Mirpurkhas Sugar Mills Limited
A Ghulam Faruque Group Company

# that was then

# this is now

annual report
2014

# that was then

# this is now

Today there are 44 Mills in Punjab, 37 in Sindh, and 7 mills in Khyber Pakhtunkhwa. The combined sugar production in 2014 was 5.62 million tons. Mirpurkhas Sugar Mills Limited production for the year was 76,228 tons.

# Contents

In 1947 there were only 02 sugar mills in Pakistan. Today there are 88 sugar mills.

The total sugarcane crushed in 2014 was over 56 million tons. Mirpurkhas Sugar Mills Limited crushed 725,210 tons of sugarcane this year.

# vision

We aim to be a leading producer and supplier of high quality sugar in Pakistan. We aspire to be known for the quality of our product. We intend to play a pivotal role in the economic and social development of Pakistan, thereby, improving the quality of life of its people.

# The sugar industry in Pakistan is the 2nd largest agro based industry

In 1965, Mirpurkhas Sugar Mills Limited's original three-roller milling tandem was supplied by Fletcher Smith, UK, (formerly known as Fletcher and Stewart) and had a crushing capacity of 1,500 TCD. Now, MSM has a six-mill modern tandem with a crushing capacity of 7,500 TCD.

# mission

As a leading producer of quality sugar in Pakistan, we shall build on our core competencies and achieve excellence in performance. In doing so, we aim to meet or exceed the expectations of all our stakeholders.

In striving to serve our stakeholders better, our goal is not only to attain technological advancements in the field of sugar technology, but also to inculcate the most efficient, ethical and time tested business practices in our management.

We shall continue to look for innovative ways to introduce alternate uses of sugar to broaden our customer base.

Pakistan is ranked 5th in the world in sugarcane acreage & 9th in sugar production

Development of higher yield sugarcane variety is pivotal to encourage the profitability of sugarcane for farmers and for our stakeholders. Through 1,300 acres experimental farms, Mirpurkhas Sugar Mills Ltd provides support to local cultivators in terms of new and improved varieties of sugarcane and latest farming techniques.

# Code of Conduct

Mirpurkhas Sugar Mills Limited was established with an aim of producing high quality sugar for its customers and meeting the expectations of its stakeholders. We ensure transparency and professionalism at every step of our dealings, and look after the interests of our stakeholders.

This code of conduct of the Company is based on the following principles:

**QUALITY OF PRODUCT**

- We strive to produce the highest quality of sugar for our customers.
- We believe in technology and innovation and strive to implement innovative ideas in the Company.
- We maintain all relevant technical and professional standards to be compatible with the requirements of the trade.

**DEALING WITH EMPLOYEES**

- We recognize and reward employees for their performance.
- We measure the performance of our employees by their ability to meet their objectives, their conduct at work, dealings with others both within and outside the organization, their contribution towards training people and succession planning, and innovation at their work place.
- We provide a congenial work atmosphere where all employees are treated with respect and dignity and work as a team for a common goal.
- Unless specifically mentioned, all rules and regulations prevailing in the Company apply to all levels of employees of the Company.

**RESPONSIBILITY TO SOCIETY / INTERESTED PARTIES**

- We have an important role towards our society, shareholders, creditors, the Government and public at large. We are objective and transparent in our dealings with all our stakeholders so as to meet the expectations of the people who rely on us.
- We meet all our obligations and ensure timely compliance.

**FINANCIAL REPORTING & INTERNAL CONTROLS**

- To meet the expectations of the wide spectrum of society and government agencies, we have implemented an effective, transparent and fair system of financial reporting and internal controls.
- To ensure efficient and effective utilization of Company's resources, we have placed financial planning and reporting at the heart of management practice as this not only serves to facilitate viable and timely decisions, but also makes Company dealings more transparent and objective oriented.
- We have a sound and efficient Internal Audit department to enhance the reliability of the financial information and data generated by the Company. It also helps in building the confidence of our external stakeholders.

**PURCHASE OF GOODS & TIMELY PAYMENT**

- To ensure cost effectiveness, we only purchase goods and services that meet our specifications and are priced appropriately. To gauge the market conditions and availability of substitute products or services, we obtain quotations from various sources before finalizing our decision.
- We ensure timely payments, which over the years, has built trust and reliability amongst our suppliers.

**CONFLICT OF INTEREST**

- Activities and involvements of the directors and employees of the Company in no way conflict with the interest of the Company. All acts and decisions of the management are made in the interest of the Company.

**OBSERVANCE TO LAWS OF THE COUNTRY**

- The Company fulfills all statutory requirements of the Government and follows all applicable laws of the country.

**ENVIRONMENTAL PROTECTION**

- The Company uses all means to protect the environment and to ensure health and safety of the work force. We have, and will continue to attain, necessary technology to ensure protection of the environment and well being of the people living in adjoining areas of our plant.

**OBJECTIVES OF THE COMPANY**

- We at Mirpurkhas Sugar Mills Limited, recognize the need of working at the highest standards to meet the expectations of all our stakeholders.
- We conduct the business of the Company with integrity and supply only quality and credible information.
- We produce and supply goods and information with great care and competence, to ensure that customers and creditors receive the best quality and care.
- We respect the confidentiality of the information acquired during the course of our work with our business associates, and refrain from acting in any manner which could discredit the Company.
- Our organization is free of all vested interests that could affect its integrity, objectivity and independence.

The sugar industry employs over 1.5 million people including management, sugar technologists, agronomists, engineers, financial experts, skilled, semiskilled and ancillary, workers.

The Mirpurkhas Sugar Mills Limited site, once a barren piece of land, has given rise to an industry, a local economy, a colony, and a future, through employment, education, housing, medical facilities, agriculture, water, sanitation and infrastructure.

# Strategic Objectives

**Effective use of resources and management of operating cost:**

- Effective use of resources and optimized capacity utilization;
- Modernization of production facilities to ensure the most efficient processing of sugar cane and better sucrose recovery;
- Sustaining costs, based on strong skills of continuous improvement in operations, development and implementation of effective technical solutions;
- Further improvement in corporate governance through optimization of management processes.

**Development of sugarcane and growth in sugar and allied businesses:**

- Active participation in developing new varieties of sugarcane in adjoining areas;
- Search for growth opportunities for existing business through strategic acquisitions and establishing partnerships in prospective sectors of sugar and allied industry.

**Sustainable development in the region in which the Company operates:**

- Personnel development, creating a proper environment for growth of highly skilled professionals, ensuring safe labor environment, competitive staff remuneration and social benefits in accordance with the scope and quality of their work;
- Compliance with environmental standards, both local and at the international level;
- Helping and implementing projects that lead to social and economic development of communities.

Sugar industry
by-products are:

# molasses

is used as an ingredient in animal feed and sold to distilleries for ethanol production. Ethanol, in turn, is used by the pharmaceutical industry, and is also used as a fuel.

# bagasse

is used for paper and chipboard as well as fuel.

# core values

- Strive for excellence and build on our core competencies.
- Keep up with technological advancements and continuously update ourselves in the field of sugar technology.
- Meet & exceed the expectations of our stakeholders.
- Inculcate efficient, ethical and time tested business practices in our management.
- Work as a team and support each other.
- Keep the interest of the Company before that of the individual.

# Nature of Business

The Company has a
sugarcane
crushing
capacity of
7,500
tons per day

Established in 1964, its principal activity is manufacturing and selling of sugar. It is located about 300 km from the port city of Karachi, in Mirpurkhas and is listed on the Karachi Stock Exchange. The Company has a crushing capacity of 7,500 tons per day and is one of the most efficient sugar mills in Pakistan. Moreover, it is involved in development of higher yield sugarcane varieties on its 1,300 acre experimental farms.

# Group Structure

## Introduction

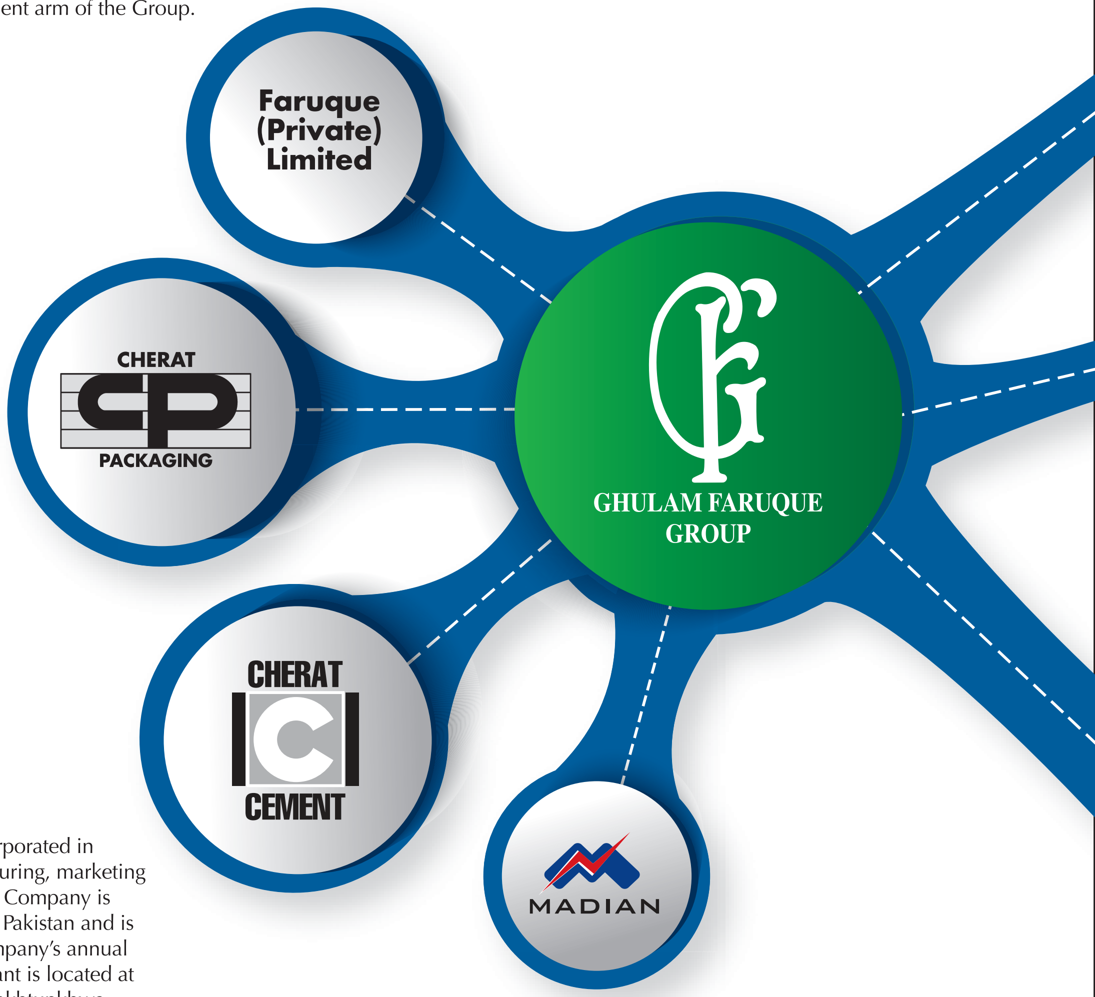
Since its inception, the Ghulam Faruque Group has continuously strengthened and diversified its lines of operations; details and brief profile of other leading ventures / group companies are as follows:

**Faruque (Pvt.) Ltd**
Holding Company

Established in 1964 as a Parent Company of the group, it primarily serves as an investment arm of the Group.

**Cherat Packaging Ltd**
Manufacturer of Kraft Paper and Polypropylene bags

Established in 1991 it is the largest producer and supplier of paper sack and polypropylene ("PP") bags to the cement industry in Pakistan. It is listed on Karachi and Lahore Stock Exchanges. The Company has a production capacity of 265 million paper bags per annum and 145 million PP bags. It caters to the domestic as well as export markets and is also a recipient of the prestigious Karachi Stock Exchange "Top Companies" Award and Management Association of Pakistan's Best Company Award for many years.




**Cherat Cement Company Ltd**
Manufacturer of Ordinary Portland Cement

Cherat Cement Company Limited was incorporated in 1981. Its main business activity is manufacturing, marketing and sale of Ordinary Portland Cement. The Company is amongst the pioneers of cement industry in Pakistan and is the number 1 cement in its region. The Company's annual installed capacity is 1,000,000 tons. The plant is located at Village Lakrai, District Nowshera, Khyber Pakhtunkhwa (KPK) province. Due to plant's geographical position, it is ideally located to export cement to Afghanistan as well as cater the local market needs in the KPK, FATA, Punjab and Azad Kashmir. The Company is registered on Karachi, Lahore and Islamabad stock exchanges and is also an ISO 9001 and 14001 certified.

**Madian Hydropower Ltd**
Joint Venture for establishing 148 MW hydro power plant

## Zensoft (Pvt.) Ltd
Information systems services provider specializing in business software solutions

It was established in 1998 and is engaged in development and sale of computer softwares. The company specializes in providing high quality business solutions.

## Greaves Pakistan (Pvt.) Ltd
Providing specialized Engineering Sales and services

It was established in 1859 to provide specialized engineering equipment sales and services. However in 1964, the Group acquired a controlling interest in the shares of the Company and by 1981 Greaves became a wholly owned subsidiary of the Group. Greaves has the following divisions namely i) Power Generation, ii) CNG Equipment, iii) Industrial Machinery, iv) Solar Energy and v) LED

## Greaves Airconditioning (Pvt.) Ltd
Equipment Suppliers and HVAC solution provider

Commencing operations in 1975, this Company is the only HVAC solution provider of its kind and is the sole distributor of York (JCI) products in Pakistan. It is involved in providing a wide array of services related to HVAC equipments that includes designing, installation and maintenance of central and packaged units. Moreover, it also Launched residential light air conditioning units under the brand name of Euro Aire.

## Greaves CNG (Pvt.) Ltd
Retail Sale of CNG to end consumers

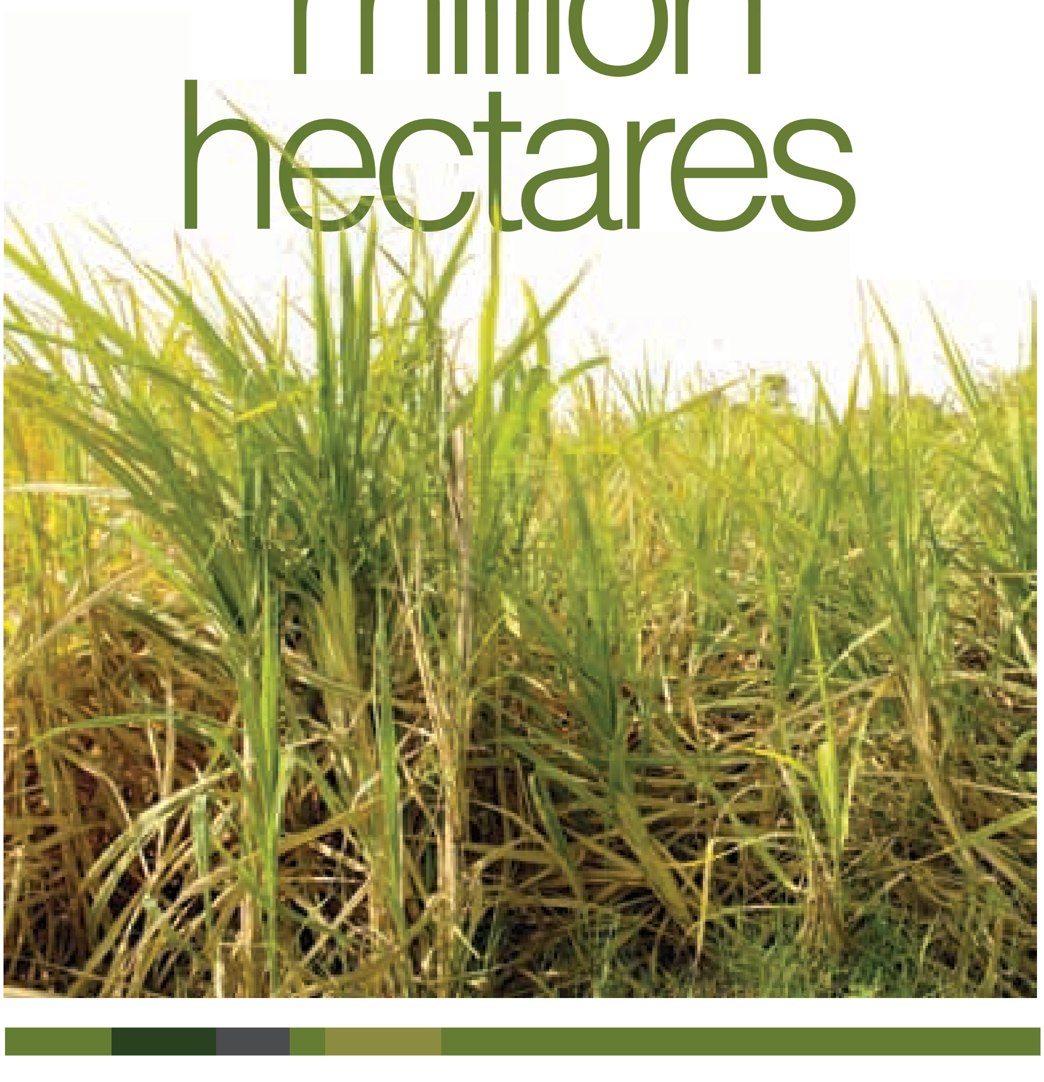
Greaves CNG was established in 2001 with a prime motive to install CNG facilities at the retail outlets of Petroleum Companies. It is listed as a preferred third party investor by all major petroleum companies in Pakistan and is currently operating 5 CNG facilities at retail outlets of Shell, PSO and Caltex in Karachi and Lahore.

## Greaves Engineering (Pvt.) Ltd
HVAC Contractors

## Unicol Ltd
Joint venture distillery producing Ethanol and Liquid Carbon Dioxide (LCO2)

Incorporated in 2003, Unicol is a joint venture distillery project among Mirpurkhas Sugar Mills, Faran Sugar and Mehran Sugar. It is engaged in the production and marketing of ethanol from molasses. Its current production capacity is 200,000 litres per day. It is involved in producing various varieties of ethanol.

Sugarcane is
grown
on over a
million
hectares



# Company Information

## Board Of Directors

| | |
|---|---|
| Mr. Maqbool H. H. Rahimtoola (NIT) | Chairman |
| Mr. Aslam Faruque | Chief Executive |
| Mr. Shehryar Faruque | Director |
| Mr. Arif Faruque | Director |
| Mr. Amer Faruque | Director |
| Mr. Tariq Faruque | Director |
| Mr. Samir Mustapha Chinoy | Director |
| Mr. Yasir Masood | Director |

## Audit Committee

| | |
|---|---|
| Mr. Yasir Masood | Chairman |
| Mr. Maqbool H. H. Rahimtoola | Member |
| Mr. Tariq Faruque | Member |
| Mr. Samir Mustapha Chinoy | Member |

## Human Resource and Remuneration Committee

| | |
|---|---|
| Mr. Arif Faruque | Chairman |
| Mr. Aslam Faruque | Member |
| Mr. Amer Faruque | Member |

## Executive Director & Chief Financial Officer

Mr. Wasif Khalid

## Executive Director & Company Secretary

Mr. Abid A. Vazir

## Share Registrar

Central Depository
Company of Pakistan Limited
CDC House, 99 - B,
Block - B, S.M.C.H.S.
Main Shahrah-e-Faisal
Karachi - 74400

## BANKERS

Allied Bank Ltd.
Bank Alfalah Ltd.
Bank Al Habib Ltd.
Dubai Islamic Bank Pakistan Ltd.
Habib Bank Ltd.
MCB Bank Ltd.
Meezan Bank Ltd.
National Bank of Pakistan
NIB Bank Ltd.
Soneri Bank Ltd.
United Bank Ltd.

## Registered Office / Factory

Sub Post Office Sugar Mill
Jamrao, Umerkot Road
Mirpurkhas, Sindh

## Auditors

Kreston Hyder Bhimji & Co.
Chartered Accountants

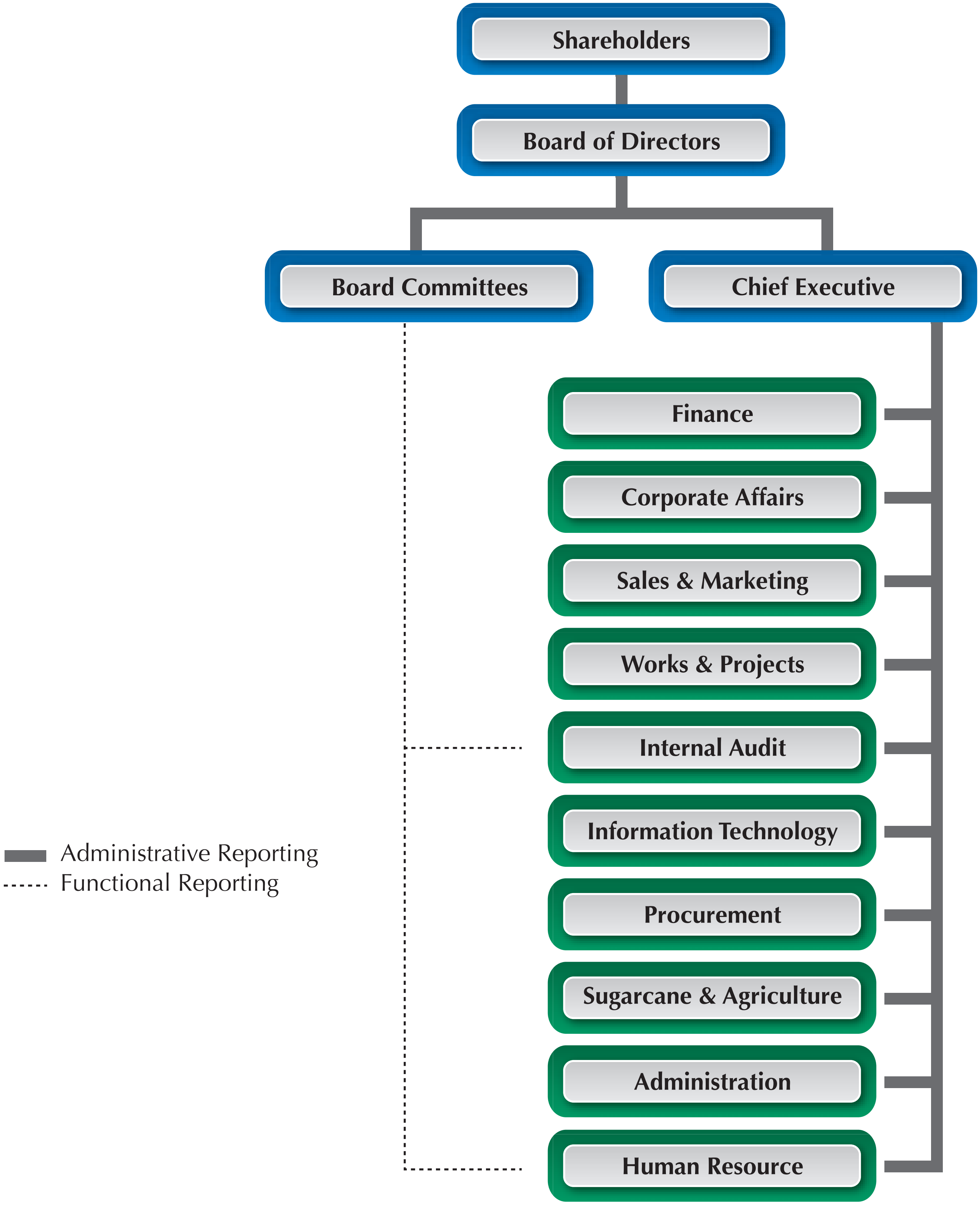
## Cost Auditors

Tahir Jawad Imran Fecto
Chartered Accountants

## Legal Advisor

K.M.S. Law Associates

# Organizational Structure

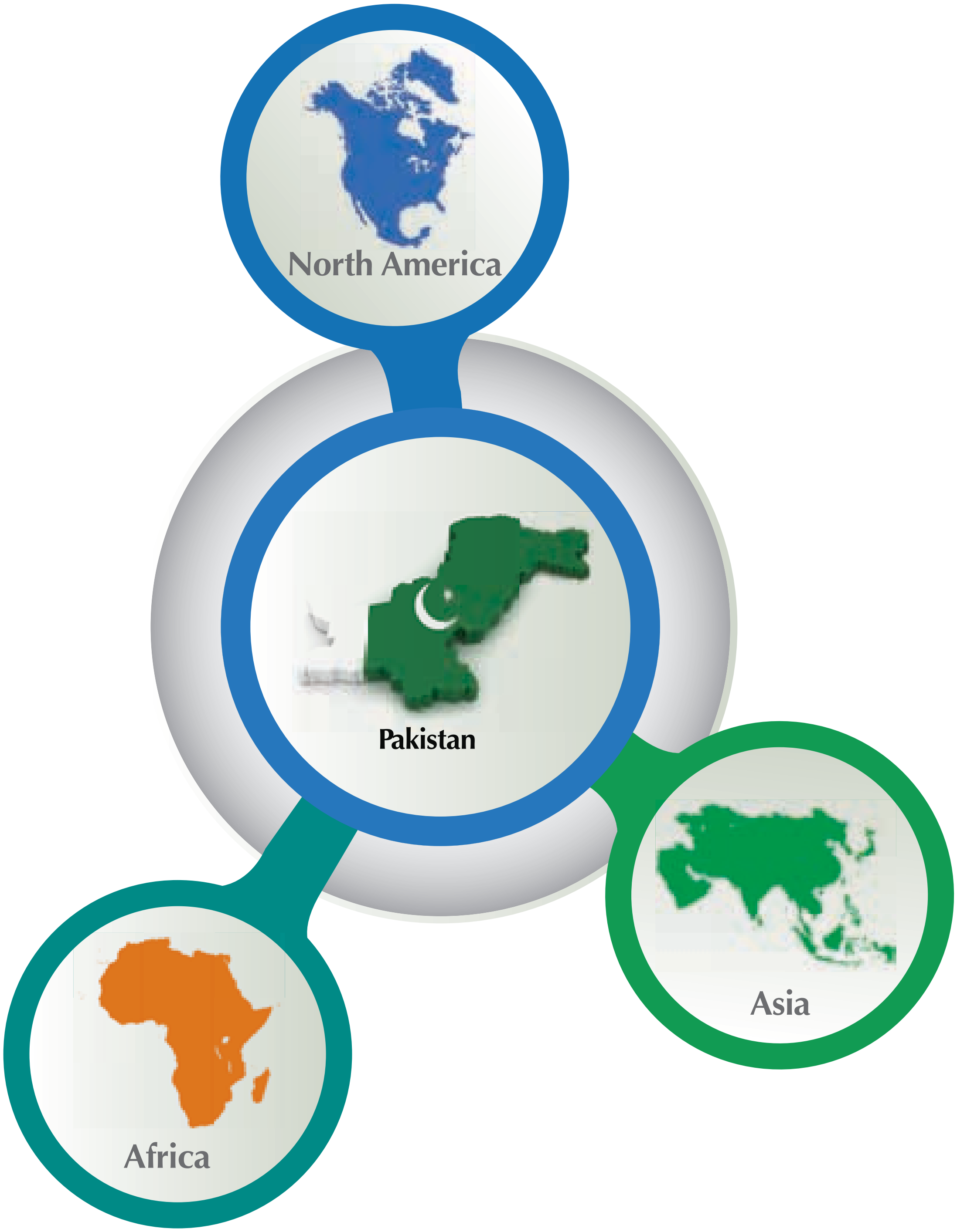


# Calendar of Notable Events Oct 2013- Sep 2014

| | |
|---|---|
| **November 1** | Commencement of crushing season 2013-14 |
| **November 06** | Golden Jubilee celebration on completion of 50 years (arranged a lunch for all site staff at plant). |
| **December 25** | Quran Khuwani and lunch |
| **March 06 & 07** | Flower Exhibition at Baldia Park Mirpurkhas |
| **March 23** | End of crushing season ceremony (arranged a lunch for all site staff at plant) |
| **March 23** | Pakistan Day Celebration |
| **April 13** | Group Table Tennis Tournament |
| **May 01** | Labour Day Celebrations |
| **June 06 & 07** | Mango Summer Fruit Festival |
| **July 29 to August 01** | Eid-ul-Fitr Celebration |
| **August 14** | Independence Day Celebration |
| **September 30** | Year End Closing |

# Our Locations

# Geographical Presence



UNICOL

# UNICOL LIMITED

## Unicol Limited has a production capacity of 200,000 liters or 160 metric tons per day.

Unicol Limited, a public unquoted company, is a joint venture with shares equally held among Faran Sugar Mills Ltd, Mehran Sugar Mills Ltd and Mirpurkhas Sugar Mills Ltd. All three companies are listed on the various Stock Exchanges of Pakistan.

Unicol commenced its operations in August 2007 and is producing ethanol from sugarcane molasses. The plant located at Mirpurkhas, Sindh, on a 111 acre plot, had a designed capacity of 100,000 liters or 80 metric tons per day.

The plant was designed by Maguin Interis, France (www.maguin.com) while the bio gas plant was designed by Proserpol, France (www.proserpol.com); both companies are well recognized in their respective fields.

The expansion of the plant, also designed by Maguin Interis, France, to 200,000 litres or 160 metric tons per day, has been completed and began production in May 2014.

Presently 100% of Unicol's ethanol is being exported; with the majority destined for European and Far Eastern markets.

Furthermore, Unicol has invested in purification and liquification of $CO_2$ which is a by-product. The $CO_2$ plant has a capacity of 24 metric tons per day. This plant, designed by Tecno Project Industriale, Italy (www.tecnoproject.com), is in production since June 2014.

Unicol, being part of economic development and providing employment in Pakistani rural areas, ensures the compliance of all health, safety, and environmental laws and procedures.

**Products:** Unicol can produce various grades of ethanol, including ENA Anhydrous (99.9%), ENA (>96%) and industrial grade (>92%). The ethanol produced by Unicol has various uses in different industries like pharmaceuticals, aerosols, cleaning products, perfumes, personal care products, printing inks, fabric softeners, vinegar, paints and varnish, preserving agents and chemical manufacturing. Liquid $CO_2$ is used in beverages, dye making, dry cleaning, and fire extinguishers. Dry ice, another form of $CO_2$, is used in preservation and refrigeration.

# Notice of Annual General Meeting

Notice is hereby given that the 50th Annual General Meeting of the Company will be held on Thursday, January 29, 2015 at 12:30 p.m. at the Registered Office of the Company at factory premises Jamrao, Umerkot Road, Mirpurkhas to transact the following business:

**ORDINARY BUSINESS**

1. To receive and consider the Audited Accounts of the Company for the year ended September 30, 2014 and the Reports of the Directors and the Auditors thereon.

2. To appoint Auditors for the year 2014/15 and to fix their remuneration.

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

By Order of the Board of Directors

Abid A. Vazir
Executive Director & Company Secretary

Karachi: December 23, 2014

**NOTES:**

1. The register of members of the company will be closed from Monday, January 19, 2015 to Thursday, January 29, 2015 (both days inclusive) and no transfers will be registered during that time. Shares received at the office of the Share Registrar of the company M/s. Central Depository Company of Pakistan, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi at the close of business on Saturday, January 17, 2015 will be treated in time for the purpose of Annual General Meeting.

2. A member of the company eligible to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her stead. Proxies to be effective must be in writing and must be received by the company 48 hours before the Meeting.

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

4. Shareholders of the company are requested to immediately notify the Share Registrar of the Company of any change in their addresses.

5. Shareholders who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) are requested to send the same to the Share Registrar of the company.

6. Shareholders who want to receive dividend amount directly in their bank accounts are requested to provide their bank account details to the Share Registrar of the company/their Participant/CDC Investor Account Services Department.

**STATUS OF INVESTMENT IN UNICOL LIMITED**

The Company had obtained the approval of its shareholders for investment of Rs. 128.67 million in Unicol Limited. Keeping in view the financial requirements of Unicol Limited and the availability of credit facilities from banks, the Company has so far invested Rs. 104.99 million only. The remaining amount will be invested by Mirpurkhas Sugar Mills Limited (MSM) as and when required by Unicol Limited.

# CEO's Message

This year marks the 50th year of MSM's operations. During this time, the Company has transformed itself from just a 1,500 TCD sugar mill in 1964 to a 7,500 TCD mill today. The Company has incorporated the latest technology, reducing steam consumption per ton of cane, while expanding capacity. This has allowed your Company to become efficient and formidable player in the sugar industry.

The financial year 2014 has proved to be another milestone for the Company as it achieved its highest production volumes in its history.

During the year, Unicol – the joint venture distillery of Mirpurkhas Sugar, Mehran Sugar and Faran Sugar, successfully commissioned its 2nd production line of 100,000 litres per day. This has increased the capacity of the distillery to 200,000 litres per day becoming the largest ENA producer in Pakistan.

Unicol has made its name in the world market as a premium quality producer of Ethanol and we are confident that the expansion of the distillery will yield positive results for MSM and help in maximizing returns for all its stakeholders.

During the 50th year of operations, the Company has also made successful forays in corporate farming on its 1,300 acre experimental farm for finding ways to enhance yield and teach farmers the latest farming methods in corporate farming. This includes the introduction of new seed varieties. The Company's target is to increase the corporate farm size to 7,000 acres in the next 3 to 5 years.

The financial year saw a bumper sugarcane crop which resulted in a large sugar surplus causing a glut in the market. During last couple of years, sugar prices have shown a substantial decline and have gone below sustainable levels. Moreover, the Government continues to raise the price of sugarcane to a level, where the cost of sugar cane alone is equal to the ex-factory price of sugar. In such a scenario, the Government is urged to link the price of sugarcane with the selling price of sugar to create a win-win scenario for both growers and millers. Furthermore, the Government is requested to allow incentive based export of sugar to stabilize the local market and to earn much needed foreign exchange for the country and revive the sugar industry.

I take this opportunity to thank the shareholders, employees, financial institutions and all other stakeholders for supporting the Company in its journey over the past 50 years and a continued working relationship in the years to come

Aslam Faruque
Chief Executive

Karachi: December 23, 2014

# Directors' Profile

**Mr. Maqbool H.H. Rahimtoola**
Chairman

Mr. Maqbool H. H. Rahimtoola has been on the Board of Directors of both Pakistani and Multinational Companies quoted on the Karachi Stock Exchange for many years, across industries such as pharmaceuticals, packaging, finance, textiles, paint, sugar, construction materials and industrial development. In addition to his business background, Mr. Rahimtoola has also been a Technocrat Caretaker Federal Minister for Commerce & of the Textile Industry in 2013, He was Technocrat Minister in the Caretaker Government of Sindh during 1996-7, for 11 Ministries simultaneously.

Over the years, Mr. Rahimtoola has been on many Committees of the Chambers of Commerce & Industry, Karachi, FPCCI, the Standards Institute of Pakistan and the Board of Investment (GOP). Mr. Rahimtoola is a Member of the Petroleum Institute of Pakistan. He was Leader of the Pakistan Business Delegation to the United Nations on occasions such as the UNCTAD/GATT Seminar in Hong Kong and was the Pakistan Representative to UNIDO/GATT World Packaging Conference. He also received the International Trophy for Technology in Germany and received The Achievement Award in 2004 from the Overseas Graduates of Pakistan Club. He led the Pakistan delegation to the International Trade Minister's Conference AIMS in Dubai 2013. In addition to being on the Board of this Company, he is also Chairman of Berger Paints Pakistan Limited and on the Board of Directors of Dadex Eternit Limited.

## Mr. Aslam Faruque
Chief Executive

Mr. Aslam Faruque is a graduate from the USA, with a major in Marketing. He is the Chief Executive of Mirpurkhas Sugar Mills Ltd and Unicol Ltd. He is on the Board of Directors of Cherat Packaging Ltd, Greaves Pakistan (Pvt.) Ltd, Greaves Air-conditioning (Pvt.) Ltd, Greaves Engineering Services (Pvt.) Ltd and Zensoft (Pvt.) Ltd. He also served as the Chairman of Pakistan Sugar Mills Association - Sindh Zone and as Director of Sui Southern Gas Company Ltd, State Life Insurance Corporation of Pakistan as well as Pakistan Industrial Development Corporation.

## Mr. Arif Faruque
Director

Mr. Arif Faruque is a Swiss - qualified Attorney-at-Law and also holds master degrees in both law and business administration from the USA. He is the Chairman of Maersk Pakistan and the Chief Executive of Faruque (Pvt.) Ltd as well as Madian Hydro Power Ltd. He is on the Board of Directors of Cherat Packaging Ltd, Greaves Pakistan (Pvt.) Ltd, Zensoft (Pvt.) Ltd and IGI Investment Bank Ltd. He has also served as Director of Cherat Cement Co. Ltd. Besides the above, he is a Member of the Board of Governors of Lahore University of Management Sciences.

## Mr. Tariq Faruque
Director

Mr. Tariq Faruque graduated from Case Western Reserve University, USA. He holds a dual major in Economics and Political Science. He is a Director of Cherat Cement Co. Ltd, Cherat Packaging Ltd, Faruque (Pvt.) Ltd, Greaves Pakistan (Pvt.) Ltd, Greaves Airconditioning (Pvt.) Ltd, Greaves Engineering Services (Pvt.) Ltd, Zensoft (Pvt.) Ltd, Madian Hydro Power Ltd and Unicol Ltd. Mr. Tariq Faruque has also served on the Board of Directors of Oil and Gas Development Company Ltd (OGDCL) and was a Member of the Board of Governors of Marie Adelaide Leprosy Centre (MALC).

# Directors' Profile

## Mr. Amer Faruque
Director

Mr. Amer Faruque is a Bachelor of Science (BS) in Business Administration majoring in Management / Marketing from Drake University, Des Moines, Iowa, USA. He is the Chief Executive of Cherat Packaging Ltd. He serves as a member of Board of Directors of Faruque (Pvt.) Ltd, Greaves Pakistan (Pvt.) Ltd, Greaves CNG (Pvt.) Ltd and Executive Director Marketing of Cherat Cement Co. Ltd. Mr. Amer Faruque is a member of the Centre of International Private Enterprise (CIPE) and in the past has served as a member of the Board of Governors of Ghulam Ishaq Khan (GIK) Institute of Engineering Sciences and Technology and Lahore University of Management Sciences. He is the Honorary Consul of Brazil in Peshawar.

## Mr. Shehryar Faruque
Director

Mr. Shehryar Faruque is a graduate from Davis & Elkins College, Elkins, WV, USA. He is the Director Operations of Greaves Pakistan (Pvt.) Ltd. He serves on the Board of Directors of Cherat Cement Company Ltd, Cherat Packaging Ltd, Faruque (Pvt.) Ltd, Greaves Pakistan (Pvt.) Ltd, Greaves CNG (Pvt.) Ltd and Zensoft (Pvt.) Ltd. Mr. Shehryar Faruque is also serving as Director of NBP Fullerton Asset Management Ltd (NAFA) and Summit Bank Ltd.

## Mr. Samir Mustapha Chinoy
Director

Mr. Samir M. Chinoy is currently serving as Head of Marketing and Sales at International Steels Limited. Mr. Chinoy is a graduate of Babson College, USA with a Bachelors of Science in Finance and Entrepreneurship and a minor in Human Communication. Prior to International Steels Limited, Mr. Chinoy worked at Pakistan Cables, Deloitte & Touché, New York and Foothill Capital (a Wells Fargo Company), Boston.

Mr. Chinoy has served on the management committee of Landi Association of Trade and Industry and has held the position of Vice Chairman. In addition to being a director of Mirpurkhas Sugar Mills and the Amir Sultan Foundation, Mr. Chinoy is a certified Director from the Pakistan Institute of Corporate Governance.

## Mr. Yasir Masood
Director

Mr. Yasir Masood is a fellow member of the Institute of Chartered Accountants of Pakistan. He is a Certified Internal Auditor (CIA) and qualified Certifified Information Systems Auditor (CISA). He is also a certified Director from Pakistan Institute of Corporate Governance. He is a Director in NBP Exchange Company Ltd. He is also serving on the Boards of Greaves Airconditioning (Pvt.) Ltd., Greaves CNG (Pvt.) Ltd. and Greaves Engineering Services (Pvt.) Ltd.

He is the Executive Director and Chief Financial Officer of Cherat Cement Company Ltd., Cherat Packaging Ltd., Madian Hydro Power Ltd., and Faruque (Pvt.) Ltd. He has been working and contributing in various committees of different Business forums.

# Directors' Report to the Members

## for the year ended September 30, 2014

The Board of Directors place before you the annual report of the Company together with the audited accounts for the year ended September 30, 2014.

### INDUSTRY OVERVIEW

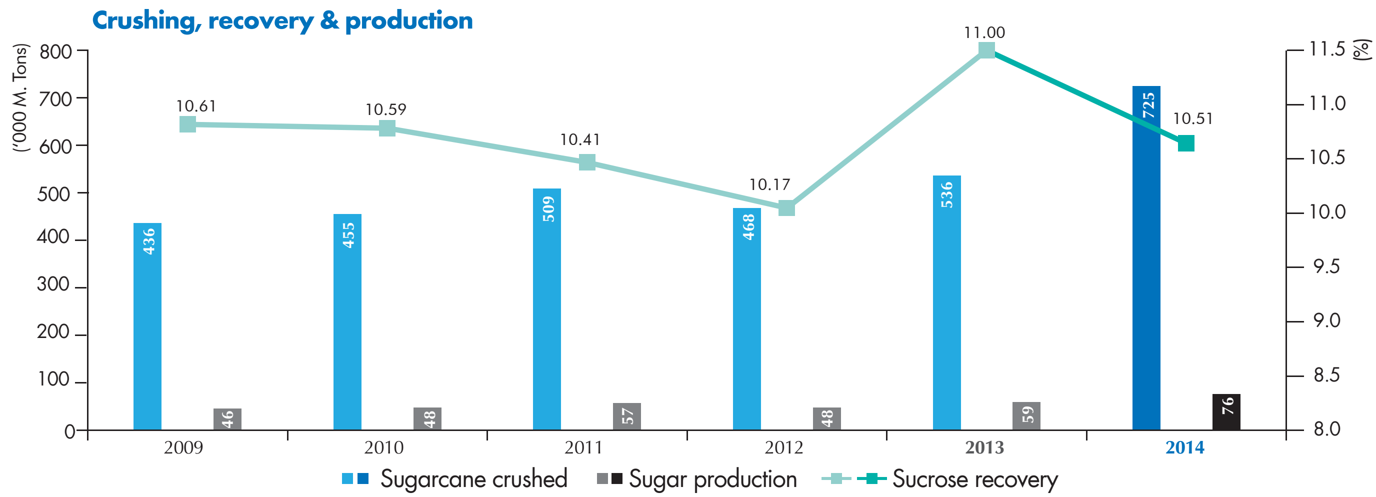
The country had another year of bumper sugarcane crop as the total sugar production reached around 5.61 million metric tons. Combined with last year's carry over stock, this production level exceeded the annual domestic sugar requirement, which led to supply glut and resulted in depressed sugar prices during the year. In order to stabilize the market, the industry on approval from Government exported 750,000 metric tons of sugar during the year. Increase in production costs due to high price of sugar cane fixed by the Government for the season and decline in sugar price due to oversupply position had an adverse impact on the financial performance of the sugar industry during the year 2013/14.

### OPERATING PERFORMANCE

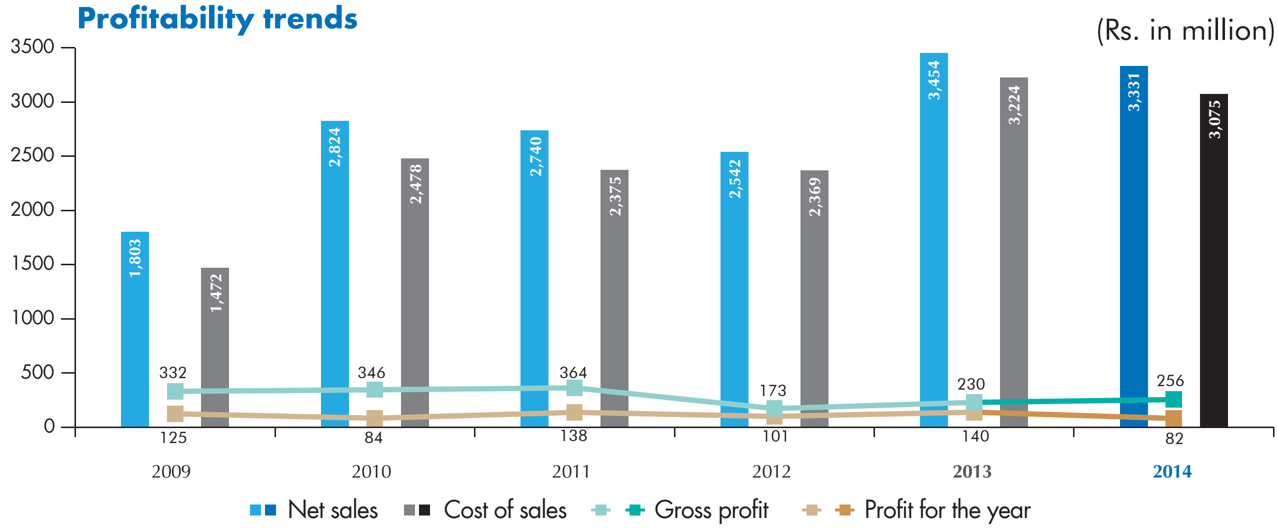
The Company achieved its highest ever sugar production in its 50$^{th}$ year of operations. During the season 2013/14, the plant operated for 126 days compared to 100 days in the preceding season. The Company crushed 725,210 metric tons of sugarcane to produce 76,228 metric tons of sugar as compared to the preceding season when it crushed 535,963 metric tons of sugarcane to produce 58,920 metric tons of sugar. The production of molasses increased to 35,100 metric tons during this season as against 25,680 metric tons last year. However, sucrose recovery declined to 10.51% as against 11% last season. During the year under review, the Company sold 72,090 metric tons of sugar as against 69,992 metric tons sold at the same time last year. The current year's sales figures include 25,862 metric tons exported by the Company and 2,580 metric tons sold to Trading Corporation of Pakistan.

Key comparative data for the current year and that of previous year is as follows:

| | 2014 | 2013 |
|---|---|---|
| Days operated | 126 | 100 |
| Sugarcane crushed (metric tons) | 725,210 | 535,963 |
| Sugar production (metric tons) | 76,228 | 58,920 |
| Molasses production (metric tons) | 35,100 | 25,680 |
| Sucrose recovery (%) | 10.51 | 11.00 |
| Sugar sold (metric tons) | 72,090 | 69,992 |



# Directors' Report to the Members




## FINANCIAL PERFORMANCE

Despite 3% increase in the quantity of sugar sold during the year under review, sales revenue of the Company declined by around 4% compared to the corresponding period last year due to significant decline in the sugar prices. Furthermore, increase in cost of production due to high price of sugar cane fixed by the Government for the season and lower sucrose recovery also had an adverse impact on financial results for the Company. During the year, there was an increase in the 'other income' of the Company on account of higher dividend income and gain on agriculture produce. Higher working capital requirement led to increase in finance cost from the same time last year. The Company accounted for its one-third share of profit in Unicol Limited amounting to Rs. 52.95 million earned during the year and adjusted its investment in associate by the same amount. For the year under review, the Company earned an after tax profit of Rs. 82.18 million.

| | 2014 | 2013 |
|---|---|---|
| | (Rs. in million) | |
| Net sales | 3,330.54 | 3,454.48 |
| Cost of sales | (3,074.91) | (3,224.18) |
| Gross profit | 255.63 | 230.30 |
| Other income | 73.17 | 35.25 |
| Share of profit in associate | 52.95 | 129.24 |
| Other expenses & taxes | (299.57) | (255.26) |
| Profit for the year | 82.18 | 139.53 |

## UNICOL LIMITED

During the year, Unicol successfully commissioned its second production line capable of producing 100,000 liters of ethanol per day and started commercial production. The joint venture distillery project is currently operating at optimum capacity and is producing high quality ethanol for export. The distillery, during the year under review, exported 35,433 tons of ethanol and made an after tax profit of Rs. 158.84 million. The management is confident that Unicol will bring further financial benefits to the Company and its shareholders in the years to come.

## CORPORATE SOCIAL RESPONSIBILTY

The Company actively participates in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the Company contributes generously to various social and charitable causes including towards health and education sectors. In this regard, it has worked with many reputable organizations and NGOs in Pakistan. In the past, the Company also participated in the relief effort when several parts of the country were hit by unprecedented floods last year, which caused wide spread devastation to the lives and properties of the people. The Company has stood by the people of Pakistan in their hour of need and shall always continue to do so.

## SAFETY, HEALTH AND ENVIRONMENT

Being a responsible corporate citizen, the Company remained committed to continuous improvement in Health and Safety aspects. The production facility remained fully compliant with industry standards and safety requirements. Furthermore, the Company strongly believes in its environmental responsibilities and has been taking measures on an ongoing basis to improve the same.

## STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements prepared by the management of the Company present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- 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 departure therefrom has been adequately disclosed and explained.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for last six (6) years in summarized form is annexed.
- The Company has been declaring regular dividends to its shareholders.
- There is nothing outstanding against your Company on account of taxes, duties, levies and charges except for those which are being made in normal course of business.
- The Company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the fund as on September 30, 2014.

| | |
|---|---|
| • Provident Fund | Rs. 201.23 million |
| • Gratuity Fund | Rs. 109.33 million |

# Directors' Report to the Members

- During the year, five meetings of the Board of Directors were held. The attendance record of each director is as follows:

| Name of Director | Meetings Attended |
|---|---|
| • Mr. Mahmood Faruque ** | - |
| • Mr. Mohammed Faruque | - |
| • Mr. Akbarali Pesnani | 1 |
| • Mr. Aslam Faruque | 5 |
| • Mr. Arif Faruque | 4 |
| • Mr. Tariq Faruque | 5 |
| • Mr. Maqbool H.H. Rahimtoola | 5 |
| • Mr. Taufique Habib * | 1 |
| • Mr. Shahid Aziz Siddiqui * | 1 |
| • Mr. Amer Faruque | 2 |
| • Mr. Samir Mustapha Chinoy | 4 |
| • Mr. Yasir Masood | 4 |
| • Mr. Shehryar Faruque ** | 1 |

* *Mr. Taufique Habib and Mr. Shahid Aziz Siddiqui retired as directors at the end of their terms.*
** *Mr. Shehryar Faruque was co-opted as director on the sad demise of Mr. Mahmood Faruque.*

- During the year, four meetings of the Audit Committee were held. The attendance record of each director is as follows:

| Name of Director | Meetings Attended |
|---|---|
| • Mr. Akbarali Pesnani* | 1 |
| • Mr. Maqbool H.H. Rahimtoola | 4 |
| • Mr. Arif Faruque * | 2 |
| • Mr. Tariq Faruque | 4 |
| • Mr. Samir Mustapha Chinoy * | 2 |
| • Mr. Yasir Masood * | 2 |

* *Mr. Akbarali Pesnani and Mr. Arif Faruque were replaced by Mr. Samir Mustapha Chinoy and Mr. Yasir Masood as members of Audit Committee after its reconstitution.*

- Pattern of shareholding is annexed with the report.
- No trading in the shares of the Company was made by the Chief Executive, Directors, Chief Financial Officer and Company Secretary.
- Earnings per share for the year is Rs. 6.70 per share compared to Rs. 11.37 (restated) last year.

## BOARD OF DIRECTORS

During the year, our Director – Mr. Mohammed Faruque passed away after serving the Company for many years. In June 2014, our Chairman - Mr. Mahmood Faruque also passed away. In his place, Mr. Maqbool H.H. Rahimtoola has been appointed as the Chairman and Mr. Shehryar Faruque has been co-opted as a Director.

## CONTRIBUTION TO NATIONAL EXCHEQUER

The Company contributed over Rs. 134 million to the Government treasury in shape of taxes, excise duty, income tax and sales tax.

## FUTURE PROSPECTS

The prospect of the sugar industry is depended on linking the price of sugar with the cost of sugarcane that ensures adequate return for sugar mills. During the year, because of an oversupply position, sugar prices have dropped to a level where it is no longer sustainable to produce sugar at the prevailing price levels. Moreover, decline in oil prices is taking its toll on all commodities including sugar and ethanol. We take this opportunity to urge the Government to allow incentive based export of sugar to earn much needed foreign exchange for the country and revive the industry. Further, the Government is also requested to release freight subsidy to the mills on export of sugar and lift the stock of sugar from the mills through TCP to allow it to make timely payments to the growers.

## AUDITORS

The present auditors M/s. Kreston Hyder Bhimjee and Co. (Chartered Accountants) retire and being eligible, offer themselves for reappointment.

## ACKNOWLEDGMENT

We would like to thank all the financial institutions having business relationship with us and our customers for their continued support and cooperation. We would also like to share our deepest appreciation for our staff for their dedication, loyalty and hard work.

For and on behalf of the Board of Directors

**Maqbool H. H. Rahimtoola**
Chairman

Karachi: December 23, 2014

# Horizontal Analysis - Last Six Years

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | (Rupees in '000) | 14 Vs. 13 % | (Rupees in '000) | 13 Vs. 12 % |
| **Balance Sheet** | | | | |
| **Assets** | | | | |
| Non current assets | 2,173,892 | 22 | 1,787,325 | 9 |
| Current assets | 1,060,759 | 45 | 731,058 | (34) |
| **Total Assets** | 3,234,651 | 28 | 2,518,383 | (8) |
| **Equity & Liabilities** | | | | |
| Shareholders equity | 1,079,395 | 20 | 902,951 | 27 |
| Surplus on revaluation of fixed assets | 574,015 | 103 | 282,552 | - |
| Non current liabilities | 561,916 | (24) | 735,956 | 7 |
| Current liabilities | 1,019,325 | 71 | 596,924 | (44) |
| **Equity & Liabilities** | 3,234,651 | 28 | 2,518,383 | (8) |
| **Turnover & Profit** | | | | |
| Turnover-net | 3,330,536 | (4) | 3,454,478 | 36 |
| Gross profit | 255,622 | 11 | 230,299 | 33 |
| Operating profit | 187,461 | 52 | 123,496 | 66 |
| Profit before taxation | 85,077 | (28) | 117,467 | 7 |
| Profit for the year | 82,184 | (41) | 139,528 | 38 |

| 2012 | | 2011 | | 2010 | | 2009 | |
|---|---|---|---|---|---|---|---|
| (Rupees in '000) | 12 Vs. 11 % | (Rupees in '000) | 11 Vs. 10 % | (Rupees in '000) | 10 Vs. 09 % | (Rupees in '000) | 09 Vs. 08 % |
| 1,640,534 | 38 | 1,187,555 | 20 | 986,239 | 31 | 753,477 | 36 |
| 1,100,948 | (13) | 1,267,112 | 153 | 501,201 | (10) | 559,658 | (20) |
| 2,741,482 | 12 | 2,454,667 | 65 | 1,487,440 | 13 | 1,313,135 | 5 |
| 713,537 | 44 | 495,699 | 30 | 381,595 | 19 | 320,480 | 47 |
| 282,552 | 63 | 173,056 | - | 173,056 | 34 | 129,056 | 177 |
| 687,089 | 16 | 592,785 | 75 | 338,231 | - | 339,086 | (8) |
| 1,058,304 | (11) | 1,193,127 | 101 | 594,558 | 13 | 524,513 | (15) |
| 2,741,482 | 12 | 2,454,667 | 65 | 1,487,440 | 13 | 1,313,135 | 5 |
| 2,541,537 | (7) | 2,739,671 | (3) | 2,823,671 | 57 | 1,803,234 | 80 |
| 173,036 | (53) | 364,374 | 5 | 345,891 | 4 | 331,614 | 123 |
| 74,560 | (72) | 270,778 | 7 | 252,018 | (6) | 268,278 | 223 |
| 109,696 | (35) | 168,294 | 8 | 156,346 | (27) | 214,218 | 241 |
| 101,128 | (27) | 137,714 | 63 | 84,299 | (33) | 125,440 | 236 |

# Vertical Analysis - Last Six Years

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | (Rupees in '000) | % | (Rupees in '000) | % |
| **Balance Sheet** | | | | |
| Assets | | | | |
| Non current assets | 2,173,892 | 67 | 1,787,325 | 71 |
| Current assets | 1,060,759 | 33 | 731,058 | 29 |
| **Total Assets** | 3,234,651 | 100 | 2,518,383 | 100 |
| **Equity & Liabilities** | | | | |
| Shareholders equity | 1,079,395 | 33 | 902,951 | 36 |
| Surplus on revaluation of fixed assets | 574,015 | 18 | 282,552 | 11 |
| Non current liabilities | 561,916 | 17 | 735,956 | 29 |
| Current liabilities | 1,019,325 | 32 | 596,924 | 24 |
| **Equity & Liabilities** | 3,234,651 | 100 | 2,518,383 | 100 |
| **Turnover & Profit** | | | | |
| Turnover-net | 3,330,536 | 100 | 3,454,478 | 100 |
| Gross profit | 255,622 | 8 | 230,299 | 7 |
| Operating profit | 187,461 | 6 | 123,496 | 4 |
| Profit before taxation | 85,077 | 3 | 117,467 | 3 |
| Profit for the year | 82,184 | 2 | 139,528 | 4 |

| 2012 | | 2011 | | 2010 | | 2009 | |
|---|---|---|---|---|---|---|---|
| (Rupees in '000) | % | (Rupees in '000) | % | (Rupees in '000) | % | (Rupees in '000) | % |
| 1,640,534 | 60 | 1,187,555 | 48 | 986,239 | 66 | 753,477 | 57 |
| 1,100,948 | 40 | 1,267,112 | 52 | 501,201 | 34 | 559,658 | 43 |
| 2,741,482 | 100 | 2,454,667 | 100 | 1,487,440 | 100 | 1,313,135 | 100 |
| 713,537 | 26 | 495,699 | 20 | 381,595 | 26 | 320,480 | 24 |
| 282,552 | 10 | 173,056 | 7 | 173,056 | 11 | 129,056 | 10 |
| 687,089 | 25 | 592,785 | 24 | 338,231 | 23 | 339,086 | 26 |
| 1,058,304 | 39 | 1,193,127 | 49 | 594,558 | 40 | 524,513 | 40 |
| 2,741,482 | 100 | 2,454,667 | 100 | 1,487,440 | 100 | 1,313,135 | 100 |
| 2,541,537 | 100 | 2,739,671 | 100 | 2,823,671 | 100 | 1,803,234 | 100 |
| 173,036 | 7 | 364,374 | 13 | 345,891 | 12 | 331,614 | 18 |
| 74,560 | 3 | 270,778 | 10 | 252,018 | 9 | 268,278 | 15 |
| 109,696 | 4 | 168,294 | 6 | 156,346 | 6 | 214,218 | 12 |
| 101,128 | 4 | 137,714 | 5 | 84,299 | 3 | 125,440 | 7 |

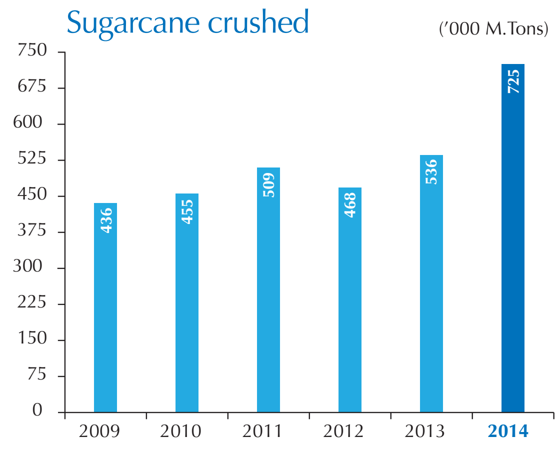
# Six Years' Statistics

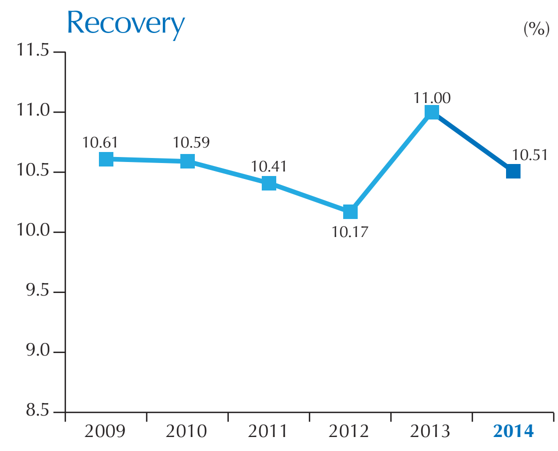
| | | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|
| **Production Data** | | | | | | | |
| Sugarcane crushed | (M. Tons) | 725,210 | 535,963 | 467,734 | 509,204 | 455,129 | 435,690 |
| Sucrose recovery | (%) | 10.51 | 11.00 | 10.17 | 10.41 | 10.59 | 10.61 |
| Sugar production | (M. Tons) | 76,228 | 58,920 | 47,566 | 56,681 | 48,202 | 46,235 |
| Molasses production | (M. Tons) | 35,100 | 25,680 | 24,500 | 26,350 | 22,180 | 22,509 |
| **Operating Results** | | | | | | | |
| Turnover - net | (Rs. '000) | 3,330,536 | 3,454,478 | 2,541,537 | 2,739,671 | 2,823,671 | 1,803,234 |
| Cost of sales | (Rs. '000) | 3,074,914 | 3,224,179 | 2,368,501 | 2,375,297 | 2,477,780 | 1,471,620 |
| Gross profit | (Rs. '000) | 255,622 | 230,299 | 173,036 | 364,374 | 345,891 | 331,614 |
| Operating profit | (Rs. '000) | 187,461 | 123,496 | 74,560 | 270,778 | 252,018 | 268,278 |
| Profit before tax | (Rs. '000) | 85,077 | 117,467 | 109,696 | 168,294 | 156,346 | 214,218 |
| Profit after tax | (Rs. '000) | 82,184 | 139,528 | 101,128 | 137,714 | 84,299 | 125,440 |
| **Proposed Dividend*** | | | | | | | |
| Cash | (Rs. '000) | - | - | - | 8,433 | 10,542 | 15,972 |
| Bonus shares | (Rs. '000) | - | 11,153 | 14,547 | 12,650 | 14,055 | 6,389 |
| **Valuation** | | | | | | | |
| Earnings per share (before tax)** | (Rupees) | 6.93 | 9.57 | 8.94 | 13.72 | 12.74 | 17.46 |
| Earnings per share (after tax)** | (Rupees) | 6.70 | 11.37 | 8.24 | 11.23 | 6.87 | 10.22 |
| Cash dividend per share | (Rupees) | - | - | - | 1.00 | 1.50 | 2.50 |
| Bonus issue* | (%) | - | 10.00 | 15.00 | 15.00 | 20.00 | 10.00 |
| Dividend yield ratio | (%) | - | 2.27 | 3.47 | 4.64 | 6.01 | 4.93 |
| Dividend payout ratio | (%) | - | 7.99 | 14.38 | 15.31 | 29.18 | 17.83 |
| Market price per share | (Rupees) | 61.62 | 44.00 | 43.26 | 53.88 | 58.19 | 71.00 |
| Price earning ratio ** | (Times) | 9.20 | 3.87 | 5.25 | 4.80 | 8.47 | 6.94 |
| Break-up value per share** | (Rupees) | 87.98 | 73.60 | 58.16 | 40.41 | 31.10 | 26.12 |
| **Financial Position** | | | | | | | |
| Reserves | (Rs. '000) | 956,713 | 791,422 | 616,555 | 411,367 | 311,318 | 256,592 |
| Current assets | (Rs. '000) | 1,060,759 | 731,058 | 1,100,948 | 1,267,112 | 501,201 | 559,658 |
| Current liabilities | (Rs. '000) | 1,019,325 | 596,924 | 1,058,304 | 1,193,127 | 594,558 | 524,513 |
| Working capital | (Rs. '000) | 41,434 | 134,134 | 42,644 | 73,985 | (93,357) | 35,145 |
| Property, plant & equipment | (Rs. '000) | 1,613,034 | 1,278,312 | 1,259,926 | 963,153 | 807,230 | 584,948 |
| Total assets | (Rs. '000) | 3,234,651 | 2,518,383 | 2,741,482 | 2,454,667 | 1,487,440 | 1,313,135 |
| Long term debt | (Rs. '000) | 340,000 | 490,000 | 439,999 | 344,445 | 88,890 | 133,334 |
| Shareholders' equity | (Rs. '000) | 1,079,395 | 902,951 | 713,537 | 495,699 | 381,595 | 320,480 |
| Share capital | (Rs. '000) | 122,682 | 111,529 | 96,982 | 84,332 | 70,277 | 63,888 |
| **Financial Performance** | | | | | | | |
| **Profitability** | | | | | | | |
| Gross margin | (%) | 7.68 | 6.67 | 6.81 | 13.30 | 12.25 | 18.39 |
| Operating margin | (%) | 5.63 | 3.57 | 2.93 | 9.88 | 8.93 | 14.88 |
| Pre tax margin | (%) | 2.55 | 3.40 | 4.32 | 6.14 | 5.54 | 11.88 |
| Net margin | (%) | 2.47 | 4.04 | 3.98 | 5.03 | 2.99 | 6.96 |
| Return on equity | (%) | 7.61 | 15.45 | 14.17 | 27.78 | 22.09 | 39.14 |
| Return on assets | (%) | 2.54 | 5.54 | 3.69 | 5.61 | 5.67 | 9.55 |
| (Decrease) / increase in net sales | (%) | (3.59) | 35.92 | (7.23) | (2.97) | 56.59 | 80.03 |
| Sugarcane cost to cost of goods manufactured | (%) | 97.16 | 92.53 | 90.52 | 95.42 | 96.79 | 93.38 |
| Labour cost to net sales | (%) | 6.34 | 5.01 | 6.08 | 5.61 | 4.67 | 5.78 |
| Administrative expenses to net sales | (%) | 3.34 | 2.79 | 2.99 | 2.91 | 2.80 | 2.92 |
| Distribution cost to net sales | (%) | 0.80 | 1.24 | 1.07 | 0.22 | 0.18 | 0.14 |
| Finance cost to net sales | (%) | 4.66 | 3.92 | 5.26 | 5.30 | 3.68 | 4.80 |
| Other operating expenses to net sales | (%) | 0.10 | 0.08 | 0.03 | 0.47 | 0.42 | 0.78 |
| **Operating Performance/ Liquidity** | | | | | | | |
| Total assets turnover | (Times) | 1.03 | 1.37 | 0.93 | 1.12 | 1.90 | 1.37 |
| Fixed assets turnover | (Times) | 2.06 | 2.70 | 2.02 | 2.84 | 3.50 | 3.08 |
| Inventory turnover | (Times) | 16.06 | 8.73 | 3.12 | 4.69 | 15.07 | 4.67 |
| Current ratio | (Times) | 1.04 | 1.22 | 1.04 | 1.06 | 0.84 | 1.07 |
| Quick ratio | (Times) | 0.56 | 0.72 | 0.30 | 0.19 | 0.44 | 0.45 |
| **Leverage** | | | | | | | |
| Long term debt to equity | (%) | 31.50 | 54.27 | 61.66 | 69.49 | 23.29 | 41.60 |
| Total debt to total assets | (%) | 48.88 | 52.93 | 63.67 | 72.76 | 62.71 | 65.77 |
| Interest coverage | (Times) | 1.55 | 1.87 | 1.82 | 2.16 | 2.50 | 3.47 |

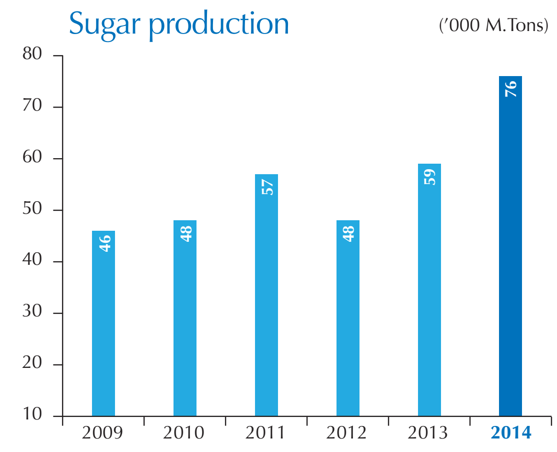
* *post balance sheet event*
** *restated, based on weighted average number of ordinary shares in issue*

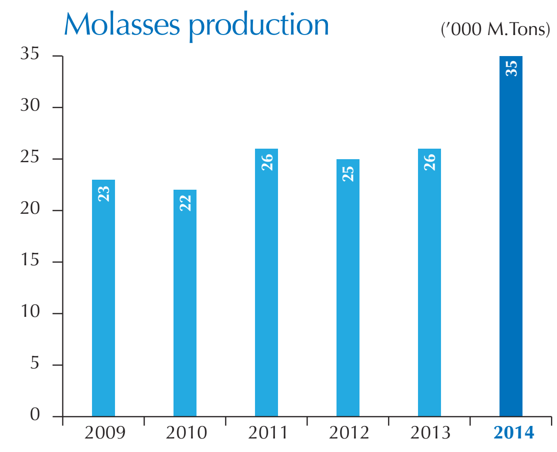
# Graphical Presentation

## Production Highlights

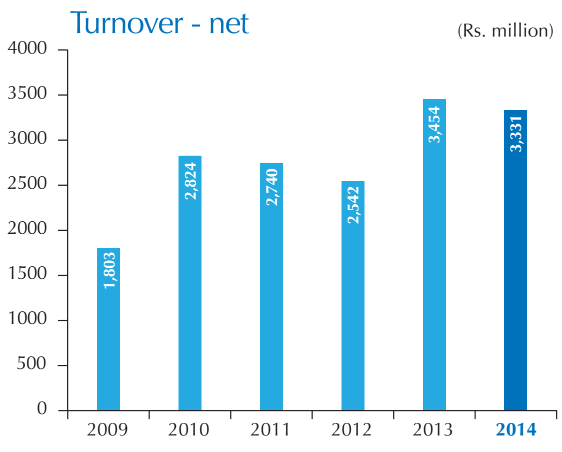


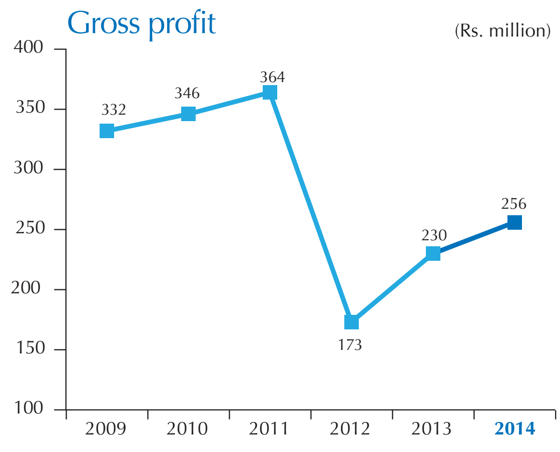



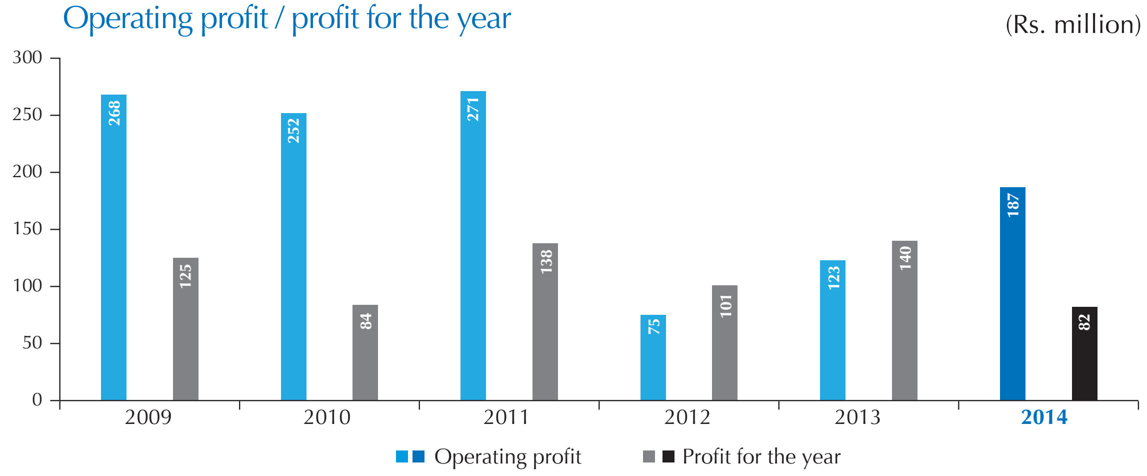




## Financial Highlights

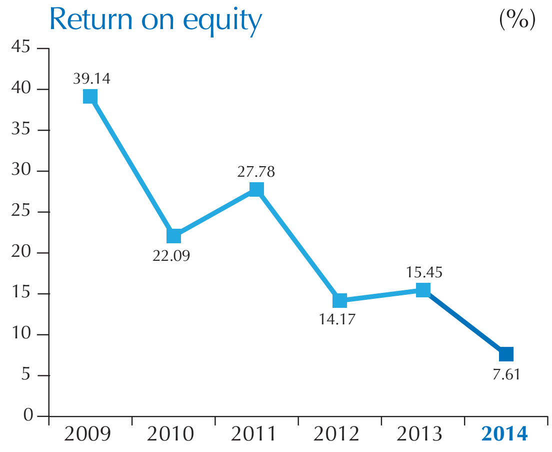


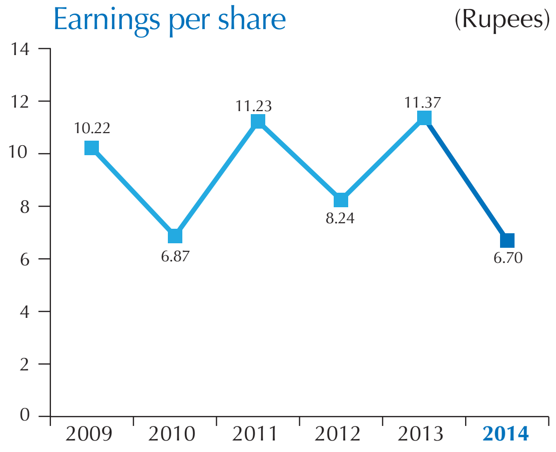
## Operating profit / profit for the year




## Return on equity



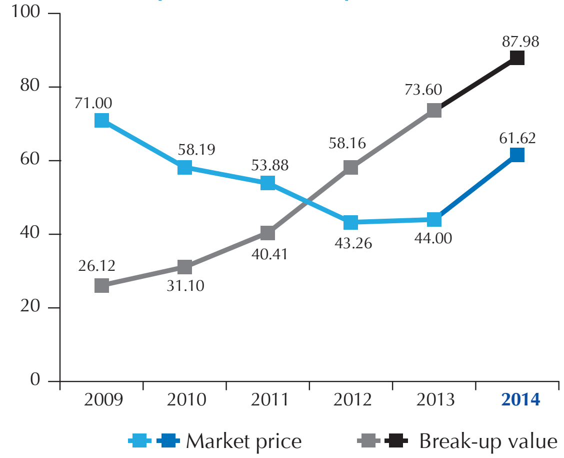

## Earnings per share




## Shareholders' equity / reserves

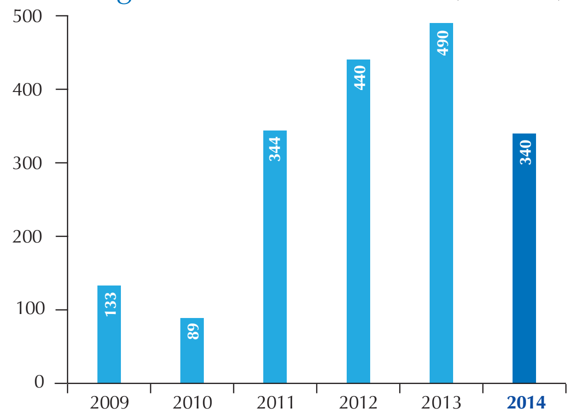
## Market price / break-up value

(Rs./share)



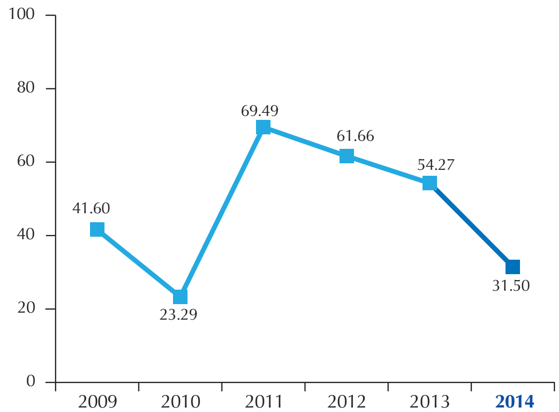

## Long-term debt

(Rs. million)



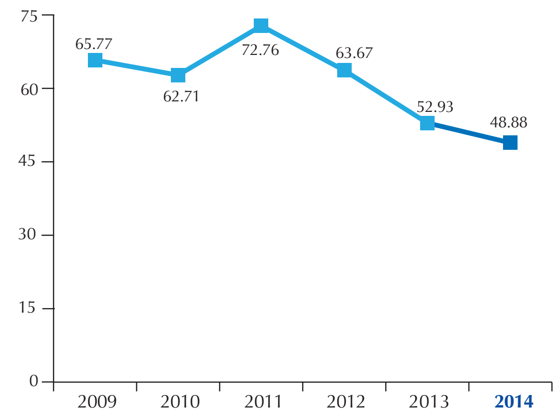

## Long-term debt to equity ratio

(%)




## Total debt to total assets

(%)




## Current ratio

(Times)


## Quick ratio

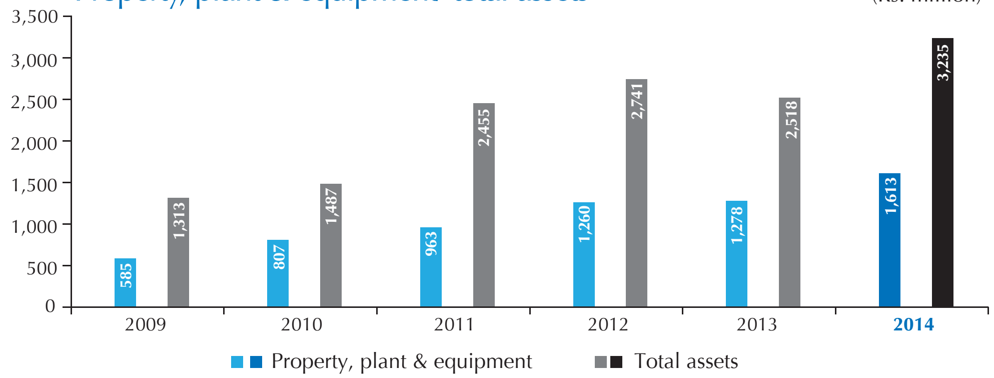
(Times)

## Current assests / current liabilities / working capital

(Rs. million)

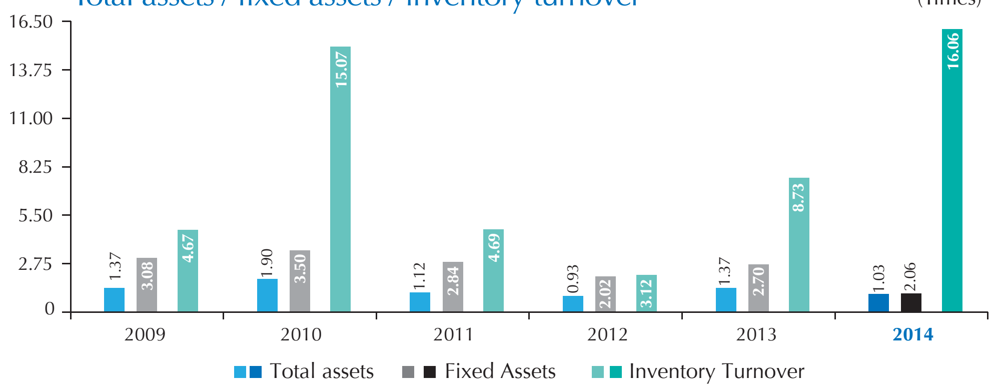

## Property, plant & equipment/ total assets

(Rs. million)




## Total assets / fixed assets / inventory turnover

(Times)

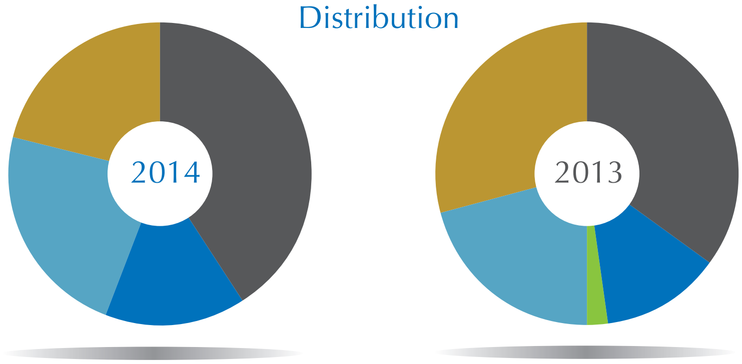


# Statement of Value Addition

| | 2014 | | 2013 (Restated) | |
|---|---|---|---|---|
| | (Rs. in '000) | | | |
| **Wealth Generated** | | | | |
| Gross sales | 3,413,040 | | 3,551,858 | |
| Material and services | (2,863,079) | | (3,065,830) | |
| | 549,961 | | 486,028 | |
| Other income | 73,169 | | 35,248 | |
| Share of profit in an associate | 52,945 | | 129,242 | |
| | 676,075 | | 650,518 | |
| **Wealth Distributed** | | | | |
| EMPLOYEES REMUNERATION | 278,924 | 41% | 233,304 | 36% |
| GOVERNMENT AS: | | | | |
| Direct and indirect taxes | 96,990 | | 85,099 | |
| Workers' funds | 2,382 | | - | |
| | 99,372 | 15% | 85,099 | 13% |
| CHARITY & DONATIONS | 96 | * | 171 | * |
| SHAREHOLDERS AS DIVIDEND | | | | |
| Bonus shares** | - | 0% | 11,153 | 2% |
| FINANCE COST | 155,329 | 23% | 135,271 | 21% |
| RETAINED IN BUSINESS | | | | |
| Depreciation & amortization | 60,170 | | 57,145 | |
| Retained profit | 82,184 | | 128,375 | |
| | 142,354 | 21% | 185,520 | 28% |
| | 676,075 | 100% | 650,518 | 100% |

* *negligible*
** *post balance sheet event*

Distribution




| | Employees | Government | Shareholders | Finance cost | Retained in business |
|---|---|---|---|---|---|
| 2014 | 41% | 15% | 0% | 23% | 21% |
| 2013 | 36% | 13% | 2% | 21% | 28% |

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

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 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 Code of Corporate Governance 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 Director | Mr. Samir Mustapha Chinoy |
| Executive Director | Mr. Aslam Faruque<br>Mr. Tariq Faruque |
| Non-Executive Director | Mr. Shehryar Faruque<br>Mr. Arif Faruque<br>Mr. Amer Faruque<br>Mr. Maqbool H. H. Rahimtoola (NIT)<br>Mr. Yasir Masood |

   The independent director meets the criteria of independence under clause i (b) of the Code of Corporate Governance.

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

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

4. A casual vacancy that occurred on the Board on 13.06.2014 was filled up by the directors within 90 days.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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

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

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

9. The Directors of Mirpurkhas Sugar Mills Ltd. are professionally qualified and experienced persons and are well aware of their duties and their responsibilities. Further, an orientation course for Directors was arranged by the Company to apprise Directors of their duties and responsibilities. Three Directors of the Company are also certified under the Board Development Series Program offered by Pakistan Institute of Corporate Governance (PICG).

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance 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 Code of Corporate Governance.

15. The board has formed an Audit Committee. It comprises of four members, two of whom are Non-Executives Directors and one Independent Director.

16. The meetings of the audit committee were held atleast 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 a Human Resource and Remuneration Committee. It comprises three members of whom two are non-executive directors. The chairman of the committee is a Non Executive Director.

18. The board has set up 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 programme 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 Code of Corporate Governance have been complied with.

On behalf of the Board of Directors

**Maqbool H. H. Rahimtoola**
Chairman

Karachi: December 23, 2014

# Statement of Compliance
## with the Best Practices of Transfer Pricing

The Company has fully complied with the best practices of Transfer Pricing as contained in the Listing Regulations of the Karachi Stock Exchange.

On behalf of the Board of Directors

**Maqbool H. H. Rahimtoola**
Chairman

Karachi: December 23, 2014

# Review Report to the Members

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

KRESTON
HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Mirpurkhas Sugar Mills Limited (the Company) for the year ended September 30, 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the requirements 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 part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Director's statement on internal controls covers all risk and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub - Regulation (x) of Listing Regulations 35 of Karachi Stock Exchange Limited requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code applicable to the company for the year ended September 30, 2014.

**KRESTON HYDER BHIMJI & CO.**
CHARTERED ACCOUNTANTS
Engagement Partner: Mohammad Hanif Razak

Karachi: December 23, 2014

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# Glossary of Terms

**AGM:**
A mandatory, public yearly gathering of a publicly traded company's executives, directors and interested shareholders.

**HS&E:**
Health, Safety and Environment.

**EBITDA:**
Earnings before Interest, Taxes, Depreciation and Amortization.

**Return on Equity (ROE):**
The value found by dividing the Company's net income by its net assets (ROE measures the amount a company earns on investments).

**Current Ratio:**
The current ratio indicates a company's ability to meet short-term debt obligations.

**Acid Test Ratio:**
The ratio of liquid assets to current liabilities.

**Earnings Per Share:**
Earnings found by dividing the net income of the Company by the number of shares of common outstanding stock.

**Price-Earnings Ratio (P/E):**
The ratio found by dividing market price per share by earnings per share (This ratio indicates what investors think of the firm's earnings' growth and risk prospects).

**Dividend Payout Ratio:**
The ratio found by dividing the annual dividends per share by the annual earnings per share.

**Long Term Debt-to-Equity Ratio:**
The ratio found by dividing long-term debt by the equity (all assets minus debts) held in stock (This is a measure of financial risk).

**IASB:**
International Accounting Standards Board.

**IFRS:**
International Financial Reporting Standard.

**IFRIC:**
International Financial Reporting Issues Committee.

**Amortization:**
To charge a regular portion of an expenditure over a fixed period of time.

**Joint Venture:**
A business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task.

**KIBOR:**
Karachi Inter Bank Offer Rate.

**Spread:**
Rate charged by the bank over KIBOR.

**Gearing Ratio:**
Compares some form of owner's equity (or capital) to borrowed funds.

# Auditors' Report to the Members

KRESTON
HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

We have audited the annexed Balance Sheet of MIRPURKHAS SUGAR MILLS LIMITED as at September 30, 2014 and the related Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

   i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied except for the change described in Note 3.4 (b) with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii). the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and 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 September 30, 2014 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

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

**KRESTON HYDER BHIMJI & CO.**
CHARTERED ACCOUNTANTS
Engagement Partner: Mohammad Hanif Razak

Karachi: December 23, 2014


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# Balance Sheet

As at September 30, 2014

| ASSETS | Note | 2014 | 2013 (Restated) | 2012 (Restated) |
|---|---|---|---|---|
| | | (Rupees in '000) | | |
| **NON-CURRENT ASSETS** | | | | |
| Fixed Assets | | | | |
| Property, plant and equipment | 4 | 1,613,034 | 1,278,312 | 1,259,926 |
| Intangible asset | 5 | 1,467 | 2,567 | 3,667 |
| | | 1,614,501 | 1,280,879 | 1,263,593 |
| Long-term investment | 6 | 558,396 | 505,451 | 376,209 |
| Long-term deposits | 7 | 995 | 995 | 732 |
| | | 2,173,892 | 1,787,325 | 1,640,534 |
| **CURRENT ASSETS** | | | | |
| Stores, spare parts and loose tools | 8 | 139,766 | 147,052 | 147,147 |
| Stock-in-trade | 9 | 274,256 | 108,687 | 630,144 |
| Biological assets | 10 | 72,150 | 47,084 | - |
| Trade debts | 11 | 35,851 | 13,595 | 9,766 |
| Loans and advances | 12 | 39,840 | 56,919 | 81,425 |
| Short-term prepayments | 13 | 6,762 | 1,137 | 1,514 |
| Other receivables | 14 | 124,169 | 76,358 | 36,169 |
| Short-term investments | 15 | 296,607 | 226,968 | 170,188 |
| Tax refunds due from the Government | 16 | 51,019 | 41,764 | 8,118 |
| Cash and bank balances | 17 | 20,339 | 11,494 | 16,477 |
| | | 1,060,759 | 731,058 | 1,100,948 |
| **TOTAL ASSETS** | | 3,234,651 | 2,518,383 | 2,741,482 |
| **EQUITY AND LIABILITIES** | | | | |
| **EQUITY** | | | | |
| Share capital | 18 | 122,682 | 111,529 | 96,982 |
| Reserves | 19 | 956,713 | 791,422 | 616,555 |
| | | 1,079,395 | 902,951 | 713,537 |
| **SURPLUS ON REVALUATION OF FIXED ASSETS** | 20 | 574,015 | 282,552 | 282,552 |
| **NON-CURRENT LIABILITIES** | | | | |
| Long-term financing | 21 | 340,000 | 490,000 | 439,999 |
| Deferred liabilities | 22 | 221,916 | 245,956 | 247,090 |
| | | 561,916 | 735,956 | 687,089 |
| **CURRENT LIABILITIES** | | | | |
| Trade and other payables | 23 | 434,191 | 241,200 | 744,798 |
| Accrued mark-up | 24 | 10,528 | 14,278 | 22,456 |
| Short-term borrowings | 25 | 424,606 | 191,446 | 186,605 |
| Current portion of long-term financing | 21 | 150,000 | 150,000 | 104,445 |
| | | 1,019,325 | 596,924 | 1,058,304 |
| **CONTINGENCIES AND COMMITMENTS** | 26 | | | |
| **TOTAL EQUITY AND LIABILITIES** | | 3,234,651 | 2,518,383 | 2,741,482 |

The annexed notes from 1 to 45 form an integral part of these financial statements.

**Aslam Faruque**
Chief Executive

**Tariq Faruque**
Director

# Profit and Loss Account

For the year ended September 30, 2014

| | Note | 2014 | 2013 (Restated) |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Turnover - net** | 27 | 3,330,536 | 3,454,478 |
| Cost of sales | 28 | (3,074,914) | (3,224,179) |
| **Gross profit** | | 255,622 | 230,299 |
| Distribution cost | 29 | (26,756) | (42,925) |
| Administrative expenses | 30 | (111,391) | (96,268) |
| Other operating expenses | 31 | (3,183) | (2,858) |
| | | (141,330) | (142,051) |
| Other income | 32 | 73,169 | 35,248 |
| **Operating profit** | | 187,461 | 123,496 |
| Finance cost | 33 | (155,329) | (135,271) |
| | | 32,132 | (11,775) |
| Share of profit in an associate | 6 | 52,945 | 129,242 |
| **Profit before taxation** | | 85,077 | 117,467 |
| Taxation | 34 | (2,893) | 22,061 |
| **Profit for the year** | | 82,184 | 139,528 |
| Earnings per share - basic (Rupees) | 35 | 6.70 | 11.37 |

The annexed notes from 1 to 45 form an integral part of these financial statements.

**Aslam Faruque**
Chief Executive

**Tariq Faruque**
Director

# Statement of Comprehensive Income

For the year ended September 30, 2014

| | 2014 | 2013 |
|---|---|---|
| | | *(Restated)* |
| | (Rupees in '000) | |
| **Profit for the year** | 82,184 | 139,528 |
| Fair value gain on available-for-sale securities | 69,639 | 46,525 |
| Actuarial gain on defined benefit plan | 24,621 | 3,361 |
| | 94,260 | 49,886 |
| **Total comprehensive income for the year** | 176,444 | 189,414 |

The annexed notes from 1 to 45 form an integral part of these financial statements.

**Aslam Faruque**
Chief Executive

**Tariq Faruque**
Director

# Cash Flow Statement

For the year ended September 30, 2014

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | | *(Restated)* |
| | | (Rupees in '000) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Profit before taxation** | | 85,077 | 117,467 |
| ***Adjustments for :*** | | | |
| Depreciation | 4 | 59,070 | 56,043 |
| Amortization | 5 | 1,100 | 1,100 |
| Provision for market committee fee | | 7,252 | 5,359 |
| Provision for stores obsolescence | 31 | - | 2,039 |
| Fair value adjustment of biological assets | 32 | (26,610) | (17,422) |
| Dividend income from related parties | 32 | (12,671) | (11,565) |
| Share of profit in an associate | 6 | (52,945) | (129,242) |
| Gain on disposal of property, plant and equipment | 32 | (18,668) | (1,462) |
| Finance cost | 33 | 155,329 | 135,271 |
| | | 111,857 | 40,121 |
| | | 196,934 | 157,588 |
| **Working capital changes :** | | | |
| **(Increase) / decrease in current assets:** | | | |
| Stores, spare parts and loose tools | | 7,286 | (1,944) |
| Stock-in-trade | | (165,569) | 521,457 |
| Biological assets | | 1,544 | (29,662) |
| Trade debts | | (22,256) | (3,829) |
| Loans and advances | | 17,079 | 24,506 |
| Short-term prepayments | | (5,625) | 377 |
| Other receivables | | (23,190) | (36,828) |
| | | (190,731) | 474,077 |
| **Increase / (decrease) in current liabilities:** | | | |
| Trade and other payables | | 192,993 | (503,587) |
| **Cash generated from operations** | | 199,196 | 128,078 |
| Income tax paid - net | | (43,440) | (18,078) |
| **Net cash generated from operating activities** | | 155,756 | 110,000 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additions to property, plant and equipment | 4 | (104,492) | (75,152) |
| Sale proceeds of property, plant and equipment | 4 | 20,831 | 2,185 |
| Short-term investments | | - | (10,255) |
| Long-term deposits | | - | (263) |
| Dividend received from related parties | 32 | 12,671 | 11,565 |
| **Net cash used in investing activities** | | (70,990) | (71,920) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Finance cost paid | | (159,079) | (143,449) |
| Short-term borrowings | | 233,160 | 4,841 |
| Long-term financing | 21 | (150,000) | 95,556 |
| Payment of dividend | | (2) | (11) |
| **Net cash used in financing activities** | | (75,921) | (43,063) |
| **Net increase / (decrease) in cash and cash equivalents** | | 8,845 | (4,983) |
| **Cash and cash equivalents at the beginning of the year** | | 11,494 | 16,477 |
| **Cash and cash equivalents at the end of the year** | | 20,339 | 11,494 |

The annexed notes from 1 to 45 form an integral part of these financial statements.

**Aslam Faruque**
Chief Executive

**Tariq Faruque**
Director

# Statement of Changes in Equity

For the year ended September 30, 2014

| | Issued, subscribed and paid-up capital | Reserves | | | | | Total |
|---|---|---|---|---|---|---|---|
| | | General reserves | Unappropriated profit | Actuarial gain on defined benefit plan | Fair value gain on available-for-sale securities | Total reserves | |
| | (Rupees in '000) | | | | | | |
| **Balance as on September 30, 2012 as previously reported** | 96,982 | 34,250 | 424,461 | - | 144,709 | 603,420 | 700,402 |
| Impact of change in accounting policy Note 3.4 Gain on remeasurment of defined benefit plan | - | - | - | 13,135 | - | 13,135 | 13,135 |
| **Balance as on September 30, 2012-restated** | 96,982 | 34,250 | 424,461 | 13,135 | 144,709 | 616,555 | 713,537 |
| Profit for the year | - | - | 139,528 | - | - | 139,528 | 139,528 |
| Other comprehensive income | - | - | - | 3,361 | 46,525 | 49,886 | 49,886 |
| Total comprehensive income | - | - | 139,528 | 3,361 | 46,525 | 189,414 | 189,414 |
| **Transaction with owners** | | | | | | | |
| Issue of bonus shares @ 15% i.e 01.50 share for every 10 shares held | 14,547 | - | (14,547) | - | - | (14,547) | - |
| **Balance as at September 30, 2013 - restated** | 111,529 | 34,250 | 549,442 | 16,496 | 191,234 | 791,422 | 902,951 |
| **Balance as on September 30, 2013 as previously reported** | 111,529 | 34,250 | 551,092 | - | 191,234 | 776,576 | 888,105 |
| Impact of change in accounting policy Note 3.4 Gain on remeasurment of defined benefit plan | - | - | (1,650) | 16,496 | - | 14,846 | 14,846 |
| **Balance as at September 30, 2013 - restated** | 111,529 | 34,250 | 549,442 | 16,496 | 191,234 | 791,422 | 902,951 |
| Profit for the year | - | - | 82,184 | - | - | 82,184 | 82,184 |
| Other comprehensive income | - | - | - | 24,621 | 69,639 | 94,260 | 94,260 |
| Total comprehensive income | - | - | 82,184 | 24,621 | 69,639 | 176,444 | 176,444 |
| **Transaction with owners** | | | | | | | |
| Issue of bonus shares @ 10% i.e 01 share for every 10 shares held | 11,153 | - | (11,153) | - | - | (11,153) | - |
| **Balance as on September 30, 2014** | 122,682 | 34,250 | 620,473 | 41,117 | 260,873 | 956,713 | 1,079,395 |

The annexed notes from 1 to 45 form an integral part of these financial statements.

**Aslam Faruque**
Chief Executive

**Tariq Faruque**
Director

# Notes to the Financial Statements

For the year ended September 30, 2014

## 1. STATUS AND NATURE OF BUSINESS

Mirpurkhas Sugar Mills Limited (the Company) was incorporated in Pakistan on May 27, 1964 as a public limited company and its shares are quoted on Karachi Stock Exchange. Principal activity of the Company is manufacturing and selling of sugar.

The registered office of the Company is situated at Sub Post Office Sugar Mill Jamrao, Umerkot Road, Mirpurkhas.

## 2. 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) as are notified under the Companies Ordinance, 1984, (the Ordinance), provisions and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Accounting convention

These financial statements have been prepared under the historical cost convention without any adjustments for the effect of inflation or current values, except for the following material items in the balance sheet:

a. Derivatives financial instruments and investments which are stated at their fair values in accordance with IAS 39;

b. Inventories which are valued at lower of moving average cost or Net Realizable Value (NRV) in accordance with IAS 2;

c. Biological assets that are valued at fair value less estimated cost to sell in accordance with IAS 41;

d. Obligation under certain employees retirement benefits that are based on actuarial valuation in accordance with IAS 19; and

e. Free hold land which stands at revalued amount in accordance with IAS 16.

### 3.1.1 New and amended standards and interpretations

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

IAS 19 - Employee Benefits – (Revised)

IAS 7 - Financial Instruments: Disclosures – (Amendments)
Amendments enhancing disclosures about offsetting of financial assets & financial liabilities.

IFRIC 20 - Stripping Cost in the Production Phase of a Surface Mine

The adoption of the above amendments did not have any effect on these financial statements, except for IAS-19 (revised) which has resulted in a change in accounting policy as described in note 3.4 (b) to the financial statements.

### 3.2 Significant accounting judgments, estimates and assumptions

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

However, uncertainity about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of the asset or liability affected in future periods.

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

Judgments made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

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

**a) Employees retirement benefits**

Certain actuarial assumptions have been adopted as disclosed in note 3.4(b) to the financial statements for valuation of present value of defined benefit obligation and fair value of plan assets. Any changes in these assumptions in future years might affect gains and losses in those years. The actuarial valuation involves making assumptions about discount rates, expected rate of return on plan assets, future salary increases and mortality rates.

**b) Property, plant and equipment and intangible assets**

The Company reviews appropriateness of the rate of depreciation / amortization, useful life and residual value used in the calculation of depreciation / amortization. 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 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 and intangible assets, with corresponding effects on the depreciation / amortization charge and impairment. As of the year end the Company estimates that there is no impairment on any of its assets.

**c) Classification of investments**

The management has exercised its judgment in respect of classification of investments as disclosed in notes 6 and 15 to the financial statements. Any change in such judgment might materially affect the accounting policy applied in respect of such investments.

**d) Stock-in-trade, stores, spare parts and loose tools**

The Company reviews Net Realizable Value (NRV) of stock in trade, stores, spare parts and loose tools to assess any diminution in their respective carrying values. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

**e) Biological assets**

The Company reviews the fair value of biological assets to assess changes in fair value less cost to sell during a period. Agriculture produce is measured at fair value less cost to sell at the point of harvest because harvested produce is a marketable commodity as there is no "measurement reliability" exception for produce.

**f) Trade debts, loans and advances and other receivables**

The Company reviews its doubtful trade debts, loans and advances and other 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 provision.

**g) Taxation**

In applying the estimate for income tax payable, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past. Instance where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingency.

Deferred tax is provided using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and the liabilities and their carrying amounts. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, Unused tax losses and unused tax credits to the extent that it is probable that sufficient future taxable profits will be available against which these can be utilised.

**h) Provision for impairment**

The Company reviews carrying amount of assets except deferred tax assets and inventories at balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

**i) Contingencies**

The assessment of the contingencies inherently involves the exercise of significant judgement as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future event(s).

**3.3 Taxation**

**a) Current**

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The tax charge as calculated above is compared with 1% of turnover tax, calculated at applicable tax rates under section 113 of the Income Tax Ordinance, 2001 and under final tax regime, whichever is higher is provided in the financial statements. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

**b) Deferred**

Deferred tax is recognized using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying values 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 deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be utilized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release – 27 of the Institute of Chartered Accountants of Pakistan (ICAP), if considered material.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred income tax relating to items recognized directly in other comprehensive income is recognized in other comprehensive income and not in profit and loss account.

**c) Sales Tax and Federal Excise Duty (FED)**

Revenues, expenses and assets are recognized net of amount of sales tax and federal excise duty except:

- Where amount incurred on a purchase of asset or service is not recoverable from the taxation authority, the tax / duty is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and

- Receivables or payables that are stated with the amount of sales tax and federal excise duty included.

The net amount of sales tax and federal excise duty recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

### 3.4 Employees retirement benefits

#### a) Provident fund scheme

The Company operates an approved defined contribution provident fund scheme for its eligible permanent employees who opted for the benefits. Equal monthly contributions are made, both by the Company and the employees to the fund at the rate of 8.33 % of basic salary.

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in '000) | |
| Size of the trust | 202,435 | 158,178 |
| Cost of investments made | 173,452 | 140,966 |
| Fair value of investments | 201,225 | 157,365 |
| | (Percentage) | |
| Percentage of investments made | 85.68 | 89.12 |
| **The major categories of investments** | | |
| | (Rupees in '000) | |
| Banks | 14,308 | 4,944 |
| Government securities/ debt instruments | 119,995 | 46,423 |
| Others | 66,922 | 105,998 |
| | 201,225 | 157,365 |

Investments out 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.

#### b) Gratuity scheme

The Company operates an approved and funded gratuity scheme for all of its eligible permanent employees who have completed the minimum qualifying period of service. The scheme is administered by the trustees nominated under the trust deed. The contributions to the scheme are made in accordance with the actuarial valuation using Projected Unit Credit (PUC) method.

The PUC method used the following significant assumptions for the valuation of the scheme.

**Principal actuarial assumptions used are as follows:**

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| | (% per annum) | | |
| Valuation discount rate | 13.50 | 11.50 | 11.50 |
| Expected rate of return on plan assets | 13.50 | 11.50 | 11.50 |
| Expected rate of salary increase | 12.50 | 10.50 | 10.50 |

During the year, the Company has changed its accounting policy in respect of recognition of actuarial gains & losses. With effect from current year, the Company has recognized actuarial gains & losses as they occur in other comprehensive income, instead of past policy, where actuarial gains & losses were recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of previous reporting period exceeded 10% of the higher of present value of the defined benefit obligation and the fair value of plan assets at that date, and such gains or losses were recognized over the expected average remaining working lives of the employees.

The above change has been accounted for retrospectively in accordance with the requirements of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The Balance sheet as of September 30, 2012 and September 30, 2013 respectively have been restated and presented accordingly.

The effect of the change in accounting policy has been demonstrated below:

| | 30th September 2013 | 1st October 2012 |
|---|---|---|
| **Effect on the balance sheet** | (Rupees in '000) | |
| ***Unappropriated profit*** | | |
| As previously reported | 551,092 | 424,461 |
| Effect of change in accounting policy | 14,846 | 13,135 |
| Unappropriated profit as restated | 565,938 | 437,596 |
| ***Staff retirement benefit*** | | |
| As previously reported | 13,135 | - |
| Effect of change in accounting policy | 3,361 | 13,135 |
| Charged to profit & loss | (1,650) | - |
| | 14,846 | 13,135 |

The amount recognized in balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses and as reduced by the fair value of plan assets.

The fair value of scheme's assets and the present value of obligation under the scheme at the balance sheet date were as follows:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| | | *(Restated)* | *(Restated)* |
| | | (Rupees in 000) | |
| **Staff gratuity fund (Asset) / Liability:** | | | |
| Present value of defined benefit obligation | 73,027 | 69,898 | 56,828 |
| Fair value of plan assets | (109,329) | (87,759) | (69,963) |
| Asset recognized as at September 30 | (36,302) | (17,861) | (13,135) |
| **Amounts charged to profit and loss:** | | | |
| Current service cost | 5,045 | 4,012 | 3,441 |
| Interest cost | 7,943 | 6,535 | 5,798 |
| Expected return on plan assets | (9,823) | (8,897) | (3,978) |
| Actuarial gain recognized during the year | - | - | 650 |
| | 3,165 | 1,650 | 5,911 |
| **Total re-measurements chargeable in other comprehensive income:** | | | |
| Unrecognized actuarial gain / (loss) | - | - | 13,135 |
| Actuarial gain / (loss) on obligations | 8,204 | (4,438) | - |
| Actuarial gain / (loss) on assets | 16,417 | 7,799 | - |
| | 24,621 | 3,361 | 13,135 |
| **Movement in (Net Assets) / Liability recognized in the balance sheet:** | | | |
| Balance as at October 1 | (17,861) | (13,135) | 5,372 |
| Net charge for the year | 3,165 | 1,650 | 5,911 |
| Actuarial gain charged to other comprehensive income | (24,621) | (3,361) | (13,135) |
| Contribution / benefit paid | 3,015 | (3,015) | (11,283) |
| Balance as at September 30 | (36,302) | (17,861) | (13,135) |
| **Movement in the present value of defined benefit obligation:** | | | |
| Balance as at October 1 | 69,898 | 56,828 | 46,379 |
| Current service cost | 5,045 | 4,012 | 3,441 |
| Interest cost | 7,943 | 6,535 | 5,798 |
| Benefits paid during the year | (1,655) | (1,915) | (1,134) |
| Actuarial (gain) / loss | (8,204) | 4,438 | 2,344 |
| Balance as at September 30 | 73,027 | 69,898 | 56,828 |
| **Movement in the fair value of plan assets:** | | | |
| Balance as at October 1 | 87,759 | 69,963 | 31,820 |
| Expected return | 9,823 | 8,897 | 3,978 |
| Contributions | (3,015) | 1,100 | 11,283 |
| Benefits paid | (1,655) | - | (1,134) |
| Actuarial gain | 16,417 | 7,799 | 24,016 |
| Balance as at September 30 | 109,329 | 87,759 | 69,963 |

The expected return on plan assets was based on the market expectations and depends upon the asset portfolio of the Company, at the beginning of the period, for returns over the entire life of related obligation.

The return on plan assets was assumed on the basis of market conditions. Actual return on plan assets during 2014 was Rs. 26.24 million (2013: Rs. 16.70 million).

| **Comparisons with past years :** | **2014** | **2013** *(Restated)* | **2012** *(Restated)* | **2011** | **2010** |
|---|---|---|---|---|---|
| | **(Rupees in 000)** | | | | |
| Present value of defined benefit obligation | 73,027 | 69,898 | 56,828 | 46,379 | 30,298 |
| Fair value of plan assets | (109,329) | (87,759) | (69,963) | (31,820) | (14,037) |
| **(Surplus) / deficit** | (36,302) | (17,861) | (13,135) | 14,559 | 16,261 |
| Unrecognized actuarial gain / loss | - | - | 13,135 | - | - |
| Experience adjustments arising on plan liabilities | 8,204 | (4,438) | - | (242) | 558 |
| Experience adjustments arising on plan assets | 16,417 | 7,799 | - | (3,972) | (4,535) |
| | 24,621 | 3,361 | 13,135 | (4,214) | (3,977) |

## 3.5 Property, plant and equipment

### a) Owned assets

These are stated at cost less accumulated depreciation except for freehold land which is stated at revalued amount and capital work-in-progress, which is stated at cost. The revaluation of freehold land is carried out once in every three years.

Depreciation is charged, on systematic basis over the useful life of the assets, to income applying reducing balance method, except for furniture and fittings, office and other equipment and computer and accessories which are depreciated using straight line method at the rates mentioned in note 4 to the financial statements, which reflects the patterns in which the assets' economic benefits are consumed by the Company. Additions to assets are depreciated from the month of addition while no depreciation is charged on assets disposed off during the month.

Maintenance and normal repairs are charged to income, when incurred. Major renewals and improvements which increase the asset's remaining useful economic life or the performance beyond the current estimated levels are capitalized and the assets so replaced, if any, are retired.

Gains or losses on disposal of assets, if any, are recognized in the profit and loss account when incurred.

The carrying values of owned assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to the recoverable amount.

**b) Assets subject to finance lease**

Assets held under finance lease are stated at cost less accumulated depreciation and accumulated impairment losses, if any. These are accounted for by recording the asset at the lower of present value of minimum lease payments under the lease agreements and the fair value of asset acquired. The related obligation under the lease is accounted for as liability. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of change on the net standing liability.

Depreciation is charged to the profit and loss account using the same basis as for owned assets.

**c) Intangible assets**

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of such asset can also be measured reliably.

Computer software and implementation costs that are directly associated with the computer and computer controlled machines which cannot operate without the related specific software, are included in the cost of respective assets. Software which is not an integral part of the related hardware is classified as intangible assets.

Intangible assets are stated at cost less accumulated amortization and any impairment loss. Intangible assets are amortized when assets are available for use on straight line method. Amortization is charged from the month of the year in which addition / capitalization occurs while no amortization is charged in the month in which an asset is disposed off.

Useful lives of intangible assets are reviewed, at each financial year end and adjusted if appropriate.

The carrying values of intangible assets are reviewed for impairment at each financial year end when events or changes in circumstances, indicate that carrying value may not be recoverable.

**3.6 Investments**

**a) In associate**

Investment in an associate is accounted for using the equity method. Under this method, the investment is initially recognized at cost as adjusted for post acquisition changes in the Company's share of net assets of the associate and impairment in the value of investment and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the investee after the date of acquisition which is recognized in the profit and loss account. Dividend received, if any, reduces the carrying amount of investment. Changes in associate's equity including those arising from the revaluation of property, plant and equipment are recognized directly in the Company's equity in proportion of the equity held. Profit / loss from material transactions with associate is eliminated. The reporting dates of the associate and the Company are identical and the associate's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

**b) Available-for-sale securities**

These are non-derivative financial assets which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity or changes in interest rates .

These investments are initially measured at fair value plus transaction costs. After initial measurement, available-for-sale securities are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other income, and removed from the available-for-sale reserve.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

**c) Held-to-maturity investments**

These represent non-derivative financial assets with fixed or determinable payments and fixed maturities in respect of which the Company has the positive intent and ability to hold till maturity. These investments are recognized initially at fair value plus directly attributable cost and are subsequently measured at amortized cost using effective interest rate method. Gains and losses are recognized in profit and loss account when the investments are derecognized or impaired, as well as through the amortization process.

**d) Designated investments at fair value through profit or loss**

Designated investments at fair value through profit or loss are initially recognized at fair value. Subsequently, these are measured at fair value whereas effects of changes in fair value are taken to profit and loss account. Transaction costs are charged to profit and loss account when incurred.

**3.7 Stores, spare parts and loose tools**

These are valued at lower of moving average cost or net realizable value (NRV). Provision / write off, if required is made for slow moving items where necessary to bring these down to approximate NRV and is recognized in profit and loss. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

**3.8 Stock-in-trade**

Stock-in-trade is valued at the lower of average manufacturing cost or NRV. The cost of sugar in process includes cost of sugarcane and proportionate manufacturing expenses.

NRV signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

**3.9 Trade debts**

Trade debts originated by the Company are recognized and carried at original invoice amount less provision for any uncollectible amounts. Provision for doubtful debts is based on the management's assessment of customer's outstanding balances and credit worthiness. Bad debts are written-off, when there is no realistic prospect of recovery.

**3.10 Trade and other payables**

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

**3.11 Revenue recognition**

a) Sales are recorded on dispatch of goods to customers.

b) Income / return on investments, loans, advances and bank deposits is recognized on accrual basis.

c) Dividend income on equity investment is recognized, when the right to receive the same is established.

d) Capital gains or losses on sale of investments are recognized in the period in which they arise.

e) Mark-up on growers' loans is accounted for in line with the recovery of the respective loan due to exigencies involved in such matters.

f) Profit/ (loss) on biological assets is recognized at actual and fair value gain/ (loss) is recognized on standing crops.

**3.12 Foreign currency transactions and translations**

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are translated into Pak Rupees at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange ruling 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 to monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

**3.13 Provisions**

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

### 3.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 3.15 Related party transactions

Related party transactions are carried out on commercial terms, as approved by the Board, substantiated as given in note 38 to the financial statements.

### 3.16 Financial instruments

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

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

### 3.17 Offsetting of financial assets and liabilities

A financial asset and financial liability is only offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also offset accordingly.

### 3.18 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash-in-hand and balances in current, deposit and PLS accounts with the commercial banks.

### 3.19 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. PROPERTY, PLANT AND EQUIPMENT

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | (Rupees in 000) | |
| Property, plant and equipment - owned | 4.1 | 1,593,974 | 1,268,384 |
| Capital work in progress | 4.4 | 19,060 | 9,928 |
| | | 1,613,034 | 1,278,312 |

**4.1 Following are the statements of property, plant and equipment for current and prior years:**

| 2014 | COST/ REVALUATION | | | DEPRECIATION | | | | Book value as at Sep. 30, 2014 | Depreciation rate per annum (%) |
|---|---|---|---|---|---|---|---|---|---|
| | As at Oct. 01, 2013 | Additions/ revaluation/ (disposals) | As at Sep. 30, 2014 | As at Oct. 01, 2013 | Adjustment on disposals | For the year | As at Sep. 30, 2014 | | |
| | (Rupees in '000) | | | | | | | | |
| Free hold land (Note 4.3) | 309,472 | 291,463 | 600,935 | - | - | - | - | 600,935 | - |
| Building on free hold land: | | | | | | | | | |
| - Factory | 39,986 | - | 39,986 | 22,853 | - | 1,713 | 24,566 | 15,420 | 10 |
| - Non factory | 23,184 | - | 23,184 | 18,503 | - | 468 | 18,971 | 4,213 | 10 |
| Plant & machinery | 1,395,818 | 47,071 | 1,442,889 | 486,748 | - | 46,816 | 533,564 | 909,325 | 5 |
| Furniture & fittings | 612 | - | 612 | 267 | - | 105 | 372 | 240 | 20 |
| Vehicles | 56,561 | 47,101<br>(13,924) | 89,738 | 32,360 | (11,762) | 8,214 | 28,812 | 60,926 | 20 |
| Office & other equipment | 11,732 | 795 | 12,527 | 9,559 | - | 917 | 10,476 | 2,051 | 20 |
| Computers & accessories | 7,356 | 393<br>(139) | 7,610 | 6,047 | (138) | 837 | 6,746 | 864 | 33.33 |
| | 1,844,721 | 95,360<br>291,463<br>(14,063) | 2,217,481 | 576,337 | (11,900) | 59,070 | 623,507 | 1,593,974 | |

| 2013 | COST | | | DEPRECIATION | | | | Book value as at Sep. 30, 2013 | Depreciation rate per annum (%) |
|---|---|---|---|---|---|---|---|---|---|
| | As at Oct. 01, 2012 | Additions/ (disposals) | As at Sep. 30, 2013 | As at Oct. 01, 2012 | Adjustment on disposals | For the year | As at Sep. 30, 2013 | | |
| | (Rupees in '000) | | | | | | | | |
| Free hold land (Note 4.3) | 303,641 | 5,831 | 309,472 | - | - | - | - | 309,472 | - |
| Building on free hold land: | | | | | | | | | |
| - Factory | 29,678 | 10,308 | 39,986 | 21,426 | - | 1,427 | 22,853 | 17,133 | 10 |
| - Non factory | 23,184 | - | 23,184 | 17,983 | - | 520 | 18,503 | 4,681 | 10 |
| Plant & machinery | 1,336,101 | 59,717 | 1,395,818 | 440,497 | - | 46,251 | 486,748 | 909,070 | 5 |
| Furniture & fittings | 338 | 274 | 612 | 186 | - | 81 | 267 | 345 | 20 |
| Vehicles | 53,167 | 5,915<br>(2,521) | 56,561 | 28,646 | (1,841) | 5,555 | 32,360 | 24,201 | 20 |
| Office & other equipment | 11,057 | 725<br>(50) | 11,732 | 8,811 | (48) | 796 | 9,559 | 2,173 | 20 |
| Computers & accessories | 8,119 | 1,049<br>(1,812) | 7,356 | 6,405 | (1,771) | 1,413 | 6,047 | 1,309 | 33.33 |
| | 1,765,285 | 83,819<br>(4,383) | 1,844,721 | 523,954 | (3,660) | 56,043 | 576,337 | 1,268,384 | |

| | | Note | 2014 | 2013 |
|---|---|---|---|---|
| **4.1.1** | **Depreciation charged for the year has been allocated as follows:** | | (Rupees in 000) | |
| | Cost of sales | 28 | 53,246 | 52,270 |
| | Distribution cost | 29 | 237 | 337 |
| | Administrative expenses | 30 | 5,587 | 3,436 |
| | | | 59,070 | 56,043 |

**4.1.2 Reconciliation of carrying amount:**

| | 2014 | 2013 |
|---|---|---|
| Carrying amount at beginning of the year | 1,268,384 | 1,241,331 |
| Addition during the year | 95,360 | 83,819 |
| Revaluation of freehold land during the year | 291,463 | - |
| Depreciation for the year | (59,070) | (56,043) |
| Disposal / transfer during the year at carrying amount | (2,163) | (723) |
| | 1,593,974 | 1,268,384 |

| Description | Cost | Accumulated depreciation | Book value | Sale proceeds | Gain | Mode of disposal | Particulars of buyer |
|---|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | | | |
| Honda Civic EXI AFU-166 | 983 | 880 | 103 | 810 | 707 | Negotiation | Syed Mohammad Razi |
| Suzuki Cultus VXR CNG AVH-723 | 923 | 391 | 532 | 924 | 392 | Insurance claim | EFU Geneneral Insurance Ltd |
| Toyota Land Cruiser BC-7424 | 3,371 | 3,308 | 63 | 1,400 | 1,337 | Negotiation | Mohammad Qasim |
| Toyota Land Cruiser BD-9777 | 4,145 | 3,454 | 691 | 8,800 | 8,109 | Negotiation | Cherat Cement Company Ltd -related party |
| Toyota Land Cruiser BD-2302 | 4,187 | 3,541 | 646 | 8,500 | 7,854 | Negotiation | Cherat Cement Company Ltd -related party |
| Motorcycle Honda CD-70 MPF - 3131 | 70 | 16 | 54 | 67 | 13 | Insurance claim | EFU Geneneral Insurance Ltd. |
| | 13,679 | 11,590 | 2,089 | 20,501 | 18,412 | | |
| Aggregate of assets disposed-off having book value below Rs.50,000 each: | | | | | | | |
| Various | 384 | 310 | 74 | 330 | 256 | | |
| **2014** | **14,063** | **11,900** | **2,163** | **20,831** | **18,668** | | |
| **2013** | 4,383 | 3,660 | 723 | 2,185 | 1,462 | | |

4.3 This includes Rs.574.015 million (2013: Rs.282.551 million) in respect of revaluation surplus (Refer note 20). Had the revaluation not been carried out the freehold land would have been stated at Rs.26.92 million (2013: Rs.21.09 million).

| | | 2014 | 2013 |
|---|---|---|---|
| **4.4** | **Capital work-in-progress** | (Rupees in 000) | |
| | Plant and machinery | 18,110 | 9,928 |
| | Stores held for capitalisation | 950 | - |
| | | 19,060 | 9,928 |

| | | 2014 | 2013 |
|---|---|---|---|
| **4.4.1** | **Movement in capital work-in-progress:** | | |
| | Opening | 9,928 | 18,595 |
| | Add: Addition during the year | 56,203 | 9,928 |
| | | 66,131 | 28,523 |
| | Less: Transferred during the year | (47,071) | (18,595) |
| | | 19,060 | 9,928 |

## 5. INTANGIBLE ASSET

| ERP System | COST | | | AMORTIZATION | | | Book value as at Sep. 30, | Life |
|---|---|---|---|---|---|---|---|---|
| | As at Oct. 01 | Additions | As at Sep. 30 | As at Oct. 01 | For the year | As at Sep. 30 | | |
| | (Rupees in '000) | | | | | | | |
| **2014** | 5,500 | - | 5,500 | 2,933 | 1,100 | 4,033 | 1,467 | 5 Years |
| **2013** | 5,500 | - | 5,500 | 1,833 | 1,100 | 2,933 | 2,567 | 5 Years |

| | | Note | 2014 | 2013 |
|---|---|---|---|---|
| **5.1** | **Amortization charged for the year has been allocated as follows:** | | (Rupees in 000) | |
| | Cost of sales | 28 | 660 | 660 |
| | Distribution cost | 29 | 110 | 110 |
| | Administrative expense | 30 | 330 | 330 |
| | | | 1,100 | 1,100 |

## 6. LONG TERM INVESTMENT - In Associate

| | Note | 2014 | 2013 |
|---|---|---|---|
| **Unicol Limited** | | | |
| 23,059,573 (2013: 17,469,373 ) fully paid ordinary shares of Rs.10/- each Equity held : 33.33 % (2013 : 33.33%) | 6.1 | 505,451 | 376,209 |
| Share of profit | 6.1.2 | 52,945 | 129,242 |
| | | 558,396 | 505,451 |

### 6.1 Unicol Limited

The Company holds 33.33 % (2013: 33.33 %) interest in Unicol Limited, which is a public limited (Un-quoted) company. Share of profit / loss arising from the associate has been taken to profit and loss account in accordance with the accounting policy as mentioned in note no.3.6(a). The share of Company in the net assets has been determined on the basis of the un-audited financial statements for the year ended September 30, 2014.

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | (Rupees in 000) | |
| **6.1.1 The Company's interest in assets & liabilities of Unicol Limited:** | | | |
| Non-current assets | | 968,987 | 671,280 |
| Current assets | | 820,014 | 634,498 |
| | | 1,789,001 | 1,305,778 |
| Long-term liabilities | | (392,566) | (275,942) |
| Current liabilities | | (838,039) | (524,385) |
| | | (1,230,605) | (800,327) |
| **Net assets** | | 558,396 | 505,451 |
| **6.1.2 The Company's share in profit and loss of Unicol Limited:** | | | |
| Sales | | 1,055,215 | 865,273 |
| Cost of sales | | (855,212) | (644,820) |
| | | 200,003 | 220,453 |
| Other expenses, income and taxes | | (147,058) | (91,211) |
| | | 52,945 | 129,242 |

## 7. LONG-TERM DEPOSITS

These represent deposits paid by the Company for obtaining various services.

## 8. STORES, SPARE PARTS AND LOOSE TOOLS

| | | 2014 | 2013 |
|---|---|---|---|
| Stores | | 49,616 | 55,914 |
| Spare parts | | 97,059 | 98,470 |
| Loose tools | | 1,130 | 707 |
| | | 147,805 | 155,091 |
| Provision for obsolescence | | (8,039) | (8,039) |
| | | 139,766 | 147,052 |

## 9. STOCK-IN-TRADE

| | Note | 2014 | 2013 |
|---|---|---|---|
| Sugar | 28 | 271,299 | 104,383 |
| Sugar in process | 28 | 2,957 | 4,304 |
| | | 274,256 | 108,687 |

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in 000) | |
| **10. BIOLOGICAL ASSETS** | | |
| Sugarcane | 67,486 | 46,589 |
| Others | 4,664 | 495 |
| | 72,150 | 47,084 |
| **Movement during the year** | | |
| As at October 01 | 47,084 | - |
| Decrease / increase due to purchases / cost incurred | 43,378 | 47,228 |
| | 90,462 | 47,228 |
| Decrease due to harvest sales | (52,351) | (18,441) |
| Fair value gain related to sales during the year | (9,993) | (875) |
| Fair value adjustment of agricultural assets | 44,032 | 19,172 |
| | (18,312) | (144) |
| | 72,150 | 47,084 |

10.1 The value of sugarcane crop is based on estimated average yield of 900 maunds per acre (2013: 858 maunds) on cultivated area of 576 acres (2013: 342 acres).

| | 2014 | 2013 |
|---|---|---|
| **11. TRADE DEBTS - unsecured, considered good** | | |
| Others: | 35,851 | 13,595 |

11.1 Trade receivable are non-interest bearing and aging analysis of trade debts is as follows:

| | 2014 | 2013 |
|---|---|---|
| Neither past due nor impaired | 35,851 | 13,595 |

| | 2014 | 2013 |
|---|---|---|
| **12. LOANS AND ADVANCES - unsecured** | | |
| **Considered good:** | | |
| To suppliers | 9,179 | 19,643 |
| To employees classified as recoverable within next twelve months | 265 | 231 |
| Against letters of credit | 1,133 | 4,248 |
| To sugar cane growers | 25,983 | 29,677 |
| To transport contractors | 3,280 | 3,120 |
| | 39,840 | 56,919 |
| **Considered doubtful:** | | |
| Sugar cane growers | 5,400 | 5,400 |
| Provision there against | (5,400) | (5,400) |
| | - | - |
| | 39,840 | 56,919 |

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | (Rupees in 000) | |

## 13. SHORT-TERM PREPAYMENTS

| | Note | 2014 | 2013 |
|---|---|---|---|
| Prepaid insurance | | 170 | 745 |
| Prepaid rent | | 4,837 | 14 |
| Prepaid others | | 1,672 | 378 |
| Trade Deposits | | 83 | - |
| | | 6,762 | 1,137 |

## 14. OTHER RECEIVABLES

| | Note | 2014 | 2013 |
|---|---|---|---|
| Sales Tax / Federal Excise Duty on unlifted sugar | | 8,822 | 5,314 |
| Freight subsidy | 14.1 | 79,045 | 53,183 |
| Staff Gratuity Fund - restated | 14.2 | 36,302 | 17,861 |
| | | 124,169 | 76,358 |

14.1 This amount relates to freight subsidy on sugar exports receivable from Trade Development Authority of Pakistan.

14.2 This represents amount determine on the basis of change in accounting policy as explained in note 3.4 (b)

## 15. SHORT-TERM INVESTMENTS

| | Note | 2014 | 2013 |
|---|---|---|---|
| **Available-for-sale securities - related parties** | | | |
| **Quoted:** | | | |
| Cherat Cement Company Limited 3,770,252 (2013: 3,427,502) fully paid ordinary shares of Rs.10/- each | | 197,486 | 169,524 |
| Cherat Packaging Limited 1,367,380 (2013: 1,367,380) fully paid ordinary shares of Rs.10/- each | | 99,121 | 57,444 |
| | | 296,607 | 226,968 |

## 16. TAX REFUNDS DUE FROM THE GOVERNMENT

| | Note | 2014 | 2013 |
|---|---|---|---|
| Income tax refund- net of provision | | 51,019 | 41,764 |

## 17. CASH AND BANK BALANCES

| | Note | 2014 | 2013 |
|---|---|---|---|
| With banks in: | | | |
| Current accounts | | 5,446 | 1,786 |
| PLS accounts | 17.1 | 13,583 | 8,403 |
| | | 19,029 | 10,189 |
| Cash in hand | | 1,310 | 1,305 |
| | | 20,339 | 11,494 |

17.1 Effective profit rate in respect of PLS accounts is 6% per annum (2013: 6% per annum).

## 18. SHARE CAPITAL

### 18.1 Authorized capital

| 2014 | 2013 | | 2014 | 2013 |
|---|---|---|---|---|
| Number of Shares | | | (Rupees in 000) | |
| 15,000,000 | 15,000,000 | Ordinary shares of Rs. 10/- each | 150,000 | 150,000 |

### 18.2 Issued, subscribed and paid-up capital

Fully paid ordinary shares of Rs. 10/- each

| | | | | |
|---|---|---|---|---|
| 1,770,000 | 1,770,000 | Issued for cash | 17,700 | 17,700 |
| | | Issued as fully paid bonus shares : | | |
| 9,382,927 | 7,928,198 | -Opening balance | 93,829 | 79,282 |
| 1,115,293 | 1,454,729 | -Issued during the year | 11,153 | 14,547 |
| 10,498,220 | 9,382,927 | | 104,982 | 93,829 |
| 12,268,220 | 11,152,927 | | 122,682 | 111,529 |

### 18.3 Following is the detail of shares held by the related parties.

| Name of related parties | Number of Shares | |
|---|---|---|
| Faruque (Private) Limited | 5,081,994 | 4,619,995 |
| Greaves Pakistan (Private) Limited | 292,735 | 266,123 |
| | 5,374,729 | 4,886,118 |

## 19. RESERVES

The detailed reconciliation of reserves is disclosed in the statement of changes in equity.

## 20. SURPLUS ON REVALUATION OF FIXED ASSETS

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in 000) | |
| Surplus on revaluation of freehold land | 574,015 | 282,552 |

It represents revaluation of freehold land which had been carried out by independent valuers M/s. K.G. Traders as of August 31, 2014 to determine the present (realizable) market value by enquiring from local active realtors. Revaluation surplus was credited to surplus on revaluation of fixed assets account.

## 21. LONG TERM FINANCINGS - secured

| From commercial banks | Mode & commencement of repayment | Security | 2014 | 2013 | Markup / profit rate |
|---|---|---|---|---|---|
| | | | (Rupees in 000) | | |
| Plant Expansion/ BMR loans | | | | | |
| Finance 1 | Ten semi-annual installments commencing from February 2013 | First *pari-passu* hypothecation charge on plant & machinery | 180,000 | 240,000 | 6 months average KIBOR + 0.75% |
| Finance 2 *(Diminishing Musharika)* | Sixteen quarterly installments commencing from December 2013 | First *pari-passu* hypothecation charge on plant & machinery | 150,000 | 200,000 | 3 months average KIBOR + 0.50% |
| Finance 3 | Ten semi annual installments commencing from February 2014 | First *pari-passu* hypothecation charge on plant & machinery | 160,000 | 200,000 | 6 months average KIBOR + 0.40% |
| | | | 490,000 | 640,000 | |
| **Less: Current maturity** | | | 150,000 | 150,000 | |
| | | | 340,000 | 490,000 | |

## 22. DEFERRED LIABILITIES

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | (Rupees in 000) | |
| Quality premium | 26.1.2 & 26.1.3 | 78,985 | 78,985 |
| Market committee fee | 26.1.4 | 43,933 | 36,681 |
| Deferred tax liability - net | 22.1 | 98,998 | 130,290 |
| | | 221,916 | 245,956 |

### 22.1 DEFERRED TAX LIABILITY - NET

| | 2014 | 2013 |
|---|---|---|
| Taxable temporary differences arising in respect of : | | |
| - Accelerated tax depreciation allowance | 191,326 | 242,667 |
| Deductible temporary differences arising in respect of : | | |
| - Unabsorbed tax losses & tax credits | (90,843) | (110,802) |
| - Liabilities written back | (1,485) | (1,575) |
| | (92,328) | (112,377) |
| | 98,998 | 130,290 |

## 23. TRADE AND OTHER PAYABLES

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | (Rupees in 000) | |
| Creditors | | | |
| - For goods supplied | | 43,401 | 118,075 |
| - Others | | 2,174 | 289 |
| Accrued liabilities | | 29,462 | 30,868 |
| *Advances from customers* | | | |
| - Others | | 335,577 | 81,599 |
| Deposits | | 103 | 103 |
| Unclaimed dividend | | 3,114 | 3,116 |
| Other liabilities | 23.1 | 20,360 | 7,150 |
| | | 434,191 | 241,200 |

**23.1 Other liabilities**

| | 2014 | 2013 |
|---|---|---|
| Suppliers income tax | 261 | 146 |
| Staff income tax | 1,874 | 677 |
| Sales tax withheld payable | 267 | 362 |
| Sales tax / FED | 14,043 | 4,794 |
| Workers' profit participation fund | 1,726 | - |
| Workers' welfare fund | 656 | - |
| Others | 1,533 | 1,171 |
| | 20,360 | 7,150 |

## 24. ACCRUED MARK-UP

| | 2014 | 2013 |
|---|---|---|
| On long-term financing | 7,421 | 8,619 |
| On short-term borrowings | 3,107 | 5,659 |
| | 10,528 | 14,278 |

## 25. SHORT-TERM BORROWINGS - secured

| | Note | 2014 | 2013 |
|---|---|---|---|
| Short-term running finance | 25.1 | 174,606 | 91,446 |
| Money market loans | 25.2 | 250,000 | 100,000 |
| | | 424,606 | 191,446 |

25.1 This represents utilized portion of running finance facilities aggregating Rs.1,925 million (2013 : Rs.1,850 million) obtained from various commercial banks. These carry mark-up ranging from 1-month KIBOR+1% and 3-month KIBOR + 0.50 % to 3-month KIBOR + 1% per annum. The facilities are secured against registered first pari-passu hypothecation charge over various assets of the Company. These facilities are renewable annually.

25.2 This represents Money Market Loans obtained from commercial banks. These loans carry mark-up at 1-month KIBOR+0.5%. The money market loan facility is a sub-limit of regular running finance facility and hence secured against registered first pari passu hypothecation charge over various assets of the Company.

## 26. CONTINGENCIES AND COMMITMENTS

### 26.1 CONTINGENCIES:

26.1.1 The Company has filed suits before the Honourable High Court of Sindh against the arbitrary action of Collector of Customs and Central Excise for denying the rebate claim related to the financial years 1991-92 and 1992-93. The Company is entitled to get 50% rebate in Excise Duty which amounts to Rs.11.15 million and Rs.1.14 million respectively on account of excess production during the years over the preceding years production. The Company has paid the amount demanded by the Government. The amount has already been charged off in the financial statements. The management of the Company is of the view that outcome of the suit would be in favour of the Company.

26.1.2 The sugar mills in Sindh are required to pay quality premium to the cane growers at the rate of fifty (50) paisas per forty (40) Kg cane for each 0.1% of excess sucrose recovery above the benchmark of 8.7% determined on overall sucrose recovery of each mill. The Company challenged the levy of quality premium before the Honorable High Court of Sindh, which decided the matter against the Company. Aggrieved with the judgment, the Company has filed an appeal with the Honorable Supreme Court of Pakistan. While admitting the appeal against the impugned judgment of the Honorable High Court, the Honorable Supreme Court granted stay. The Punjab Government is not charging any quality premium in view of an earlier decision of Lahore High Court in a similar case in which the Court had declared the demand of quality premium as unlawful. The Company has recognised the financial impact upto September 30, 2008, as a matter of prudence as described in note 26.1.3.

26.1.3 The Company has challenged in the Honorable High Court of Sindh, the issue of Notification No. 8 (142) SO (EXT) / 95 – XXI dated 24$^{th}$ December, 2002 issued by the Secretary to the Government of Sindh, Agriculture Department in connection with the fixation of sugarcane price and payment of quality premium. Pending judgement of the Sindh High Court, the Company has provided the liability in this regard. As judgement is still pending, the Government has continously suspended the levy of quality premium from crushing season 2008-09 till 2013-14, through yearly notifications.

26.1.4 The Company has filed a case in the Honourable High Court of Sindh against the levy of market committee fee by the Government of Sindh on sugarcane purchased at the factory. The Sindh High Court has granted status quo. Full todate provision of Rs.43.93 million (2013: Rs.36.68 million) has been made as a matter of prudence, which includes Rs.7.25 million for the crushing season 2013-14.

26.1.5 a) The Company challenged levy of further sales tax @1.5% under the Sales Tax Act 1990, amounting to Rs.4.89 million in the Sindh High Court, for which relief was granted. Against the judgment, the department preferred appeal with the Honourable Supreme Court, and got stay order. The Honourable Supreme Court of Pakistan has set aside the case and referred it to the lower level. No provision is made in this regard since the management is confident that the outcome would be in Company's favour.

b) The amendment brought in vide Finance Ordinance 2001 in the Sales Tax Act with the intention to nullify the decision of the High Court on levy of further tax @3% w.e.f 18 June 2001 does not change the legal position of further tax. However, the Company made the payment of 3% further tax under protest in order to avoid the Additional Tax and penalties. In previous years, Honourable Supreme Court of Pakistan had set asided the case and referred it to the tribunal level, where the Company appeal is pending. In view of the contingencies involved in this case, the Company has not accounted for as refund an amount of Rs.50.97 million being the further Sales Tax paid in this behalf.

26.1.6 The Company in 2010, has filed a petition in the Honourable Supreme Court of Pakistan against a show cause notice issued by Competition Commission of Pakistan (CCP), challenging the vary jurisdiction of the Competition Commission. The Honourable Supreme Court of Pakistan has disposed the petition on the ground that this matter is already under proceedings with Honourable High Courts and refrained CCP from passing any final / penal order till a final decision is achieved at Honourable High Courts. Therefore, there are no financial implications related to this at the moment.

26.1.7 The Company in 2010, has filed a suit before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority (the Authority) challenging the levy of marking fee under PSQCA Act-VI of 1996. The Authority has demanded a fee payment @ 0.1% of ex-factory price for the year 2008-09 amounting to Rs.1.40 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. The Honourable High Court of Sindh has accepted the petition and termed that the impugned notifications have been issued without lawful authority and suspended the operation of the impugned notifications. On December 4, 2012, the said petition filed in the Honourable High Court of Sindh has been allowed in favour of the Company. Furthermore, the Company has filed caveat in respect of an appeal to be filed by PSQCA against the judgement in CP-2515 of 2010 in the Honourable Supreme Court of Pakistan. No Provision has been made in this regard since the management is confident that the outcome would be in Company's favour and the amount is insignificant and is not likely to be materialized.

26.1.8 The Company in 2011, filed a petition vide CP no. D-2130 of 2011, before the Honourable High Court of Sindh against Federation of Pakistan and Large Taxpayer Unit, Inland Revenue challenging the vires of Section 3A of the Federal Excise Act 2005 and SRO 655(1)/2007 dated June 29, 2007 said to have been issued in terms thereof. Company submitted that this SRO was a nullity in law and without any legal effect or force whatsoever. Company prayed for suitable declaratory and injunctive relief as well as a refund of all the duty that had been collected for the period from July 2007 to June 2011 under this section and notification. On February 22, 2013. The Honourable High Court of Sindh has accepted the said petition and termed that the section 3A was void ab initio, a nullity in law and no legal effect and SRO 655(1)/2007 dated June 29, 2007 was likewise a nullity and of no legal effect. It follows the suspension of the said notification and refund of the collected amount by way of direct repayment or adjustment (against any tax or duty). However, due to the contingent nature, the Company has not accounted for any revenue in this regard in its financial statements for the year ended September 30, 2014. The department has filed in Honourable Supreme Court of Pakistan, a civil petition for leave to appeal against the judgement passed by Honourable High Court of Sindh in Company's favour and the Company is contesting the same.

26.1.9 The Company in 2014 has filed a petition vide CP No. D-759 of 2014, before the Honorable High Court of Sindh against the orders of Additional/Deputy Commissioner, Inland Revenue, on which the stay has been granted till the matter is disposed. In its impugned order the concerned Additional/ Deputy Commissioner, IR ordered recovery of federal excise duty (FED) amounting Rs. 81.32 million on local sales equivalent to exported quantity, on which the company has already paid the FED at 0.5% while availing the benefit of reduced tax allowed to exporters by Economic Coordination Committee (ECC) in its various decisions implemented under SRO 77(1)/ 2013 dated 7 February 2013. No provision is made in this regard since the management is confident that the outcome would be in Company favor.

| | | Note | 2014 | 2013 |
|---|---|---|---|---|
| | | | (Rupees in 000) | |
| **26.2** | **COMMITMENTS** | | | |
| 26.2.1 | Letters of credit issued by commercial banks | | 774 | - |

## 27. TURNOVER

| | | Note | 2014 | 2013 |
|---|---|---|---|---|
| Local sales | | | 2,281,565 | 2,273,741 |
| Federal excise duty | | | (82,504) | (97,380) |
| | | | 2,199,061 | 2,176,361 |
| Export sales | | | 1,131,475 | 1,278,117 |
| | | | 3,330,536 | 3,454,478 |

## 28. COST OF SALES

| | | Note | 2014 | 2013 |
|---|---|---|---|---|
| Sugarcane cost | | | 3,149,667 | 2,499,043 |
| Stores and spare parts consumed | | | 105,379 | 128,252 |
| Packing material and expenses | | | 57,310 | 32,941 |
| Salaries, wages and other benefits | | 28.1 | 211,148 | 173,065 |
| Water, fuel and power | | | 20,165 | 23,270 |
| Insurance | | | 4,880 | 4,540 |
| Repairs and maintenance | | | 19,427 | 27,971 |
| Vehicles expenses | | | 12,069 | 11,276 |
| Sugar handling expenses | | | 2,526 | 1,819 |
| Other expenses | | | 12,023 | 9,187 |
| Depreciation | | 4.1.1 | 53,246 | 52,270 |
| Amortization | | 5.1 | 660 | 660 |
| | | | 3,648,500 | 2,964,294 |
| Sugar-in-process | - opening | | 4,304 | 2,417 |
| | - closing | 9 | (2,957) | (4,304) |
| | | | 1,347 | (1,887) |
| | | | 3,649,847 | 2,962,407 |
| Less: | - sale of molasses | 28.2 | 366,500 | 238,136 |
| | - sale of bagasse | 28.2 | 41,517 | 23,436 |
| | | | 408,017 | 261,572 |
| Cost of goods manufactured | | | 3,241,830 | 2,700,835 |
| Finished goods | - opening | | 104,383 | 627,727 |
| | - closing | 9 | (271,299) | (104,383) |
| | | | (166,916) | 523,344 |
| | | | 3,074,914 | 3,224,179 |

28.1 This includes Rs. 7.22 million (2013: Rs.3.72 million) in respect of staff retirement benefits.

28.2 These figures are ne of sales tax and special excise duty of Rs. Nil (2013 : Rs. 2.68 million) in respect of molasses and Rs.7.06 million (2013 : Rs. 3.75 million) in respect of bagasse.

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | (Rupees in 000) | |

## 29. DISTRIBUTION COST

| | Note | 2014 | 2013 |
|---|---|---|---|
| Salaries, wages and other benefits | 29.1 | 2,849 | 3,313 |
| Insurance | | 2,052 | 1,921 |
| Sugar export freight & port handling expenses | | 20,394 | 36,920 |
| Other expenses | | 1,114 | 324 |
| Depreciation | 4.1.1 | 237 | 337 |
| Amortization | 5.1 | 110 | 110 |
| | | 26,756 | 42,925 |

29.1 This includes Rs. 0.21 million (2013: Rs. 0.09 million) in respect of staff retirement benefits.

## 30. ADMINISTRATIVE EXPENSES

| | Note | 2014 | 2013 |
|---|---|---|---|
| Salaries, wages and other benefits | 30.1 | 64,927 | 56,926 |
| Directors' fee | | 850 | 650 |
| Rent, rates and taxes | | 3,338 | 1,536 |
| Communication expense | | 3,691 | 4,096 |
| Conveyance and travelling | | 6,879 | 6,695 |
| Printing and stationery | | 1,703 | 2,220 |
| Entertainment | | 1,093 | 1,090 |
| Vehicles expenses | | 3,172 | 2,872 |
| Insurance | | 2,098 | 1,653 |
| Repairs and maintenance | | 2,706 | 2,975 |
| Subscription | | 2,541 | 1,452 |
| Legal and professional charges | | 8,157 | 7,734 |
| General expenses | | 2,070 | 332 |
| Utilities | | 2,249 | 2,271 |
| Depreciation | 4.1.1 | 5,587 | 3,436 |
| Amortization | 5.1 | 330 | 330 |
| | | 111,391 | 96,268 |

30.1 This includes Rs. 1.71 million (2013: Rs. 3.17 million) in respect of staff retirement benefits.

## 31. OTHER OPERATING EXPENSES

| | Note | 2014 | 2013 |
|---|---|---|---|
| Auditors' remuneration | 31.1 | 705 | 648 |
| Provision for stores obsolescence | | - | 2,039 |
| Workers' profit participation fund | 23.1 | 1,726 | - |
| Workers' welfare fund | 23.1 | 656 | - |
| Charity and donation | 31.2 | 96 | 171 |
| | | 3,183 | 2,858 |

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | (Rupees in 000) | |

**31.1 Auditors' Remuneration**

| | | | |
|---|---|---|---|
| Annual audit fee | | 350 | 290 |
| Half yearly review fee | | 125 | 85 |
| Cost audit fee | | 165 | 150 |
| Out of pocket expenses | | 65 | 123 |
| | | 705 | 648 |

31.2 None of the directors or their spouses had any interest in the donees.

## 32. OTHER INCOME

| | Note | 2014 | 2013 |
|---|---|---|---|
| **Income from financial assets** | | | |
| Dividend income from related parties | | 12,671 | 11,565 |
| Profit on PLS and deposit accounts with banks | | 1,974 | 994 |
| Mark-up on growers' loans | | 1,139 | 744 |
| | | 15,784 | 13,303 |
| **Income from non-financial assets** | | | |
| Gain on disposal of property, plant and equipment | 4.2 | 18,668 | 1,462 |
| Fair value adjustments/ net gain from agriculture produce | | 34,038 | 18,297 |
| | | 52,706 | 19,759 |
| **Other** | | | |
| Miscellaneous | | 4,679 | 2,186 |
| | | 73,169 | 35,248 |

## 33. FINANCE COST

| | 2014 | 2013 |
|---|---|---|
| Mark-up on long-term financing | 60,640 | 52,164 |
| Mark-up on short-term borrowings | 92,161 | 81,871 |
| Bank charges | 2,528 | 1,236 |
| | 155,329 | 135,271 |

## 34. TAXATION

| | | 2014 | 2013 |
|---|---|---|---|
| Current | | (39,727) | (38,947) |
| Tax Credit - | Current year | 5,542 | 38,947 |
| | Prior year | - | 15,568 |
| | | 5,542 | 54,515 |
| Deferred | | 31,292 | 6,493 |
| | | (2,893) | 22,061 |

The assessments of the Company for and upto the tax year 2013 have been completed. In view of unabsorbed losses the Company is only liable to pay minimum tax and final tax in the current year, therefore, no numerical tax reconciliation is given.

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | (Rupees in 000) | |
| **35. EARNINGS PER SHARE- basic** | | | |
| Profit for the year | | 82,184 | 139,528 |
| | | Number of Shares | |
| Weighted average number of ordinary shares in issue | | 12,268,220 | 12,268,220 |
| Earnings per share - basic (Rupees) | | 6.70 | *11.37 ** |

** restated*

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

- Market risk including currency risk, interest rate risk and price risk.
- Credit risk
- Liquidity risk.

This note presents information about the Company's exposure to each of the above risk, the Company's objectives, policies and procedures for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, financial instruments and investment of excess liquidity. It is the Company policy that no trading in derivatives for speculative purpose shall be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below :

### 36.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. The Company is exposed to market risks such as interest rate risk and price risk.

Financial instruments affected by market risk include short-term investments (available-for-sale), long-term financing and short-term borrowings.

**a) Foreign currency risk**

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of the change in foreign exchange rates. The Company's exposure to the risk arises mainly from future economic transactions or receivables and payables that exist due to transaction in foreign exchange.

**b) Interest rate risk**

Interest rate risk is the risk that fair value or future cash flows of the financial instruments will fluctuate due to change in the market interest rates. The Company interest rate risk arises from long-term and short-term borrowings obtained with floating rates. All the borrowings of the Company are obtained in functional currencies. Applicable interest rates of financial instruments are given in respective notes.

Change in interest rate by 2% may have a positive or negative impact of approximately Rs. 28.49 million (2013: Rs.26.39 million) in profit & loss account before taxation. The analysis made based on the assumption that all other variable remains constant.

**c) Price risk**

Price risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in market prices (other then those arising from interest rate risk). The Company has exposed to other price risk like equity risk that arise from Company's investment in listed securities that are classified as available-for-sale investments. Listed securities are susceptible to market price risk arising from uncertainties about future returns of the investment securities.

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 296.61 million (2013: Rs.226.97 million). A decrease in 10% in the share price of the listed securities would have an impact of approximately Rs.29.66 million on the equity or income depending whether or not the decline is significant and prolonged. An increase of 10% in the share price of the listed securities would impact equity in the similar amount but will not have an effect on income unless there is an impairment charge associated with it.

## 36.2 Credit Risk

Credit risk is the risk of financial loss to the Company if counter parties to a financial instrument fail to meet their contractual obligations. The Company does not have significant exposure in relation to individual customers. Aging analysis of trade debts is disclosed in note no.11 of this financial statements. The Company exposure to credit risk is minimal as the Company receives advance against sale of goods to customers.

The maximum exposure to credit risk at the reporting date is as follows :

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in 000) | |
| Long-term deposits | 995 | 995 |
| Trade debts | 35,851 | 13,595 |
| Advances | 38,442 | 52,440 |
| Short-term investments | 296,607 | 226,968 |
| Bank balances | 19,029 | 10,189 |
| | 390,924 | 304,187 |

### 36.2.1 Credit quality of financial assets

The credit policy of financial assets that are neither past nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates :

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in 000) | |
| **Trade debts** | | |
| Customers with no default in the past one year | 35,851 | 13,595 |
| **Advances** | | |
| Counter parties without credit rating | 38,442 | 52,440 |
| **Short-term investments** | | |
| Counter parties without credit rating | 296,607 | 226,968 |
| **Cash at bank** | | |
| A1 + | 19,029 | 10,189 |

### 36.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligation as they fall due.

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at balance sheet date, the Company has unused credit facilities of Rs.1,500 million (2013 : Rs.1,659 million).

Table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates based on contractual undiscounted payments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | INTEREST BEARING | | | NON-INTEREST BEARING | | | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|
| | Less than one year | One to five year | Sub total (a) | Less than one year | One to five year | Sub total (b) | Total (a+b) | |
| | (Rupees in 000) | | | | | | | |
| **Financial liabilities:** | | | | | | | | |
| Long-term financing | 150,000 | 340,000 | 490,000 | - | - | - | 490,000 | 640,000 |
| Deferred liabilities | - | - | - | - | 122,918 | 122,918 | 122,918 | 115,666 |
| Short-term borrowings | 424,606 | - | 424,606 | - | - | - | 424,606 | 191,446 |
| Trade & other payables | - | - | - | 415,364 | - | 415,364 | 415,364 | 235,221 |
| Accrued mark-up | - | - | - | 10,528 | - | 10,528 | 10,528 | 14,278 |
| | 574,606 | 340,000 | 914,606 | 425,892 | 122,918 | 548,810 | 1,463,416 | 1,196,611 |

Effective interest rates for the monetary financial assets and liabilities are mentioned in the respective notes to the financial statements.

## 36.4 Fair value of financial instruments

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analysed between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market date (unobservable inputs)

| **Investment at fair value (available-for-sale securities)** | **Total** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|---|
| | **(Rupees in 000)** | | | |
| **30 September 2014** | 296,607 | 296,607 | - | - |
| **30 September 2013** | 226,968 | 226,968 | - | - |

## 36.5 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as going concern in order to provide returns for share holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to any externally imposed capital requirements.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The gearing ratios as at September 30, 2014 and 2013 were as follows:

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in 000) | |
| **Total Long-term debt** | 490,000 | 640,000 |
| Share Capital | 122,682 | 111,529 |
| Reserves | 956,713 | 791,422 |
| **Total Equity** | 1,079,395 | 902,951 |
| **Total Equity and Long-term debt** | 1,569,395 | 1,542,951 |
| **Gearing ratio** | 31.22% | 41.48% |

## 37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| **Particulars** | **Chief Executive** | **Directors** | **Executives** | **Chief Executive** | **Directors** | **Executives** |
| | (Rupees in 000) | | | | | |
| Remuneration & bonus | 24,023 | 27,479 | 17,883 | 18,689 | 23,272 | 13,444 |
| Housing allowance | 1,452 | 3,007 | 5,678 | 1,452 | 3,514 | 4,387 |
| Utilities | 250 | 596 | 1,262 | 250 | 708 | 975 |
| Leave fare assistance | 1,221 | 1,221 | - | 1,085 | 1,085 | - |
| Retirement benefits | 2,619 | 2,619 | 1,907 | 2,340 | 2,340 | 816 |
| | 29,565 | 34,922 | 26,730 | 23,816 | 30,919 | 19,622 |
| No. of persons | 1 | 2 | 14 | 1 | 2 | 12 |

The Chief Executive, Directors and Executives are provided with the use of Company maintained cars and are also provided with the residential telephone facility which is reimbursed at actual to the extent of their entitlements.

## 38. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of related group companies, associated companies, directors and executives. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, contribution to staff benefit funds, mark-up on loans, amount due from executives and remuneration of directors and executives are disclosed in the relevant notes. Other material transactions with related parties are given below:

| Relationship | Nature of transactions | 2014 | 2013 |
|---|---|---|---|
| | | (Rupees in 000) | |
| Group Companies | Services received | 5,868 | 5,334 |
| | Goods purchased | 32,713 | 22,231 |
| | Sales made | 427,909 | 264,110 |
| | Dividend received | 12,671 | 11,565 |
| | Investment made | - | 10,255 |
| Other related parties | Insurance premium | - | 1,413 |
| | Staff provident and gratuity funds | 10,788 | 5,331 |

In addition, certain actual administrative expenses are being shared amongst the group companies.

## 39. RECENT ACCOUNTING DEVELOPMENTS

**Standards, interpretations and amendments issued but not yet effective.**

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

| Standard or Interpretation | | Effective dates (accounting periods beginning on or after) |
|---|---|---|
| IAS 16 & 38 | Clarification of Acceptable Methods of Depreciation and Ammortization | January 1, 2016 |
| IAS 16 & 40 | Agriculture : Bearer Plants | January 1, 2016 |
| IAS 19 | Employee Contributions | July 1, 2014 |
| IAS 32 | Offsetting of financial assets and financial liabilities (Amendment) | January 1, 2014 |
| IAS 36 | Recoverable Amount for Non-financial Assets- (Amendment) | January 1, 2014 |
| IAS 39 | Novation of Derivatives and continuation of Hedge Accounting (Amendment) | January 1, 2014 |
| IFRIC 21 | Levies | January 1, 2014 |

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2014. 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.

| Standard | | Effective dates (annual periods beginning on or after) |
|---|---|---|
| IFRS 9 | Financial Instruments classification and measurement | 01 January 2018 |
| IFRS 10 | Consolidated Financial Statements | 01 January 2013 |
| IFRS 11 | Joint Arrangemets | 01 January 2013 |
| IFRS 12 | Disclosure of Interest in Other Entities | 01 January 2013 |
| IFRS 13 | Fair Value Measurement | 01 January 2013 |
| IFRS 14 | Regulatory Deferral Accounts | 01 January 2016 |
| IFRS 15 | Revenue from Contracts with Customers | 01 January 2017 |

## 40. CAPACITY AND PRODUCTION

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in 000) | |
| No. of days mill operated | 126 | 100 |
| Crushing capacity per day (M.tons) | 7,500 | 7,000 |
| Total crushing capacity on the basis of no. of days (M.tons) | 945,000 | 700,000 |
| Actual crushing (M.tons) | 725,210 | 535,963 |
| Sugar production (M.tons) | 76,228 | 58,920 |

The sugar production plant capacity is based on crushing sugarcane on daily basis and the sugar production is dependent on certain factors which include sucrose recovery percentage and availability of sugacane for crushing.

## 41. NUMBER OF EMPLOYEES

Total number of persons employed as at the year end were 193 (2013: 197) and average number of employees during the year were 205 (2013: 205).

## 42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on December 23, 2014 by the Board of Directors of the Company.

## 43. DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended September 30, 2014, the Board of Directors has approved/ proposed the following in its meeting held on December 23, 2014 for the approval of the members at the Annual General Meeting.

| | 2014 | 2013 |
|---|---|---|
| Proposed bonus shares @ Nil (2013: 10%) | - | 11,153 |

## 44. CORRESPONDING FIGURES

There were no reclassifications that could affect the financial statements materially.

## 45. GENERAL

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

**Aslam Faruque**
Chief Executive

**Tariq Faruque**
Director

# Pattern of Shareholding

as at September 30, 2014

| No. of Shareholders | Shareholding | | Total Shares Held | % |
|---|---|---|---|---|
| | From | To | | |
| 1095 | 1 | 100 | 22,492 | 0.1833 |
| 354 | 101 | 500 | 87,568 | 0.7138 |
| 154 | 501 | 1000 | 114,385 | 0.9324 |
| 198 | 1001 | 5000 | 467,196 | 3.8082 |
| 47 | 5001 | 10000 | 349,154 | 2.8460 |
| 22 | 10001 | 15000 | 269,324 | 2.1953 |
| 7 | 15001 | 20000 | 125,994 | 1.0270 |
| 4 | 20001 | 25000 | 85,623 | 0.6979 |
| 4 | 25001 | 30000 | 108,995 | 0.8884 |
| 1 | 30001 | 35000 | 34,646 | 0.2824 |
| 1 | 35001 | 40000 | 37,655 | 0.3069 |
| 1 | 50001 | 55000 | 50,200 | 0.4092 |
| 4 | 55001 | 60000 | 235,026 | 1.9157 |
| 1 | 80001 | 85000 | 83,500 | 0.6806 |
| 1 | 100001 | 105000 | 105,000 | 0.8559 |
| 1 | 125001 | 130000 | 125,170 | 1.0203 |
| 1 | 165001 | 170000 | 170,000 | 1.3857 |
| 1 | 220001 | 225000 | 221,116 | 1.8023 |
| 1 | 290001 | 295000 | 292,735 | 2.3861 |
| 1 | 310001 | 315000 | 314,532 | 2.5638 |
| 1 | 335001 | 340000 | 339,495 | 2.7673 |
| 1 | 370001 | 375000 | 370,861 | 3.0229 |
| 1 | 495001 | 500000 | 499,316 | 4.0700 |
| 1 | 695001 | 700000 | 700,000 | 5.7058 |
| 1 | 800001 | 805000 | 802,353 | 6.5401 |
| 1 | 1170001 | 1175000 | 1,173,889 | 9.5685 |
| 1 | 5080001 | 5085000 | 5,081,994 | 41.4241 |
| 1906 | | | 12,268,219 | 100.0000 |

# Categories of Shareholders

as at September 30, 2014

| Categories of shareholders | No. of shareholders | Shares held |
|---|---|---|
| Directors and their spouse(s) and minor children | | |
| ASLAM FARUQUE | 1 | 9,120 |
| ARIF DINO FARUQUE | 1 | 27,057 |
| AMER FARUQUE | 1 | 7,934 |
| TARIQ FARUQUE | 1 | 12,665 |
| SHEHRYAR FARUQUE | 1 | 59,676 |
| SAMIR MUSTAPHA CHINOY | 1 | 100 |
| YASIR MASOOD | 1 | 100 |
| Associated Companies, undertakings and related parties | | |
| FARUQUE (PRIVATE) LIMITED | 1 | 5,081,994 |
| GREAVES PAKISTAN (PRIVATE) LTD | 1 | 292,735 |
| Executives | - | - |
| Public Sector Companies and Corporations | 9 | 1,163,088 |
| Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds | 12 | 132,099 |
| Mutual Funds | | |
| CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST | 1 | 1,173,889 |
| General Public | 1847 | 3,086,339 |
| Others | 28 | 1,221,423 |
| Totals | 1906 | 12,268,219 |

| Share holders holding 5% or more | Shares Held |
|---|---|
| FARUQUE (PRIVATE) LIMITED | 5,081,994 |
| CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST | 1,173,889 |
| NATIONAL BANK OF PAKISTAN | 802,353 |

# Proxy Form

Mirpurkhas Sugar Mills Limited
50th Annual General Meeting 2014

**IMPORTANT**
Instrument of Proxy will not be considered as valid unless it is deposited or received at the Company's Head Office at Modern Motors House, Beaumont Road, Karachi-75530 not later than 48 hours before the time of holding the meeting.

Registered Folio/ Participant's
ID No. & A/c No. ________________

________________

No. of Shares held ________________

I / We ________________________________

of ________________________________

being member of Mirpurkhas Sugar Mills Limited, hereby appoint ________________

________________ of ________________

another member of the Company as my/ our proxy to attend & vote for me/ us and on my/ our behalf at the 50th Annual General Meeting of the Company to be held on Thursday, January 29, 2015 at 12:30 p.m. and at any adjournment thereof.

WITNESSES

1. Signature ________________
   Name ________________
   Address ________________
   ________________
   CNIC or Passport No. ________________

2. Signature ________________
   Name ________________
   Address ________________
   ________________
   CNIC or Passport No. ________________

Signature of Shareholder

Please affix Revenue Stamp

Note: SECP's Circular of January 26, 2000, is on the reverse side of this from.

# Circular

## Securities and Exchange Commission of Pakistan

STATE LIFE BUILDING # 7, BLUE AREA, ISLAMABAD

Islamabad, January 26, 2000.

### Circular No.1 of 2000

Sub : GUIDELINES FOR ATTENDING GENERAL MEETINGS AND APPOINTMENT OF PROXIES

The shares of a number of listed companies are now being maintained as "book entry security"on the Central Depository System (CDS) of the Central Depository Company of Pakistan Limited (CDC). It has come to the notice of the Commission that there is some confusion about the authenticity of relevant documents in the matter of beneficial owners of the shares registered in the name of CDC for purposes of attending the general meetings and for verification of instruments of proxies. The issue has been examined and pending the further instructions to be issued in this regard the following guidelines for the convenience of the listed companies and the beneficial owners are laid down :

**A. Attending of meeting in person by account holders and/or sub-account holders and persons whose securities are in group account and their registration details are uploaded to CDS :**

(1) The Company shall obtain list of beneficial owners from the CDC as per regulation # 12.3.5 of the CDC Regulations.

(2) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are up loaded as per the regulations, shall authenticate his identity by showing his orignal National Identity Card (NIC) or original Passport at the time of attending the meeting.

(3) In case of Corporate entity, the Board of Directors' resolution /power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

**B. Appointment of proxies :**

(1) In case of individual, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per requirement notified by the Company.

(2) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

(3) Attested copies of NIC or the Passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.

(4) The proxy shall produce his orignal NIC or original Passport at the time of the meeting.

(5) In case of Corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted alongwith Proxy Form to the Company.

sd
(M. Javed Panni)
Chief (Coordination)

GHULAM FARUQUE
GROUP

**Registered Office / Factory:**
Sub Post Office Sugar Mill
Jamrao, Umerkot Road,
Mirpurkhas, Pakistan.

**Head Office:**
Modern Motors House
Beaumont Road,
Karachi-75530, Pakistan

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Fax: +92 - 21- 35688036
Web: www.gfg.com.pk