



# Progressing through changing Dynamics



# Progressing through changing Dynamics

The year has been challenging for the industry. There is already a sugar glut locally and globally and a new cane harvest is ready. This upcoming cane harvest is expected to bring about an even larger cane crop creating a situation that might not be favorable for both the growers and the mills. However, Mehran Sugar Mills has managed to progress because of appropriate risk management. This has been because of the foresightedness and long term strategies adopted. We are confident that we will not only be able to come through as a company that can withstand this time, but also maintain to be profitable and continue to grow our footprint. As the theme of our annual report this year, we will demonstrate how we are progressing through changing dynamics and maintaining our leadership position.



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We have been fortunate to have a board which can think diversely and encourages the company to think like that. Our timely investments in non core businneses and portfolio management gave us a strong hedge and much needed financial strength which is a buffer during tough times and a growth catalyst during good times.





# Progressing with **Diverse** thinking



# Key Figures

Turnover (Rs.) <b>5,897,272,317</b>	Sucrose Recovery <b>11.06%</b>	
Profit before tax (Rs.) <b>198,546,258</b>	Earnings per share (Rs.) <b>4.11</b>	
Sugar Production (M.Tons) <b>116,780</b>	Molasses production (M. Tons) <b>48,864</b>	
Market Capitalization (Rs.) <b>4,484,374,300</b>	Dividend declared <b>32.5%</b>	

# Our Core Values

## MAXIMIZING RETURNS

Our shareholders are a key stakeholder and we continually strive to create value for them. We pay dividends on regular basis to our shareholders and we intend to be progressive.

## BINDING ASSOCIATIONS

We maintain a long-term working relationship with relevant stakeholders as they are part and parcel of our quest in enhancing our business opportunities. Our investments in joint venture companies such as Unicol, UniEnergy and Unifood Industries is a reflection of this.

## EMPOWERING GROWERS

We are committed to facilitate our growers and assist them in whatever way possible within our resources. Our premium quality seed loan policy for pest management is a reflection of this. We work with our farmer and support him in finding innovative and progressive solutions to sugarcane farming.

## ENSURING SAFETY

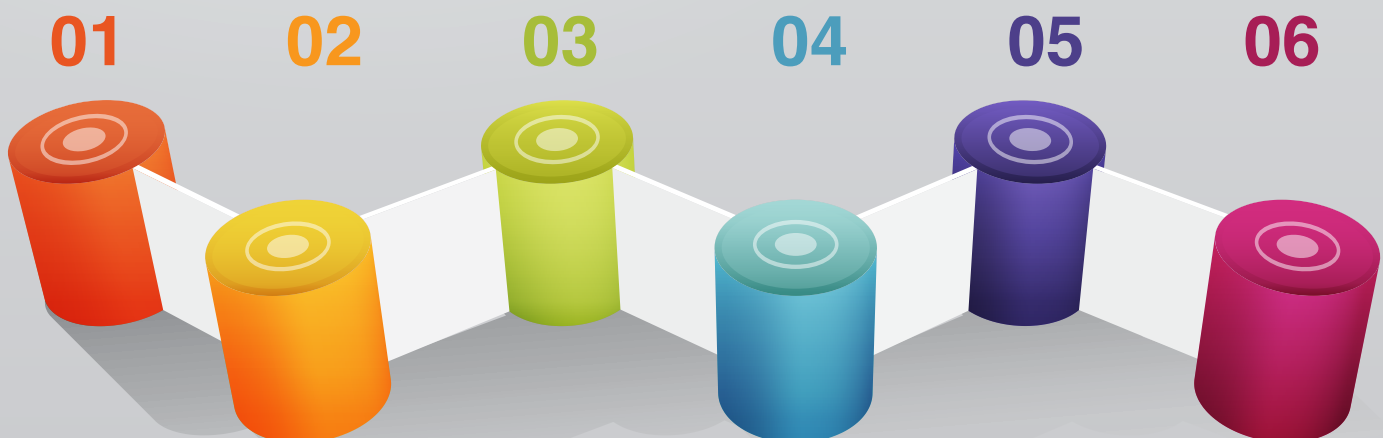
We conduct our business with high regard for the health, safety and environment. We have established an HSE department and continually strive to make sure we can create a conducive work environment.

## CLEANER ENVIRONMENT

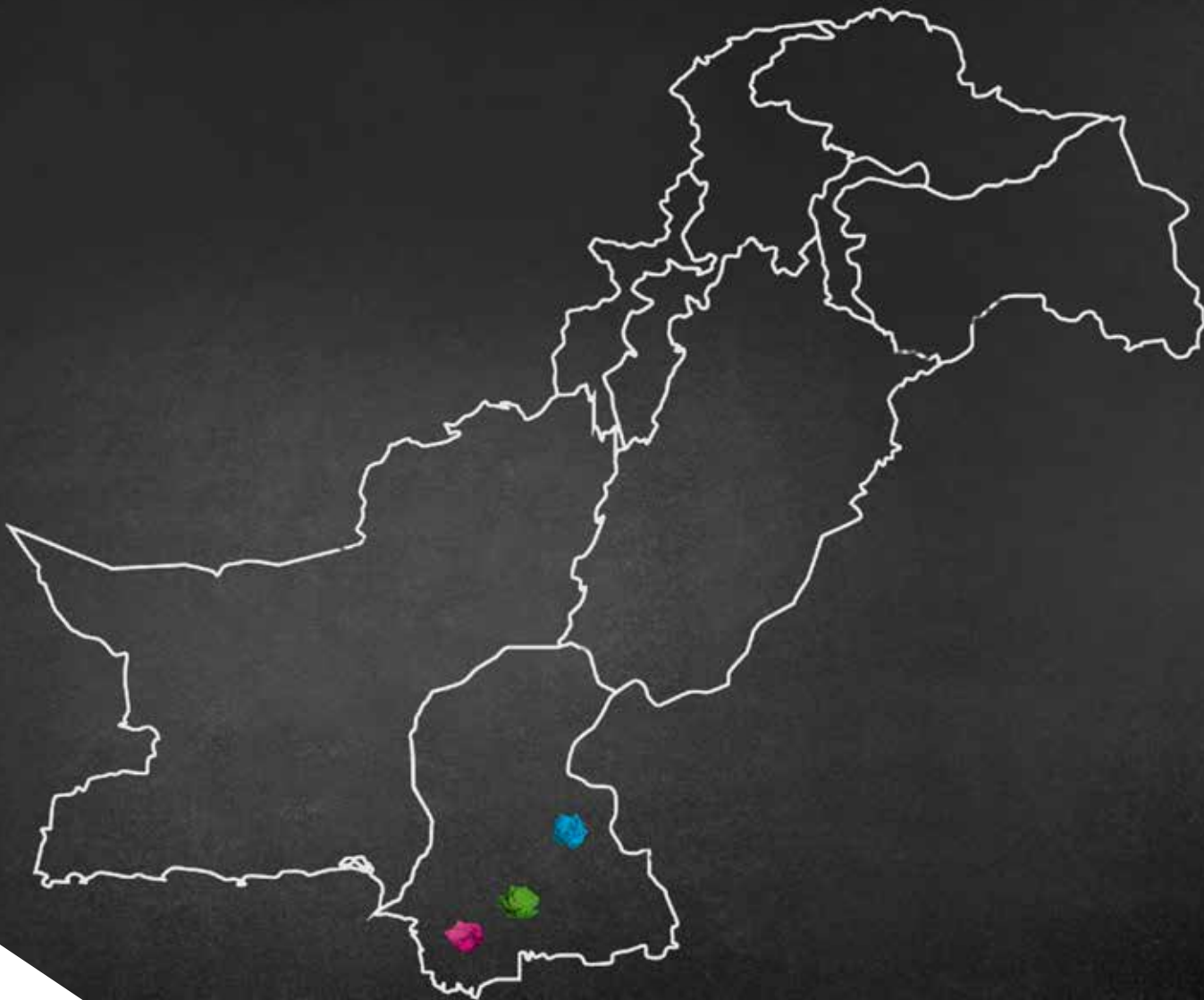
We are committed to minimizing environmental impacts by reducing wastes and emissions. Mehran is proud to be one of the pioneers in establishing a fly ash discharge system and a state of the art Effluent Treatment Plant (ETP).

## PROVIDING EDUCATION

We live by our principle of corporate social responsibility and make a difference through our social development programs. Education in the rural sector is direly needed and we continue to play a strong role in ensuring to fulfill this need. Our three schools i.e. DMS, TCF I and TCF II have combined enrolment of more than 1,000 students.



To remain competitive one should strive for continual improvement. With our 26.5 MW Biomass/Bagasse Based Power Project, we are going to sustain our competitiveness by adding further value to the business of cane milling. Efficiency of plant operation and producing indigenous power from our sugar fuel source is a major shift for our company. While being a growth opportunity and value creator it is also an excellent national cause as it reduces the countries dependence on imported fuels.







# Progressing with maintaining Competitiveness



# Vision

We remain focused on being one of Pakistan's leading and largest sugar producers. A modern sugar mill must utilise its raw materials efficiently to produce sugar, ethanol and power at the most competitive pricing. Our vision remains to be the most economical producer of sugar by utilising these raw materials effectively.





# Mission

Our Mission remains to ensure we can provide sustainable results and consistent growth to our shareholders. Our objective is to achieve this by utilising sugar and its by-products to add value and grow our business.

## **Basic Purpose:**

The basic purpose of our Enterprise is to perpetuate as a Public Limited Company engaged in manufacturing and marketing white refined cane sugar and brown sugar while utilising its by-products such as molasses and Baggasse to produce ethanol and power respectively. To ensure sustainability we also look to make long term investments in industries which we feel add value to our shareholders and to the country.

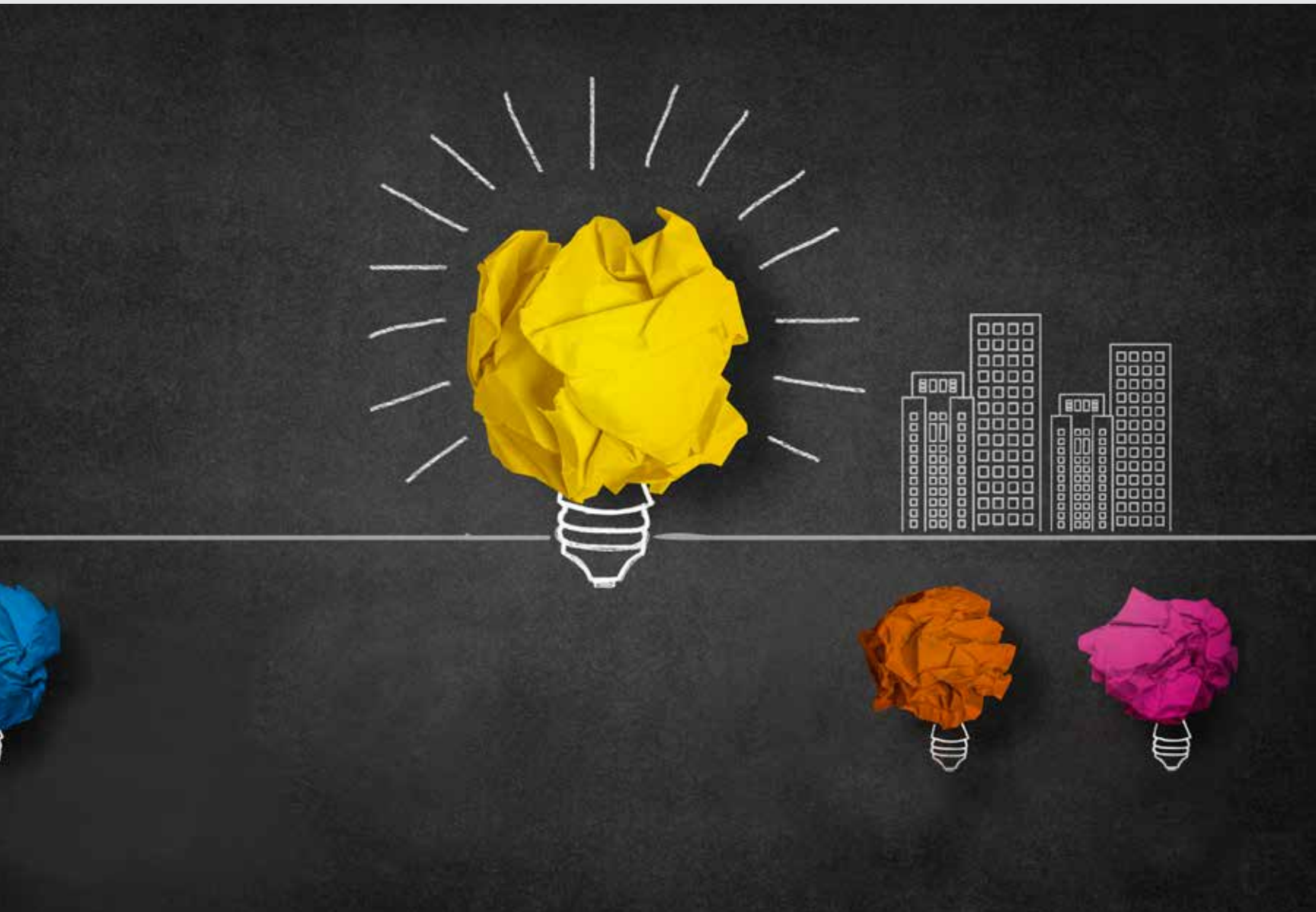


In our continual effort to vertically and horizontally integrate we have decided to invest in the FMCG sector through an investment in Unifood Industries Limited. This investment in a commercial cake and baking line allows us to tap Pakistan's growing youth and middle income population. We strongly believe that by utilizing our institutional and synergic strengths, we can develop a strong set of products and brands organically through this FMCG venture.





# Progressing with widened Horizons



# Important Events In 2017

This year MSML remained Profitable despite the industry turmoil and global and local sugar markets. While our sugar division had an operational loss, we were still able to achieve a net profit of **Rs. 131.675 million** in one of the toughest sugar years in history.

Despite a challenging scenairo we continued to pay regular dividend of **Rs. 176.17 million** this year.

Our Sucrose Recovery trend maintained its standard and this year again we achieved a sucrose recovery of **11.06%** which was amongst highest in the country.

Our last year investment in BMRE particularly in context of improvement in “steam efficiency of plant” has delivered its fruits this year in the form of excess Bagasse savings which reached a level of **30,000 Tons**.

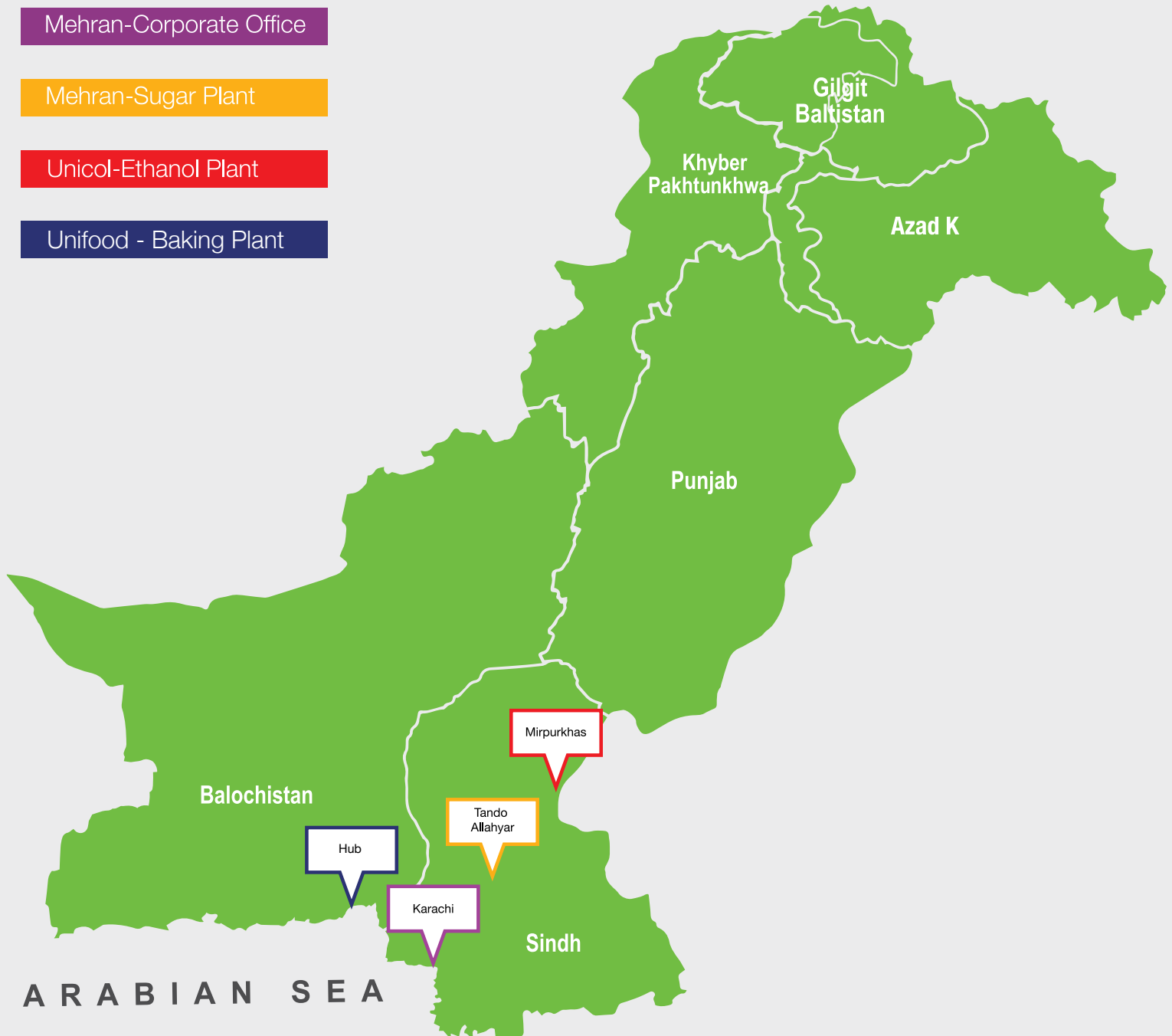
Supply of electricity to National Grid through **HESCO** continued during the season. We supplied **3.45 million kwh** electricity to the grid this year.

Progress on **“26.5 MW Bagasse based Cogeneration Power Plant”** remained satisfactory this year. **NEPRA** has awarded the Generation License and Upfront Tariff to **“Mehran Energy Limited”** whereas **AEDB** issued us the Letter of Support (LOS) to initiate implementation procedure of the Project. In next steps, we will sign Energy Purchase Agreement (EPA) and Implementation Agreement (IA) with Government.

Erection and Construction work on **“Baking and confectionery”** Project under the banner of **“Unifood Industries Limited”** is in progress under the supervision of overseas technicians. The major Plant & Machinery of the Project is imported and already reached at project SITE. The Project will incept its trial run in **1<sup>st</sup> quarter of 2018**.

The state of the art **“Effluent Treatment Plant”** has commenced its operations this year after successful trial run in off-season. Now our Company is fully compliant to the provincial / federal **“environmental standards”**.

# Geographical Location



# Our History

**1930**

Mehran has a long, rich heritage with Haji Hasham and his son Usman's vision to set up a sugar factory. Haji Hasham started his business career by trading in commodities in the 1930's in the Indo-Pak Subcontinent.

**1965**

In 1965, Mehran Sugar Mills Limited (MSML) was incorporated as a public limited company with an annual capacity of 1,500 TCD. MSML procured a modern sugar plant from Mitsubishi Japan; set-up the factory in Tando Allahyar which was very conducive for plantation of sugar cane. Total initial investment was USD 10 Million. In 1968, shares of the Company were listed on the Karachi Stock Exchange and in parallel the Plant commenced its trial production.

**1978**

In 1978, through steady re-engineering Mehran Sugar increased its crushing capacity to 3,500 TCD. Within a span of 18 years from the date of incorporation Mehran Sugar was recognized by the Karachi Stock Exchange as one of the Top 25 Companies in the year 1983 and yet again in the year 1986.

**1994**

Second parallel milling unit of Mehran Sugar started commercial production in the year 1994 resultantly the crushing capacity was enhanced to 7,000 TCD. In 1998, the Company was awarded ISO-9002 QMS Certification.

**2001**

Continuing our progress, in 2001 Mehran Sugar achieved a milestone of 1.0 Billion Turnover and in next five years the Turnover showed a growth of 100% and reached to 2.0 Billion milestone.

**2003**

In the year 2003, Mehran Sugar invested in a JV ethanol company, Unicol Limited. Unicol Limited commenced its commercial production in the year 2007.





**2010**

By 2010, MSML crossed 4.0 Billion Turnover milestone and in the year 2013 Mehran Sugar first time ever crossed sucrose recovery of 11 percent and production of 100,00 M. Tons of sugar.



**2007**

At different intervals from 2007 to 2013, Mehran Sugar continually spent on BMR and operational efficiencies resultantly the crushing capacity increased from 7,000 to 10,000 TCD.



**2014**

Year 2014 was an extension of our success and Company accomplished many landmarks such as recorded highest sugar production of 123,210 M. Tons; Turnover crossed 6.0 Billion and UniCol Limited doubled its ethanol production to 200,000 liters per day.



**2015**

In year 2015 our growth trend continued as Mehran Sugar recorded highest sucrose recovery of 11.42 percent which was the highest achieved in the country; in addition Company crossed half a billion profit before tax, started supplying electricity to the National Grid and paid its highest dividend of 176 Million. Further, through investment in BMR crushing capacity of Mehran Sugar reached at level of 11,000 TCD.

For better market penetration, Mehran Sugar launched three new variants of retail sugar moist, icing, caster in consumer packs under the umbrella of our brown sugar brand “Sugarie”.

Re-diversified ourselves by entering in renewable energy sector and finalized plans to set up a new SPV named UniEnergy which is in process of setting up a 50 MW Wind Power Project.

Going ahead, Mehran Sugar will remain focused on our core operations through our business values and creating value addition by diversification policy which is evident from our future strategic plans adequately covered in this annual report.

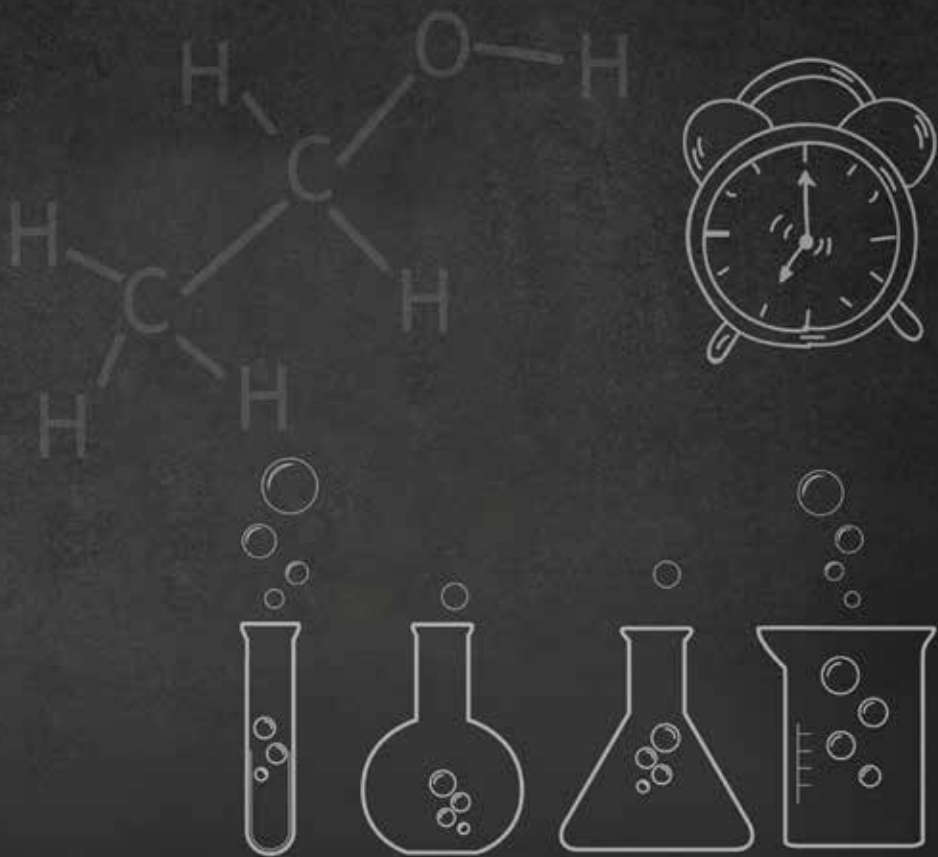
# Key Achievements

<p><b>1978</b></p> <p>Steady re-engineering increase the crushing capacity to 3,500 TCD.</p>	<p><b>1983</b></p> <p>Recognised by the Karachi Stock Exchange as one of the Top 25 Company Award for the year.</p>	
<p><b>1986</b></p> <p>Again selected by the Karachi Stock Exchange for its Top 25 Company Award for the year.</p>	<p><b>1998</b></p> <p>The Company is awarded ISO-9002 - QMS Certification.</p>	<p><b>2001</b></p> <p>Sales cross Rs. 1.0 Billion.</p>
<p><b>2006</b></p> <p>The Company crosses the Rs. 2.0 Billion sales milestone.</p>	<p><b>2007</b></p> <p>The joint venture distillery, Unicol Limited commences commercial production.</p>	<p><b>2010</b></p> <p>The Company crosses the Rs. 4.0 Billion sales milestone.</p>
<p><b>2013</b></p> <p>Company first time ever crossed sucrose recovery of 11 percent.</p> <p>The Company crossed the 100,000 M. tons milestone production for the first time.</p>	<p><b>2014</b></p> <p>Record highest sugar production of 123,210 M. tons.</p> <p>Sales crossed Rs. 6.0 Billion.</p> <p>Associated Company Unicol Limited doubled its ethanol production to 200,000 LPD.</p>	
<p><b>2015</b></p> <p>Record highest sucrose recovery of 11.42 percent, which was the highest achieved in the country.</p> <p>Company crossed half a billion profit before tax.</p> <p>Started supply of co-generated electricity to the National Grid.</p>	<p><b>2016</b></p> <p>The company crosses the Rs. 7.0 billion sales milestone.</p> <p>Company paid its highest dividend of 57.5% translating into Rs. 184 million for the year.</p>	
<p><b>2017</b></p> <p>Sucrose Recovery of 11.06% was amongst highest in the country.</p> <p>Bagasse Savings reached level of 30,000 Tons this year.</p> <p>The state of the art Effluent Treatment Plant commenced its operations.</p> <p>The Company further diversified its stake in new business ventures namely Mehran Energy Ltd. and Unifood Industries Ltd.</p> <p>Upfront Tariff &amp; Generation License have been awarded to 26.5 MW Hp-Cogen Power Plant.</p>		



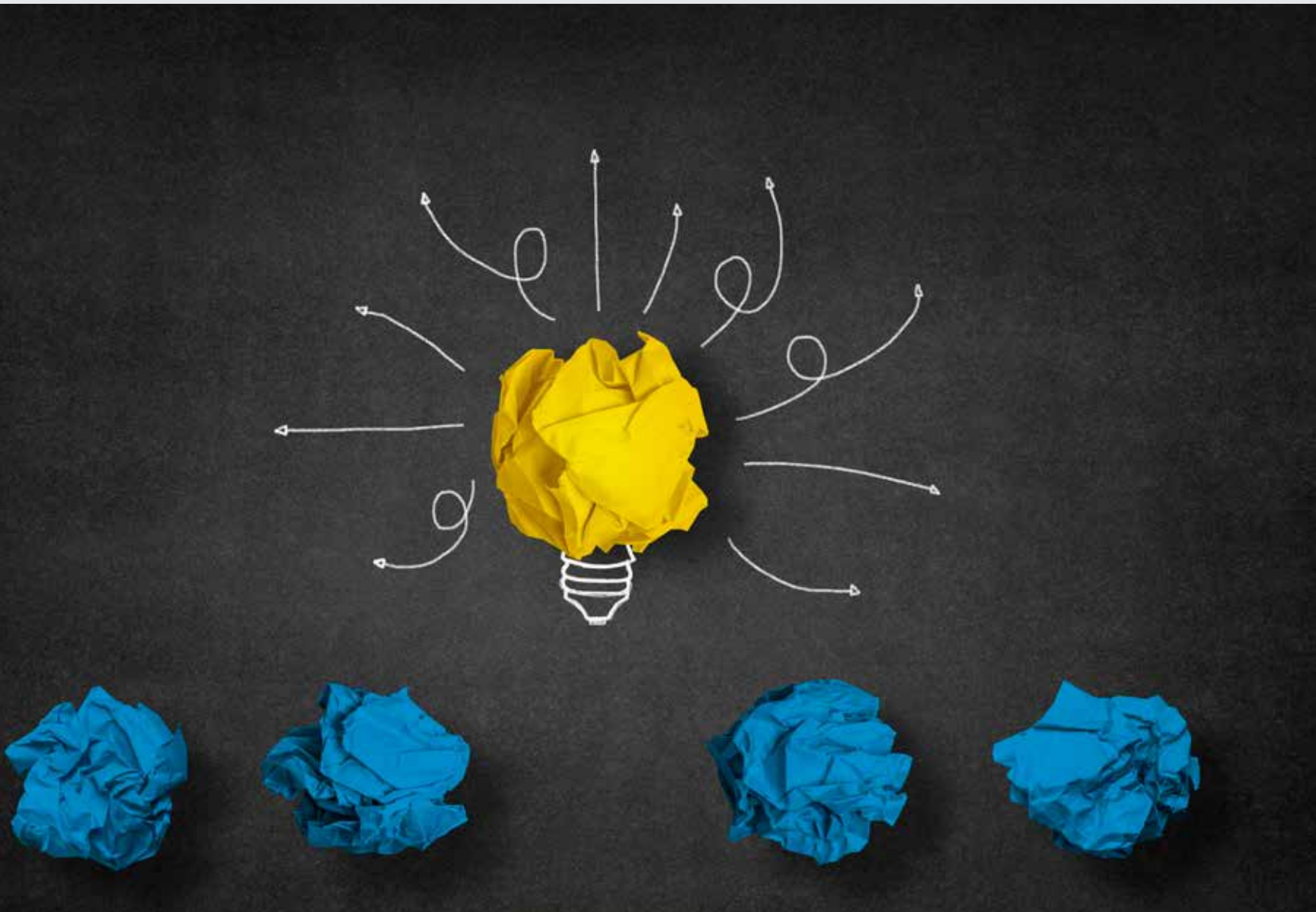


The timely decision of our associated company Unicol Limited to procure molasses for its ethanol plants at fairly competitive prices shall ensure promising numbers in terms of operational profitability for the upcoming year. Unicol now stands in a good position to pay continual dividends which will help us invest in future projects.





# Progressing because of well-timed **Decisions**



# Company Information

## **Audit Committee**

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

## **CFO and Company Secretary**

Mr. Muhammad Hanif Aziz  
FCMA, FCIS

## **Auditors**

EY Ford Rhodes  
Chartered Accountants

## **Legal Advisor**

Sayeed & Sayeed  
Advocate & Legal Consultants

KMS Law Associates  
Advocates & Corporate Consultants

## **Share Registrar**

C & K Management Associates (Pvt) Ltd.

## **Bankers**

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

## **Registered Office**

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

## **Mills**

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



Our newly renovated mill entrance and new outer cane yard across the boundary.

# SWOT Analysis



## strengths

- Over 95 percent of cane in Mehran's cane zone is early maturing and high yielding which allows the Company to achieve sucrose recoveries which are approximately 10% higher than the national average. This gives the Company a comparative advantage as compared to most other sugar mills in Pakistan.
- Mehran's goodwill in the region for payment and commitment allows it to procure cane competitively. The Company is thus able to get a preference in terms of quality, quantity and pricing.
- Mehran has a crushing capacity which is 50% larger than the national average of Pakistan sugar mills which allows it to produce sugar at a lower cost per ton due to better absorption of overheads.
- Mehran's investment in Unicol Limited has diversified its income base and allowed it to add value to its by product, molasses. Unicol has recently doubled its ethanol capacity to 200,000 LPD, besides establishing a CO<sub>2</sub> plant which uses raw carbon dioxide, a by-product, which was being flared in the air earlier. This investment started paying dividends from this year which shall become a recurring source of revenue for Mehran in the future.
- Mehran also manages an equity portfolio. The market value of the portfolio has now exceeded Rs. 800 million. Dividends and capital gains from this portfolio allow a continual income stream which further strengthens the balance sheet.
- Mehran's strength lies in its policy to grow in a conservative yet sustainable manner. This has allowed it to establish a strong balance Sheet which is not heavily leveraged, hence allowing the Company to explore other business avenues to maximise Shareholder return.



## weakness



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



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## opportunities

- A modern sugar complex is a sugar, ethanol and power producer. While we at Mehran have tapped sugar production and recently ethanol production the opportunity to produce power remains a huge one.
- Pakistan remains a power deficit nation and the opportunity to produce power remains huge. The sugar industry has the potential to produce over 3,000 MW of power whereby individual mills can set up plants as large as 100 MW. Mehran has also stepped into power generation and its supply to the national grid by signing a 5 MW PPA with NEPRA. By realizing the further potential of generating power from our indigenous source of fuel i.e. bagasse, a by product of sugar mill, we have embarked upon putting up a co-gen plant of 26.5 MW. This will also become a regular source of income.
- The need of the time is to bring new varieties with high sucrose recovery to improve our overall sugar production. Therefore, research and development needs to be given preferred attention for continuous improvement. While Pakistan's national recovery remains between 9.50-10.50% there are varieties being developed which could fetch recoveries of 12.00 % and higher. Such varieties would make Pakistan globally competitive thus enhancing both farmer and miller revenue. Mehran at its own has initiated a research project with the assistance of Mauritius Sugar Research Institute to study and suggest ways and means to increase farm yield.
- There also lies potential in increasing farm yields which would reduce the cost of the farmer thus making sugar cane cheaper as a raw material.
- Pakistan has a large indigenous population of close to 200 Million. This population continues to grow at a healthy rate. The population growth along with income prosperity means that demand for sugar is expected to grow continually for the foreseeable future allowing for future growth in the industry. We foresee sugar demand growing at 4-5 percent annually while many developed countries are seeing stagnant growth.
- Growing awareness has paved the way for brand loyalty. Mehran has also ventured into retail segment by launching Branded Sugar through its two brands "Sugarie" and "Chashnik". These products have yet to tap the full potential of the niche market.

## threats



- Mehran has one of the most densely populated cane zones in Pakistan. The quantity of cane in the area allows the company to pay minimal transport costs for cane arrivals which gives it a comparative advantage, though frequent intervention by other sugar mills has somewhat diluted this advantage.
- Sugar mills are typically located in rural areas which are more susceptible to Law and Order situation. The movement of our cane team as well as farming team in specific areas can also be difficult and restricted.
- Inflation affects the business due to cost increases. It also reduces the consumer buying power. Pakistan has been suffering from inflation since last few years. In order to curb inflation, State Bank of Pakistan regularly intervenes and revises interest rates which affect the cost of doing business. A sudden surge in borrowing rates could adversely affect the Company's financials, though at present the rate has been declining. With increasing inflation, Sugar Mills have to produce specific quantity which allows them to get benefit of economies of scale. It requires huge investment for expanding the capacity as well as robust maintenance activity, which may not be possible for every mill due to variety of factors. Hence their competitiveness is affected.
- Proper maintenance during the off-season enables the plant to run smoothly during the season. Since the season is for a limited duration, a major breakdown could affect financial results for the entire year.
- In the last two decades the industry has consistently increased its sugarcane crushing capacities without objectively ensuring an increase in the size of crop. A major challenge going ahead is to ensure increased sugarcane cultivation to match crushing capacity. This requires not only availability of sufficient water but also motivation to growers towards sugarcane crop.
- Sugar cane requires abundant quantity of water for cultivation. Pakistan with its growing population can in the future face such water constraints which could mitigate the growth of sugarcane and the industry.

# Code of Conduct & Ethical Values

The Company's reputation and its actions as a legal entity depend on the conduct of its employees. Each employee must commit to act according to the highest ethical standards and to know and abide by applicable laws. We each must assure that our personal conduct is beyond doubt and complies with the highest standards of conduct and business ethics.

## These principles highlight our responsibility to:

- promote ethical business practices
- respect the environment and communities in which we operate
- assure equal employment opportunities
- value diversity in the workplace
- provide healthy and safe working environment
- respect human rights and trade ethically



## CONFIDENTIALITY

Confidential business information must not be shared with others outside the company or used for the personal gain of oneself or others. Employees, their family and close acquaintances should not buy or sell company shares if they have material information that has not been made public and could affect our share price.

We expect employees to keep all information confidential. This might include plans to buy or sell business, product formulation, manufacturing processes, advertising, marketing plans, concepts, research and development, suppliers, customers, financial information, personnel and employment matters, and other information which is not generally known to the public. We will make sure that they are aware of their obligations and also expect them to take steps to prevent unintentional disclosure. These obligations apply to all Employees, including those who leave the company.



## HEALTH AND SAFETY

We recognize the importance of health and safety within our business. We seek to provide a healthy, safe and clean working environment in line with local laws, regulations and industrial practice. We measure, appraise and report performance, as part of our commitment to the health and safety of our employees, contractors and everyone who works on or visits our sites.

## THE ENVIRONMENT

We recognize our environmental responsibilities and our contribution to sustainable development. Our environment policy and its management processes deal not only with the environmental issues connected to our manufacturing processes and facilities, but also with Protecting the ecosystems from which we derive our raw materials, management of our supply chain, and distributing, selling and consumption of our products.



## WORK ATMOSPHERE

MSML respects and highly values its diverse employee population. Accordingly, the company has an unwavering ethical commitment toward promoting a workplace that is respectful of personal differences and free of discrimination and harassment. This principle applies in our hiring and interviewing process as well as all aspects of our work environment.

# Business Strategy & Goals

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



# Management Committees

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

## Executive Committee

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



## Human Resource Development Committee

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

## Audit Committee

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

# Board of Directors

**Muhammad  
Ebrahim Hasham**  
Chief Executive Officer

M.A (Management)  
Chapman University,  
California, USA.



**Ahmed  
Ebrahim Hasham**  
Managing Director

Bachelor of Arts  
(Economics and IR)  
Tufts University,  
Medford MA, USA



**Muhammad  
Kasim Hasham**  
Chairman

Bachelor's Degree from  
Karachi University.



**Muhammad  
Hussain Hasham**  
Director (Non-Executive)

B.A (Business)  
Chapman University,  
California, USA.



**Muhammad  
Bashir**

Director (Independent)

B.Com, LLB, Chartered  
Accountant  
Institute of Chartered Accountants  
of Pakistan.



**Khurram  
Kasim**

Director (Non-Executive)

Bachelor of Science  
(Marketing) Babson College,  
Massachusetts, USA.



**Dr. Amjad  
Waheed**

Director (Independent)

Ph. D  
(Business Administration)  
Southern Illinois University, USA.

**Muhammad  
Iqbal**

Director (Non-Executive)

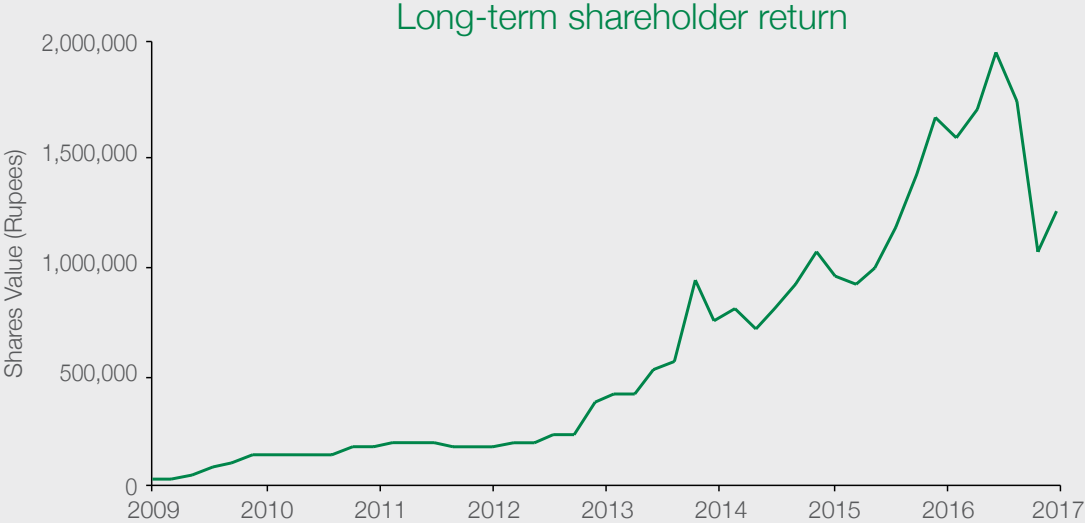
C.A – Finalist  
Institute of Chartered Accountants  
of Pakistan.



# Investing in Mehran Sugar

## Long-term shareholder return

A shareholder, who on October 1, 2008 invested Rs. 50,000 and acquired 1,863 shares of Mehran Sugar Mills Ltd. at a price of Rs. 26.84 per share, and if all the dividends received were re-invested, would have Mehran shares worth Rs. 1,246,420 on September 30, 2017 representing a cumulative gain of 2,401%. The average annual return of the Mehran share over this period was 57.6% versus the average annual return of the KSE 100 index was 19.34%.

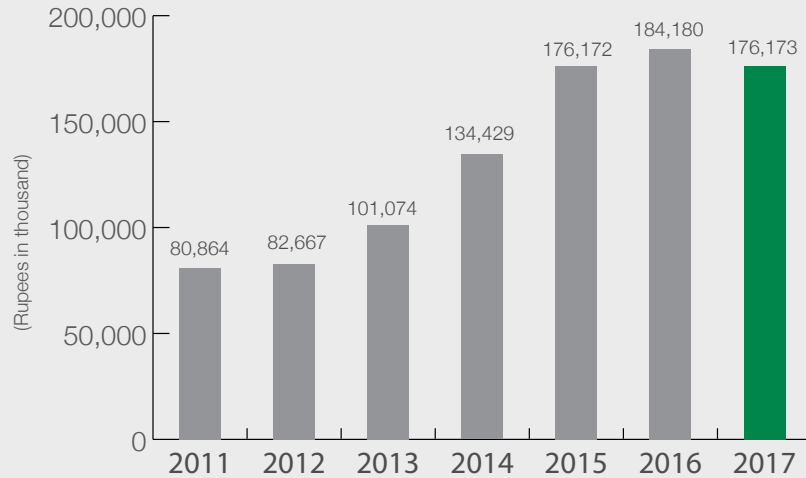


### Share performance 2017



Mehran Sugar Mills Limited assigned Rs. 176.17 million to Dividends in 2016-17

### Shareholders' Remuneration



# Investor Relations

Share Registrar

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

Contact Person

Mr. Muhammad Zakir

Date of Annual General meeting

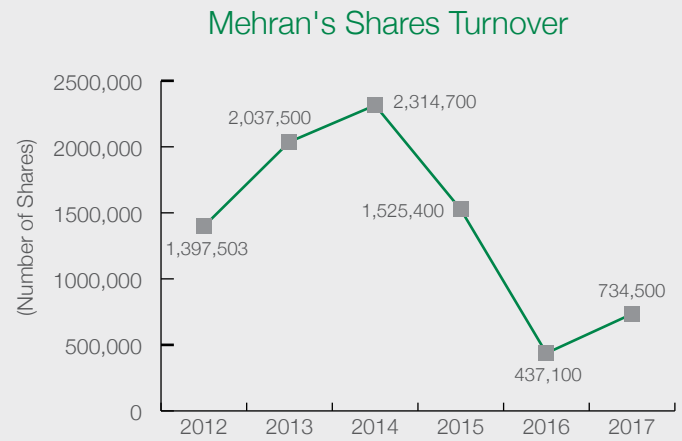
26/01/2018

Date of Board of Directors meeting (Tentative)

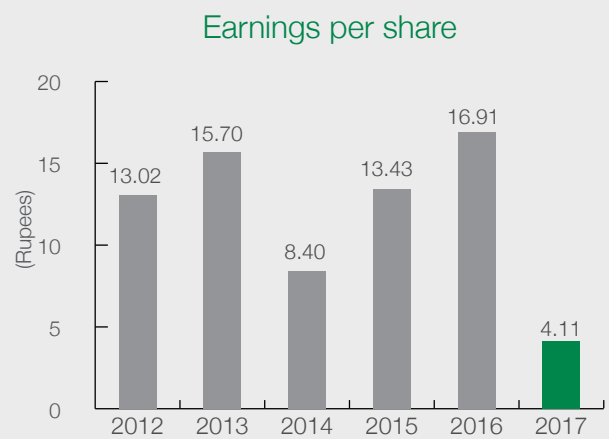
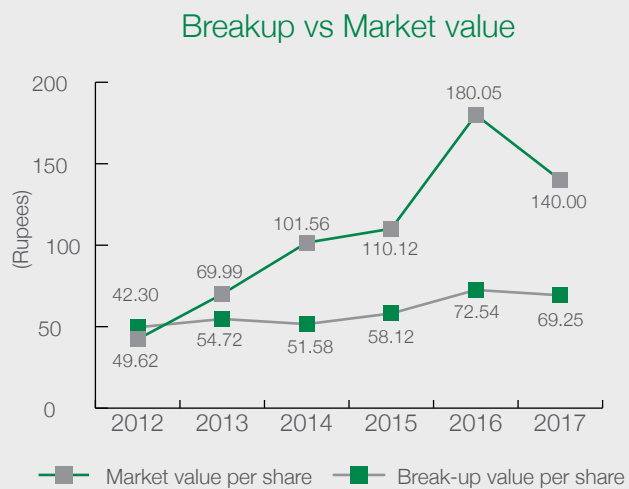
1st Qtr	Half Year	3rd Qtr	Annual
29/01/2018	22/05/2018	25/07/2018	19/12/2018

2017	2016	2015	2014	2013	2012
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	2017	2016	2015	2014	2013	2012
Number of Shares (Issued / Paid-up)	<b>32,031,245</b>	32,031,245	32,031,245	32,031,245	25,321,143	20,926,565
Earning per share	<b>4.11</b>	16.91	13.43	8.40	15.70	13.02
Break-up value per share	<b>69.25</b>	72.54	58.12	51.58	54.72	49.62
Market Capitalization	<b>4,484,374,300</b>	5,767,225,662	3,527,280,699	3,253,093,242	1,772,226,799	885,193,700
Market value of share on 30 <sup>th</sup> September	<b>140.00</b>	180.05	110.12	101.56	69.99	42.30
P/E Ratio	<b>34.06</b>	10.65	8.20	12.09	4.46	3.25
Cash Dividend %	<b>32.50</b>	65.00	60.00	26.00	25.00	25.00
Bonus Shares %	<b>-</b>	-	-	10.00	25.00	20.00
Number of shares Traded	<b>734,500</b>	437,100	1,525,400	2,314,700	2,037,500	1,397,503
Highest price during the year	<b>241.50</b>	210.00	143.32	131.99	75.40	56.99
Lowest price during the year	<b>110.00</b>	108.00	79.01	64.50	41.26	38.00



Mehran's Shareholders Equity has increased from Rs. 1,038.31 million in 2012 to Rs. 2,218.25 million in 2017, thus representing an increase of 114% in six years



# Management Team



## Mr. Mohammed Ebrahim Hasham

Chief Executive Officer

Joined Mehran in 1973

M.A. (Management)  
Chapman University,  
California, USA

**Work Experience:**  
44 years of practical  
experience in the  
sugar industry.

## Mr. Ahmed Ebrahim Hasham

Managing Director

Joined Mehran in 2000

Bachelor of Arts  
(Economics and IR)  
Tufts University,  
Medford MA, USA

**Work Experience:**  
17 years of practical  
experience in various  
sectors.



## Mr. Muhammad Hanif Aziz

CFO & Company Secretary

Joined Mehran in 2004

FCMA - Institute of Cost &  
Management Accountants of  
Pakistan  
FCIS - Institute of Corporate  
Secretaries of Pakistan

**Work Experience:**  
33 years of practical  
experience with  
multinational and  
national companies.

## Mr. Ikhlas Ahmed Khan

Resident Director

Joined Mehran in 2007

B. Sc & PGD in Chemical  
Engineering & Technology  
From University of  
Punjab – Lahore

**Work Experience:**  
36 years of practical  
experience in the  
sugar industry.





**Mr. Syed Ehtesham-ud-Din**  
Director Cane/Development

Joined Mehran in 2004

Bachelor of Arts

**Work Experience:**  
36 years of practical  
experience in the  
sugar Industry.

**Mr. Ubaid-Ur-Rehman**  
GM Technical

Joined Mehran in 2012

B-Tech (Hons) in  
Mechanical Engineering  
From Mehran University of  
Engineering - Jamshoro

**Work Experience:**  
35 years of practical  
experience in the  
sugar Industry.



**Mr. Sanaullah**  
GM Production

Joined Mehran in 2011

Bachelor of Science  
(Chemistry, Physics,  
Mathematics)  
From Mehran University of  
Engineering - Jamshoro

**Work Experience:**  
24 years of practical  
experience in the  
sugar Industry.

**Mr. Rashid Ali Baloch**  
GM Human Resource & Administration

Joined Mehran in 2007

PhD in Public Administration,  
LLB & M.A Economics from  
reputable universities of  
Pakistan

**Work Experience:**  
30 years of practical  
experience in various  
industries.



# Horizontal & Vertical Analysis Profit & Loss Account

Rupees in million

## HORIZONTAL ANALYSIS

	2017		2016	
	Rs.	%	Rs.	%
Turnover	5,500.84	(22.67)	7,113.23	63.10
Cost of sales	(5,232.83)	(17.86)	(6,370.35)	73.04
<b>Gross Profit</b>	<b>268.00</b>	<b>(63.92)</b>	<b>742.88</b>	<b>9.26</b>
Distribution costs	(83.04)	125.12	(36.89)	(8.90)
Administrative expenses	(243.24)	23.20	(197.44)	13.88
Other operating expenses	(9.36)	(77.29)	(41.21)	48.56
Other operating income	362.73	98.19	183.03	13.56
Finance costs	(196.67)	99.41	(98.63)	(32.71)
Share of Profit from an associates	100.11	(13.89)	116.26	23.72
Profit before tax	198.55	(70.28)	668.01	22.15
Taxation	(66.87)	(47.01)	(126.20)	8.01
<b>Profit after taxation</b>	<b>131.68</b>	<b>(75.70)</b>	<b>541.81</b>	<b>25.99</b>

## VERTICAL ANALYSIS

	2017		2016	
	Rs.	%	Rs.	%
Turnover	5,500.84	100.00	7,113.23	100.00
Cost of sales	(5,232.83)	(95.13)	(6,370.35)	(89.56)
<b>Gross Profit</b>	<b>268.00</b>	<b>4.87</b>	<b>742.88</b>	<b>10.44</b>
Distribution costs	(83.04)	(1.51)	(36.89)	(0.52)
Administrative expenses	(243.24)	(4.42)	(197.44)	(2.78)
Other operating expenses	(9.36)	(0.17)	(41.21)	(0.58)
Other operating income	362.73	6.59	183.03	2.57
Finance costs	(196.67)	(3.58)	(98.63)	(1.39)
Share of Profit from an associates	100.11	1.82	116.26	1.63
Profit before tax	198.55	3.61	668.01	9.39
Taxation	(66.87)	(1.22)	(126.20)	(1.77)
<b>Profit after taxation</b>	<b>131.68</b>	<b>2.39</b>	<b>541.81</b>	<b>7.62</b>



2015		2014		2013		2012	
Rs.	%	Rs.	%	Rs.	%	Rs.	%
4,361.36	(32.88)	6,498.22	12.09	5,797.47	39.69	4,150.11	(4.71)
(3,681.45)	(37.25)	(5,866.92)	12.49	(5,215.46)	38.27	(3,771.97)	(0.04)
<b>679.91</b>	<b>7.70</b>	<b>631.30</b>	<b>8.47</b>	<b>582.01</b>	<b>53.92</b>	<b>378.14</b>	<b>(34.96)</b>
(40.49)	(62.12)	(106.90)	13.82	(93.92)	240.60	(27.58)	434.02
(173.38)	12.53	(154.08)	16.46	(132.30)	29.54	(102.13)	(1.17)
(27.74)	21.20	(22.89)	45.73	(15.70)	12.09	(14.01)	(67.83)
161.18	21.98	132.13	(11.44)	149.20	133.62	63.87	(20.43)
(146.57)	(29.87)	(209.00)	11.86	(186.84)	60.63	(116.32)	(13.04)
93.97	77.36	52.98	(58.80)	128.58	(25.10)	171.67	322.4
546.88	69.03	323.54	(24.94)	431.02	21.88	353.64	(15.09)
(116.84)	114.64	(54.44)	62.39	(33.52)	(58.65)	(81.08)	(13.41)
<b>430.03</b>	<b>59.80</b>	<b>269.11</b>	<b>(32.30)</b>	<b>397.50</b>	<b>45.84</b>	<b>272.56</b>	<b>(15.58)</b>

2015		2014		2013		2012	
Rs.	%	Rs.	%	Rs.	%	Rs.	%
4,361.36	100.00	6,498.22	100.00	5,797.47	100.00	4,150.11	100.00
(3,681.45)	(84.41)	(5,866.92)	(90.29)	(5,215.46)	(89.96)	(3,771.97)	(90.89)
<b>679.91</b>	<b>15.59</b>	<b>631.30</b>	<b>9.72</b>	<b>582.01</b>	<b>10.04</b>	<b>378.14</b>	<b>9.11</b>
(40.49)	(0.93)	(106.90)	(1.65)	(93.92)	(1.62)	(27.58)	(0.66)
(173.38)	(3.98)	(154.08)	(2.37)	(132.30)	(2.28)	(102.13)	(2.46)
(27.74)	(0.64)	(22.89)	(0.35)	(15.70)	(0.27)	(14.01)	(0.34)
161.18	3.70	132.13	2.03	149.20	2.57	63.87	1.54
(146.57)	(3.36)	(209.00)	(3.22)	(186.84)	(3.22)	(116.32)	(2.80)
93.97	2.15	52.98	0.82	128.58	2.22	171.67	4.14
546.88	12.54	323.54	4.98	431.02	7.43	353.64	8.52
(116.84)	(2.68)	(54.44)	(0.84)	(33.52)	(0.58)	(81.08)	(1.95)
<b>430.03</b>	<b>9.86</b>	<b>269.11</b>	<b>4.14</b>	<b>397.50</b>	<b>6.86</b>	<b>272.56</b>	<b>6.57</b>

# Horizontal Analysis Balance Sheet

Rupees in million

	2017		2016	
	Rs.	%	Rs.	%
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	2,188.13	12.04	1,952.92	18.43
Long term investment	977.68	27.71	765.56	17.35
Long term deposits	1.11	30.47	0.85	(19.16)
	<b>3,166.92</b>	<b>16.46</b>	<b>2,719.34</b>	<b>18.10</b>
<b>CURRENT ASSETS</b>				
Biological assets	17.66	(59.72)	43.85	(10.20)
Stores and spare parts	83.88	16.09	72.25	(24.66)
Stock-in-trade	1,205.46	192.56	412.04	(71.83)
Trade debts - unsecured	174.51	1,552.61	10.56	(74.92)
Loans and advances - unsecured	148.34	37.08	108.22	205.89
Trade deposits and short term prepayments	7.75	18.94	6.52	(33.60)
Other receivables	4.49	20.89	3.72	(45.61)
Short term investments	830.32	(24.91)	1,105.80	52.44
Advance Income Tax	54.62	100.00	-	(100.00)
Cash and bank balances	28.76	(16.49)	34.44	(24.40)
	<b>2,555.80</b>	<b>42.19</b>	<b>1,797.40</b>	<b>(27.60)</b>
<b>TOTAL ASSETS</b>	<b>5,722.73</b>	<b>26.70</b>	<b>4,516.74</b>	<b>(5.61)</b>
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Issued, subscribed and paid-up capital	320.31	-	320.31	-
Reserves	1,897.94	(5.25)	2,003.10	29.95
	<b>2,218.25</b>	<b>(4.53)</b>	<b>2,323.42</b>	<b>24.80</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term financing - secured	448.75	47.20	304.85	11.57
Liabilities against assets subject to finance leases	31.69	49.39	21.21	15.30
Deferred liabilities	4.88	4.98	4.65	(50.64)
Deferred taxation	288.21	(10.67)	322.64	11.55
Provision for quality premium	119.29	-	119.29	-
Provision for market committee fee	65.97	(6.20)	70.33	168.86
	<b>958.79</b>	<b>13.74</b>	<b>842.97</b>	<b>14.57</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	1,088.93	(2.17)	1,113.13	(33.38)
Accrued mark-up	32.32	265.60	8.84	(23.28)
Short term borrowings - secured	1,117.04	100.00	-	(100.00)
Current portion of long term financing	156.02	(6.97)	167.72	11.06
Current maturity of liabilities against assets subject to finance lease	24.43	61.51	15.13	1.77
Provision for market committee fee	19.97	112.29	9.41	(81.00)
Current portion of market committee fee	3.76	-	3.76	100.00
Income tax payable	-	(100.00)	22.20	100.00
Sales tax / excise duty payable	103.20	915.64	10.16	(89.70)
	<b>2,545.68</b>	<b>88.52</b>	<b>1,350.35</b>	<b>(38.27)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,722.73</b>	<b>26.70</b>	<b>4,516.74</b>	<b>(5.61)</b>

2015		2014		2013		2012	
Rs.	%	Rs.	%	Rs.	%	Rs.	%
1,649.07	4.05	1,584.88	5.01	1,509.20	8.68	1,388.68	27.54
652.36	16.83	558.40	10.48	505.42	34.12	376.83	73.88
1.06	-	1.06	(62.36)	2.80	(39.59)	4.64	(45.69)
2,302.49	7.38	2,144.33	6.29	2,017.42	13.97	1,770.15	34.71
48.83	(17.13)	58.92	4.67	56.30	(1.97)	57.42	32.57
95.91	54.14	62.22	(7.16)	67.02	(8.43)	73.20	(5.91)
1,462.63	218.01	459.93	(33.19)	688.43	(37.15)	1,095.30	(24.91)
42.10	(1.81)	42.87	330.27	9.96	(86.38)	73.17	1,462.43
35.38	3.02	34.34	(35.64)	53.35	59.07	33.54	8.09
9.82	(65.29)	28.29	(25.80)	38.12	87.26	20.36	38.78
6.84	45.49	4.70	42.46	3.30	113.37	1.55	227.32
725.42	48.68	487.90	66.80	292.50	43.11	204.40	25.41
9.97	(82.69)	57.59	(31.04)	83.51	30.97	63.76	100.00
45.55	37.24	33.19	442.85	6.11	(95.78)	144.77	1,112.14
2,482.45	95.48	1,269.95	(2.21)	1,298.61	(26.53)	1,767.46	(2.11)
4,784.94	40.14	3,414.28	2.96	3,316.04	(6.26)	3,537.62	13.40
320.31	-	320.31	26.50	253.21	21.00	209.27	21.00
1,541.45	15.73	1,331.94	17.63	1,132.34	36.58	829.04	33.74
1,861.77	12.68	1,652.25	19.25	1,385.55	33.44	1,038.30	30.96
273.23	(14.17)	318.35	(29.92)	454.24	19.44	380.31	117.32
18.40	(18.57)	22.59	40.60	16.07	30.98	12.27	(12.74)
9.41	17.62	8.00	5.82	7.56	17.48	6.44	13.32
289.25	23.28	234.62	(2.46)	240.54	4.17	230.90	46.09
119.29	-	119.29	-	119.29	-	119.29	-
26.16	(7.69)	28.34	100.00	-	-	-	-
735.74	0.62	731.20	(12.71)	837.70	11.81	749.21	58.70
1,670.97	480.14	288.03	(36.77)	455.50	(61.05)	1,169.36	(28.44)
11.53	(60.75)	29.36	33.43	22.00	56.49	14.06	46.05
190.89	(58.32)	457.97	15.31	397.18	22.05	325.43	100.00
151.02	11.13	135.89	7.79	126.07	(14.35)	147.19	14.32
14.87	(6.67)	15.93	29.83	12.27	72.34	7.12	12.12
49.51	17.26	42.22	(28.63)	59.16	18.31	50.00	16.88
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(100.00)
98.66	60.59	61.43	198.07	20.61	(44.21)	36.94	201.35
2,187.43	112.20	1,030.84	(5.67)	1,092.79	(37.56)	1,750.10	(5.63)
4,784.94	40.14	3,414.28	2.96	3,316.04	(6.26)	3,537.62	13.40

# Vertical Analysis Balance Sheet

Rupees in million

	2017		2016	
	Rs.	%	Rs.	%
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	2,188.13	38.24	1,952.92	43.24
Long term investment	977.68	17.08	765.56	16.95
Long term deposits	1.11	0.02	0.85	0.02
	<b>3,166.92</b>	<b>55.34</b>	<b>2,719.34</b>	<b>60.21</b>
<b>CURRENT ASSETS</b>				
Biological assets	17.66	0.31	43.85	0.97
Stores and spare parts	83.88	1.47	72.25	1.60
Stock-in-trade	1,205.46	21.06	412.04	9.12
Trade debts - unsecured	174.51	3.05	10.56	0.23
Loans and advances - unsecured	148.34	2.59	108.22	2.40
Trade deposits and short term prepayments	7.75	0.14	6.52	0.14
Other receivables	4.49	0.08	3.72	0.08
Short term investments	830.32	14.51	1,105.80	24.48
Advance Income Tax	54.62	0.95	-	-
Cash and bank balances	28.76	0.50	34.44	0.76
	<b>2,555.80</b>	<b>44.66</b>	<b>1,797.40</b>	<b>39.79</b>
<b>TOTAL ASSETS</b>	<b>5,722.73</b>	<b>100.00</b>	<b>4,516.74</b>	<b>100.00</b>
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Issued, subscribed and paid-up capital	320.31	5.60	320.31	7.09
Reserves	1,897.94	33.17	2,003.10	44.35
	<b>2,218.25</b>	<b>38.76</b>	<b>2,323.42</b>	<b>51.44</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term financing - secured	448.75	7.84	304.85	6.75
Liabilities against assets subject to finance leases	31.69	0.55	21.21	0.47
Deferred liabilities	4.88	0.09	4.65	0.10
Deferred taxation	288.21	5.04	322.64	7.14
Provision for quality premium	119.29	2.08	119.29	2.64
Provision for market committee fee	65.97	1.15	70.33	1.56
	<b>958.79</b>	<b>16.75</b>	<b>842.97</b>	<b>18.66</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	1,088.93	19.03	1,113.13	24.64
Accrued mark-up	32.32	0.56	8.84	0.20
Short term borrowings - secured	1,117.04	19.52	-	-
Current portion of long term financing	156.02	2.73	167.72	3.71
Current maturity of liabilities against assets subject to finance lease	24.43	0.43	15.13	0.34
Provision for market committee fee	19.97	0.35	9.41	0.21
Current portion of market committee fee	3.76	0.07	3.76	0.08
Income tax payable	-	-	22.20	0.49
Sales tax / excise duty payable	103.20	1.80	10.16	0.23
	<b>2,545.68</b>	<b>44.48</b>	<b>1,350.35</b>	<b>29.90</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,722.73</b>	<b>100.00</b>	<b>4,516.74</b>	<b>100.00</b>

2015		2014		2013		2012	
Rs.	%	Rs.	%	Rs.	%	Rs.	%
1,649.07	34.46	1,584.88	46.42	1,509.20	45.51	1,388.68	39.25
652.36	13.63	558.40	16.35	505.42	15.24	376.83	10.65
1.06	0.02	1.06	0.03	2.80	0.08	4.64	0.13
2,302.49	48.12	2,144.33	62.80	2,017.42	60.84	1,770.15	50.04
48.83	1.02	58.92	1.73	56.30	1.70	57.42	1.62
95.91	2.00	62.22	1.82	67.02	2.02	73.20	2.07
1,462.63	30.57	459.93	13.47	688.43	20.76	1,095.30	30.96
42.10	0.88	42.87	1.26	9.96	0.30	73.17	2.07
35.38	0.74	34.34	1.01	53.35	1.61	33.54	0.95
9.82	0.21	28.29	0.83	38.12	1.15	20.36	0.58
6.84	0.14	4.70	0.14	3.30	0.10	1.55	0.04
725.42	15.16	487.90	14.29	292.50	8.82	204.40	5.78
9.97	0.21	57.59	1.69	83.51	2.52	63.76	1.80
45.55	0.95	33.19	0.97	6.11	0.18	144.77	4.09
2,482.45	51.88	1,269.95	37.20	1,298.61	39.16	1,767.46	49.96
4,784.94	100.00	3,414.28	100.00	3,316.04	100.00	3,537.62	100.00
320.31	6.69	320.31	9.38	253.21	7.64	209.27	5.92
1,541.45	32.21	1,331.94	39.01	1,132.34	34.15	829.04	23.43
1,861.77	38.91	1,652.25	48.39	1,385.55	41.78	1,038.30	29.35
273.23	5.71	318.35	9.32	454.24	13.70	380.31	10.75
18.40	0.38	22.59	0.66	16.07	0.48	12.27	0.35
9.41	0.20	8.00	0.23	7.56	0.23	6.44	0.18
289.25	6.05	234.62	6.87	240.54	7.25	230.90	6.53
119.29	2.49	119.29	3.49	119.29	3.60	119.29	3.37
26.16	0.55	28.34	0.83	-	-	-	-
735.74	15.38	731.20	21.42	837.70	25.26	749.21	21.18
1,670.97	34.92	288.03	8.44	455.50	13.74	1,169.36	33.06
11.53	0.24	29.36	0.86	22.00	0.66	14.06	0.40
190.89	3.99	457.97	13.41	397.18	11.98	325.43	9.20
151.02	3.16	135.89	3.98	126.07	3.80	147.19	4.16
14.87	0.31	15.93	0.47	12.27	0.37	7.12	0.20
49.51	1.03	42.22	1.24	59.16	1.78	50.00	1.41
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
98.66	2.06	61.43	1.80	20.61	0.62	36.94	1.04
2,187.43	45.71	1,030.84	30.19	1,092.79	32.95	1,750.10	49.47
4,784.94	100.00	3,414.28	100.00	3,316.04	100.00	3,537.62	100.00

# Our Mills Profile

## Date of Incorporation

December 22, 1965

## Date of Commencement of Business

March 19, 1966

## Start of Commercial Production

January 1969

## Installed Capacity

11,500 Tons Cane Crushing Per Day

## Total Land Area

127 Acres

## Total Farming Area

180 Acres

## Permanent Employees

370

## Facilities at our Mills

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

## Population of the Staff Colony

1098

## No. of Students

Daood Memorial School – 550

MSM Colony

The Citizens Foundation – 321

Piyaro Lund

The Citizens Foundation – 241

Hurri

## No. of Faculty members

Daood Memorial School - 21

The Citizens Foundation Piyaro Lund – 19

The Citizens Foundation Hurri – 10

## No. of Apprentice at Vocational Training Centre

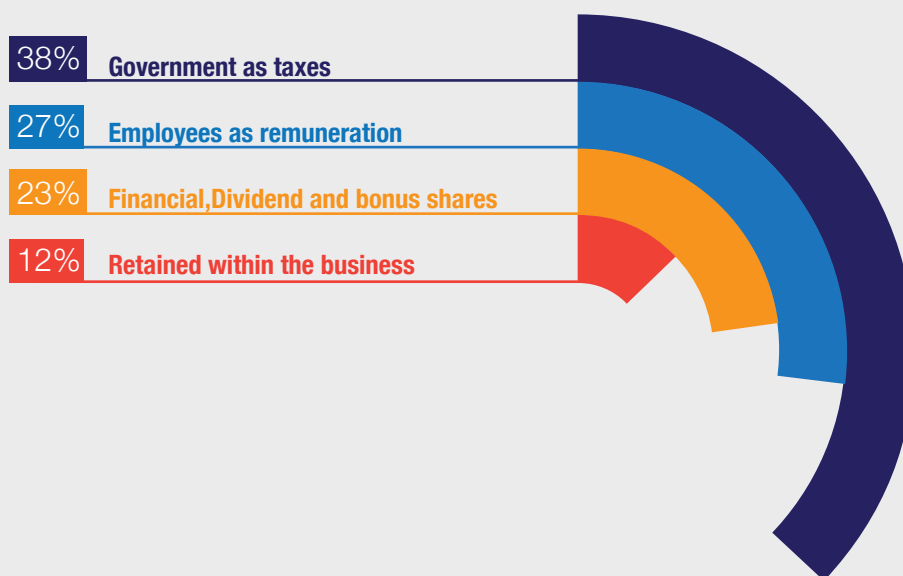
17

## Housing

96 Family Homes for Executives, Officers and Workers and a Hostel consisting of 60 rooms for Workers and Contractors

# How We Added Value

	2017		2016	
	Rupees	%	Rupees	%
<b>WEALTH GENERATED</b>				
Net revenue	5,897,272,317		7,674,145,009	
Expenses	4,596,514,704		5,872,265,612	
Wealth generated	<b>1,300,757,613</b>	<b>100</b>	<b>1,801,879,397</b>	<b>100</b>
<b>WEALTH DISTRIBUTED</b>				
<b>To Government</b>				
Sales Tax, Income Tax, Road Cess, WWF	496,569,577	38	662,492,118	37
<b>To Employees</b>				
Salaries, WPPF, Benefits and Other related cost	351,594,717	27	338,875,327	19
<b>To Providers of capital</b>				
Mark-up on borrowed funds	196,674,589	15	98,626,401	05
Shareholders as Dividend/Bonus shares	104,102,408	08	208,203,992	11
	<b>300,776,997</b>	<b>23</b>	<b>306,830,393</b>	<b>16</b>
<b>Retained with the business</b>				
Depreciation	152,920,439	12	137,410,827	08
Retained profit	(1,104,117)	0	356,270,731	20
	<b>151,816,321</b>	<b>12</b>	<b>493,681,558</b>	<b>28</b>
	<b>1,300,757,613</b>	<b>100</b>	<b>1,801,879,397</b>	<b>100</b>



Mehran has always been conscious of the environment we work in. In the last decade we have invested heavily in ensuring all levels of environmental compliance. Initially we invested heavily in fly ash systems and then in reducing our effluent water flow which we reduced by 65-70 percentage. With this reduced water we set up an ETP plant. Our state-of-the-art Effluent Treatment Plant (ETP) installed in 2017 is procured/installed by a world renowned Manufacturer. Our going green plans initiated a decade ago make us proud as we are now fully compliant with the provincial/federal environmental regulations.







# Progressing by being **Responsible**



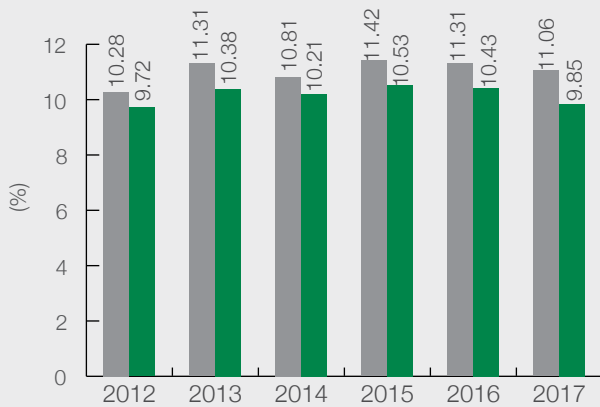
# Six Years' Review at a Glance

	2017	2016	2015	2014	2013	2012
<b>Operational Trends</b>						
Sugarcane crushed - M.Tons	1,056,198	940,626	946,871	1,140,502	915,666	722,120
Sugar produced - M.Tons	116,780	106,400	108,136	123,210	103,580	74,201
Average sucrose recovery - %	11.06	11.31	11.42	10.81	11.31	10.28
Crushing days	133	105	108	122	108	104
Average crushing per day - M.Tons	7,941	8,958	8,767	9,348	8,478	6,943
<b>Balance Sheet</b>						
		Rupees in million				
Share capital	320.31	320.31	320.31	320.31	253.21	209.27
Reserves	1,897.94	2,003.10	1,541.45	1,331.94	1,132.34	829.04
Shareholders' equity	2,218.25	2,323.41	1,861.76	1,652.25	1,385.55	1,038.31
Non current liabilities	958.79	842.97	735.74	731.20	837.70	749.21
Current liabilities	2,545.68	1,350.35	2,187.43	1,030.84	1,092.79	1,750.10
Total Equity & Liabilities	5,722.72	4,516.73	4,784.93	3,414.29	3,316.04	3,537.62
Fixed Assets	2,188.13	1,952.92	1,649.07	1,584.88	1,509.20	1,388.68
Non current assets	978.79	766.42	653.42	559.46	508.23	381.48
Current assets	2,555.80	1,797.39	2,482.44	1,269.95	1,298.61	1,767.46
Total assets	5,722.72	4,516.73	4,784.93	3,414.29	3,316.04	3,537.62
<b>Financial Trends</b>						
		Rupees in million				
Turnover	5,500.84	7,113.23	4,361.36	6,498.22	5,797.47	4,150.11
Gross profit	268.00	742.88	679.91	631.30	582.01	378.14
EBITDA	548.14	904.04	823.59	653.59	730.05	565.85
Operating profit	295.11	650.37	599.47	479.56	489.28	298.29
Pre-tax profit	198.55	668.01	546.88	323.54	431.02	353.64
After-tax profit	131.68	541.81	430.03	269.11	397.50	272.56
Capital Expenditure (additions during the year)	490.27	216.19	211.41	225.32	367.19	279.55
<b>Cash Flows</b>						
		Rupees in million				
Operating activities	(1,078.01)	993.36	854.17	408.20	16.19	19.25
Investing activities	16.98	(634.82)	(396.14)	(262.33)	(230.70)	(389.70)
Financing activities	1,055.36	(369.65)	(445.66)	(118.79)	75.86	503.28
Cash and Cash equivalents at the end of the year	28.76	34.44	45.55	33.19	6.11	144.77
<b>Profitability Indicators</b>						
Gross profit margin ( % )	4.87	10.44	15.59	9.71	10.04	9.11
Net profit margin ( % )	2.39	7.62	9.86	4.14	6.86	6.57
Return on shareholders' equity ( % )	5.94	23.32	23.10	16.29	28.69	26.25
Return on capital employed ( % )	12.44	24.21	26.70	22.34	27.79	26.29
Return on total assets ( % )	2.30	12.00	8.99	7.88	11.99	7.70
EBITDA margin ( % )	9.96	12.71	18.88	10.06	12.59	13.63

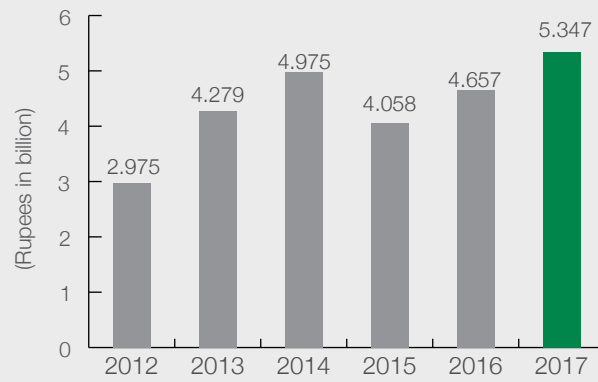
	2017	2016	2015	2014	2013	2012
<b>Capital Efficiency / Operating Performance</b>						
Inventory turnover ratio	5.90	6.24	3.54	9.18	5.42	2.79
Inventory turnover in days	62	58	103	40	67	131
Debtors turnover ratio	6.22	16.64	9.09	22.84	8.87	7.49
Debtors turnover in days	59	22	40	16	41	49
Creditors turnover ratio	12.44	17.54	22.07	96.09	80.86	50.10
Creditors turnover in days	29	21	17	4	5	7
Operating cycle in days	92	59	126	52	103	173
Total assets turnover ratio	1.07	1.53	1.06	1.93	1.69	1.25
Fixed assets turnover ratio	2.66	3.95	2.70	4.20	4.00	3.35
Capital employed turnover ratio	1.73	2.25	1.68	2.73	2.61	2.32
<b>Investment Valuation</b>						
Earning per share (Rs)	4.11	16.91	13.43	8.40	15.70	13.02
Break-up value per share (Rs)	69.25	72.54	58.12	51.58	54.72	49.62
Price earning ratio	34.06	10.64	8.20	12.09	4.46	3.25
Dividend yield (%)	2.32	3.61	5.45	2.56	3.57	5.91
Dividend payout (%)	79.06	38.43	44.68	30.95	15.92	19.20
Market value per share on 30th September	140.00	180.05	110.12	101.56	69.99	42.30
Cash Dividend (%)	32.50	65.00	60.00	26.00	25.00	25.00
Bonus Shares (%)	-	-	-	10.00	25.00	20.00
<b>Financial gearing</b>						
Debt Ratio	0.61 : 1	0.49 : 1	0.61 : 1	0.52 : 1	0.58 : 1	0.71 : 1
Debt : Equity Ratio	18 : 82	12 : 88	14 : 86	17 : 83	25 : 75	27 : 73
Interest cover ratio	2.01	7.77	4.73	2.55	3.31	4.04
<b>Liquidity measurement</b>						
Current ratio	1 : 1	1.33 : 1	1.13 : 1	1.23 : 1	1.19 : 1	1.01 : 1
Quick ratio/Acid test ratio	0.53 : 1	1.03 : 1	0.47 : 1	0.79 : 1	0.56 : 1	0.38 : 1
<b>Value addition</b>						
		Rupees in million				
Employees as remuneration	351.59	338.88	288.60	262.00	211.77	167.79
Government as taxes	496.57	662.49	347.80	322.40	184.19	282.00
Financial charges to providers of finance	196.67	98.63	146.57	209.00	186.84	116.32
Shareholders as dividend and bonus shares	104.10	208.20	192.19	109.49	121.43	89.02
Retained within the business	151.81	493.68	419.16	274.75	397.89	352.28

# Six Years' Sugarcane Trends Analysis

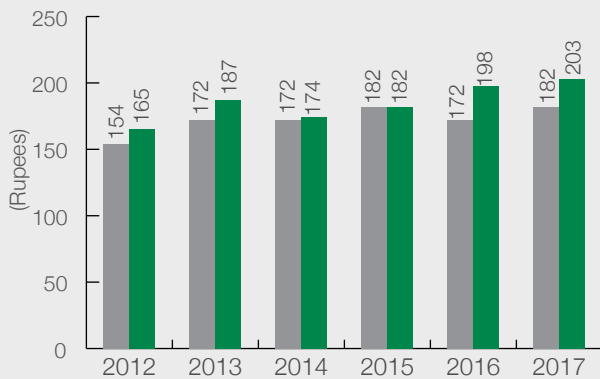
Avg.Recovery % of Mehran vs Avg recovery % of Sindh



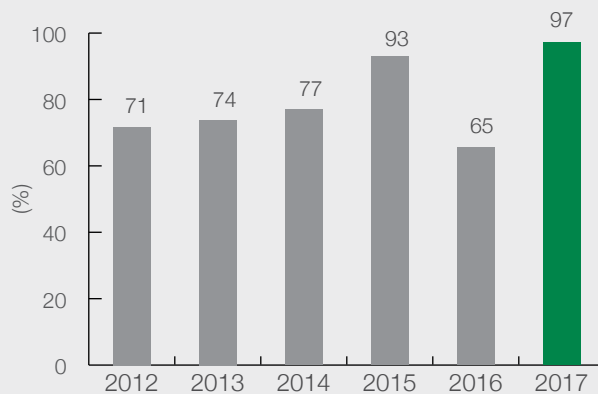
Cane Purchases (Rupees in billion)



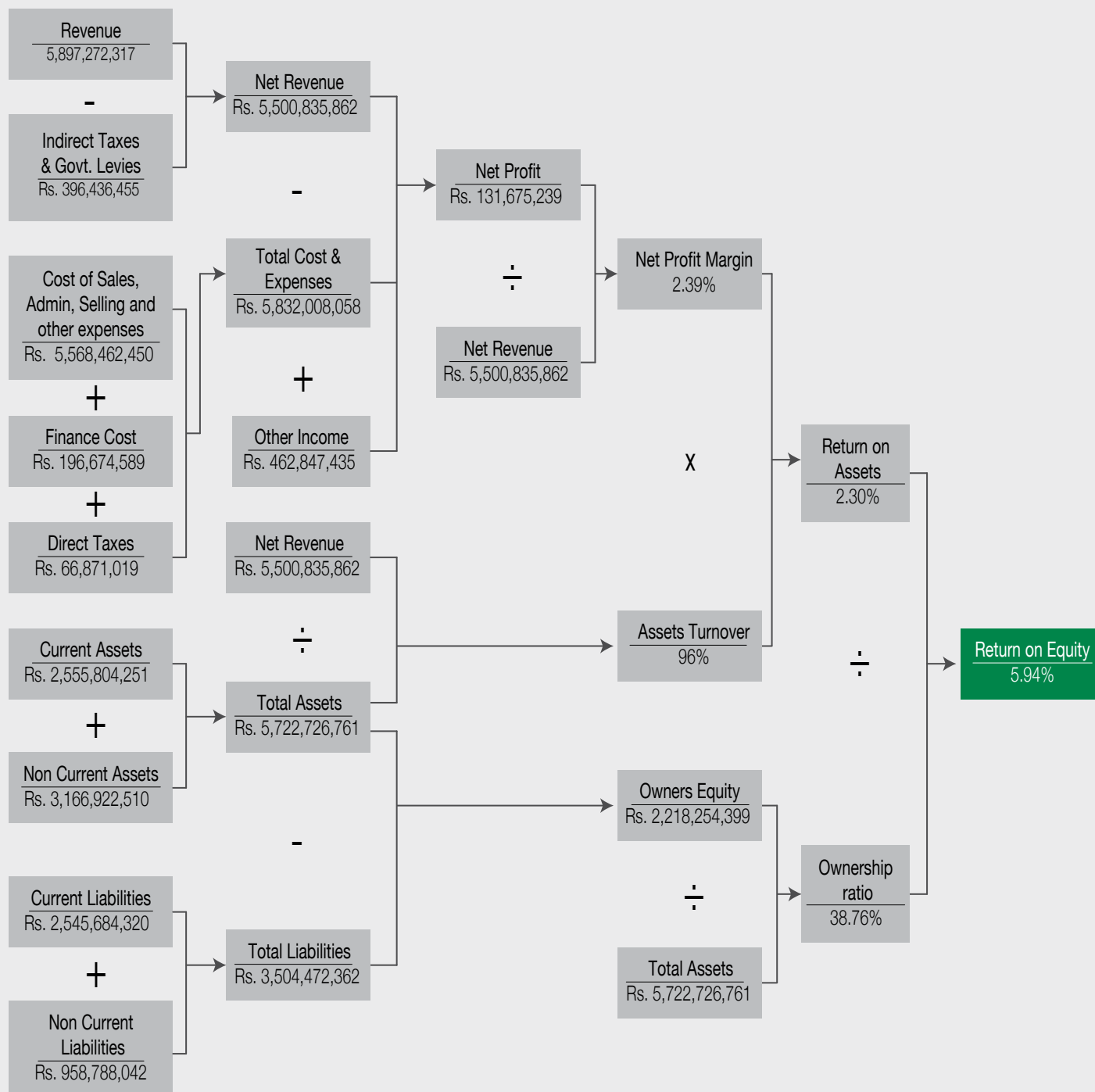
Support price vs Actual price



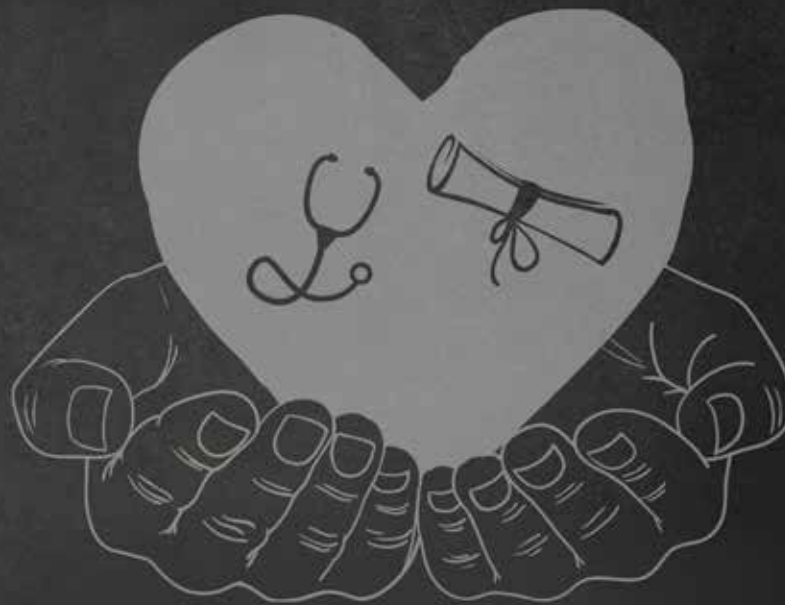
Cost of Cane as % of Turnover



# Dupont Analysis



In continuation of our consistent pursuit towards Corporate Social Responsibility our sponsors have pledged in re-building and modernizing the Usman Memorial Hospital which will be a non-profit 90 bed Hospital in a very densely populated area of the city, Federal B. Area Karachi. The hospital will be providing quality healthcare to the needy people at affordable cost. While Mehran has donated a small percentage of this project our involvement to be associated with it is important. Mehran also continues to overview its' DMS and to TCF schools in the vicinity which collectively educate more than 1,000 students.

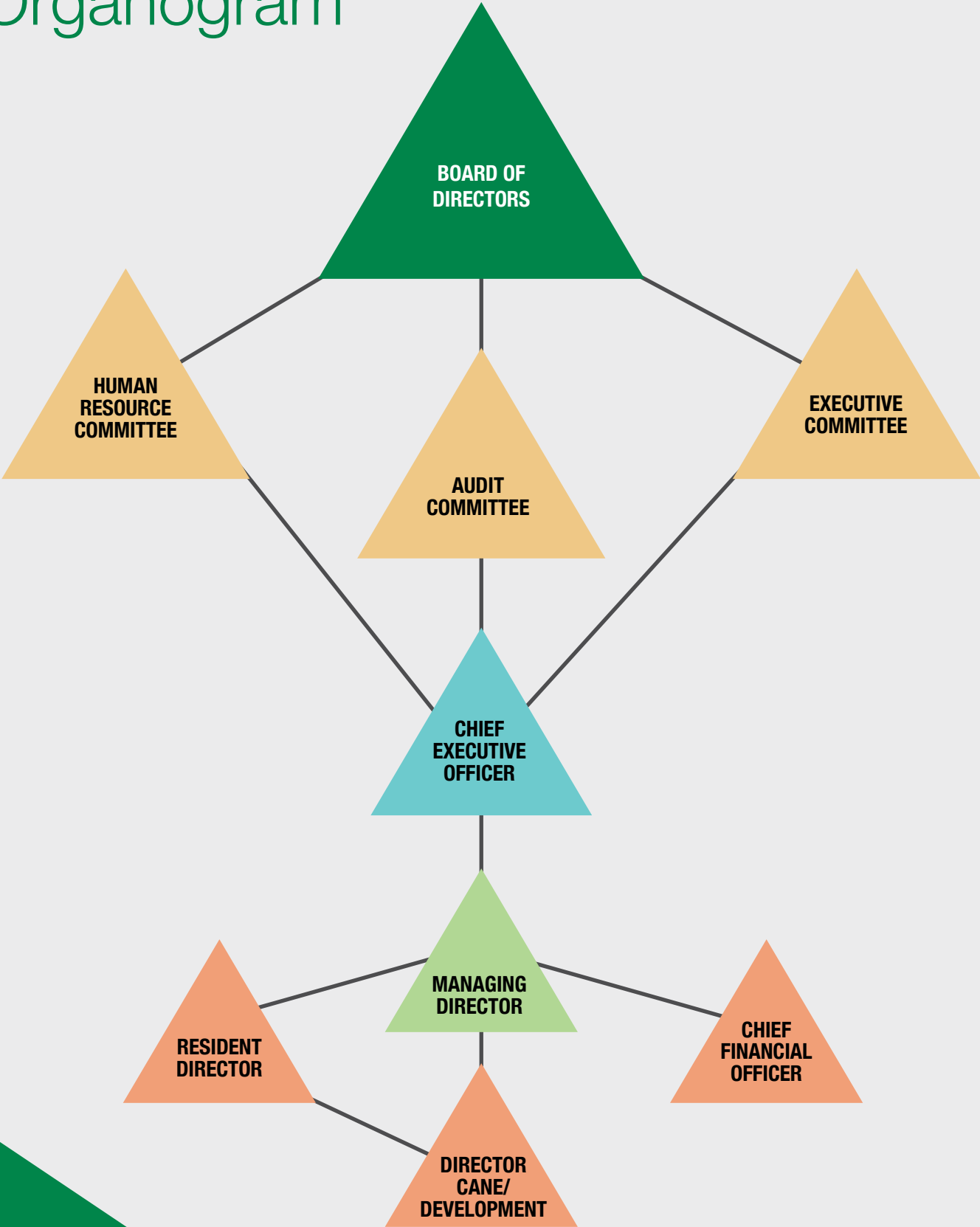




# Progressing and caring for the **Community**



# Organogram



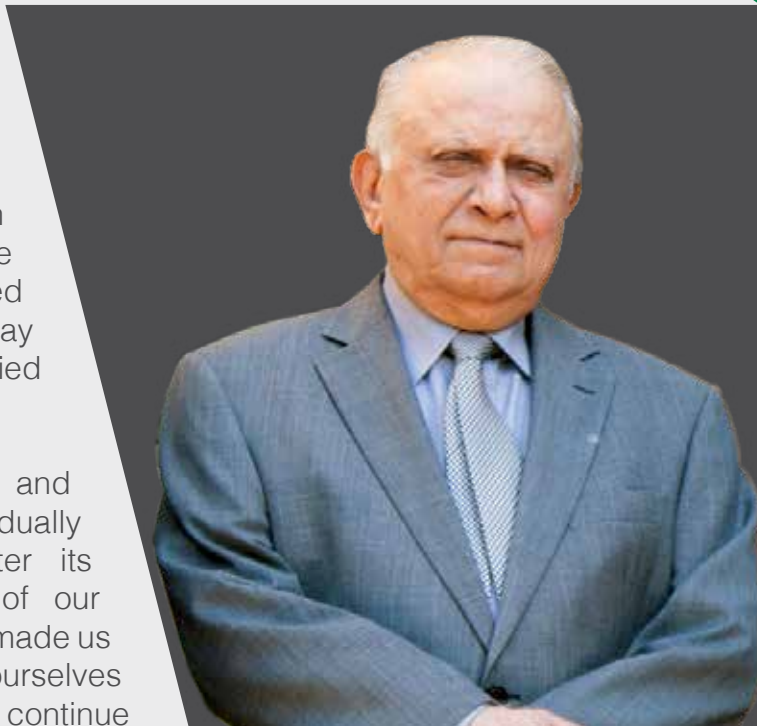


# Chairman's Review

## Dear Shareholders

Welcome to our Annual Review for FY 2016-17. The year under review was an extremely difficult one which saw a lot of uncertainty within the industry. Escalation in primary input costs, bearish trend in selling prices and a record sugar production shrunk business profitability across the industry. While our sugar Operations suffered tremendously we were able to steer away from an annual loss due to our diversified investments.

Your Board holds periodic reviews and discussions of its performance both individually and collectively, seeking ways to better its contribution to the sustainable growth of our business. The present circumstances have made us review how we can further help strengthen ourselves from such adversaries and simultaneously continue to grow as a company.



To encourage and sustain a healthy corporate culture with ethical and safe practices, the Board works with senior management to train and reinforce expected leaders. Additionally, the Board works to continually develop and improve risk management processes and profile.

The Board also seeks to visit and meet our people and gain first hand knowledge of the developments and challenges taking place in the company and in the industry.

We have a committed workforce who is dedicated to the development, manufacturing, selling and distribution of our products throughout the country. The changes in the market and within our business over recent years have tested the resilience and adaptability of all concerned. Our business would not be as strong as it is today had it not been for our people rising to the challenges individually and collectively.

On behalf of the entire Board, I would like to acknowledge the hard work and commitment of all our employees.

We look forward to the future with a positive attitude and aim to being stronger from the challenges we have surpassed.

**Muhammad Kasim Hasham**  
Chairman

Our Consumer Division has progressed steadily. The product mix is slowly gaining confidence of the niche market segment. Alterations in the distribution setup and introduction of fresh markets have brought constructive impact by enhancing the overall turnover and reducing distribution costs while creating consumer awareness.





# Progressing with investing into Brands



# Directors' Report

## ABOUT THE COMPANY

Mehran Sugar Mills Limited (the Company) was incorporated in Pakistan as a public limited company in December, 1965 under repealed Companies Ordinance, 1984 (the Ordinance). The main business of the Company is manufacturing of refined sugar. Plant is situated in Tando Allahyar district having a capacity of 11,500 TCD. We also have a joint venture in Distillery business named "Unicol Ltd." with 1/3rd stake in the Company which has "Ethanol" production capacity of 200,000 litres per day. Recently we also ventured in Power and baking / confectionery businesses whose results are yet to be seen, status of these businesses are discussed in detail in the later part of this report.

## NATIONAL ECONOMY

Pakistan's economy performed well during the outgoing fiscal year. The GDP growth of 5.28% was the highest in the last decade. Pakistan is in the midst of an economic revival. Most of the macroeconomic indicators have shown a marked improvement. This path indicates continuous progress in the stability of the country's economic fundamentals.

The agriculture sector has shown a strong recovery. Likewise, the services sector has also shown improved recovery. Large Scale Manufacturing has gained momentum, however, industrial sector performance remains moderate. Nevertheless, low interest rate, accommodative monetary policy and sustained private sector credit expansion are expected to facilitate performance in the coming months.



Notwithstanding improvements on economic and social fronts, declining exports and widening current account deficit remained tough challenges. The Federal Government has initiated incentives and measures for enhancing exports. However, results are yet to be seen.

Pakistan is now also on the radar screen of global investors who are exploring possibilities for venturing into business opportunities in view of CPEC development. Pakistan's stock market has been reclassified from Frontier into the Emerging market category, which is a sign of Pakistan's growing role in the global economy.

## GLOBAL SUGAR SCENARIO

Top sugar producers of the world are Brazil, India, EU, Thailand and China. The Production pattern in these countries determine the global surplus or deficit. Global sugar production for 2017-18 is expected to reach 192 million tons up from 177 million tons during 2016-17 mainly due to a surplus in Brazil, Thailand, EU, India and Pakistan. Global sugar prices have seen continuous decline for more than a year now. From a peak of USD 580 per ton, prices have touched a low of USD 330 per ton within a year. They presently trade in a 4 weeks range of USD 350-370 per ton. Thus sugar prices are at a 24 month low and continue to remain under pressure due to the global glut.

## INDUSTRY REVIEW

The crushing season 2016-2017 commenced smoothly in November 2016 and a Minimum Support Price was notified at Rs. 182 per 40 kgs. Availability of sugar cane remained comparatively difficult in Sind province while it was sufficient in the Punjab and KPK provinces. This prompted mills in Sindh to buy sugarcane at higher than notified price which led to a higher cost of production for mills situated there.

The most challenging part of the season was to predict the overall size of the crop especially in Punjab as there were conflicting estimates. As the season progressed it was noted that abnormally high farm yields in Punjab led to the production being at a record high with over 1.0 million Tons produced than the earliest estimates. Due to abundant availability of sugarcane crushing campaign continued till late March in Sindh and late April in Punjab.

In view of record bumper crop in Punjab, sugar mills were able to procure sugarcane at Notified price while mills in Sindh were at a disadvantage as competition prompted the price to increase. The price difference between two provinces was around 10% which created imbalance in the cost of production. In addition, sugar mills in Punjab having a larger share of cane crushed were able to attain economies of scale due to best fixed cost absorption.

Overall national sugar production totaled 7.1 million metric tons which showed an increase of around 40% when compared with the previous year. The final production numbers were Punjab with 4.5 million tons while Sindh accounted for 2.3 million tons. The KPK province produced just over 0.3 million Tons.

The significant increase in national production without a corresponding plan for its consumption/exports left the sugar mills struggling with a glut. One of the biggest challenges was to convince the government to allow sizeable exports in February 2017 when prices were still high internationally and a sizeable bumper crop could be envisaged. A 1.5 million Ton export policy was required. However despite continual pleas of the industry, only limited exports were allowed. The initial license was granted for a mere 225,000 Tons.

The local glut due to huge stocks, restrictive exports and continual fall in global prices allowed local prices to plummet from Rs. 58-60 per kg in December/January to Rs. 46-47 per kg in June/July 2017. And with Sales Tax remaining at Rs. 6 per kg, the mills net retention fell to Rs. 40 per kg which led to huge inventory losses.

Two export policies followed of 250,000 and 500,000 Tons. In The last 500,000 Tons the government gave a USD 100 per ton subsidy however by that time the global market had fallen by USD 200 per ton thus half the fall was still borne by the industry.

Despite the export of 1.0 million Tons by the industry the sugar market failed to recover and still trades at Rs. 48 per kg with Sales Tax. This reflects the huge inventory carried forward as well as the anticipation of further price pressure since 2017-2018 is again expected to be a bumper cane crop.

This season 2016-2017 remained a complicated one for the industry. While most mills produced record volumes of sugar, the untimely decision to move out the excess sugar led to a price collapse. While positive for our farmers since a majority of cane payments were already paid this situation caused huge inventory losses for millers.

## Operation Highlights

Season Started

Season Closed

Crushing Days

Crushing - M. Tons

Capacity Utilization

Sucrose Recovery

Sugar Production - M. Tons

Molasses Production - M. Tons

Molasses Recovery

**2016-2017**

2015-2016

**15-11-2016**

24-11-2015

**27-03-2017**

07-03-2016

**133**

105

**1,056,198**

940,626

**75%**

78%

**11.06%**

11.31%

**116,780**

106,400

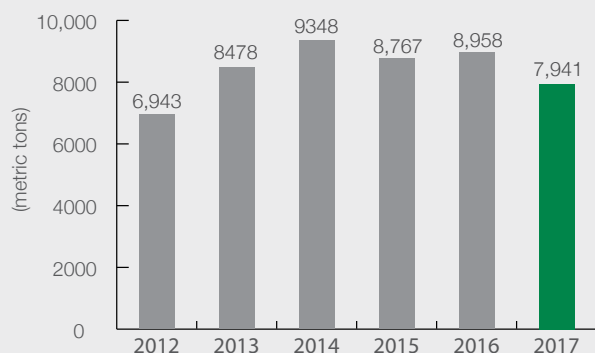
**48,864**

38,604

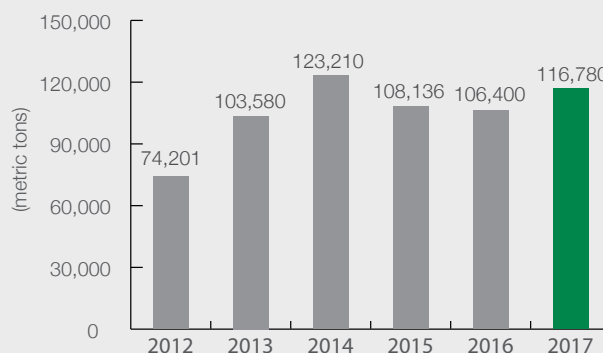
**4.53%**

4.06%

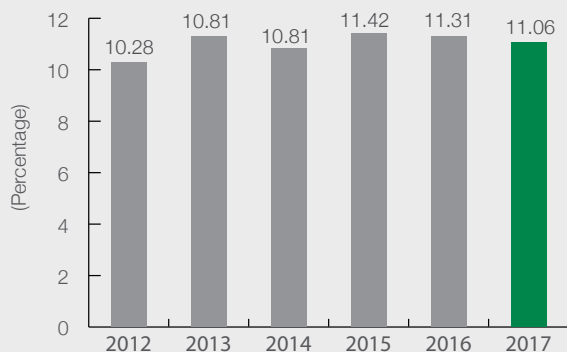
### Average Crushing per day



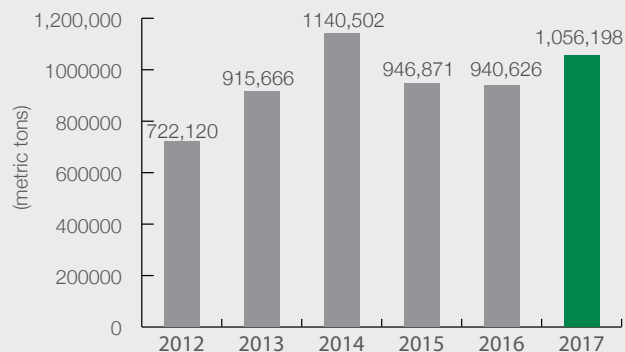
### Sugar Produced



### Sucrose Recovery



### Cane Crushed



## Financial Highlights

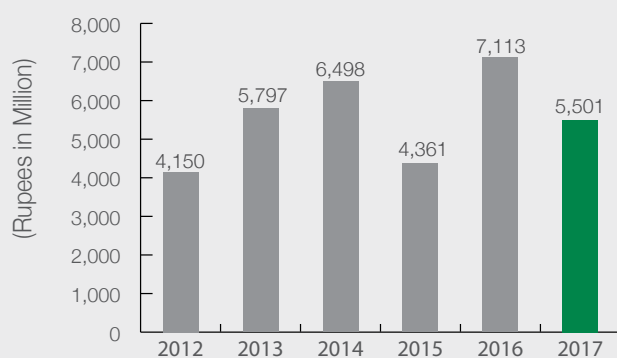
2016-2017

2015-2016

(Rupees in Thousand except EPS)

Local Sales	4,211,410	7,674,145
Export Sales	1,685,861	-
Total Turnover	5,897,272	7,674,145
Sales Tax/F.E.D	396,436	560,919
Gross Profit	268,003	742,879
Gross Profit margin	4.87%	10.44%
Profit before tax	198,546	668,007
Profit before tax margin	3.61%	9.39%
Net Profit after tax	131,675	541,807
Net Profit margin	2.40%	7.62%
Earnings per share	4.11	16.91

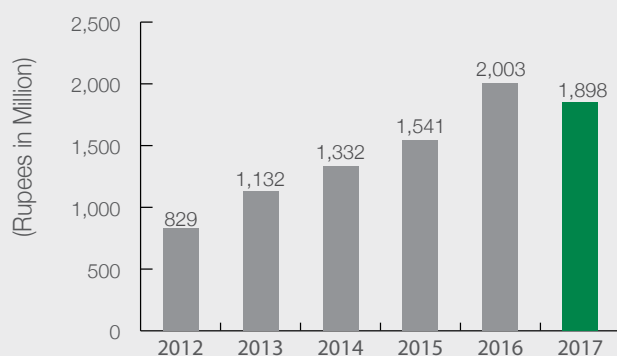
Turnover (Net)



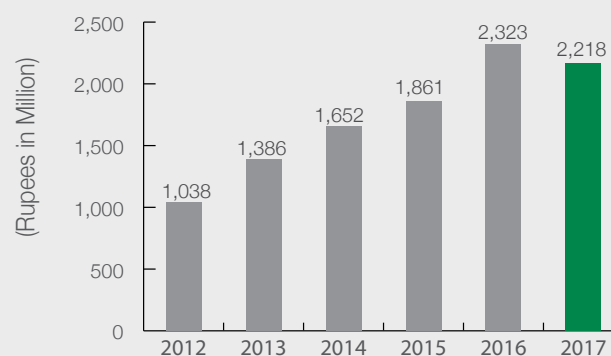
Pre-Tax Profit



Reserves



Shareholders' Equity



The crushing campaign 2016-17 started amidst slow harvesting by growers. This effected arrivals of sugarcane in the early days. The price of sugarcane could not be maintained at support price due to competition amongst sugar mills. As explained in our industry review this created a disparity between mills costs of production across the country.

The recovery trend at 11.06%, though lower than 2015-2016, was amongst the highest in the country. We are proud to state that your mills sucrose Recovery remained in the top 5 in the country.

Provincial sucrose recovery at 9.85% was 12% lower than Mehran and was lower than previous year's 10.53%. National recovery stood at 10.07%. Overall Crushing was also 12% higher than last year however capacity utilization went down marginally due to the extended season days.

To overcome the glut your company tried to maximize exports and take advantage of the export policy given. During the year, company was able to export 31,493 metric tons compared to none in the previous year.

**Decline in profitability was mainly attributed by following factors.**

- Decrease in local selling price of sugar from Rs. 58 per kg to Rs. 46 per kg and that of exports from \$ 550 per ton to \$ 350 per ton.
- Valuation of closing stocks at net realizable value since domestic market continued to fall.
- Increase in sugar cane price.
- Substantial increase in financial charges from Rs.98.6 million to Rs.196.7 million. Major increase in financial charges is attributable to higher Cane payments and thus short term borrowings. These remained high as selling sugar in a glut became difficult and thus sales volume was restricted.
- Increase in Distributions Costs due to export sales.
- Increase in Administration Expenses.
- Share of profit from associated company (Unicol Limited) reduced to Rs. 106.79 millions from Rs. 116.32 millions.

Profit before Taxation and Profit after Taxation amounting to Rs. 198.55 and Rs. 131.68 million respectively were considerably lower than last years' Rs. 668 million and Rs. 541.81 million.





The results remained positive only because of a contribution of gains on short term investments which amounted to Rs. 262.3 million compared to Rs. 54.5 million during the previous year. Also share of profit from Unicol contributed Rs 106.79 million.

Our power exports to the national grid via HESCO went through smoothly and proceeds were also realized on timely basis. We supplied 3.45 million Units to HESCO during the season and payment was made by HESCO in a timely manner. During the year under review, we spent an amount of Rs.190 Million primarily focusing on operational efficiency and reduction in steam percentage to around 45%. This will result in increased savings of bagasse which is estimated to be at 50,000 metric tons from 30,000 Tons previously. This investment is important for any sugar mill which aims to set up a co-generation power project as it allows availability of fuel for the power project. Automation at Mill and Process House is expected to further improve monitoring and efficiencies.

We are pleased to report that our state-of-the-art effluent treatment plant developed at an estimated cost of Rs.160 million has commenced trial run and results obtained were quite satisfactory. We expect its full fledged commissioning and operation during crushing season 2017-18 which will insha Allah make us fully compliant

with all environmental laws. Considering the seriousness of environmental matters in the country and attention by regulators, we are proud to play a positive role in this.

The Auditors have emphasized on contingencies as reported in note 27.1 of the financial statements. Expected outcome of referred contingencies is adequately disclosed in the said note.

## FUTURE OUTLOOK

Crushing campaign of 2017-2018 has now started in full swing. The Provincial Government has again announced a Minimum Support Price which is the same as last year of Rs.182 per 40 kg. We feel this price being consistent with last year is unfair considering domestic sugar prices are 25-30 percent lower than last year and could remain under pressure due to a national record crop. The crop is expected to be around 7-10 percent larger than last year's record crop of 7.1 Million Tons.

In order to mitigate the millers concern, the Provincial Government has announced an additional subsidy of Rs.9.3 per kg on exports. However, it has limited this to a small percentage of each mills total production. Also a formal notification for this subsidy is yet to be issued. Hopefully the matter of cane price shall soon be resolved.



Freight subsidy claims lodged under previously announced quota of 500,000 metric tons have not materialized due to a delay in transfer of funds to the government treasury by federal and provincial governments.

Despite all odds, we have stepped into the crushing campaign 2017-18 with all our efforts. Abundant cane in our area and presence of early maturing sugarcane varieties offer a good opportunity to take advantage through consistent crushing and in achieving high recoveries. Payment obligations for purchase of sugarcane continue to be in line with our past practice. Hence, we are confident to attain our crushing and production targets provided measures announced by Federal and Provincial governments are fulfilled.

Hopefully in the next quarter report pricing matters shall have clarified and we can report those more significantly.

## UNICOL LIMITED

Production and sales of ethanol increased marginally from 53,387 MT and 52,843 MT to 57,867 MT and 56,371 MT respectively. Profit after tax declined slightly from PKR. 325.243 million to PKR. 320.353 million. CO<sub>2</sub> business has been growing steadily. Sales and production have increased by 13.5% and 18% respectively and are expected to show further improvement in view of management's efforts towards securing long term supply contracts with leading beverage manufacturers.

Table below shows few highlights of the Company for the year:

Unicol Limited	Units	2016-2017	2015-2016
Turnover	Rs.in '000'	4,455,265	4,133,750
Gross Profit	Rs.in '000'	733,825	725,255
Pretax Profit	Rs.in '000'	340,353	335,244
After Tax Profit	Rs.in '000'	320,353	325,244
Earnings per Share	Rs.	2.14	2.17
Production-Ethanol	M. Tons	57,867	53,387
CO <sub>2</sub> Production	M. Tons	7,640	6,474

The year 2017-18 looks promising for Unicol as molasses prices have fallen and it has procured a bulk of its purchases. On the other hand ethanol prices have remained stable and sales contracts have already been concluded for the half year.

## UNIENERGY LIMITED

Work on UniEnergy Ltd, a joint venture (in which Mehran holds 20% equity) established for setting-up a 50 mega watt wind power plant in Jhimpir area of the Sindh province, has stalled due to non-availability of the grid for evacuation for the power and expiry of tariff. It is expected that NEPRA will soon announce a new tariff based on competitive bidding. We are hopeful for an early action from the regulator to bring the project back. Mehran has presently injected Rs. 20 million equity in the project.

## UNIFOOD INDUSTRIES LIMITED

We have committed to invest up to 24 percent equity in Unifood Industries Ltd. The total commitment is for Rs. 200 million. Presently 72 million equity has been injected in the company. The packaged cakes plant at Hub Industrial Estate is in the process of erection. Plant and machinery has already arrived and foreign engineers are busy in its erection. The plant is expected to go into trial production in the first quarter of 2018. We are optimistic about the success of this project as it will open doors for introduction of new products.

## MEHRAN ENERGY LIMITED

The proposed 26.5 M.W power plant is going through regulatory approvals. Tariff

has been awarded to the project by NEPRA. Alternate Energy Development Board (AEDB) has issued a formal Letter of Support in this respect. The Company intends to enter into an Energy Purchase Agreement (EPA) and Implementation Agreement (IA). However, this process has been stalled temporarily as CPPA has filed a Review Petition with NEPRA and asked against the NEPRA framework to revise take or pay to take and pay policy.

## ACKNOWLEDGMENT

We are trying to build a stable and long term future focused on stakeholder's satisfaction. In achieving this objective, we would like to appreciate the devotion and efforts of the workers, staff and executives and anticipate that in the future as well, they will continue to contribute towards the enhancement of the productivity and well being of the Company with greater zeal and spirit.

The Board further extends its gratitude to the government functionaries, associations, banking and financial institutions, shareholders and vendors for their valued support and co-operation for the betterment and prosperity of the Company. Detailed report on Company's efforts towards CSR and compliance of corporate governance regulations and environmental laws and its impact are annexed in the report.

For and on behalf of the Board of Directors



Mohammed Ebrahim Hasham  
Chief Executive Officer



Muhammad Iqbal  
Director

Karachi: December 26, 2017

# Corporate Governance Framework

## Board of Directors

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

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

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

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

## Statement of Ethics & Business Practices

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

## Audit Committee

The Audit Committee of the Company comprises

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

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

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

## External Audit

The Company wishes to place on record its appreciation for the services rendered by the Company's auditors M/s. EY Ford Rhodes, Chartered Accountants, who have completed the audit of financial statements of the Company for the year ended September 30, 2017. M/s EY Ford Rhodes, Chartered Accountants, being eligible, have offered themselves for re-appointment for the year ending September 30, 2018, Audit Committee has also recommended for re-appointment, however shareholders approval for the said appointment will be sought in AGM.

## Corporate & Financial Reporting Framework

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

- The financial statements, prepared by the management of the Company, fairly present its state of affairs, the result of its operations, cash flows and changes in equity;
- The Company has maintained proper books of accounts as required under the law;

- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained;
- There are no significant doubts upon the Company's ability to continue as a going concern;
- The summary of key operating and financial data for last six years is annexed;
- The Company has made contribution towards the national exchequer in the form of Federal, Provincial and local taxes and levies; as disclosed in annexed Financial Statements.
- The Company is operating a Provident Fund Scheme for its permanent employees. The value of the fund as at September 30, 2017 was Rs 154.369 million (approx);
- There is also an un-funded gratuity scheme. On the basis of actuarial valuation conducted during 2017, a net liability of Rs. 4.87 million as at September 30, 2017 has been provided;
- The Pattern of Shareholding as at 30th September, 2017 is annexed;
- Mohammed Hussain Hasham, Director of the Company sold 35,200 shares of the Company, also Muhammad Hanif Aziz, CFO

of the Company purchased 10,000 shares of the Company through Stock Exchange during the year under review, both transactions were disclosed to the SECP and PSX according to the relevant rules and regulations, None of the other directors, CEO and Executives and their spouses and minor children carried out any transaction in the shares of the Company during the year under review.

#### Adequacy of Internal Financial Controls

The system of internal control is sound in design and has been effectively implemented and monitored, we also confirm compliance of Corporate Governance with highest standard.

#### Certificate of Related Parties Transactions

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


#### Material Changes

There have been no material changes since September 30, 2017 and the Company has not entered into any commitment, which would affect its financial position at the date.

For and on behalf of the Board of Directors



Mohammed Ebrahim Hasham  
Chief Executive Officer



Muhammad Iqbal  
Director

Karachi: December 26, 2017

# Corporate Social Responsibility

## RESPONSIBILITY TO STAKEHOLDERS

### Investment in Human Capital

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

Our employee-training program is continually upgraded to remain in line with the changing needs of our Company. During this year we continued to invest in our Human resource through training programs at PIM and PICG as well as other training forums. A total of 14 members from the Mehran team spent 3 days in Lahore attending the PSST sugar conference. We also had our cane team attending 4 days seminar in Lahore on sugarcane diseases, its control, seedling and water treatment conducted by Mauritius Sugarcane Research Institute.

During the year, we have engaged BMA a renowned technical consultant from Germany for evaluation of our plant heat mass balance, boilers steam efficiencies and to educate us for installation of FFEs in context of our upcoming 26.5 MW

power project. During the exercise, our technical team along with our sugar technology partner IPRO has developed a great synergy with BMA and our technical team learnt a lot in context of defined areas. BMA also shared a comprehensive report covering their scope of engagement. Based on positive feedback of our Technical team we look forward to working with BMA in future by developing a long standing relationship with them.

### Investment in our Working Environment

We have in the last 4 years invested Rs. 60.05 Million on uplifting our working environment for employees at both Head office and Mills. At the mill our Management House and technical House have been modernized. The old factory mosque has also been modernized in its facade and internal areas. A new instrument block has also been made considering the future needs to automate the factory and thus requirement for quality human resource. We have invested 10.05 million this year on Construction of So-safe drinking water filter plant and Colony residence repair maintenance by considering our responsibility to provide improved facilities to our workers and staffs at our mills. The entire boundary wall facing the main road has been re-build, in addition pavers have been laid in most parts of the residential colony and the factory area walk ways.



## Investment in employee HSE

MSML employees are at the heart of the corporate strategy of the Company. The core objective of the Company is to create conducive working environment, in line with the best industrial practices and ensuring adherence to the requirements of the health and safety codes. The HSE department is entrusted with the responsibility of monitoring of HSE compliance and ensures mandatory usage of relevant safety equipment at work for workers. By complying the referred HSE protocols this year the HSE department has conducted a three days' workshop on safety training which were also attended by seasonal contractors' supervisory staff. In addition to this Annual third party external environmental & safety audits, scheduled internal audit & inspection were performed. Through demonstrations safety observation culture was promoted to eliminate hazards which may lead to accidents, more than 3000 safety observations were made. For the awareness of employees and contractors Global Health and Safety/ Environmental Days were also observed during the year.

Contribution towards Education in Rural Pakistan  
We strongly believe that every sugar mill must play its role to assist in strengthening the educational environment around its vicinity. Since sugar mills are located in the rural areas of Pakistan they have an ideal opportunity to contribute where the need for education is most extreme.

One of the core initiatives of our social development



programs is to provide education in the rural areas specifically near our mill premises. For this reason, three schools are running to provide quality education to our students.

## Daood Memorial School (DMS)

The school is situated within the premises of the mills primarily for our employees and generally for the youth of the surrounding areas. Since its incorporation in 1998-99, the Company is providing full operational, financial and logistic support to the school. By the grace of God, and continuous efforts of the management and the teachers, the school is growing steadily and currently 550 students are enrolled and 19 faculty members are entrusted to provide quality education. While the number of students increases, we have continued to ensure that there is no compromise on the education standards of the schools. This is benchmarked through teacher training programs as well as results of our students.

## TCF School – Haji Hasham Campus

In order to broaden the horizon of our education initiative, a school has been developed in collaboration with The Citizen Foundation in Piyaro Lund area, 13 kilometers from our factory. The school was established in 2011 at a cost of Rs. 11.26 Million funded by Mehran Sugar. Currently 321 students are enrolled with 19 faculty members.



### TCF School - Hurri Campus

MSML has again taken an initiative for broadening the education base by embarking on the development of yet another school at Hurri, 12kms from our factory. The school is again being developed in collaboration with The Citizens Foundation at a cost of Rs. 16.5 Million, which Mehran Sugar contributed in large interest of the local community. The campus has started its academic session from April 2016. So far 241 students are enrolled with 10 faculty members.

### Vocational training

In order to bring some improvement in life style of the women of surrounding areas, a Vocational training Centre has been established within the MSML Staff Colony, which provides basic training to the women of the colony and surrounding areas for sewing, embroidery, cooking and stitching to the women of the colony and surrounding areas. This year the entire center has been renovated to give a modern look. At present the vocational center is providing training to 17plus women in multiple faculties.

### Health services

The Company recognizes its responsibility towards provision of health services in the surrounding areas of Tando Allahyar. The MSML mobile dispensary unit has been operational since 2004. The dispensary is fully equipped and provides basic health care services to the needy free of cost. A dedicated full time doctor and relevant staff have been assigned for this unit. During the period from October 2016 to September 2017, the number of patients treated is 5,110 and since its establishment the dispensary has treated a quantum of more than 65,000 patients.

### Farmer support services

We believe that the farmers are the enablers of our sustainable growth. Throughout the year,

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

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

### Customer satisfaction

Mehran Sugar Mills limited is always keen to produce premium quality sugar which qualifies international as well as "PSQCA" standards. Accordingly, the Company is in the process of establishing the Quality Management System based on the requirements of ISO 9001:2015 standards. For quality assurances management, a dedicated management representation is entrusted to implement and monitor the implementation of relevant policies.

## RESPONSIBILITY TO SOCIETY

### Power generation

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

Seeking the opportunity to contribute its share to the national grid, Mehran Sugar Mills limited



has obtained the power generation license from national power Regulatory Authority (NEPRA) and made necessary investments to connect to the national grid. Further, MSML successfully negotiated a Power purchase agreement with HESCO for supply of 5 MW. Power supply has started from January 2015. The success of this 5 MW power plant stimulate us to initiate Co-generation on larger scale, we are in the process of setting up a 26.5 MW Co-generation Power Plant.

### Governance structure

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

### Contribution towards economy

The Company is a noteworthy contributor to the national economy and has contributed to the national exchequer Rs. 662 million in respects of payments towards Federal excise duty, income tax and other statutory levies. Our associated company UNICOL Limited was also able to export USD 38 million of ethanol in the last financial year.

For and on behalf of the Board of Directors



Mohammed Ebrahim Hasham  
Chief Executive Officer



Muhammad Iqbal  
Director

## RESPONSIBILITY TO ENVIRONMENT

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

### Emission and discharges

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

### Waste Water Treatment

Over the last 3 years we at Mehran have been striving to create an efficient waste water management system. We have recently completed stage three of our water discharge system whereby we have accomplished 90 percent reuse of waste water at the plant. The remaining water is used in our farms adjoining the factory. We have invested a total of Rs. 162 Million on the project and are proud to state that our waste water system was created in house by our capable engineering team. This plant is fully operational now and is only second of its kind in the entire sugar industry of the country.

پہلے ہی درآمد کی جاچکی ہے اور غیر ملکی انجنیئر اس کی تنصیب پر کام کر رہے ہیں۔ پلانٹ 2018 کی پہلی سہ ماہی میں اپنی آزمائشی پیداوار کرے گا۔ ہم اس منصوبے کی کامیابی کے لئے پُر امید ہیں۔ یہ منصوبہ مستقبل میں نئی مصنوعات کے لئے راہ ہموار کرے گا۔

## مہران انرجی لمیٹڈ

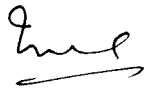
مجوزہ منصوبہ 26.5 میگا واٹ بجلی پیدا کرنے کا منصوبہ ہے جو کہ ریگولیری منظوری کے مراحل سے گزر رہا ہے۔ اس پراجیکٹ کو نیپرا کی جانب سے ٹیرف دیا جا چکا ہے۔ متبادل انرجی ڈویلپمنٹ بورڈ (AEDB) نے اس سلسلے میں معاونت کا ایک رسمی خط (LoS) جاری کیا ہے، کمپنی جلد ہی انرجی خریداری کے معاہدے (EPA) اور عملدرآمد معاہدہ (IA) میں شامل ہو جائے گی۔ تاہم، یہ عمل عارضی طور پر جمود کا شکار ہے۔ کیونکہ سی پی پی اے نے نیپرا میں ریویو پیڈیشن فائل کی ہے جس میں نیپرا کی بنیادی پالیسی ”خرید یا ادائیگی“ کو ”خرید اور ادائیگی“ سے تبدیل کرنے کی استدعا کی گئی ہے۔

## اظہارِ تشکر

ہم ایک طویل المدتی اساس کی بنیاد پر اپنے تمام شراکت داروں کو مد نظر رکھتے ہوئے پالیسی وضع کرنے کی کوشش کر رہے ہیں۔ ان مقاصد کے حصول کے لئے ہم اپنے محنت کشوں، اسٹاف اور افسروں کی انتھک لگن اور محنت کو قدر کی نگاہ سے دیکھتے ہیں اور امید کرتے ہیں کہ مستقبل میں بھی اسی جذبہ اور لگن سے کام جاری رکھیں گے۔

بورڈ تمام حکومتی اداروں، بینکوں اور سپلائرز سے بھی اظہارِ تشکر کرتا ہے جن کے تعاون اور مدد سے کمپنی زیادہ موثر اور مستحکم ہوئی۔ کمپنی کی کوششیں برائے عوامی فلاح و بہبود اور کارپوریٹ گورننس کے حوالے سے مکمل اظہارِ خیال اس رپورٹ کے اگلے صفحات پر کیا گیا ہے۔

از طرف بورڈ آف ڈائریکٹرز



محمد اقبال

ڈائریکٹر



محمد ابراہیم ہاشمی

چیف ایگزیکٹو آفیسر

کراچی : 26 دسمبر 2017

میں بالترتیب 13.5 فیصد اور 18 فیصد اضافہ ہوا ہے اور توقع ہے کہ مشروبات بنانے والی کمپنیوں کے ساتھ طویل مدتی سپلائی کے معاہدوں کے پیش نظر اس میں مزید بہتری متوقع ہے۔

درج ذیل ٹیبل کمپنی کی چند مالیاتی اور آپریشنل جھلمکیاں ظاہر کرتا ہے۔

2015-2016	2016-2017	یونٹس	یونی کول لمیٹڈ
4,133,750	4,455,265	Rs.in '000'	مجموعی فروخت
725,255	733,825	Rs.in '000'	مجموعی منافع
335,244	340,353	Rs.in '000'	منافع قبل از ٹیکس
325,244	320,353	Rs.in '000'	منافع بعد از ٹیکس
2.17	2.14	Rs.	فی حصص آمدنی
53,387	57,867	M. Tons	ایتھنول پیداوار
6,474	7,640	M. Tons	CO <sub>2</sub> پیداوار

سال 2017-18 یونی کول کے لئے مثبت نظر آرہا ہے جس کی بنیادی وجہ مولیسس کی قیمتوں میں گراؤٹ جبکہ ایتھنول کی قیمتوں میں استحکام ہے۔ کمپنی نے پہلے چھ ماہ کے لئے ایتھنول کی فروخت کے معاہدے کر لئے ہیں۔

### یونی انرجی لمیٹڈ

یونی انرجی لمیٹڈ (جس میں مہران کی سرمایہ کاری 20% ہے) جو کہ جھمپیر کے مقام پر 50 میگا واٹ ونڈ پاور پلانٹ قائم کرنے کے لئے ایک مشترکہ سرمایہ کاری کا منصوبہ ہے، اس وقت جمود کا شکار ہے جس کی وجہ گرڈ کی عدم دستیابی اور نیپرا کی جانب سے دیئے گئے ٹیرف کی مدت کا ختم ہونا ہے امید کی جاتی ہے کہ نیپرا کی طرف سے مسابقتی بنیاد پر ایک نئے ٹیرف کا جلد اعلان کیا جائے گا۔ ہم امید کرتے ہیں کہ منصوبے کو فعال کرنے کے لئے ریگولیٹرز جلد لائحہ عمل دیں گے۔ ہم نے اب تک اس منصوبے پر دو کروڑ روپے کی سرمایہ کاری کی ہے۔

### یونی فوڈ انڈسٹریز لمیٹڈ

ہم نے اس منصوبے پر 24% سرمایہ کاری کی منظوری دی ہے۔ ہماری سرمایہ کاری کا مجموعی حجم 20 کروڑ روپے ہے اب تک 7 کروڑ 20 لاکھ روپے تک کی سرمایہ کاری کی جا چکی ہے۔ کیک تیار کرنے کا پلانٹ حب انڈسٹریل اسٹیٹ میں تنصیب کے مراحل میں ہے۔ مشینری

پچھلے مالی سال کے دوران کمپنی نے پلانٹ کی صلاحیت بڑھانے اور ایندھن (بھاپ) کی ضرورت کو 45 فیصد تک لانے کے لئے 190 ملین روپے کی سرمایہ کاری کی جس کے نتیجے میں اس سال بگاس (Bagasse) کی بچت کا تخمینہ 50 ہزار ٹن لگایا گیا ہے جو کہ پچھلے سال 30 ہزار ٹن تھی کسی بھی شوگر مل کے لئے جو کہ پاور پروجیکٹ لگانا چاہے کے لئے اس طرح کی سرمایہ کاری بہت اہم ہے، شوگر مل کے پاور پلانٹ کے لئے بگاس (Bagasse) ایندھن کے طور پر استعمال ہوتا ہے، مل ہاؤس کی آٹومیشن، پلانٹ کی کارکردگی کو مزید بہتر کرنے میں مدد دے گا۔

یہ بتاتے ہوئے ہمیں خوشی محسوس ہو رہی ہے کہ ہمارا جدید ایفلوئمنٹ واٹر ٹریٹمنٹ پلانٹ، جو کہ 160 ملین روپے کی کثیر سرمایہ کاری سے لگایا گیا ہے، کو آزمائشی طور پر چلایا گیا ہے جس کے نتائج انتہائی اطمینان بخش ہیں۔ ہمیں اُمید ہے کہ 18-2017 کے سیزن کے دوران اس کو مکمل طور پر چلایا جائے گا جس کے بعد ہم انشا اللہ ماحولیاتی آلودگی سے متعلق تمام قوانین پر عمل کرنے والی کمپنی میں شمار ہونگے۔ ہمیں فخر ہے کہ ملک میں بڑھتے ہوئے آلودگی کے مسائل اور متعلقہ اداروں کی اس طرف توجہ اور فکرمندی کے ساتھ ہم نے اس سمت میں اپنا مثبت کردار ادا کیا ہے۔ آڈیٹرز نے اپنی رپورٹ میں مالیاتی گوشواروں کے نوٹ نمبر 27.1 پر زور دیا ہے۔ متعلقہ نوٹ میں اس کے ممکنہ نتائج پر مناسب انداز میں بات کی جا چکی ہے۔

## مستقبل کا منظر نامہ

سیزن 18-2017 کا آغاز ہو چکا ہے صوبائی حکومت نے گنے کے کم از کم نرخ 182 روپے فی 40 کلو گرام کا اعلان کیا ہے جو کہ پچھلے سال بھی یہی تھی، ہم یہ محسوس کرتے ہیں کہ گنے کی قیمت میں گو کہ پچھلے سال کے مقابلے میں کوئی تبدیلی نہیں کی گئی ہے لیکن یہ چینی کی قیمتوں سے مطابقت نہیں رکھتی جو کہ پچھلے سال کی نسبت 25 سے 30 فیصد گر چکی ہیں اور گنے کی اضافی پیداوار کی وجہ سے قیمت مزید دباؤ کا شکار رہے گی پیداوار اس سال پچھلے سال کی 7.1 ملین ٹن کے مقابلے میں 7 سے 10 فیصد زیادہ رہنے کی توقع ہے۔ حکومت سندھ نے شوگر ملز کے خدشات کے پیش نظر 9 روپے 30 پیسے کی مزید ایکسپورٹ سبسڈی کا اعلان کیا ہے تاہم یہ بہت معمولی مقدار کے لئے اعلان کیا گیا ہے اور اس کا باقاعدہ نوٹیفیکیشن ہونا ابھی باقی ہے۔ ہمیں اُمید ہے کہ گنے کے نرخ کا معاملہ جلد حل ہو جائے گا 50 لاکھ ٹن برآمد پر دی گئی سبسڈی ابھی تک حکومت کی جانب سے فنڈ کی منتقلی میں تاخیر کی وجہ سے عمل پذیر نہیں ہو سکی۔

تمام مشکلات کے باوجود ہم نے کرشنگ مہم 18-2017 کا آغاز کر دیا ہے گنے کی اضافی پیداوار اور اچھی اقسام ہمیں بغیر رکاوٹ اور مستقل مزاجی سے کرشنگ کرنے اور اس کے نتیجے میں بہتر سکروز ریکوری حاصل کرنے میں مدد دے سکتی ہے۔ گنے کی خریداری کے لئے فوری ادائیگی کا عمل ماضی کی طرح جاری رہے گا۔ لہذا، ہمیں یقین ہے کہ ہم کرشنگ اور پیداوار کے اہداف حاصل کر لیں گے بشرطیکہ وفاقی اور صوبائی حکومتیں اپنے اعلان کردہ اقدامات پر عمل کریں۔

## یونی کول لمیٹڈ

4 ستمبر کی پیداوار اور فروخت بالترتیب 53,387 میٹرک ٹن اور 52,843 میٹرک ٹن سے 57,867 میٹرک ٹن اور 56,371 میٹرک ٹن رہی۔ منافع بعد از ٹیکس 325.243 ملین روپے سے 320.353 ملین روپے رہا۔ CO<sub>2</sub> کا کاروبار مسلسل بڑھ رہا ہے سیزل اور پیداوار

سیزن 2016-17 کے آغاز سے ہی کاشتکاروں کی جانب سے گنے کی کٹائی میں سستی نظر آئی جس کی وجہ سے ابتدائی دنوں میں گنے کی آمد کم رہی۔ شوگر ملز کے درمیان مسابقت کی وجہ سے گنا مقرر کردہ نرخ سے زائد میں خرید اگیا اور جیسا کہ اوپر صنعتی جائزہ میں بیان کیا گیا کہ اس کی وجہ سے ملک کے مختلف حصوں میں چینی کی پیداواری لاگت میں یکسانیت برقرار نہ رہ سکی۔

سکروز ریکوری جو کہ 11.06% رہی گوکہ سیزن 2015-16 کے مقابلے میں کم تھی لیکن یہ ملکی سطح پر بہترین ریکوری میں سے ایک ہے۔ صوبائی سطح پر سکروز ریکوری 9.85% رہی جو کہ مہران کے مقابلے میں 12% کم تھی اور گذشتہ سال کے 10.53% سے بھی کم تھی جبکہ قومی سطح پر سکروز ریکوری 10.07% تھی۔ مجموعی کرشنگ پچھلے سال کی مقابلے میں 12 فیصد زیادہ تھی لیکن پیداواری صلاحیت کا استعمال نسبتاً کم رہا جس کی وجہ سیزن کا دورانیہ بڑھنا ہے۔

### مندرجہ ذیل عوامل منافع میں کمی کی وجہ ہیں

- چینی کی مقامی فروخت 58 روپے فی کلو سے 46 روپے فی ٹن تک ہو جانا، جبکہ برآمدی قیمت \$550 فی ٹن سے \$350 فی ٹن تک آ جانا۔
- چینی کے ذخائر کو موجودہ مارکیٹ کی قیمت پر تعین کرنا اور اس سے ہونے والے نقصان کو گوشواروں میں ظاہر کرنا۔
- گنے کی قیمت میں اضافہ
- مالیاتی لاگت میں اضافہ جو کہ 98.6 ملین روپے سے 196.7 ملین روپے تک جا پہنچا۔ اس اضافے کی بنیادی وجہ گنے کی زیادہ ادائیگیاں اور اس کے لئے قلیل مدتی قرضہ جات کا حصول ہے۔ یہ قرضہ جات زیادہ عرصہ تک برقرار رہنے کی وجہ چینی کی وافر مقدار کی وجہ سے فروخت میں مشکلات اور کمی ہے۔
- برآمدات کی وجہ سے چینی کی ترسیل کے اخراجات میں اضافہ۔
- انتظامی اخراجات میں اضافہ۔
- ایسوسی ایٹڈ کمپنی (یونی کول لمیٹڈ) کے منافع میں حصہ داری 116.32 ملین روپے سے کم ہو کر 106.78 ملین روپے تک ہو جانا۔

قبل از ٹیکس اور بعد از ٹیکس منافع بالترتیب 198.55 ملین روپے اور 131.68 ملین روپے رہا جو کہ پچھلے سال کے 668 ملین روپے اور 541.81 ملین روپے کے مقابلے میں کم رہا۔

مالیاتی نتائج مجموعی طور پر مثبت رہنے کی وجہ قلیل مدت کے لئے کی گئی حصص میں سرمایہ کاری سے حاصل ہونے والا منافع جو کہ 262.3 ملین روپے رہا جبکہ پچھلے سال یہ منافع صرف 54.5 ملین روپے ریکارڈ کیا گیا تھا اس کے علاوہ یونیکول لمیٹڈ سے حاصل ہونے والا منافع نے بھی مثبت نتائج پیدا کئے جو کہ 106.78 ملین روپے تھا۔

سیزن کے دوران HESCO کو بجلی کی ترسیل تسلسل سے جاری رہی۔ دوران سیزن HESCO کو 3.45 ملین یونٹس بجلی کی ترسیل کی گئی اور ادارے کی طرف سے بروقت ادائیگی بھی کردی گئی۔

سیزن 2016-17 چینی کی صنعت بہت مشکل حالات کا شکار رہی۔ زیادہ تر ملوں نے تاریخی پیداوار کی لیکن حکومت کا برآمدات کے لئے مناسب وقت پر فیصلہ نہ کرنے کی وجہ سے قیمتوں میں نمایاں کمی واقع ہوئی۔ خوشی کی بات یہ ہے کہ زیادہ تر ملوں نے کاشتکاروں کو گنے کی ادائیگیاں کردی ہیں۔

2015-2016

2016-2017

24-11-2015

15-11-2016

07-03-2016

27-03-2017

105

133

940,626

1,056,198

78.0%

75.0%

11.31%

11.06%

106,400

116,780

38,604

48,864

4.06%

4.53%

## آپریشنل معلومات

سیزن شروع ہونے کی تاریخ

سیزن ختم ہونے کی تاریخ

سیزن کا دورانیہ (دن)

گنے کی کرسٹنگ (میٹرک ٹن)

پیداواری صلاحیت کا استعمال

سکروز ریکوری

چینی کی پیداوار (میٹرک ٹن)

مولیسس کی پیداوار (میٹرک ٹن)

مولیسس کی ریکوری

2015-2016

2016-2017

(روپے ہزاروں میں ماسوائے فی حصص آمدنی)

7,674,145

4,211,410

-

1,685,861

7,674,145

5,897,272

560,919

396,436

742,879

268,003

10.44%

4.87%

668,007

198,546

9.39%

3.61%

541,807

131,675

7.62%

2.40%

16.91

4.11

## مالیاتی معلومات

فروخت - مقامی مارکیٹ

فروخت - برآمدات

مجموعی فروخت

فیڈرل ایکسائز ڈیوٹی / سیلز ٹیکس

خالص منافع

خالص منافع کی شرح

قبل از ٹیکس منافع

قبل از ٹیکس منافع کی شرح

بعد از ٹیکس منافع

بعد از ٹیکس منافع کی شرح

فی حصص آمدنی

## چینی کی مقامی صنعت کا جائزہ

سیزن 2016-17 کے لئے گنے کی کرشنگ کا آغاز نومبر 2016 میں ہوا، سندھ گورنمنٹ کی طرف سے گنے کی کم از کم قیمت مبلغ 182 روپے فی چالیس کلوگرام مقرر کی گئی تھی۔ صوبہ سندھ میں گنے کی دستیابی، صوبہ پنجاب اور خیبر پختونخواہ کے مقابلے میں مشکل رہی جس کی وجہ سے ملوں کے درمیان مسابقت پیدا ہوئی اور گنے کے نرخ مقرر کردہ کم از کم نرخ سے تجاوز کر گئے یہی وجہ ہے کہ سندھ کی شوگر ملوں کی پیداواری قیمت نسبتاً زیادہ رہی۔

سیزن کا سب سے مشکل مرحلہ گنے کی فصل کے مجموعی حجم کا اندازہ کرنا تھا خاص طور پر صوبہ پنجاب میں جہاں مختلف اندازے لگائے گئے لیکن حیرت انگیز طور پر پنجاب میں فصل کی بہتر فی ایکڑ پیداوار کی وجہ سے پچھلے تمام ریکارڈ ٹوٹ گئے اور پنجاب میں چینی کی پچھلے تخمینہ سے 10 لاکھ ٹن اضافی پیداوار ریکارڈ کی گئی گنے کی فراوانی کی وجہ سے شوگر ملیں پنجاب میں اپریل کے آخر تک جب کہ سندھ میں مارچ کے آخر تک چلتی رہیں، گنے کی وافر مقدار کے باعث پنجاب میں گنا مقرر کردہ کم از کم نرخ پر خریدا گیا جبکہ سندھ میں ملوں کے درمیان مسابقت کی وجہ سے گنے کی قیمت میں 10% تک فرق دیکھا گیا جس کے باعث چینی کی پیداواری لاگت میں عدم توازن پیدا ہوا، اس کے علاوہ گنے کی زیادہ مقدار میں کرشنگ کی وجہ سے بھی پنجاب کی ملوں کی پیداواری لاگت میں بھی کمی آئی۔

مجموعی طور پر چینی کی قومی پیداوار 71 لاکھ میٹرک ٹن ریکارڈ کی گئی جو کہ پچھلے سال کے مقابلے میں تقریباً چالیس فیصد زیادہ ہے۔ پنجاب میں مجموعی طور پر 45 لاکھ ٹن چینی کی پیداوار ہوئی جبکہ سندھ اور خیبر پختونخواہ میں بالترتیب 23 لاکھ اور 3 لاکھ ٹن چینی کی پیداوار ہوئی۔

چینی کی اضافی پیداوار کی کھپت یا برآمدات کے لئے پہلے سے کسی قسم کی منصوبہ بندی نہ ہونے کی وجہ سے شوگر ملز اس وقت وافر ذخائر کے ساتھ شدید دباؤ میں ہیں۔ سب سے مشکل مرحلہ فروری 2017 میں حکومت کو چینی کی برآمد پر قائل کرنا تھا جب عالمی منڈی میں قیمتیں اوپر تھیں اور پیداوار میں اضافہ کا تخمینہ لگایا جا چکا تھا۔ تقریباً 15 لاکھ ٹن برآمدات کی حکومت کو تجویز دی گئی لیکن پہلے مرحلے میں صرف 225,000 ٹن برآمد کی اجازت دی گئی۔

چینی کے اضافی ذخائر، برآمد کی اجازت نہ ملنے اور عالمی منڈی میں چینی کی گرتی ہوئی قیمتوں کی وجہ سے مقامی منڈی میں چینی کی قیمت جو کہ دسمبر 2016 اور جنوری 2017 میں 58 سے 60 روپے فی کلو کے درمیان تھی وہ جون/جولائی 2017 میں 46 سے 47 روپے فی کلو تک گر گئی، جبکہ سیلز ٹیکس اس دوران 6 روپے فی کلو گرام تک برقرار رکھا گیا جس کے باعث ملوں کو ملنے والی خالص قیمت 40 روپے فی کلو گرام تھی جس کے باعث ملوں کو بھاری نقصان کا سامنا ہے۔

حکومت کی جانب سے بالآخر چینی کی برآمد کی بالترتیب 250,000 ٹن اور 500,000 ٹن کی دو پالیسیوں کا اعلان کیا گیا آخری 500,000 ٹن کی پالیسی کے ساتھ حکومت نے 100 ڈالر فی ٹن کی سبسڈی کا اعلان کیا ہے لیکن تب تک عالمی مارکیٹ میں چینی کی قیمت 200 ڈالر فی ٹن تک گر چکی تھی۔

باوجود 10 لاکھ ٹن برآمد کے، چینی کی مقامی منڈی میں قیمت میں کوئی بہتری نہ آسکی اور چینی کی اس وقت قیمت 48 روپے فی کلو گرام (سیلز ٹیکس کے ساتھ) ہے۔ پچھلے سیزن کے بھاری ذخائر اور اس سال بھی گنے کی فصل میں غیر معمولی اضافے کی وجہ سے چینی کی قیمتوں پر مزید دباؤ آسکتا ہے۔

# ڈائریکٹرز رپورٹ

## تعارف

مہران شوگر ملز لمیٹڈ کی تشکیل دسمبر 1965 میں، پبلک لمیٹڈ کمپنی کے طور پر ہوئی۔ بنیادی کاروبار چینی کی پیداوار ہے۔ پلانٹ ٹنڈوالہ یار ضلع میں واقع ہے اور اس کی پیداواری صلاحیت 11,500 ٹن کرشنگ روزانہ ہے۔ اس کے علاوہ کمپنی کی اسٹیٹھینول بنانے والی کمپنی ”یونیکول لمیٹڈ“ میں بھی ایک تہائی کی شراکت داری ہے جس کی پیداواری صلاحیت 200,000 لیٹرز روزانہ ہے۔ حال ہی میں ہم نے توانائی اور بیکری کے کاروبار میں بھی سرمایہ کاری کی ہے جس کے نتائج جلد ظاہر ہوں گے۔ ان کاروبار کی تفصیل اس رپورٹ کے اگلے حصے میں بیان کی گئی ہیں۔

## قومی معیشت

پچھلے سال کے دوران پاکستان کی معیشت نے اچھی کارکردگی کا مظاہرہ کیا ہے جی ڈی پی کی شرح ترقی جو کہ 5.8% رہی پچھلی ایک دہائی میں سب سے زیادہ تھی زیادہ تر معاشی اشاریے بہتری کی نشاندہی کر رہے ہیں یہ اشاریے ظاہر کرتے ہیں کہ ملک بنیادی معاشی استحکام کی جانب گامزن ہے۔

زرعی شعبے میں نمایاں بہتری ہوئی ہے اسی طرح خدمات کے شعبے میں بھی کچھ بہتری ظاہر ہوئی ہے۔ بڑی پیداواری صنعت میں اضافہ جبکہ عام صنعتی شعبے میں معمولی اضافہ دیکھنے میں آیا۔ بہر حال کم شرح سود، سہولت کار مانیٹری پالیسی اور نجی شعبے کو سرمایہ کاری کے لئے قرضے کی سہولت بڑھانے کی وجہ سے اگلے کچھ ماہ میں مزید معاشی بہتری متوقع ہے۔

باوجود معاشی اور سماجی ترقی میں نمایاں اضافہ کے، برآمدات میں کمی اور جاری خسارہ ایک چیلنج ہے وفاقی حکومت نے برآمدات بڑھانے کے لئے ترغیبات اور اقدامات کا آغاز کیا ہے جس کے نتائج آنے والے وقتوں میں ظاہر ہوں گے۔

پاکستان اس وقت عالمی سرمایہ کاروں کے راڈار میں ہے جو کہ CPEC کے تناظر میں کاروباری مواقع کی تلاش میں ہیں، پاکستان اسٹاک مارکیٹ کو فرنٹیئر سے ایمرجنگ مارکیٹ کے لئے منتخب کیا گیا ہے جو کہ پاکستان کے عالمی اقتصادیات میں بڑھتے ہوئے کردار کی نشاندہی ہے۔

## چینی کی صنعت کا عالمی جائزہ

چینی کی پیداوار کے حوالے سے برازیل، انڈیا، یورپی یونین، تھائی لینڈ اور چین نمایاں ممالک ہیں، ان ممالک میں چینی کی پیداوار، عالمی سطح پر چینی کی اضافی پیداوار یا پیداوار میں کمی کا رجحان ظاہر کرتی ہے۔ عالمی سطح پر چینی کی پیداوار سال 2017-18 میں 192 ملین ٹن متوقع ہے جو کہ 2017-18 میں 177 ملین ٹن تھی جس کی بنیادی وجہ برازیل، تھائی لینڈ، یورپی یونین، انڈیا اور پاکستان میں اضافی پیداوار ہے۔ عالمی سطح پر چینی کے نرخ پچھلے ایک سال سے مسلسل مندی کا شکار ہیں جو کہ پچھلے سال کے دوران 580 ڈالر سے 330 ڈالر فی ٹن تک گر چکے ہیں اس وقت چینی 350 ڈالر فی ٹن سے 370 ڈالر فی ٹن تک فروخت ہو رہی ہے۔ چینی کے نرخ اس وقت پچھلے 24 ماہ کی کم ترین سطح پر ہیں اور یہ نرخ مزید دباؤ کا شکار ہیں جس کی وجہ عالمی منڈی میں اضافی چینی کی موجودگی ہے۔



# Notice of the Annual General Meeting

Notice is hereby given that the 52<sup>nd</sup> Annual General Meeting of the members of the Company will be held at I.C.A.P. Auditorium, Chartered Accountants Avenue, Clifton, Karachi on Friday, January 26, 2018 at 1630 PST to transact the following business:

## ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on January 31, 2017;
2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' Reports for the year ended September 30, 2017;
3. To consider and approve Cash Dividend of 27.5% i.e. Rs. 2.75 per share interim dividend already paid for the year ended September 30, 2017 alongwith Cash Dividend of 5% i.e. Re. 0.5 per share for the year ended September 30, 2016, arises due to amendemnt in section 5(A) through Finance Act 2017, as recommended by the Board of Directors of the Company.
4. To appoint auditors for the year ending September 30, 2018 and to fix their remuneration. The retiring auditors M/s. EY Ford Rhodes, Chartered Accountants being eligible, have offered themselves for re-appointment.

## SPECIAL BUSINESS

5. To apprise and review the status of investments in Associated Companies, for which statement as required by S.R.O 27(l)/2012 dated January 16, 2012 is annexed.
6. To obtain consent of the shareholders in terms of S.R.O. 470(l)/2016 dated 31 May 2016 issued by Securities and Exchange Commission of Pakistan, for the transmission of the annual reports including annual audited accounts, notices of annual general meetings and other information contained therein of the Company either through CD or DVD or USB and to pass the said resolution as an Ordinary Resolution, with or without modification.
7. To transact any other business with the permission of the Chair.

By order of the of Board of Directors

Muhammad Hanif Aziz  
Company Secretary

Karachi: December 26, 2017

## NOTES

1. The share transfer books of the Company will remain closed from January 20, 2018 to January 26, 2018 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her behalf. Proxies in order to be effective must be received by the Company at its Registered Office not later than 48 hours before the time fixed for holding the Annual General Meeting.
3. The shareholders whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring their CNIC along with their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders the guidelines as contained in SECP's circular 1 of 26th January, 2000 to be followed.
4. The shareholders are requested to notify the Company immediately the change in their address, if any.
5. The shareholders are also requested to provide us the copy of their CNIC, enabling us to update the record, without which any dividend/bonus shares announced by the Company will not be issued/ dispatched.
6. As per section 242 of the Companies Act 2017, any cash dividend shall only be paid through electronic mode directly into the bank accounts of the shareholders, therefore shareholders are requested to provide their bank account detail (IBAN) to CDC or Share Registrar (in case of physical shares).

Statement as required by S.R.O 27(l)/2012 dated January 16, 2012

Associated Companies	Total Investment Approved	Amount of Investment made to date	Reasons for not having made complete investments so far	Material Change in financial Statements of associated company since resolution
Mehran Energy Limited	750 Million	40 Million	Project is scheduled to be operational in July 2019 and approved investment amount will be incurred as per indicative implementation schedule prepared on the basis of guideline issued by NEPRA. Authorities awarded MEL the Generation License, Upfront Tariff and Letter of Support and presently we are in negotiation of signing Energy Purchase Agreement with CPPA-G. Project may face certain delays due to a Review Petition filed by CPPA-G and its outcome yet to be determined.	No material change.
UniFood Industries Limited	200 Million	72 Million	Project will commence trial production in first quarter of 2018 and approved investment amount will be incurred as per estimated fund requirements. Presently we are facing no constraints in achieving the target date.	No material change.
UniEnergy Limited	650 Million	20 Million	<p>Work on UniEnergy Ltd has slowed down due to non-availability of the grid for evacuation of power. In addition the NEPRA's determined tariff has also expired and a new one has yet to be announced. Now NEPRA most probably announced new tariff on the basis of competitive bidding.</p> <p>We are hopeful for an early solution and a revival of this project. We are actively pursuing the matter with the relevant departments in the Provincial as well as Federal Government.</p>	No material change.

## S.R.O 27(I)/2012 dated January 16, 2012 کے مطابق ضمیمہ خاص

سرمایہ کاری کی قرارداد منظور ہونے کے بعد مالیاتی گوشواروں میں اہم اور قابل ذکر تغیر	منظور شدہ سرمایہ کاری مکمل نہ ہونے کی وجہ	اب تک کی گئی سرمایہ کاری	کل منظور کردہ سرمایہ کاری	ایسوسی ایٹڈ کمپنیاں
کوئی قابل ذکر تبدیلی نہیں	<p>امید ہے کہ منصوبہ شیڈول کے مطابق جولائی 2019 تک آپریشنل ہوگا اور منظور کردہ سرمایہ کاری نیپرا کی جانب سے دیئے گئے عملدرآمد شیڈول کے مطابق کی جائے گی۔ کمپنی کو جزیشن لائسنس، ٹیرف اور AEDB کی جانب سے معاونت کار سہی خط (LoS) موصول ہو چکا ہے اور ہم اس وقت بجلی خرید کے معاہدہ پر CPPA-G سے بات چیت کر رہے ہیں۔ منصوبہ کچھ تاخیر کا شکار ہو سکتا ہے جس کی وجہ سے CPPA-G کی جانب سے نیپرا کے پالیسی فریم ورک پر ریویو پیشینہ ہے۔</p>	40 ملین روپے	750 ملین روپے	مہران انرجی لمیٹڈ
کوئی قابل ذکر تبدیلی نہیں	<p>2018 کی پہلی سہ ماہی میں منصوبے کی آزمائشی پیداوار متوقع ہے۔ ضروریات کے مطابق سرمایہ کی باقی رقم کی منظوری دی جائے گی اس وقت ہم ہدف کو حاصل کرنے میں کسی رکاوٹ کا سامنا نہیں کر رہے ہیں</p>	72 ملین روپے	200 ملین روپے	یونی فوڈ انڈسٹریز لمیٹڈ
کوئی قابل ذکر تبدیلی نہیں	<p>اس منصوبہ پر کام جمود کا شکار ہے جس کی وجہ سے گریڈ کی عدم دستیابی اور نیپرا کی جانب سے دیئے گئے ٹیرف کی مدت کا خاتمہ ہے۔ امید ہے کہ مسابقتی بنیادوں پر بہت جلد نئے ٹیرف کا اعلان کیا جائے گا۔ ہم اس منصوبہ کے جلد فعال ہونے کے لئے پُر امید ہیں اور وفاقی اور صوبائی حکومتوں سے رابطہ رکھے ہوئے ہیں۔</p>	20 ملین روپے	650 ملین روپے	یونی انرجی لمیٹڈ

## نوٹ:

1. کمپنی ہذا کی شیئر ٹرانسفر بکس مورخہ 20 جنوری 2018 تا 26 جنوری 2018 (دونوں دن شامل) بند رہیں گی۔
2. کمپنی ہذا کا کوئی بھی رکن جو سالانہ اجلاس عام میں شرکت کرنے اور ووٹ دینے کا اہل ہو، اپنی جگہ شرکت کرنے اور ووٹ دینے کی غرض سے کسی دوسرے ممبر کو پراکسی مقرر کر سکتا/ کر سکتی ہے۔ پراکسیوں کے موثر ہونے کے لئے لازم ہے کہ وہ سالانہ اجلاس عام کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل تک کمپنی کو اس کے رجسٹرڈ آفس میں موصول ہو جائیں۔
3. کمپنی کے ایسے اراکین جن کے حصص سینٹرل ڈپازٹری سسٹم (CDS) کے پاس ان کے اکاؤنٹ / سب اکاؤنٹ میں رجسٹرڈ ہیں، ان سے التماس ہے کہ وہ بغرض تصدیق CDS میں اپنے اکاؤنٹ نمبر اور شرکت کنندہ کے ID نمبر کے ہمراہ اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ ساتھ لائیں۔ ایسے اکاؤنٹ ہولڈرز اور سب اکاؤنٹ ہولڈرز کی جانب سے پراکسی کے تقرر کی صورت میں SECP کے سرکلر نمبر 1 مورخہ 26 جنوری 2000 میں شامل گائیڈ لائنز پر عمل درآمد کیا جائے گا۔
4. کمپنی ہذا کے شیئر ہولڈرز سے التماس ہے کہ اپنے موجودہ پتے میں کسی بھی قسم کی تبدیلی، اگر ہو، تو اس سے کمپنی ہذا کو فوری طور سے مطلع کریں۔
5. حصص یافتگان سے یہ بھی التماس ہے کہ اپنے قومی شناختی کارڈ کی کاپی کمپنی رجسٹرار کو فراہم کریں جس کے بغیر آئندہ کسی بھی قسم کا منافع یا بوتس سرٹیفکیٹ جاری نہیں کیا جائے گا۔
6. کمپنی ایکٹ 2017 کی شق 242 کے تحت حصص یافتگان کو نقد منافع کی تقسیم صرف ان کے بینک اکاؤنٹ کے ذریعے ہی کی جائے گی، لہذا کمپنی کے تمام حصص مالکان سے التماس ہے کہ اپنے بینک اکاؤنٹس کی تفصیلات CDC یا شیئر رجسٹرار کو جمع کرائیں۔

## اطلاع برائے سالانہ اجلاس عام

بذریعہ ہذا کمپنی کے اراکین کو اطلاع دی جاتی ہے کہ 52 واں سالانہ اجلاس عام، آئی سی اے پی ICAP آڈیٹوریم، چارٹرڈ اکاؤنٹنٹس ایونیو، کلفٹن کراچی میں بروز جمعہ مورخہ 26 جنوری 2018 کو 4:30 بجے منعقد ہوگا جس میں درج ذیل امور طے کئے جائیں گے۔

### عمومی معاملات

1. 31 جنوری 2017 کو ہونے والے سالانہ اجلاس عام کی کارروائی کی توثیق کرنا۔
2. 30 ستمبر 2017 کو ختم ہونے والے کاروباری سال کے لئے کمپنی ہذا کے آڈٹ شدہ مالیاتی گوشواروں، ہمراہ ڈائریکٹرز اور آڈیٹرز رپورٹ وصول کرنا، ان پر غور کرنا اور منظوری دینا۔
3. کمپنی ہذا کے بورڈ آف ڈائریکٹرز کی تجویز کے مطابق 30 ستمبر 2017 کو اختتام پذیر ہونے والے مالی سال کے لئے پہلے سے ادا شدہ 27.5 فیصد یعنی مبلغ دو روپے پچھتر پیسے فی حصص کے عبوری منافع منقسمہ کے علاوہ 5 فیصد یعنی سچاس پیسے فی حصص کے حساب سے ادا کیا گیا منافع منقسمہ برائے سال 2015-2016 جو کہ انکم ٹیکس آرڈیننس 2001 کی دفعہ 5(A) میں ترمیم کی وجہ سے واجب الادا تھا، کی منظوری دینا۔
4. 30 ستمبر 2018 تک ختم ہونے والے سال کے لئے آڈیٹرز کی تقرری اور ان کے معاوضہ کا تعین کرنا، ریٹائرڈ ہونے والے آڈیٹر ای وائی فورڈر ہوڈز، چارٹرڈ اکاؤنٹنٹس نے اس ضمن میں اہل ہونے کے سبب دوبارہ تقرری کے لئے اپنی خدمات پیش کی ہیں۔

### خصوصی امور

5. ایسوسی ایٹڈ کمپنیوں میں کی گئی سرمایہ کاری کا جائزہ لینا جس کے لئے، 2012 / S.R.O 27 (D) جنوری 16، 2012 کی تعمیل کرتے ہوئے کمپنی کے اراکین کو ایک علیحدہ ضمیمہ ارسال کیا جا رہا ہے۔
6. کمپنی کے اراکین کو سالانہ آڈٹ شدہ گوشوارے، رپورٹس، اجلاس عام اور غیر معمولی اجلاس کی اطلاع، وغیرہ کی ترسیل بذریعہ سی ڈی، ڈی وی ڈی اور یو ایس بی کرنے کے لئے کمپنی ہذا کے اراکین کی منظوری حاصل کرنا۔
7. صدر مجلس کی اجازت سے کسی اور ضروری امور کی انجام دہی۔

کراچی، دسمبر 26، 2017

حسب الحکم بورڈ آف ڈائریکٹرز

محمد حنیف عزیز

کمپنی سیکریٹری



# Statement of Compliance with the Code of Corporate Governance

For The Year Ended September 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in Regulation No. 5.19 of Listing Regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent, non-executive directors and directors representing minority interests on its Board of directors (the Board). At present the Board includes:

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

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

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

defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4. There was no casual vacancy on the Board in the current year.
5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a Vision/Mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Six directors of the Company are exempted from the requirement of the Directors’ Training Program and two directors are certified from



Pakistan Institute of Corporate Governance. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies.

10. No new appointment of Chief Financial officer, Company secretary and Head of internal audit was made during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises four members, of whom three are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is a non- executive director.
18. The Board has setup an effective Internal Audit function.
19. The statutory auditors of the company have confirmed that they have been given a

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

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been fully complied with.

For and on behalf of the Board



**Mohammed Ebrahim Hasham**  
Chief Executive Officer

Karachi: December 26, 2017



EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

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

We have reviewed the enclosed Statement of Compliance (the statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Mehran Sugar Mills Limited (the Company) for the year ended **30 September 2017** to comply with the requirements of Rule Book of Pakistan Stock Exchange Limited Chapter 5, Clause 5.19.24(b) of the Code where the Company is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended **30 September 2017**.

Chartered Accountants  
Date: January 2, 2018

Place: Karachi



# Unconsolidated FINANCIAL STATEMENTS





EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

## Auditors' Report to the Members

We have audited the annexed balance sheet of Mehran Sugar Mills Limited (the Company) as at 30 September 2017 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 repealed Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- a) in our opinion, proper books of account have been kept by the Company as required by the repealed 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 repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for changes as stated in note 2.3 to the financial statements, with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.



EY Ford Rhodes  
Chartered Accountants

- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September 2017 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

**Chartered Accountants**  
**Audit Engagement Partner: Khurram Jameel**

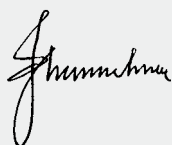
Date: January 2, 2018  
Place: Karachi

# Balance Sheet

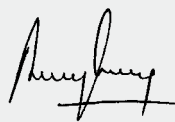
As at September 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	2,188,132,989	1,952,924,527
Long-term receivable	6	-	-
Long-term investments	7	977,676,351	765,563,846
Long-term deposits		1,113,170	853,170
		<b>3,166,922,510</b>	<b>2,719,341,543</b>
<b>CURRENT ASSETS</b>			
Biological assets	8	17,662,000	43,848,243
Stores and spare parts	9	83,880,941	72,254,949
Stock-in-trade	10	1,205,456,973	412,035,787
Trade debts	11	174,514,430	10,559,935
Loans and advances	12	148,344,754	108,221,611
Trade deposits and short-term prepayments	13	7,753,808	6,519,310
Other receivables	14	4,493,899	3,717,367
Short-term investments	15	830,319,250	1,105,801,019
Taxation – net		54,617,134	-
Cash and bank balances	16	28,761,062	34,438,332
		<b>2,555,804,251</b>	<b>1,797,396,553</b>
<b>TOTAL ASSETS</b>		<b>5,722,726,761</b>	<b>4,516,738,096</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	17	320,312,450	320,312,450
Reserves		1,897,941,949	2,003,103,005
		<b>2,218,254,399</b>	<b>2,323,415,455</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	18	448,747,505	304,848,460
Liabilities against assets subject to finance lease	19	31,686,538	21,210,474
Market committee fee payable	20	65,974,256	70,334,256
Deferred liability	21	4,878,275	4,646,722
Deferred taxation	22	288,210,549	322,643,511
Provision for quality premium	23	119,290,919	119,290,919
		<b>958,788,042</b>	<b>842,974,342</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	24	1,088,931,575	1,113,134,038
Accrued mark up		32,324,757	8,841,589
Short-term borrowings	25	1,117,039,706	-
Current portion of long-term financing	18	156,023,610	167,716,209
Current portion of liabilities against assets subject to finance lease	19	24,434,897	15,128,895
Current portion of market committee fee payable	20	3,757,652	3,757,652
Provision for market committee fee	26	19,968,245	9,406,263
Taxation – net		-	22,202,133
Sales tax and federal excise duty payable		103,203,878	10,161,520
		<b>2,545,684,320</b>	<b>1,350,348,299</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	27		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,722,726,761</b>	<b>4,516,738,096</b>

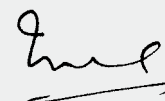
The annexed notes from 1 to 46 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

# Profit and Loss Account

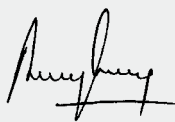
For the year ended September 30, 2017

	Note	2017 Rupees	2016 Rupees
Turnover	28	5,500,835,862	7,113,225,987
Cost of sales	29	(5,232,831,889)	(6,370,347,160)
Gross profit		268,003,973	742,878,827
Distribution costs	30	(83,037,172)	(36,885,849)
Administrative expenses	31	(243,236,383)	(197,437,925)
Other expenses	32	(9,357,006)	(41,205,962)
Other income	33	362,734,920	183,025,441
		27,104,359	(92,504,295)
<b>Operating profit</b>		295,108,332	650,374,532
Share of profit from associates – net	7	100,112,515	116,258,625
Finance costs	34	(196,674,589)	(98,626,401)
<b>Profit before taxation</b>		198,546,258	668,006,756
Taxation	35	(66,871,019)	(126,199,802)
<b>Net profit for the year</b>		131,675,239	541,806,954
<b>Basic and diluted earnings per share</b>	36	4.11	16.91

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



Chief Executive Officer



Chief Financial Officer



Director

# Statement of Comprehensive Income

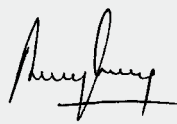
For the year ended September 30, 2017

	2017 Rupees	2016 Rupees
<b>Net profit for the year</b>	131,675,239	541,806,954
<b>Other comprehensive income</b>		
<b>Items to be reclassified to profit and loss account in subsequent periods:</b>		
Unrealised gain on revaluation of short-term investments – net	35,361,786	88,235,718
Reclassification to profit and loss account for (gain) / loss on disposal of short-term investments	(95,206,177)	11,647,389
	(59,844,391)	99,883,107
<b>Items that may not be reclassified subsequently to profit and loss account</b>		
Actuarial (loss) / gain on defined benefit plan – net	(819,108)	4,141,034
<b>Total comprehensive income for the year</b>	71,011,740	645,831,095

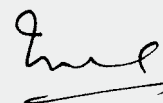
The annexed notes from 1 to 46 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director



# Cash Flow Statement

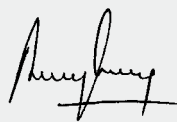
For the year ended September 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		198,546,258	668,006,756
Adjustments for non-cash charges and other items:			
Depreciation		152,920,439	137,410,827
Share of profit from associates – net		(100,112,515)	(116,258,625)
(Gain) / loss on disposal of fixed assets		(4,843,041)	6,418,324
Finance costs		196,674,589	98,626,401
Gain on disposal of investments		(262,320,311)	(54,528,036)
Provision for gratuity		304,549	804,636
Provision for market committee fee		10,561,982	9,406,263
Provision for impairment of short-term investment		9,357,006	-
Working capital changes	37	(928,030,095)	418,947,234
		(925,487,397)	500,827,024
Gratuity paid		(892,104)	(1,431,302)
Income taxes paid		(172,367,234)	(71,359,193)
Finance costs paid		(173,191,421)	(101,309,831)
Market committee fee paid		(4,360,000)	(1,577,652)
Long term deposits		(260,000)	202,230
<b>Net cash (used in) / generated from operating activities</b>		<b>(1,078,011,898)</b>	<b>993,358,032</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(341,567,241)	(438,770,996)
Proceeds from disposal of operating fixed assets		7,698,872	16,127,066
Investments made during the year		(2,816,958,553)	(1,279,524,497)
Proceeds from disposal of short-term investments		3,167,803,215	1,044,283,876
Dividend received		-	23,059,573
<b>Net cash generated from / (used in) investing activities</b>		<b>16,976,293</b>	<b>(634,824,978)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term financing obtained		132,206,446	48,311,753
Short-term borrowings obtained / (repaid)		1,117,039,706	(190,888,771)
Liabilities against assets subject to finance lease		(29,635,409)	(21,959,016)
Dividends paid		(164,252,408)	(205,112,725)
<b>Net cash generated from / (used in) financing activities</b>		<b>1,055,358,335</b>	<b>(369,648,759)</b>
<b>Net change in cash and cash equivalents</b>		<b>(5,677,270)</b>	<b>(11,115,705)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>34,438,332</b>	<b>45,554,037</b>
<b>Cash and cash equivalents at the end of the year</b>	16	<b>28,761,062</b>	<b>34,438,332</b>

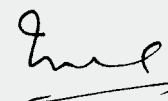
The annexed notes from 1 to 46 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

# Statement of Changes in Equity

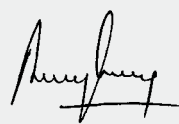
For the year ended September 30, 2017

	Issued, subscribed and paid-up capital	Reserves				Total reserves	Total
		Capital reserve - Share Premium	General reserve	Unrealized gain on revaluation of investments	Unappropriated profit		
	-----Rupees-----						
Balance as at September 30, 2015	320,312,450	63,281,250	85,000,000	46,860,780	1,346,310,858	1,541,452,888	1,861,765,338
Final dividend for the year ended September 30, 2015 @ 15%	-	-	-	-	(48,047,287)	(48,047,287)	(48,047,287)
First interim dividend for the year ended September 30, 2016 @ 12.5%	-	-	-	-	(40,039,142)	(40,039,142)	(40,039,142)
Second interim dividend for the year ended September 30, 2016 @ 15%	-	-	-	-	(48,047,278)	(48,047,278)	(48,047,278)
Third interim dividend for the year ended September 30, 2016 @ 15%	-	-	-	-	(48,047,271)	(48,047,271)	(48,047,271)
Net profit for the year	-	-	-	-	541,806,954	541,806,954	541,806,954
Other comprehensive loss	-	-	-	99,883,107	4,141,034	104,024,141	104,024,141
Total comprehensive income for the year	-	-	-	99,883,107	545,947,988	645,831,095	645,831,095
Balance as at September 30, 2016	320,312,450	63,281,250	85,000,000	146,743,887	1,708,077,868	2,003,103,005	2,323,415,455
Final dividend for the year ended September 30, 2016 @ 22.5%	-	-	-	-	(72,070,387)	(72,070,387)	(72,070,387)
First interim dividend for the year ended September 30, 2017 @ 15%	-	-	-	-	(48,047,259)	(48,047,259)	(48,047,259)
Second interim dividend for the year ended September 30, 2017 @ 12.5%	-	-	-	-	(40,039,143)	(40,039,143)	(40,039,143)
Additional cash dividend for the year ended September 30, 2016 dividend @ 5%	-	-	-	-	(16,016,007)	(16,016,007)	(16,016,007)
Net profit for the year	-	-	-	-	131,675,239	131,675,239	131,675,239
Other comprehensive loss	-	-	-	(59,844,391)	(819,108)	(60,663,499)	(60,663,499)
Total comprehensive income for the year	-	-	-	(59,844,391)	130,856,131	71,011,740	71,011,740
Balance as at September 30, 2017	<u>320,312,450</u>	<u>63,281,250</u>	<u>85,000,000</u>	<u>86,899,496</u>	<u>1,662,761,203</u>	<u>1,897,941,949</u>	<u>2,218,254,399</u>

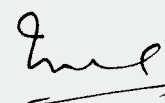
The annexed notes from 1 to 46 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

# Notes to the Financial Statements

For the year ended September 30, 2017

## 1 THE COMPANY AND ITS OPERATIONS

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

1.2 These financial statements are separate financial statements of the Company in which investments in subsidiary and associates are accounted for on the basis of direct equity interest and equity method respectively.

## 2.1 BASIS OF PREPARATION

### 2.1 Statement of compliance

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 23 of 2017 dated July 04, 2017 communicated its decision that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the Ordinance. Accordingly, 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 Ordinance and provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

### 2.2 Accounting convention

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

### 2.3 New standards and amendments

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except that the Company has adopted the following standards which became effective for the current year:

IFRS 10, IFRS 12 and IAS 28 - Applying the Consolidation Exception (Amendment)

IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)

IAS 16 & IAS 38 - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 & IAS 41 - Agriculture: Bearer Plants (Amendment)

IAS 27 - Equity Method in Separate Financial Statements (Amendment)

#### Improvements to Accounting Standards Issued by the IASB

IFRS 5 - Changes in methods of disposal

IFRS 7 - Disclosures - Servicing contracts

IFRS 7 - Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements

IAS 19 - Discount rate: regional market issue

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

# Notes to the Financial Statements

For the year ended September 30, 2017

## 2.4 Standards not yet effective

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

	Effective date (accounting periods Beginning on or after)
IAS 7 – Statement of Cash flows (Amendment)	01 January 2017
IAS 12 – Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017
IAS 40 – Investment Property: Transfers of Investment Property (Amendments)	01 January 2017
IFRS 2 – Share-based Payments - Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 4 – Insurance Contracts – (Amendments) Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4	01 January 2018
IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRS 15 – Revenue from Contracts with Customers	01 July 2018
IFRS 9 – Financial Instruments: Classification and Measurement	01 July 2018
IFRIC 23 – Uncertainty over Income Tax Treatments	01 January 2019

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

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2017. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

	IASB Effective date (accounting periods Beginning on or after)
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 16 – Leases	01 January 2019
IFRS 17 – Insurance Contracts	01 January 2021

# Notes to the Financial Statements

For the year ended September 30, 2017

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

### Property, plant and equipment

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

### Impairment of Investments

In making estimates of future cash flows from investments in subsidiary and associates the management considers future dividend stream, and an estimate of the terminal value of these investments which is subject to change.

In case of available for sale investments the management estimates whether the decline in the fair value of quoted securities is significant and prolonged.

### Inventories

The Company reviews the net realizable value (NRV) of stock-in-trade and stores and spare parts to assess any diminution in the 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.

### Taxation

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

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

### Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment 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 events.

# Notes to the Financial Statements

For the year ended September 30, 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Property, plant and equipment

#### Owned

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

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

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

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

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

#### Leased

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

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

#### Capital work-in-progress

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

### 4.2 Investments

#### Subsidiaries

These are stated at cost. Provision is made for permanent impairment in the value of investment, if any.

# Notes to the Financial Statements

For the year ended September 30, 2017

## Associates

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

## Available-for-sale

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

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

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

## Held-to-maturity

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

### 4.3 Biological assets

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

### 4.4 Stores and spare parts

These are valued at lower of weighted average cost and NRV.

### 4.5 Stock-in-trade

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

### 4.6 Trade debts and other receivables

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

# Notes to the Financial Statements

For the year ended September 30, 2017

## 4.7 Cash and cash equivalents

These are carried at cost.

## 4.8 Employees' benefits

### Gratuity

The Company operates an unfunded gratuity scheme for its permanent mill employees. Provision is made annually, to cover obligations under the plan, by way of a charge to profit and loss account, calculated in accordance with the actuarial valuation using the "Projected Unit Credit Method". The latest valuation has been carried out as at September 30, 2017.

### Provident fund

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

### General disclosures

	2017 Rupees (Unaudited)	2016 Rupees (Audited)
Size of the fund	154,369,839	137,095,997
Cost of investments	102,570,608	89,094,949
Fair value of investments	148,464,552	131,986,474
Percentage of investments	93%	96%

### Break-up of investments

	2017 ------(Unaudited)----- (Rupees) (%)		2016 ------(Audited)----- (Rupees) (%)	
Defence Saving Certificates	143,893,944	90	115,891,525	85
Bank balances	4,570,608	3	16,094,949	12
Total	148,464,552	93	131,986,474	97



# Notes to the Financial Statements

For the year ended September 30, 2017

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

## Compensated absences

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

## 4.9 Taxation

### Current

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

### Deferred

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

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

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

## 4.10 Trade and other payables

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

## 4.11 Provisions

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

## 4.12 Foreign currency transactions and translation

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

# Notes to the Financial Statements

For the year ended September 30, 2017

## 4.13 Borrowing costs

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

## 4.14 Financial instruments

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

## 4.15 Offsetting of financial assets and financial liabilities

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

## 4.16 Revenue recognition

- Sales are recognized as revenue when invoiced, which generally coincides with the delivery of goods.
- Profit on term deposit receipts is recognized on effective interest rate.
- Dividend income is recognized when the right to receive the same is established.
- Gain / loss on sale of investment is recognized in profit and loss account in the period in which investment is sold.
- Income from sale of electricity is recognized upon the output delivered at rates specified under the agreement with Hyderabad Electric Supply Company (HESCO).

## 4.17 Dividend and appropriation to reserves

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

## 4.18 Functional and presentation currency

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

	Note	2017 Rupees	2016 Rupees
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	5.1	1,991,894,970	1,657,402,561
Capital work-in-progress	5.2	196,238,019	295,521,966
		<u>2,188,132,989</u>	<u>1,952,924,527</u>

# Notes to the Financial Statements

For the year ended September 30, 2017

## 5.1 Operating fixed assets

Description	2017							Dep. Rate
	Cost at October 01, 2016	Additions/ (deletions)	Cost at September 30, 2017	Accumulated depreciation at October 01, 2016	Depreciation for the year/ (deletions)	Accumulated depreciation at September 30, 2017	Book value at September 30, 2017	
-----Rupees-----								
<u>Owned</u>								
Freehold land	83,394,207	-	83,394,207	-	-	-	83,394,207	-
Buildings on freehold land								
- Factory	262,573,131	13,278,334	275,851,465	115,746,926	15,352,887	131,099,813	144,751,652	10 %
- Non-factory	50,996,147	-	50,996,147	14,293,683	1,835,123	16,128,806	34,867,341	5 %
Plant, machinery and Equipment	2,133,774,436	419,952,591 (1,129,499)	2,552,597,528	905,894,193	106,625,529 (846,851)	1,011,672,871	1,540,924,657	7.5 %
Furniture and fittings	8,708,852	111,500	8,820,352	3,066,915	571,844	3,638,759	5,181,593	10 %
Vehicles	22,240,028	2,058,000 (5,507,600)	18,790,428	17,501,756	918,952 (3,735,775)	14,684,933	4,105,495	20%
Office premises	85,022,551	-	85,022,551	16,482,825	3,426,986	19,909,811	65,112,740	5 %
Office equipment	5,774,222	103,000	5,877,222	3,024,366	280,136	3,304,502	2,572,720	10 %
Electric installation	11,015,603	3,052,383 (510,707)	13,557,279	5,941,863	597,494 (507,673)	6,031,684	7,525,595	10 %
Weighbridge and scales	4,497,389	16,500	4,513,889	1,042,039	346,223	1,388,262	3,125,627	10 %
Workshop tools and other equipment	6,341,923	-	6,341,923	4,705,308	163,662	4,868,970	1,472,953	10 %
Computers	10,345,912	1,522,487	11,868,399	7,435,388	1,466,842	8,902,230	2,966,169	30 %
Air conditioners and refrigerators	12,319,714	756,394	13,076,108	4,382,085	833,399	5,215,484	7,860,624	10 %
	2,697,004,115	440,851,189 (7,147,806)	3,130,707,498	1,099,517,347	132,419,077 (5,090,299)	1,226,846,125	1,903,861,373	
<u>Leased</u>								
Vehicles	95,447,200	49,417,490 (2,215,100)	142,649,590	35,531,407	20,501,362 (1,416,776)	54,615,993	88,033,597	20 %
<b>Total</b>	<b>2,792,451,315</b>	<b>490,268,679 (9,362,906)</b>	<b>3,273,357,088</b>	<b>1,135,048,754</b>	<b>152,920,439 (6,507,075)</b>	<b>1,281,462,118</b>	<b>1,991,894,970</b>	

# Notes to the Financial Statements

For the year ended September 30, 2017

Description	2016							
	Cost at October 01, 2015	Additions/ (deletions)	Cost at September 30, 2016	Accumulated depreciation at October 01, 2015	Depreciation for the year/ (deletions)	Accumulated depreciation at September 30, 2016	Book value at September 30, 2016	Dep. Rate
-----Rupees-----								
<b>Owned</b>								
Freehold land	77,435,720	5,958,487	83,394,207	-	-	-	83,394,207	-
Buildings on freehold land								
- Factory	247,933,436	18,976,609 (4,336,914)	262,573,131	103,429,944	15,163,213 (2,846,231)	115,746,926	146,826,205	10 %
- Non-factory	50,557,541	477,606 (39,000)	50,996,147	12,411,557	1,917,232 (35,106)	14,293,683	36,702,464	5 %
Plant, machinery and equipment	2,049,075,366	155,352,994 (70,653,924)	2,133,774,436	864,970,875	97,692,376 (56,769,058)	905,894,193	1,227,880,243	7.5 %
Furniture and fittings	10,221,174	981,900 (2,494,222)	8,708,852	4,591,139	600,059 (2,124,283)	3,066,915	5,641,937	10 %
Vehicles	28,430,508	877,650 (7,068,130)	22,240,028	20,387,276	1,195,830 (4,081,350)	17,501,756	4,738,272	20 %
Office premises	84,611,044	411,507	85,022,551	12,882,690	3,600,135	16,482,825	68,539,726	5 %
Office equipment	8,797,135	826,500 (3,849,413)	5,774,222	6,278,887	304,376 (3,558,897)	3,024,366	2,749,856	10 %
Electric installation	16,841,375	(5,825,772)	11,015,603	10,566,339	622,191 (5,246,667)	5,941,863	5,073,740	10 %
Weighbridge and scales	1,202,624	3,494,165 (199,400)	4,497,389	989,939	231,978 (179,878)	1,042,039	3,455,350	10 %
Workshop tools and other equipment	8,910,896	(2,568,973)	6,341,923	6,493,847	236,716 (2,025,255)	4,705,308	1,636,615	10 %
Computers	10,307,810	1,194,044 (1,155,942)	10,345,912	7,677,091	901,495 (1,143,198)	7,435,388	2,910,524	30 %
Air conditioners and refrigerators	14,114,885	2,607,064 (4,402,235)	12,319,714	6,743,185	926,382 (3,287,482)	4,382,085	7,937,629	10 %
	2,608,439,514	191,158,526 (102,593,925)	2,697,004,115	1,057,422,769	123,391,983 (81,297,405)	1,099,517,347	1,597,486,768	
<b>Leased</b>								
Vehicles	73,482,300	25,035,400 (3,070,500)	95,447,200	23,334,193	14,018,844 (1,821,630)	35,531,407	59,915,793	20 %
Total	2,681,921,814	216,193,926 (105,664,425)	2,792,451,315	1,080,756,962	137,410,827 (83,119,035)	1,135,048,754	1,657,402,561	

# Notes to the Financial Statements

For the year ended September 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>5.1.1 Depreciation charge for the year has been allocated as follows:</b>			
Cost of sales	29	124,920,918	115,863,706
Administrative expenses	31	27,999,521	21,547,121
		<u>152,920,439</u>	<u>137,410,827</u>

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

Particulars	------(Rupees)-----					Mode of Disposal	Particulars of Purchaser
	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain		
<b>Plant, machinery and equipment</b>							
Diesel Generator	766,210	533,504	232,706	1,416,752	1,184,046	Negotiation	Mr. Akber Shah - Karachi
Other assets with book value less than Rs. 50,000 each	363,289	313,347	49,942	266,641	216,699	Negotiation	Mr. Akber Shah - Karachi
	<u>1,129,499</u>	<u>846,851</u>	<u>282,648</u>	<u>1,683,393</u>	<u>1,400,745</u>		
<b>Electric Installation</b>							
Asset with book value less than Rs. 50,000	510,707	507,673	3,034	16,607	13,573	Negotiation	Mr. Akber Shah - Karachi
<b>Vehicles</b>							
Suzuki Alto (AXE - 744)	796,000	560,525	235,475	524,628	289,153	Policy	Mr. Haroon Suzera - employee
Suzuki Alto (AXF - 560)	727,000	507,802	219,198	479,153	259,955	Policy	Mr. Liaqat Ali - employee
Car(BCF-709)	692,100	348,449	343,651	551,483	207,832	Policy	Mr. Inayat-employee
Audi(AUQ-448)	4,000,000	2,925,938	1,074,062	3,300,000	2,225,938	Negotiation	Mr. Ahmed Ashraf
Honda (CD-70)	102,500	47,811	54,689	74,700	20,011	Policy	Mr. Zahid Hussain - employee
Honda (CD-70)	63,500	11,642	51,858	60,000	8,142	Policy	Insurance Claim
Other assets with book value less than Rs. 50,000 each	1,341,600	750,384	591,216	1,008,908	417,692	Policy	Various
	<u>7,722,700</u>	<u>5,152,551</u>	<u>2,570,149</u>	<u>5,998,872</u>	<u>3,428,723</u>		
<b>Total</b>	<u>9,362,906</u>	<u>6,507,075</u>	<u>2,855,831</u>	<u>7,698,872</u>	<u>4,843,041</u>		

**5.2 Capital work-in-progress**

	Buildings on freehold land	Plant, machinery and Equipment	Total
	----- Rupees -----		
<b>Balance as at September 30, 2015</b>	1,764,127	46,145,360	47,909,487
Capital expenditure incurred / advances made during the year	66,466,143	310,456,856	376,922,999
Transfer to operating fixed assets	<u>(12,422,301)</u>	<u>(116,888,219)</u>	<u>(129,310,520)</u>
<b>Balance as at September 30, 2016</b>	55,807,969	239,713,997	295,521,966
Capital expenditure incurred / advances made during the year	2,303,289	299,990,948	302,294,237
Transfer to operating fixed assets	<u>(11,958,334)</u>	<u>(389,619,850)</u>	<u>(401,578,184)</u>
<b>Balance as at September 30, 2017</b>	<u>46,152,924</u>	<u>150,085,095</u>	<u>196,238,019</u>

# Notes to the Financial Statements

For the year ended September 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>6. LONG-TERM RECEIVABLE</b>			
Tender earnest money		1,000,000	1,000,000
Down payment		33,125,000	33,125,000
Other costs		8,385,996	8,385,996
	6.1	42,510,996	42,510,996
Provision for doubtful receivable		(42,510,996)	(42,510,996)
		-	-

6.1 Represents down payment made in respect of purchase of Thatta Sugar Mills (the Mill) and other costs incurred in running the Mill from November 1992 up to July 1993, when the Mill was forcibly taken over by the Government of Sindh (GoS) without paying any amount. The Company filed a law suit for Rs. 166 million being the amount of down payment, expenses incurred (including payment to workers) and loss of profits. The GoS made a counter claim of Rs.402 million against the Company. The case is currently pending in the Honorable High Court of Sindh (the Court) for recording of evidences. While the Company's suit for recovery of compensation is pending in the Court, the GoS invited bids for the sale of the Mill through Sindh Privatization Commission but it could not succeed. The GoS is now trying to privatize it through the Federal Privatization Commission. The representative of the GoS has also admitted the fact that the Mill was taken over by the GoS without making any payment to the Company. However, the Company has made provision against the aforesaid receivable of Rs. 42.510 million as a matter of prudence and the fact that the debt is outstanding for a considerable period.

	Note	2017 Rupees	2016 Rupees
<b>7. LONG TERM INVESTMENTS</b>			
<b>Subsidiary</b>			
<b>Mehran Energy Limited (MEL)</b>			
4,000,000 Ordinary shares of Rs. 10 each	7.1	40,000,000	-
% of holding: 100%			
<b>Associates</b>			
<b>Unicol Limited (UL)</b>			
49,999,997 (2016: 23,059,573) Ordinary shares of Rs. 10 each	7.3	852,412,955	745,628,638
% of holding: 33.33 (2016: 33.33) %			
<b>UniEnergy Limited (UEL)</b>			
1,999,998 (2016: 1,999,998) Ordinary shares of Rs. 10 each	7.4	19,925,667	19,935,208
% of holding: 20%			
<b>UniFoods Limited (UFL)</b>			
7,200,000 Ordinary shares of Rs. 10 each	7.5	65,337,729	-
% of holding: 24%		937,676,351	765,563,846
		977,676,351	765,563,846

7.1 The Company is in a start-up phase and has not commenced its operations. The principal activities of the Company will be to build, operate and maintain a 26.5 MW high pressure co-generation bagasse based power plant for the generation and supply of electric power in relation thereof. The company obtained letter of Intent (LOI from the Government of Sindh (GOS) on November 07, 2016.

# Notes to the Financial Statements

For the year ended September 30, 2017

7.2 As the financial statements of all the associates may not necessarily be available at the year end, therefore the Company uses the financial statements of the associates with a lag of three months for applying the equity method of accounting. In case of UL the Company has used the financial statements for the same year end as that of the Company.

7.3 UL is incorporated in Pakistan as a public unlisted company with its registered office situated at Sub Post Office Sugar Mills, Umerkot Road, Mirpurkhas. The principal activity of the UL is to manufacture and sell ethanol and carbon dioxide (CO<sub>2</sub>). The summarized financial information of UL is as follows:

	2017 Rupees	2016 Rupees
Aggregate amount of:		
- assets	5,282,734,000	4,167,301,000
- liabilities	2,725,496,000	1,930,416,000
- revenue	4,455,265,000	4,133,750,000
- profit	320,353,000	325,244,000
<b>Movement of investment is as follows:</b>		
Opening balance	745,628,638	652,364,814
Share of profit – net of tax	106,784,317	108,414,696
Prior year adjustment	-	7,908,701
	106,784,317	116,323,397
Less : Dividend received during the year	-	(23,059,573)
	<b>852,412,955</b>	<b>745,628,638</b>

7.4 UEL is incorporated in Pakistan as a public unlisted company with its registered office situated at 1st Floor, Modern Motors House, Beaumont Road, Karachi. The principal activity of UEL will be to build, operate and maintain wind power generating project of 50 Mega Watts for the generation and supply of electric power in relation thereof, however, it is in start-up phase and has not commenced its operations. The summarized financial information of UEL is as follows:

	2017 Rupees	2016 Rupees
Aggregate amount of:		
- assets	100,766,856	100,034,291
- liabilities	1,138,422	622,332
- loss	216,475	588,041
<b>Movement of investment is as follows:</b>		
Opening balance	19,935,208	-
Investment made	-	19,999,980
Share of profit / (loss) – net	43,295	(64,772)
Prior year adjustment	(52,836)	
	(9,541)	19,935,208
	<b>19,925,667</b>	<b>19,935,208</b>

# Notes to the Financial Statements

For the year ended September 30, 2017

7.5 UFL was incorporated in Pakistan as a public unlisted company during the current year with its registered office situated at 2nd Floor, Bank House No. 1, Habib Square, M.A Jinnah Road, Karachi. The principal activity is manufacture, sell and distribution of bakery and confectionery items. The summarized financial information of UFL is as follows:

	2017 Rupees
Aggregate amount of:	
- assets	216,475,701
- liabilities	35,905,164
- loss	27,759,463
<b>Movement of investment is as follows:</b>	
Investment made	72,000,000
Share of loss / profit – net	(6,662,271)
	<b>65,337,729</b>

	Note	2017 Rupees	2016 Rupees
<b>8. BIOLOGICAL ASSETS</b>	8.1	<b>17,662,000</b>	43,848,243
8.1 Carrying value at beginning of the year		43,848,243	48,829,127
Increase due to cultivation		13,111,787	28,471,870
Change in fair value less costs to sell of standing crop		4,550,213	15,376,373
		<b>61,510,243</b>	92,677,370
Reduction due to harvesting		(43,848,243)	(48,829,127)
Carrying value at the end of the year		<b>17,662,000</b>	43,848,243

8.2 The Company is engaged in cultivation of different sugarcane varieties. These varieties are then provided to growers for multiplication. During the year, the Company harvested 331,193 maunds sugarcane at the yield of 1048 maunds per acre 153,301 maunds were supplied to growers for variety multiplication while remaining sugarcane was used for crushing at mill.

	Note	2017 Rupees	2016 Rupees
<b>9. STORES AND SPARE PARTS</b>			
Stores		20,040,226	13,007,972
Spare parts		63,840,715	59,246,977
		<b>83,880,941</b>	72,254,949

10. **STOCK-IN-TRADE**



# Notes to the Financial Statements

For the year ended September 30, 2017

	Note	2017 Rupees	2016 Rupees
Manufactured sugar			
- Work-in-process		2,519,343	2,702,374
- Finished goods	10.1	1,202,937,630	409,333,413
		<u>1,205,456,973</u>	<u>412,035,787</u>
<b>10.1</b>	The finished goods having cost of Rs. 1,253.96 million are carried at NRV of Rs. 1,202.94 million.		
	Note	2017 Rupees	2016 Rupees
<b>11. TRADE DEBTS – unsecured</b>			
Considered good	11.1	174,514,430	10,559,935
Considered doubtful		16,987,867	16,987,867
		<u>191,502,297</u>	<u>27,547,802</u>
Less: Provision for doubtful debts	11.2	16,987,867	16,987,867
		<u>174,514,430</u>	<u>10,559,935</u>
<b>11.1</b>	The aging of trade debts is as follows:		
Neither past due nor impaired		-	-
Past due but not impaired (within 90 days)		174,514,430	10,559,935
		<u>174,514,430</u>	<u>10,559,935</u>
<b>11.2</b>	Includes an amount of Rs.14.519 million due from the GoS which was withheld by the GoS from the bills raised by the Company during the years 1981 to 1983, on account of a dispute regarding the quality of sugar. Consequently, the Company has withheld mark-up due to the GoS, amounting to Rs.6.192 million. Since then, the matter is under litigation and pending before the Court. The said amount has been fully provided as a matter of prudence as the case is pending for a considerable long period. Accordingly, the respective liability of mark-up due to the GoS was also written back.		
	Note	2017 Rupees	2016 Rupees
<b>12. LOANS AND ADVANCES – considered good</b>			
Loans to employees		2,818,285	2,018,530
<b>Advances</b>			
- to suppliers		24,890,494	29,537,997
- to cane growers		46,632,953	15,175,733
- against expenses		2,120,022	21,043,333
- against federal excise duty / sales tax		71,883,000	40,446,018
		<u>145,526,469</u>	<u>106,203,081</u>
		<u>148,344,754</u>	<u>108,221,611</u>

# Notes to the Financial Statements

For the year ended September 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
<b>Trade deposits</b>			
Considered good		318,640	398,640
Considered doubtful		8,759,554	8,196,113
		<u>9,078,194</u>	<u>8,594,753</u>
Less: Provision for doubtful deposits	13.1	8,759,554	8,196,113
		<u>318,640</u>	<u>398,640</u>
<b>Short-term prepayments</b>			
Considered good		7,435,168	6,120,670
		<u>7,753,808</u>	<u>6,519,310</u>

13.1 Represents amount paid by the Company during the years 1995 and 1996 to the Director General Defence Procurement (DGDP) as tender money, which was withheld by the DGDP on account of his risk purchase claim on the Company, as fully described in note 27.1 to the financial statements. Although the matter is under litigation, the Company, as a matter of prudence, has made full provision against the deposit in these financial statements.

	Note	2017 Rupees	2016 Rupees
<b>14. OTHER RECEIVABLES – considered good</b>			
Due from related parties:			
Pakistan Molasses Company (Private) Limited		2,068,829	1,964,812
Mogul Tobacco Company (Private) Limited		422,099	207,281
		<u>2,490,928</u>	<u>2,172,093</u>
Others		2,002,971	1,545,274
		<u>4,493,899</u>	<u>3,717,367</u>
<b>15. SHORT-TERM INVESTMENTS</b>			
<b>Held to maturity</b>			
Term deposit certificates	15.1	3,300,000	3,300,000
<b>Available for sale</b>			
Equity securities	15.2	827,019,250	1,102,501,019
		<u>830,319,250</u>	<u>1,105,801,019</u>

15.1 These carry profit rate of 3.50% (2016: 3.51%) per annum, having maturity up to six months.

# Notes to the Financial Statements

For the year ended September 30, 2017

## 15.2 Available for sale

2017	2016		2017	2016
Number of shares of par value Rs. 10/- each			Rupees	Rupees
		Quoted companies		
-	200,000	Adamjee Insurance Limited	-	10,924,000
1,000,000	-	Aisha Steel Mills Ltd.	18,850,000	-
100,000	-	Allied Bank Limited	8,749,000	-
-	40,000	Attock Refinery Limited	-	13,035,200
750,000	-	Bank Al Falah Ltd.	31,815,000	-
1,885,000	1,700,000	Bank Al Habib Limited	108,576,000	76,466,000
-	1,000,000	Bank of Punjab Limited	-	13,320,000
81,500	-	Chashma Sugar Mills Ltd.	4,910,375	-
100,000	-	Cherat Cement Limited	11,998,000	-
200,000	400,000	D.G.K.Cement Limited	29,372,000	74,352,000
5,000	10,000	Engro Corporation Limited	1,515,450	2,912,500
500,000	200,000	Engro Fertilizers Limited	31,455,000	12,332,000
-	152,000	Faran Sugar Mills Limited	-	21,904,720
500,000	-	Fauji Fertilizer Company Limited	41,570,000	-
-	750,000	Faysal Bank Limited	-	11,880,000
300,000	400,000	Habib Bank Limited	54,228,000	88,324,000
499,800	499,800	Hub Power Company Limited	-	59,561,166
12,500	15,000	Indus Motors Limited	21,510,250	22,505,700
300,000	1,299,000	International Steel Limited	36,339,000	78,914,250
70,150	90,300	JDW Sugar Mills Limited	26,657,000	39,537,855
157,115	83,605	Jubilee Life Insurance Company Limited	109,980,500	44,310,650
-	80,000	Kohat Cement Limited	-	20,573,600
22,500	15,000	Lucky Cement Limited	12,716,550	10,158,900
41,900	60,000	Mari Petroleum Company Limited	63,059,920	57,271,800
-	250,000	MCB Bank Limited	-	55,200,000
901,000	1,000,000	Meezan Bank Limited	67,061,430	55,010,000
10,000	-	Millat Tractors Ltd.	12,482,900	-
-	17,500	National Refinery Limited	-	9,897,825
-	250,000	Nishat Chunian Limited	-	11,465,000
50,000	100,000	Nishat Mills Limited	7,255,000	14,090,000
311,800	-	Noon Sugar Mills Ltd.	24,897,230	-
250,000	600,000	Oil Gas Development Corporation Limited	37,160,000	84,738,000
-	50,000	Packages Limited	-	33,463,500
-	100,000	Pakistan Oil fields Limited	-	40,131,000
-	100,825	Pakistan Petroleum Limited	-	16,502,028
-	25,000	Pakistan State Oil Company Limited	-	10,353,500
-	225,000	Pioneer Cement Limited	-	23,780,250
100,000	-	Sui Northern Gas Pipelines Limited	13,386,000	-
270,677	450,677	United Bank Limited	51,474,645	89,585,575
			<u>827,019,250</u>	<u>1,102,501,019</u>
<b>16. CASH AND BANK BALANCES</b>				
		Cash in hand	106,686	15,716
		Cash with banks in current accounts	28,654,376	34,422,616
			<u>28,761,062</u>	<u>34,438,332</u>

# Notes to the Financial Statements

For the year ended September 30, 2017

## 17. SHARE CAPITAL

2017 (Number of shares)	2016	Note	2017 Rupees	2016 Rupees
<b>Authorized capital</b>				
<u>50,000,000</u>	<u>50,000,000</u>		<u>500,000,000</u>	<u>500,000,000</u>
<b>Issued, subscribed and paid-up capital</b>				
Ordinary shares of Rs.10/- each				
5,968,750	5,968,750		59,687,500	59,687,500
350,000	350,000		3,500,000	3,500,000
25,712,495	25,712,495		257,124,950	257,124,950
<u>32,031,245</u>	<u>32,031,245</u>		<u>320,312,450</u>	<u>320,312,450</u>
<b>18. LONG TERM FINANCING – secured</b>				
From banking companies		18.1	604,771,115	472,564,669
Less: Current portion			<u>(156,023,610)</u>	<u>(167,716,209)</u>
			<u>448,747,505</u>	<u>304,848,460</u>

### 18.1

	Installments		Mark-up	2017	2016
	Number	Commencing from		Rupees	Rupees
Al Baraka Bank Pakistan Limited	16 quarterly	November 2014	6 months KIBOR plus 1.75% per annum	42,690,278	82,195,140
Bank Islami Pakistan Limited	24 quarterly	January 2015	3 months KIBOR plus 1.25% per annum	27,080,837	35,414,169
Bank Al Habib Limited	20 quarterly	May 2016	6 months KIBOR plus 0.8% per annum	65,000,000	85,000,000
Bank Al Habib Limited	20 quarterly	December 2015	3 months KIBOR plus 0.8% per annum	170,000,000	200,000,000
Bank Al Habib Limited	14 quarterly	July 2014	6 months KIBOR plus 1.75% per annum	-	28,571,430
Bank Al falah Limited	20 quarterly	February 2018	6 months KIBOR plus 0.5% per annum	300,000,000	-
Meezan Bank Limited	16 quarterly	March 2013	3 months KIBOR plus 1.30% per annum	-	4,687,500
Meezan Bank Limited	16 quarterly	April 2013	3 months KIBOR plus 1.30% per annum	-	8,125,000
MCB Bank Limited	14 quarterly	May 2014	3 months KIBOR plus 2% per annum	-	28,571,430
				<u>604,771,115</u>	<u>472,564,669</u>

**18.2** The above facilities are secured by way of first pari passu charge over operating fixed assets of the Company amounting to Rs. 1,002 million.

## 19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Represent finance leases entered into with commercial banks for vehicles. Lease rentals are payable in equal monthly installments latest by March 2022. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee has to pay the entire rent for unexpired period. Financing rates of approximately 7.3 to 7.9 (2016: 7.73 to 11.93) percent per annum has been used as discounting factor. Purchase options can be exercised by the lessee in accordance with the respective lease agreements. The movement in the finance lease liability is as follows:

# Notes to the Financial Statements

For the year ended September 30, 2017

	2017		2016	
	Minimum lease Payments	Present Value	Minimum lease Payments	Present Value
	----- (Rupees) -----			
Within one year	27,696,310	24,434,897	17,374,064	15,128,895
After one year but not more than five years	33,994,558	31,686,538	23,147,926	21,210,474
Total minimum lease payments	61,690,868	56,121,435	40,521,990	36,339,369
Less: Amount representing finance charges	5,569,433	-	4,182,621	-
Present value of minimum lease payments	56,121,435	56,121,435	36,339,369	36,339,369
Less: Current maturity shown undercurrent liability	24,434,897	24,434,897	15,128,895	15,128,895
	<u>31,686,538</u>	<u>31,686,538</u>	<u>21,210,474</u>	<u>21,210,474</u>

	Note	2017 Rupees	2016 Rupees
<b>20. MARKET COMMITTEE FEE PAYABLE</b>			
Market committee fee payable		69,731,908	74,091,908
Less: Current portion		3,757,652	3,757,652
	26.1	<u>65,974,256</u>	<u>70,334,256</u>
<b>21. DEFERRED LIABILITY</b>			
Staff gratuity		4,878,275	4,646,722
<b>(a) Staff gratuity</b>			
Opening balance		4,646,722	9,414,422
Expense for the year		304,549	804,636
Benefits paid during the year		(892,104)	(1,431,302)
Actuarial loss / (gain)		819,108	(4,141,034)
Closing balance		<u>4,878,275</u>	<u>4,646,722</u>
<b>(b) Principal actuarial assumptions</b>			
Discount rate		8.00%	7.25%
Expected rate of increase in salary level		8.00%	7.25%
Expected average remaining life of employees		<u>1.84 years</u>	<u>2 years</u>

	2017	2016	2015	2014	2013
	----- (Rupees) -----				
Present value of defined benefit obligation	4,878,276	4,646,722	9,414,422	8,004,115	7,564,191

**(d) Sensitivity analysis (+/- 100 bps) on present value of defined benefit obligation**

	2017			
	Discount rate + 100 bps	Discount rate - 100 bps	Salary increase + 100 bps	Salary increase - 100 bps
	----- (Rupees) -----			
Present value of defined benefit obligation	4,610,641	5,180,084	5,199,466	4,588,494

# Notes to the Financial Statements

For the year ended September 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>22. DEFERRED TAXATION</b>			
Credit balances arising due to:			
Accelerated tax depreciation		291,841,201	257,135,287
Assets subject to finance leases		9,573,649	7,072,927
Investment in associates		51,851,460	64,371,017
Unrealised gain on available for sale investments		8,428,309	14,184,323
		<u>361,694,619</u>	<u>342,763,554</u>
Debit balances arising due to:			
Provisions		(20,083,309)	(20,013,843)
Unused tax losses		(53,294,561)	-
Others		(106,200)	(106,200)
		<u>(73,484,070)</u>	<u>(20,120,043)</u>
		<u>288,210,549</u>	<u>322,643,511</u>
<b>23. PROVISION FOR QUALITY PREMIUM</b>	23.1	<u>119,290,919</u>	<u>119,290,919</u>
23.1	<p>As required under the provisions of Sugar Factories Control Act, 1950, sugar mills in Sindh are required to pay quality premium to cane growers at the rate of 50 paisas per 40 Kg cane for each 0.1 percent of excess sucrose recovery above the benchmark of 8.7 percent, determined on the aggregate sucrose recovery of each mill. The Company had challenged the levy of quality premium before the Court, however, the matter was decided against the Company. Thereafter, the Company filed an appeal with the Honorable Supreme Court of Pakistan which then granted stay to the Company, while admitting the appeal against the impugned judgment of the Court. The Punjab Government is not levying any quality premium in view of an earlier decision of Honorable Lahore High Court, in a similar case, wherein the Court had declared the demand of quality premium as unlawful. Although the matter is under litigation, the Company carries full provision against quality premium pertaining to the period from the year 1999 to 2008, as a matter of prudence.</p>		
<b>24. TRADE AND OTHER PAYABLES</b>	Note	2017 Rupees	2016 Rupees
Creditors		131,673,446	90,862,262
Accrued expenses		247,332,030	356,331,765
Advances from customers		608,069,641	555,696,726
Payable to provident fund		2,148,265	2,085,622
Workers' Profits Participation Fund	24.1	-	25,970,549
Workers' Welfare Fund		27,555,420	27,555,420
Unclaimed dividend		35,771,399	23,851,012
Deposits from employees against purchase of vehicles		18,260,730	14,582,760
Others		18,120,644	16,197,922
		<u>1,088,931,575</u>	<u>1,113,134,038</u>

# Notes to the Financial Statements

For the year ended September 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>24.1 Workers' Profits Participation Fund</b>			
Opening balance		25,970,549	18,124,594
Allocation for the year		-	25,970,549
		<u>25,970,549</u>	<u>44,095,143</u>
Payments made during the year		(25,970,549)	(18,124,594)
Closing balance		<u>-</u>	<u>25,970,549</u>
<b>25. SHORT-TERM BORROWINGS – secured</b>			
Running finance under markup arrangements	25.1	182,539,706	-
Short term finance	25.2	934,500,000	-
		<u>1,117,039,706</u>	<u>-</u>

**25.1** The aggregate facilities for short term running finance available from various banks amounted to Rs. 1,125 million (2016: Rs. 525 million). These facilities are secured against hypothecation of current assets of the Company. These carry mark-up ranging between 0.4% to 1.25% per annum above one to six months KIBOR payable quarterly.

**25.2** The aggregate facilities for short term cash finance available from various banks amounted to Rs. 6,235 million. These carry mark-up ranging between 0.4% to 1.25% per annum above one to six months KIBOR. These are secured against pledge of stock-in-trade and are repayable within six months, latest by December 2017.

	Note	2017 Rupees	2016 Rupees
<b>26. PROVISION FOR MARKET COMMITTEE FEE</b>	26.1	<u>19,968,245</u>	<u>9,406,263</u>

**26.1** During the year ended September 30, 2014, the Company entered into a settlement with the Market Committee against provision for market committee fee up to June 2008 amounting to Rs.32.7 million. As per the settlement terms, the above amount is now payable in 15 equal yearly installments. Further, the Company entered into a settlement with the Market Committee against provision for market committee fee for the years 2008 to 2015 amounting to Rs.47.329 million. As per the settlement terms, the above amount is now payable in 30 equal yearly installments commencing from July 2016. Accordingly, the said liability is recorded as a long term liability in these financial statements (note 20).

## 27. CONTINGENCIES AND COMMITMENTS

### 27.1 Contingencies

- (i) Contribution demanded by SESSI amounting to Rs.3.28 million, for the period July 1987 to August 1990, had been disputed by the Company. The case is currently pending decision before the Court. The Company and its legal counsel are hopeful for a favorable outcome of the case and hence, no provision has been made against the above demand in these financial statements.
- (ii) DGDP's risk purchase claim amounting to Rs. 38.58 million, was disputed by the Company on the grounds that the goods were delivered in time, however, the DGDP failed to lift the goods thereby indulging in breach of the contract. DGDP also withheld tender money paid by the Company amounting to Rs. 8.19 million (note 13.1) during the year 1995 and 1996. The Company filed a counter claim of Rs. 25.81 million against the said breach of contract. The said cases are pending before the Honorable Supreme Court of Pakistan and the Honorable Lahore High Court. The management and legal counsel of the Company are confident that no liability will arise in respect of the risk purchase claim, and hence no provision has been made for the same in these financial statements.

# Notes to the Financial Statements

For the year ended September 30, 2017

- (iii) The Company filed an appeal before the Court and was granted a stay against the order of Customs, Excise and Sales Tax Appellate Tribunal, Karachi, upholding allegation of non-payment of sales tax on advances etc., amounting to Rs. 11.087 million. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these financial statements.
- (iv) The Company has filed an appeal before Customs, Excise and Sales Tax Appellate Tribunal, Karachi, which is pending for hearing, against the order of the Deputy Collector, Collectorate of Customs, Excise and Sales Tax (Adjudication), Hyderabad to pay off alleged demand of Rs. 10.07 million along with additional tax and penalty. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision has been made in these financial statements.
- (v) Pakistan Standards and Quality Control Authority (PSQCA) had demanded a fee payment at the rate of 0.1 percent of ex-factory price for the year 2008-09 amounting to Rs.2.2 million. The Company is of the view that demand notifications so raised are without any lawful authority under the PSQCA Act-VI of 1996 and are in violation of the constitution. Based on the advise of the legal advisor, the management is confident that it would not be liable to pay the said marking fee and hence no provision is made in these financial statements.
- (vi) The Company filed an appeal before the Commissioner Appeals against the order of the Deputy Commissioner Enforcement and Collection whereby sales tax liability along with penalty amounting to Rs.18 million has been established for claiming inadmissible input tax adjustment. During the current year, the Commissioner Appeals has remanded back the case to Deputy Commissioner Enforcement and Collection which is pending for hearing. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these financial statements.
- (vii) Contingency relating to long-term receivable is described in note 6.1 to the financial statements.

27.2 Commitments	2017 Rupees	2016 Rupees
Capital commitments	49,885,762	52,356,908
Commitments in respect of equity investments	838,000,000	838,519,000
Commitments in respect of operating lease rentals for farms	5,622,750	1,181,250
Commitments in respect of finance lease obligation for vehicles	56,121,435	36,339,369
<b>28. TURNOVER</b>		
Sales		
- Sugar – exports	1,685,861,477	-
- Sugar – local	3,694,548,505	7,291,399,447
- Molasses	440,796,703	340,676,061
- Bagasse	76,065,632	42,069,501
	<u>5,897,272,317</u>	<u>7,674,145,009</u>
Less:		
- Sales tax	384,863,788	95,079,666
- Federal excise duty	11,572,667	465,839,356
	<u>396,436,455</u>	<u>560,919,022</u>
	<u>5,500,835,862</u>	<u>7,113,225,987</u>



# Notes to the Financial Statements

For the year ended September 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>29. COST OF SALES</b>			
Manufactured sugar:			
Cost of sugarcane consumed (including procurement and other expenses)		5,346,872,541	4,656,799,667
Market committee fee		10,561,982	9,406,263
Road cess on sugarcane		6,601,405	5,878,928
Salaries, wages and other benefits	29.1	214,360,168	192,318,384
Stores and spare parts consumed		200,273,981	211,477,549
Repairs and maintenance		61,705,415	71,012,490
Fuel, electricity and water charges		12,315,884	12,895,727
Vehicle running and maintenance expenses		3,810,382	3,535,906
Insurance		18,345,608	16,029,082
Depreciation	5.1.1	124,920,918	115,863,706
Other overheads		26,484,791	24,532,273
		<b>6,026,253,075</b>	<b>5,319,749,975</b>
Opening stock of work-in-process		2,702,374	2,922,740
Closing stock of work-in-process		(2,519,343)	(2,702,374)
		<b>183,031</b>	<b>220,366</b>
Cost of goods manufactured		<b>6,026,436,106</b>	<b>5,319,970,341</b>
Opening stock of finished goods		409,333,413	1,459,710,232
Closing stock of finished goods	10	(1,202,937,630)	(409,333,413)
		<b>(793,604,217)</b>	<b>1,050,376,819</b>
		<b>5,232,831,889</b>	<b>6,370,347,160</b>
<b>29.1</b> Include gratuity expense of Rs. 304,549/- (2016: Rs. 804,636/-) and contribution to provident fund of Rs. 4,813,903/- (2016: Rs. 4,332,742/-).			
	Note	2017 Rupees	2016 Rupees
<b>30. DISTRIBUTION COSTS</b>			
Salaries and other benefits	30.1	2,941,618	2,262,267
Sales promotion expenses		8,078,633	9,796,823
Selling expenses		10,297,021	12,488,069
Export expenses		45,317,395	-
Stacking and loading		16,372,660	12,312,882
Insurance		29,845	25,808
		<b>83,037,172</b>	<b>36,885,849</b>
<b>30.1</b> Include contribution to provident fund of Rs. 64,123/- (2016: Rs. 55,487/-).			

# Notes to the Financial Statements

For the year ended September 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>31. ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefits	31.1	134,292,931	118,324,127
Rent, rates and taxes		236,380	317,392
Electricity, telephone, fax and postage		8,463,691	7,450,308
Printing and stationery		2,415,256	2,689,468
Travelling and conveyance		11,566,861	10,976,090
Vehicle running and maintenance expenses		13,003,651	9,815,006
Ijarah rentals		-	519,816
Auditors' remuneration	31.2	2,021,599	1,746,233
Legal and professional		2,720,202	4,701,100
Fees and subscription		2,086,883	2,183,219
Insurance		298,454	258,077
Repairs and maintenance		8,885,762	7,093,072
Advertising		1,324,030	735,078
Donations	31.3	26,601,739	8,671,850
Depreciation	5.1.1	27,999,521	21,547,121
Other expenses		1,319,423	409,968
		<b>243,236,383</b>	<b>197,437,925</b>

**31.1** Include contribution to provident fund of Rs. 5,125,619/- (2016: Rs. 4,439,713 /-).

## **31.2 Auditors' remuneration**

### **Statutory audit**

EY Ford Rhodes

Statutory audit fee

Review of half yearly financial statements and

compliance with Code of Corporate Governance

Other services

Out of pocket expenses

### **Cost audit**

Haroon Zakaria & Co.

Cost audit fee

Note	2017 Rupees	2016 Rupees
	1,175,000	1,070,000
	475,000	437,000
	88,700	-
	90,400	86,166
	<b>1,829,100</b>	<b>1,593,166</b>
	192,499	153,067
	<b>2,021,599</b>	<b>1,746,233</b>

**31.3** Include Rs.10,300,000/- (2016: Rs. 6,000,000/-) and Rs. 16,200,00/- (2016: 2,500,000/-) paid to Hasham Foundation and Usman Memorial Hospital Foundation respectively which are the projects of Hasham Group. Hasham Foundation include directors namely Mr. Mohammed Kasim Hasham, Mr. Mohammed Ebrahim Hasham, Mr. Mohammed Hussain Hasham, Mr. Khurram Kasim and Mr. Ahmed Ebrahim Hasham who are the trustees of the said Foundation. Usman Memorial Hospital Foundation includes directors namely Mr. Mohammed Hussain Hasham and Mr. Ahmed Ebrahim Hasham who are the trustees of the said Foundation. No other directors or their spouses have any interest in any donee's fund to which donation was made in both foundations.

# Notes to the Financial Statements

For the year ended September 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>32. OTHER EXPENSES</b>			
Provision for impairment of available for sale investment		9,357,006	-
Workers' Profits Participation Fund		-	25,970,549
Workers' Welfare Fund		-	8,817,089
Loss on disposal of fixed assets		-	6,418,324
		<u>9,357,006</u>	<u>41,205,962</u>
<b>33. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Dividend income		44,553,112	49,721,426
Gain on disposal of short term investments		262,320,311	54,528,036
Profit on term deposit receipts		389,287	3,529,152
Exchange gain		5,632,500	-
		<u>312,895,210</u>	<u>107,778,614</u>
<b>Income from non-financial assets</b>			
Farm income – net	33.1	17,599,733	12,596,761
Income from sale of electricity		25,827,020	39,474,843
Liabilities no longer payable written back		-	18,043,458
Scrap sales		1,569,916	5,131,765
Gain on disposal of fixed assets		4,843,041	-
		<u>49,839,710</u>	<u>75,246,827</u>
		<u>362,734,920</u>	<u>183,025,441</u>
<b>33.1 Farm income – net</b>			
Revenue from farms		61,447,976	50,606,896
Less: Fair value of harvested crop		(43,848,243)	(48,829,127)
Harvesting and other charges		(13,111,787)	(4,557,411)
		<u>4,487,946</u>	<u>(2,779,642)</u>
Change in fair value less cost to sell of standing crop		13,111,787	15,376,403
		<u>17,599,733</u>	<u>12,596,761</u>
<b>34. FINANCE COSTS</b>			
Markup / interest on:			
Long-term financing		44,509,992	40,731,996
Short-term borrowings		138,063,141	52,462,507
Lease finance		4,160,703	3,399,228
Workers' Profits Participation Fund		581,226	352,256
		<u>187,315,062</u>	<u>96,945,987</u>
Bank charges		9,359,527	1,680,414
		<u>196,674,589</u>	<u>98,626,401</u>
<b>35. TAXATION</b>			
Current		88,933,850	102,913,524
Prior		6,614,117	618,508
		<u>95,547,967</u>	<u>103,532,032</u>
Deferred		(28,676,948)	22,667,770
		<u>66,871,019</u>	<u>126,199,802</u>

**35.1** As the Company is subject to final tax regime on export sales and minimum tax on local sales, therefore, no numerical tax reconciliation is presented.

**35.2** Income tax assessments of the Company have been completed upto the tax year 2017(accounting year ended September 30, 2016).

# Notes to the Financial Statements

For the year ended September 30, 2017

## 36. BASIC AND DILUTED EARNING PER SHARE

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

		2017	2016
Profit after taxation attributable to ordinary shares	(Rupees)	131,675,239	541,806,954
Weighted average number of ordinary shares		32,031,245	32,031,245
Earnings per share	(Rupees)	4.11	16.91

## 37. WORKING CAPITAL CHANGES

(Increase) / decrease in current assets

		2017 Rupees	2016 Rupees
Biological assets		26,186,243	4,980,884
Stores and spare parts		(11,625,992)	23,654,118
Stock-in-trade		(793,421,186)	1,050,597,185
Trade debts		(163,954,495)	31,537,091
Loans and advances		(40,123,143)	29,130,189
Trade deposits and short-term prepayments		(1,234,498)	3,298,664
Other receivables		(776,532)	3,117,748
		(984,949,603)	1,146,315,879
Increase / (decrease) in current liabilities			
Trade and other payables		(36,122,850)	(638,873,776)
Sales tax and federal excise duty payable		93,042,358	(88,494,869)
		56,919,508	(727,368,645)
		(928,030,095)	418,947,234

## 38. TRANSACTIONS WITH RELATED PARTIES

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

# Notes to the Financial Statements

For the year ended September 30, 2017

	2017 Rupees	2016 Rupees
<b>Subsidiary</b>		
Reimbursable expenses incurred on behalf of subsidiary	29,604,394	-
Receipts against reimbursement of expenses from subsidiary	29,604,394	-
Investment made during the year	40,000,000	-
<b>Associates</b>		
Investment made during the year	72,000,000	19,999,980
Dividend received during the year	-	23,059,573
Sales	453,286,878	354,168,998
Expenses shared	1,076,485	1,092,785
Donations	26,500,000	8,500,000
<b>Retirement benefit plans</b>		
Provident fund contribution	10,003,645	8,827,942

## 39. CAPACITY AND PRODUCTION

	Rated capacity		Capacity utilization	
	M. Tons	Days	M. Tons	Days
<b>Season 2016-2017</b>	<b>11500 TCD</b>	<b>133</b>	<b>8587 TCD</b>	<b>133</b>
Season 2015-2016	11500 TCD	105	8958 TCD	108

The shortfall in crushing is due to the extended number of days.

## 40. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	----- 2017 -----					----- 2016 -----				
	Chief Executive	Executive Director	Non-Executive Directors	Executives	Total	Chief Executive	Executive Director	Non-Executive Directors	Executives	Total
	----- Rupees -----									
Fees	-	-	490,000	-	490,000	-	-	395,000	-	395,000
Managerial remuneration	7,608,000	7,608,000	-	34,504,860	49,720,860	6,540,000	5,340,000	-	29,994,012	41,874,012
Retirement benefits	760,800	760,800	-	3,450,486	4,972,086	654,000	534,000	-	2,898,549	4,086,549
Perquisites and other benefits	6,328,000	6,328,000	-	30,143,560	42,799,560	6,040,000	4,940,000	-	27,519,142	38,499,142
	<b>14,696,800</b>	<b>14,696,800</b>	<b>490,000</b>	<b>68,098,906</b>	<b>97,982,506</b>	<b>13,234,000</b>	<b>10,814,000</b>	<b>395,000</b>	<b>60,411,703</b>	<b>84,854,703</b>
Number of persons	1	1	6	26	34	1	1	6	26	34

# Notes to the Financial Statements

For the year ended September 30, 2017

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

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

### 41.1 Credit risk

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

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

	2017 Rupees	2016 Rupees
Long term deposits	1,113,170	853,170
Trade debts	174,514,430	10,559,935
Short term Investments	830,319,250	1,105,801,019
Loans and advances	148,344,754	108,221,611
Short term deposits	318,640	398,640
Other receivables	4,493,899	3,717,367
Cash and bank balances	28,761,062	34,438,332
	<u>1,187,865,205</u>	<u>1,263,990,074</u>

### Quality of financial assets

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

	2017 Rupees	2016 Rupees
<b>41.1.1 Trade debts</b>		
Customers with no defaults in the past one year	-	-
<b>41.1.2 Bank balances</b>		
With external credit rating:		
A1+ PACRA	20,869,112	25,350,068
A-1+ JCR – VIS	1,882,790	118,910
A1 PACRA	5,902,474	8,953,638
	<u>28,654,376</u>	<u>34,422,616</u>

### 41.2 Liquidity risk

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

# Notes to the Financial Statements

For the year ended September 30, 2017

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	-----Amount in Rupees-----				
Long-term financing		27,755,904	128,267,706	448,747,505	604,771,115
Liabilities against assets subject to finance lease		6,108,724	18,326,173	31,686,538	56,121,435
Trade and other payables	884,064,170	159,051,615	-	45,815,790	1,088,931,575
Accrued markup	-	32,324,757	-	-	32,324,757
Short term borrowings	-	1,117,039,706	-	-	1,117,039,706
<b>2017</b>	<b>884,064,170</b>	<b>1,342,280,706</b>	<b>146,593,879</b>	<b>526,249,833</b>	<b>2,899,188,588</b>

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	-----Amount in Rupees-----				
Long-term financing	-	39,715,059	128,001,150	304,848,460	472,564,669
Liabilities against assets subject to finance lease	-	3,782,224	11,346,671	21,210,474	36,339,369
Trade and other payables	587,731,559	217,150,927	240,142,823	14,582,760	1,059,608,069
Accrued markup	-	8,841,589	-	-	8,841,589
<b>2016</b>	<b>587,731,559</b>	<b>269,489,799</b>	<b>379,490,644</b>	<b>340,641,694</b>	<b>1,577,353,696</b>

## 41.3 Market risk

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

### 41.3.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates mainly relates to long term financing, short term borrowings and lease obligations. Management of the Company estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the Company's profit before tax by Rs.5.089 million and a 1% decrease would result in the increase in the Company's profit before tax by the same amount.

### 41.3.2 Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The management of the Company manages the above market risks through diversification of investment portfolio. The management estimates that a 10% increase in the overall equity prices in the market with all of the factors remaining constant would increase the Company's profit before tax by Rs.110.25 million and a 10% decrease would result in a decrease in the Company's profit before tax by the same amount.

### 41.3.3 Foreign currency risk

Foreign currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist as a result of transactions with foreign undertakings. Financial Assets of the Company include Rs. 138.650 million in foreign currency which is subject to currency risk exposure. The Company believes that the foreign currency risk exposure on Financial Assets is immaterial.

# Notes to the Financial Statements

For the year ended September 30, 2017

## 42. CAPITAL RISK MANAGEMENT

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital. The Company manages its capital structure and makes adjustment to it, in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Company is currently financing of its operations through long-term and short-term financing in addition to its equity. The Company has a gearing ratio of 22.95% (2016: 16.96%) as of the balance sheet date, which in view of the management is adequate considering the size of the operations.

## 43. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

Level 1: Quoted prices (unadjusted) 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 data (unobservable inputs).

As of the balance sheet date, the Company has only available-for-sale investments measured at fair value using level 1 valuation techniques.

## 44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on December 26, 2017 by the Board of Directors of the Company.

## 45. NUMBER OF EMPLOYEES

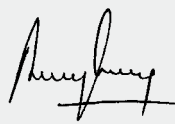
Number of persons employed as at year end were 585 (2016: 605) and the average number of persons employed during the year were 583 (2016: 580).

## 46. GENERAL

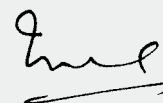
Amounts have been rounded off to the nearest rupee unless otherwise stated.



Chief Executive Officer



Chief Financial Officer



Director





# Consolidated FINANCIAL STATEMENTS





EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

## Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Mehran Sugar Mills Limited (the Holding Company) and its subsidiary company as at 30 September, 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary company. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary company as at 30 September, 2017 and the results of their operations for the year then ended.

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

**Chartered Accountants**  
**Audit Engagement Partner: Khurram Jameel**

Date: January 2, 2018  
Place: Karachi

# Consolidated Balance Sheet

As at September 30, 2017

	Note	2017 Rupees
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	5	2,215,892,055
Long-term receivable	6	-
Long-term investments	7	937,676,351
Long-term deposits		1,113,170
		<b>3,154,681,576</b>
<b>CURRENT ASSETS</b>		
Biological assets	8	17,662,000
Stores and spare parts	9	83,880,941
Stock-in-trade	10	1,205,456,973
Trade debts	11	174,514,430
Loans and advances	12	148,344,754
Trade deposits and short-term prepayments	13	7,753,808
Other receivables	14	4,493,899
Short-term investments	15	830,319,250
Taxation – net		54,617,134
Cash and bank balances	16	39,156,458
		<b>2,566,199,647</b>
<b>TOTAL ASSETS</b>		<b>5,720,881,223</b>
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Share capital	17	320,312,450
Reserves		1,895,971,411
		<b>2,216,283,861</b>
<b>NON-CURRENT LIABILITIES</b>		
Long-term financing	18	448,747,505
Liabilities against assets subject to finance lease	19	31,686,538
Market committee fee payable	20	65,974,256
Deferred liability	21	4,878,275
Deferred taxation	22	288,210,549
Provision for quality premium	23	119,290,919
		<b>958,788,042</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	24	1,089,056,575
Accrued mark up		32,324,757
Short-term borrowings	25	1,117,039,706
Current portion of long-term financing	18	156,023,610
Current portion of liabilities against assets subject to finance lease	19	24,434,897
Current portion of market committee fee payable	20	3,757,652
Provision for market committee fee	26	19,968,245
Sales tax and federal excise duty payable		103,203,878
		<b>2,545,809,320</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	27	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,720,881,223</b>

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

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

# Consolidated Profit and Loss Account

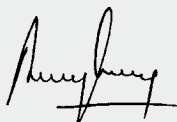
For the year ended September 30, 2017

	Note	2017 Rupees
Turnover	28	5,500,835,862
Cost of sales	29	(5,232,831,889)
Gross profit		268,003,973
Distribution costs	30	(83,037,172)
Administrative expenses	31	(245,206,711)
Other expenses	32	(9,357,006)
Other income	33	362,734,920
		25,134,031
<b>Operating profit</b>		293,138,004
Share of profit from associates – net	7	100,112,515
Finance costs	34	(196,674,799)
<b>Profit before taxation</b>		196,575,720
Taxation	35	(66,871,019)
<b>Net profit for the year</b>		129,704,701
<b>Basic and diluted earnings per share</b>	36	4.05

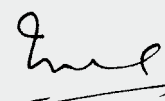
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Chief Executive Officer



Chief Financial Officer



Director

# Consolidated Statement of Comprehensive Income

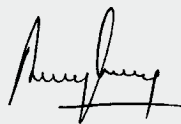
For the year ended September 30, 2017

	2017 Rupees
Net profit for the year	129,704,701
Other comprehensive income	
Items to be reclassified to profit and loss account in subsequent periods:	
Unrealised gain on revaluation of short-term investments – net	35,361,786
Reclassification to profit and loss account for gain on disposal of short-term investments	(95,206,177)
	(59,844,391)
Items that may not be reclassified subsequently to profit and loss account	
Actuarial loss on defined benefit plan – net	(819,108)
<b>Total comprehensive income for the year</b>	<b>69,041,202</b>

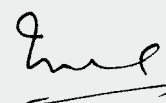
The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

# Consolidated Cash Flow Statement

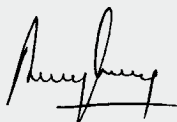
For the year ended September 30, 2017

	Note	2017 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation		196,575,720
Adjustments for non-cash charges and other items:		
Depreciation		152,920,439
Share of profit from associate – net		(100,112,515)
Gain on disposal of fixed assets		(4,843,041)
Finance costs		196,674,799
Gain on disposal of investments		(262,320,311)
Provision for gratuity		304,549
Provision for market committee fee		10,561,982
Provision for impairment of short-term investment		9,357,006
Working capital changes	37	(927,905,095)
		(925,362,187)
Gratuity paid		(892,104)
Income taxes paid		(172,367,234)
Finance costs paid		(173,191,631)
Market committee fee paid		(4,360,000)
Long term deposits		(260,000)
<b>Net cash (used in) operating activities</b>		<b>(1,079,857,436)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure		(369,326,307)
Proceeds from disposal of operating fixed assets		7,698,872
Investments made during the year		(2,776,958,553)
Proceeds from disposal of short-term investments		3,167,803,215
<b>Net cash (generated from) investing activities</b>		<b>29,217,227</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing obtained		132,206,446
Short-term borrowings obtained		1,117,039,706
Liabilities against assets subject to finance lease		(29,635,409)
Dividends paid		(164,252,408)
<b>Net cash generated from financing activities</b>		<b>1,055,358,335</b>
<b>Net change in cash and cash equivalents</b>		<b>4,718,126</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>34,438,332</b>
<b>Cash and cash equivalents at the end of the year</b>	16	<b>39,156,458</b>

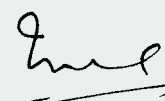
The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

# Consolidated Statement of Changes in Equity

For the year ended September 30, 2017

	Issued, subscribed and paid-up capital	Reserves				Total reserves	Total
		Capital reserve - Share Premium	General reserve	Unrealized gain on revaluation of investments	Unappropriated profit		
-----Rupees -----							
Balance as at September 30, 2016	320,312,450	63,281,250	85,000,000	146,743,887	1,708,077,868	2,003,103,005	2,323,415,455
Final dividend for the year ended September 30, 2016 @ 22.5%	-	-	-	-	(72,070,387)	(72,070,387)	(72,070,387)
First interim dividend for the year ended September 30, 2017 @ 15%	-	-	-	-	(48,047,259)	(48,047,259)	(48,047,259)
Second interim dividend for the year ended September 30, 2017 @ 12.5%	-	-	-	-	(40,039,143)	(40,039,143)	(40,039,143)
Additional cash dividend for the year ended September 30, 2016 dividend @ 5%	-	-	-	-	(16,016,007)	(16,016,007)	(16,016,007)
Net profit for the year	-	-	-	-	129,704,701	129,704,701	129,704,701
Other comprehensive loss	-	-	-	(59,844,391)	(819,108)	(60,663,499)	(60,663,499)
Total comprehensive income for the year	-	-	-	(59,844,391)	128,885,593	69,041,202	69,041,202
<b>Balance as at September 30, 2017</b>	<b>320,312,450</b>	<b>63,281,250</b>	<b>85,000,000</b>	<b>86,899,496</b>	<b>1,660,790,665</b>	<b>1,895,971,411</b>	<b>2,216,283,861</b>

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

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

## 1. THE GROUP AND ITS OPERATIONSX

The Group consists of Mehran Sugar Mills Limited (the Holding Company) and Mehran Energy Limited - a wholly owned subsidiary Company (the Subsidiary Company). Brief profiles of Holding Company and its subsidiary company are as follows :

### 1.1 Holding Company

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

### 1.2 Subsidiary Company

The Subsidiary Company is in start-up phase and has not commenced its operations. The principal activities of the Subsidiary Company will be to build, operate and maintain a 26.5 MW high pressure co-generation bagasse based power plant for the generation and supply of electric power in relation thereof. The Company obtained letter of intent (LOI) from the Government of Sindh (GoS) on November 07, 2016. The registered office of the Company is situated at 14th floor, Dolmen City Executive Tower, Marine Drive, Block 4, Clifton, Karachi.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 23 of 2017 dated July 04, 2017 communicated it's decision that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the Ordinance. Accordingly, these consolidated 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 Ordinance and provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

### 2.2 Accounting convention

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

### 2.3 Standards not yet effective

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



# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

	Effective date (accounting periods Beginning on or after)
IAS 70 – Statement of Cash flows (Amendment)	01 January 2017
IAS 12 – Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017
IAS 40 – Investment Property: Transfers of Investment Property (Amendments)	01 January 2017
IFRS 2 – Share-based Payments - Classification and Measurement of Share - based Payments Transactions (Amendments)	01 January 2018
IFRS 46 – Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRS 15 – Revenue from Contracts with Customers	01 July 2018
IFRS 9 – Financial Instruments: Classification and Measurement	01 July 2018
IFRIC 23 – Uncertainty over Income Tax Treatments	01 January 2019

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

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

	IASB Effective date (accounting periods Beginning on or after)
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 16 – Leases	01 January 2019
IFRS 17 – Insurance Contracts	01 January 2021

### 3. BASIS OF CONSOLIDATION

Subsidiary is an entity controlled by the Group over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than fifty percent of the voting rights. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

The financial statements of the subsidiary is prepared for the same reporting period as for the Holding Company using consistent accounting policies and changes are made when necessary to align them with the policies adopted by the Holding Company.

The assets and liabilities of the subsidiary company have been consolidated on a line by line basis. The carrying value of investment held by the Holding Company is eliminated against the subsidiary's shareholders' equity in the consolidated financial statements. All material intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in statement of profit and loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

### Property, plant and equipment

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

### Impairment of Investments

In making estimates of future cash flows from investments in associates the management considers future dividend stream and an estimate of the terminal value of these investments which is subject to change.

In case of available for sale investments the management estimates whether the decline in the fair value of quoted securities is significant and prolonged.

### Inventories

The Group reviews the net realizable value (NRV) of stock-in-trade and stores and spare parts to assess any diminution in the 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.

### Taxation

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

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

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

## Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Group, 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 events.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Property, plant and equipment

#### Owned

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

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

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

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

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

#### Leased

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

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

#### Capital work-in-progress

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

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

## 4.2 Investments

### Associates

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

### Available-for-sale

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

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

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

### Held-to-maturity

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

## 4.3 Biological assets

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

## 4.4 Stores and spare parts

These are valued at lower of weighted average cost and NRV.

## 4.5 Stock-in-trade

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

## 4.6 Trade debts and other receivables

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

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

## 4.7 Cash and cash equivalents

These are carried at cost.

## 4.8 Employees' benefits

### Gratuity

The Holding Company operates an unfunded gratuity scheme for its permanent mill employees. Provision is made annually, to cover obligations under the plan, by way of a charge to profit and loss account, calculated in accordance with the actuarial valuation using the "Projected Unit Credit Method". The latest valuation has been carried out as at September 30, 2017.

### Provident fund

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

### General disclosures

	2017 Rupees (Unaudited)
Size of the fund	154,369,839
Cost of investments	102,570,608
Fair value of investments	148,464,552
Percentage of investments	93%

### Break-up of investments

	2017 ----- (Unaudited) ----- (Rupees) (%)	
Defence Saving Certificates	143,893,944	90
Bank balances	4,570,608	3
Total	<u>148,464,552</u>	<u>93</u>

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

### Compensated absences

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

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

## 4.9 Taxation

### Current

In case of the Holding Company. Provision for current tax is based on the taxable income in accordance with the Income Tax Ordinance, 2001.

The income of the subsidiary company is exempt from taxation under clause 132 of Part I of the Second schedule to the Income Tax Ordinance 2001.

### Deferred

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

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

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

## 4.10 Trade and other payables

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

## 4.11 Provisions

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

## 4.12 Foreign currency transactions and translation

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

## 4.13 Borrowing costs

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

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

## 4.14 Financial instruments

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

## 4.15 Offsetting of financial assets and financial liabilities

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

## 4.16 Revenue recognition

- Sales are recognized as revenue when invoiced, which generally coincides with the delivery of goods.
- Profit on term deposit receipts is recognized on effective interest rate.
- Dividend income is recognized when the right to receive the same is established.
- Gain / loss on sale of investment is recognized in profit and loss account in the period in which investment is sold.
- Income from sale of electricity is recognized upon the output delivered at rates specified under the agreement with Hyderabad Electric Supply Company (HESCO).

## 4.17 Dividend and appropriation to reserves

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

## 4.18 Functional and presentation currency

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

		2017 Rupees
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>	Note	
Operating fixed assets	5.1	1,991,894,970
Capital work-in-progress	5.2	223,997,085
		2,215,892,055

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

## 5.1 Operating fixed assets

Description	2017							
	Cost at October 01, 2016	Additions/ (deletions)	Cost at September 30, 2017	Accumulated depreciation at October 01, 2016	Depreciation for the year/ (deletions)	Accumulated depreciation at September 30, 2017	Book value at September 30, 2017	Dep. Rate
Rupees								
<u>Owned</u>								
Freehold land	83,394,207	-	83,394,207	-	-	-	83,394,207	-
Buildings on freehold land								
- Factory	262,573,131	13,278,334	275,851,465	115,746,926	15,352,887	131,099,813	144,751,652	10 %
- Non-factory	50,996,147	-	50,996,147	14,293,683	1,835,123	16,128,806	34,867,341	5 %
Plant, machinery and Equipment	2,133,774,436	419,952,591 (1,129,499)	2,552,597,528	905,894,193	106,625,529 (846,851)	1,011,672,871	1,540,924,657	7.5 %
Furniture and fittings	8,708,852	111,500	8,820,352	3,066,915	571,844	3,638,759	5,181,593	10 %
Vehicles	22,240,028	2,058,000 (5,507,600)	18,790,428	17,501,756	918,952 (3,735,775)	14,684,933	4,105,495	20%
Office premises	85,022,551	-	85,022,551	16,482,825	3,426,986	19,909,811	65,112,740	5 %
Office equipment	5,774,222	103,000	5,877,222	3,024,366	280,136	3,304,502	2,572,720	10 %
Electric installation	11,015,603	3,052,383 (510,707)	13,557,279	5,941,863	597,494 (507,673)	6,031,684	7,525,595	10 %
Weighbridge and scales	4,497,389	16,500	4,513,889	1,042,039	346,223	1,388,262	3,125,627	10 %
Workshop tools and other equipment	6,341,923	-	6,341,923	4,705,308	163,662	4,868,970	1,472,953	10 %
Computers	10,345,912	1,522,487	11,868,399	7,435,388	1,466,842	8,902,230	2,966,169	30 %
Air conditioners and refrigerators	12,319,714	756,394	13,076,108	4,382,085	833,399	5,215,484	7,860,624	10 %
	2,697,004,115	440,851,189 (7,147,806)	3,130,707,498	1,099,517,347	132,419,077 (5,090,299)	1,226,846,125	1,903,861,373	
<u>Leased</u>								
Vehicles	95,447,200	49,417,490 (2,215,100)	142,649,590	35,531,407	20,501,362 (1,416,776)	54,615,993	88,033,597	20 %
<b>Total</b>	<b>2,792,451,315</b>	<b>490,268,679 (9,362,906)</b>	<b>3,273,357,088</b>	<b>1,135,048,754</b>	<b>152,920,439 (6,507,075)</b>	<b>1,281,462,118</b>	<b>1,991,894,970</b>	

### 5.1.1 Depreciation charge for the year has been allocated as follows:

	Note	2017 Rupees
Cost of sales	29	124,920,918
Administrative expenses	31	27,999,521
		<b>152,920,439</b>



# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

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

Particulars	(Rupees)					Mode of Disposal	Particulars of Purchaser
	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain		
<b>Plant, machinery and equipment</b>							
Diesel Generator	766,210	533,504	232,706	1,416,752	1,184,046	Negotiation	Mr. Akber Shah - Karachi
Other assets with book value less than Rs. 50,000 each	363,289	313,347	49,942	266,641	216,699	Negotiation	Mr. Akber Shah - Karachi
	1,129,499	846,851	282,648	1,683,393	1,400,745		
<b>Electric Installation</b>							
Asset with book value less than Rs. 50,000	510,707	507,673	3,034	16,607	13,573	Negotiation	Mr. Akber Shah - Karachi
<b>Vehicles</b>							
Suzuki Alto (AXE - 744)	796,000	560,525	235,475	524,628	289,153	Policy	Mr. Haroon Suzera - employee
Suzuki Alto (AXF - 560)	727,000	507,802	219,198	479,153	259,955	Policy	Mr. Liaqat Ali - employee
Car(BCF-709)	692,100	348,449	343,651	551,483	207,832	Policy	Mr. Inayat-employee
Audi(AUQ-448)	4,000,000	2,925,938	1,074,062	3,300,000	2,225,938	Negotiation	Mr. Ahmed Ashraf
Honda (CD-70)	102,500	47,811	54,689	74,700	20,011	Policy	Mr. Zahid Hussain - employee
Honda (CD-70)	63,500	11,642	51,858	60,000	8,142	Policy	Insurance Claim
Other assets with book value less than Rs. 50,000 each	1,341,600	750,384	591,216	1,008,908	417,692	Policy	Various
	7,722,700	5,152,551	2,570,149	5,998,872	3,428,723		
<b>Total</b>	<b>9,362,906</b>	<b>6,507,075</b>	<b>2,855,831</b>	<b>7,698,872</b>	<b>4,843,041</b>		

## 5.2 Capital work-in-progress

	Buildings on freehold land	Plant, machinery and Equipment	Total
	----- Rupees -----		
<b>Balance as at September 30, 2016</b>	55,807,969	239,713,997	295,521,966
Capital expenditure incurred / advances made during the year	2,303,289	327,750,014	330,053,303
Transfer to operating fixed assets	(11,958,334)	(389,619,850)	(401,578,184)
<b>Balance as at September 30, 2017</b>	<b>46,152,924</b>	<b>177,844,161</b>	<b>223,997,085</b>

## 6. LONG-TERM RECEIVABLE

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

Note **2017 Rupees**

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

6.1 Represents down payment made in respect of purchase of Thatta Sugar Mills (the Mill) and other costs incurred in running the Mill from November 1992 up to July 1993, when the Mill was forcibly taken over by the Government of Sindh (GoS) without paying any amount. The Holding Company filed a law suit for Rs. 166 million being the amount of down payment, expenses incurred (including payment to workers) and loss of profits. The GoS made a counter claim of Rs.402 million against the Holding Company. The case is currently pending in the Honorable High Court of Sindh (the Court) for recording of evidences. While the Holding Company's suit for recovery of compensation is pending in the Court, the GoS invited bids for the sale of the Mill through Sindh Privatization Commission but it could not succeed. The GoS is now trying to privatize it through the Federal Privatization Commission. The representative of the GoS has also admitted the fact that the Mill was taken over by the GoS without making any payment to the Holding Company. However, the Holding Company has made provision against the aforesaid receivable of Rs. 42.510 million as a matter of prudence and the fact that the debt is outstanding for a considerable period.

	Note	2017 Rupees
<b>7. LONG TERM INVESTMENTS - Associates</b>		
<b>Unicol Limited (UL)</b> 49,999,997 (2016: 23,059,573) Ordinary shares of Rs. 10 each % of holding: 33.33%	7.2	852,412,955
<b>UniEnergy Limited (UEL)</b> 1,999,998 (2016: 1,999,998) Ordinary shares of Rs. 10 each % of holding: 20%	7.3	19,925,667
<b>UniFoods Limited (UFL)</b> 7,200,000 Ordinary shares of Rs. 10 each % of holding: 24%	7.4	65,337,729
		<b>937,676,351</b>

7.1 As the financial statements of all the associates may not necessarily be available at the year end, therefore the Group uses the financial statements of the associates with a lag of three months for applying the equity method of accounting. In case of UL the Group has used the financial statements for the same year end as that of the Group

7.2 UL is incorporated in Pakistan as a public unlisted company with its registered office situated at Sub Post Office Sugar Mills, Umerkot Road, Mirpurkhas. The principal activity of the UL is to manufacture and sell ethanol and carbon dioxide (CO<sub>2</sub>). The summarized financial information of UL is as follows:

	2017 Rupees
Aggregate amount of:	
- assets	5,282,734,000
- liabilities	2,725,496,000
- revenue	4,455,265,000
- profit	320,353,000
<b>Movement of investment is as follows:</b>	
Opening balance	745,628,638
Share of profit – net of tax	106,784,317
	<b>852,412,955</b>

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

- 7.3 UEL is incorporated in Pakistan as a public unlisted company with its registered office situated at 1st Floor, Modern Motors House, Beaumont Road, Karachi. The principal activity of UEL will be to build, operate and maintain wind power generating project of 50 Mega Watts for the generation and supply of electric power in relation thereof, however, it is in start-up phase and has not commenced its operations. The summarized financial information of UEL is as follows:

	2017 Rupees
Aggregate amount of:	
- assets	100,766,856
- liabilities	1,138,422
- loss	216,475
<b>Movement of investment is as follows:</b>	
Opening balance	19,935,208
Share of profit – net	43,295
Prior year adjustment	(52,836)
	(9,541)
	<u>19,925,667</u>

- 7.4 UFL was incorporated in Pakistan as a public unlisted company during the current year with its registered office situated at 2nd Floor, Bank House No. 1, Habib Square, M.A Jinnah Road, Karachi. The principal activity is manufacture, sell and distribution of bakery and confectionery items. The summarized financial information of UFL is as follows:

	Note	2017 Rupees
Aggregate amount of:		
- assets		216,475,701
- liabilities		35,905,164
- loss		27,759,463
<b>Movement of investment is as follows:</b>		
Investment made		72,000,000
Share of loss – net		(6,662,271)
		<u>65,337,729</u>
<b>8. BIOLOGICAL ASSETS</b>	8.1	<u>17,662,000</u>
8.1 Carrying value at beginning of the year		43,848,243
Increase due to cultivation		13,111,787
Change in fair value less costs to sell of standing crop		4,550,213
		61,510,243
Reduction due to harvesting		(43,848,243)
Carrying value at the end of the year		<u>17,662,000</u>

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

**8.2** The Holding Company is engaged in cultivation of different sugarcane varieties. These varieties are then provided to growers for multiplication. During the year, the Holding Company harvested 331,193 maunds sugarcane at the yield of 1048 maunds per acre 153,301 maunds were supplied to growers for variety multiplication while remaining sugarcane was used for crushing at mill.

	Note	2017 Rupees
<b>9. STORES AND SPARE PARTS</b>		
Stores		20,040,226
Spare parts		63,840,715
		<u>83,880,941</u>
<b>10. STOCK-IN-TRADE</b>		
Manufactured sugar		
- Work-in-process		2,519,343
- Finished goods	10.1	1,202,937,630
		<u>1,205,456,973</u>

**10.1** The finished goods having cost of Rs. 1,253.96 million are carried at NRV of Rs.1,202.94 million.

	Note	2017 Rupees
<b>11. TRADE DEBTS – unsecured</b>		
Considered good	11.1	174,514,430
Considered doubtful		16,987,867
		<u>191,502,297</u>
Less: Provision for doubtful debts	11.2	16,987,867
		<u>174,514,430</u>
<b>11.1</b> The aging of trade debts is as follows:		
Neither past due nor impaired		-
Past due but not impaired (within 90 days)		174,514,430
		<u>174,514,430</u>

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

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

	Note	2017 Rupees
<b>12. LOANS AND ADVANCES – considered good</b>		
Loans to employees		2,818,285
<b>Advances</b>		
- to suppliers		24,890,494
- to cane growers		46,632,953
- against expenses		2,120,022
- against federal excise duty / sales tax		71,883,000
		145,526,469
		<u>148,344,754</u>
<b>13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>		
Trade deposits		
Considered good		318,640
Considered doubtful		8,759,554
		9,078,194
Less: Provision for doubtful deposits	13.1	8,759,554
		318,640
Short-term prepayments		
Considered good		7,435,168
		<u>7,753,808</u>
<b>13.1</b>		
Represents amount paid by the Holding Company during the years 1995 and 1996 to the Director General Defence Procurement (DGDP) as tender money, which was withheld by the DGDP on account of his risk purchase claim on the Holding Company, as fully described in note 27.1 to the consolidated financial statements. Although the matter is under litigation, the Holding Company, as a matter of prudence, has made full provision against the deposit in these consolidated financial statements.		
		<b>2017 Rupees</b>
<b>14. OTHER RECEIVABLES – considered good</b>		
Due from related parties:		
Pakistan Molasses Company (Private) Limited		2,068,829
Mogul Tobacco Company (Private) Limited		422,099
		2,490,928
Others		2,002,971
		<u>4,493,899</u>

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

	Note	2017 Rupees
<b>15. SHORT-TERM INVESTMENTS</b>		
<b>Held to maturity</b>		
Term deposit certificates	15.1	3,300,000
<b>Available for sale</b>		
Equity securities	15.2	827,019,250
		<u>830,319,250</u>

15.1 These carry profit rate of 3.50% per annum, having maturity up to six months.

15.2 Available for sale

2017 Number of shares of par value Rs. 10/- each		2017 Rupees
	Quoted companies	
1,000,000	Aisha Steel Mills Ltd.	18,850,000
100,000	Allied Bank Limited	8,749,000
750,000	Bank Al Falah Ltd.	31,815,000
1,885,000	Bank Al Habib Limited	108,576,000
81,500	Chashma Sugar Mills Ltd.	4,910,375
100,000	Cherat Cement Limited	11,998,000
200,000	D.G.K.Cement Limited	29,372,000
5,000	Engro Corporation Limited	1,515,450
500,000	Engro Fertilizers Limited	31,455,000
500,000	Fauji Fertilizer Company Limited	41,570,000
300,000	Habib Bank Limited	54,228,000
499,800	Hub Power Company Limited	-
12,500	Indus Motors Limited	21,510,250
300,000	International Steel Limited	36,339,000
70,150	JDW Sugar Mills Limited	26,657,000
157,115	Jubilee Life Insurance Company Limited	109,980,500
22,500	Lucky Cement Limited	12,716,550
41,900	Mari Petroleum Company Limited	63,059,920
901,000	Meezan Bank Limited	67,061,430
10,000	Millat Tractors Ltd.	12,482,900
50,000	Nishat Mills Limited	7,255,000
311,800	Noon Sugar Mills Ltd.	24,897,230
250,000	Oil Gas Development Corporation Limited	37,160,000
100,000	Sui Northern Gas Pipelines Limited	13,386,000
270,677	United Bank Limited	51,474,645
		<u>827,019,250</u>

## 16. CASH AND BANK BALANCES

Cash in hand	106,686
Cash with banks in current accounts	39,049,772
	<u>39,156,458</u>

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

## 17. SHARE CAPITAL

2017 (Number of shares)	2017 Rupees
Authorized capital	
<u>50,000,000</u>	<u>500,000,000</u>
<b>Issued, subscribed and paid-up capital</b>	
Ordinary shares of Rs.10/- each	
5,968,750	59,687,500
350,000	3,500,000
25,712,495	257,124,950
<u>32,031,245</u>	<u>320,312,450</u>

## 18. LONG TERM FINANCING – secured

From banking companies	18.1	604,771,115
Less: Current portion		(156,023,610)
		<u>448,747,505</u>

### 18.1

	Installments		Mark-up	
	Number	Commencing from		
Al Baraka Bank Pakistan Limited	16 quarterly	November 2014	6 months KIBOR plus 1.75% per annum	42,690,278
Bank Islami Pakistan Limited	24 quarterly	January 2015	3 months KIBOR plus 1.25% per annum	27,080,837
Bank Al Habib Limited	20 quarterly	May 2016	6 months KIBOR plus 0.8% per annum	65,000,000
Bank Al Habib Limited	20 quarterly	December 2015	3 months KIBOR plus 0.8% per annum	170,000,000
Bank Alfalah Limited	20 quarterly	February 2018	6 months KIBOR plus 0.5% per annum	300,000,000
Meezan Bank Limited	16 quarterly	March 2013	3 months KIBOR plus 1.30% per annum	-
Meezan Bank Limited	16 quarterly	April 2013	3 months KIBOR plus 1.30% per annum	-
Bank Al Habib Limited	14 quarterly	July 2014	6 months KIBOR plus 1.75% per annum	-
MCB Bank Limited	14 quarterly	May 2014	3 months KIBOR plus 2% per annum	-
				<u>604,771,115</u>

18.2 The above facilities are secured by way of first pari passu charge over operating fixed assets of the Holding Company amounting to Rs. 1,002 million.

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

## 19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Represent finance leases entered into with commercial banks for vehicles. Lease rentals are payable in equal monthly installments latest by March 2022. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee has to pay the entire rent for unexpired period. Financing rates of approximately 7.3 to 7.9 percent per annum has been used as discounting factor. Purchase options can be exercised by the lessee in accordance with the respective lease agreements. The movement in the finance lease liability is as follows:

	2017	
	Minimum lease Payments	Present Value
	----- (Rupees) -----	
Within one year	27,696,310	24,434,897
After one year but not more than five years	33,994,558	31,686,538
Total minimum lease payments	61,690,868	56,121,435
Less: Amount representing finance charges	5,569,433	-
Present value of minimum lease payments	56,121,435	56,121,435
Less: Current maturity shown under current liability	24,434,897	24,434,897
	<u>31,686,538</u>	<u>31,686,538</u>

## 20. MARKET COMMITTEE FEE PAYABLE

	2017 Rupees
Market committee fee payable	69,731,908
Less: Current portion	3,757,652
	<u>65,974,256</u>

Note

26.1

## 21. DEFERRED LIABILITY

	2017 Rupees
Staff gratuity	4,878,275
<b>(a) Staff gratuity</b>	
Opening balance	4,646,722
Expense for the year	304,549
Benefits paid during the year	(892,104)
Actuarial loss / (gain)	819,108
Closing balance	<u>4,878,275</u>
<b>(b) Principal actuarial assumptions</b>	
Discount rate	8.00%
Expected rate of increase in salary level	8.00%
Expected average remaining life of employees	<u>1.84 years</u>



# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

## (c) Comparisons for five years

	2017	2016	2015	2014	2013
	----- (Rupees) -----				
Present value of defined benefit obligation	<u>4,878,276</u>	<u>4,646,722</u>	<u>9,414,422</u>	<u>8,004,115</u>	<u>7,564,191</u>

## (d) Sensitivity analysis (+/- 100 bps) on present value of defined benefit obligation

	2017			
	Discount rate		Salary increase	
	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
	----- (Rupees) -----			
Present value of defined benefit obligation	<u>4,610,641</u>	<u>5,180,084</u>	<u>5,199,466</u>	<u>4,588,494</u>

## 22. DEFERRED TAXATION

Note

2017  
Rupees

### Credit balances arising due to:

Accelerated tax depreciation	291,841,201
Assets subject to finance leases	9,573,649
Investment in associates	51,851,460
Unrealised gain on available for sale investments	8,428,309
	<u>361,694,619</u>

### Debit balances arising due to:

Provisions	(20,083,309)
Unused tax losses	(53,294,561)
Others	(106,200)
	<u>(73,484,070)</u>
	<u>288,210,549</u>

## 23. PROVISION FOR QUALITY PREMIUM

23.1

119,290,919

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

## 24. TRADE AND OTHER PAYABLES

Note

2017  
Rupees

Creditors	131,673,446
Accrued expenses	247,457,030
Advances from customers	608,069,641
Payable to provident fund	2,148,265
Workers' Profits Participation Fund	-
Workers' Welfare Fund	27,555,420
	<u>1,017,303,802</u>

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

	Note	2017 Rupees
Unclaimed dividend		35,771,399
Deposits from employees against purchase of vehicles		18,260,730
Others		18,120,644
		<u>1,089,056,575</u>
<b>24.1 Workers' Profits Participation Fund</b>		
Opening balance		25,970,549
Allocation for the year		-
		<u>25,970,549</u>
Payments made during the year		(25,970,549)
Closing balance		-
		<u>-</u>
<b>25. SHORT-TERM BORROWINGS – secured</b>		
Running finance under markup arrangements	25.1	182,539,706
Short term finance	25.2	934,500,000
		<u>1,117,039,706</u>

**25.1** The aggregate facilities for short term running finance available from various banks amounted to Rs. 1,125 million. These facilities are secured against hypothecation of current assets of the Holding Company. These carry mark-up ranging between 0.4% to 1.25% per annum above one to six months KIBOR payable quarterly.

**25.2** The aggregate facilities for short term cash finance available from various banks amounted to Rs. 6,235 million. These carry mark-up ranging between 0.4% to 1.25% per annum above one to six months KIBOR. These are secured against pledge of stock-in-trade and are repayable within six months, latest by December 2017.

	Note	2017 Rupees
<b>26. PROVISION FOR MARKET COMMITTEE FEE</b>	26.1	<u>19,968,245</u>

**26.1** During the year ended September 30, 2014, the Holding Company entered into a settlement with the Market Committee against provision for market committee fee up to June 2008 amounting to Rs.32.7 million. As per the settlement terms, the above amount is now payable in 15 equal yearly installments. Further, the Holding Company entered into a settlement with the Market Committee against provision for market committee fee for the years 2008 to 2015 amounting to Rs.47.329 million. As per the settlement terms, the above amount is now payable in 30 equal yearly installments commencing from July 2016. Accordingly, the said liability is recorded as a long term liability in these consolidated financial statements (note 20).

## 27. CONTINGENCIES AND COMMITMENTS

### 27.1 Contingencies

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

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

- (ii) DGDP's risk purchase claim amounting to Rs. 38.58 million, was disputed by the Holding Company on the grounds that the goods were delivered in time, however, the DGDP failed to lift the goods thereby indulging in breach of the contract. DGDP also withheld tender money paid by the Holding Company amounting to Rs. 8.19 million (note 13.1) during the year 1995 and 1996. The Holding Company filed a counter claim of Rs. 25.81 million against the said breach of contract. The said cases are pending before the Honorable Supreme Court of Pakistan and the Honorable Lahore High Court. The management and legal counsel of the Holding Company are confident that no liability will arise in respect of the risk purchase claim, and hence no provision has been made for the same in these consolidated financial statements.
- (iii) The Holding Company filed an appeal before the Court and was granted a stay against the order of Customs, Excise and Sales Tax Appellate Tribunal, Karachi, upholding allegation of non-payment of sales tax on advances etc., amounting to Rs. 11.087 million. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these consolidated financial statements.
- (iv) The Holding Company has filed an appeal before Customs, Excise and Sales Tax Appellate Tribunal, Karachi, which is pending for hearing, against the order of the Deputy Collector, Collectorate of Customs, Excise and Sales Tax (Adjudication), Hyderabad to pay off alleged demand of Rs. 10.07 million along with additional tax and penalty. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision has been made in these consolidated financial statements.
- (v) Pakistan Standards and Quality Control Authority (PSQCA) had demanded a fee payment at the rate of 0.1 percent of ex-factory price for the year 2008-09 amounting to Rs.2.2 million. The Holding Company is of the view that demand notifications so raised are without any lawful authority under the PSQCA Act-VI of 1996 and are in violation of the constitution. Based on the advise of the legal advisor, the management is confident that it would not be liable to pay the said marking fee and hence no provision is made in these consolidated financial statements.
- (vi) The Holding Company filed an appeal before the Commissioner Appeals against the order of the Deputy Commissioner Enforcement and Collection whereby sales tax liability along with penalty amounting to Rs.18 million has been established for claiming inadmissible input tax adjustment. During the current year, the Commissioner Appeals has remanded back the case to Deputy Commissioner Enforcement and Collection which is pending for hearing. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these consolidated financial statements.
- (vii) Contingency relating to long-term receivable is described in note 6.1 to the consolidated financial statements.

	Note	2017 Rupees
<b>27.2 Commitments</b>		
Capital commitments		49,885,762
Commitments in respect of equity investments		838,000,000
Commitments in respect of operating lease rentals for farms		5,622,750
Commitments in respect of finance lease obligation for vehicles		56,121,435

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

	Note	2017 Rupees
<b>28. TURNOVER</b>		
Sales		
- Sugar – exports		1,685,861,477
- Sugar – local		3,694,548,505
- Molasses		440,796,703
- Bagasse		76,065,632
		<u>5,897,272,317</u>
Less:		
- Sales tax		384,863,788
- Federal excise duty		11,572,667
		<u>396,436,455</u>
		<u>5,500,835,862</u>
<b>29. COST OF SALES</b>		
<b>Manufactured sugar:</b>		
Cost of sugarcane consumed (including procurement and other expenses)		5,346,872,541
Market committee fee		10,561,982
Road cess on sugarcane		6,601,405
Salaries, wages and other benefits	29.1	214,360,168
Stores and spare parts consumed		200,273,981
Repairs and maintenance		61,705,415
Fuel, electricity and water charges		12,315,884
Vehicle running and maintenance expenses		3,810,382
Insurance		18,345,608
Depreciation	5.1.1	124,920,918
Other overheads		26,484,791
		<u>6,026,253,075</u>
Opening stock of work-in-process		2,702,374
Closing stock of work-in-process		(2,519,343)
		<u>183,031</u>
Cost of goods manufactured		<u>6,026,436,106</u>
Opening stock of finished goods		409,333,413
Closing stock of finished goods	10	(1,202,937,630)
		<u>(793,604,217)</u>
		<u>5,232,831,889</u>
<b>29.1</b>	Include gratuity expense of Rs. 304,549/- and contribution to provident fund of Rs. 4,813,903/-.	
<b>30. DISTRIBUTION COSTS</b>		
Salaries and other benefits	30.1	2,941,618
Sales promotion expenses		8,078,633
Selling expenses		10,297,021
Export expenses		45,317,395
Stacking and loading		16,372,660
Insurance		29,845
		<u>83,037,172</u>

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

	Note	2017 Rupees
30.1		Include contribution to provident fund of Rs. 64,123/-.
<b>31. ADMINISTRATIVE EXPENSES</b>		
Salaries and other benefits	31.1	134,292,931
Rent, rates and taxes		236,380
Electricity, telephone, fax and postage		8,463,691
Printing and stationery		2,415,256
Travelling and conveyance		11,566,861
Vehicle running and maintenance expenses		13,003,651
Ijarah rentals		-
Auditors' remuneration	31.2	2,146,599
Legal and professional		4,565,530
Fees and subscription		2,086,883
Insurance		298,454
Repairs and maintenance		8,885,762
Advertising		1,324,030
Donations	31.3	26,601,739
Depreciation	5.1.1	27,999,521
Other expenses		1,319,423
		<b>245,206,711</b>
31.1		Include contribution to provident fund of Rs. 5,125,619/-.
<b>31.2 Auditors' remuneration</b>		
<b>Statutory audit</b>		
EY Ford Rhodes		
Statutory audit fee		1,300,000
Review of half yearly financial statements and compliance with Code of Corporate Governance		475,000
Other services		88,700
Out of pocket expenses		90,400
		<b>1,954,100</b>
<b>Cost audit</b>		
Haroon Zakaria & Co.		
Cost audit fee		192,499
		<b>2,146,599</b>
31.3		Include Rs.10,300,000/- and Rs. 16,200,00/- paid to Hasham Foundation and Usman Memorial Hospital Foundation respectively which are the projects of Hasham Group. Hasham Foundation include directors namely Mr. Mohammed Kasim Hasham, Mr. Mohammed Ebrahim Hasham, Mr. Mohammed Hussain Hasham, Mr. Khurram Kasim and Mr. Ahmed Ebrahim Hasham who are the trustees of the said Foundation. Usman Memorial Hospital Foundation includes directors namely Mr. Mohammed Hussain Hasham and Mr. Ahmed Ebrahim Hasham who are the trustees of the said Foundation. No other directors or their spouses have any interest in any donee's fund to which donation was made in both foundations.
<b>32. OTHER EXPENSES</b>		
Provision for impairment of available for sale investment		<b>9,357,006</b>

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

	Note	2017 Rupees
<b>33. OTHER INCOME</b>		
<b>Income from financial assets</b>		
Dividend income		44,553,112
Gain on disposal of short term investments		262,320,311
Profit on term deposit receipts		389,287
Exchange gain		5,632,500
		<u>312,895,210</u>
<b>Income from non-financial assets</b>		
Farm income – net		17,599,733
Income from sale of electricity		25,827,020
Scrap sales		1,569,916
Gain on disposal of fixed assets		4,843,041
		<u>49,839,710</u>
		<u>362,734,920</u>
<b>33.1 Farm income – net</b>		
Revenue from farms		61,447,976
Less: Fair value of harvested crop		(43,848,243)
Harvesting and other charges		(13,111,787)
		<u>4,487,946</u>
Change in fair value less cost to sell of standing crop		13,111,787
		<u>17,599,733</u>
<b>34. FINANCE COSTS</b>		
Markup / interest on:		
Long-term financing		44,509,992
Short-term borrowings		138,063,141
Lease finance		4,160,703
Workers' Profits Participation Fund		581,226
		<u>187,315,062</u>
Bank charges		9,359,737
		<u>196,674,799</u>
<b>35. TAXATION</b>		
Current		88,933,850
Prior		6,614,117
		<u>95,547,967</u>
Deferred		(28,676,948)
		<u>66,871,019</u>
<b>35.1</b>	As the Holding Company is subject to final tax regime on export sales and minimum tax on local sales, therefore, no numerical tax reconciliation is presented.	
<b>35.2</b>	Income tax assessments of the Holding Company have been completed upto the tax year 2017(accounting year ended September 30, 2016).	

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

## 36. BASIC AND DILUTED EARNING PER SHARE

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

		2017
Profit after taxation attributable to ordinary shares	(Rupees)	129,704,701
Weighted average number of ordinary shares		32,031,245
Earnings per share	(Rupees)	4.05
<b>37. WORKING CAPITAL CHANGES</b>		
(Increase) / decrease in current assets		
Biological assets		26,186,243
Stores and spare parts		(11,625,992)
Stock-in-trade		(793,421,186)
Trade debts		(163,954,495)
Loans and advances		(40,123,143)
Trade deposits and short-term prepayments		(1,234,498)
Other receivables		(776,532)
		(984,949,603)
Increase / (decrease) in current liabilities		
Trade and other payables		(35,997,850)
Sales tax and federal excise duty payable		93,042,358
		57,044,508
		(927,905,095)

## 38. TRANSACTIONS WITH RELATED PARTIES

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

	2017 Rupees
<b>Associates</b>	
Investment made during the year	72,000,000
Sales	453,286,878
Expenses shared	1,076,485
Donations	26,500,000
<b>Retirement benefit plans</b>	
Provident fund contribution	10,003,645

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

## 39. CAPACITY AND PRODUCTION

	Rated capacity		Capacity utilization	
	M. Tons	Days	M. Tons	Days
Season 2016-2017	11500 TCD	133	8587 TCD	133

The shortfall in crushing is due to the extended number of days.

## 40. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2017				
	Chief Executive	Executive Director	Non-Executive Directors	Executives	Total
	Rupees				
Fees	-	-	490,000	-	490,000
Managerial remuneration	7,608,000	7,608,000	-	34,504,860	49,720,860
Retirement benefits	760,800	760,800	-	3,450,486	4,972,086
Perquisites and other benefits	6,328,000	6,328,000	-	30,143,560	42,799,560
	14,696,800	14,696,800	490,000	68,098,906	97,982,506
Number of persons	1	1	6	26	34

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

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

### 41.1 Credit risk

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

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



# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

	2017 Rupees
Long term deposits	1,113,170
Trade debts	174,514,430
Short term Investments	830,319,250
Loans and advances	148,344,754
Short term deposits	318,640
Other receivables	4,493,899
Cash and bank balances	39,156,458
	<u>1,198,260,601</u>

## Quality of financial assets

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

	2017 Rupees
<b>41.1.1 Trade debts</b>	
Customers with no defaults in the past one year	-
<b>41.1.2 Bank balances</b>	
With external credit rating	
A1+                      PACRA	31,264,508
A-1+                     JCR – VIS	1,882,790
A1                        PACRA	5,902,474
	<u>39,049,772</u>

## 41.2 Liquidity risk

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

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	-----Amount in Rupees-----				
Long-term financing		27,755,904	128,267,706	448,747,505	604,771,115
Liabilities against assets subject to finance lease		6,108,724	18,326,173	31,686,538	56,121,435
Trade and other payables	884,189,170	159,051,615	-	45,815,790	1,089,056,575
Accrued markup	-	32,324,757	-	-	32,324,757
Short term borrowings	-	1,117,039,706	-	-	1,117,039,706
<b>2017</b>	<u>884,189,170</u>	<u>1,342,280,706</u>	<u>146,593,879</u>	<u>526,249,833</u>	<u>2,899,313,588</u>

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

## 41.3 Market risk

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

### 41.3.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates mainly relates to long term financing, short term borrowings and lease obligations. Management of the Company estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the Group's profit before tax by Rs.5.089 million and a 1% decrease would result in the increase in the Group's profit before tax by the same amount.

### 41.3.2 Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The management of the Group manages the above market risks through diversification of investment portfolio. The management estimates that a 10% increase in the overall equity prices in the market with all of the factors remaining constant would increase the Group's profit before tax by Rs.110.25 million and a 10% decrease would result in a decrease in the Group's profit before tax by the same amount.

### 41.3.3 Foreign currency risk

Foreign currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist as a result of transactions with foreign undertakings. Financial Assets of the Group include Rs. 138.650 million in foreign currency which is subject to currency risk exposure. The Group believes that the foreign currency risk exposure on Financial Assets is immaterial.

## 42. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholder value and reduce the cost of capital. The Group manages its capital structure and makes adjustment to it, in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Group is currently financing of its operations through long-term and short-term financing in addition to its equity. The Group has a gearing ratio of 22.97% as of the balance sheet date, which in view of the management is adequate considering the size of the operations.

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

## 43. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

Level 1: Quoted prices (unadjusted) 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 data (unobservable inputs).

As of the balance sheet date, the Company has only available-for-sale investments measured at fair value using level 1 valuation techniques.

## 44. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on December 26, 2017 by the Board of Directors of the Holding Company.

## 45. NUMBER OF EMPLOYEES

Number of persons employed as at year end were 585 and the average number of persons employed during the year were 583.

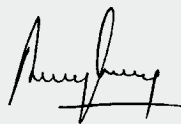
## 46. GENERAL

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

46.2 Being the first consolidated accounting period of the Group, there are no comparative figures to report.



Chief Executive Officer



Chief Financial Officer



Director

# Pattern of Shareholding

as at September 30, 2017

Number of Shareholders	Shareholdings		Total Number of Shares held
	From	To	
875	1	-	16,874
256	101	-	63,261
83	501	-	64,099
190	1,001	-	702,962
18	10,001	-	223,840
9	15,001	-	156,808
12	20,001	-	270,655
9	25,001	-	284,339
3	40,001	-	146,726
2	60,001	-	132,677
1	70,001	-	70,110
1	80,001	-	84,185
3	85,001	-	263,080
4	90,001	-	382,039
1	100,001	-	102,003
1	120,001	-	124,850
1	150,001	-	150,116
1	180,001	-	180,538
1	185,001	-	187,264
1	190,001	-	193,133
1	195,001	-	200,000
1	215,001	-	219,862
1	250,001	-	253,000
3	265,001	-	859,909
2	320,001	-	648,047
1	340,001	-	391,565
1	425,001	-	425,134
4	440,001	-	2,186,176
2	815,001	-	4,156,927
1	3,380,001	-	3,381,038
2	4,780,001	-	9,875,324
1	5,630,001	-	5,634,704
<b>1,492</b>	<b>Total</b>		<b>32,031,245</b>

Shareholders's Category	Number of Shareholders	Number of Shares held	Percentage
Individuals	1,461	30,689,343	95.81%
Joint Stock Companies	19	949,920	2.97%
Insurance Companies	2	322,992	1.01%
Financial Institutions	5	4,846	0.02%
Others	5	64,144	0.20%
	<b>1,492</b>	<b>32,031,245</b>	

# Additional Information

as at September 30, 2017

Categories	Number of Shareholders	Shares held
<b>a) Associated undertaking and related parties</b>		
F & B Bulk Storage (Private) Limited	1	70,110
Bulk Management Pakistan (Pvt.) Ltd.	1	391,565
	2	461,675
<b>b) NIT &amp; ICP</b>		
Investment Corporation of Pakistan	1	1,082
IDBL (ICP UNIT)	1	639
	2	1,721
<b>c) Directors / CEO and their spouse and minor children</b>		
Mr. Mohammed Kasim Hasham	1	5,634,704
Mr. Mohammed Ebrahim Hasham	1	4,782,225
Mr. Mohammed Hussain Hasham	1	5,093,099
Mr. Khurram Kasim	1	3,381,038
Mr. Ahmed Ebrahim Hasham	1	3,337,623
Mr. Muhammad Iqbal	1	8,134
Mr. Dr. Amjad Waheed	1	3,162
Mr. Muhammad Basheer	1	24,035
Mrs. Kulsoom Kasim	1	472,400
Mrs. Khursheed Ebrahim	1	819,304
Mrs. Mary Hussain	2	825,090
Mrs. Anushey A. Hasham	1	100,000
	13	24,480,814
<b>d) Executives</b>		
Muhammad Hanif Aziz (Company Secretary)	2	29,159
<b>e) Public Sectors Companies and Corporations</b>		
State Life Insurance Corp. of Pakistan	1	322,957
<b>f) Bank, DFIs, NBFIs, Insurance Companies, Mudarbas &amp; Mutual Funds</b>		
State Life Insurance Corp. Of Pakistan	1	322,957
Arif Habib Limited - Mf	1	23,100
Habib Bank Limited	1	1,772
Habib Bank Ag Zurich, Deira Dubai	1	1,100
Investment Corp. Of Pakistan	1	1,082
Amanah Investments Limited	1	900
Idbl (Icp Unit)	1	639
Muslim Commercial Bank Ltd.	1	253
Efu General Insurance Ltd.	1	35
Maple Leaf Capital Limited	1	1
	10	351,839
<b>g) General Public</b>		
Physical	859	1,339,030
CDC	633	30,692,215
	1,492	32,031,245
<b>h) Shareholders holding 5% or more voting interest</b>		
Mr. Mohammed Kasim Hasham & Mrs. Kulsoom Kasim	2	6,107,104
Mr. Mohammed Ebrahim Hasham & Mrs. Khursheed Ebrahim	2	5,601,529
Mr. Mohammed Hussain Hasham & Mrs. Mary Hussain	2	5,918,189
Mr. Khurram Kasim	1	3,381,038
Mr. Ahmed Ebrahim Hasham & Mrs. Anushey A. Hasham	2	3,437,623
	9	24,445,483

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-  Online Quizzes



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# FORM OF PROXY

I/We \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ being member of **Mehran Sugar Mills Limited**, holding \_\_\_\_\_ Ordinary  
Shares as per Registered Folio No./CDC A/c No. (for members who have shares in CDS) \_\_\_\_\_ hereby  
appoint Mr./Mrs./Miss \_\_\_\_\_ of  
(full address) \_\_\_\_\_ or failing him/her  
Mr./Mrs./Miss \_\_\_\_\_ of  
(full address) \_\_\_\_\_ (being member of  
the company) as my/our Proxy to attend, act and vote for me/us and behalf at the 52<sup>nd</sup> Annual General Meeting  
of the Company to be held on January 26, 2018 and / or any adjournment thereof.  
As witness my/our hands seal this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

Signed by \_\_\_\_\_ in the presence of

**1. Witness**

Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_

CNIC No. \_\_\_\_\_

**2. Witness**

Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_

CNIC No. \_\_\_\_\_

Signature on Rs. 5/-  
Revenue Stamp

**Important:**

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

**For CDC Account Holders / Corporate Entities:**

In Addition to the above following requirements have to be met:

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

# پراکسی فارم

میں / ہم:

بطور رکن (حصص دار) مہراں شوگر ملز لمیٹڈ (حصص کی تعداد) جو کہ رجسٹرڈ ہیں بذریعہ فیو نیومرسی ڈی سی / اکاؤنٹ نمبر (اُن اراکین کے لئے جن کے حصص سی ڈی ایس میں ہیں) بذریعہ ہذا تقرر کرتا ہوں جناب / محترمہ مکمل پتہ

میری / ہماری غیر موجودگی میں میرے / ہمارے پراکسی (نمائندے) کے طور پر کمپنی کی 52 ویں سالانہ جنرل میٹنگ 26 جنوری 2018 بروز جمعہ دن 4:30 بجے، بمقام انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹس کراچی میٹنگ میں شرکت کرے گا اور میری / ہماری جگہ ووٹ استعمال کرے گا۔

ریونیو مہر  
(5 روپے)

میں بطور گواہ اس دن 2018

دستخط کمپنی کے پاس موجود نمونے کے مطابق ہونا چاہیئے

دستخط منظور کنندہ

## گواہان

دستخط	دستخط
نام	نام
پتہ	پتہ
شناختی کارڈ / پاسپورٹ نمبر	شناختی کارڈ / پاسپورٹ نمبر

## ضروری:

- 1- پراکسی فارم ہذا مکمل اور دستخط کے ہمراہ اجلاس کے انعقاد سے کم از کم اڑتالیس (48) گھنٹے قبل کمپنی کے رجسٹر آفس میں جمع کرادیا جائے۔
- 2- فارم پر نمبر یا اس کا تحریراً مقرر کردہ اٹارنی دستخط کرے گا۔ ممبر کارپوریشن ہونے کی صورت میں اس کی مہر فارم پر ثبت کرنی ہوگی۔
- 3- اجلاس میں شرکت اور رائے دہی کا اہل ممبر اپنی جانب شرکت اور رائے دہی کے لئے دوسرے ممبر کو اپنا پروکسی مقرر کر سکتا ہے تاہم کارپوریشن کسی بھی غیر ممبر کو اپنا پروکسی مقرر کر سکتی ہے۔

## برائے سی ڈی سی اکاؤنٹ ہولڈرز / کارپوریشن اینٹیٹی

مزید براں مندرجہ ذیل شرائط پر عمل کرنا ہوگا:

- (i) پراکسی فارم پر دو افراد کی گواہی ہونی چاہیئے جن کے نام، پتے اور سی این آئی سی یا پاسپورٹ نمبر فارم میں درج ہوں۔
- (ii) ممبر اور پروکسی کے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ کاپیاں پروکسی فارم کے ہمراہ منسلک کرنی ہوگی۔
- (iii) پروکسی کو اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرنا ہوگا۔
- (iv) کارپوریٹ اینٹیٹی کی صورت میں ڈائریکٹرز کی قرارداد / پاور آف اٹارنی مع نامزد فرد کے دستخط کا نمونہ (اگر پہلے فراہم نہ کئے گئے ہوں) پروکسی فارم کے ہمراہ کمپنی کو پیش کرنے ہوں گے۔





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

m e h r a n s u g a r . c o m

