balance	11,142,064	2,446,929
Allocated during the year	-	8,376,297
Interest accrued during the year	1,113,920	318,838
	1,113,920	8,695,135
Paid during the year	(2,880,806)	-
Closing balance	<u>9,375,178</u>	<u>11,142,064</u>

12 Provision for Taxation

Opening liability	21,936,059	7,838,536
Expense for the year	-	20,346,650
Prior year tax expense	-	380,289
Less: Advance tax for the year	(1,131,132)	(6,629,416)
Provision for the year	<u>20,804,927</u>	<u>21,936,059</u>

13 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

- 13.1 The company is contesting a suit filed in the High Court in the Year 1998 by M/s. Indian Sugar & General Industry for recovery of Rs. 14.227 million (US\$ 240,692) representing the



balance amount due and interest thereon against the import of 1,645 M. Tons of sugar made by the Company. The suit is pending for evidence. The legal counsel is of the view that no adverse order is expected against the company therefore no provision has been made in these financial statements.

- 13.2 The department demanded further tax of Rs.4.88 million from the company that was not charged by it from its customers owing to ambiguity in section 2 (23) which stated that an unregistered person liable to be registered was to be treated at par with a registered person and hence further tax was not to be charged. The Additional Collector stayed the said demand in the year 2003. The matter was contested by the Collector of Custom & Sales Tax in the High Court and judgment was passed in favor of the company. The collectorate preferred appeal with the Supreme Court of Pakistan that accepted the plea and set aside the judgment of the High Court and allowed sales tax department to proceed the case in accordance with law vide its order in March 2006. The company has not received any fresh demand and has not made any provision there against. The legal counsel of the company is of the opinion that based on the merit of the case no tax liability is likely to arise in future in this case.
- 13.3 The company has not recorded further liability of Rs. 8.405 million plus cost of funds that has not yet been determined in respect of long term finance of NIB Bank. This is on account of difference between the amount of loan liabilities reflected in the books at principal of Rs. 334.94 million (Refer note # 9) and accrued mark up of Rs. 11.654 million as against that claimed by NIB Bank in recovery suit amounting to Rs. 355 million along with cost of funds that are yet to be decided by the Court. The reason for it is that the Company has filed counter claim against NIB Bank in Suit No. 30 of 2003 based on its workings reflecting that it has overpaid the liabilities by Rs. 139.92 million.

COMMITMENTS

During the year company has unlifted deliver orders quantity of 479.4 M.Ton valuing Rs.22.8 million (2012: 1,098 M.Ton valuing Rs.53.4 million).

	Note	2013 ————— Rupees —————	2012 ————— Rupees —————
14 SALES - NET			
Sugar		221,598,150	780,164,500
Molasses		13,285,248	52,946,636
		234,883,398	833,111,136
Brokerage		(280,650)	(924,500)
Direct levies		(16,957,829)	(57,825,932)
		(17,238,479)	(58,750,432)
		217,644,919	774,360,704

15 COST OF SALES

Raw material consumed (including procurement and allied expenses)			157,585,878	656,586,290
Manufacturing expenses	15.1		68,306,633	119,470,117
			225,892,511	776,056,407
Opening stock:				
Finished stock - sugar			85,337,759	138,967,362
Sugar-in-process			1,871,901	1,859,250
			87,209,660	140,826,612
			<u>313,102,171</u>	<u>916,883,019</u>
Closing stock:				
Finished stock - sugar	6.1		(20,952,798)	(85,337,759)
Sugar-in-process			(1,947,496)	(1,871,901)
			<u>(22,900,294)</u>	<u>(87,209,660)</u>
			<u>290,201,877</u>	<u>829,673,359</u>
			2013	2012
15.1 Manufacturing expenses	Note		———— Rupees ————	
Chemicals			2,355,672	7,666,387
Oil & Lubricants			1,114,634	2,853,183
Stores and spares consumed	15.1.1		9,299,128	26,937,984
Packing material consumed			1,409,785	6,586,199
Salaries and allowances			25,096,416	40,949,249
Repair and maintenance			624,857	1,247,240
Fuel and power			5,576,505	6,796,923
Insurance			5,005,411	5,032,358
Freight and handling			623,294	1,742,432
Depreciation	4.1		15,536,735	17,128,873
Others			1,664,196	2,529,289
			<u>68,306,633</u>	<u>119,470,117</u>

15.1.1 This includes Rs.599,272 (2012: Rs.962,009) in respect of defined contributory provident fund.



16 ADMINISTRATIVE EXPENSES	Note	2013	2012
		Rupees	
Salaries, bonus and staff amenities	16.1	22,991,144	26,904,981
Directors' remuneration	23	4,761,851	4,565,000
Traveling and conveyance		724,083	1,093,899
Printing and stationery		751,715	1,070,550
Legal and professional		944,000	754,508
Auditors' remuneration	16.2	835,000	750,000
Telephone and postage		1,370,801	1,969,118
Electricity, water and gas		3,880,245	2,533,924
Vehicle maintenance		4,688,251	8,117,668
News papers books and periodicals		21,866	15,949
Repairs and maintenance		2,628,446	4,777,135
Rent, rates and taxes		374,409	557,694
Insurance		342,197	350,012
Charity and donations	16.3	12,000	48,000
Fees and subscription		860,708	965,682
Depreciation	4.1	2,289,032	2,799,300
Entertainment		193,951	254,669
Sanitation charges		166,713	271,427
Shares department expenses		-	60,000
Miscellaneous		516,853	923,222
		<u>48,353,265</u>	<u>58,782,738</u>

16.1. This includes Rs.243,801 (2012: Rs.485,650) in respect of defined contributory provident fund.

16.2 Auditors' remuneration	2013	2012
	Rupees	
Fee for the		
- audit of annual financial statements	600,000	550,000
- review of half yearly financial statements	185,000	150,000
- review of compliance with Code of Corporate Governance	50,000	50,000
	<u>835,000</u>	<u>750,000</u>

16.3 Charity and donations

None of the directors or their spouse had any interest in these charity and donations.

17 DISTRIBUTION COST	2013	2012
	Rupees	
Advertisement	83,820	63,500
Loading and stacking	441,885	942,846
Others	11,300	-
	<u>537,005</u>	<u>1,006,346</u>



18 FINANCE COSTS

Interest on long term financings		-	1,613,103
Interest on workers' profit participation fund	11.1	1,113,920	318,835
Bank and other charges		59,446	965,068
		<u>1,173,366</u>	<u>2,897,005</u>

19 OTHER INCOME

Bad debts written off		-	5,120
Gain on sale of Property, Plant & Equipments		7,500	13,756
Deferred income recognized	10.1	-	285,821,063
Baggasse / scrap sales		2,426,425	1,042,076
		<u>2,433,925</u>	<u>286,882,015</u>

20 OTHER CHARGES

Contribution to:			
-workers' profits participation fund		-	8,376,297
-workers' welfare fund		-	1,357,338
		<u>-</u>	<u>9,733,635</u>

21 TAXATION

Current, for the year	21.1	-	20,346,650
Prior year tax expense		-	380,289
Deferred tax expense	10.2	1,493,835	19,549,580

21.1 Current tax

No current year tax is computed on the basis of minimum tax u/s 113 of Income Tax Ordinance 2001 as the company suffered gross loss and have already paid advance tax.

21.2 Tax charge reconciliation	Rupees	
	2013	2012
Profit for the year before taxation	<u>-</u>	<u>159,199,636</u>
Tax at the rate of 35%	-	55,719,873
Tax effect of expenses that are inadmissible for tax purpose	-	6,993,184
Tax effect of expenses that are admissible for tax purpose	-	(5,853,502)
Brought forward losses	-	(36,512,904)
Deferred tax expense during the year	1,493,835	19,549,580
Prior year tax expense	-	380,289
Tax Expense for the year	<u>1,493,835</u>	<u>40,276,519</u>



	2013	2012
22 EARNINGS PER SHARE	———— Rupees ————	
BASIC		
(Loss) / Profit after taxation (Rupees)	<u>(121,680,503)</u>	<u>118,873,117</u>
Weighted average number of ordinary shares	<u>14,100,000</u>	<u>14,100,000</u>
Earnings per share (Rupees)	<u>(8.63)</u>	<u>8.43</u>

DILUTED

There is no dilution effect on the basic earnings per share of the Company as the company has no potential ordinary shares in issue at the end of the reporting period.

23 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

Particulars	2013				2012			
	Chief Executive	Director	Executive	Total	Chief Executive	Director	Executive	Total
———— Rupees ————								
Remuneration	3,093,800	1,668,051	-	4,761,851	2,907,800	1,657,200	-	4,565,000
Perquisites, benefits and utilities	2,099,128	-	-	2,099,128	2,099,128	-	-	2,099,128
Total	<u>5,192,928</u>	<u>1,668,051</u>	<u>-</u>	<u>6,860,979</u>	<u>5,006,928</u>	<u>1,657,200</u>	<u>-</u>	<u>6,664,128</u>
No. of persons	<u>1</u>	<u>2</u>	<u>-</u>	<u>3</u>	<u>1</u>	<u>2</u>	<u>-</u>	<u>3</u>

23.1 The Chief Executive and Directors are entitled to free use of Company maintained cars. The Chief executive is also provided telephone and utility facilities.

24 TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party and exercise significant influence over other party in making financial and operating decisions.

The related parties comprise of major shareholders, directors of the company and key management personnel and staff/workers funds. Remuneration and benefits to executives of the company are in accordance with the terms of the employment while contribution to the provident fund and gratuity are in accordance with staff service rules.



		2013	2012
		————— Rupees —————	
Details of transactions with related parties are as follows:			
<u>Transactions during the year</u>			
Contribution to staff provident fund		843,073	1,447,659
Contribution in Workers' Profit Participation Fund		-	8,376,297
Interest accrued on WPPF		1,113,920	318,838
<u>Payable / (Receivable) as on balance sheet date with:</u>			
Workers' profit participation fund		9,375,178	11,142,064
Employees' provident fund trust		1,257,077	5,692
		2013	2012
		————— Rupees —————	
25	FINANCIAL INSTRUMENTS		
Financial instruments by category			
FINANCIAL ASSETS - LOANS AND RECEIVABLES			
Trade debts		26,259,168	26,951,149
Cash and bank balances		2,233,385	2,315,569
		<u>28,492,553</u>	<u>29,266,718</u>
FINANCIAL LIABILITIES - AMORTIZED COST			
Long-term finances		359,276,474	359,276,474
Trade and other payables		202,614,129	175,654,000
Accrued markup on finances		18,991,927	18,991,927
		<u>580,882,530</u>	<u>553,922,401</u>

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: capital risk, credit risk, liquidity risk and market risk (including interest/mark-up rate risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

26.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Due to the company's long standing business relationships



with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the company. To manage exposure to credit risk, Company applies credit limits and deals with credit worthy parties. It makes full provision against those balances considered doubtful by dealing with variety of major banks and financial institutions. All the balances are recoverable / deposited in Pakistan. The carrying amounts of financial assets against which the Company did not hold any collateral represent the maximum credit exposure, as specified below:

	2013	2012
	————— Rupees —————	
Trade debts	26,259,168	26,951,149
Bank balances	<u>2,178,252</u>	<u>2,143,464</u>
	<u><u>28,437,420</u></u>	<u><u>29,094,613</u></u>

26.1.1 Impairment losses

The aging of Trade debts at the reporting date was:

	2013		2012	
	Gross value	Impairment	Gross value	Impairment
	————— Rupees —————			
Not past due	26,259,168	-	26,951,149	-

The company believes that no impairment allowance is necessary in respect of trade debts past due other than amount provided.

26.1.2 Credit quality of bank balance		2013	2012
		————— Rupees —————	
Short term credit rating	Rating agency		
A1+	PACRA	1,799,947	1,566,617
A-1+	JCR-VIS	<u>378,305</u>	<u>576,847</u>
		<u><u>2,178,252</u></u>	<u><u>2,143,464</u></u>

26.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities (including interest payments):



	2013			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
————— Rupees —————				
Non-Derivative				
Financial liabilities				
Long-term finances	359,276,474	360,889,969	342,487,992	16,788,482
Trade and other payables	204,178,450	204,178,450	204,178,450	-
Accrued markup on finances	18,991,927	18,991,927	18,991,927	-
	<u>582,446,851</u>	<u>584,060,346</u>	<u>565,658,369</u>	<u>16,788,482</u>

	2012			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
————— Rupees —————				
Non-Derivative				
Financial liabilities				
Long-term finances	359,276,474	360,889,969	342,487,992	16,788,482
Trade and other payables	176,830,407	176,830,407	176,830,407	-
Accrued markup on finances	18,991,927	18,991,927	18,991,927	-
	<u>555,098,808</u>	<u>556,712,303</u>	<u>538,310,326</u>	<u>16,788,482</u>

26.3 Market risk

Market risk means that the future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates and interest rates. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company's market risk comprise of interest/mark up rate risk. The market risk associated with the Company's business activities are discussed as under:

26.3.1 Interest/mark up rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is not exposed to Interest / mark up rate risk as there is no variable rate financing as at the balance sheet date. At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2013	2012	2013	2012
	Effective interest rate (%)		Carrying amount	
————— Rupees —————				
Fixed rate instruments				
Long term financing	6% - 14.48%	6% - 14.48%	<u>342,487,992</u>	342,487,992

No sensitivity analysis has been performed and disclosed in these financial statements since the company has no outstanding financial instruments at year end with variable interest rates.

26.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of all financial assets and financial liabilities are estimated to approximate their respective carrying amount.

27 CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

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 or sell assets to reduce debt.

Consistent with others in the industry, the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings. At the reporting date company's Debts amounted to 359 million and its Equity is negative by 478.9 million.

There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

	2013	2012
	—— Metric Tons ——	
28 CAPACITY AND PRODUCTION		
Crushing capacity (based on 180 days of production)	626,400	626,400
Actual crushing	35,301	162,690
Sugar capacity (based on 180 days of production)	62,640	62,640
Production of sugar	3,263	16,050
	—— Days ——	
Number of days of production	44	69
	—— Percentage ——	
Percentage of capacity attained	5	26

The reason for under utilization of installed capacity is due to limited availability of sugarcane and other factors as disclosed in note



29	NUMBER OF EMPLOYEES	2013	2012
		Number	
	Total employees during the year	<u>226</u>	<u>313</u>
	Average number of employees during the year	<u>270</u>	<u>320</u>
30	DISCLOSURES RELATING TO PROVIDENT FUND		
		2013	2012
		Rupees	
	(i) Size of the fund	56,910,732	54,698,704
	(ii) Cost of investment made	29,180,315	31,180,315
	(iii) Percentage of investments made	87.5%	96.3%
	(iv) Fair value of investments	49,781,361	52,661,987
	Breakup Of Investment - At Fair Value		
	- Shares in listed companies	23,681,361	24,561,987
	- Investment in deposit certificates	26,100,000	28,100,000
		<u>49,781,361</u>	<u>52,661,987</u>
		Percentage	
	- Shares in listed companies	47.6%	46.6%
	- Investment in deposit certificates	52.4%	53.4%
		<u>100%</u>	<u>100%</u>

These figures are based on the audited financial statements of the provident fund as at June 30, 2013. Investments are made out of the fund are in accordance with section 227 of the Companies Ordinance, 1984 and Employees' Provident Fund Rules, 1996 except for investment in listed securities.

31 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized by the Board of Directors of the Company for issue on January 03, 2014.

32 GENERAL

Figures have been rounded off to the nearest rupee.

DIRECTOR

DIRECTOR



FORM OF PROXY

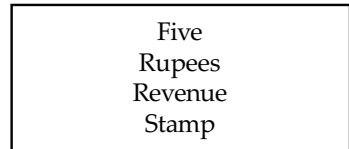
The Secretary,
MIRZA SUGAR MILLS LIMITED
10th Floor, Portion "B", Building No. 1,
Lakson Square, Sarwar Shaheed Road,
Karachi-74200.

I/We _____ S/o _____
CNIC _____ of _____
being a member of **MIRZA SUGAR MILLS LIMITED** and holder of _____
Ordinary Shares, as per Register Folio No./CDC A/c No. _____
hereby appoint _____ S/o _____
CNIC _____ Folio No. / CDC A/C No. _____
of _____
who is also a member of the Company as my/our Proxy to vote for me/us and on my/our behalf at the
24th Annual General Meeting of the Company to be held on **January 30, 2014** or at any
adjournment thereof.

Signed: _____ day of _____ 2014.

Witness

- 1) Name _____
C.N.I.C No. _____
Address _____
Signature _____
- 2) Name _____
C.N.I.C No. _____
Address _____
Signature _____



(Signature should agree with
the specimen signature
registered with the company)

NOTE:

1. This form of proxy duly completed and signed, must be deposited at the company's Registered Office not later than 48 hours before the meeting.
2. This form should be signed by the Member or by his/her attorney duly authorised in writing. If the member is a corporation, its common seal should be affixed to the instrument.
3. A Member entitled to attend and vote at the meeting may appoint any other Member as his/her proxy to attend and vote on his/her behalf except that a corporation may appoint a person who is not a member.

