

ANNUAL REPORT 2015



YEARS

www.mehransugar.com

CELEBRATING



YEARS

We are proud to report that Mehran has completed its 50 years and is celebrating its Golden Jubilee. We thank our customers for their continued support, our team members for their dedicated efforts and our shareholders for their continual confidence.



KEY FIGURES

Turnover (Rs.)

4,639,725,518

Sucrose Recovery

11.42%

Profit before tax (Rs.)

546,876,633

Earnings per share (Rs.)

13.43

Sugar Production (M. Tons)

108,136

Molasses production (M. Tons)

39,027

Dividend declared

60%

Market Capitalization (Rs.)

3,527,280,699

CELEBRATING
50
YEARS

OUR FOUNDERS



Haji Hasham Haji Ahmed

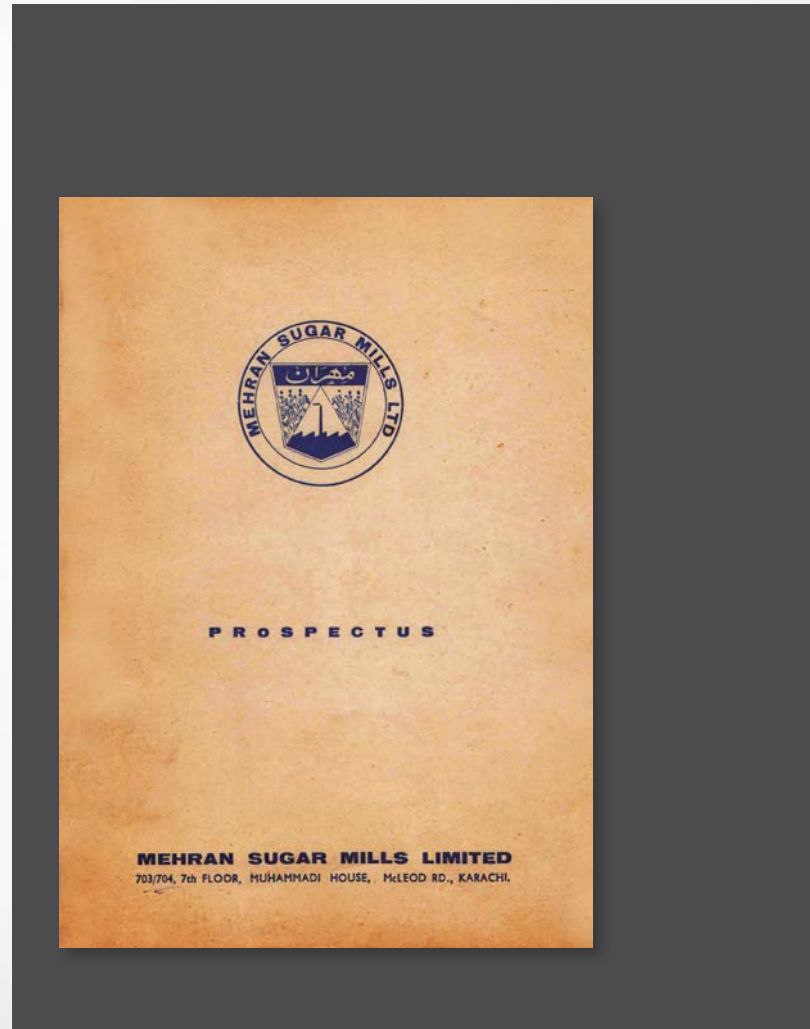
Haji Hasham was the founding Chairman of Mehran Sugar Mills Ltd. He started his career at the young age of 16 and was instrumental in laying the foundations of the Hasham Group. While the group was primarily focused on commodity trading, textiles and tobacco, the boom of the 60's spurred Haji Hasham to pursue new ventures and in 1965 he began the establishment of Mehran Sugar Mills Ltd. It was his vision and his continual endeavours which contributed greatly to where we stand today. His entrepreneurial ability to grasp business opportunities along with his ability in creating a strong ethical culture has been deeply endorsed into the future generations of the family and in how Mehran is managed today.



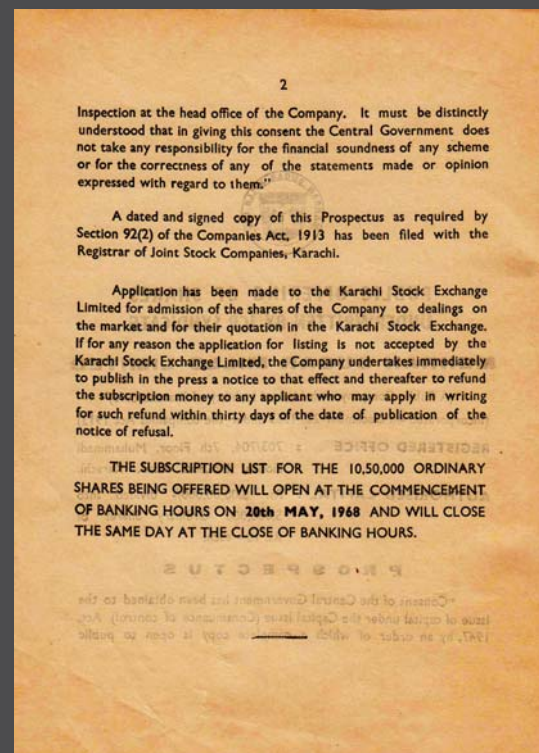
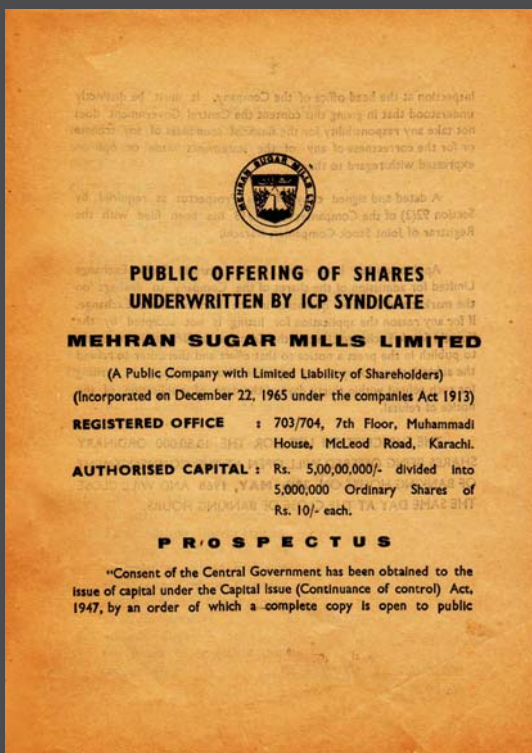
Mohammad Usman Hasham

Mohammad Usman was our founding Managing Director. Usman was a visionary who strongly believed in the industrialisation of Pakistan. His vision enabled the group to diversify in the sugar sector. His leadership skills reflected in the initial years of running Mehran sugar as well as his being the chairman of PSMA. Mohammad Usman along with his entrepreneurial zeal was also a patron of the arts and an active contributor towards corporate social responsibility.

CELEBRATING
50
YEARS



The Original Prospectus issued for the IPO in 1968





CELEBRATING



YEARS



VISION

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

MISSION

Preamble:

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

Basic Purpose:

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

IMPORTANT EVENTS IN 2015

Our profit before tax is highest this year which is **Rs. 500 million** thus crossing the half billion mark for the **first time** in our history.

Achieved a record sucrose recovery of **11.42%** which was the **highest recorded** by any mill in Pakistan for the year.

Paid the highest dividend of **Rs. 176.172 million** this year, which is **31%** higher than last year.

We started supplying electricity to the **National Grid** during the season. **2.83 million kwh** of clean renewable based electricity was supplied during the year.

Launched three new variants of retail sugar in consumer packs. **Moist, Icing** and **Caster** sugar were launched under the umbrella of our brand **Sugarie**.

Finalized plans to setup a new SPV called **UniEnergy**. UniEnergy is in the process of setting up a **50 MW Wind Power Project**.

SIN
DH

GEOGRAPHICAL
LOCATION



▲ Mehran-Corporate Office ● Mehran-Sugar Plant ● Unicol-Ethanol Plant

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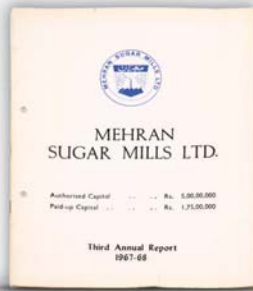


SIXTIES

60's

The 1960's was the period where Mehran Sugar Mills was incorporated as a company, listed on the Karachi Stock Exchange and started its commercial production.

The initial challenge to the company was to develop sugarcane in an area where cane cultivation was minimal. The vigorous efforts to pursue sugarcane development led to a surge in cane plantation and by the end of the decade the area had more than 33,000 acres planted.



Acquisition of Land

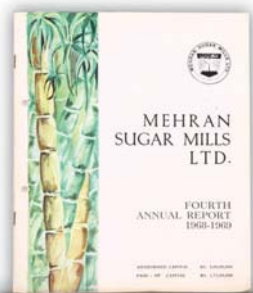
Your Company acquired 118 acres of land near Tando Allahyar Town for the purpose of factory buildings and residential Colony. The Contract for civil works was awarded to M/s. Gammon Pakistan Limited and the construction work of main factory building was taken in hand in November, 1967.

(Directors' Report 1967-68)

Sugarcane development initiatives

With the co-operation of A.D.B.P. the Company arranged supply of seeds and fertilizers to the Growers to encourage cultivation of the sugar cane within zones. The Company has also advanced loans to a number of growers.

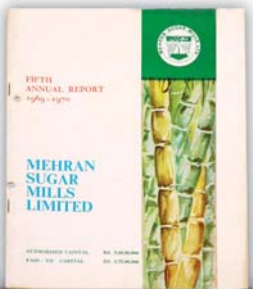
(Directors' Report 1967-68)



Commencement of Operations

The erection of the plant and machinery was completed in December, 1968. After necessary dry and wet tests and removal of minor erection faults, production commenced from 27th January, 1969 and continued till 12th February, 1969.

(Directors' Report 1968-69)



Promising Start

By the grace of Almighty Allah, the Company has made positive progress during the first full crushing season, resulting in our recommendation of the maiden dividend of 10 percent for the year under report.

(Directors' Report 1969-70)

Improved Sugar Production in the Country

As you know, the overall production of sugar in West Pakistan reached a figure of over 600,000 tons, as a result of the bumper cane crop.

(Directors' Report 1969-70)

First ever export by the company

At this stage the government was good enough to allow export of sugar, which assisted in liquidation of the surplus stocks. You will be happy to know that your Company performed a pioneering job by initiating export of sugar and have exported 11,560 tons for the value of Rs. 16,388,000/-

(Directors' Report 1969-70)

Early and positive cane development efforts

The vigorous efforts made by your Company in development of sugarcane acreage have resulted in increasing acreage from 19,000 to 33,000 acres.

(Directors' Report 1969-70)

CORPORATE HISTORY

1965 The Company is incorporated as a public limited company.

1968 Shares of the Company are listed on the Karachi Stock Exchange.
Plant commences trial production with a crushing capacity of 1,500 TCD.
Complete plant is procured from M/s Mitsubishi Japan.

1978 Steady re-engineering increase the crushing capacity to 3,500 TCD.

1983 Recognised by the Karachi Stock Exchange as one of the Top 25 Companies for the year.

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

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

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

2001 Sales cross Rs. 1.0 Billion.

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

2007 The joint venture distillery, Unicol Limited commences commercial production.

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

2013 Company first time ever crossed sucrose recovery of 11 percent. The Company crossed the 100,000 M. Tons milestone production for the first time.

2014 Record highest sugar production of 123,210 M. Tons.
Sales crossed Rs. 6.0 Billion.
Associated Company Unicol Limited doubled its ethanol production to 200,000 LPD.

2015 Record highest sucrose recovery of 11.42 percent which was the highest achieved in the country.
Company crossed half a billion profit before tax.
Started supply of co-generated electricity to the National Grid.
Company paid its highest dividend of Rs. 176 million.



SEVENTIES

70's

The 1970's was a very interesting period for the business. The 1971 war led to challenging circumstances. It meant that production for a certain period was not possible. The depreciation of currency which was an impact of the war had a consequence on the new company's foreign loans.

The sad demise of our founding CEO Mr. Mohammad Usman who was also Chairman of the PSMA had a profound impact on the company as well as all the family members.

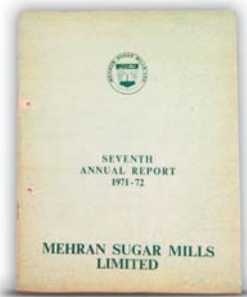
With time the company was able to stabilise itself from the unforeseen and shocking events at the start of the decade. As the years progressed there was more financial stability however a new challenge which was created was the hugely cyclical nature of the sugar industry. Huge crop swings from surplus to deficit created threats and opportunities and meant highly unpredictable results for the company.



Foreign Exchange contribution to the country

During the year under review, in spite of all handicaps, the company made pioneering efforts in the development of foreign markets for Pakistani sugar, and exported 18,600 tons of sugar to Sudan and Ceylon amounting to £Stg. 885,319 and thus made a sizeable contribution towards earning of foreign exchange for the country.

(Chairman's Review 1970-71)



Demise of founder member of the company

At the very outset it has fallen to my lot to inform the shareholders about the sad and untimely demise on 15th February, 1973 of our Chief Executive, Mr. Mohammad Usman, who was also the Chairman of Pakistan Sugar Mills Association (Sindh Zone). He was a founder member of your company and a very energetic and imaginative leader of the business community in Pakistan. He rendered valuable services to this company in particular and to the sugar industry in general. Under his able and inspiring guidance, your company achieved marked progress during a very short period of time. Let us pray that God Almighty may rest his soul in eternal peace and grant courage to his family to bear his irreplaceable loss.

(Chairman's Review 1971-72)

Consequences of 1971 war to the company

An outbreak of war with India affected the mobility of cane and overall operations of the mills for about a period of one month. Consequent to this, the fuel consumption increased considerably as average daily crushing was far less than the capacity of mills.

(Chairman's Review 1971-72)

Impact of currency de-valuation

The financial position of your company was further affected by the devaluation of our currency which increased company's liability to PICIC by Rs. 21,086,865/-. We again apprehend a further revaluation of Japanese Yen as it has been allowed to float in the world monetary exchanges.

(Chairman's Review 1971-72)

Appointment of external directors in the Board

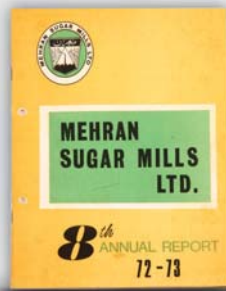
Your Directors further wish to inform that as a consequence of the change in corporate laws introducing a system to safeguard the interest of minority shareholders, Mr. Shamshad Nabi of N.I.T. and Mr. Mirza Asadullah of I.C.P. joined our Board of Directors.

(Chairman's Review 1971-72)



SEVENTIES

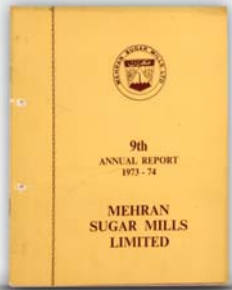
70'S



Company crossed 9% recovery for the first time

During the year under review, the factory operated for 109 days and the quantity of sugarcane crushed was 4,959,782 maunds and production of white sugar was 465,583 maunds at an average recovery of 9.38 per cent as against cane crushing of 4,043,635 maunds.

(Chairman's Review 1972-73)



Rewarding Shareholders

During the period ended 30th September, 1974, I am happy to report that your Company was able to make a remarkable progress. Consequently, your directors have recommended a total dividend of 30% for the year under review.

(Chairman's Review 1973-74)

Cyclical nature of cane lead to huge swing in crop size was always been an issue

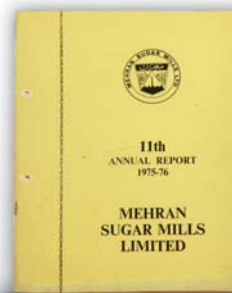
Sugarcane crop during the season 1973-74 had been a bumper one. The factory was able to operate 226 days as against 109 days in last year. The total quantity of cane crushed was 12,029,949 maunds (441,871 tons) while during the last year, cane crushed was 4,959,782 maunds (182,177 tons). Sugar produced was 1,066,469 maunds (39,172 tons) at an average recovery of 8.86% as against sugar production of 465,583 maunds (17,101 tons) at an average recovery of 9.38% last year.

(Chairman's Review 1973-74)

Issue of infrastructure development within the vicinity of the mill

The importance of linking roads within the zones of sugar mills is well known. I am sorry to say that in spite of paying sizeable amount of Road Cess, no road building programme has been developed for link roads in our zones.

(Chairman's Review 1973-74)



Crisis management during the crushing season

Encouraging reports of bumper sugarcane crop is in full swing. It may be mentioned here that in the beginning of crushing season, the Power House turbines broke down. Timely efforts of the Chief Executive, assistance of Japanese technicians and the arrangements with WAPDA to supply the additional power mitigated the problem thus crushing continued to the maximum.

(Chairman's Review 1975-76)

Continued intention to improve quality of sugarcane

Company has also decided to join hands with other sugar mills in Sindh in setting up of a full fledged Sugarcane Research Institute at Husri near Hyderabad under the auspices of Pakistan Sugar Mills Association (Sindh Zone). The Company has contributed Rs. 150,000 for the said purpose.

(Chairman's Review 1975-76)

Contribution by Suleman A. Memon

Mr. Suleman A. Memon has also resigned as Director of the Company. Your directors put on record the valuable advises and services rendered by Mr. Suleman A. Memon during the tenure of his services on the Board of Directors of the Company.

(Chairman's Review 1975-76)

COMPANY INFORMATION

Audit Committee

Mr. Amjad Waheed - Chairman
Mr. Mohammed Hussain Hasham – Member
Mr. Khurram Kasim - Member
Mr. Muhammad Iqbal- Member
Mr. Haseeb Atif - Secretary

CFO and Company Secretary

Mr. Muhammad Hanif Aziz
FCMA

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Cost Auditors

Haroon Zakaria & Company
Chartered Accountants

Legal Advisor

Sayeed & Sayeed
Advocate & Legal Consultants

KMS Law Associates

Advocates & Corporate Consultants

Share Registrar

C & K Management Associates (Pvt) Ltd.

Bankers

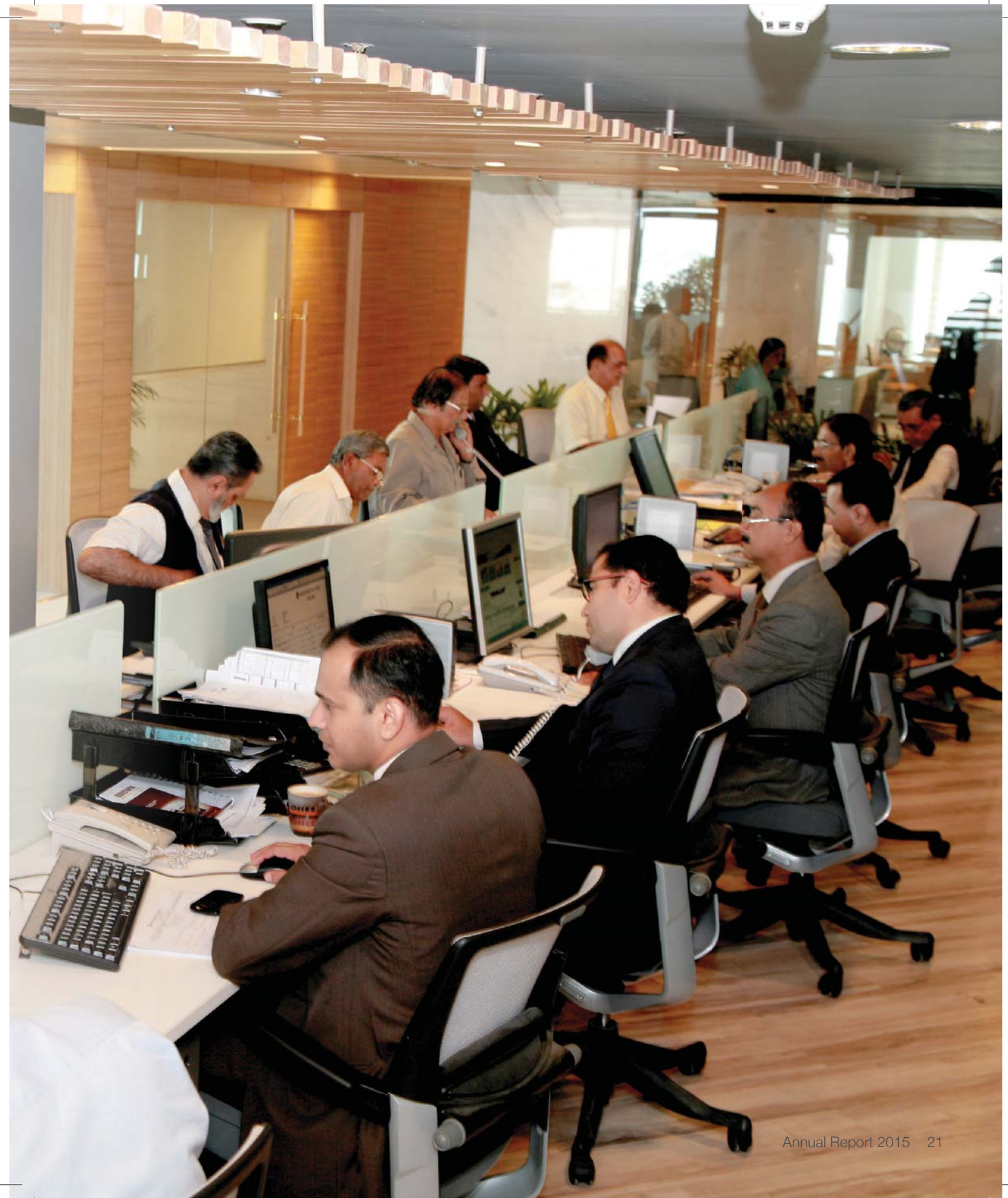
Al Baraka Bank (Pakistan) Limited
Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Bank of Punjab Limited
BankIslami Pakistan Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited

Registered Office

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

Mills

Tando Adam Road, Distt. Tando Allahyar.
Tel:(022) 3414501, 3414502, 3414503
Fax:(022) 3414504



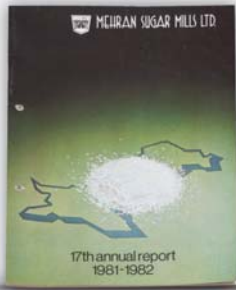


EIGHTIES

80's

The 1980's saw some of Mehran's most successful financial years. The company was twice selected for the prestigious award of being recognised as the Top 25 Companies of the Karachi Stock Exchange.

The period also saw de-regulation of sugar marketing which happened in 1984 and than the end of sugarcane zoning which happened in 1987. Both these decisions had an impact on your company however it also brought new opportunities in terms of creating a more efficient business model thus preparing the company for the years ahead.



Milestone achieved - production and profitability

Previous year, I was sanguine that the prospects for the year under review would be promising. You will be glad to know that we have achieved the highest ever production and profits for the year 1981-82. Your mills crushed 594,776 metric tons of sugarcane and produced 52,210 metric tons of white sugar at an average recovery of 8.77%.

(Chairman's Review 1981-82)

Excellent record of honouring financial commitments

Another noteworthy event of the review has been full payment made by the Company of the outstanding PICIC loan of Rs. 5,318,706/-, three years before due dates. We are grateful to PICIC for this accommodation.

(Chairman's Review 1981-82)



Another good year - remarkable production, sales and profitability

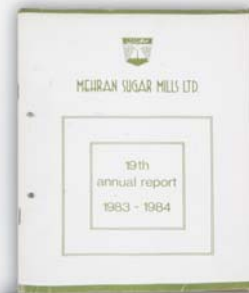
The year 1982-83 was yet another good year of our achievements. We produced in the year 56,670 metric tons of sugar at the recovery rate of 8.49 percent, as against 52,210 metric tons at the recovery rate of 8.77%. By all standards, the year 1982-83 was a record year in the history of the Company. The production, sales and profits reached the record level. As the figures revealed, the production reflected an increase by 8.54 percent, sales by 98.62 percent and profits by 24.39 percent, compared to the previous year.

(Chairman's Review 1982-83)

Continual Capital investment on the project

These achievements need, however, be considered in the context of the huge capital outlay to the tune of Rs. 30 million in the year for balancing and modernization of the plant.

(Chairman's Review 1982-83)



Top Companies award by Karachi Stock Exchange

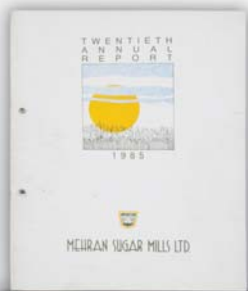
I am happy to inform you that the company ranked amongst the top companies listed for 1983 by The Karachi Stock Exchange Limited for paying handsome dividend to the shareholders and achieving a high rate of earning per share.

(Chairman's Review 1983-84)



EIGHTIES

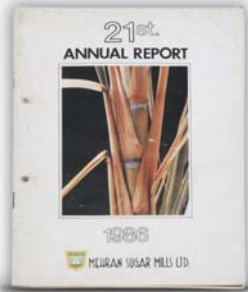
80'S



Change of sugar marketing policy to a free market economy

The company, in line with the trends obtained in the sugar industry, has been in transition of settling down in the new economic equilibrium of free market. In order to maintain a profitable performance, it has become inevitable to find appropriate measures which could reduce costs.

(Directors' Report 1984-85)



Returns to Shareholders

The directors have recommended payment of 45 percent cash dividend plus 9.33146 per cent bonus shares commensurating with increased amount available for appropriations.

(Directors' Report 1985-86)



Removal of Cane Zone lead to sugarcane movement being de-regulated

The new sugar policy announced by the Federal Government during May 1987 brought a number of changes and created altogether a different economic environment for the sugar industry. Some major changes relate to removal of zones previously demarcated for the sugar mills, allowing the growers gur and khandsari making and still keeping the support price for cane in force. Moreover, three new sugar mills have been switched on to operations in 1987-88 spell.

(Directors' Report 1986-87)

First Season after abandoning of Cane Zone System lead to a 36% escalation in sugarcane prices

From the 1987-88 season, the Federal Government initiated deregulation policy of marketing sugarcane with a minimum support price at Rs. 11.15 per maund. A time tested system of reserved zones of sugarcane for each sugar mill was abandoned allowing farmers to sell crop at their will. The new policy coincided with three new sugar mills coming on the stream. Earlier reports of shortage of sugarcane added to the unstable trends. Sugarcane prices soared to Rs. 15/- per maund.

(Directors' Report 1986-87)

SWOT ANALYSIS

STRENGTHS

- Mehran is located in one of the most densely populated sugarcane zones in Pakistan. Huge quantity of sugarcane in the nearby vicinity enables the company to procure sugarcane with minimal transport costs which gives it a distinct advantage.
- Nearly 100% of cane in our zone is early maturing and high yielding which allows the Company to achieve sucrose recoveries which are approximately 13% higher than the national average. This gives the Company a comparative advantage to most other sugar mills in Pakistan.
- Mehran's goodwill amongst the farmer community for payment and commitment allows it to procure cane competitively. The Company is thus able to get a preference in terms of quality, quantity and pricing.
- Mehran has a crushing capacity which is approximately 50% larger than the national average of Pakistan sugar mills. This allows better overhead absorption and one can produce sugar at a lower cost per ton.
- Mehran's investment in Unicol Limited has diversified its income base and allowed it to add value to its by product, molasses. Unicol has doubled its ethanol capacity to 200,000 Lpd. This investment shall start paying cash dividends from 2016 which shall become a recurring source of earnings for Mehran in the future.
- Mehran also manages an equity portfolio. The market value of the portfolio has now exceeded Rs. 800 million. Dividends and capital gains from this portfolio allow a continual income stream which furthers strengthens the balance sheet.
- Mehran's strength lies in its policy to grow in a conservative yet sustainable manner. This has allowed it to establish a strong balance Sheet which is conservatively leveraged, hence allowing the Company to explore other business avenues to maximise Shareholder return.

WEAKNESS

- The nature of the sugar industry remains a regulated one. The provincial government sets cane prices which at times are not in line with sugar sales prices. This reliance on government intervention especially considering cane and sugar can be politically sensitive commodities can have a negative impact on the sugar industry.
- Change in the size of the sugarcane crop can have an effect on the financial results of the Company. Sugarcane crop sizes vary depending on the weather, water availability and pricing of competitive crops. Sugarcane disease can have a detrimental effect on both farmer and factory yields which could also affect profitability.
- Since sugar is a commodity, the Company does not have much pricing power or any relative advantage as compared to its competitors. The only advantage the Company has is in timing its sales keeping in mind market movements.
- Sugar prices have continued to remain extremely volatile which doesn't allow one to forecast future revenue streams. While sugar production is a seasonal operation, sales continue throughout the year, thus holding inventory is a risk, especially in a volatile commodity market environment.
- Sugar cane prices are set by the government on the basis of cost of sugarcane production. Low farmer yields have meant that this price is set higher than the global average. The high sugar cane price makes sugar production at times un-viable for sale in the global market.
- With changing global environment, innovation is the need of hour to remain competitive, profitable and sustainable. Sugarcane requires continuous research and development of new varieties which are disease resistant and have high farm and factory yields. Sadly public or private institutions have not been able to establish any quality research institutes in the country which could eventually make sugarcane farming and sugar milling globally competitive.
- The country's law and order situation has at times created hindrance to attract foreign experts in areas of innovation for farm and factory especially since the sugar industry is rural based.

OPPORTUNITIES

- A modern sugar complex is a sugar, ethanol and power producer. While we at Mehran have tapped sugar and ethanol production and recently started power supply to the national grid, the opportunity to produce and supply power at a scalable level still remains a huge potential.
- Pakistan remains a power deficit nation. The sugar industry has the potential to produce over 3,000 MW of power whereby individual mills can set up plants as large as 100 MW.
- The need of the time is to bring new varieties with high sucrose recovery to improve our overall sugar production. Therefore, research and development needs to be given preferred attention for continuous improvement. While Pakistan's national recovery remains between 9.50-10.50% there are varieties being developed which could fetch recoveries of 12.00 % and higher. Such varieties would make Pakistan globally competitive thus enhancing both farmer and miller revenue. Certain Countries in the region have recoveries as high as 12.5%.
- There also lies huge potential in increasing farm yields which would reduce the cost of the farmer thus making sugar cane cheaper as a raw material. Farm yields vary from 350 maunds to 1800 maunds per acre, while the national average is 525 maunds per acre.
- Pakistan has a large indigenous population of close to 200 Million. This population continues to grow at a fast rate. The population growth along with income prosperity means that demand for sugar is expected to grow continually for the foreseeable future allowing for future growth in the industry. We foresee sugar demand growing at 4-5 percent annually for the next decade while many developed countries are seeing stagnant or negative growth.
- Growing awareness has paved the way for brand loyalty. Mehran has ventured into the retail segment by launching Branded Sugar through its two brands "Sugarie" and "Chashnik". Huge population base of the country allows ample opportunities for further branded products and the company is keenly evaluating opportunities.

THREATS

- Sugar mills are typically located in rural areas which are more susceptible to Law and Order situation. The movement of our cane team as well as farming team in specific areas can also be difficult and restricted.
- High inflation affects the business due to cost increases. It also reduces the consumers buying power. While inflation has been manageable in 2015-16, Pakistan has been suffering from near double digit inflation for the last decade. In order to curb inflation, State Bank of Pakistan regularly intervenes and revises interest rates which affect the cost of doing business. A sudden surge in borrowing rates could adversely impact the Company's financials.
- Since 1970 Pakistan has witnessed annual devaluation of local currency of 6.5%. This devaluation increases the cost of imports thereby increasing our processing cost as well as the cost of capital expenditure. It also restricts companies from accessing international debt markets.
- Proper maintenance during the off-season enables the plant to run smoothly during the season. Since the season is for a limited duration, a major breakdown could affect financial results for the entire year.
- In the last two decades the industry has consistently increased its sugarcane crushing capacities without objectively ensuring an increase in the size of sugarcane crop. A major challenge going ahead is to ensure increased sugarcane cultivation to match crushing capacity.
- Sugar cane requires abundant quantity of water for cultivation. Pakistan with its growing population can in the future face such water constraints which could mitigate the growth of sugarcane and the industry.



BUSINESS STRATEGY & GOALS

Mehran Sugar Mills Limited is a progressive and diversified sugarcane milling company with an objective to achieve growth through maximum capacity utilization, economies of scale and cost rationalization, without compromising the premium quality of products produced. We invest in our production facility and latest technologies on a systematic basis to achieve maximum productivity. Our ultimate goal is to ensure maximum returns to the shareholders within our resources.

MANAGEMENT COMMITTEES

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

Executive Committee

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

Audit Committee

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

Human Resource Development Committee

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

BOARD OF DIRECTORS

From left to right

Mr. Amjad Waheed
Director (Independent)

Mr. Muhammad Iqbal
Director (Non-Executive)

Mr. Khurram Kasim
Director (Non-Executive)

Mr. Mohammed Ebrahim Hasham
Chief Executive Officer

Mr. Mohammed Kasim Hasham
Chairman (Non-Executive)

Mr. Mohammed Hussain Hasham
Director (Non-Executive)

Mr. Ahmed Ebrahim Hasham
Managing Director

Mr. Muhammad Bashir
Director (Independent)

CELEBRATING
50
YEARS



PHOTO: H. BERBEROĞLU

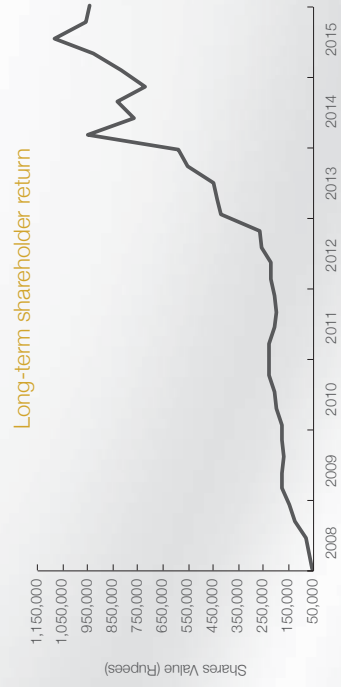


CELEBRATING 50 YEARS

MEHRAN'S SHARES

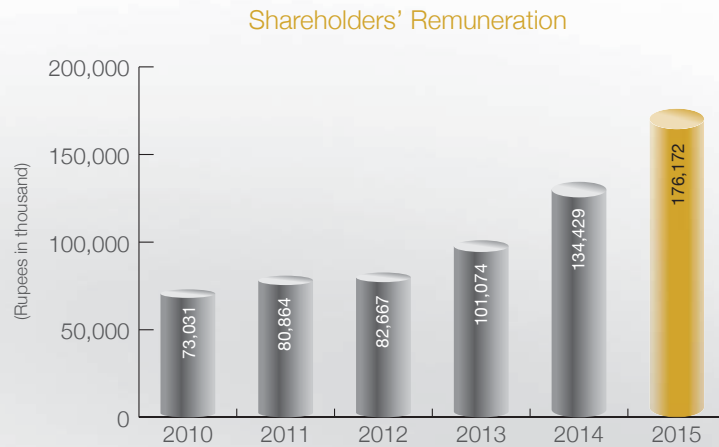
Long-term shareholder return

A shareholder, who on October 1, 2008 invested Rs. 50,000 and acquired 1,863 shares of Mehran Sugar Mills Ltd. at a price of Rs. 26.84 per share, and if all the dividends received were re-invested, would have Mehran shares worth Rs. 927,000 on September 30, 2015 representing a cumulative gain of 1,755%. The average annual return of the Mehran share over this period was 61% versus the average annual return of the KSE 100 Index was 20.55%.





Mehran assigned Rs. 176.17 million to Cash Dividend in 2014-15, which is 31% higher than 2013-14



SHAREHOLDERS' INFORMATION / INVESTOR RELATIONS

Share Registrar

C & K Management Associates (Pvt) Ltd.
404, Trade Tower, Abdullah Haroon Road,
Near Metropole Hotel, Karachi
Ph: +92 - 21 -35687839, 35685930

Contact Person

Mr. Muhammad Zakir

Date of Annual General meeting

29/01/2016

Date of Board of Directors meeting

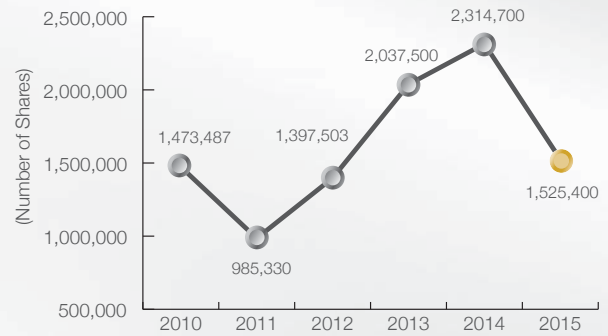
1st Qtr	Half Year	3rd Qtr	Annual
28/01/2016	19/05/2016	28/07/2016	15/12/2016

	2015	2014	2013	2012	2011	2010
Number of Shares (Issued / Paid-up)	32,031,245	32,031,245	25,321,143	20,926,565	17,294,682	14,293,125
Earning per share	13.43	8.40	15.70	13.02	18.67	16.93
Break-up value per share	58.12	51.58	54.72	49.62	45.84	36.55
Market Capitalization	3,523,436,950	3,253,093,242	1,772,226,799	885,193,700	947,402,680	753,247,688
Market value of share on 30 th September	110.00	101.56	69.99	42.30	54.78	52.70
P/E Ratio	8.19	12.09	4.46	3.25	2.93	3.11
Cash Dividend %	60	26	25	25	35	35
Bonus Shares %	-	10	25	20	20	20
Number of shares Traded	1,525,400	2,314,700	2,037,500	1,397,503	985,330	1,473,487
Highest price during the year	143.32	131.99	75.40	56.99	68.49	71.00
Lowest price during the year	79.01	64.50	41.26	38.00	50.10	48.10

Share price trend

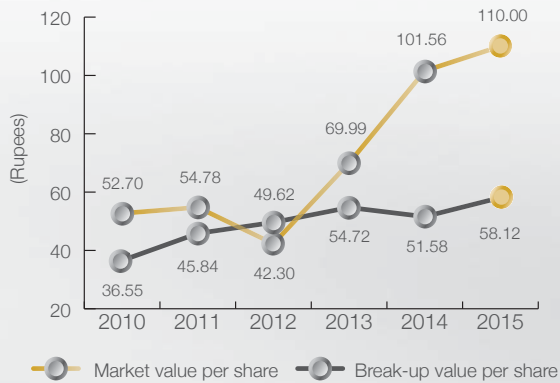


Mehran's Shares Turnover

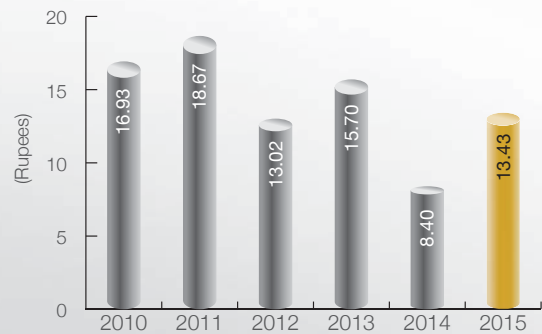


Mehran's Shareholders Equity has increased from Rs. 522 million in 2010 to Rs. 1,862 million in 2015, thus representing an increase of 256% in six years

Breakup vs Market value



Earning per share



MANAGEMENT TEAM

Mohammed Ebrahim Hasham
Chief Executive Officer

M.A. (Management)
Chapman University, California
Joined Mehran in 1973

Ahmed Ebrahim Hasham
Managing Director

Bachelor of Arts (Economics and IR)
Tufts University,
Medford MA, USA
Joined Mehran in 2000

Muhammad Hanif Aziz
CFO / Company Secretary

FCMA, FCIS
Joined Mehran in 2004



Ikhlas Ahmed Khan
Resident Director

B.E / PGD (Chemical Engineering)
University of Punjab, Lahore
Joined Mehran in 2007

Ehtesham-ud-Din
Director Cane/Development

Bachelor of Arts
Joined Mehran in 2004





NINETIES

90's

The 1990's saw a major expansion in the sugar industry. Mills were allowed to expand capacity while permissions were given to setup new greenfield projects. At the same time the government had decided to privatise a few mills which were state owned.

Mehran following the trend in the industry went for a major capacity expansion to double the capacity from 3,500 TCD to 7,500 TCD.

Later in the decade in 1997 the company faced a major tragedy when its founding Chairman and than CEO Mr. Haji Hasham Haji Ahmed passed away. Haji Hasham was a well known figure in the Pakistan corporate sector. His courage, determination and perseverance was a blazing torch that lights our way to the present day. Without his dream, our reality would not have been possible.



Silver Jubilee Year

By the grace of Allah, your company has completed 25 years of its incorporation which includes 22 years of operations. During this period, the Company has attained many note-worthy developments. In particular, the constant growth of its revenue reserve which now stands at Rs. 110 million is more than twice the Company's capital and the shareholders' equity has been expanded from Rs. 21 million to Rs. 50 million.

(Directors' Report 1989-90)

Continued improvement in sucrose recovery

The persistent efforts by the management in introducing the high yield varieties of sugarcane with higher sugar contents have borne fruit, as is reflected in the highest ever recovery rate of 9.74 percent obtained during the year 1989-90.

(Directors' Report 1989-90)

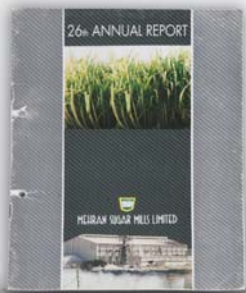
In hindsight - An incorrect long term investment

The investment of Rs. 8,271,098 in the shares of Pakistan Paper Corporation Limited is proposed to be written-off, due to liquidation of the Company. The sale proceeds of PPC's assets may not be sufficient to meet its long term loans and other advances by the financial institutions.

(Directors' Report 1989-90)

NINETIES

90'S



Major plant expansion to double the capacity to 7,000 TCD

The Board of Directors has decided to expand the capacity to 7,000 TCD approximately. The project is estimated to cost a capital outlay of Rs. 371 million and it is planned to become operational from 1992-93 season. By this expansion it will be possible to crush maximum cane in the peak recovery period which will hopefully reduce our cost of production.

(Directors' Report 1990-91)



Acquisition of Thatta Sugar Mills

Your Company succeeded in its bid to purchase Thatta Sugar Mills offered by the Industries department, Government of Sindh through a notice of tender in the news media for sale to the public. The amount of the bid was Rs. 132,500,000, out of which Rs. 33,125,000 was down payment and the balance Rs. 99,375,000 is payable over next two years in four half yearly instalments.

(Directors' Report 1991-92)



Demise of Haji Hasham

The Directors express their deep sense of grief on the sad demise on July 27th, 1997 of the Chairman and Chief Executive, Haji Hasham Haji Ahmed Esqr. While appreciating his valuable services rendered to the Company, the Directors sincerely condole his passing away and pray for eternal peace for the departed soul. May Allah give us courage to bear this irreparable loss. A humble tribute to our founding father whose vision of a bright future made all this possible. Late Haji Hasham Esqr. having courage, determination and perseverance was a blazing torch that lights our way to the present day, without his dream, our reality would not have been possible.

(Directors' Report 1996-97)

HORIZONTAL & VERTICAL ANALYSIS

PROFIT & LOSS ACCOUNT

HORIZONTAL ANALYSIS

	2015		2014	
	Rs.	%	Rs.	%
Turnover	4,361.36	(32.88)	6,498.22	12.09
Cost of sales	(3,681.45)	(37.25)	(5,866.92)	12.49
Gross Profit	679.91	7.70	631.30	8.47
Distribution costs	(40.49)	(62.12)	(106.90)	13.82
Administrative expenses	(173.38)	12.53	(154.08)	16.46
Other operating expenses	(27.74)	21.20	(22.89)	45.73
Other operating income	161.18	21.98	132.13	(11.44)
Finance costs	(146.57)	(29.87)	(209.00)	11.86
Share of Profit from an associates	93.97	77.36	52.98	(58.80)
Profit before tax	546.88	69.03	323.54	(24.94)
Taxation	(116.84)	114.64	(54.44)	62.39
Profit after taxation	430.03	59.80	269.11	(32.30)

VERTICAL ANALYSIS

	2015		2014	
	Rs.	%	Rs.	%
Turnover	4,361.36	100.00	6,498.22	100.00
Cost of sales	(3,681.45)	(84.41)	(5,866.92)	(90.29)
Gross Profit	679.91	15.59	631.30	9.72
Distribution costs	(40.49)	(0.93)	(106.90)	(1.65)
Administrative expenses	(173.38)	(3.98)	(154.08)	(2.37)
Other operating expenses	(27.74)	(0.64)	(22.89)	(0.35)
Other operating income	161.18	3.70	132.13	2.03
Finance costs	(146.57)	(3.36)	(209.00)	(3.22)
Share of Profit from an associates	93.97	2.15	52.98	0.82
Profit before tax	546.88	12.54	323.54	4.98
Taxation	(116.84)	(2.68)	(54.44)	(0.84)
Profit after taxation	430.03	9.86	269.11	4.14

Rupees in million

2013		2012		2011		2010	
Rs.	%	Rs.	%	Rs.	%	Rs.	%
5,797.47	39.69	4,150.11	(4.71)	4,355.04	13.37	3,841.34	60.90
(5,215.46)	38.27	(3,771.97)	(0.04)	(3,773.64)	12.09	(3,366.57)	68.80
582.01	53.92	378.14	(34.96)	581.40	22.46	474.78	20.79
(93.92)	240.60	(27.58)	434.02	(5.16)	(5.12)	(5.44)	1.41
(132.30)	29.54	(102.13)	(1.17)	(103.33)	26.09	(81.95)	33.06
(15.70)	12.09	(14.01)	(67.83)	(43.54)	30.46	(33.38)	(56.79)
149.20	133.62	63.87	(20.43)	80.26	105.39	39.08	73.39
(186.84)	60.63	(116.32)	(13.04)	(133.76)	81.24	(73.80)	12.96
128.58	(25.10)	171.67	322.40	40.64	2,098.94	1.85	(95.34)
431.02	21.88	353.64	(15.09)	416.50	29.70	321.13	30.70
(33.52)	(58.65)	(81.08)	(13.41)	(93.64)	18.32	(79.14)	13.42
397.50	45.84	272.56	(15.58)	322.86	33.42	241.99	37.56

2013		2012		2011		2010	
Rs.	%	Rs.	%	Rs.	%	Rs.	%
5,797.47	100.00	4,150.11	100.00	4,355.04	100.00	3,841.34	100.00
(5,215.46)	(89.96)	(3,771.97)	(90.89)	(3,773.64)	(86.65)	(3,366.57)	(87.64)
582.01	10.04	378.14	9.11	581.40	13.35	474.78	12.36
(93.92)	(1.62)	(27.58)	(0.66)	(5.16)	(0.12)	(5.44)	(0.14)
(132.30)	(2.28)	(102.13)	(2.46)	(103.33)	(2.37)	(81.95)	(2.13)
(15.70)	(0.27)	(14.01)	(0.34)	(43.54)	(1.00)	(33.38)	(0.87)
149.20	2.57	63.87	1.54	80.26	1.84	39.08	1.02
(186.84)	(3.22)	(116.32)	(2.80)	(133.76)	(3.07)	(73.80)	(1.92)
128.58	2.22	171.67	4.14	40.64	0.93	1.85	0.05
431.02	7.43	353.64	8.52	416.50	9.56	321.13	8.36
(33.52)	(0.58)	(81.08)	(1.95)	(93.64)	(2.15)	(79.14)	(2.06)
397.50	6.86	272.56	6.57	322.86	7.41	241.99	6.30

HORIZONTAL ANALYSIS - BALANCE SHEET

	2015		2014	
	Rs.	%	Rs.	%
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	1,649.07	4.05	1,584.88	5.01
Long term investment	652.36	16.83	558.40	10.48
Long term deposits	1.06	-	1.06	(62.36)
	<u>2,302.49</u>	<u>7.38</u>	<u>2,144.33</u>	<u>6.29</u>
CURRENT ASSETS				
Biological assets	48.83	(17.13)	58.92	4.67
Stores and spare parts	95.91	54.14	62.22	(7.16)
Stock-in-trade	1,462.63	218.01	459.93	(33.19)
Trade debts - unsecured	42.10	(1.81)	42.87	330.27
Loans and advances - unsecured	35.38	3.02	34.34	(35.64)
Trade deposits and short term prepayments	9.82	(65.29)	28.29	(25.80)
Other receivables	6.84	45.49	4.70	42.46
Short term investments	725.42	48.68	487.90	66.80
Advance Income Tax	9.97	(82.69)	57.59	(31.04)
Cash and bank balances	45.55	37.24	33.19	442.85
	<u>2,482.45</u>	<u>95.48</u>	<u>1,269.95</u>	<u>(2.21)</u>
TOTAL ASSETS	<u>4,784.94</u>	<u>40.14</u>	<u>3,414.28</u>	<u>2.96</u>
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Issued, subscribed and paid-up capital	320.31	-	320.31	26.50
Reserves	1,541.45	15.73	1,331.94	17.63
	<u>1,861.77</u>	<u>12.68</u>	<u>1,652.25</u>	<u>19.25</u>
NON-CURRENT LIABILITIES				
Subordinated loans	-	-	-	-
Long-term financing - secured	273.23	(14.17)	318.35	(29.92)
Liabilities against assets subject to finance leases	18.40	(18.57)	22.59	40.60
Deferred liabilities	9.41	17.62	8.00	5.82
Deferred taxation	289.25	23.28	234.62	(2.46)
Provision for quality premium	119.29	-	119.29	-
Provision for market committee fee	26.16	(7.69)	28.34	100.00
	<u>735.74</u>	<u>0.62</u>	<u>731.20</u>	<u>(12.71)</u>
CURRENT LIABILITIES				
Trade and other payables	1,670.97	480.14	288.03	(36.77)
Accrued mark-up	11.53	(60.75)	29.36	33.43
Short term borrowings - secured	190.89	(58.32)	457.97	15.31
Current maturity of liabilities against assets subject to finance lease	14.87	(89.06)	135.89	7.79
Current portion of long term financing	151.02	848.12	15.93	29.83
Provision for market committee fee	49.51	17.26	42.22	(28.63)
Income tax payable	-	-	-	-
Sales tax / excise duty payable	98.66	60.59	61.43	198.07
	<u>2,187.43</u>	<u>112.20</u>	<u>1,030.84</u>	<u>(5.67)</u>
TOTAL EQUITY AND LIABILITIES	<u>4,784.94</u>	<u>40.14</u>	<u>3,414.28</u>	<u>2.96</u>

Rupees in million

2013		2012		2011		2010	
Rs.	%	Rs.	%	Rs.	%	Rs.	%
1,509.20	8.68	1,388.68	27.54	1,088.78	28.40	847.95	65.56
505.42	34.12	376.83	73.88	216.72	23.08	176.08	1.06
2.80	(39.59)	4.64	(45.69)	8.55	114.05	3.99	100.38
2,017.42	13.97	1,770.15	34.71	1,314.04	27.82	1,028.02	49.34
56.30	(1.97)	57.42	32.57	43.32	224.52	13.35	52.57
67.02	(8.43)	73.20	(5.91)	77.80	36.58	56.96	(5.55)
688.43	(37.15)	1,095.30	(24.91)	1,458.57	474.61	253.84	79.65
9.96	(86.38)	73.17	1,462.43	4.68	(94.83)	90.56	(19.22)
53.35	59.07	33.54	8.09	31.03	(63.27)	84.49	102.59
38.12	87.26	20.36	38.78	14.67	515.83	2.38	81.31
3.30	113.37	1.55	227.32	0.47	(16.14)	0.56	(41.42)
292.50	43.11	204.40	25.41	162.99	78.17	91.48	134.25
83.51	30.97	63.76	100.00	-	-	-	(100.00)
6.11	(95.78)	144.77	1,112.14	11.94	(89.50)	113.75	8,381.63
1,298.61	(26.53)	1,767.46	(2.11)	1,805.47	155.24	707.37	64.49
3,316.04	(6.26)	3,537.62	13.40	3,119.51	79.76	1,735.39	55.16
253.21	21.00	209.27	21.00	172.95	21.00	142.93	21.00
1,132.34	36.58	829.04	33.74	619.89	63.35	379.48	76.05
1,385.55	33.44	1,038.30	30.96	792.84	51.76	522.41	56.56
-	-	-	-	-	-	-	-
454.24	19.44	380.31	117.32	175.00	(14.11)	203.75	137.71
16.07	30.98	12.27	(12.74)	14.06	(13.33)	16.22	229.89
7.56	17.48	6.44	13.32	5.68	(1.05)	5.74	17.96
240.54	4.17	230.90	46.09	158.05	35.96	116.25	32.38
119.29	-	119.29	-	119.29	-	119.29	-
-	-	-	-	-	-	-	-
837.70	11.81	749.21	58.70	472.09	2.35	461.25	52.43
455.50	(61.05)	1,169.36	(28.44)	1,634.13	169.42	606.53	95.18
22.00	56.49	14.06	46.05	9.63	(10.92)	10.81	5.31
397.18	22.05	325.43	100.00	-	(100.00)	30.00	(57.46)
126.07	(14.35)	147.19	14.32	128.75	221.88	40.00	3,598.57
12.27	72.34	7.12	12.12	6.35	(13.89)	7.37	(79.76)
59.16	18.31	50.00	16.88	42.78	30.82	32.70	-
-	-	-	(100.00)	20.70	39.60	14.82	100.00
20.61	(44.21)	36.94	201.35	12.26	29.20	9.49	(53.50)
1,092.79	(37.56)	1,750.10	(5.63)	1,854.59	146.71	751.72	55.91
3,316.04	(6.26)	3,537.62	13.40	3,119.51	79.76	1,735.39	55.16

VERTICAL ANALYSIS - BALANCE SHEET

	2015		2014	
	Rs.	%	Rs.	%
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	1,649.07	34.46	1,584.88	46.42
Long term investment	652.36	16.83	558.40	10.48
Long term deposits	1.06	-	1.06	(62.36)
	<u>2,302.49</u>	<u>7.38</u>	<u>2,144.33</u>	<u>6.29</u>
CURRENT ASSETS				
Biological assets	48.83	(17.13)	58.92	4.67
Stores and spare parts	95.91	54.14	62.22	(7.16)
Stock-in-trade	1,462.63	218.01	459.93	(33.19)
Trade debts - unsecured	42.10	(1.81)	42.87	330.27
Loans and advances - unsecured	35.38	3.02	34.34	(35.64)
Trade deposits and short term prepayments	9.82	(65.29)	28.29	(25.80)
Other receivables	6.84	45.49	4.70	42.46
Short term investments	725.42	48.68	487.90	66.80
Advance Income Tax	9.97	(82.69)	57.59	(31.04)
Cash and bank balances	45.55	37.24	33.19	442.85
	<u>2,482.45</u>	<u>95.48</u>	<u>1,269.95</u>	<u>(2.21)</u>
TOTAL ASSETS	<u>4,784.94</u>	<u>40.14</u>	<u>3,414.28</u>	<u>2.96</u>
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Issued, subscribed and paid-up capital	320.31	-	320.31	26.50
Reserves	1,541.45	15.73	1,331.94	17.63
	<u>1,861.77</u>	<u>12.68</u>	<u>1,652.25</u>	<u>19.25</u>
NON-CURRENT LIABILITIES				
Subordinated loans	-	-	-	-
Long-term financing - secured	273.23	(14.17)	318.35	(29.92)
Liabilities against assets subject to finance leases	18.40	(18.57)	22.59	40.60
Deferred liabilities	9.41	17.62	8.00	5.82
Deferred taxation	289.25	23.28	234.62	(2.46)
Provision for quality premium	119.29	-	119.29	-
Provision for market committee fee	26.16	(7.69)	28.34	100.00
	<u>735.74</u>	<u>0.62</u>	<u>731.20</u>	<u>(12.71)</u>
CURRENT LIABILITIES				
Trade and other payables	1,670.97	480.14	288.03	(36.77)
Accrued mark-up	11.53	(60.75)	29.36	33.43
Short term borrowings - secured	190.89	(58.32)	457.97	15.31
Current maturity of liabilities against assets subject to finance lease	14.87	(89.06)	135.89	7.79
Current portion of long term financing	151.02	848.12	15.93	29.83
Provision for market committee fee	49.51	17.26	42.22	(28.63)
Income tax payable	-	-	-	-
Sales tax / excise duty payable	98.66	60.59	61.43	198.07
	<u>2,187.43</u>	<u>112.20</u>	<u>1,030.84</u>	<u>(5.67)</u>
TOTAL EQUITY AND LIABILITIES	<u>4,784.94</u>	<u>40.14</u>	<u>3,414.28</u>	<u>2.96</u>

Rupees in million

2013		2012		2011		2010	
Rs.	%	Rs.	%	Rs.	%	Rs.	%
1,509.20	45.51	1,388.68	39.25	1,088.78	34.90	847.95	48.86
505.42	34.12	376.83	73.88	216.72	23.08	176.08	1.06
2.80	(39.59)	4.64	(45.69)	8.55	114.05	3.99	100.38
2,017.42	13.97	1,770.15	34.71	1,314.04	27.82	1,028.02	49.34
56.30	(1.97)	57.42	32.57	43.32	224.52	13.35	52.57
67.02	(8.43)	73.20	(5.91)	77.80	36.58	56.96	(5.55)
688.43	(37.15)	1,095.30	(24.91)	1,458.57	474.61	253.84	79.65
9.96	(86.38)	73.17	1,462.43	4.68	(94.83)	90.56	(19.22)
53.35	59.07	33.54	8.09	31.03	(63.27)	84.49	102.59
38.12	87.26	20.36	38.78	14.67	515.83	2.38	81.31
3.30	113.37	1.55	227.32	0.47	(16.14)	0.56	(41.42)
292.50	43.11	204.40	25.41	162.99	78.17	91.48	134.25
83.51	30.97	63.76	100.00	-	-	-	(100.00)
6.11	(95.78)	144.77	1,112.14	11.94	(89.50)	113.75	8,381.63
1,298.61	(26.53)	1,767.46	(2.11)	1,805.47	155.24	707.37	64.49
3,316.04	(6.26)	3,537.62	13.40	3,119.51	79.76	1,735.39	55.16
253.21	21.00	209.27	21.00	172.95	21.00	142.93	21.00
1,132.34	36.58	829.04	33.74	619.89	63.35	379.48	76.05
1,385.55	33.44	1,038.30	30.96	792.84	51.76	522.41	56.56
-	-	-	-	-	-	-	-
454.24	19.44	380.31	117.32	175.00	(14.11)	203.75	137.71
16.07	30.98	12.27	(12.74)	14.06	(13.33)	16.22	229.89
7.56	17.48	6.44	13.32	5.68	(1.05)	5.74	17.96
240.54	4.17	230.90	46.09	158.05	35.96	116.25	32.38
119.29	-	119.29	-	119.29	-	119.29	-
-	-	-	-	-	-	-	-
837.70	11.81	749.21	58.70	472.09	2.35	461.25	52.43
455.50	(61.05)	1,169.36	(28.44)	1,634.13	169.42	606.53	95.18
22.00	56.49	14.06	46.05	9.63	(10.92)	10.81	5.31
397.18	22.05	325.43	100.00	-	(100.00)	30.00	(57.46)
126.07	(14.35)	147.19	14.32	128.75	221.88	40.00	3,598.57
12.27	72.34	7.12	12.12	6.35	(13.89)	7.37	(79.76)
59.16	18.31	50.00	16.88	42.78	30.82	32.70	-
-	-	-	(100.00)	20.70	39.60	14.82	100.00
20.61	(44.21)	36.94	201.35	12.26	29.20	9.49	(53.50)
1,092.79	(37.56)	1,750.10	(5.63)	1,854.59	146.71	751.72	55.91
3,316.04	(6.26)	3,537.62	13.40	3,119.51	79.76	1,735.39	55.16

OUR MILLS PROFILE

Date of Incorporation

December 22, 1965

Date of Commencement of Business

March 19, 1966

Start of Commercial Production

January 1969

Installed Capacity

11,000 Tons Cane Crushing Per Day

Total Land Area

127 Acres

Total Farming Area

750 Acres

Permanent Employees

367

Population of Staff Colony

1010

No. of Students at our Schools

Daood Memorial School – MSM Colony

534

TCF-HH Campus – Piyaro Lund

185

No. of Faculty members

Daood Memorial School – MSM Colony

23

TCF-HH Campus – Piyaro Lund

09

No. of Apprentices at our Vocational Training Centre

20

Housing

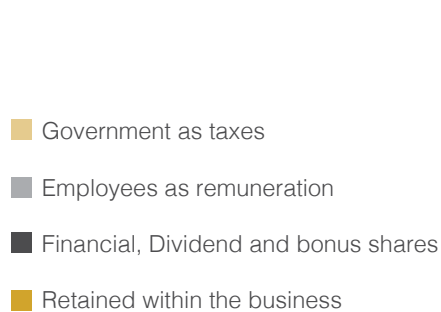
96 Family Homes for Executives, Officers and Workers and a Hostel of 36,000 sq.ft for Workers and Contractors during the season.

Facilities at our Mills

- Mobile Dispensary along with a qualified MBBS Doctor and trained staff.
- Recreation Centre at officers mess equipped with Indoor Games, Cable TV, Video and other facilities.
- Cricket Ground, Tennis Court, Walking Park and Rose Garden.
- Two Mosques, one at the factory which has been recently renovated and the other at our Colony.
- Private Electric Generator for Uninterrupted Power Supply to all residents.
- Clean Water Supply with UV Filters. Water testing is done on a scheduled basis.
- Transport Facility for City & Adjoining Areas and School/College Bus facility for residents.
- Accommodation for Officers and Company Guests with all facilities.
- A hostel of 36,000 sq.ft for accommodation has been built for seasonal workers and staff of various contractors engaged during the crushing season.
- Recently renovated Fair Price Shop and Meeting area.

HOW WE ADDED VALUE

	2015		2014	
	Rupees	%	Rupees	%
WEALTH GENERATED				
Net revenue	4,639,725,518		6,747,445,824	
Expenses	3,245,413,726		5,569,805,874	
Wealth generated	<u>1,394,311,792</u>	<u>100</u>	<u>1,177,639,950</u>	<u>100</u>
WEALTH DISTRIBUTED				
To Government				
Sales Tax, Income Tax, Road Cess, WWF	347,800,582	25	322,404,394	28
To Employees				
Salaries, WPPF, Benefits and Other related cost	288,595,036	21	261,997,255	22
To Providers of capital				
Mark-up on borrowed funds	146,566,462	10	209,000,842	18
Shareholders as Dividend/Bonus shares	192,187,313	14	109,487,810	09
	338,753,775	24	318,488,652	27
Retained with the business				
Depreciation	130,145,316	09	121,046,166	10
Retained profit	289,017,083	21	153,703,483	13
	419,162,399	30	274,749,649	23
	<u>1,394,311,792</u>	<u>100</u>	<u>1,177,639,950</u>	<u>100</u>



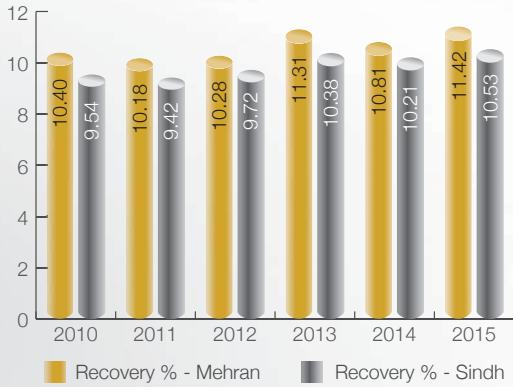
SIX YEARS' REVIEW AT A GLANCE

	2015	2014	2013	2012	2011	2010
Operational Trends						
Sugarcane crushed - M. Tons	946,871	1,140,502	915,666	722,120	809,034	667,628
Sugar produced - M. Tons	108,136	123,210	103,580	74,201	84,894	69,450
Average sucrose recovery - %	11.42	10.81	11.31	10.28	10.18	10.40
Crushing days	108	122	108	104	156	122
Average crushing per day - M. Tons	8,767	9,348	8,478	6,943	5,186	5,472
Balance Sheet						
	Rupees in million					
Share capital	320.31	320.31	253.21	209.27	172.95	142.93
Reserves	1,541.45	1,331.94	1,132.34	829.04	619.89	379.48
Shareholders' equity	1,861.76	1,652.25	1,385.55	1,038.31	792.84	522.41
Non current liabilities	735.74	731.20	837.70	749.21	472.09	461.25
Current liabilities	2,187.43	1,030.84	1,092.79	1,750.10	1,854.59	751.72
Total Equity & Liabilities	4,784.93	3,414.29	3,316.04	3,537.62	3,119.52	1,735.38
Fixed Assets						
Non current assets	1,649.07	1,584.88	1,509.20	1,388.68	1,088.78	847.95
Current assets	653.42	559.46	508.23	381.48	225.27	180.06
Total assets	2,482.44	1,269.95	1,298.61	1,767.46	1,805.47	707.37
	4,784.93	3,414.29	3,316.04	3,537.62	3,119.52	1,735.38
Financial Trends						
	Rupees in million					
Turnover	4,361.36	6,498.22	5,797.47	4,150.11	4,355.04	3,841.34
Gross profit	679.91	631.30	582.01	378.14	581.40	474.78
EBITDA	823.59	653.59	730.05	565.85	625.82	442.83
Operating profit	599.47	479.56	489.28	298.29	509.61	393.08
Pre-tax profit	546.88	323.54	431.02	353.64	416.50	321.13
After-tax profit	430.03	269.11	397.50	272.56	322.86	241.99
Capital Expenditure (additions during the year)	211.41	225.32	367.19	279.55	258.94	385.83
Cash Flows						
	Rupees in million					
Operating activities	854.17	408.20	16.19	19.25	317.29	507.05
Investing activities	(396.14)	(262.33)	(230.70)	(389.70)	(396.42)	(445.87)
Financing activities	(445.66)	(118.79)	75.86	503.28	7.32	91.75
Cash and Cash equivalents at the end of the year	45.55	33.19	6.11	144.77	11.94	83.75
Profitability Indicators						
Gross profit margin (%)	15.59	9.71	10.04	9.11	13.35	12.36
Net profit margin (%)	9.86	4.14	6.86	6.57	7.41	6.30
Return on shareholders' equity (%)	23.10	16.29	28.69	26.25	40.72	46.32
Return on capital employed (%)	26.70	22.34	27.79	26.29	43.50	40.15
Return on total assets (%)	8.99	7.88	11.99	7.70	10.35	13.94
EBITDA margin (%)	18.88	10.06	12.59	13.63	14.37	11.53

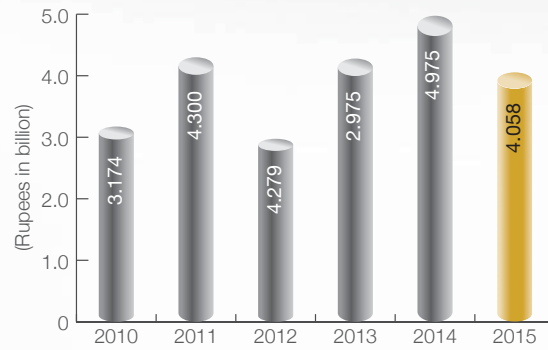
	2015	2014	2013	2012	2011	2010
Capital Efficiency / Operating Performance						
Inventory turnover ratio	3.54	9.18	5.42	2.79	4.09	13.14
Inventory turnover in days	103	40	67	131	89	28
Debtors turnover ratio	13.08	22.84	8.87	7.49	7.77	2.07
Debtors turnover in days	28	16	41	49	47	176
Creditors turnover ratio	22.07	96.09	80.86	50.10	36.80	24.91
Creditors turnover in days	17	4	5	7	10	15
Operating cycle in days	114	52	103	173	126	189
Total assets turnover ratio	1.06	1.93	1.69	1.25	1.79	2.69
Fixed assets turnover ratio	2.70	4.20	4.00	3.35	4.50	5.65
Capital employed turnover ratio	1.68	2.73	2.61	2.32	3.44	3.91
Investment Valuation						
Earning per share	13.43	8.40	15.70	13.02	18.67	16.93
Break-up value per share	58.12	51.58	54.72	49.62	45.84	36.55
Price earning ratio	8.19	12.09	4.46	3.25	2.93	3.11
Dividend yield (%)	5.45	2.56	3.57	5.91	5.48	6.64
Dividend payout (%)	44.68	30.95	15.92	19.20	16.07	20.67
Market value per share on 30 th September	110.00	101.56	69.99	42.30	54.78	52.70
Cash Dividend (%)	60.00	26.00	25.00	25.00	30.00	35.00
Bonus Shares (%)	-	10.00	25.00	20.00	20.00	20.00
Financial gearing						
Debt Ratio	0.61 : 1	0.52 : 1	0.58 : 1	0.71 : 1	0.75 : 1	0.7 : 1
Debt : Equity Ratio	14 : 86	17 : 83	25 : 75	27 : 73	19 : 81	30 : 70
Interest cover ratio	4.73	2.55	3.31	4.04	4.11	5.35
Liquidity measurement						
Current ratio	1.13 : 1	1.23 : 1	1.19 : 1	1.01 : 1	0.97 : 1	0.94 : 1
Quick ratio/Acid test ratio	0.47 : 1	0.79 : 1	0.56 : 1	0.38 : 1	0.19 : 1	0.6 : 1
Value addition						
		Rupees in million				
Employees as remuneration	288.60	262.00	211.77	167.79	173.52	137.80
Government as taxes	347.80	322.40	184.19	282.00	298.00	239.00
Financial charges to providers of finance	146.57	209.00	186.84	116.32	133.76	73.80
Shareholders as dividend and bonus shares	192.19	109.49	121.43	89.02	82.54	75.04
Retained within the business	419.16	274.75	397.89	352.28	357.69	243.29

SIX YEARS' SUGARCANE TRENDS ANALYSIS

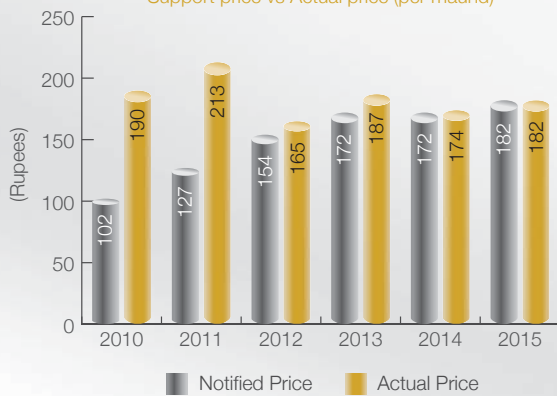
Avg. Recovery % of Mehran vs Sindh



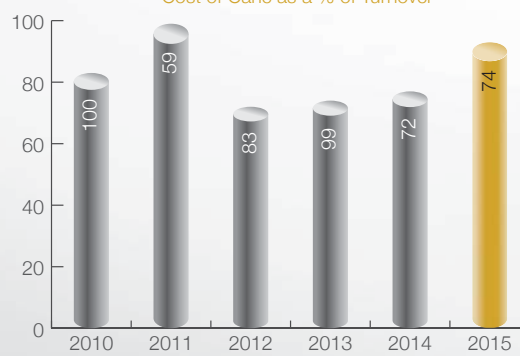
Sugarcane Purchases



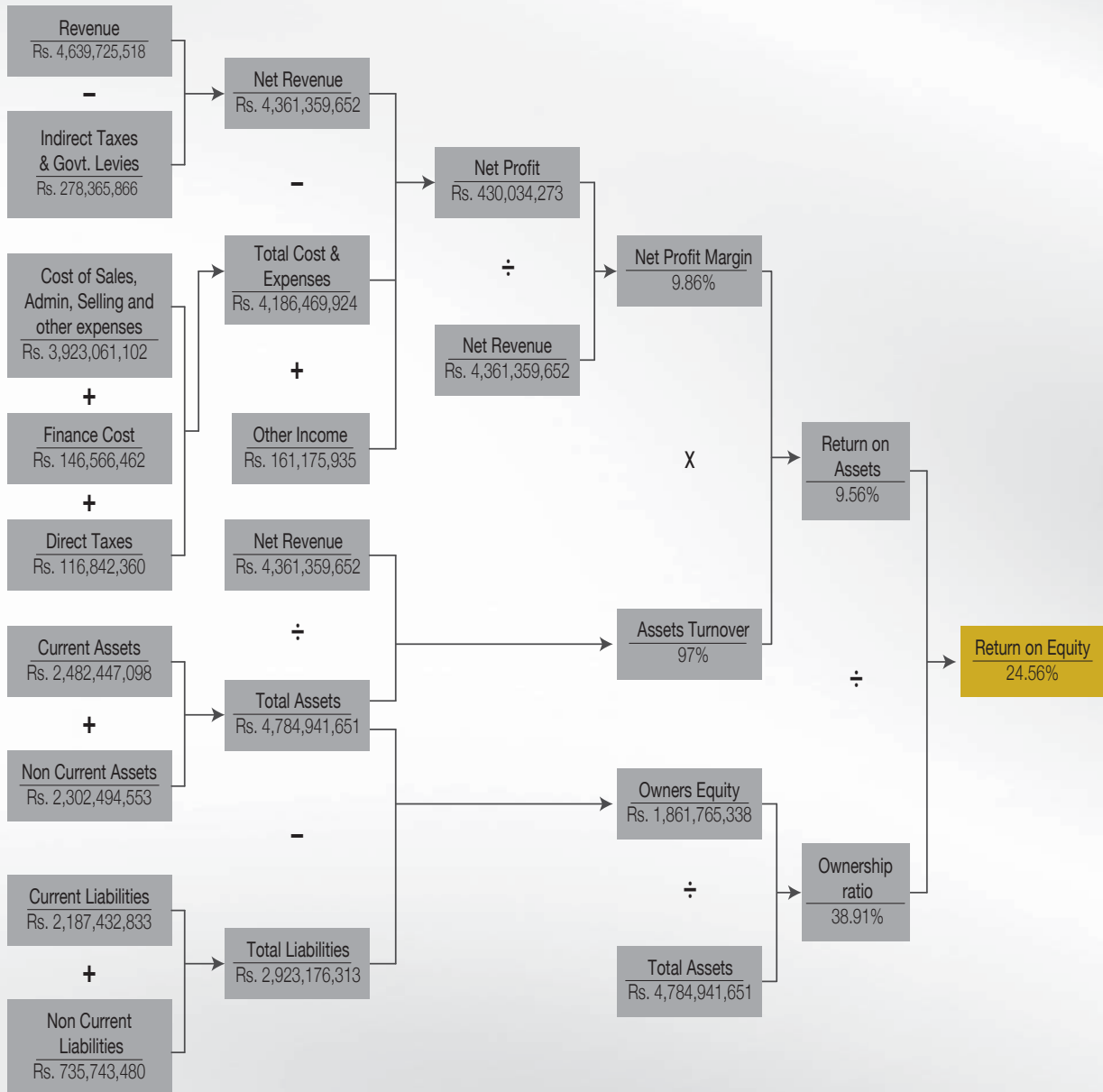
Support price vs Actual price (per maund)



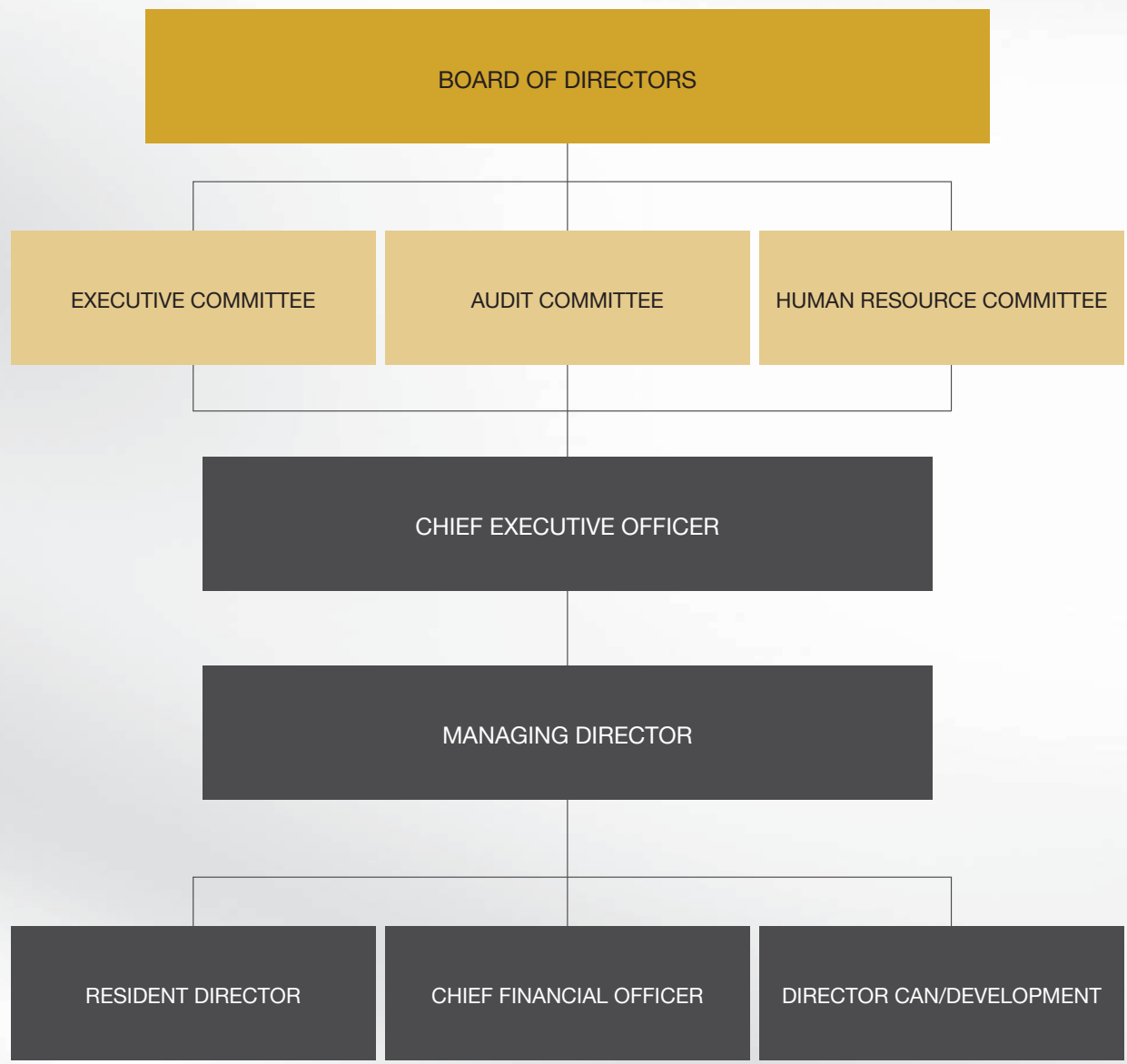
Cost of Cane as a % of Turnover



DUPONT ANALYSIS



ORGANOGRAM



CHAIRMAN'S REVIEW



It gives me immense pleasure to address our shareholders on the eve of this historic year. It is my pleasure and privilege to report that the Company has completed its 50 years and is celebrating its Golden Jubilee. We thank God Almighty for this major feat and seek mercy and support to continue the successful and progressive journey.

The operating and financial results of the Company are reflective of the historic year and represent an impressive outcome especially considering the global commodity meltdown which was witnessed during the year.

I humbly yet proudly would like to report that Mehran was also able to achieve many firsts this year. The most important of them being our record highest sucrose recovery which at 11.42% was the highest achieved by any sugar mill in Pakistan. This was also the first year where we were able to successfully supply and sell power to the national grid. Your Company was also able to cross a profit before taxation of Rs. half a billion for the first time.

It is my honour to chair a board which has set itself the strategic goals of building a company which is financially strong, growth oriented and resilient. The creation of long term value for our shareholders remains the fundamental driver of our decision. Accordingly, the Board continually reviews business strategy to ensure that it is consistent with achieving our goals.

Diversification continues to be an important part of our growth strategy. After a successful investment in Unicol Limited which is now entering a decade of operation we have this year initiated plans to invest in UniEnergy Limited. UniEnergy is a Joint venture company and is planning to set up a 50 MW Wind Power Project in Jhimphir, district Thatta, Sindh.

As a part of our commitment to generate long term shareholder value, we believe in a strong ethical and transparent structure. We are committed to adhere and support the code of Corporate Governance and our commitment to maintain high standards of the code continue to be a driver for the success of the Company and underpins how we manage our businesses.

To enhance the sustainability of our business, we have adopted a set of core values. These require the application of the desired standards of health and safety to ensure safe working conditions for our employees. Respect for the environment in which we work in as well as ensure continual social development of our surrounding area.

Thus I am pleased to announce that we signed an agreement with the The Citizens Foundation (TCF) to build a second school in our cane growing vicinity. Work on Hasham Campus Hurri is on way and shall be completed by June 2016.

I would like to take this opportunity to recognise and appreciate the efforts of all the employees of Mehran whose untiring efforts have helped us prosper and grow over so many years. I would also like to thank all my fellow directors and shareholders for their support and contribution.

God bless us all.

Mohammad Kasim Hasham
 Chairman

DIRECTORS' REPORT



Pakistan's National Economy

The economy of Pakistan entered into a transitional phase with the start of the fiscal year 2015. The CPI inflation declined throughout the fiscal year due to a sharp drop in international and domestic oil and commodity prices. The stability in macroeconomics indicators led the State Bank of Pakistan (SBP) to continue with its accommodative monetary policy stance and resultantly slashed the policy rate by a cumulative 300 bps in FY15. These developments also led to an upgrade of Pakistan's sovereign rating by two international rating agencies in the preceding period. Thus, this solidity of macroeconomic indicators should reflect a positive impact on the real economic activity.

While GDP growth rate of 4.2% in FY 2015 was slightly higher than that of 4.14% in FY 2014, it remained lower than the target set by the Government of Pakistan. In particular, industrial sector missed the target due to lower growth in Large-Scale Manufacturing and Electricity Generation; however, the activities in construction, mining and quarrying remained buoyant. Noticeable increase in growth, as in the previous few years, came in the services sector. On the other hand, export also contracted by 3.7% in FY15 due to structural bottlenecks, sluggish global demand, and lower commodity prices.

The balance of payment position continued to improve in the second half of FY15. Reduction in external current account deficit due to decline in the import bill and steady growth in worker's remittance were the key factors behind the improved external position. Successful completion of reviews under EFF program, issuance of international sukuk and disbursement of program related funding continue to support reserves building besides instilling stability in the foreign exchange market.

Going forward, the expected higher consumption in the low interest rate environment, planned increase in development spending and budgetary incentives for construction sector provide some thrust to growth. Moreover, implementation of infrastructure projects planned under the China-Pakistan Economics Corridor (CPEC) and addressing structural issues especially related to energy and security would create favourable investment environment which is necessary to sustain economic growth over the medium to long term.

Global Sugar Scenario

Prices within the global sugar industry kept falling and at one period, hit a 5 year low. Consistent high sugar production numbers in Brazil, India and Thailand continue to put pressure on the world market and we continue to see surplus production. This was the 5th surplus year for the global sugar balance sheet.

After years of global surpluses 2016 could be the first year where markets are expecting a small global deficit. The reasons for the deficit are largely due to low prices for cane which is forcing the farmer to switch to other competitive crop as well as the effect of El Nino which is causing uncertainty in global weather patterns. However the deficit is not creating a large impact on global markets due to the large carryover stock built up over the last few years.

Industry Review

Commencement of the crushing season 2014-15 was marked with uncertainty. The disagreement over Minimum Support Price caused hue and cry among growers, millers and the provincial government. After prolonged meetings and consultations, the matter was finally settled with the intervention of the Honourable Sindh High Court where growers, millers and the provincial government agreed on a

We have achieved the highest ever sucrose recovery of 11.42% in the history of the company as well as the sugar industry for the year 2015.

provisional consent order. However, the case is still pending in The Supreme Court of Pakistan for final adjudication. The role of the provincial government in resolving the matter has to be appreciated as they intervened and provided a subsidy of Rs.12/maund for the farmers. This decision was extremely grower friendly and gave a major boost to the farming community. We are pleased to report that the subsidy which was distributed through the mill was reimbursed to our farmer community immediately after receipt from the provincial government.

Availability of sugarcane remained sufficient in the province and most mills were able to crush consistently. The sucrose recovery was recorded at 10.53% compared to 10.21% during the previous year. This recovery was comparatively better than the 9.97% in Punjab and 9.41% in Khyber Pakhthoonkhwa.

The national sugar production for the year was a record high of 5.4 million metric tons as compared to 5.2 million metric tons the previous year thus depicting an increase of nearly 5%. Consumption for the year also grew by approximately 5% to close at 4.8 million metric tons. Surplus stock of sugar in the country, including carryover stocks, was estimated at 1.4 million metric tons out of which just above half a million Tons was exported.

The Export Policy for 650,000 Tons announced by the Federal government was another proactive decision. The subsidy of Rs. 10/kg was shared between the Federal and the Provincial governments. We feel this collective move by the Federal and Provincial government played an important role in ensuring stability of the sugar market as excess stocks were allowed to be exported thus allowing a stable domestic market.

Your mill exported 12,208 metric tons mostly to Afghanistan by land route. The rebate mechanism established through the State Bank of Pakistan worked very efficiently and claims were mostly realized within 30 days, which was extremely encouraging. Total exports from the country totalled 554,920 metric tons as compared to 750,000 metric tons during the preceding year. Your mills market share for exports was lower as compared to the previous years. One of the main reasons for this was that most exports were to Afghanistan whereas we had a freight disadvantage as compared to mills located in the North of the country.

Operational and Financial Summary

By the grace of God we are proud to report that we have achieved the highest ever sucrose recovery in the history of the company as well as the sugar industry for the year 2015. We congratulate the entire Mehran team for bringing this laurel for the company. This has been made possible due to a strong working relationship with our farmer so that collectively we were able to convince them to plant approved varieties and we closely monitored pest infestation in their fields. It is also a result of consistent investment at the factory with the aim to raise plant efficiency and energy efficiency.

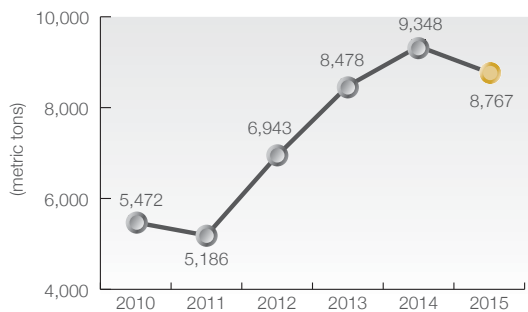
It is also important to point out that season 2014-15 was one of the shortest cane crushing season in the company's history. However our consistency of crushing as well as high sugar recovery allowed us to produce more than 100,000 Tons of sugar which gave us the scale to produce good financial results. Our cane crushing for the year was 16% lower while sugar production was lower by 14%. Despite these we were able to improve our gross and net margin.

Despite an initially bearish sugar market we were able to

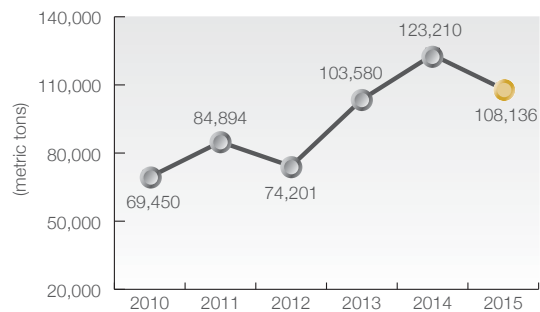
Operational Highlights

	2014-15	2013-14
Season Started	08-12-2014	01-11-2013
Season Closed	30-03-2015	19-03-2014
Crushing Days	108	122
Crushing- M. Tons	946,871	1,140,502
Capacity Utilization	80%	85%
Sucrose Recovery	11.42%	10.81%
Sugar Production- M. Tons	108,136	123,210
Molasses production- M. Tons	39,027	50,496
Molasses Recovery	4.25%	4.31%

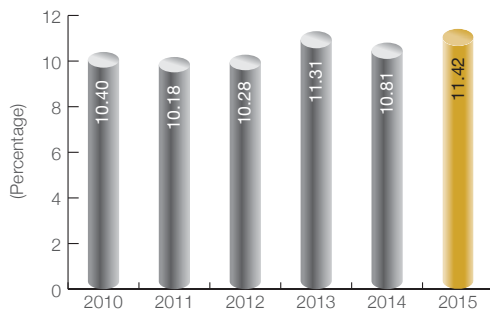
Average Crushing per day



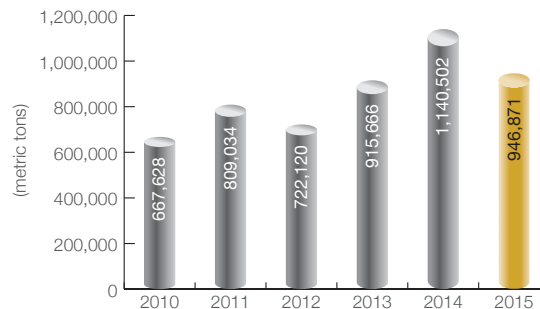
Sugar Produced



Sucrose Recovery



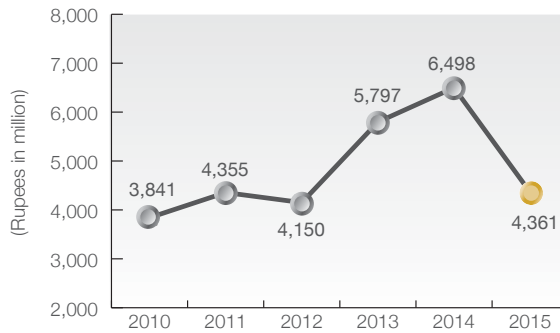
Cane Crushed



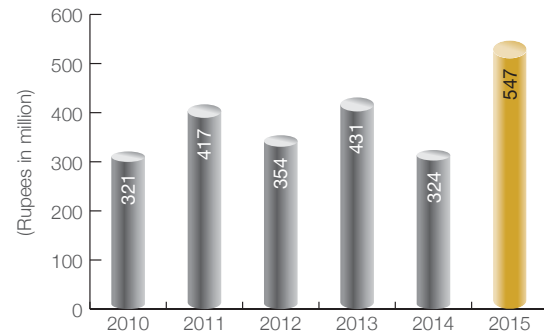
Financial Highlights

	2014-15	2013-14
	(Rupees in Thousand except EPS)	
Local Sale	4,025,999	4,939,071
Export Sale	613,726	1,808,375
Total Turnover	4,639,725	6,747,446
Sales tax /F.E.D	278,366	249,229
Gross profit	679,907	631,302
Gross Profit margin	15.59%	9.71%
Profit before tax	546,877	323,544
Profit before tax margin	12.54%	4.98%
Net Profit after tax	430,034	269,107
Net Profit margin	9.86%	4.14%
Earnings per share	13.43	8.40

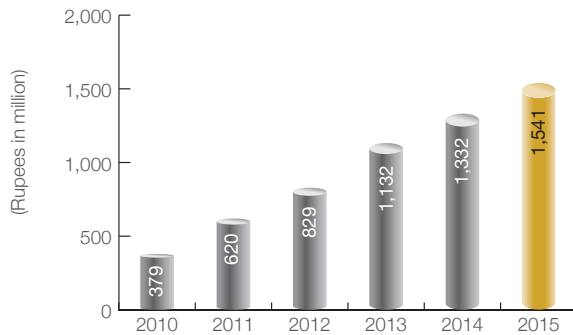
Turnover



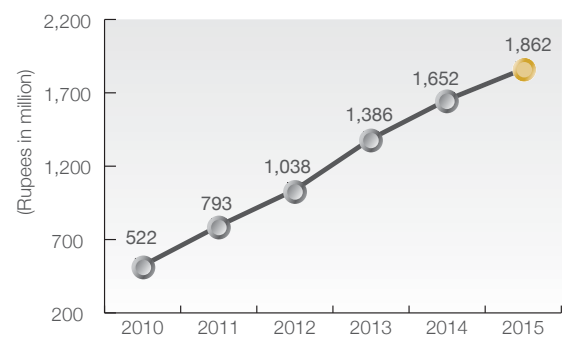
Pre-tax profit



Reserves



Shareholders equity



discharge all our grower payments as per practice. Our entire payments for the season were cleared within 7 days of the last crushing day. Mehran's payment policy for sugarcane continues to play a dominant role in its sugarcane procurement as well as cane development in the region. We feel prompt payment is instrumental in strengthening a mills goodwill amongst the farmer community as well as allowing continual development and promotion of sugarcane cultivation in the area of operation. Prompt payment is a strong catalyst to help sugarcane remain a viable crop as compared to competing crops. We feel this policy remains one of the most important factors in ensuring that the overall cane crop continues to flourish in our region as well as those regions where mills practice this policy.

We are proud to report that the Company has recorded its highest ever profit in its Golden Jubilee Year. It was the first time in the history of the company that profit before taxation crossed the half a billion rupee mark. Our Gross margin of 15.59% was the highest in the last 6 years and was one of the main factors which allowed a healthy bottom line. Profit before tax and profit after tax rose by 69% and 60% respectively compared to the previous year.

The following factors impacted the overall profitability of the company:

- Improvement in GP margin from 9.71% to 15.59% which was largely due to increased sucrose recovery.
- Improvement in sucrose recovery to 11.42% as compared to 10.81%.
- Decline in finance cost from Rs. 146.566 million to Rs. 209 million largely due to the gradual reduction in discount rate by the State Bank of Pakistan from 9.5% to 6.5%.
- Capital gains and dividend income amounting to Rs.118.15 million as compared to Rs. 81.78 million

in the corresponding period of last year showing an increase of 44%.

- Maiden contribution from supply of power to the national grid of Rs. 20.76 million.
- Profit from Unicol Limited which amounted to Rs. 146.57 million.

Sales volume during this period dropped by 34% primarily due to lower lifting during this period. Export quantity declined by 69%. Entire exports were made through land route to Afghanistan and as we explained earlier our freight disadvantage didn't allow us to remain as competitive in that market.

Unicol Limited

This has been the first year where both our ethanol plants are running since the start of the financial year. We are glad to inform that the plants are running smoothly and yield and energy efficiency are higher than last year. Unicol was thus able to achieve its highest ever production figure which was 57,540 metric tons.

Sales volume of ethanol showed healthy growth of 54% compared to previous year owing primarily to expansion in capacity. CO₂ sales volume also recorded significant improvement of 284% versus last year. The extra normal growth is reflecting the first full year of CO₂ sales since when the plant has been commissioned.

Overall sales revenue increased by 38%. The increase in revenue was lower than increase in volumes due to considerable decline in selling price of ethanol which was a consequence of global commodity price deflation.

Table below shows few highlights of the Company.

Unicol Limited	Units	2014-15	2013-14
Turnover	Rs. in '000	4,333,964	3,142,889
Gross Profit	Rs. in '000	638,530	595,339
Pretax Profit	Rs. in '000	164,713	215,286
After tax Profit	Rs. in '000	174,713	285,286
Earnings per Share	Rs.	2.53	4.12
Production - Ethanol	M. Tons	57,540	36,642

UniEnergy Limited

During the financial year your company decided to invest up to Rs. 650 million for a 20% share holding in a new SPV called UniEnergy. UniEnergy is in the process of setting up a 50 MW Wind based power plant in the wind corridor of Jhimpir, District Thatta, Sindh.

UniEnergy has already been issued an LOI and work has commenced as per the set schedule. We shall keep our shareholders updated on future developments of the project.

Future Outlook

The overall crop size for season 2015-16 seems to be similar as compared to the previous year. It means that this would be another large crop year and production would be over 5.5 million metric tons.

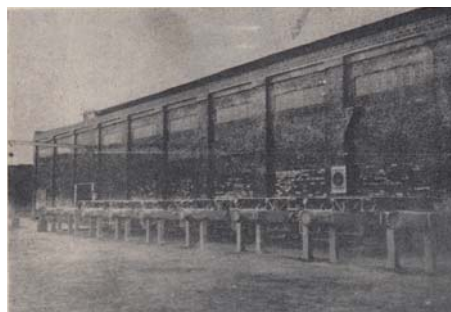
Sugarcane plantation in our cane growing region seems healthy. Your mill has started crushing and has been able to operate its plant at optimum capacity. The positive news is that the recovery trend seems to be similar to last year and if the trend continues the eventual recovery should be similar to the previous year.

The Federal and Provincial government has again taken a positive initiative by announcing a sugar export of 500,000 metric tons with a Rs. 13/kg subsidy. We are however awaiting the notification on sugarcane price which is to be announced any day. We feel that the provincial government after hearing all stakeholders shall announce a price which is in the interest of the entire sugar industry.

The timely decision to announce exports with a subsidy has meant that the domestic sugar market has not fallen drastically as it did in the previous season. Marketing sugar in a strategic manner will be an important element of profitability during this season and we are closely monitoring the situation so as to take advantage of any positive price movements.

As regards supply of power to HESCO, we are quite optimistic that the quantum would increase in season 2015-16 as compared to last year as we are able to supply power to the grid from the first day of operation. After execution of our formal Power Purchase Agreement and the realization of power supply dues of last season we expect this segment to increase its share in the overall revenues of the Company.

We hope and pray that our new investment in UniEnergy will materialize positively and that the project is commissioned according to schedule.



Process House Stations - 1965

Board of Directors

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

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

S. No.	Name of Directors	Meetings attended
1	Mohammed Kasim Hasham	5
2	Mohammed Ebrahim Hasham	4
3	Mohammed Hussain Hasham	2
4	Khurram Kasim	3
5	Ahmed Ebrahim Hasham	5
6	Muhammad Iqbal	5
7	Dr. Amjad Waheed	2
8	Muhammad Bashir	2

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

Statement of Ethics & Business Practices

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

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Audit Committee

The Audit Committee of the Company comprises of three non-executive and one independent (the Chairman) Directors. A total of five meetings of the audit committee were held during the year. Attendance of the members was as follows:

S. No.	Name of Directors	Meetings attended
1	Dr. Amjad Waheed (Chairman)	5
2	Mohammed Hussain Hasham	3
3	Khurram Kasim	3
4	Muhammad Iqbal	5

The leave of absence was granted to the members who could not attend some of the meetings due to being out of country or ill health.

External Audit

The Company wishes to place on record its appreciation for the services rendered by the Company's auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, who completed the audit of financial statements of the Company for the year ended September 30, 2015.



Erection and installation work of complete plant at factory site in 1965.

Cost Audit

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

Corporate & Financial Reporting Framework

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

- The financial statements, prepared by the management of the Company, fairly present its state of affairs, the result of its operations, cash flows and changes in equity;
- The Company has maintained proper books of accounts as required under the law;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts upon the Company's ability to continue as a going concern;
- The summary of key operating and financial data for last six years is annexed;
- The Company has made contribution towards the national exchequer in the form of Federal, Provincial and local taxes and levies; as disclosed in annexed Financial Statements.
- The Company is operating a Provident Fund Scheme for its permanent employees. The value of the fund as at September 30, 2015 was Rs 111.96 million (approx);
- There is also an un-funded gratuity scheme. On the basis of actuarial valuation conducted during 2015, a net liability of Rs. 9.41 million as at September 30, 2015 has been provided;
- The Pattern of Shareholding as at 30th September, 2015 is annexed;

- Chairman of the Company and his spouse purchased 19,098 shares of the Company from the market during the year under review, which was disclosed to the SECP and KSE according to the relevant rules and regulations, None of the other directors, CEO, CFO, Company Secretary and their spouses and minor children carried out any transaction in the shares of the Company during the year under review.

Certificate of Related Parties Transactions

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

Material Changes

There have been no material changes since September 30, 2015 and the Company has not entered into any commitment, which would affect its financial position at the date.

Pattern of Shareholding

The pattern of shareholding as on September 30, 2015 is included in the annexed shareholders' information.

Acknowledgment

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

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

For and on behalf of the Board of Directors

Muhammad Ebrahim Hasham
Chief Executive Officer

Karachi: December 28, 2015

CORPORATE SOCIAL RESPONSIBILITY

RESPONSIBILITY TO STAKEHOLDERS

Investment in Human Capital

Focus on our human capital is one of the core areas of our corporate strategy. The Company regards its employee relations far more importantly than a mere legal and ethical obligation. We are committed to creating a culture for our most valued asset, comprising of satisfactory compensation and benefits, congenial and safe working environment, job satisfaction, professional growth, development and competitive career opportunities.

Our employee-training program is continually modified to remain in line with the changing needs of our Company. During this year we continued to invest in our Human resource through training programs at PIM and PICG as well as other training forums. A total of 12 members from the Mehran team spent 3 days in Lahore attending the PSST sugar conference. We also had our cane team spend 2 weeks at the University of Agriculture Faisalabad to understand the breeding of new varieties.

Our sugar technology partners from Germany, IPRO also visited our site and discussed future ideas with our team for improvements at Mehran in terms of energy and plant efficiency.

Investment in our Working Environment

We have in the last 3 years invested Rs. 50 Million on uplifting our working environment for employees at both Head office and Mills. At the mill our Management House and technical House have been modernized. The old factory mosque has also been modernized in its facade and internal areas. A new instrument block has also been made considering the future needs to automate the factory and thus requirement for quality human resource. During this year we invested Rs. 6.0 Million in renovations of our cane office as well.

Investment in employee HSE

Ensuring the health and safety of the MSML employees are at the heart of the corporate strategy of the Company. The core objective of the Company is to create conducive working environment, in line with the best industrial practices and ensuring adherence to the requirements of the health and safety codes. The HSE department is entrusted with the responsibility of monitoring of HSE compliance and ensures mandatory usage of relevant safety equipment at work for workers. The department has conducted more than 90 sessions during the year for employees on the subjects of: HSE orientation, Craft Wise HSE training, emergency Response plan Awareness Sessions, practical Drills, Fire Drills and evacuation Drills. We take pride in having a very proactive and coordinated HSE team.

Contribution Towards Education in Rural Pakistan

We strongly believe that every sugar mill must play its role to assist in strengthening the educational environment around its vicinity. Since sugar mills are located in the rural areas of Pakistan they have an

ideal opportunity to contribute where the need for education is most extreme.

One of the core initiatives of our social development programs is to provide education in the rural areas specifically near our mill premises. For this reason, two schools are running and one new one is being established to provide quality education to our students.

- **Daood Memorial School (DMS)**

The school is situated within the premises of the mills primarily for our employees and generally for the youth of the surrounding areas. Since its incorporation in 1998-99, the Company is providing full operational, financial and logistic support to the school. By the grace of God, and continuous efforts of the management and the teachers, the school is growing steadily and currently, 534 students are enrolled and 23 faculty members are entrusted to provide quality education. We are expecting that the number of students will cross the 600 mark by the year 2015-2016. While growing the number of students increases, we have continued to ensure that there is no compromise on the education standards of the schools. This is benchmarked through teacher training programs as well as results of our students.

- **TCF School – Haji Hasham Campus**

In order to broaden the horizon of our education initiative, a school has been developed in collaboration with The Citizen Foundation in Piyaro Lund area, 13 kilometers from our factory. The school was established in 2011 at a cost of Rs. 10 Million funded by Mehran Sugar. Currently 185 students are enrolled with 9 faculty members and it is expected that number of students will cross the 200 mark by the year 2015-16.

- **TCF School - Hurri Campus**

MSML has again taken an initiative for broadening the education base by embarking on the development of yet another school at Hurri, 12 kms from our factory. The school is again being developed in collaboration with The Citizens Foundation. Civil works has started and campus is expected to be operational by year 2016-17.

Vocational training

In order to bring some improvement in life style of the women of surrounding areas, a Vocational training Centre has been established within the MSML Staff Colony, which provides basic training to the women of the colony and surrounding areas for sewing, embroidery, cooking and stitching to the women of the colony and surrounding areas.

Health services

The Company recognizes its responsibility towards provision of health services in the surrounding areas of Tando Allahyar. The MSML mobile dispensary unit has been operational since 2004. The dispensary is fully equipped and provides basic health care services

to the needy free of cost. A dedicated full time doctor and relevant staff have been assigned for this unit. During the period from October 2014 to September 2015, the numbers of patients treated are 4,705. During the year the company also carried out an extensive awareness campaign for Hepatitis B and C as well as a voluntary diagnosis and evaluation system.

Farmer support services

We believe that the farmers are the enablers of our sustainable growth. Throughout the year, the Company's representatives interact with the farmers to share the latest research and developments in emerging new varieties of sugarcane and providing them seeds to grow high yielding sugarcane crop. Our supply of seed as loan to growers has been extremely beneficial in ensuring a better crop in our area.

We cultivate high yielding varieties at our farms and after cultivating them for three years we give them on loan to farmers for commercial purposes. This program has been a major benefactor to create rural wealth in our region for both miller and farmer as it has helped improve both farm and factory yields.

Customer satisfaction

Mehran Sugar Mills limited is always keen to produce premium quality sugar which qualifies international as well as "PSQCA" standards. Accordingly, the Company has established, documented and maintained the Quality Management System based on the requirements of ISO 9001:2008 standards and has successfully received the certification. For quality assurances management, a dedicated department is entrusted to implement and monitor the implementation of relevant policies.

RESPONSIBILITY TO SOCIETY

Power generation

Energy is considered to be the life line of any economy and the most vital instrument of socioeconomic development of a country. Pakistan's sugar industry has the potential to contribute 1,500 MW of renewable energy through biomass fuel like bagasse. Power generation from bagasse will not only reduce import bill of furnace oil but also efficient use of bagasse is environment-friendly and would help mitigate greenhouse gas emissions from the country's power sector.

Seeking the opportunity to contribute its share to the national grid, Mehran Sugar Mills limited has obtained the power generation license from national power Regulatory Authority (NEPRA) and made necessary investments to connect to the national grid. Further, MSML successfully negotiated a Power purchase agreement with HESCO for supply of 5 MW. Power supply has started from January 2015.

Governance structure

The Company's governance structure has helped to achieve best practice and drive performance from the boardroom to our employees, customers, society and the environment. The business integrity has led to long term success and we are committed to conduct our business responsibility and with integrity with an aim to strengthen our reputation. We pledge to observe all the governing laws of the jurisdiction in which we operate and to comply with the best practices of the code of corporate governance.

Contribution towards economy

The Company is a noteworthy contributor to the national economy and has contributed to the national exchequer Rs. 348million in respects of payments towards Federal excise duty, income tax and other statutory levies. We have also exported significant quantity of refined sugar and contributed precious foreign exchange amounting USD 6 million to the national economy. Our associated company UNICOL limited was also able to export USD 41million of ethanol in the last financial year.

RESPONSIBILITY TO ENVIRONMENT

Mehran is highly conscious of ensuring that its production facility is environmentally compliant in all respects. We are conscious that it's our responsibility to ensure compliance so as to be of no concern to the communities where we operate. We strive to make sure that the impact of our business is sustainable.

Emission and discharges

Mehran is proud to state that we are one of the few mills in Pakistan which has installed modern fly ash systems on 100% of its boilers thus ensuring zero fly ash discharge. The Company has invested approximately Rs. 80 million in the last five years on installing this system as well as maintaining it to ensure it runs at capacity and functions accordingly.

Waste Water Treatment

Over the last 3 years we at Mehran have been striving to create an efficient waste water management system. We have recently completed stage three of our water discharge system whereby we have accomplished 90 percent reuse of waste water at the plant. The remaining water is used in our farms adjoining the factory. We have invested a total of Rs. 12.5 Million on the project and are proud to state that our waste water system was created in house by our capable engineering team. We are presently in discussion with a recognized international company to set up a state of the art waste water treatment plant.

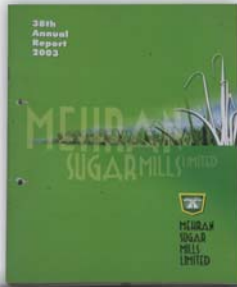


TWO THOUSANDS

2000'S

During this decade Mehran made a concentrated effort to continue its efforts to improve efficiency in farm and factory. The company thus incorporated a farming division which leased farms with the aim to provide quality seed to its farmers and increase sucrose recovery. Simultaneously a major effort was made to de-bottleneck the factory to increase efficiency.

The decade also saw the development of Pakistan's Ethanol industry. Having a cheap indigenous feedstock such as molasses and improved technology to process, it allowed the country to set up greenfield Ethanol plants. Mehran thus invested in Unicol Limited which was a JV company set up to commission and run a state of the art Ethanol Production facility.



CSR initiative

The Company is participating in social development program for upliftment of educational standards through “Literate Pakistan” to induct literacy in the workforce.

(Directors' Report 2002-03)

Investment in a joint venture ethanol project

Subject to the approval of the shareholders in Annual General Meeting, the Board has recommended an equity investment of Rs. 48 million in M/s. Unicol Limited, a public unquoted company. The company is setting up a distillery plant for production of Ethanol with a capacity of 100,000 liters per day. The estimated cost of the project is Rs. 360 million including the cost of imported plant and machinery. The directors are interested to the extent of the shares to be held by them in the new company.

(Directors' Report 2002-03)



Investment in a farming division of quality seed plantation

The Mehran Farm is initially spread over an area of 200 acres and the Company has plans to expand it to 1000 acres in the near future. MSML will cultivate various improved varieties of sugarcane in the farm and will introduce the ideal corporate farming practices to obtain the best possible yield per acre and quality cane.

(Directors' Report 2003-04)



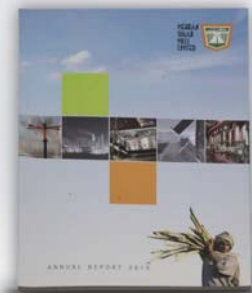
UNICOL commences operations

By the grace of God Unicol started commercial production in August 2007. The plant has been running at full capacity ever since and has been exporting a quality product in the international market. High oil prices continue to favour the fundamentals of ethanol production and have thus made this a very promising and exciting business.

(Directors' Report 2006-07)

TWO THOUSANDS

2000'S



Sales milestone

We are proud to state that for the first time in the Company's history, sales crossed Rs 4.0 billion. Turnover increased by 87 % from 2008 to 2009 and increased by 48.5% in 2010. Higher turnover can be attributed to a 26.7% increase in sugar production, while sugar and molasses prices, increased by 57% and 9% respectively.

(Directors' Report 2009-10)



Modernization drive at the plant to improve efficiency

During the last 3 years, Mehran has invested Rs. 900 Million in a modernization drive at its plant, which has significantly improved not just its capacity but also its efficiency, both in terms of production and energy consumption. It has also made a conscious effort to improve the quality of its main raw material by investing and encouraging advanced methods of sugarcane farming. These efforts have enabled the development of a core cane area where recoveries are now amongst the top ten mills in Pakistan.

(Directors' Report 2010-11)

Strategic diversification

Besides revenues from its core business, Mehran has also gained significant strength by actively investing in the diversification of its balance sheet. With our investments in Unicol Limited, a farming division and an equity portfolio of blue chip Pakistani companies, we have gradually developed alternate sources of income and wealth for our company. We continue to invest in different areas primarily through our internal capital generation but are careful in ensuring that we do so in a cautious and conservative manner which has been our tradition.

(Directors' Report 2010-11)



UNICOL makes a record profit

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

(Directors' Report 2011-12)

TCF School - Haji Hasham Campus

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

(Directors' Report 2011-12)



Launch of Consumer brand - "Sugarie" & "Chashnik"

We officially launched our retail brands this year after months of research and development. Our entry into the retail sector opens up an entirely new market for Mehran's core business and also elevates our prestige and recognition level as a company.

(Directors' Report 2013-14)

Power Supply to the national grid

Mehran is also at the threshold of entering the energy sector as we have officially received a power generation license from NEPRA. We have successfully negotiated terms of power purchase agreement with NEPRA, which is expected to go into commission sometime.

(Directors' Report 2013-14)

Capacity expansion at UNICOL to 200,000 LPD

By the grace of God, the 2nd production line of Unicol has commenced production and the plant is now running satisfactorily. In addition, the CO₂ plant has also started operation and supplies are being made to the local beverage industry.

(Directors' Report 2013-14)

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 50th Annual General Meeting of the members of the Company will be held at I.C.A.P. Auditorium, Chartered Accountants Avenue, Clifton, Karachi on Friday, January 29, 2016 at 1700 PST to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Extraordinary General Meeting held on October 29, 2015;
2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended September 30, 2015;
3. To consider and approve Final Cash Dividend @ 15% i.e. Re. 1.5 per share in addition to 35% i.e. Rs. 3.5 per share interim dividends already paid for the year ended September 30, 2015 and 10% i.e. Re. 1.00 per share already paid for the year ended September 30, 2014 (Tax year 2015), as recommended by the Board of Directors of the Company.
4. To appoint auditors for the year ending September 30, 2016 and to fix their remuneration. The retiring auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants being eligible, have offered themselves for re-appointment.
5. To transact any other business with the permission of the Chair.

Karachi: December 28, 2015

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

NOTES

1. The share transfer books of the Company will remain closed from January 22, 2016 to January 29, 2016 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her behalf. Proxies in order to be effective must be received by the Company at its Registered Office not later than 48 hours before the time fixed for holding the Annual General Meeting.
3. The shareholders whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring their CNIC alongwith their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders the guidelines as contained in SECP's circular 1 of 26th January, 2000 to be followed.
4. The shareholders are requested to notify the Company immediately the change in their addresses, if any.
5. The shareholders are also requested to intimate us their CNIC # to implement the requirements of Annual Returns (Form A) which the Company is required to file with the SECP under section 156 of the Companies Ordinance 1984.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED SEPTEMBER 30, 2015

The statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19 of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

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

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

Category	Names
Independent Directors	Mr. Amjad Waheed Mr. Muhammad Bashir Kodvawala
Non-Executive Directors	Mr. Mohammed Kasim Hasham Mr. Mohammed Hussain Hasham Mr. Muhammad Iqbal Mr. Khurram Kasim
Executive Directors	Mr. Mohammed Ebrahim Hasham Mr. Ahmed Ebrahim Hasham

The independent directors meets the criteria of independence under clause 5.19.1 (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. There was no casual vacancy on the board in the current period.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Seven directors of the Company are exempted from the requirement of the Directors' Training Program and one director is certified from Pakistan Institute of Corporate Governance Previous year. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies.
10. No new appointment of Chief Financial officer, Company secretary and Head of internal audit was made during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises four members, of whom three are non-executive Directors, and the chairman of the committee is an Independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the Committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is a non- executive director.
18. The board has setup an effective Internal Audit function.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been fully complied with except for the mechanism for the annual evaluation of the board's own performance which is not yet established, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

For and on behalf of the Board

Mohammed Ebrahim Hasham
 Chief Executive Officer

Karachi: December 28, 2015

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

We have reviewed the enclosed Statement of Compliance (the statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the board) of Mehran Sugar Mills Limited (the Company) for the year ended 30 September 2015 to comply with the requirements of Regulation No. 5.19 of Karachi Stock Exchange Limited Regulations, where the Company is listed.

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

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board statement on internal controls covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended 30 September 2015.

Further, we draw your attention to Clause 23 of the Statement which explains that the development of mechanism for an annual evaluation of Board's own performance is currently in progress.

Date: December 28, 2015
Place: Karachi

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Mehran Sugar Mills Limited (the Company) as at 30 September 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

Except for the matter discussed in paragraph (a) below, 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) as disclosed in note 7 to the financial statements, the Company's share of net profit from investment in associated company accounted for under equity method of Rs. 50.3 million is based on unaudited financial statements of the associate;
- b) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- c) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for changes as stated in note 2.3 to the financial statements, with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- d) in our opinion except for the possible effects of the matter stated in paragraph (a) above, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September 2015 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- e) in our opinion, Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance subsequent to the year end.

We draw attention to note 27.1 to the financial statements which describes the uncertainty relating to the outcome of the lawsuits and appeals filed by / against the Company. Our opinion is not qualified in respect of these matters.

Date: December 28, 2015
 Place: Karachi

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

BALANCE SHEET

As at September 30, 2015

	Note	2015 Rupees	2014 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,649,074,339	1,584,876,678
Long-term receivable	6	-	-
Long-term investment	7	652,364,814	558,396,204
Long-term deposits		1,055,400	1,055,400
		<u>2,302,494,553</u>	<u>2,144,328,282</u>
CURRENT ASSETS			
Biological assets	8	48,829,127	58,924,461
Stores and spare parts	9	95,909,067	62,222,707
Stock-in-trade	10	1,462,632,972	459,926,470
Trade debts	11	42,097,026	42,871,351
Loans and advances	12	35,378,818	34,340,982
Trade deposits and short-term prepayments	13	9,817,974	28,286,701
Other receivables	14	6,835,115	4,697,979
Short-term investments	15	725,422,253	487,902,312
Income tax – net		9,970,709	57,588,417
Cash and bank balances	16	45,554,037	33,192,734
		<u>2,482,447,098</u>	<u>1,269,954,114</u>
TOTAL ASSETS		<u>4,784,941,651</u>	<u>3,414,282,396</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	17	320,312,450	320,312,450
Reserves		1,541,452,888	1,331,935,000
		<u>1,861,765,338</u>	<u>1,652,247,450</u>
NON-CURRENT LIABILITIES			
Long-term financing	18	273,232,712	318,348,217
Market committee fee payable	19	26,160,000	28,340,000
Liabilities against assets subject to finance lease	20	18,396,667	22,592,870
Deferred liability	21	9,414,422	8,004,115
Deferred taxation	22	289,248,760	234,621,296
Provision for quality premium	23	119,290,919	119,290,919
		<u>735,743,480</u>	<u>731,197,417</u>
CURRENT LIABILITIES			
Trade and other payables	24	1,670,966,579	288,028,701
Accrued mark up		11,525,019	29,360,066
Short-term borrowings	25	190,888,771	457,972,745
Current portion of long-term financing		151,020,204	135,892,855
Current maturity of liabilities against assets subject to finance lease		14,866,318	15,928,366
Provision for market committee fee	26	47,329,553	37,860,845
Current portion of market committee fee payable		2,180,000	4,360,000
Sales tax and federal excise duty payable		98,656,389	61,433,951
		<u>2,187,432,833</u>	<u>1,030,837,529</u>
CONTINGENCIES AND COMMITMENTS	27		
TOTAL EQUITY AND LIABILITIES		<u>4,784,941,651</u>	<u>3,414,282,396</u>

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



Chief Executive Officer



Director

PROFIT AND LOSS ACCOUNT

For the year ended September 30, 2015

	Note	2015 Rupees	2014 Rupees
Turnover	28	4,361,359,652	6,498,217,061
Cost of sales	29	(3,681,452,587)	(5,866,915,294)
Gross profit		679,907,065	631,301,767
Distribution costs	30	(40,490,950)	(106,902,491)
Administrative expenses	31	(173,380,060)	(154,078,845)
Other expenses	32	(27,737,505)	(22,886,166)
Other income	33	161,175,935	132,129,471
		(80,432,580)	(151,738,031)
Operating profit		599,474,485	479,563,736
Share of profit from an associate – net of tax		93,968,610	52,981,067
Finance costs	34	(146,566,462)	(209,000,842)
Profit before taxation		546,876,633	323,543,961
Taxation	35	(116,842,360)	(54,437,052)
Net profit for the year		430,034,273	269,106,909
Basic and diluted earnings per share	36	13.43	8.40

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



Chief Executive Officer



Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2015

	2015 Rupees	2014 Rupees
Net profit for the year	430,034,273	269,106,909
Other comprehensive income		
Items to be classified to profit and loss account in subsequent periods		
Unrealised (loss) / gain on revaluation of investments for the year - net of tax	(11,222,547)	73,061,584
Reclassification to profit and loss account for gain on sale of investments	(32,454,507)	(8,141,883)
	(43,677,054)	64,919,701
Items that may not be reclassified subsequently to profit and loss account		
Actuarial loss on defined benefit plan	(667,641)	-
Total comprehensive income for the year	385,689,578	334,026,610

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



Chief Executive Officer



Director

CASH FLOW STATEMENT

For the year ended September 30, 2015

	Note	2015 Rupees	2014 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		546,876,633	323,543,961
Adjustments for non-cash items:			
Depreciation		130,145,316	121,046,166
Share of profit from an associate		(93,968,610)	(52,981,067)
Gain on disposal of fixed assets		(1,596,235)	(6,679,132)
Finance costs		146,566,462	209,000,842
Gain on disposal of short term investments		(74,342,251)	(58,187,725)
Provision for gratuity		1,500,861	1,674,560
Provision for market committee fee		9,468,708	11,405,022
Working capital changes	37	372,731,770	94,940,918
		490,506,021	320,219,584
Gratuity paid		(758,195)	(1,234,636)
Income taxes paid		(18,054,529)	(34,435,302)
Finance costs paid		(164,401,509)	(201,644,396)
Long term deposits		-	1,748,250
Net cash generated from operating activities		854,168,421	408,197,461
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(196,888,181)	(202,859,158)
Proceeds from disposal of operating fixed assets		4,141,439	12,817,989
Short-term investments made during the year		(753,726,646)	(373,919,128)
Proceeds from disposal of short term investments		550,329,243	301,627,926
Net cash used in investing activities		(396,144,145)	(262,332,371)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing		(29,988,156)	(126,071,428)
Short-term borrowings		(267,083,974)	60,795,797
Liabilities against assets subject to finance lease		(5,258,251)	10,183,707
Dividend paid		(143,332,592)	(63,694,948)
Net cash used in financing activities		(445,662,973)	(118,786,872)
Net increase in cash and cash equivalents		12,361,303	27,078,218
Cash and cash equivalents at the beginning of the year		33,192,734	6,114,516
Cash and cash equivalents at the end of the year	16	45,554,037	33,192,734

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



Chief Executive Officer



Director

STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2015

	Issued, subscribed and paid-up capital	Reserves					Total reserves	Total
		Capital reserve - Share premium	General reserve	Unrealised gain on revaluation of investments	Actuarial gain / (loss) on defined benefit plan	Unappropriated profit		
----- Rupees -----								
Balance as at September 30, 2013	253,211,430	63,281,250	85,000,000	25,618,133	-	958,438,012	1,132,337,395	1,385,548,825
Final dividend for the year ended September 30, 2013 @ 7.5%	-	-	-	-	-	(18,990,730)	(18,990,730)	(18,990,730)
First interim dividend for the year ended September 30, 2014 @ 5%	-	-	-	-	-	(14,559,202)	(14,559,202)	(14,559,202)
Bonus shares issued in the ratio of 15 ordinary share for every 100 ordinary shares held	37,981,710	-	-	-	-	(37,981,710)	(37,981,710)	-
Second interim dividend for the year ended September 30, 2014 @ 5%	-	-	-	-	-	(14,559,225)	(14,559,225)	(14,559,225)
Bonus shares issued in the ratio of 10 ordinary share for every 100 ordinary shares held	29,119,310	-	-	-	-	(29,119,310)	(29,119,310)	-
Third interim dividend for the year ended September 30, 2014 @ 6%	-	-	-	-	-	(19,218,828)	(19,218,828)	(19,218,828)
Net profit for the year	-	-	-	-	-	269,106,909	269,106,909	269,106,909
Other comprehensive income	-	-	-	64,919,701	-	-	64,919,701	64,919,701
Total comprehensive income for the year	-	-	-	64,919,701	-	269,106,909	334,026,610	334,026,610
Balance as at September 30, 2014	320,312,450	63,281,250	85,000,000	90,537,834	-	1,093,115,916	1,331,935,000	1,652,247,450
Final dividend for the year ended September 30, 2014 @ 10%	-	-	-	-	-	(32,031,245)	(32,031,245)	(32,031,245)
First interim dividend @ 10%	-	-	-	-	-	(32,031,245)	(32,031,245)	(32,031,245)
Second interim dividend @ 12.5%	-	-	-	-	-	(40,038,800)	(40,038,800)	(40,038,800)
Third interim dividend @ 12.5%	-	-	-	-	-	(40,039,155)	(40,039,155)	(40,039,155)
Fourth interim dividend @ 10%	-	-	-	-	-	(32,031,245)	(32,031,245)	(32,031,245)
Net profit for the year	-	-	-	-	-	430,034,273	430,034,273	430,034,273
Other comprehensive income	-	-	-	(43,677,054)	(667,641)	-	(44,344,695)	(44,344,695)
Total comprehensive income for the year	-	-	-	(43,677,054)	(667,641)	430,034,273	385,689,578	385,689,578
Balance as at September 30, 2015	320,312,450	63,281,250	85,000,000	46,860,780	(667,641)	1,346,978,499	1,541,452,888	1,861,765,338

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



Chief Executive Officer



Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

1. THE COMPANY AND ITS OPERATIONS

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

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

2.3 New standards, interpretations and amendments

The accounting policies adopted in the preparation of these financial statements are consistent with those of previous financial year except as described below:

The Company has adopted the following revised standards, amendments, interpretations and improvements which became effective for the current year:

- IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions
- IAS 32 – Financial Instruments: Presentation – (Amendment)
 - Offsetting Financial Assets and Financial Liabilities
- IAS 36 –Impairment of Assets – (Amendment)
 - Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 –Financial Instruments: Recognition and Measurement – (Amendment)
 - Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 –Levies

Improvements to Accounting Standards issued by the IASB

- IFRS 2 -Share-based Payment - Definitions of vesting conditions
- IFRS 3 -Business Combinations - Accounting for contingent consideration in a business combination
- IFRS 3 -Business Combinations - Scope exceptions for joint ventures
- IFRS 8 -Operating Segments - Aggregation of operating segments
- IFRS 8 -Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
- IFRS 13 -Fair Value Measurement - Scope of paragraph 52 (portfolio exception)
- IAS 16-Property,PlantandEquipmentandIAS38IntangibleAssets–Revaluationmethod–proportionaterestatementof accumulated depreciation / amortization
- IAS 24 -Related Party Disclosures - Key management personnel
- IAS 40 -Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

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

2.4 Accounting standards that are not yet effective

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

	Effective date (accounting periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	01 January 2015
IFRS 10 – Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities (Amendment)	01 January 2015
IFRS 10 – Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	01 January 2016
IFRS 11 – Joint Arrangements	01 January 2015
IFRS 11 – Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2015
IFRS 13 – Fair Value Measurement	01 January 2015
IAS 1S1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	01 January 2016
IAS 161 – Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January 2016
IAS 161 – Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 271 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01 January 2016

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

	IASB Effective date (accounting periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2018

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Property, plant and equipment

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

Biological assets

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

Inventories

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

Trade debts and receivables

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

Taxation

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

Provision for quality premium and market committee fee

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

Owned

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

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

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

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

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

Leased

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

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

Capital work-in-progress

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

4.2 Investments

Associates

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

Available-for-sale

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

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

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

Held-to-maturity

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

4.3 Biological assets

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

4.4 Stores and spare parts

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

4.5 Stock-in-trade

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

4.6 Trade debts and other receivables

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

4.7 Cash and cash equivalents

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

4.8 Staff benefits

Gratuity

The Company operates an unfunded gratuity scheme for its permanent mill employees. Provision is made annually, to cover obligations under the plan, by way of a charge to profit and loss account, calculated in accordance with the actuarial valuation using the "Projected Unit Credit Method". The latest valuation has been carried out as at September 30, 2015.

Provident fund

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

	2015 Rupees (Unaudited)	2014 Rupees (Audited)
General disclosures		
Size of the fund	111,964,063	96,805,486
Cost of investments	95,223,457	82,212,165
Fair value of investments	104,389,718	89,223,457
Percentage of investments	93%	92%
Break-up of investments:		
	2015 ------(Unaudited)----- (Rupees) (%)	2014 ------(Audited)----- (Rupees) (%)
Defence Saving Certificates	104,389,718 93	89,223,457 92
Total	<u>104,389,718</u> <u>93</u>	<u>89,223,457</u> <u>92</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

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

Compensated absences

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

4.9 Taxation

Current

Provision for current tax is based on the taxable income in accordance with the Income Tax Ordinance, 2001.

Deferred

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

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

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

4.10 Trade and other payables

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

4.11 Provisions

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

4.12 Foreign currency transactions and translation

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

4.13 Borrowing costs

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

4.14 Financial instruments

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

4.15 Offsetting of financial assets and financial liabilities

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

4.16 Revenue recognition

- Sales are recognized as revenue when invoiced, which generally coincides with the delivery of goods.
- Return on term deposit receipts is recognized on accrual basis.
- Dividend income is recognized when the right to receive the same is established.
- Gain on sale of investments is recognized in profit and loss account in the year in which it arises.
- Income from sale of electricity is recognized as and when invoiced.

4.17 Dividend and appropriation to reserves

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

4.18 Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

	Note	2015 Rupees	2014 Rupees
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	1,601,164,852	1,522,440,753
Capital work-in-progress	5.2	47,909,487	62,435,925
		1,649,074,339	1,584,876,678

5.1 Operating fixed assets

Description	2015							
	Cost at October 01, 2014	Additions/(deletions)	Cost at September 30, 2015	Accumulated depreciation at October 01, 2014	Depreciation for the year/(deletions)	Accumulated depreciation at September 30, 2015	Book value at September 30, 2015	Dep. Rate
----- Rupees -----								
Owned								
Freehold land	180,720	77,255,000	77,435,720	-	-	-	77,435,720	-
Buildings on freehold land								
- Factory	236,372,115	11,561,321	247,933,436	87,890,410	15,539,534	103,429,944	144,503,492	10 %
- Non-factory	50,557,541	-	50,557,541	10,403,874	2,007,683	12,411,557	38,145,984	5 %
Plant, machinery and Equipment	1,939,920,663	109,154,703	2,049,075,366	773,571,515	91,399,360	864,970,875	1,184,104,491	7.5 %
Furniture and fittings	10,185,774	35,400	10,221,174	3,966,236	624,903	4,591,139	5,630,035	10 %
Vehicles	28,580,081	865,195 (1,014,768)	28,430,508	18,951,006	1,987,008 (550,738)	20,387,276	8,043,232	20 %
Office premises	84,611,044	-	84,611,044	9,107,513	3,775,177	12,882,690	71,728,354	5 %
Office equipment	8,353,335	443,800	8,797,135	6,022,963	255,924	6,278,887	2,518,248	10 %
Electric installation	16,653,275	188,100	16,841,375	9,872,596	693,743	10,566,339	6,275,036	10 %
Weighbridge and scales	1,202,624	-	1,202,624	966,307	23,632	989,939	212,685	10 %
Workshop tools and other equipment	8,910,896	-	8,910,896	6,225,286	268,561	6,493,847	2,417,049	10 %
Computers	9,774,210	533,600	10,307,810	6,697,179	979,912	7,677,091	2,630,719	30 %
Air conditioners and Refrigerators	13,359,385	755,500	14,114,885	5,965,474	777,711	6,743,185	7,371,700	10 %
	2,408,661,663	200,792,619 (1,014,768)	2,608,439,514	939,640,359	118,333,148 (550,738)	1,057,422,769	1,551,016,745	
Leased								
Vehicles	67,390,300	10,622,000 (4,530,000)	73,482,300	13,970,851	11,812,168 (2,448,826)	23,334,193	50,148,107	20 %
Total	2,476,051,963	211,414,619 (5,544,768)	2,681,921,814	953,611,210	130,145,316 (2,999,564)	1,080,756,962	1,601,164,852	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

Description	2014							
	Cost at October 01, 2013	Additions/transfers*/(deletions)	Cost at September 30, 2014	Accumulated depreciation at October 01, 2013	Depreciation for the year/transfers*/(deletions)	Accumulated depreciation at September 30, 2014	Book value at September 30, 2014	Dep. Rate
Owned								
Freehold land	180,720	-	180,720	-	-	-	180,720	-
Buildings on freehold land								
- Factory	157,590,616	78,781,499	236,372,115	75,735,579	12,154,831	87,890,410	148,481,705	10 %
- Non-factory	45,091,244	5,466,297	50,557,541	8,550,081	1,853,793	10,403,874	40,153,667	5 %
Plant, machinery and equipment	1,837,844,056	102,076,607	1,939,920,663	684,372,596	89,198,919	773,571,515	1,166,349,148	7.5 %
Furniture and fittings	9,917,774	268,000	10,185,774	3,292,806	673,430	3,966,236	6,219,538	10 %
Vehicles	27,885,767	1,510,099 16,195,000* (17,010,785)	28,580,081	17,098,505	2,240,574 10,544,973* (10,933,046)	18,951,006	9,629,075	20 %
Office premises	84,611,044	-	84,611,044	5,133,643	3,973,870	9,107,513	75,503,531	5 %
Office equipment	7,860,835	492,500	8,353,335	5,795,843	227,120	6,022,963	2,330,372	10 %
Electric installation	16,653,275	-	16,653,275	9,119,187	753,409	9,872,596	6,780,679	10 %
Weighbridge and scales	1,202,624	-	1,202,624	940,049	26,258	966,307	236,317	10 %
Workshop tools and other equipment	8,910,896	-	8,910,896	5,926,885	298,401	6,225,286	2,685,610	10 %
Computers	8,500,331	1,273,879	9,774,210	5,599,277	1,097,902	6,697,179	3,077,031	30 %
Air conditioners and refrigerators	11,305,231	2,829,480 (775,326)	13,359,385	6,022,773	656,909 (714,208)	5,965,474	7,393,911	10 %
	2,217,554,413	192,698,361 16,195,000* (17,786,111)	2,408,661,663	827,587,224	113,155,416 10,544,973* (11,647,254)	939,640,359	1,469,021,304	
Leased								
Vehicles	50,965,500	32,619,800 (16,195,000)*	67,390,300	16,625,074	7,890,750 (10,544,973)*	13,970,851	53,419,449	20 %
Total	2,268,519,913	225,318,161 (17,786,111)	2,476,051,963	844,212,298	121,046,166 (11,647,254)	953,611,210	1,522,440,753	

	Note	2015 Rupees	2014 Rupees
5.1.1 Depreciation charge for the year has been allocated as follows:			
Cost of sales	29	109,932,513	104,285,611
Administrative expenses	31	20,212,803	16,760,555
		<u>130,145,316</u>	<u>121,046,166</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

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

Particulars	(Rupees)					Mode of Disposal	Particulars of Purchaser
	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain		
Vehicles - Owned							
Suzuki Potohar Jeep (BC-5760)	329,779	230,542	99,237	495,000	395,763	Negotiation	Mr. Murtaza Khan Babar
Honda CD-70 (KFG-6678)	65,900	34,971	30,929	65,900	34,971	Policy	Mr. Nadeem Jan – employee
Honda CD-70 (KFK-6367)	65,900	34,971	30,929	65,900	34,971	Policy	Mr. Gulraiz Hyder – employee
Honda CD-70 (KFG-6674)	65,900	34,971	30,929	65,900	34,971	Policy	Mr. Mansoor Ahmed – employee
Honda CD-70 (KGF-4918)	67,500	25,425	42,075	67,500	25,425	Policy	Mr. Niaz Ahmed – employee
Honda CD-70 (HAW-8565)	68,500	19,105	49,395	63,467	14,072	Insurance claim	Adamjee Insurance Co. Ltd.
Honda CD-70 (HAW-8549)	68,500	19,105	49,395	64,504	15,109	Insurance claim	Adamjee Insurance Co. Ltd.
Super Power -70 (KGZ-0373)	44,500	11,075	33,425	46,170	12,745	Insurance claim	Adamjee Insurance Co. Ltd.
Unique CD-70	41,500	12,127	29,373	41,500	12,127	Policy	Mr. Arif – employee
Honda CG-125 (KAP-7151)	73,000	70,811	2,189	20,000	17,811	Policy	Mr. Muhammad Rizwan – employee
Honda CD-70 (HBA-9439)	69,900	15,378	54,522	67,570	13,048	Insurance claim	Adamjee Insurance Co. Ltd.
Honda CD-70 (KDY-0116)	53,889	42,257	11,632	53,889	42,257	Policy	Mr. Abdul Rehman – employee
	1,014,768	550,738	464,030	1,117,300	653,270		
Vehicles – Leased							
Suzuki Cultus VXR(AYZ-613)	985,000	315,200	669,800	810,000	140,200	Policy	Mr. Muhammad Shabbir – employee
Suzuki Alto (ATW-577)	674,000	378,758	295,242	442,211	146,969	Policy	Mr. Muhammad Anwer Khatri – employee
Suzuki Alto (ATL-609)	662,000	382,371	279,629	434,338	154,709	Policy	Mr. Sikander Khan – employee
Suzuki Alto (AWW-921)	748,000	461,299	286,701	476,986	190,285	Policy	Mr. Abdul Rehman – employee
Suzuki Alto (AVJ-893)	730,500	455,599	274,901	381,324	106,423	Policy	Mr. Sher Muhammad – employee
Suzuki Alto (AVJ-895)	730,500	455,599	274,901	479,280	204,379	Policy	Mr. Fahim-ul-Haq – employee
	4,530,000	2,448,826	2,081,174	3,024,139	942,965		
Total	5,544,768	2,999,564	2,545,204	4,141,439	1,596,235		

5.2 Capital work-in-progress

	Freehold land	Buildings on freehold land	Plant, machinery and equipment	Total
	----- Rupees -----			
Balance as at September 30, 2013	-	53,211,137	31,683,791	84,894,928
Capital expenditure incurred / advances made during the year	6,250,000	30,964,159	79,397,358	116,611,517
Transfer to operating fixed assets	-	(84,135,296)	(54,935,224)	(139,070,520)
Balance as at September 30, 2014	6,250,000	40,000	56,145,925	62,435,925
Capital expenditure incurred / advances made during the year	-	13,285,448	58,201,579	71,487,027
Transfer to operating fixed assets	(6,250,000)	(11,561,321)	(68,202,144)	(86,013,465)
Balance as at September 30, 2015	-	1,764,127	46,145,360	47,909,487

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

	Note	2015 Rupees	2014 Rupees
6. LONG-TERM RECEIVABLE			
Tender earnest money		1,000,000	1,000,000
Down payment	6.1	33,125,000	33,125,000
Other costs		8,385,996	8,385,996
		<u>42,510,996</u>	<u>42,510,996</u>
Provision for doubtful receivable		<u>(42,510,996)</u>	<u>(42,510,996)</u>
		<u>-</u>	<u>-</u>

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

	Note	2015 Rupees	2014 Rupees
7. LONG TERM INVESTMENT In an associated company			
	7.1	<u>652,364,814</u>	<u>558,396,204</u>

- 7.1** The Company holds 23,059,573 (2014: 23,059,573) shares representing 33.33 (2014: 33.33) percent of the total equity of Unicol Limited, an unquoted Company, which is involved in the manufacturing and selling of industrial ethanol.

	Note	2015 Rupees	2014 Rupees
7.2 Movement of investment			
Opening balance		558,396,204	505,415,137
Share of profit for the year – net of tax		50,329,347	51,455,687
Prior year adjustment	7.2.1	43,639,263	1,525,380
		93,968,610	52,981,067
		<u>652,364,814</u>	<u>558,396,204</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

7.3 The summarized financial information of Unicol Limited is as follows:

	2015 Rupees (Unaudited)	2014 Rupees (Audited)
Aggregate amount of:		
- assets	4,401,989,000	5,469,630,000
- liabilities	2,444,895,000	3,663,523,000
- revenue	4,311,211,000	3,142,889,000
- profit	150,988,000	285,286,000
	2015 Rupees	2014 Rupees
8 BIOLOGICAL ASSETS	48,829,127	58,924,461
8.1 Carrying value at beginning of the year	58,924,461	56,295,200
Increase due to cultivation	27,070,673	29,199,004
Change in fair value less costs to sell of standing crop	21,758,454	29,725,457
	107,753,588	115,219,661
Reduction due to harvesting	(58,924,461)	(56,295,200)
Carrying value at the end of the year	48,829,127	58,924,461
8.2 The Company is engaged in cultivation of different sugarcane varieties. These varieties are then provided to growers for multiplication. During the year, the Company harvested 304,753 maunds sugarcane at the yield of 873 maunds per acre. 149,159 maunds were supplied to growers for variety multiplication while remaining sugarcane was used for crushing at mill.		

	2015 Rupees	2014 Rupees
9. STORES AND SPARE PARTS		
Stores	28,974,411	12,369,778
Spare parts	66,934,656	49,852,929
	95,909,067	62,222,707
10. STOCK-IN-TRADE		
Manufactured sugar		
- Work-in-process	2,922,740	3,004,859
- Finished goods	1,459,710,232	456,921,611
	1,462,632,972	459,926,470

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

11. TRADE DEBTS – unsecured	Note	2015 Rupees	2014 Rupees
Considered good	11.1	42,097,026	42,871,351
Considered doubtful	11.2	16,987,867	16,987,867
		<u>59,084,893</u>	<u>59,859,218</u>
Less: Provision for doubtful debts	11.2	16,987,867	16,987,867
		<u>42,097,026</u>	<u>42,871,351</u>
11.1 The aging of trade debts is as follows:			
Neither past due nor impaired		-	38,996,100
Past due but not impaired			
- within 90 days		41,991,426	3,875,251
- 91 - 180 days		-	-
- over 365 days		105,600	-
		<u>42,097,026</u>	<u>3,875,251</u>
		<u>42,097,026</u>	<u>42,871,351</u>

11.1 Includes receivable amounting to Rs. 3.45 million (2014: Rs. 16.93 million) from Unicol Limited, a related party, aged within 90 days.

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

12. LOANS AND ADVANCES – unsecured, considered good	Note	2015 Rupees	2014 Rupees
Loans to staff	12.1	2,495,345	4,037,176
Advances			
- to suppliers		11,825,600	16,107,578
- to cane growers		16,210,778	12,616,347
- against expenses		4,847,095	1,579,881
		<u>32,883,473</u>	<u>30,303,806</u>
		<u>35,378,818</u>	<u>34,340,982</u>

12.1 Represent interest-free loans given to employees for purchase of vehicles, repayable latest by September 30, 2016, in monthly instalments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

	Note	2015 Rupees	2014 Rupees
13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposits			
Considered good		358,640	358,640
Considered doubtful	13.1	8,196,113	8,196,113
		8,554,753	8,554,753
Less: Provision for doubtful deposits		8,196,113	8,196,113
		358,640	358,640
Short-term prepayments			
Considered good		9,459,334	27,928,061
Considered doubtful		563,441	563,441
		10,022,775	28,491,502
Less: Provision for doubtful prepayments		563,441	563,441
		9,459,334	27,928,061
		9,817,974	28,286,701

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

	2015 Rupees	2014 Rupees
14. OTHER RECEIVABLES— considered good		
Due from related parties:		
Pakistan Molasses Company (Private) Limited	3,186,572	3,103,109
Mogul Tobacco Company (Private) Limited	1,032,362	835,750
	4,218,934	3,938,859
Others	2,616,181	759,120
	6,835,115	4,697,979

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

	Note	2015 Rupees	2014 Rupees
15. SHORT-TERM INVESTMENTS			
Held to maturity			
Term deposit certificates	15.1	3,300,000	3,300,000
Available for sale			
Equity securities	15.2	722,122,253	484,602,312
		<u>725,422,253</u>	<u>487,902,312</u>

15.1 These carry profit rate of 6.34 (2014: 7.00) percent per annum, having maturity upto six months.

15.2 Available for sale

2015 Number of shares at par value of Rs. 10/- each	2014	Quoted Companies	2015 Rupees	2014 Rupees
375,400	170,400	Allied Bank Limited	34,912,200	19,267,128
100,000	-	Arif Habib Corporation Limited	5,007,000	-
2,159,750	1,758,250	Bank Al- Habib Limited	89,845,600	79,595,977
-	150,000	Bank Al-Falah Limited	-	4,257,000
100,000	50,000	Cherat Cement Limited	8,622,000	2,619,000
235,000	325,000	D.G.Khan Cement Limited	32,199,700	25,902,500
160,000	75,000	Engro Corporation Limited	47,740,800	12,385,500
375,000	100,000	Engro Fertilizers Limited	33,675,000	5,361,000
40,000	-	Engro Foods Limited	5,894,400	-
100,000	-	Engro Powergen Qadirpur Limited	3,500,000	-
250,000	350,000	Fatima Fertilizer Company Limited	11,570,000	9,943,500
50,000	100,000	Fauji Fertilizer Company Limited	6,172,500	11,344,000
481,684	145,000	Habib Bank Limited	95,219,293	30,331,100
500,000	600,000	Hub Power Company Limited	49,120,000	38,388,000
83,605	78,605	Jubilee Life Insurance Company Limited	43,474,600	23,660,105
2,000,000	-	K-Electric Limited	14,120,000	-
10,000	25,000	Lucky Cement Limited	5,267,000	10,039,750
300,000	-	Maple Leaf Cement Factory Limited	20,562,000	-
125,000	10,000	MCB Bank Limited	28,681,250	2,825,700
1,000,000	1,000,000	Meezan Bank Limited	50,480,000	41,000,000
15,000	-	National Refinery Limited	3,298,800	-
150,000	425,000	Nishat Chunian Power Limited	8,400,000	18,398,250
100,000	35,000	Nishat Mills Limited	9,929,000	4,165,000
200,000	300,000	Nishat Power Limited	10,460,000	11,490,000
80,000	70,000	Oil & Gas Development Company Limited	9,973,600	17,294,200
20,000	70,000	Pakistan Oil Fields Limited	5,878,600	37,200,800
100,825	202,825	Pakistan Petroleum Limited	12,012,291	45,848,591
11,000	11,000	Pakistan State Oil Company Limited	3,172,290	3,964,950
100,000	-	Sui Northern Gas Pipelines Limited	3,143,000	-
475,677	155,677	United Bank Limited	69,791,329	29,320,261
			<u>722,122,253</u>	<u>484,602,312</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

		2015 Rupees	2014 Rupees
16.	CASH AND BANK BALANCES		
	In hand	68,382	134,335
	Cash with banks in current accounts	45,485,655	33,058,399
		<u>45,554,037</u>	<u>33,192,734</u>
17.	SHARE CAPITAL		
	2015 (Number of shares)	2014	
	Authorized capital		
	<u>50,000,000</u>	50,000,000	Ordinary shares of Rs. 10/- each
	Issued, subscribed and paid-up capital		Ordinary shares of Rs. 10/- each
	5,968,750	5,968,750	Fully paid in cash
	350,000	350,000	Issued for consideration other than cash
	25,712,495	25,712,495	Issued as fully paid bonus shares
	<u>32,031,245</u>	<u>32,031,245</u>	
		<u>500,000,000</u>	<u>500,000,000</u>
		59,687,500	59,687,500
		3,500,000	3,500,000
		257,124,950	257,124,950
		<u>320,312,450</u>	<u>320,312,450</u>
	Note	2015 Rupees	2014 Rupees
18.	LONG TERM FINANCING—secured		
	From banking companies	18.1	<u>273,232,712</u>
			<u>318,348,217</u>
18.1	Note	2015 Rupees	2014 Rupees
	<u>Diminishing Musharaka</u>		
	Al Baraka Bank Pakistan Limited	118,404,699	150,000,000
	Bank Islami Pakistan Limited	43,750,001	50,000,000
	Meezan Bank Limited	23,437,500	42,187,500
	Meezan Bank Limited	24,375,000	40,625,000
	<u>Term loans</u>		
	Bank Al Habib Limited	100,000,000	-
	Bank Al Habib Limited	57,142,858	85,714,286
	MCB Bank Limited	57,142,858	85,714,286
		424,252,916	454,241,072
		(151,020,204)	(135,892,855)
		<u>273,232,712</u>	<u>318,348,217</u>
	Less: Current portion shown under current liabilities		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

18.2 These are secured by way of first pari passu charge over fixed assets of the Company amounting to Rs. 443.84 million.

18.3 These are secured by way of first pari passu charge over fixed assets of the Company amounting to Rs. 402 million.

	Note	2015 Rupees	2014 Rupees
19. MARKET COMMITTEE FEE PAYABLE			
Market committee fee payable		28,340,000	32,700,000
Less: Current portion		2,180,000	4,360,000
	26.2	<u>26,160,000</u>	<u>28,340,000</u>

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Represent finance leases entered into with commercial banks for vehicles. Total lease rentals due under various lease agreements aggregated to Rs. 37,976,705/- (2014: Rs. 47,521,846/-) and are payable in equal monthly instalments latest by August 2019. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee has to pay the entire rent for unexpired period. Financing rates of approximately 8.59 to 11.93 (2014: 9.38 to 10.18) percent per annum has been used as discounting factor. Purchase options can be exercised by the lessee in accordance with the respective lease agreements. The movement in the finance lease liability is as follows:

	2015		2014	
	Minimum lease Payments	Present Value	Minimum lease Payments	Present Value
	----- (Rupees) -----			
Within one year	17,308,225	14,866,318	19,316,292	15,928,366
After one year but not more than five years	20,668,480	18,396,667	28,205,554	22,592,870
Total minimum lease payments	37,976,705	33,262,985	47,521,846	38,521,236
Less: Amount representing finance charges	4,713,720	-	9,000,610	-
Present value of minimum lease payments	33,262,985	33,262,985	38,521,236	38,521,236
Less: Current maturity shown under current liability	14,866,318	14,866,318	15,928,366	15,928,366
	<u>18,396,667</u>	<u>18,396,667</u>	<u>18,396,667</u>	<u>22,592,870</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

	2015 Rupees	2014 Rupees			
21. DEFERRED LIABILITY					
Staff gratuity	<u>9,414,422</u>	<u>8,004,115</u>			
(a) Staff gratuity					
Opening balance	8,004,115	7,564,191			
Expense for the year	1,500,861	1,674,560			
Benefits paid during the year	(758,195)	(1,234,636)			
Actuarial loss	667,641	-			
Closing balance	<u>9,414,422</u>	<u>8,004,115</u>			
(b) Expense for the year					
Current service cost	623,984	823,773			
Interest cost	876,877	850,787			
	<u>1,500,861</u>	<u>1,674,560</u>			
(c) Principal actuarial assumptions					
Discount rate	<u>9.25%</u>	<u>11.50%</u>			
Expected rate of increase in salary level	<u>9.25%</u>	<u>8.50%</u>			
Expected average remaining life of employees	<u>22 years</u>	<u>24 years</u>			
(d) Comparisons for five years					
	<u>2015</u>	2014	2013	2012	2011
	----- (Rupees) -----				
Present value of defined benefit obligation	<u>9,414,422</u>	<u>8,004,115</u>	<u>7,564,191</u>	<u>6,438,840</u>	<u>5,681,987</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

	Note	2015 Rupees	2014 Rupees
22. DEFERRED TAXATION			
Credit balances arising due to:			
Accelerated tax depreciation		265,864,276	268,155,914
Assets subject to finance leases		5,403,239	4,916,410
Long term investment		52,721,136	32,780,047
Unrealised gain on available for sale investments		3,457,341	-
		<u>327,445,992</u>	<u>305,852,371</u>
Debit balances arising due to:			
Provision for gratuity		(3,012,615)	(2,641,358)
Provision for doubtful debts		(3,454,572)	(3,562,528)
Provision for doubtful deposits and prepayments		(2,803,057)	(2,890,653)
Provision for doubtful long-term receivable		(13,603,519)	(14,028,629)
Carryover of alternative corporate tax		(15,210,189)	(47,991,087)
Others		(113,280)	(116,820)
		<u>(38,197,232)</u>	<u>(71,231,075)</u>
		<u>289,248,760</u>	<u>234,621,296</u>

23. PROVISION FOR QUALITY PREMIUM	23.1	<u>119,290,919</u>	<u>119,290,919</u>
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23.1 As required under the provisions of Sugar Factories Control Act, 1950, sugar mills in Sindh are required to pay quality premium to cane growers at the rate of 50 paisas per 40 Kg cane for each 0.1 percent of excess sucrose recovery above the benchmark of 8.7 percent, determined on the aggregate sucrose recovery of each mill. The Company had challenged the levy of quality premium before the Honourable High Court of Sindh, however, the matter was decided against the Company. Thereafter, the Company filed an appeal with the Honourable Supreme Court of Pakistan which then granted stay to the Company, while admitting the appeal against the impugned judgment of the Honourable High Court of Sindh. The Punjab Government is not levying any quality premium in view of an earlier decision of Lahore High Court, in a similar case, wherein the Court had declared the demand of quality premium as unlawful. Although the matter is under litigation, the Company carries full provision against quality premium pertaining to the period from the year 1999 to 2008, as a matter of prudence.

	Note	2015 Rupees	2014 Rupees
24. TRADE AND OTHER PAYABLES			
Creditors		47,052,566	41,176,074
Accrued expenses	24.1	247,734,507	18,928,787
Advances from customers		1,257,969,750	158,598,442
Workers' Profits Participation Fund	24.2	18,124,594	8,467,229
Workers' Welfare Fund	24.3	36,781,789	27,168,878
Unclaimed dividend		44,782,759	11,943,661
Deposits from employees against purchase of vehicles		10,527,227	8,309,535
Others		7,993,387	13,436,095
		<u>1,670,966,579</u>	<u>288,028,701</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

- 24.1** Include Rs. 236.718 million (2014: Nil), being the difference of sugarcane notified rate of Rs. 182/- by the Government of Sindh and the amount paid at the rate Rs. 172/- as per provisional consent order of Honourable High Court of Sindh.

	2015 Rupees	2014 Rupees
24.2 Workers' Profits Participation Fund		
Opening balance	8,467,229	9,260,652
Allocation for the year	18,124,594	8,467,229
	<u>26,591,823</u>	<u>17,727,881</u>
Payments made during the year	(8,467,229)	(9,260,652)
Closing balance	<u>18,124,594</u>	<u>8,467,229</u>

- 24.3** During the year ended September 30, 2011, the Company filed a petition in the Honourable High Court of Sindh pleading that the basis for calculating charge for Worker's Welfare Fund (WWF) should be taxable income, instead of higher of accounting profit before tax and taxable income. In June 2011, the Honourable High Court of Sindh granted stay to the Company against payment to WWF till the final decision of the case. Consequently, the Company has not made payment to WWF for the financial years 2011 to 2015. However, as a matter of prudence, the Company has provided charge for WWF on the higher of accounting profit before tax (excluding share of profit from associate), being the higher of accounting profit before tax and taxable income up till the year 2014.

	Note	2015 Rupees	2014 Rupees
25. SHORT-TERM BORROWINGS – secured			
Running finance under markup arrangements	25.1	62,653,321	32,972,745
Short term finance	25.2	128,235,450	425,000,000
		<u>190,888,771</u>	<u>457,972,745</u>

- 25.1** The aggregate facilities for short term running finance available from various banks as of September 30, 2015 amounted to Rs. 500 million (2014: Rs. 500 million), of which Rs. 437.35 million (2014: Rs. 467.03 million) remained unutilized at year end. These facilities are secured against hypothecation of current assets of the Company. These carry mark up at the rates ranging between 8.01 and 12.12 (2014: 10.89 and 12.13) percent per annum, payable quarterly.

- 25.2** These represent outstanding portion of finance facilities aggregating to Rs. 4,025 million (2014: Rs. 4,600 million) obtained from various banks. The loans carry mark-up rates ranging between 7.80 and 11.54 (2014: 11.18 and 12.13) percent per annum, payable quarterly. These are secured against pledge of stock-in-trade and are repayable within six months, latest by October, 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

	Note	2015 Rupees	2014 Rupees
26. PROVISION FOR MARKET COMMITTEE FEE	26.1	47,329,553	<u>37,860,845</u>

26.1 During the year 1999-2000, the Market Committee filed a law suit for the recovery of market committee fee before the Senior Civil Judge, Tando Allahyar. The Company contested the law suit on the ground that the Market Committee was not lawfully constituted. However, the Senior Civil Judge, Tando Allahyar passed a decree against the Company on March 12, 2003 which amounted to Rs. 43.7 million and fee amounting to Rs. 9.85 million, relating to years upto 2003 and 2004. Subsequently, the GoS withdrew the levy of the Market Committee for crushing season of year 2004-2005. The Company filed an appeal against the aforesaid order of Senior Civil Judge Tando Allahyar with the District Judge, Hyderabad and the same was dismissed by the District Judge during the year 2007. Consequently, in the year 2007 the Company filed an appeal and obtained a stay order from the Honourable High Court of Sindh. In the year 2009, the Honourable High Court of Sindh made a decision in this respect and determined the Company's liability amounted to Rs. 32.70 million upto the month of June 2008. During the year ended 2008, the Company filed an appeal in the Honourable Supreme Court of Pakistan, which is currently pending decision. However, as a matter of prudence, the Company fully provided the amount determined by the Honourable High Court of Sindh and has also provided further liability on account of market committee fee for subsequent crushing seasons 2008-2015 amounting to Rs. 47.33 million, which includes Rs. 9.47 million provided during the current year.

26.2 During the year ended September 30, 2014, the Company entered into a settlement with the Market Committee against provision for market committee fee up to June 2008 amounting to Rs. 32.7 million. As per the settlement terms, the above amount is now payable in 15 equal yearly instalments. Accordingly, the said liability is shown as long-term market committee fee payable in note 19.

27. CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

- (i) Contribution demanded by SESSI amounting to Rs. 3.28 million (2014: Rs. 3.28 million), for the period July 1987 to August 1990, had been disputed by the Company. The case is currently pending decision before the Honourable High Court of Sindh. The Company and its legal counsel are hopeful from favourable outcome of the case and hence, no provision has been made against the above demand in these financial statements.
- (ii) DGDP's risk purchase claim amounting to Rs. 38.58 million (2014: Rs. 38.58 million), was disputed by the Company on the grounds that the goods were delivered in time, however, the DGDP failed to lift the goods thereby indulging in breach of the contract. The Company has filed a counter claim of Rs. 25.81 million (2014: Rs. 25.81 million) against the said breach of contract. The said cases are pending before the Honourable Supreme Court of Pakistan and the Honourable Lahore High Court. The management and legal counsel of the Company are confident that no liability will arise in respect of the risk purchase claim, and hence no provision has been made for the same in these financial statements.
- (iii) The Company filed an appeal before the Honourable High Court of Sindh and was granted a stay against the order of Customs, Excise and Sales Tax Appellate Tribunal, Karachi, upholding allegation of non-payment of sales tax on advances etc., amounting to Rs. 11.087 (2014:Rs. 11.087) million. Based on the advice of the tax advisor, the management is confident of a favourable outcome and hence, no provision is made in these financial statements.
- (iv) The Company has filed an appeal before Customs, Excise and Sales Tax Appellate Tribunal, Karachi, which is pending for hearing, against the order of the Deputy Collector, Collectorate of Customs, Excise and Sales Tax

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

(Adjudication), Hyderabad to pay off alleged demand of Rs. 10.7 (2014: Rs. 10.7) million along with additional tax and penalty. Based on the advice of the tax advisor, the management is confident of a favourable outcome and hence, no provision has been made in these financial statements.

- (v) Pakistan Standards and Quality Control Authority (PSQCA) had demanded a fee payment at the rate of 0.1 percent of ex-factory price for the year 2008-09 amounting to Rs. 2.2 million. The Company is of the view that demand notifications so raised are without any lawful authority under the PSQCA Act-VI of 1996 and are in violation of the constitution. Based on the advice of the legal advisor, the management is confident that it would not be liable to pay the said marking fee and hence no provision is made in these financial statements.
- (vi) During the year, the Company has filed an appeal before the Honourable Commissioner Appeals against the order of the Deputy Commissioner Enforcement and Collection whereby sales tax liability along with penalty amounting to Rs. 17,953,351 has been established for claiming inadmissible input tax adjustment. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these financial statements.
- (vii) Contingency relating to long-term receivable is described in note 6.1 to the financial statements.

	2015 Rupees	2014 Rupees
Commitments		
27.8 Commitments in respect of capital expenditure	710,729,814	15,126,474
27.9 Commitments in respect of operating lease rentals for farms	12,676,815	25,353,630
27.10 Commitments in respect of Ijarah rentals	530,565	2,132,346

28. TURNOVER

Sales		
- Sugar – exports	613,725,752	1,808,375,121
- Sugar – local	3,693,249,510	4,359,218,960
- Molasses	304,222,747	562,011,070
- Bagasse	28,527,509	17,840,673
	4,639,725,518	6,747,445,824
Less:		
- Sales tax	5,457,625	2,710,964
- Federal excise duty	272,908,241	246,517,799
	278,365,866	249,228,763
	4,361,359,652	6,498,217,061

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

	Note	2015 Rupees	2014 Rupees
29. COST OF SALES			
Manufactured sugar:			
Cost of sugarcane consumed (including procurement and other expenses)		4,058,189,647	4,975,095,464
Market committee fee		9,468,708	11,405,022
Road cess on sugarcane		-	7,128,471
Salaries, wages and other benefits	29.1	181,530,125	166,024,416
Stores and spare parts consumed		210,974,055	253,979,105
Repairs and maintenance		51,564,613	54,353,921
Fuel, electricity and water charges		17,267,056	18,593,392
Vehicle running and maintenance expenses		5,275,524	7,884,003
Insurance		14,279,573	12,125,739
Depreciation	5.1.1	109,932,513	104,285,611
Other overheads		25,677,275	27,535,060
		<u>4,684,159,089</u>	<u>5,638,410,204</u>
Opening stock of work-in-process		3,004,859	2,103,958
Closing stock of work-in-process		(2,922,740)	(3,004,859)
		82,119	(900,901)
Cost of goods manufactured		<u>4,684,241,208</u>	<u>5,637,509,303</u>
Opening stock of finished goods		456,921,611	686,327,602
Closing stock of finished goods		(1,459,710,232)	(456,921,611)
		<u>(1,002,788,621)</u>	<u>229,405,991</u>
		<u>3,681,452,587</u>	<u>5,866,915,294</u>

29.1 Include gratuity expense of Rs. 1,500,861/- (2014: Rs. 1,674,560/-) and contribution to provident fund of Rs. 4,100,004/- (2014: Rs. 3,625,871/-).

	Note	2015 Rupees	2014 Rupees
30. DISTRIBUTION COSTS			
Salaries and other benefits	30.1	2,106,482	2,331,811
Sales promotion expenses		15,448,737	9,956,864
Selling expenses		10,946,511	15,604,521
Export expenses		72,088	67,719,636
Stacking and loading		11,895,664	11,261,973
Insurance		21,468	27,686
		<u>40,490,950</u>	<u>106,902,491</u>

30.1 Include contribution to provident fund of Rs. 49,755/- (2014: Rs. 73,965/-).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

	Note	2015 Rupees	2014 Rupees
31. ADMINISTRATIVE EXPENSES			
Salaries and other benefits	31.1	104,958,429	85,173,799
Rent, rates and taxes		284,000	-
Electricity, telephone, fax and postage		7,027,838	7,280,364
Printing and stationery		1,968,499	2,595,599
Travelling and conveyance		7,946,701	7,133,434
Vehicle running and maintenance expenses		7,642,369	10,062,234
Ijarah rentals		1,749,206	2,252,638
Auditors' remuneration	31.2	1,785,750	1,483,650
Legal and professional		3,147,291	5,317,748
Fees and subscription		1,686,697	3,805,206
Insurance		214,680	166,400
Repairs and maintenance		6,172,417	6,568,723
Advertising		1,041,150	257,564
Donations	31.3	6,693,400	4,326,800
Depreciation	5.1.1	20,212,803	16,760,555
Other expenses		848,830	894,131
		<u>173,380,060</u>	<u>154,078,845</u>

31.1 Include contribution to provident fund of Rs. 3,905,760/- (2014: Rs. 2,394,047/-).

	2015 Rupees	2014 Rupees
31.2 Auditors' remuneration		
Statutory audit		
Ernst & Young Ford Rhodes Sidat Hyder		
Statutory audit fee	1,050,000	900,000
Review of half yearly financial statements and compliance with Code of Corporate Governance	435,600	398,400
Out of pocket expenses	71,000	58,750
Other services	90,000	-
	<u>1,646,600</u>	<u>1,357,150</u>
Cost audit		
Haroon Zakaria & Co.		
Cost audit fee	139,150	126,500
	<u>1,785,750</u>	<u>1,483,650</u>

31.3 Include Rs. 6,500,000/- (2014: Rs. 4,000,000/-) paid to Hasham Foundation which is a project of Hasham Group. The directors of the Company namely Mr. Mohammed Kasim Hasham, Mr. Mohammed Ebrahim Hasham, Mr. Mohammed Hussain Hasham, Mr. Khurram Kasim and Mr. Ahmed Ebrahim Hasham are the trustees of the said Foundation. No other directors or their spouses have any interest in any donee's fund to which donation was made.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

	Note	2015 Rupees	2014 Rupees
32. OTHER EXPENSES			
Workers' Profits Participation Fund	24.2	18,124,594	8,467,229
Workers' Welfare Fund		9,612,911	5,694,492
Exchange loss		-	8,641,945
Others		-	82,500
		<u>27,737,505</u>	<u>22,886,166</u>
33. OTHER INCOME			
Income from financial assets			
Profit on term deposit receipts		1,229,371	1,191,973
Gain on disposal of short term investments		74,342,251	58,187,725
Exchange gain		570,828	-
Dividend income		43,811,396	23,586,362
		<u>119,953,846</u>	<u>82,966,060</u>
Income from non-financial assets			
Farm income – net	33.1	18,869,490	33,605,946
Income from sale of electricity		20,756,364	-
Scrap sales		-	8,878,333
Gain on disposal of fixed assets		1,596,235	6,679,132
		<u>41,222,089</u>	<u>49,163,411</u>
		<u>161,175,935</u>	<u>132,129,471</u>
33.1 Farm income– net			
Revenue from farms		60,248,454	66,262,942
Less: Fair value of harvested crop		(58,924,461)	(56,295,200)
Harvesting and other charges		(4,212,957)	(6,087,253)
		<u>(2,888,964)</u>	<u>3,880,489</u>
Change in fair value less cost to sell of standing crop		21,758,454	29,725,457
		<u>18,869,490</u>	<u>33,605,946</u>
34. FINANCE COSTS			
Mark-up on:			
Long-term financing		51,096,205	58,546,224
Short-term borrowings		88,941,599	144,926,038
Lease finance		4,205,364	3,123,121
		<u>144,243,168</u>	<u>206,595,383</u>
Bank charges		2,323,294	2,405,459
		<u>146,566,462</u>	<u>209,000,842</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

	2015 Rupees	2014 Rupees
35. TAXATION		
Current	47,747,617	60,352,668
Prior	17,924,620	-
	<u>65,672,237</u>	<u>60,352,668</u>
Deferred	51,170,123	(5,915,616)
	<u>116,842,360</u>	<u>54,437,052</u>

35.1 During the year, provision for current tax is based on alternative corporate tax. Accordingly, tax reconciliation is not presented in the financial statements.

35.2 Income tax assessments of the Company have been completed upto the tax year 2014 (accounting year ended September 30, 2013).

36. BASIC AND DILUTED EARNING PER SHARE

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

	2015	2014
Profit after taxation attributable to ordinary shares	(Rupees) <u>430,034,273</u>	<u>269,106,909</u>
Weighted average number of ordinary shares	<u>32,031,245</u>	<u>32,031,245</u>
Earnings per share	(Rupees) <u>13.43</u>	<u>8.40</u>

37. WORKING CAPITAL CHANGES

(Increase) / decrease in current assets

	2015 Rupees	2014 Rupees
Biological assets	10,095,334	(2,629,261)
Stores and spare parts	(33,686,360)	4,802,062
Stock-in-trade	(1,002,706,502)	228,505,090
Trade debts	774,325	(32,907,583)
Loans and advances	(1,037,836)	41,150,542
Trade deposits and short-term prepayments	18,468,727	(12,300,856)
Other receivables	(2,137,136)	(1,400,178)
	<u>(1,010,229,448)</u>	<u>225,219,816</u>

Increase / (decrease) in current liabilities

Trade and other payables	1,350,098,780	(171,101,993)
Market committee fee payable	(4,360,000)	-
Sales tax and federal excise duty payable	37,222,438	40,823,095
	<u>1,382,961,218</u>	<u>(130,278,898)</u>
	<u>372,731,770</u>	<u>94,940,918</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

38. TRANSACTIONS WITH RELATED PARTIES

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

	2015 Rupees	2014 Rupees
Associates		
Sales	318,663,619	565,549,053
Expenses shared	983,057	965,021
Insurance premium	17,146,767	15,425,427
Donations	6,500,000	4,000,000
Retirement benefit plans		
Provident fund contribution	8,055,519	6,093,883

39. CAPACITY AND PRODUCTION

	Rated capacity		Capacity utilisation	
	M. Tons	Days	M. Tons	Days
Season 2014-2015	11000 TCD	108	8767 TCD	108
Season 2013-2014	10000 TCD	122	9348 TCD	122

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

40. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	----- 2015 -----				----- 2014 -----			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Fees	-	120,000	-	120,000	30,000	130,000	-	160,000
Managerial remuneration	5,640,000	4,500,000	25,822,590	35,962,590	4,410,000	3,966,000	19,918,344	28,294,344
Retirement benefits	-	-	2,526,529	2,526,529	-	-	2,047,446	2,047,446
Perquisites and other benefits	5,200,000	4,150,000	24,566,395	33,916,395	4,055,000	3,611,000	18,307,883	25,973,883
	10,840,000	8,770,000	52,915,514	72,525,514	8,495,000	7,707,000	40,273,673	56,475,673
Number of persons	1	3	22	26	1	3	20	24

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

41.1 Credit risk

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

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

	2015 Rupees	2014 Rupees
Long term deposits	1,055,400	1,055,400
Trade debts	42,097,026	42,871,351
Investments	3,300,000	3,300,000
Loans and advances	35,378,818	34,340,982
Deposits	358,640	358,640
Other receivables	6,835,115	4,697,979
Bank balances	45,485,655	33,058,399
	<u>134,510,654</u>	<u>119,682,751</u>

Quality of financial assets

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

	2015 Rupees	2014 Rupees
41.1.1 Trade debts		
Customers with no defaults in the past one year	-	42,871,351
41.1.2 Bank balances		
With external credit rating		
A1+ PACRA	6,863,331	31,898,639
A-1+ JCR – VIS	7,551,954	-
A1 PACRA	31,070,370	1,159,760
	<u>45,485,655</u>	<u>33,058,399</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

41.2 Liquidity risk

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

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
-----Amount in Rupees-----					
Long-term financing	-	33,670,376	117,349,828	273,232,712	424,252,916
Liabilities against assets subject to finance lease	-	2,490,159	12,376,159	18,396,667	33,262,985
Trade and other payables	1,303,123,974	59,698,990	240,854,232	10,527,227	1,614,204,423
Accrued markup	-	11,525,019	-	-	11,525,019
Short term borrowings	-	62,653,321	128,235,450	-	190,888,771
2015	1,303,123,974	170,009,940	498,815,669	302,184,531	2,274,134,114
-----Amount in Rupees-----					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Long-term financing	-	28,191,964	107,700,891	318,348,217	454,241,072
Liabilities against assets subject to finance lease	-	3,963,188	11,965,178	22,592,870	38,521,236
Trade and other payables	17,670,570	226,065,505	8,814,213	35,478,413	288,028,701
Accrued markup	144,198	29,215,868	-	-	29,360,066
Short term borrowings	-	32,972,745	425,000,000	-	457,972,745
2014	17,814,768	320,409,270	553,480,282	376,419,500	1,268,123,820

41.3 Market risk

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

41.3.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates mainly relates to long term financing, short term borrowings and lease obligations. Management of the Company estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the Company's profit before tax by Rs. 6.484 million and a 1% decrease would result in the increase in the Company's profit before tax by the same amount.

41.3.2 Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The management of the Company manages the above market risks through diversification of investment portfolio. The management estimates that a 10% increase in the overall equity prices in the market with all of the factors remaining constant would increase the Company's profit before tax by Rs. 72.212 million and a 10% decrease would result in a decrease in the Company's profit before tax by the same amount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

41.3.3 Foreign currency risk

Foreign currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist as a result of transactions with foreign undertakings. Company is not exposed to any such risk.

42. CAPITAL RISK MANAGEMENT

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital. The Company manages its capital structure and makes adjustment to it, in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Company is currently financing of its operations through long-term and short-term financing in addition to its equity. The Company has a gearing ratio of 26.27% (2014: 36.99%) as of the balance sheet date, which in view of the management is adequate considering the size of the operations.

43. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on December 28, 2015 by the Board of Directors of the Company.

45. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

45.1 The Board of Directors in its meeting held on December 28, 2015 has recommended a final cash dividend of Rs. 1.5 per share. The approval of the members for the proposed final cash dividend will be obtained at the Annual General Meeting of the Company to be held on January 29, 2016.

45.2 The Finance Act, 2015 introduced a tax on every public company at the rate of 10% of such undistributed reserves which exceeds the amount of its paid up capital. However, this tax shall not be applied in case of a public company which distributes cash dividend equal to 40% of its after tax profits or 50% of its paid up capital, whichever is less, within the prescribed time after the end of the relevant tax year.

Based on the fact the Board of Directors of the Company has proposed 60% dividend for the financial year 2015 which exceeds the prescribed minimum dividend requirement as aforesaid, the Company believes that it would not eventually be liable to pay tax on its undistributed reserves as of September 30, 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2015

46. NUMBER OF EMPLOYEES

Number of persons employed as at year end were 555 (2014: 569) and the average number of persons employed during the year were 562 (2014: 537).

47. GENERAL

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



Chief Executive Officer



Director

PATTERN OF SHAREHOLDING

As at September 30, 2015

Number of Shareholders	Shareholdings		Total Number of Shares held
	From	To	
911	1	-	16,833
267	101	-	65,404
73	501	-	54,148
129	1,001	-	295,018
57	5,001	-	426,120
13	10,001	-	164,627
9	15,001	-	149,339
10	20,001	-	220,218
2	25,001	-	55,471
8	30,001	-	270,374
4	40,001	-	186,583
2	60,001	-	130,030
1	70,001	-	70,110
2	80,001	-	164,355
3	85,001	-	266,221
2	90,001	-	188,104
1	100,001	-	102,003
1	120,001	-	124,850
1	150,001	-	150,116
1	180,001	-	180,538
1	185,001	-	187,264
1	190,001	-	193,133
1	195,001	-	200,000
1	215,001	-	219,862
1	250,001	-	253,000
2	265,001	-	551,811
2	320,001	-	648,047
1	340,001	-	344,698
1	395,001	-	396,565
1	425,001	-	425,134
2	440,001	-	888,992
1	705,001	-	709,084
1	815,001	-	819,304
1	3,380,001	-	3,381,038
1	3,485,001	-	3,487,623
1	4,780,001	-	4,782,225
1	5,625,001	-	5,628,299
1	5,630,001	-	5,634,704
1,518			32,031,245

Shareholders's Category	Number of Shareholders	Number of Shares held	Percentage
Individuals	1,489	30,675,295	95.77%
Joint Stock Companies	15	972,172	3.04%
Insurance Companies	2	322,992	1.01%
Investment Companies	1	8,600	0.03%
Financial Institutions	4	3,746	0.01%
Others	7	48,440	0.15%
	1,518	32,031,245	

ADDITIONAL INFORMATION

As at September 30, 2015

Categories	Number of Shareholders	Shares held
a) Associated undertaking and related parties		
Pakistan Molasses Company (Pvt) Ltd.	1	64,297
F & B Bulk Storage (Pvt) Ltd.	1	70,110
Bulk Management Pakistan (Pvt) Ltd.	1	396,565
	<u>3</u>	<u>530,972</u>
b) NIT & ICP		
Investment Corporation of Pakistan	1	1,082
IDBL (ICP UNIT)	1	639
	<u>2</u>	<u>1,721</u>
c) Directors / CEO and their spouse and minor children		
Mr. Mohammed Kasim Hasham	1	5,634,704
Mr. Mohammed Ebrahim Hasham	1	4,782,225
Mr. Mohammed Hussain Hasham	1	5,628,299
Mr. Khurram Kasim	1	3,381,038
Mr. Ahmed Ebrahim Hasham	1	3,487,623
Mr. Muhammad Iqbal	1	8,134
Mr. Dr. Amjad Waheed	1	3,162
Mr. Muhammad Basheer	1	24,035
Mrs. Kulsoom Kasim	1	444,300
Mrs. Khursheed Ebrahim	1	819,304
Mrs. Marium Hussain	1	325,090
	<u>11</u>	<u>24,537,914</u>
d) Executives		
Muhammad Hanif Aziz (Company Secretary)	2	19,159
e) Public Sectors Companies and Corporations		
State Life Insurance Corp. of Pakistan	1	322,957
f) Bank, DFIs, NBFIs, Insurance Companies, Mudarbas & Mutual Funds		
State Life Insurance Corp. of Pakistan	1	322,957
Maple Leaf Capital Ltd.	1	15,001
Fikree's (Smc-Pvt) Ltd.	1	3,322
Muhammad Ahmad Nadeem Securities (Smc-Pvt.) Ltd.	1	2,239
Habib Bank Ltd.	1	1,772
IDBL (ICP Unit)	1	1,082
Investment Corporation of Pakistan	1	639
Multiline Securities (Pvt) Ltd.	1	334
Muslim Commercial Bank Ltd.	1	253
Sherman Securities (Pvt) Ltd.	1	126
SAAO Capital (Pvt) Ltd.	1	50
EFU General Insurance Ltd.	1	35
	<u>12</u>	<u>347,810</u>
g) General Public		
Physical	885	1,478,619
CDC	633	30,552,626
	<u>1518</u>	<u>32,031,245</u>
g) Shareholders holding 5% or more voting interest		
Mr. Mohammed Kasim Hasham	1	5,634,704
Mr. Mohammed Ebrahim Hasham	1	4,782,225
Mr. Mohammed Hussain Hasham	1	5,628,299
Mr. Khurram Kasim	1	3,381,038
Mr. Ahmed Ebrahim Hasham	1	3,487,623
	<u>5</u>	<u>22,913,889</u>

PROXY FORM

50th Annual General Meeting

I / We _____
of _____ being member of Mehran Sugar Mills Limited,
holding _____ ordinary shares hereby appoint _____
_____ of _____ or failing
him / her _____
of _____ whois/are also member(s) of Mehran Sugar Mills Limited as my / our proxy in my
/our absence to attend and vote for me / us and on my / our behalf at the 50th Annual General Meeting of the
Company to be held on January 29, 2016 at 1700 PST and at any adjournment thereof.

As witness my our hand seal this _____ day of _____ 2016

Signed by the said _____
in the presence of _____

Signature of
Shareholders

Please affix
Five Rupees
Revenue
Stamp

Important:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company 14th floor, Dolmen City Executive Tower, Marine Drive, Block 4, Clifton, Karachi, not less than 48 hours before the time fixed for holding the Annual General Meeting.
2. No person shall act as proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders / Corporate Entities.

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

- i) The Proxy form shall be witnessed by two persons whose names, address and CNIC numbers shall be mentioned on the Form
- ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form
- iii) The Proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with Proxy Form to the Company.



CELEBRATING
50
YEARS

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