# CONTENTS

# COMPANY INFORMATION

## BOARD OF DIRECTORS

| | |
|---|---|
| MR. ISMAIL H. ZAKARIA | Chairman |
| MR. YUSUF AYOOB | Managing Director |
| MR. SULEMAN AYOOB | |
| MR. A. AZIZ AYOOB | |
| MR. ZIA ZAKARIA | Resident Director |
| MR. GHULAM MOHIUDDIN ZAKARIA | |
| MR. ZOHAIR ZAKARIA | |
| MR. NAEEM AHMED SHAFI | Independent Director |
| MR. KHURRAM AFTAB | (N.I.T. Nominee) |

## BOARD AUDIT COMMITTEE

| | |
|---|---|
| MR. NAEEM AHMED SHAFI | Chairman |
| MR. SULEMAN AYOOB | Member |
| MR. ZOHAIR ZAKARIA | Member |

## HUMAN RESOURCE AND REMUNERATION COMMITTEE

| | |
|---|---|
| MR. A. AZIZ AYOOB | Chairman |
| MR.YUSUF AYOOB | Member |
| MR.GHULAM MOHIUDDIN ZAKARIA | Member |

## CHIEF FINANCIAL OFFICER

MR. IQBAL UMER

## COMPANY SECRETARY

MR. MOHAMMAD YASIN MUGHAL
FCMA

## AUDITORS

HYDER BHIMJI & COMPANY
Chartered Accountants

## LEGAL ADVISOR

MR. ABDUL SATTAR PINGAR
Advocate

## REGISTERED OFFICE

96-A, SINDHI MUSLIM HOUSING SOCIETY,
KARACHI-74400
Tel: 34550161-63 Fax: 34556675

## FACTORY

JHOK SHARIF,
TALUKA MIRPUR BATHORO,
DISTRICT THATTA (SINDH)

## REGISTRAR & SHARE REGISTRATION OFFICE

C & K MANAGEMENT ASSOCIATES (PVT) LTD.
404-TRADE TOWER,
ABDULLAH HAROON ROAD,
NEAR METROPOLE HOTEL,
KARACHI - 75530

## WEBSITE

www.shahmuradsugar.co

## Mission Statement

To gain strength through industry leadership in the manufacturing and marketing of sugar and allied products and to have a strong presence in these products markets while retaining the options to diversify in other profitable ventures.

To operate, ethically while maximizing profits and satisfying customers' needs and stakeholders' interests.

To assist in the socio economic development of Pakistan especially in the rural areas through industrial expansion and development.

## Vision Statement

To be a model company producing sugar and allied products of international quality by maintaining high level of ethical and professional standards.

# CODE OF CONDUCT

Shahmurad Sugar Mills is guided by the following principles in its pursuit of excellence in all activities for the attainment of the Company's Objectives.

## THE COMPANY

- Fulfill all statutory requirements of the Regulatory Authority and follow all applicable laws of the country together with compliance of accepted accounting principles, rules and procedures required.
- Deals with all stakeholders in an objective and transparent manner so as to meet the expectations of those who rely on the Company.
- Meet the expectations of the spectrum of the society and the Regulatory Authority by implementing an effective and fair system of financial reporting and internal controls.
- Uses all means to protect the environment and ensures health and safety of the employees.
- Activities and involvement of directors and employees of the Company in no way conflict with the interest of the Company. All acts and decisions of the management are motivated by the interest of the Company rather than their own.
- Ensures efficient and effective utilization of its resources.

## AS DIRECTORS

- Promote and develop attractive environment through responsive policies and guidelines to facilitate viable and timely decisions.
- Maintain organizational effectiveness for the achievement of the Company's goals.
- Support and adherence to compliance of legal and industry requirements.
- Safeguard the interest and assets of the company to meet and honor all obligations of the Company.
- Promote a culture that supports enterprise and innovation with appropriate short-term and long-term performance related rewards that are fair and achievable in motivating management and employees effectively and productively.

## AS EXECUTIVE AND MANAGERS

- Ensure cost effectiveness and profitability of operations.
- Provide directions and leadership for the organization and take viable and timely decisions.
- Develop and cultivate work ethics and harmony among colleagues and associates.
- Encourage initiatives and self-realization in employees through meaningful empowerment.
- Promote and develop culture of excellence, conservation and continuous improvement.
- Provide pleasant work atmosphere and ensure an equitable way of working and rewarding system.
- Institute commitment to environmental, health and safety performance.

## AS EMPLOYEES AND WORKERS

- Observe Company policies, regulations and codes of Best Business Practices.
- Exercise prudence in effective, efficient and economical utilization of resources of the Company.
- Make concerted struggle for excellence and quality.
- Devote productive time and continued efforts to strength the Company.
- Protect and safeguard the interest of the Company and avoid the conflict of interest. Ensure the primary interest in all respects is that of the Company.
- Maintain financial integrity and must avoid making personal gain at the Company's cost by participating in or assisting activities which compete with the Company.

# NOTICE OF MEETING

Notice is hereby given that 35th Annual General Meeting of SHAHMURAD SUGAR MILLS LIMITED will be held at the Registered Office of the Company at 96-A, Sindhi Muslim Society, Karachi on Friday, 31st January, 2014 at 10.30 a.m. to transact the following business:

**ORDINARY BUSINESS**

1. To confirm the minutes of the Extra Ordinary General Meeting held on 28th March, 2013.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended September 30, 2013 together with the Directors' and Auditors' Reports thereon.
3. To approve payment of Cash Dividend @ 15 % i.e. Rs.1.50 per ordinary share of Rs.10/= each for the year ended 30th September 2013 as recommended by the Board of Directors.
4. To appoint Auditors and to fix their remuneration for the year ended 30th September 2014. The present Auditors. M/s Hyder Bhimji & Co., Chartered Accountants, retire and offer themselves for re-appointment.
5. To transact any other business with permission of the Chair.

By Order of the Board

**M. YASIN MUGHAL**
COMPANY SECRETARY

Karachi: December 26 , 2013

**NOTE:**

**1.** The Register of the Members of the Company will remain closed from 23rd January, 2014 to 3rd February, 2014 (Both days inclusive) for the purpose of holding the Annual General Meeting / Transfer of Shares.

**2.** A member of the Company entitled to attend and vote may appoint any member as his/her proxy to attend and vote on his/her behalf. PROXIES MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.

**3. Submission of copies of CNIC:**

SECP has directed vide SRO No.831(1)2012 dated July 05, 2012 to issue dividend warrant only crossed as " A/c Payee only" and should bear the computerized National Identity Card (CNIC) number of the registered member. All those shareholders who have not submitted their valid CNICs are once again requested to send a photocopy of their valid CNIC/NTN alongwith the Folio number(s) to the Company's Share Registrar. No dividend will be payable unless the CNIC number is printed on the dividend warrants, so please let us have your CNIC, failing which we will not be responsible, if we are unable to pay the dividends to the Shareholders who have not submitted their valid CNIC

**4. Payment of Cash Dividend Electronically (Optional):**

The Company wishes to inform its shareholders that under the law they are also entitled to receive their cash dividend directly in their bank account instead of receiving it through dividend warrants. Shareholders wishing to exercise this option may submit their application to the Company's Share Registrar, giving particulars relating to their name, folio number, bank account number, title of account and complete mailing address of the bank. CDC account holders should submit their request directly to their broker (participant) CDC.

**5.** CDC Accounts Holders will further have to follow the under-mentioned guidelines as laid down in Circular I dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

**A. For Attending the Meeting**

a. In case of individuals, the account holder or sub-account holder and/or person whose securities are in group accounts and their registration details are uploaded as per the Regulations shall authenticate his identity by showing his Original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

b. In case of corporate entity, the Board of Directors' resolution /power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

**B. For appointing proxies:**

In case of individuals the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirements.

i. The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.

ii. Attested copies CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

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

iv. In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature of the nominee shall be submitted (unless it has been provided earlier) along with proxy form to the company.

**6. Change of Address:**

Shareholders are requested to inform the Company's Share Registrar M/S. C & K Management Associates (Pvt.) Ltd. of any change in their address immediately.

# DIRECTORS' REPORT TO THE MEMBERS

IN THE NAME OF ALLAH THE MOST GRACIOUS AND MOST MERCIFUL

Dear Members

Assalam-o-Alaikum:

I feel it my pleasure on behalf of Board of Directors to place before you the audited financial statements of your company, the significant achievements as reflected therein together with Auditors' and Directors' Reports thereon, for the year ended September 30, 2013.The Company has earned profit after tax amounting to Rs.91.611 million as against Rs 145.344 million earned last year.

Salient comparative production and financial data are provided as under:

**PRODUCTION DATA**

| | **2012-13** | **2011-12** |
|---|---|---|
| Crushing season started on | **17-12 -2012** | 22-12-2011 |
| Season ended on | **17-03-2013** | 18-03-2012 |
| Duration of crushing (days) | **91** | 87 |
| Sugarcane crushed (Metric Tons) | **561,083** | 566,077 |
| Sugar produced (Metric Tons) | **59,343** | 57,077 |
| Sugar recovery rate - percentage | **10.58** | 10.09 |
| Molasses produced (Metric Tons) | **26,367** | 28,888 |
| Ethanol produced (metric tons) | **28,160** | 27,947 |
| No. of days Distillery Plant operated | **325** | 345 |

**FINANCIAL DATA**

| | **(Rupees in thousand)** | |
|---|---|---|
| Sales Revenue | **5,642,437** | 5,362,004 |
| Cost of sales | **5,036,115** | 4,666,113 |
| Administrative expenses | **131,171** | 120,192 |
| Financial Cost | **311,586** | 352,199 |
| Profit before taxation | **84,281** | 111,079 |
| Provision for taxation | **7,330** | 34,265 |
| Profit after tax | **91,611** | 145,344 |
| Earnings per share | **Rs.4.34** | Rs.6.88 |

**PERFORMANCE REVIEW:**

**SUGAR DIVISION:**

Sugarcane crushing was commenced on December 17, 2012 and continued up to March 17, 2013. During the period under consideration the Mills crushed 561,083 metric tons of sugarcane as against 566,077 metric tons crushed in the previous year. Although the crushing was slightly lower than the previous year's volume but the sugar produced was more by about four percent and stood at 59,343 metric tons as against 57,077 metric tons produced last year. This was due to higher recovery percentage which was Alhamdulillah at 10.58 percent versus 10.09 percent achieved last year.

The Government of Sindh increases the minimum support price of sugarcane every year. For the crushing season 2012-13 the minimum sugarcane support price was fixed at Rs.172 as against Rs.154 per 40 kg of sugarcane last year indicating an increase of 11.69 percent. While increasing the cost of raw material for the sugar mills the Government has accorded due consideration to the wellbeing of the growers, which is appreciated, but this has increased the cost of production for the producers in the country. To offset this aspect to certain extent, the Government did this year introduce limited allowance for export of sugar to enable an outlet for sugar in to the world market. Supplementing the export, the Trading Corporation of Pakistan (TCP) also floated tenders to buy sugar periodically. The export outlet was utilized by your company as best as possible, but it is pertinent to point out that due to depressed international prices, the benefits of export were limited. The TCP buying option also did not yield much benefit as for each tender, there was so much sugar offered to so many producers that your mills was only awarded marginal quantities as TCP has to allocate proportionally as per tender quantity.

**ETHANOL DIVISION:**

During the year under review the Distillery Division produced 28,160 Metric Tons of Ethanol as against 27,947 Metric Tons produced during the previous year. The production was slightly higher by 213 metric tons. Your Company exported 29,190 metric tons of Ethanol and earned valuable foreign exchange for the country.

Pakistan has now become a major exporter of ethanol. This is due to having no real consumption in the country and quality of Pakistan ethanol is well established all over the world.

Pakistan is a market which needs ethanol for use in many areas, including but not limited to fuel blending, disinfectants, screen wash, polish and paints industry, inks industry, perfumes, and more specifically, in areas where there is an acute shortage of natural gas or no availability of gas - ethanol can be used for cooking through ethanol stoves (like already being done in India). The use of ethanol stoves in Pakistan needs to be developed urgently to save our forests which are being cut down due to heat requirements of households in Northern Areas and this will be a great achievement for Pakistan. Also important to note where, in todays Pakistan, we see long lines at petrol pumps for CNG, ethanol can be developed to be used for small vehicles and rickshaws and motorcycles whereby CNG can be replaced with ethanol. The Government of Pakistan is requested to urgently look into the above issues and assist the ethanol industry in achieving the above key target areas.

**CAPITAL EXPENDITURE:**

In the Sugar Industry upgrading the plant and machinery is a continuous process. During the year under consideration the Company incurred an expenditure of Rs.104.886 million on addition and BMR in order to maintain the efficiency of the plant.

**STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE:**

1. The Financial Statements prepared by the management of the Company present fairly its state of affairs, the results of its operation, cash flows and changes in equity.

2. The Company has maintained proper books of accounts as required by the law.

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

4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed and explained.

5. The system of internal control is sound in design and has been effectively implemented and monitored.

6. There are no significant doubts upon the Company's ability to continue as going concern.

7. There has been no material departure from the best practices of the Code of Corporate Governance as detailed in the listing regulations of the Stock Exchange.

8. There have been no outstanding statutory payments; however, there are some disputed cases which are appearing in the relevant notes to the financial statements.

9. The pattern of share holding in the Company as on September 30, 2013 is also included in the Annual Report.

10. The Directors, Chief Executive, Chief Financial Officer, Company Secretary, their spouses or minor children carried out no trade in the shares of the company except as otherwise indicated.

11. Value of investment and balance in deposit accounts of Provident Fund as at 30th June, 2013 amounted to Rs.27.098 million.

The key operating and financial data of the last ten years and pattern of shareholding have been included in the Annual Report. There has been no significant change in the holding of directors or their spouses except as otherwise indicated.

## CHANGES IN THE COMPOSITION OF BOARD OF DIRECTORS:

The tenure of the Board of Directors was completed on March 29, 2013 and the members in the Extra Ordinary General Meeting held on March 28, 2013 elected the following persons as Director of the Company for the period of three years. During the year five (5) Board meetings were held and attendance by each member was as under.

| Name of Directors | Attended | Status |
|---|---|---|
| Mr. Ismail H Zakaria (Chairman) | 4 | Non- Executive |
| Mr. Yusuf Ayoob | 5 | Executive |
| Mr. Suleman Ayoob | 3 | Non-Executive |
| Mr. Aziz Ayoob | 5 | Non-Executive |
| Mr. Zia Zakaria | 5 | Executive |
| Mr. Ghulam Mohiuddin Zakaria | 5 | Non-Executive |
| Mr. Mr. Zohair Zakaria | 4 | Non-Executive |
| Mr. Naeem Ahmad Shafi | 3 | Independent Director |
| Mr. Khurram Aftab | 5 | N.I.T Nominee |
| Mr. Aamir Amin | 2 | N.I.T Nominee |

Mr. Aamir Amin NIT nominated Director remained on the Board of the company up to March 29, 2013 and his nomination was withdrawn by N.I.T. Directors appreciated the contribution made by Mr. Aamir Amin during the period he remained on the Board.

The details of the remuneration of executives and non-executive directors have also been provided in the relevant note to the accounts as required under the Code of Corporate Governance.

## HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Board in accordance with the Code of Corporate Governance has constituted Human Resource and Remuneration Committee and during the period one meeting was held and attended by the following directors.

| | | | |
|---|---|---|---|
| 1. | Mr. A. Aziz Ayoob | Chairman | Non-executive |
| 2. | Mr. Yusuf Ayoob | Member | Executive |
| 3. | Mr. Ghulam Mohiuddin Zakaria | Member | Non-executive |

## AUDIT COMMITTEE

The Board has also set up an Audit Committee comprising of the following directors. During the period under consideration four Audit Committee meetings were held and attendance by each member was as under.

| | NAME OF DIRECTORS | | ATTENDED | STATUS |
|---|---|---|---|---|
| 1. | Mr. Suleman Ayoob | (Chairman up to 08-04-2013) | 2 | Non-Executive |
| 2. | Mr. Naeem Ahmad Shafi | (Chairman w e f 09-04-2013) | 2 | Independent Director |
| 3. | Mr. Zohair Zakaria | | 3 | Non-executive |
| 4. | Mr. Aamir Amin (up to 08-04-2013) | | 2 | N I T Nominee |

After election of the Board members reconstituted the Audit Committee comprising of the three members as indicated above.

Term of reference of the Audit Committee has also been determined by the Board in accordance with the guide lines provided in the Listing Regulations of the stock exchange.

## FUTURE OUTLOOK:

## SUGAR DIVISION:

This year the Government of Sindh has decided to maintain the support price of sugarcane at Rs.172/= per 40 kg of the same wide notification No. (142)S.O (Ext) 95-XXIII dated December 11, 2013 for the crushing season 2013-14. While the government exercises control over the price of the sugarcane to protect the growers, it is imperative to exercise similar control over the selling price of sugar. Crushing of sugarcane has commenced on December 07, 2013 and recovery rate has not yet achieved the last year's level. In case this trend continues the production cost of the product would further increase which would affect the bottom line adversely. As reported earlier the price of sugar remains depressed in the international and local markets due to excessive production of the same. Other direct and indirect costs have also been increased and it would be difficult for the sugar mills to recover these costs unless the sugar price also increases proportionately.

Although the area under plantation has increased sizably, it has been subject to various climatic disturbances during the last two years. Excess rain fall, flood and other climatic disturbances continue to play havoc on seasonal crops. Prediction of yields on the crops planted is becoming more and more difficult and may perhaps once again, negatively affect the recovery rate in the area surrounding your mills. This will be clear only when the substantial quantum of sugarcane crushing is completed.

The price of refined sugar in the international market continues to be erratic with higher production expected in the upcoming year particularly in the South East Asian region. In this regard, the Economic Co-ordination Committee of Government of Pakistan allowed export of sugar also to help release some of Pakistan's surplus sugar into the international arena. Trading Corporation of Pakistan has purchased sugar from the local mills in order to build up and maintain a strategic buffer stock of the product which can come in good use during the years of shortage.

**ETHANOL DIVISION:**

Last year during the crushing season molasses was procured for the requirements of whole year. Although the company had to absorb higher financial charges due to this, the plant operated for 325 days as against 348 days of operation in the preceding year. The crushing of sugarcane in the province has since commenced and the requirement for purchase of molasses is under negotiation with the various sugar mills, following the same strategy as of preceding year. The international market of ethanol may post some gains depending on the production cycle in Brazil which always provides the direction to the Ethanol prices.

**CREDIT RATING OF THE COMPANY**

JCR-VIS Credit Rating Company Limited has assigned initial medium to long term entity rating of 'BBB+/A-2-'to the Company. Outlook on medium to long term rating is "Stable".

**CORPORATE & SOCIAL RESPONSIBILITY:**

The company takes keen interest in its social and corporate responsibilities towards its employees and general public living in its franchise area of your Mill.

**DIVIDEND:**

Directors are pleased to recommend the payment of cash dividend at 15 percent i.e. Rs.1.50 (2012: 15% cash dividend i.e. Rs. 1.50) per share of Rs. 10/= each.

**AUDITORS:**

M/s Hyder Bhimji & Company, Chartered Accountants have completed the audit of Financial Statements for the year ended September 30, 2013 and being eligible offered their services for reappointment for the financial year 2013-14. Audit Committee has recommended their appointment for the year 2012-13 and Board of Directors of the company endorsed the recommendations of the Audit Committee for the re-appointment of M/s Hyder Bhimji & Company till the conclusion of the next Annual General Meeting of the members.

**STAFF RELATIONS:**

Finally the Directors of your Company record their appreciations for the perseverance, commitment to meeting the objectives and targets and the team work put in by the Management and employees, in the current demanding environment and are confident that they will continue to demonstrate the same zeal and vigor in future.

By order of the Board

**YUSUF AYOOB**
MANAGING DIRECTOR

Karachi: 26th December, 2013

# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH SEPTEMBER 2013

This statement is being presented to comply with the Code of Corporate Governance contained in the Regulation No 35, chapter XI of Listing Regulations of the Karachi 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.

1. The company encourages representation of independent non-executives directors. During the year, the election to elect new Board of Directors was held on March 28, 2013 in an Extra Ordinary General Meeting of Members and the members of the company elected the Board comprising of one independent non-executive director, two executive directors and six other non-executive directors as follow:

| Category | | Names |
|---|---|---|
| Independent Directors | i) | Mr. Naeem Ahmed Shafi |
| Executive Directors | ii) | Mr. Yusuf Ayoob |
| | iii) | Mr. Zia Zakaria |
| Non-Executive Directors | iv) | Mr. Ismail H Zakaria |
| | v) | Mr. Suleman Ayoob |
| | vi) | Mr. Aziz Ayoob |
| | vii) | Mr. Ghulam Mohiuddin Zakaria |
| | viii) | Mr. Zohair Zakaria |
| | ix) | Mr. Khurram Aftab |

The independent director meets the criteria of independence under clause 1 (b) of the Code of Corporate Governance.

2. All the directors have confirmed that none of them is serving as director in more than seven listed companies, including the Company.

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

4. No casual vacancy occurred in the Board during the 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 dates on which they were approved or amended has been maintained.

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

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

9. Since all the directors' posses 14 years of education and 15 years of experience, they are exempt from the directors' training program as per Code of Corporate Governance. However one of the directors has acquired the certification from the Institute of Corporate Governance.

10. No new appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit was made during the year. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment as determined by CEO.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

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

14. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.

15. The Board has formed an Audit Committee. It comprises of three members. All members are non-executive directors and chairman of the committee is an independent director.

16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company as required by the Code of Corporate Governance. The terms of reference of the Committee have been formed and advised to the committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two are non-executive and one is an executive director.

18. The Board has set up an effective internal audit function in the Company managed by qualified and experience professional who are conversant with the policies and procedures of the Company and the industry’s best practices. They are involved in the internal audit functions on a full time basis. The head of internal audit department functionally reports to the Board’s Audit Committee.

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

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

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

22. Material / price sensitive information has been disseminated amongst all the market participants at once through the stock exchange.

23. We confirm that all material principles contained in the Code of Corporate Governance have been complied with except those indicated in the notes to the accounts.

**YUSUF AYOOB**
CHIEF EXECUTIVE

Karachi: 26th December, 2013

# KEY OPERATION & FINANCIAL DATA FOR LAST TEN YEARS

(Rupees in thousand)

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|
| **BALANCE SHEET:** | | | | | | | | | | |
| Share Capital | 211,187 | 211,187 | 211,187 | 211,187 | 211,187 | 211,187 | 211,187 | 211,187 | 211,187 | 211,187 |
| Reserves | 521,769 | 442,188 | 296,930 | 208,586 | 184,529 | 76,405 | (99,177) | (109,334) | (146,508) | (120,850) |
| Surplus on revaluation of fixed assets | 416,220 | 431,487 | 451,986 | 473,701 | 496,561 | 314,874 | 331,257 | 348,544 | 366,787 | 386,440 |
| Long Term Liabilities | 726,251 | 817,157 | 914,113 | 741,021 | 973,916 | 1,164,938 | 1,131,560 | 1,049,346 | 538,719 | 518,653 |
| Deferred Taxation | 24,831 | 70,877 | 128,364 | 173,525 | 182,822 | 169,547 | 197,178 | 206,487 | 221,306 | 231,888 |
| Current Liabilities | 1,901,805 | 2,336,772 | 2,878,103 | 1,502,702 | 1,011,608 | 1,298,067 | 1,089,329 | 1,022,614 | 1,493,277 | 1,001,293 |
| Operating Assets | 2,141,973 | 2,149,828 | 2,044,741 | 1,957,988 | 1,918,684 | 1,693,408 | 1,681,232 | 1,644,117 | 1,630,152 | 1,498,675 |
| Long Term Deposits | 2,390 | 2,532 | 2,708 | 2,570 | 2,462 | 5,133 | 25,968 | 19,382 | 13,111 | 11,618 |
| Long Term Investment | 4,346 | 4,130 | 2,909 | 4,601 | 4,362 | 4,265 | 4,215 | 4,060 | 3,670 | 2,895 |
| Current Assets | 1,646,273 | 2,150,986 | 2,828,149 | 1,344,912 | 1,135,115 | 1,532,212 | 1,149,919 | 1,061,285 | 1,037,835 | 715,423 |
| **TRADING** | | | | | | | | | | |
| Turnover | 5,642,437 | 5,362,004 | 4,392,083 | 4,440,856 | 2,887,436 | 2,345,768 | 1,523,852 | 1,880,477 | 1,067,984 | 826,086 |
| Gross Profit/(Loss) | 606,322 | 695,891 | 754,349 | 582,289 | 603,637 | 585,326 | 288,071 | 264,571 | 130,867 | 130,324 |
| Operating Profit/(Loss) | 395,721 | 462,591 | 550,887 | 409,360 | 444,042 | 395,895 | 200,048 | 187,051 | 70,009 | 85,074 |
| Profit/(Loss) before Tax | 84,281 | 111,079 | 88,526 | 67,308 | 115,012 | 158,225 | (8,968) | 13,548 | (51,289) | (516) |
| Profit/(Loss) after Tax | 91,611 | 145,344 | 89,717 | 32,248 | 102,794 | 169,708 | (7,285) | 18,541 | (46,086) | 21,011 |
| Earning Per Share | 4.34 | 6.88 | 4.25 | 1.53 | 4.87 | 8.04 | (0.34) | 0.88 | (2.18) | 0.99 |
| Cash Dividend | 15% | 15% | 10% | 10% | 15% | 10% | NIL | NIL | NIL | NIL |
| Bonus Shares | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| **SUGAR PRODUCTION** | | | | | | | | | | |
| a) From Cane | 59,343 | 57,077 | 60,775 | 49,565 | 47,690 | 69,286 | 52,510 | 31,640 | 33,614 | 60,775 |
| b) From Raw Sugar | - | - | - | - | - | - | - | 9,814 | 4,566 | - |
| Cane Crushed (M.Tons) | 561,083 | 566,077 | 654,892 | 521,062 | 482,166 | 762,418 | 552,767 | 321,769 | 335,100 | 617,351 |
| Sugar Produced (M.Tons) | 59,343 | 57,077 | 60,775 | 49,565 | 47,690 | 69,286 | 52,510 | 41,454 | 37,872 | 60,775 |
| Recovery (%) | 10.58% | 10.09% | 9.27% | 9.51% | 9.85% | 9.08% | 9.50% | 9.88% | 9.90% | 9.80% |

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

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

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

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

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

Hyder Bhimji & Co.
HYDER BHIMJI & CO.
Chartered Accountants

Karachi: December 26, 2013


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# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **M/S. SHAHMURAD SUGAR MILLS LIMITED** (the Company) as at September 30, 2013 and the related Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b). in our opinion:

- i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
- ii) the expenditure incurred during the year was for the purpose of the Company's business; and
- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2013 and of profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Hyder Bhimji & Co.

HYDER BHIMJI & CO.
Chartered Accountants
Engagement Partner:
Shaikh Mohammad Tanvir

Karachi: December 26, 2013

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# BALANCE SHEET
## AS AT SEPTEMBER 30, 2013

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **ASSETS** | | | |
| **NON CURRENT ASSETS** | | | |
| Property, plant and equipment | 4 | 2,141,973 | 2,149,828 |
| Intangible asset | 5 | 4,452 | - |
| Long Term Investment | 6 | 4,346 | 4,130 |
| Long Term Loans | 7 | 2,629 | 2,192 |
| Long Term Deposits | 8 | 2,390 | 2,532 |
| | | 2,155,790 | 2,158,682 |
| **CURRENT ASSETS** | | | |
| Stores, spare parts and loose tools | 9 | 182,312 | 177,769 |
| Stock-in-trade | 10 | 1,021,978 | 1,818,048 |
| Trade debts | 11 | 189,114 | 6,342 |
| Loans and advances | 12 | 126,228 | 69,873 |
| Short term prepayments- to Related Party | | 4,380 | 1,154 |
| Other receivables | 13 | 47,017 | 18,070 |
| Income Tax refundable-Payments less Provision | | 45,250 | 38,405 |
| Cash and bank balances | 14 | 29,994 | 21,325 |
| | | 1,646,273 | 2,150,986 |
| | | 3,802,063 | 4,309,668 |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorised Capital | | | |
| 25,000,000 ordinary shares of Rs. 10 each | | 250,000 | 250,000 |
| Issued, subscribed and paid-up capital | 15 | 211,187 | 211,187 |
| General reserve | 16 | 80,000 | 80,000 |
| Share of associate's unrealised (loss) on remeasurement of investment | | (1,378) | (1,448) |
| Unappropriated profit | | 443,147 | 363,636 |
| | | 732,956 | 653,375 |
| **Surplus On Revaluation Of Property, Plant & Equipment** | 17 | 416,220 | 431,487 |
| **NON CURRENT LIABILITIES** | | | |
| Long Term Financing | 18 | 490,719 | 573,005 |
| Loan from Related Parties | 19 | 230,836 | 230,855 |
| Liabilities against assets subject to finance lease | 20 | 4,696 | 13,297 |
| Deferred taxation | 21 | 24,831 | 70,877 |
| | | 751,082 | 888,034 |
| **CURRENT LIABILITIES** | | | |
| Trade and other Payables | 22 | 300,097 | 853,539 |
| Accrued markup / finance cost | 23 | 31,303 | 40,065 |
| Short term borrowings | 24 | 1,121,105 | 1,038,771 |
| Current portion of long term financing and Liabilities against assets subject of finance lease | 25 | 449,300 | 404,397 |
| | | 1,901,805 | 2,336,772 |
| **CONTINGENCIES AND COMMITMENTS** | 26 | - | - |
| | | 3,802,063 | 4,309,668 |

The annexed notes 01 to 46 form an integral part of these financial statements.

**YUSUF AYOOB**
Managing Director

**ZIA I.ZAKARIA**
Director

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

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Sales | 27 | **5,642,437** | 5,362,004 |
| Cost of sales | 28 | **5,036,115** | 4,666,113 |
| Gross profit | | **606,322** | 695,891 |
| Less: | | | |
| Distribution Cost | 29 | **98,075** | 117,363 |
| Administrative Expenses | 30 | **131,171** | 120,192 |
| Other Operating Charges | 31 | **9,622** | 13,096 |
| | | **238,868** | 250,651 |
| Other Income | 32 | **28,267** | 17,351 |
| Operating Profit | | **395,721** | 462,591 |
| Finance Cost | 33 | **311,586** | 352,199 |
| | | **84,135** | 110,392 |
| Share of profit of associate | | **146** | 687 |
| Profit before taxation | | **84,281** | 111,079 |
| Taxation | 34 | **7,330** | 34,265 |
| Profit after taxation | | **91,611** | 145,344 |
| Earning per share - Basic and diluted | 35 | **4.34** | 6.88 |

The annexed notes 01 to 46 form an integral part of these financial statements.

**YUSUF AYOOB**
Managing Director

**ZIA I.ZAKARIA**
Director

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

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **Profit after taxation** | | **91,611** | 145,344 |
| **Other Comprehensive Income** | | | |
| **Items that may be reclassified subsequently to profit and loss account** | | | |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation net of deferred tax | | **19,578** | 20,499 |
| Share of associate's unrealised profit on remeasurement of investment | 6.2 | **70** | 534 |
| | | **19,648** | 21,033 |
| Total Comprehensive Income for the year | | **111,259** | 166,377 |

The annexed notes 01 to 46 form an integral part of these financial statements.

**YUSUF AYOOB**
Managing Director

**ZIA I.ZAKARIA**
Director

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

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in thousand) | |
| **A. CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Profit before taxation | 84,281 | 111,079 |
| **Adjustment for:** | | |
| Depreciation | 110,716 | 105,930 |
| Amortization | 1,465 | - |
| Profit on disposal of Property, Plant and Equipment | (672) | (2,028) |
| Provision for obsolescence and slow moving items | 1,061 | 2,500 |
| Provision for doubtful loan to growers | 1,137 | 1,000 |
| Finance cost | 311,586 | 352,199 |
| Share of profit in associate | (146) | (687) |
| | 425,147 | 458,914 |
| **Cash generated before working capital changes** | 509,428 | 569,993 |
| **(Increase) / decrease in current assets** | | |
| Stores, spare parts and loose tools | (5,604) | (9,358) |
| Stock in trade | 796,070 | 678,466 |
| Trade debts | (182,772) | (6,327) |
| Loans & advances | (57,155) | 56,762 |
| Short term prepayments - to related party | (3,226) | (433) |
| Other receivables | (28,947) | 1,431 |
| | 518,366 | 720,541 |
| **Increase / (decrease) in current liabilities** | | |
| Trade and other payables | (553,749) | (529,376) |
| Short term borrowings | 82,334 | (208,426) |
| | (471,415) | (737,802) |
| Cash generated from operations | 556,379 | 552,732 |
| Income Tax paid | (41,248) | (73,178) |
| Finance cost paid | (320,348) | (377,545) |
| Increase in long term Loan | (774) | (16) |
| Decrease in long term deposits | 142 | 176 |
| | (362,228) | (450,563) |
| **Net cash flow from operating activities** | 194,151 | 102,169 |
| **B. CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Additions to property, plant and equipment | (104,886) | (212,992) |
| Additions to intangible asset | (5,917) | - |
| Sale proceeds from disposal of Property, Plant and Equipment | 2,697 | 4,003 |
| **Net cash outflow from investing activities** | (108,106) | (208,989) |
| **C. CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Proceed received from Long term financing | 550,000 | 300,000 |
| Repayment of long term financing | (588,419) | (157,214) |
| Loan from Related Parties | (19) | - |
| Repayment of liabilities against assets subject to finance lease | (7,567) | (6,374) |
| Dividend Paid | (31,371) | (21,119) |
| **Net cash (outflow) / inflow from financing activities** | (77,376) | 115,293 |
| **Net Increase in cash and cash equivalents (A+B+C)** | 8,669 | 8,473 |
| Cash and cash equivalent at the beginning of the year | 21,325 | 12,852 |
| **Cash and cash equivalent at the end of year** | 29,994 | 21,325 |

The annexed notes 01 to 46 form an integral part of these financial statements.

**YUSUF AYOOB**
Managing Director

**ZIA I.ZAKARIA**
Director

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

| | Issued, Subscribed & paid up capital | General reserves | Share of associate's unrealized (loss)/ Gain on remeasurement of investment | Un-appropriated profit | Total |
|---|---|---|---|---|---|
| | ........................... Rupees in thousands | | | | .............................. |
| Balance as at October 01, 2011 | 211,187 | 80,000 | (1,982) | 218,912 | 508,117 |
| ***During the year ended September 30, 2012*** | | | | | |
| **Total Comprehensive Income For the year** | | | | | |
| Profit after taxation | - | - | - | 145,344 | 145,344 |
| Other comprehensive income for the year | | | | | |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation net of deferred tax | - | - | - | 20,499 | 20,499 |
| Share of associate's unrealised profit on remeasurement of associate's investment | - | - | 534 | - | 534 |
| | - | - | 534 | 20,499 | 21,033 |
| **Transaction with owners** | | | | | |
| Final Dividend for 30-September-2011 @ 1.00 per Share | - | - | - | (21,119) | (21,119) |
| **Balance as at September 30, 2012** | **211,187** | **80,000** | **(1,448)** | **363,636** | **653,375** |
| ***During the year ended September 30, 2013*** | | | | | |
| **Total Comprehensive Income For the year** | | | | | |
| Profit after taxation | - | - | - | 91,611 | 91,611 |
| Other comprehensive income for the year | | | | | |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation net of deferred tax | - | - | - | 19,578 | 19,578 |
| Share of associate's unrealised profit on remeasurement of associate's investment | - | - | 70 | - | 70 |
| | - | - | 70 | 19,578 | 19,648 |
| **Transaction with owners** | | | | | |
| Final Dividend for 30-September-2012 @ 1.50 per Share | - | - | - | (31,678) | (31,678) |
| Balance as at September 30, 2013 | 211,187 | 80,000 | (1,378) | 443,147 | 732,956 |

The annexed notes 01 to 46 form an integral part of these financial statements.

**YUSUF AYOOB**
Managing Director

**ZIA I.ZAKARIA**
Director

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

**1. THE COMPANY AND ITS OPERATIONS**

The Company was incorporated in Pakistan under the repealed Companies Act, 1913 (now Companies Ordinance, 1984) as a public limited company. Its shares are quoted at the Karachi Stock Exchange Limited. The Company owns and operate Sugar and Ethanol manufacturing units which are located at Jhok, District Thatta in the province of Sindh. The registered office of the Company is located at 96-A, Sindhi Muslim Cooperative Housing Society, Karachi, Sindh.

**2 BASIS OF PREPARATION**

**2.1 BASIS OF MEASUREMENT**

These financial statements comprise of balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with explanatory notes and have been prepared under the 'historical cost convention' except certain items of property, plant and equipments, stated at revalued amount and long term investment in associates accounted for under equity method.

**2.2 STATEMENT OF COMPLIANCE**

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

**2.3 FUNCTIONAL AND PRESENTATION CURRENCY**

These financial statements have been prepared in Pak Rupees, which is the Company's functional currency.

**2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions of accounting estimates are recognized in the period in which the estimate is revised and in any future periods as appropriate.

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

**a) Property, plant and equipment**

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

**b) Stock-in-trade**

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

**c) Taxation**

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and decision by appellate authorities on certain issues in past. Due weightage is given to past history while determining the ratio of future export sales for the purposes of calculating deferred taxation.

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.

**d) Impairment**

The Company reviews carrying amount of assets annually to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

**e) Stores, spare parts and loose tools with respect to provision for obsolescence and slow moving items**

The estimates of slow moving and obsolete stores, spare parts and loose tools, are made, using and appropriately judging the relevant inputs and applying the parameters, as the management considers appropriate, which, on actual occurrence of the subsequent event, may fluctuate. The effect of variation is given as and when it takes place.

**f) Trade debts**

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

## 2.5 STANDARDS, AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARD AND INTERPRETATIONS

### 2.5.1 New and amended standards and interpretations became effective

During the year, the following approved accounting standards, interpretations, amendments / revisions to the approved accounting standards became effective for the accounting periods beginning from the dates specified below;

**IAS 1** **Presentation of Financial Statement-** Amendments to Presentation of items of comprehensive income (Effective for annual periods beginning on or after July 01, 2012)

This introduce new requirement to group together items in 'other comprehensive income' (OCI) that may be subsequently reclassified to profit or loss (reclassification adjustments) in order to facilitate the assessment of their impact on overall performance of the entity. The amendment has no effect on the Company's financial statement except for additional disclosure / improved presentation in the Statement of Other Comprehensive Income.

**IAS 12** **Income Taxes -** (Amendment) Deferred Taxes: Recovery of underlying assets (Effective for annual periods beginning on or after July 01, 2012)

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sales. Furthermore, it introduces the requirement that deferred tax on non depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the assets. The amendment is not relevant to the Company's financial statements.

### 2.5.2 Approved standards, Interpretations and Amendments to published approved accounting standards issued but not yet effective for the current financial year

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

**IAS-19** **Employee Benefits -** *Amendment (Effective for annual periods beginning on or after January 01, 2013)*

The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income (elimination of 'corridor method' for recognition of actuarial gains and losses). It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

**IAS 27** **Separate Financial Statements-** *Amendment (Effective for annual periods beginning on or after January 01, 2013)*

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments / IAS 39 Financial Instruments: Recognition and Measurement. The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

**IAS 28** **Investments in Associates and Joint Ventures -** *Amendment (Effective for annual periods beginning on or after January 01, 2013)*

This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

**IAS-32** **Financial Instruments: Presentation-** *Disclosures about offsetting of financial assets and liabilities (Effective for annual periods beginning on or after January 01, 2014)*

These clarify certain aspects in the application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off', the application of simultaneous realization and settlement, the offsetting of collateral amounts and the unit of account for applying the offsetting requirements.

**IFRS-7** **Financial Instruments: Disclosures -** *Disclosures about offsetting of financial assets and liabilities (Effective for annual periods beginning on or after January 01, 2013)*

These amendments require entities to disclose gross amount subject to right of set off, amounts set off in accordance with accounting standards followed, and the related net credit exposure. These disclosures are intended to facilitate comparison between those entities that prepare financial statements based on IFRS and those that prepare financial statements based on US GAAP.

**IFRIC -20** **Striping Costs in the Production Phase of Surface Mine:** *(Effective for annual periods beginning on or after January 01, 2013)*

The cost of stripping activity to be accounted for in accordance with the principles of IAS 2 Inventories to the extent that the benefit from the stripping activity is realized in the form of inventory produced.

The above amendments, revisions and interpretations are either irrelevant to the company or their adoption will not have material impact on the Company's financial statements except for additional disclosures.

**Annual improvements to IFRS — 2009 — 2011 cycle -** *(Effective for annual periods beginning on or after January 01, 2013)*

The International Accounting Standards Board (the Board) has issued the Annual Improvements to IFRSs – 2009–2011 Cycle, which contains following amendments / improvements to the approved accounting standards;

**IAS-1** **Presentation of Financial Statements-** *Clarification of the requirements for comparative information*

This clarifies that additional comparative information is not necessary for periods beyond the minimum comparative financial statement requirements of IAS 1. If additional comparative information is provided, the information should be presented in accordance with IFRSs, including disclosure of comparative information for any additional statements included beyond the minimum comparative financial statement requirements. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.

In addition, the opening statement of financial position (known as the third balance sheet) must be presented in the following circumstances: when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. However, unlike the voluntary comparative information, the related notes are not required to accompany the third balance sheet period.

**IAS-16** **Property, Plant and Equipment-** *Clarification of the servicing equipments*
Clarifies that Spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment and as inventory otherwise.

**IAS-32** **Financial Instruments: Presentation-** *Tax effect of distributions to holders of equity instruments*
The amendment removes the perceived inconsistency between IAS 32 and IAS 12 and clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

**IAS 34** **Interim financial reporting -** *Interim financial reporting and segment information for total assets and liabilities*
The total assets and total liabilities for a particular reportable segment would be separately disclosed in interim financial reporting only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

These amendments / clarification are not likely to have any material impact on the company's financial statements.

**2.5.3 New Standards issued by IASB but not yet notified by SECP**

Further following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan;

**IFRS 9** **Financial Instruments** *(Effective for annual periods beginning on or after Jan 01, 2015)*
This is the first part of new standards on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest / mark-up.

**IFRS 10** **Consolidated Financial Statements** *(Effective for annual periods beginning on or after January 01, 2013)*
This is a new standard that replaces the consolidation requirements in SIC - 12 Consolidation: Special Purpose Entities and IAS 27 - Consolidated and Separate Financial Statements. The proposed standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

**IFRS 11** **Joint Arrangements** *(Effective for annual periods beginning on or after January 01, 2013)*
This is a new standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangements, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.

**IFRS 12** **Disclosure of Interest in Other Entities** *(Effective for annual periods beginning on or after January 01, 2013)*
This is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

**IFRS 13** **IFRS-13 Fair Value Measurement** (Effective for annual periods beginning on or after January 01, 2013)
This standard applies to IFRSs that require or permit fair value measurement or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The standard defines fair value on the basis of an 'exit-price' notion and uses 'a fair value hierarchy', which results in market-based, rather than entity-specific measurement.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted are set out below

**3.1 Employees post employment benefits**

**Defined Contribution Plan**

The Company operates an approved provident fund scheme for all its employees eligible to the benefit and equal monthly contributions thereto are made both by the Company and the employees in accordance with the terms of the scheme @ 10% of the basic salary plus applicable cost of living allowances.

**Defined Benefit Plan**

The Company was operating unfunded gratuity scheme covering all its permanent employees eligible to the benefit under the scheme. However, in accordance with the award of Labour Court No. 6, Hyderabad the scheme has been discontinued effective from October 1, 2004 and balance amount have been shown under "Trade and Other Payable".

**3.2 Compensated unavailed leaves**

The Company accounts for its liability towards unavailed leaves accumulated by employees on accrual basis.

**3.3 Taxation**

**a) Current Income Tax**

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or minimum tax under section 113 of the Income Tax Ordinance, 2001, whichever is higher. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years. The Company falls under the final tax regime under section 154 and 169 of the Income Tax Ordinance, 2001 to the extent of export sales.

**b) Deferred taxation**

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be utilized.

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

**c) Sales tax and Federal Excise Duty**

Revenues, expenses and assets are recognized net off amount of sales tax/FED except:

i) Where sales tax/FED incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

ii) Receivables or payables that are stated with the amount of sales tax included.

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

**3.4 Property Plant & Equipments**

**a) Operating assets**

**Owned**

Operating fixed assets except furniture, fixture & fittings and vehicles are stated at revalued amounts less accumulated depreciation and impairment, if any. Furniture, fixture & fittings and vehicles are stated at cost less accumulated depreciation and impairment, if any.

Depreciation on addition including assets after revaluations is charged from the quarter in which the assets are put to use while no Depreciation is charged in the quarter in which the assets are disposed off. Depreciation is charged to income applying the reducing balance method at the rates specified in assets note no. 4.1 .

The costs of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits associated with the part will flow to the Company and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

In accordance with the Section 235 of the Companies Ordinance, 1984 an amount equal to the incremental depreciation charged on assets after revaluation has been transferred from the surplus on revaluation of fixed assets to unappropriated profit in the current year through Statement of changes in equity. Consequently incremental depreciation charged for the period on revalued assets is transferred from surplus on revaluation of fixed assets to unappropriated profit as the case may be during the current year as referred to in note no. 17 of these financial statements.

Gain or loss on disposal of property, plant and equipment is taken to profit and loss account.

**Assets subject to finance lease**

Assets held under finance lease are initially recognized as items of property, plant & equipment of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as disclosed in note no 3.12.

These are subsequently stated at recorded amount less accumulated depreciation and impairment loss, if any. These assets are depreciated over their expected useful life at the rates specified in the note no 4.1 on the same basis as owned assets.

**b) Capital work-in-progress**

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less impairment if any and represents costs / expenditures incurred on property, plant and equipment during the course of construction and implementation. These are transferred to specific assets as and when assets are available for intended use.

**3.5 Intangible Asset**

Intangible assets acquired by the company are stated at cost less accumulated amortisation and impairment if any. Amortisation is charged to income over the useful life of the assets on a systematic basis by applying the rate specified in note 5.

**3.6 Investment in Associates**

The Investment in associates is accounted for under equity method. Under this method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the investee after the date of acquisition which is recognized in the profit and loss account. Dividend received, if any, reduces the carrying amount of investment. Changes in associate's equity including those arising from the revaluation of property, plant and equipment are recognized directly in the Company's equity in proportion of the equity held.

Break-up value / equity has been determined on the basis of latest audited financial statements as of June 30, 2013 of that un-listed company.

Investment is de-recognized when the Company has transferred substantially all risks and rewards of ownership and rights to receive cash flows from the investment has expired or has been transferred.

**3.7 Stores, Spare parts and Loose Tools**

Stores, spare parts and loose tools are valued at cost, using moving weighted average method. Items in transit are valued at cost comprising invoice value and other charges incurred thereon up to the balance sheet date. Adequate provision is made for obsolescence and slow moving items as and when required based on parameters set out by management.

**3.8 Stock-in-Trade**

These are stated at lower of weighted average cost and net realizable value.

Cost in relation to semi finished goods and finished goods represents cost of raw material and an appropriate portion of manufacturing overheads. Cost in respect of semi finished goods is adjusted to an appropriate stage of completion of process.

Cost in relation to stock of molasses held by Distillery Division is valued at average cost.

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

**3.9 Trade Debts**

Trade debts are carried at original invoice amount that is fair value except export receivables. Export trade debts are translated into Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual arrangements. A provision for doubtful debt is established when there is objective evidence that the Company will not be able to collect amount due according to the original terms of the debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in making payments are considered indicators that the trade debt is doubtful and the provision recognized in the profit and loss account. When a trade debt is uncollectable, it is written off.

**3.10 Loans and Receivables**

Financial assets which have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables. These are measured at amortised cost less impairment, if any.

**3.11 Borrowings and their costs**

Borrowings are recorded at the proceeds received.

Borrowing costs incurred on finances obtained for the construction/installation of qualifying assets are capitalized up to date the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

**3.12 Finance leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating lease.

Assets held under finance lease are recognized as items of property, plant & equipment of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as "Liabilities against asset subject to finance lease". Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit & loss account unless they are directly attributable to qualifying assets in which case they are capitalized in accordance with the company's general policy on borrowing cost.

**3.13 Trade and other payables**

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

**3.14 Provisions**

A provision is recognized when the Company has a legal or constructive obligation as a result of a past event, if it is probable that an out flow 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 current best estimate.

**3.15 Financial Instruments**

All the financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company loses control of the contractual right that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities are taken to profit and loss account.

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, or amortised cost, as the case may be.

**3.16 Offsetting of Financial Assets and Liabilities**

All financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legal enforceable right to set off the recognised amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

**3.17 Impairment of assets**

**Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicated that one or more events have had a negative effect on the estimated future cash flows of that asset.

The company considers evidence of impairment for receivable and other financial assets at specific asset level. Impairment losses are recognised as expense in profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**Non-Financial assets**

The carrying amount of non-financial assets is assessed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount of such assets is estimated. Recoverable amount is higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognised as expense in the profit and loss account for the amount by which asset's carrying amount exceeds its recoverable amount.

**3.18 Revenue Recognition**

Revenue is recognized to the extent it is probable that the economic benefits will flow to the company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and government levies. The following recognition criteria is adopted before revenue is recognized.

* Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods to customers.

* Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and the rate applicable.

* Mark-up on grower loan is accounted for in line with the recovery of the respective loan due to exigencies involved in such matters. Recognition of markup on loans considered doubtful is deferred.

* Dividend income is recognised when the Company's right to receive the payment is established.

**3.19 Foreign currency transactions and translation:**

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency using year-end spot foreign exchange rates and in case of forward contracts at the committed rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in profit and loss account.

**3.20 Cash and Cash Equivalents**

For the purpose of cash flow statement cash and cash equivalents comprises cash and cheques in hand, balances with banks on current, savings and deposit accounts.

**3.21 Segment Reporting**

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the company's other components. Operating segments are reported in a manner consistent with the internal reporting structure based on the operating (business) segments of the company. An operating segment's operating results are regularly reviewed by the management and the chief executive officer for the purpose of making decisions regarding resource allocation and performance assessment.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis. Segment assets, consist primarily of property, plant and equipment, intangibles, stores and spares, stock in trade and other debts. Segment liabilities comprise of operating liabilities and exclude items that are common to all operating segments.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

The Company has following reportable segments on the basis of product characteristics and the criteria defined by the "IFRS 8 Segment Reporting".

Sugar Division - Manufacturing and sale of Refined Sugar

Distillery Division - Manufacturing and sale of Ethyl Ethanol.

**3.22 Dividends and other appropriations**

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

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| **4** | **PROPERTY, PLANT AND EQUIPMENT** | | | |
| | Operating Assets | 4.1 | **2,104,891** | 2,052,479 |
| | Capital Work in Progress | 4.2 | **37,082** | 97,349 |
| | | | **2,141,973** | 2,149,828 |

## 4.1 OPERATING ASSETS

| PARTICULARS | 2013 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | NET CARRYING VALUE | | | | | | GROSS CARRYING VALUE | | | DEPRECIATION RATE PER ANNUM |
| | AS ON OCTOBER 1, 2012 | DIRECT ADDITIONS | TRANSFER FROM CWIP | DISPOSAL | DEPRECIATION | As ON SEPTEMBER 30, 2013 | COST | ACCUMULATED DEPRECIATION | NET CARRYING VALUE AT SEP 30, 2013 | |
| **OWNED** | | | | | | | | | | |
| **FREE HOLD LAND** | | | | | | | | | | |
| Cost | 31,575 | - | - | - | - | 31,575 | 31,575 | - | 31,575 | - |
| Revaluation | 69,920 | - | - | - | - | 69,920 | 69,920 | - | 69,920 | - |
| **FACTORY BUILDING** | | | | | | | | | | |
| Cost | 35,834 | - | 1,999 | - | 3,733 | 34,100 | 97,445 | 63,345 | 34,100 | 10% |
| Revaluation | 19,357 | - | - | - | 1,936 | 17,421 | 33,220 | 15,799 | 17,421 | 10% |
| **NON FACTORY BUILDING** | | | | | | | | | | |
| Cost | 61,087 | - | 2,506 | - | 3,148 | 60,445 | 102,101 | 41,656 | 60,445 | 5% |
| Revaluation | 63,434 | - | - | - | 3,172 | 60,262 | 88,990 | 28,728 | 60,262 | 5% |
| **RES QTR FOR LABOUR** | | | | | | | | | | |
| Cost | 4,105 | - | 3,169 | - | 490 | 6,784 | 30,308 | 23,524 | 6,784 | 10% |
| Revaluation | 5,855 | - | - | - | 585 | 5,270 | 12,695 | 7,425 | 5,270 | 10% |
| **PLANT & MACHINERY** | | | | | | | | | | |
| Cost | 1,268,189 | - | 149,002 | - | 68,884 | 1,348,307 | 2,273,976 | 925,669 | 1,348,307 | 5% |
| Revaluation | 421,983 | - | - | - | 21,124 | 400,859 | 641,212 | 240,353 | 400,859 | 5% |
| **FURNITURE, FIXTURE AND** | | | | | | | | | | |
| Cost | 2,491 | 1,113 | - | - | 279 | 3,325 | 8,563 | 5,238 | 3,325 | 10% |
| **OFFICE EQUIPMENT** | | | | | | | | | | |
| Cost | 15,348 | 5,872 | - | - | 1,903 | 19,317 | 36,157 | 16,840 | 19,317 | 10% |
| Revaluation | 1,831 | - | - | - | 183 | 1,648 | 4,786 | 3,138 | 1,648 | 10% |
| **VEHICLES** | | | | | | | | | | |
| Cost | 17,467 | 1,492 | - | 2,025 | 3,579 | 13,355 | 35,777 | 22,422 | 13,355 | 20% |
| **LEASED** | | | | | | | | | | |
| **PLANT & MACHINERY** | | | | | | | | | | |
| Cost | 34,003 | - | - | - | 1,700 | 32,303 | 35,793 | 3,490 | 32,303 | 20% |
| **TOTAL** | | | | | | | | | | |
| Cost | 1,470,099 | 8,477 | 156,676 | 2,025 | 83,716 | 1,549,511 | 2,651,695 | 1,102,184 | 1,549,511 | |
| Revaluation | 582,380 | - | - | - | 27,000 | 555,380 | 850,823 | 295,443 | 555,380 | |
| | **2,052,479** | **8,477** | **156,676** | **2,025** | **110,716** | **2,104,891** | **3,502,518** | **1,397,627** | **2,104,891** | |

| PARTICULARS | 2012 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | NET CARRYING VALUE | | | | | | GROSS CARRYING VALUE | | | DEPRECIATION RATE PER ANNUM |
| | AS ON OCTOBER 1, 2011 | DIRECT ADDITIONS | TRANSFER FROM CWIP | DISPOSAL | DEPRECIATION | As ON SEPTEMBER 30, 2012 | COST | ACCUMULATED DEPRECIATION | NET CARRYING VALUE AT SEP 30, 2012 | |
| **OWNED** | | | | | | | | | | |
| **FREE HOLD LAND** | | | | | | | | | | |
| Cost | 31,575 | - | - | - | - | 31,575 | 31,575 | - | 31,575 | - |
| Revaluation | 69,920 | - | - | - | - | 69,920 | 69,920 | - | 69,920 | - |
| **FACTORY BUILDING** | | | | | | | | | | |
| Cost | 39,479 | - | 336 | - | 3,981 | 35,834 | 95,446 | 59,612 | 35,834 | 10% |
| Revaluation | 21,508 | - | - | | 2,151 | 19,357 | 33,220 | 13,863 | 19,357 | 10% |
| **NON FACTORY BUILDING** | | | | | | | | | | |
| Cost | 54,525 | - | 9,654 | - | 3,092 | 61,087 | 99,595 | 38,508 | 61,087 | 5% |
| Revaluation | 66,773 | - | - | - | 3,339 | 63,434 | 88,990 | 25,556 | 63,434 | 5% |
| **RES QTR FOR LABOUR** | | | | | | | | | | |
| Cost | 4,561 | - | - | - | 456 | 4,105 | 27,139 | 23,034 | 4,105 | 10% |
| Revaluation | 6,505 | - | - | | 650 | 5,855 | 12,695 | 6,840 | 5,855 | 10% |
| **PLANT & MACHINERY** | | | | | | | | | | |
| Cost | 1,165,868 | 17,124 | 148,558 | - | 63,361 | 1,268,189 | 2,124,974 | 856,785 | 1,268,189 | 5% |
| Revaluation | 444,218 | - | - | - | 22,235 | 421,983 | 641,212 | 219,229 | 421,983 | 5% |
| **FURNITURE, FIXTURE AND** | | | | | | | | | | |
| Cost | 1,948 | 792 | - | - | 249 | 2,491 | 7,450 | 4,959 | 2,491 | 10% |
| **OFFICE EQUIPMENT** | | | | | | | | | | |
| Cost | 12,674 | 4,169 | - | - | 1,495 | 15,348 | 30,285 | 14,937 | 15,348 | 10% |
| Revaluation | 2,034 | - | - | - | 203 | 1,831 | 4,786 | 2,955 | 1,831 | 10% |
| **VEHICLES** | | | | | | | | | | |
| Cost | 11,585 | 10,785 | - | 1,975 | 2,928 | 17,467 | 37,377 | 19,910 | 17,467 | 20% |
| **LEASED** | | | | | | | | | | |
| **PLANT & MACHINERY** | | | | | | | | | | |
| Cost | - | - | 35,793 | - | 1,790 | 34,003 | 35,793 | 1,790 | 34,003 | 20% |
| **TOTAL** | | | | | | | | | | |
| Cost | 1,322,215 | 32,870 | 194,341 | 1,975 | 77,352 | 1,470,099 | 2,489,634 | 1,019,535 | 1,470,099 | |
| Revaluation | 610,958 | - | - | - | 28,578 | 582,380 | 850,823 | 268,443 | 582,380 | |
| **TOTAL** | **1,933,173** | **32,870** | **194,341** | **1,975** | **105,930** | **2,052,479** | **3,340,457** | **1,287,978** | **2,052,479** | |

**4.1.1** Depreciation has been allocated as follows:

| | 2013 SUGAR | 2013 DISTILLERY | 2013 TOTAL | 2012 SUGAR | 2012 DISTILLERY | 2012 TOTAL |
|---|---|---|---|---|---|---|
| | ---------------- (Rupees in 'ooo) ---------------- | | | | | |
| Manufacturing | **50,320** | **47,057** | **97,377** | 50,260 | 43,257 | 93,517 |
| Administration | **9,953** | **3,386** | **13,339** | 9,286 | 3,127 | 12,413 |
| | **60,273** | **50,443** | **110,716** | 59,546 | 46,384 | 105,930 |

**4.1.2** The Company has revalued its property, plant and equipment, carried out by Messrs Sipra & Company on the basis of information as of September 30,2009 (Also refer note no 17).

**4.1.3 DISPOSAL OF FIXED ASSETS**

| Description | Sold to | Original Cost | Accumulated Depreciation | W.D.V. | Sale proceeds | Profit on Disposal | Mode of Disposal |
|---|---|---|---|---|---|---|---|
| Honda City Model 2009 | Mr. Khurram Arif s/o Mohammad Arif Adamjee Nagar Tipu sultan Road, House # B-216 . Karachi | 1,319 | 810 | 509 | 945 | 436 | Negotiation |
| Toyota Corolla GLI Model 2012 | Insurance Claim - Reliance Insurance Company Limited | 1,773 | 257 | 1,516 | 1,752 | 236 | Insurance Claim / Stolen |
| | | **3,092** | **1,067** | **2,025** | **2,697** | **672** | |
| **2012** | | 5,855 | 3,880 | 1,975 | 4,003 | 2,028 | |

**4.2 CAPITAL WORK-IN-PROGRESS**

| | Balance as on 01-10-2012 | During the year Addition | During the year Capitalized | Balance as on 30-09-2013 |
|---|---|---|---|---|
| | ( Rupees in thousand) | | | |
| **2013** | | | | |
| Civil Works | **14,954** | **3,459** | **7,674** | **10,739** |
| Plant & Machinery - Owned | **82,395** | **92,950** | **149,002** | **26,343** |
| | **97,349** | **96,409** | **156,676** | **37,082** |
| **2012** | | | | |
| Civil Works | 16,896 | 8,048 | 9,990 | **14,954** |
| Plant & Machinery - Owned | 64,672 | 166,281 | 148,558 | **82,395** |
| - Leased | 30,000 | 5,793 | 35,793 | **-** |
| | 94,672 | 172,074 | 184,351 | **82,395** |
| | 111,568 | 180,122 | 194,341 | **97,349** |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **5 INTANGIBLE ASSET** | | | |
| **Software - SAP Application** | | | |
| Additions during the year | | **5,917** | - |
| Amortization for the year | | **(1,465)** | - |
| | | **4,452** | - |

The cost of software is amortized over a period of three years on straight line basis i.e. at the rate of 33.33% p.a.

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| **6** | **LONG TERM INVESTMENT** | | | |
| | Investment in associate - Al-Noor Modaraba Management (Pvt.) Ltd. | 6.1 | | |
| | Opening balance | | **4,130** | 2,909 |
| | Share of profit for the year | | **146** | 687 |
| | Share of unrealized profit on remeasurement of associate's available for sale investment | 6.2 | **70** | 534 |
| | | | **216** | 1,221 |
| | | | **4,346** | 4,130 |
| 6.1 | 500,000 (2012 :500,000) fully paid ordinary shares of Rs.10 each<br>Equity held 14.285% (2012 : 14.285%)<br>Original Cost : 5,000,000<br>Break-up value Rs. 8.69 (2012 : Rs. 8.26)<br>Chief Executive Mr.Jalaluddin Ahmed | | | |
| 6.2 | Unrealized loss on re-measurement of investment | | | |
| | Opening balance | | **1,448** | 1,982 |
| | Unrealized profit on re-measurement of investment | | **(70)** | (534) |
| | Closing balance | | **1,378** | 1,448 |
| 6.3 | The Company's interest in assets and liabilities of Al- Noor Modaraba Management (Pvt.) Ltd. is as follows: | | | |
| | Tangible Fixed assets | | **2,795** | 981 |
| | Long Term Investments | | **25,960** | 23,824 |
| | Other long term assets | | **28** | 28 |
| | Current assets | | **5,290** | 11,474 |
| | | | **34,073** | 36,307 |
| | Long term liabilities | | **1,155** | 906 |
| | Current liabilities | | **2,500** | 6,497 |
| | | | **3,655** | 7,403 |
| | Net Assets | | **30,418** | 28,904 |
| | Share of Shahmurad Sugar Mills Limited | | **4,346** | 4,130 |
| 6.4 | The Company's share in profit and loss of Al-Noor Modaraba Management (Pvt.) Ltd. is as follows: | | | |
| | Income | | **5,617** | 9,466 |
| | Expenses | | **(4,849)** | (3,694) |
| | | | **768** | 5,772 |
| | Profit/(Loss) on remeasurement & impairment loss on investment | | **30** | (46) |
| | Share of profit from associates | | **533** | 174 |
| | Profit for the year before taxation | | **1,331** | 5,900 |
| | Taxation | | **(358)** | (1,139) |
| | Profit for the year after taxation | | **973** | 4,761 |
| | Share of associate incremental depreciation on revaluation of investment | | **46** | 46 |
| | | | **1,019** | 4,807 |
| | Share of Shahmurad Sugar Mills Limited | | **146** | 687 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |

## 7 LONG TERM LOANS

| | Note | 2013 | 2012 |
|---|---|---|---|
| ***- Unsecured & Interest free*** | | | |
| Considered Good | | | |
| - Due from executives | 7.1 | **2,972** | 3,617 |
| - Due from non- executive employees | | **1,972** | 553 |
| | | **4,944** | 4,170 |
| Less: Current Portion of: | | | |
| - Due from executives | | **(1,415)** | (1,594) |
| - Due from non- executive employees | | **(900)** | (384) |
| | | **(2,315)** | (1,978) |
| | | **2,629** | 2,192 |

### 7.1 Movement of loans to executives

| | 2013 | 2012 |
|---|---|---|
| Balance at the beginning of the year | **3,617** | 2,162 |
| Disbursed during the year | **1,333** | 3,355 |
| Recovered during the year | **(1,978)** | (1,900) |
| Balance at the end of the year | **2,972** | 3,617 |

7.2 Loans and advances have been given in accordance with the terms of employment and are recoverable, in monthly installments, within three years following the balance sheet date.

7.3 The maximum aggregate amount due from executives at any month end during the year was Rs. 3.981 million (2012: 3.974 million).

## 8 LONG TERM DEPOSITS

| | 2013 | 2012 |
|---|---|---|
| Guarantee margin | **-** | 500 |
| Security deposits | **2,390** | 2,032 |
| | **2,390** | 2,532 |

## 9 STORES, SPARE PARTS AND LOOSE TOOLS

| | Note | 2013 | 2012 |
|---|---|---|---|
| Stores | | **53,719** | 51,674 |
| Spare Parts | | **144,080** | 139,974 |
| Stores and spare parts in transit | | **803** | 1,350 |
| | | **198,602** | 192,998 |
| Less: Provision for obsolescence and slow moving items | 9.1 | **(16,290)** | (15,229) |
| | | **182,312** | 177,769 |

### 9.1 Provision for obsolescence and slow moving items

| | 2013 | 2012 |
|---|---|---|
| Opening Balance | **15,229** | 12,729 |
| Provision for the year | **1,061** | 2,500 |
| Closing balance | **16,290** | 15,229 |

## 10 STOCK-IN-TRADE

| | Note | 2013 | 2012 |
|---|---|---|---|
| Raw Material - Molasses | | **160,108** | 448,092 |
| Sugar in process | | **7,794** | 6,973 |
| Finished goods | | | |
| Sugar | 10.1 & 10.2 | **563,137** | 1,008,550 |
| Ethanol | | **290,939** | 354,433 |
| | | **854,076** | 1,362,983 |
| | | **1,021,978** | 1,818,048 |

**10.1** Stock of finished goods pledged against short term finances under markup arrangement as referred in note No. 24 amounted to Rs. 284.907 million(2012: 504.870 million) and under Murabaha arrangement as referred in Note No. 22.1 amounted to Rs Nil (2012: 180 million).

**10.2** Stock of sugar includes stock valued at NRV amounting to Rs. 479 million (2012 Rs. 712 million) cost of which is Rs. 501 million.

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| **11** | **TRADE DEBTS** | | | |
| | Export - Secured against L/C. | | **188,213** | 6,060 |
| | Local - Unsecured, considered good | | **901** | 282 |
| | | | **189,114** | 6,342 |
| **12** | **LOANS AND ADVANCES (UNSECURED) CONSIDERED GOOD** | | | |
| | Current portion of long term loans | 7 | **2,315** | 1,978 |
| | Loans to Growers | 12.1 | **1,088** | 4,347 |
| | Advances against purchases and services | | **111,930** | 60,426 |
| | Advances against expenses | | **4,239** | 3,070 |
| | Advances to Employees-other than executives, Director and Chief executives | | **36** | 52 |
| | Federal Excise Duty / Sales tax | | **6,620** | - |
| | | | **126,228** | 69,873 |
| **12.1** | **Loans to Growers** | | | |
| | Considered good | | **1,088** | 4,347 |
| | Considered doubtful | | **23,868** | 22,731 |
| | | | **24,956** | 27,078 |
| | Less Provision for doubtful loan | | | |
| | As at October 1, | | **22,731** | 21,731 |
| | Provision for the year | | **1,137** | 1,000 |
| | | | **23,868** | 22,731 |
| | | | **1,088** | 4,347 |

**12.1.1** These carry Markup at the rate of 10% per annum chargeable annually.

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| **13** | **OTHER RECEIVABLES** | | | |
| | Receivables from related parties | 13.1 | **-** | 59 |
| | Advances to Transport contractors | | **-** | 17,390 |
| | Freight subsidy | 13.2 | **47,005** | - |
| | Others | | **12** | 621 |
| | | | **47,017** | 18,070 |

13.1 This represent Rs. Nil (2012: .059 Million) receivable from M/s Reliance Insurance Company Ltd. The maximum aggregate amount due from related party in respect of insurance claim at any month end during the year was Rs. 5.99 Million (2012: Rs. 7.00 Million).

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

| | | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **14** | **CASH AND BANK BALANCES** | | |
| | Cash in hand | **1,649** | 900 |
| | Cash at banks - In current accounts | **28,345** | 20,425 |
| | | **29,994** | 21,325 |

**15 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

| 2013 | 2012 | | 2013 | 2012 |
|---|---|---|---|---|
| No. of Shares | | | | |
| **11,730,368** | 11,730,368 | Ordinary shares of Rs.10 each allotted for consideration paid in cash | **117,304** | 117,304 |
| **9,388,295** | 9,388,295 | Ordinary shares of Rs.10 each allotted as fully paid bonus shares | **93,883** | 93,883 |
| **21,118,663** | 21,118,663 | | **211,187** | 211,187 |

15.1 Associated companies hold 4,139,104 (19.59%) shares in the Company (2012 : 4,139,104 shares i.e. 19.59%)

**16 GENERAL RESERVE**

This represents amount appropriated out of profit in past years and retained in order to meet future exigencies.

**17 SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT**

| | 2013 | 2012 |
|---|---|---|
| Gross opening balance | **582,380** | 610,958 |
| Incremental depreciation - net of deferred tax | **(19,578)** | (20,499) |
| Deferred Tax on Incremental Depreciation | **(7,422)** | (8,079) |
| | **(27,000)** | (28,578) |
| Gross closing balance | **555,380** | 582,380 |
| Relevant deferred tax liability | **(139,160)** | (150,893) |
| Revaluation surplus net of deferred tax | **416,220** | 431,487 |

17.1 This represents surplus over book values resulting from the revaluation of fixed assets lastly carried out by Messrs Sipra & Company on September 30,2009 (see note no.5).

**18 LONG TERM FINANCING**

| | Note | 2013 | 2012 |
|---|---|---|---|
| Financial institutions | | **207,500** | 315,000 |
| Banks | 18.1 | **250,000** | 191,567 |
| Modaraba / Musharaka | | **33,219** | 66,438 |
| | | **490,719** | 573,005 |

## 18.1

| | FINANCIAL INSTITUTION | | | | | BANKS | | | | | | MODARABA | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | SAPICO | PAK Brunie Investment Co. Ltd | Pak Oman Investment Co. Ltd | Pak Oman Investment Co. Ltd | **TOTAL** | HABIB BANK LTD | Bank Islami Pak Ltd | Bank Islami Pak Ltd | Standard Chartered Bank Ltd | Standard Chartered Bank Ltd | **TOTAL** | **Standard Chartered Modaraba** | **2013** | 2012 |
| Balance October 1, 2012 | 15,500 | 200,000 | 100,000 | 87,500 | **403,000** | 100,000 | 100,000 | - | - | 267,200 | **467,200** | **99,657** | **969,857** | 827,071 |
| Addition | - | - | - | - | **-** | - | - | 250,000 | 300,000 | - | **550,000** | **-** | **550,000** | 300,000 |
| Payment | (15,500) | (12,500) | (10,000) | (50,000) | **(88,000)** | (100,000) | (100,000) | - | - | (267,200) | **(467,200)** | **(33,219)** | **(588,419)** | (157,214) |
| Total Payable as on 30.09.2013 | - | 187,500 | 90,000 | 37,500 | **315,000** | - | - | 250,000 | 300,000 | - | **550,000** | **66,438** | **931,438** | 969,857 |
| Current Maturity<br>Shown under current liabilities | - | (50,000) | (20,000) | (37,500) | **(107,500)** | - | - | (250,000) | (50,000) | - | **(300,000)** | **(33,219)** | **(440,719)** | (396,852) |
| | - | 137,500 | 70,000 | - | **207,500** | - | - | - | 250,000 | - | **250,000** | **33,219** | **490,719** | 573,005 |
| Description | Long Term Finance | Long Term Finance | Long Term Finance | Long Term Finance | | Long Term Finance | Diminishing Musharaka | Diminishing Musharaka | Diminishing Musharaka | Diminishing Musharaka | | Diminishing Musharaka | | |
| Sanctioned/Sale Price/ Disbursed Amount (Rs in million) | 62 | 200 | 100 | 200 | | 100 | 100 | 250 | 300 | 334 | | 124.571 | | |
| Effective rate of markup (per annum) | 6M KIBOR + 2.25% | 6M KIBOR + 2.50% | 6 M KIBOR + 2.40% | 6M KIBOR + 3.00% | | 3M KIBOR + 2.60% | 3 M KIBOR + 2.50% | 3 M KIBOR + 2.25% | 3 M KIBOR + 2.25% | 3 M KIBOR + 2.75% | | 6 M KIBOR + 2.10% | | |
| Facility tenor | 5 years | 5 years | 4years | 5 years | | 33 months | 3 years | | 5 years | 3 years | | 4 years | | |
| Number of installments | 8 | 16 | 16 | 16 | | 4 | 8 | 1 | 18 | 10 | | 15 | | |
| Principal amount of each installment (Rs in million) | 7.75 | 12.50 | *2.5 to 8.75 | 12.500 | | 25 | **7.5 & 17.50 | 250.000 | 16.667 | ***16.70 & 44.533 | | 8.304 | | |
| Installments Payable | Half Yearly | Quarterly | Quarterly | Quarterly | | Half Yearly | Quarterly | Bullet Payment | Quarterly | Quarterly | | Quarterly | | |
| Date of Disbursement | 23-06-2008 | 27-04-2012 | 28-09-2012 | 22-05-2009 | | 04-07-2011 | 17-06-2011 | 21-06-2013 | 04-09-2013 | 25-03-2011 | | 30-06-2011 | | |
| Grace Period | 1 Year | 1 Year | - | 1 Year | | 1 Year | 1 Year | 14 Months | 5 Months | 6 Months | | 3 Months | | |
| Date of payment of 1st installment | 23-12-2009 | 27-07-2013 | 28-12-2012 | 01-08-2010 | | 01-10-2012 | 17-09-2012 | 21-08-2014 | 04-03-2014 | 25-12-2011 | | 01-01-2012 | | |
| Date of payment of last installment | 23-06-2013 | 27-04-2017 | 28-09-2016 | 01-05-2014 | | 01-04-2014 | 17-06-2014 | 21-08-2014 | 04-06-2018 | 25-03-2014 | | 01-07-2015 | | |

* First 4 installments of Rs2.50 million each, 5 to 8 installments are Rs5.00 million each and balance 8 installments are Rs8.75 million each.

** First 4 installments of Rs7.50 million each, and thereafter 4 installments are Rs17.50 million each.

*** First 4 installments of Rs16.70 million each, and thereafter 6 installments are Rs44.533 million each.

**SECURITIES**

| | |
|---|---|
| SAPICO- Saudi Pak Industrial & Agricultural Investment Co. | First pari passu equitable mortgage & Hypothecation charge over all fixed assets including Land, Building, Plant & Machinery of the company. |
| Pak Oman Investment Co. Ltd - Rs200 M | First pari passu equitable mortgage & Hypothecation charge over all fixed assets including Land, Building, Plant & Machinery of the company. |
| Pak Oman Investment Co. Ltd - Rs100 M | First pari passu equitable mortgage & Hypothecation charge over all fixed assets including Land, Building, Plant & Machinery of the company. |
| Pak Brunei Investment Company Ltd | First pari passu equitable mortgage & Hypothecation charge over all fixed assets including Land, Building, Plant & Machinery of the company. |
| Habib Bank Ltd | First pari passu equitable mortgage & Hypothecation charge over all fixed assets including Land, Building, Plant & Machinery of the company. |
| Bank Islami Pakistan Ltd - Rs100 M | First pari passu equitable mortgage & Hypothecation charge over all fixed assets including Land, Building, Plant & Machinery of the company. |
| Bank Islami Pakistan Ltd - Rs250 M | First pari passu equitable mortgage & Hypothecation charge over all fixed assets including Land, Building, Plant & Machinery of the company. |
| Standard Chartered Bank (Pakistan) Ltd Rs334 M | First pari passu Hypothecated charge over all fixed assets including Plant & Machinery of the company. |
| Standard Chartered Bank (Pakistan) Ltd Rs300 M | First pari passu Hypothecated charge over current & future fixed assets ( excluding Land & Building ) of the company. |

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in thousand) | |

## 19 LOAN FROM RELATED PARTIES

| | 2013 | 2012 |
|---|---|---|
| - Unsecured & Interest free | **230,836** | 230,855 |

The directors have given their consent to certain lenders that the balance due to them and their related parties will not be reduced below Rs. 229.802 million till the improvement in equity or achievement of leverage of 3.5 x 1.

## 20 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Future minimum lease payments under finance lease and the present value of the net minimum lease payments are as follows:

| | Within one year | After one year but not more than five years | Total |
|---|---|---|---|
| **2013** | | | |
| Future Minimum lease payments | **9,978** | **4,989** | **14,967** |
| Less : Amount representing finance charges | **(1,397)** | **(293)** | **(1,690)** |
| Present value of minimum lease payments | **8,581** | **4,696** | **13,277** |
| **2012** | | | |
| Future Minimum lease payments | 10,063 | 15,095 | 25,158 |
| Less : Amount representing finance charges | (2,518) | (1,798) | (4,316) |
| Present value of minimum lease payments | 7,545 | 13,297 | 20,842 |

**20.1** This represents finance lease entered into with leasing companies for plant and machinery. These carry finance charges at the rate of 6 months Kibor+3% (2012: Kibor + 3%) being the rate implicit in the lease.

**20.2** The company enjoys the option to purchase the leased assets upon completion of the leased period. These are secured against demand promissory notes.

## 21 DEFERRED TAXATION

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in thousand) | |
| Opening Balance | **70,877** | 128,364 |
| Adjustment due to change in tax rate | **(4,313)** | - |
| Reversal during the year | **(41,733)** | (57,487) |
| Closing balance | **24,831** | 70,877 |

### 21.1 Deferred tax liabilities arising in respect of

| | 2013 | 2012 |
|---|---|---|
| Accelerated tax depreciation | **156,500** | 147,745 |
| Revaluation of property, plant & equipment | **139,160** | 150,893 |
| | **295,660** | 298,638 |
| **Deferred tax assets arising in respect of** | | |
| Provision for Doubtful grower loan | **(8,017)** | (7,462) |
| Provision for slow moving items and obsolescence | **(5,472)** | (3,265) |
| Provision for Gratuity | **(648)** | (414) |
| Provision for Leave Encashment | **(374)** | (314) |
| Unabsorbed tax loss/depreciation | **(256,318)** | (216,306) |
| | **(270,829)** | (227,761) |
| | **24,831** | 70,877 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **22 TRADE AND OTHER PAYABLES** | | | |
| Creditors - Related party | | - | 16 |
| - Others | | 23,145 | 13,069 |
| | | 23,145 | 13,085 |
| Istasna/IERF/Murabaha | 22.1 | 120,000 | 300,000 |
| Accrued expenses | | 13,366 | 12,761 |
| Advance against Sales from customers | | 130,217 | 486,652 |
| Gratuity payable | | 1,930 | 1,930 |
| Worker's profit participation fund | 22.2 | 4,512 | 6,562 |
| Worker's Welfare Fund | | 5,129 | 9,853 |
| Security Deposit | | 227 | 232 |
| Unclaimed dividends | | 1,449 | 1,142 |
| Others | | 122 | 21,322 |
| | | 300,097 | 853,539 |

**22.1** The aggregate limit of Istasna/IERF/Murabaha arrangements is up to Rs. 500 million (2012: Rs 500 million). The effective rates of profits are 6M Kibor+1% and SBP rate + 1% (2012: 6M Kibor+1% ). The unavailed facility at the year end amounted to Rs. 380 million (2012: 700 million).

**Securities:**

1st pari passu hypothecation charge on Property Plant & Equipment & Pledge of Sugar.

**22.2 Worker's profit participation fund**

| | Note | 2013 | 2012 |
|---|---|---|---|
| Balance at start | | 6,562 | 5,728 |
| Add: | | | |
| Allocation for the year | | 4,512 | 5,961 |
| Interest due on funds utilized in the Company's business shown under finance cost | 33 | 576 | 601 |
| | | 5,088 | 6,562 |
| Less: Paid to Trustees | | 7,138 | 5,728 |
| Balance at Close | | 4,512 | 6,562 |

**23 ACCRUED MARKUP / FINANCE COST**

| | Note | 2013 | 2012 |
|---|---|---|---|
| Long term financing | | 10,167 | 19,349 |
| On liabilities against assets subject to finance lease | | 14 | 23 |
| Short term borrowings | | 21,122 | 20,693 |
| | | 31,303 | 40,065 |

**24 SHORT TERM BORROWINGS**

| | Note | 2013 | 2012 |
|---|---|---|---|
| From banking companies - Secured | | | |
| Cash / Running finance | 24.1 | 181,105 | 398,771 |
| Export refinance | 24.2 | 940,000 | 640,000 |
| | | 1,121,105 | 1,038,771 |

**24.1** The facilities available are up to Rs. 4,030 million (2012: Rs. 3,140 million) and are secured against Pledge of Sugar/Molasses/Ethanol and First pari passu charge on property, plant and equipment. The effective rate of markup ranges from 1M/3M/6M Kibor + 1% to 1.5% (2012: 1M/3M/ 6M kibor + 1.5% to 2%). Unutilized facilities as on balance sheet date amounted to Rs. 3,849 million (2012: Rs. 2,741 million).

**24.2** The facilities are available under SBP Export Finance Scheme up to limit of Rs. 1,040 Million (2012 Rs.740 Million) and are secured by first pari passu equitable mortgage charge and Hypothecation over current and future fixed assets of the company and pledge of Sugar / Molasses / Ethanol. The effective rate of Mark-up is 1% over SBP ERF Rate which is 9.50% and 11% (2012: 9.50% and 11% over SBP ERF Rate which was 10%). Unutilized facilities as on balance sheet date is Rs. 100 Million (2012: Rs 100 million).

## 25 CURRENT PORTION OF LONG TERM FINANCING AND LIABILITES AGAINST ASSETS SUBJECT TO FINANCE LEASE

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Long term financing | 18 | **440,719** | 396,852 |
| Liabilities against assets subject to finance lease | 20 | **8,581** | 7,545 |
| | | **449,300** | 404,397 |

## 26 CONTINGENCIES AND COMMITMENTS

### a) CONTINGENCIES

**26.1** A demand of Rs.4.629 million in respect of sales tax on in house use of baggase as fuel was raised by the Collectorate of Sales Tax, Hyderabad. The Company has disputed the liability and had filed an appeal before the Appellate Tribunal Karachi. The Appellate Tribunal has remanded back the case to the department of sales tax with a direction to compute the sales value and the sales tax payable thereon correctly after providing proper opportunity to the parties. The Sales Tax Tribunal has also directed the department to consider the fact that there was no deliberate or willful attempt to defraud the revenue therefore; the additional tax liability may be uncalled. However, to avail relief from levy of additional tax, as provided through SRO 1349(1) 99 dated 17th December, 1999 the Company had paid a total amount of Rs. 8.818 million including additional tax of Rs.4.190 million in December, 1999.

The adjudicating authority has conducted the proceedings on remanded back case of the Tribunal and maintained its previous order. The Company had filed an appeal before Collector Appeals which was decided against the company. The company has filed an appeal before the Appellate Tribunal. Appellate Tribunal once again remanded back the case to adjudicating authority. However the company has provided for the contingency for the amount of sales tax and additional tax already paid through the aforesaid notification.

**26.2** The Company filed petition before Honorable High Court of Sindh challenging the levy of further tax against taxable supplies made to persons other than registered person under section 3(1A) of the Sales Tax Act, 1990. However, the entire liability till November 30, 2000 was paid by the Company, in the month of December 2000 as per judgment awarded against the department by the Honorable High Court of Sindh. Accordingly the Company has claimed refund of such further tax amounting to Rs. 45.190 million out of which an amount of Rs.7.144 million has been refunded by the department.

The Department of Sales Tax has filed an Appeal before the Honorable Supreme Court against the Order of the High Court of Sindh. The Honorable Supreme Court has allowed the Appeal with direction to the department to act in accordance with law however; ratio-decidendi ordered by the High Court of Sindh has not been reversed, over ruled or amended. The Company is therefore of the view that the final outcome of the matter will be in favor of the Company. Sales Tax department has however raised demands of further tax involving amount of Rs. 54 million, which has been contested by the company in the light of Sindh High Court Judgment. Thereafter the Sales Tax Tribunal has issued orders in favour of the company for which the sales tax department filed appealed against the orders of the Tribunal which are pending at Honorable Sindh High Court.

**26.3** The Company has filed a petition before the Honorable High Court of Sindh against the imposition of special excise duty. The Honorable High Court has issued stay order for the recovery of 70% of the total amount of Rs 7.073 million against excise duty involved. The Company however as a matter of abundant precaution has provided for the amount of said duty in the financial statements. The case has been decided in favour of the company declaring Special Excise Duty as void ab-initio and of no legal effect. The Inland Revenue department has filed an appeal before Honorable Supreme Court of Pakistan against the decision of Honorable High Court.

**26.4** The Company's appeal in the Honorable Supreme Court against the Order of the Sindh High Court for levy of Quality Premium has been accepted by the Honorable Supreme Court by assailing the Order of Sindh High Court. Accordingly, no provision has been made in the books of accounts amounting to Rs. 86.670.million, as the matter is pending in the Honorable Supreme Court. Furthermore as per decision of federal government steering committee held on 16-07-2007, the quality premium shall remain suspended till decision of Honorable Supreme Court or consensus on uniform formula to be developed by MINFAL.

**26.5** There are certain litigations pending in the sixth Sindh Labour Court pertaining to ex-employees. The sixth Sindh labour court awarded decision in favour of company and the ex-employees filed an appeal in Labour Appellate Tribunal at Hyderabad the outcome of which is pending. The financial liability may arise only if these cases are finally decided against the Company. The amount of liability is not ascertainable and hence, no provision has been made in this regard as in the management view the same is not likely to crystallize.

**26.6** Cases regarding possession of land of the Company are pending in the Honorable High Court of Sindh where the matter is pending for hearing. The financial impact of the same is not presently determinable with any accuracy. The Company is confident that the same is not likely to be decided against the Company.

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

**26.8** The Company has filed a suit before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority (the Authority) challenging the levy of marking fee under PSQCA Act-VI of 1996. The Authority has demanded a fee payment @ 0.1% of ex-factory price for the year 2008-09 amounting to Rs. 1.45 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 violation of the constitution. The Honourable High Court of Sindh has accepted the petition and termed that the impugned notification has been issued without lawful authority and suspended the operation of the impugned notifications. The constitutional petition filed before the Honourable High Court of Sindh has been allowed in favour of the company. In the meantime the legal counsel of the company filed caveat in respect of an appeal to be filed by the PSQCA against the Judgment in Honourable Supreme Court of Pakistan. The Pakistan Standards and Quality Control Authority have filed an appeal before the Honourable Supreme Court of Pakistan against the decision of Honourable High Court of Sindh. No provision has been made in this respect.

**b) COMMITMENTS**

The Company's commitment as on September 30, are as follows:

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in thousand) | |
| Letter of Credits - Stores and spares | **1,624** | 20,277 |
| Bank Guarantees | | |
| In favour of Trading Corporation of Pakistan (TCP) against sugar sale contracts | **6,505** | - |
| In favour of Excise and Taxation Department | **500** | - |
| | **7,005** | - |

| | Note | SUGAR 2013 | SUGAR 2012 | DISTILLERY 2013 | DISTILLERY 2012 | TOTAL 2013 | TOTAL 2012 |
|---|---|---|---|---|---|---|---|
| | | (Rupees in thousand) | | | | | |
| **27 NET SALES** | | | | | | | |
| Local | | 2,560,316 | 3,153,171 | - | - | 2,560,316 | 3,153,171 |
| Export | | 915,646 | 413,919 | 2,270,656 | 2,031,542 | 3,186,302 | 2,445,461 |
| | | 3,475,962 | 3,567,090 | 2,270,656 | 2,031,542 | 5,746,618 | 5,598,632 |
| Federal Excise Duty | | 97,245 | 233,568 | - | - | 97,245 | 233,568 |
| Brokerage and Commission | | 2,562 | 1,264 | 4,374 | 1,796 | 6,936 | 3,060 |
| | | 99,807 | 234,832 | 4,374 | 1,796 | 104,181 | 236,628 |
| Net sales | | 3,376,155 | 3,332,258 | 2,266,282 | 2,029,746 | 5,642,437 | 5,362,004 |
| **28 COST OF GOODS SOLD** | | | | | | | |
| **Manufacturing cost:** | | | | | | | |
| Raw material consumed | 28.1 | 2,630,955 | 2,302,365 | 1,603,691 | 1,617,112 | 4,234,646 | 3,919,477 |
| Salaries, wages and benefits | 28.2 | 68,667 | 58,228 | 18,201 | 15,219 | 86,868 | 73,447 |
| Stores and spares consumed | | 62,876 | 72,846 | 37,671 | 37,842 | 100,547 | 110,688 |
| Packing materials | | 29,209 | 24,340 | - | 1,093 | 29,209 | 25,433 |
| Fuel and oil | | 15,497 | 13,584 | 54,754 | 31,917 | 70,251 | 45,501 |
| Power and water | | 22,466 | 18,598 | 4,282 | 2,881 | 26,748 | 21,479 |
| Chemicals and process materials | | 30,701 | 21,064 | 28,714 | 19,835 | 59,415 | 40,899 |
| Repair and maintenance | | 21,927 | 26,876 | 15,568 | 10,620 | 37,495 | 37,496 |
| Insurance | | 6,046 | 5,176 | 4,132 | 3,563 | 10,178 | 8,739 |
| Other manufacturing expenses | | 13,221 | 13,511 | 2,246 | 6,973 | 15,467 | 20,484 |
| Cane development cess and surcharge | | 3,507 | 3,538 | - | - | 3,507 | 3,538 |
| Education cess | | 3 | 3 | - | - | 3 | 3 |
| Depreciation | | 50,320 | 50,260 | 47,057 | 43,257 | 97,377 | 93,517 |
| | | 2,955,395 | 2,610,389 | 1,816,316 | 1,790,312 | 4,771,711 | 4,400,701 |
| Opening stock of work in process | | 6,973 | 6,589 | - | - | 6,973 | 6,589 |
| Less: Closing stock of work in process | | 7,794 | 6,973 | - | - | 7,794 | 6,973 |
| | | (821) | (384) | - | - | (821) | (384) |
| | | 2,954,574 | 2,610,005 | 1,816,316 | 1,790,312 | 4,770,890 | 4,400,317 |
| Less: | | | | | | | |
| Molasses transfer to Ethanol Division | | 243,370 | 222,844 | - | - | 243,370 | 222,844 |
| Scrap Sales (Net of sales tax) | | - | 2,384 | 312 | 76 | 312 | 2,460 |
| | | 243,370 | 225,228 | 312 | 76 | 243,682 | 225,304 |
| | | 2,711,204 | 2,384,777 | 1,816,004 | 1,790,236 | 4,527,208 | 4,175,013 |
| Opening stock of finished goods | | 1,008,550 | 1,730,484 | 354,433 | 123,599 | 1,362,983 | 1,854,083 |
| Less: Closing stock of finished goods - | | (563,137) | (1,008,550) | (290,939) | (354,433) | (854,076) | (1,362,983) |
| | | 445,413 | 721,934 | 63,494 | (230,834) | 508,907 | 491,100 |
| | | 3,156,617 | 3,106,711 | 1,879,498 | 1,559,402 | 5,036,115 | 4,666,113 |

**28.1** It includes subsidies paid to growers aggregating to Rs. 218.297 Million (2012: Rs. 122.967 Million) in addition to minimum support price fixed by the Government of Sindh.

**28.2** Includes Rs. 1.767 million (2012 : Rs.1.57 million) in respect of contribution towards staff provident fund.

| | SUGAR 2013 | SUGAR 2012 | DISTILLERY 2013 | DISTILLERY 2012 | TOTAL 2013 | TOTAL 2012 |
|---|---|---|---|---|---|---|
| **29 DISTRIBUTION COST** | | | | | | |
| Sugar Handling Charges | 8,655 | 7,374 | - | - | 8,655 | 7,374 |
| Storage Rent | - | - | 18,043 | 17,191 | 18,043 | 17,191 |
| Carriage Out Ward | - | - | 38,886 | 33,339 | 38,886 | 33,339 |
| Export freight and other expenses | 964 | 17,915 | 30,765 | 33,741 | 31,729 | 51,656 |
| Other | - | - | 762 | 7,803 | 762 | 7,803 |
| | 9,619 | 25,289 | 88,456 | 92,074 | 98,075 | 117,363 |

| | Note | SUGAR 2013 | SUGAR 2012 | DISTILLERY 2013 | DISTILLERY 2012 | TOTAL 2013 | TOTAL 2012 |
|---|---|---|---|---|---|---|---|
| | | (Rupees in thousand) | | | | | |
| **30 ADMINISTRATIVE EXPENSES** | | | | | | | |
| Salaries, wages and benefits | 30.1 | **31,604** | 36,048 | **10,809** | 8,945 | **42,413** | 44,993 |
| Chief Executives and Director's remuneration and perquisites | | **12,836** | 12,525 | **-** | - | **12,836** | 12,525 |
| Staff welfare | | **6,819** | 6,521 | **3,958** | 2,381 | **10,777** | 8,902 |
| Repair and maintenance | | **5,169** | 4,704 | **5,087** | 2,700 | **10,256** | 7,404 |
| Legal and professional | | **4,535** | 2,077 | **-** | - | **4,535** | 2,077 |
| Auditors' remuneration | 30.2 | **639** | 554 | **328** | 268 | **967** | 822 |
| Vehicle running | | **8,863** | 7,093 | **2,649** | 2,141 | **11,512** | 9,234 |
| Insurance | | **281** | 649 | **341** | 181 | **622** | 830 |
| Communication | | **1,490** | 985 | **598** | 629 | **2,088** | 1,614 |
| Entertainment | | **1,867** | 690 | **701** | 385 | **2,568** | 1,075 |
| Printing and stationery | | **1,067** | 555 | **243** | 301 | **1,310** | 856 |
| Fees and subscription | | **1,126** | 1,040 | **2,155** | 1,518 | **3,281** | 2,558 |
| Advertisement | | **157** | 56 | **-** | 18 | **157** | 74 |
| Depreciation | | **9,953** | 9,286 | **3,386** | 3,127 | **13,339** | 12,413 |
| Amortization | | **847** | - | **618** | - | **1,465** | - |
| Others | | **8,959** | 10,754 | **4,086** | 4,061 | **13,045** | 14,815 |
| | | **96,212** | 93,537 | **34,959** | 26,655 | **131,171** | 120,192 |

**30.1** Includes Rs.1.173 million (2012 : Rs. 0.87 million) in respect of contribution towards staff provident fund.

**30.2 Auditors' remuneration**

| | SUGAR 2013 | SUGAR 2012 | DISTILLERY 2013 | DISTILLERY 2012 | TOTAL 2013 | TOTAL 2012 |
|---|---|---|---|---|---|---|
| Hyder Bhimji & Co | | | | | | |
| Statutory Audit | **458** | 336 | **292** | 215 | **750** | 550 |
| Half yearly review | **50** | 50 | **32** | 32 | **82** | 82 |
| Corporate Governance | **6** | 34 | **4** | 21 | **10** | 55 |
| | **514** | 420 | **328** | 268 | **842** | 687 |
| Harron Zakaria & Co | | | | | | |
| Cost Audit | **100** | 100 | **-** | - | **100** | 100 |
| A.D.Akhawala & Co. - Provident Fund | **25** | 35 | **-** | - | **25** | 35 |
| | **639** | 554 | **328** | 268 | **967** | 822 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **31 OTHER OPERATING CHARGES** | | | |
| Charity and donation | 31.1 | **948** | 1,180 |
| Provision for doubtful loan to growers | | **1,137** | 1,000 |
| Provision for obsolescence and slow moving items | | **1,061** | 2,500 |
| Directors meeting fee | | **249** | 190 |
| Worker's profit participation fund | | **4,512** | 5,961 |
| Worker's Welfare Fund | | **1,715** | 2,265 |
| | | **9,622** | 13,096 |

**31.1** None of the directors or their spouses had any interest in the above donees.

**32 OTHER INCOME**

| | 2013 | 2012 |
|---|---|---|
| **Income from financial Assets** | | |
| Exchange Gain on export proceeds | **17,928** | 8,323 |
| **Income from non financial Assets** | | |
| Profit on disposal of Property, Plant & Equipment | **672** | 2,028 |
| Insurance Claim | **9,667** | 7,000 |
| | **10,339** | 9,028 |
| | **28,267** | 17,351 |

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| 33 | **FINANCE COST** | | | |
| | Markup/Interest/Finance Cost/Profit on: | | | |
| | Long term financing | | **95,612** | 125,006 |
| | Short term borrowings | | **198,723** | 216,287 |
| | Istisna / IERF / Murabaha | | **10,938** | 2,663 |
| | Liabilities against assets subject to finance lease | | **2,451** | 4,021 |
| | Interest on Worker's profit participation fund | 22.2 | **576** | 601 |
| | Bank charges | | **856** | 666 |
| | Others | | **2,430** | 2,955 |
| | | | **311,586** | 352,199 |
| 34 | **TAXATION** | | | |
| | Current | | **34,403** | 23,222 |
| | Deferred | | **(41,733)** | (57,487) |
| | | | **(7,330)** | (34,265) |

**34.1** In view of available tax losses/depreciation, the provision for current taxation represents minimum tax being the turnover tax under Section 113 of the Income Tax Ordinance, 2001., hence tax reconciliation of tax expense with accounting profit is not presented.

| | | 2013 | 2012 |
|---|---|---|---|
| 35 | **EARNING PER SHARE - BASIC** | | |
| | Profit after taxation | **91,611** | 145,344 |
| | Weighted average number of ordinary shares | **21,118,663** | 21,118,663 |
| | Earning per share - Rupees | **4.34** | 6.88 |

There is no dilutive effect on the basic earning per share.

**36 TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

**36.1** The related parties comprise associate companies, entities with common directorship, directors, executives being the key management personnel and post employment contribution plan. The company in the normal course of business carries out transactions with various related parties. Balances due from and to related parties are shown under respective notes, and remuneration of executives and directors and key management personnel, being executives, is disclosed in note.38. Transactions with related parties are as follow:

| Relationship | Nature of Transactions | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Associates | | | |
| Al-Noor Sugar Mills Limited | Purchase of Goods | **275,910** | 290,767 |
| Al-Noor Modaraba Management (Pvt) Ltd | Share of profit | **146** | 687 |
| Reliance Insurance Company Ltd | Insurance Premium | **13,777** | 11,804 |
| | Insurance claim | **5,999** | 7,000 |
| Al-Noor Modaraba Management (Pvt) Ltd | Share of Surplus | **70** | 534 |
| Others | | | |
| Staff Provident Fund | Contribution of the Company | **2,940** | 2,440 |

## 37 CAPACITY AND PRODUCTION IN METRIC TONS

### Sugar Division

| | | |
|---|---|---|
| Capacity days | **120** | 120 |
| Cane crushing capacity per day (M.T.) | **7,000** | 7,000 |
| Total cane crushing capacity | **840,000** | 840,000 |
| No of days Mill operated | **91** | 87 |
| Actual crushing (M.T.) | **561,083** | 566,077 |
| Sugar Production (M.T.) | **59,343** | 57,077 |

### Distillery Division

| | | |
|---|---|---|
| Capacity in M.Tons | **33,000** | 33,000 |
| Days | **330** | 330 |
| Production in M.Tons | **28,160** | 27,947 |
| No of days Mill operated | **325** | 345 |

### Reasons for short fall in production

The sugar production plant capacity is based on crushing of sugar cane on daily basis and the sugar production is dependent on certain factors which include sucrose recovery. The short fall in actual crushing is mainly on account of non availability of sugar cane.

The actual Ethanol production is less than capacity due to quality of water and also due to the maintenance work carried during production process.

## 38 CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES' REMUNERATION

The aggregate amount charged in the accounts of the year for remuneration including all benefits to Chief Executive, Director and Executives of the Company were as follows:

| | **2013** | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Chief Executive** | **Director** | **Executives** | **Total** | Chief Executive | Director | Executives | Total |
| Managerial Remuneration | **4,171** | **3,408** | **13,979** | **21,558** | 4,171 | 3,408 | 11,047 | 18,626 |
| Provident fund | **-** | **-** | **1,028** | **1,028** | | | 759 | 759 |
| Perquisite (including house rent and bonus) | **2,086** | **1,705** | **16,216** | **20,007** | 2,086 | 1,705 | 15,806 | 19,597 |
| Reimbursable expenses including traveling expenses | **361** | **1,105** | | **1,466** | 396 | 759 | | 1,155 |
| Meeting fee | **25** | **224** | | **249** | 20 | 170 | | 190 |
| | **6,643** | **6,442** | **31,223** | **44,308** | 6,673 | 6,042 | 27,612 | 40,327 |
| Number of persons | **1** | **1** | **22** | **24** | 1 | 1 | 19 | 21 |

i. The Chief Executive, Directors and Executives are provided with free use of company's cars.

ii. Meeting fee has been paid to 10 Directors (2012 : 9 Directors).

## 39 SEGMENT INFORMATION

The operating results, assets and liabilities and other significant information of each segment is as follows

| | SUGAR DIVISION | | ETHANOL DIVISION | | TOTAL | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | Rupees in "000" | | | | | |
| **REVENUE** | | | | | | |
| External sales | **3,475,962** | 3,567,090 | **2,270,656** | 2,031,542 | **5,746,618** | 5,598,632 |
| Inter-Segment sales | **243,370** | 222,844 | **-** | - | **243,370** | 222,844 |
| Total Revenue | **3,719,332** | 3,789,934 | **2,270,656** | 2,031,542 | **5,989,988** | 5,821,476 |
| **RESULTS** | | | | | | |
| Profit from operations | **127,609** | 116,868 | **277,734** | 358,819 | **405,343** | 475,687 |
| Other operating expenses | | | | | **(9,622)** | (13,096) |
| Finance cost | | | | | **(311,586)** | (352,199) |
| Share of profit from associated undertaking | | | | | **146** | 687 |
| Profit before tax | | | | | **84,281** | 111,079 |
| Taxation | | | | | **7,330** | 34,265 |
| Net profit for the year | | | | | **91,611** | 145,344 |
| **BALANCE SHEET** | | | | | | |
| **Assets** | | | | | | |
| Segment assets | **1,950,908** | 2,358,978 | **1,698,307** | 1,806,660 | **3,649,215** | 4,165,638 |
| Unallocated Assets | | | | | **148,502** | 139,900 |
| Long Term Investment | | | | | **4,346** | 4,130 |
| Total assets | | | | | **3,802,063** | 4,309,668 |
| **Liabilities** | | | | | | |
| Segment liabilities | **1,413,161** | 1,793,257 | **1,227,588** | 1,413,204 | **2,640,749** | 3,206,461 |
| Unallocated liabilities | | | | | **12,138** | 18,345 |
| Total liabilities | | | | | **2,652,887** | 3,224,806 |
| **OTHER INFORMATION** | | | | | | |
| Additions to property, plant and equipment | **34,356** | 38,363 | **70,530** | 188,848 | **104,886** | 227,211 |
| Additions to intangible asset | **3,421** | - | **2,496** | - | **5,917** | - |
| Depreciation | **60,273** | 59,546 | **50,443** | 46,384 | **110,716** | 105,930 |
| Amortization | **847** | - | **618** | - | **1,465** | - |

## 40 FINANCIAL ASSETS AND LIABILITIES

Fianncial assets and liabilities of the company as at September 30 are as follows

| | 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Profit / Markup Based | | | Profit / Non Markup Based | | | Total |
| | Maturity up to One Year | Maturity after One Year | Sub Total | Maturity up to One Year | Maturity after One Year | Sub Total | |
| | -----(Rupees in '000)----- | | | | | | |
| **FINANCIAL ASSETS** | | | | | | | |
| Long Term Investment | - | - | - | - | 4,346 | 4,346 | **4,346** |
| Long Term Loans | - | - | - | 2,315 | 2,629 | 4,944 | **4,944** |
| Long Term Deposits | - | - | - | - | 2,390 | 2,390 | **2,390** |
| Trade debts | - | - | - | 189,114 | - | 189,114 | **189,114** |
| Loans and advances | 1,088 | - | 1,088 | 36 | - | 36 | **1,124** |
| Other receivables | - | - | - | 47,017 | - | 47,017 | **47,017** |
| Cash and Bank balances | - | - | - | 29,994 | - | 29,994 | **29,994** |
| | 1,088 | - | 1,088 | 268,476 | 9,365 | 277,841 | **278,929** |
| **FINANCIAL LIABILITIES** | | | | | | | |
| Long Term Financing | 440,719 | 490,719 | 931,438 | - | - | - | **931,438** |
| Loan from Related Parties | - | - | - | - | 230,836 | 230,836 | **230,836** |
| Liabilities against assets subject to finance lease | 8,581 | 4,696 | 13,277 | - | - | - | **13,277** |
| Trade and other Payables | 124,512 | - | 124,512 | 45,368 | - | 45,368 | **169,880** |
| Accrued markup / finance cost | - | - | - | 31,303 | - | 31,303 | **31,303** |
| Short term borrowings | 1,121,105 | - | 1,121,105 | - | - | - | **1,121,105** |
| | 1,694,917 | 495,415 | 2,190,332 | 76,671 | 230,836 | 307,507 | **2,497,839** |

| | 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Markup / Interest Based | | | Non Markup / Interest Based | | | Total |
| | Maturity up to One Year | Maturity after One Year | Sub Total | Maturity up to One Year | Maturity after One Year | Sub Total | |
| | -----(Rupees in '000)----- | | | | | | |
| **FINANCIAL ASSETS** | | | | | | | |
| Long Term Investment | - | - | - | - | 4,130 | 4,130 | **4,130** |
| Long Term Deposits | - | - | - | - | 2,532 | 2,532 | **2,532** |
| Long Term Loans | - | - | - | 1,978 | 2,192 | 4,170 | **4,170** |
| Trade debts | - | - | - | 6,342 | - | 6,342 | **6,342** |
| Loans and advances | 4,347 | - | 4,347 | 52 | - | 52 | **4,399** |
| Other receivables | - | - | - | 680 | - | 680 | **680** |
| Cash and Bank balances | - | - | - | 21,325 | - | 21,325 | **21,325** |
| | 4,347 | - | 4,347 | 30,377 | 8,854 | 39,231 | **43,578** |
| **FINANCIAL LIABILITIES** | | | | | | | |
| Long Term Financing | 396,852 | 573,005 | 969,857 | - | - | - | **969,857** |
| Loan from Related Parties | - | - | - | - | 230,855 | 230,855 | **230,855** |
| Liabilities against assets subject to finance lease | 7,545 | 13,297 | 20,842 | - | - | - | **20,842** |
| Trade and other Payables | 306,562 | - | 306,562 | 60,325 | - | 60,325 | **366,887** |
| Accrued markup / finance cost | - | - | - | 40,065 | - | 40,065 | **40,065** |
| Short term borrowings | 1,038,771 | - | 1,038,771 | - | - | - | **1,038,771** |
| | 1,749,730 | 586,302 | 2,336,032 | 100,390 | 230,855 | 331,245 | **2,667,277** |

## 41 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 41.1 Financial Risk Management Objectives

The Company's activities expose it to a variety of financial risks; credit risk, liquidity risk and market risk (including interest rate risk, currency risk and other price risk). The Company's overall risk management programs focuses on the under predictability of financial markets and seek to minimize potential adverse effects on the Company's financial performance.

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

The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, financial instruments and investment of excess liquidity. The Board of Directors reviews and agrees policies for managing each of these risks as summarized below.

The information about the Company's exposure to each of the above risk, the Company's objectives, policies and procedures for measuring and managing risk, and the Company's management of capital, is as follows;

### A Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's operating activities exposes it to credit risks arising mainly in respect of investments, balances with banks, loans and advances, trade debts, deposits and other receivables. The maximum exposure to credit risk at the reporting date is as follows:

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in '000) | |
| Long term Investment | **4,346** | 4,130 |
| Loans and advances | **6,068** | 72,065 |
| Deposits | **2,390** | 2,532 |
| Trade Debts | **189,114** | 6,342 |
| Other receivables | **47,017** | 18,070 |
| Bank balances | **28,345** | 20,425 |
| | **277,280** | 123,564 |

**Loans and advances**

These represent balances due from growers and employees. The Company actively pursue for the recovery and based on past experience the Company does not expect that these counter parties will fail to meet their obligations hence no impairment allowance in necessary except for certain past due loans to growers against which appropriate provision has been made in the financial statements as disclosed in note no 12.1.

**Deposits**

These represent security deposits with utility and other companies. Based on past experience and credit worthiness of the counterparties the Company does not expect that these counter parties will fail to meet their obligations hence the Company believes that it is not exposed any significant credit risk in respect of deposits.

**Trade debts**

"Trade debts of Rs. 188.033 million (2012: 6.060 million) are mostly due from foreign customers whereas remaining amount of Rs. 0.901 million (2012: .282 million) is receivable from local parties. The Company manages credit risk in respect of trade debts interalia by obtaining advance against sales / or through letter of credits and by providing for doubtful debts. All the export debts are secured under irrevocable letter of credit, document acceptance and other acceptable banking instruments. Further the Company actively pursue for the recovery and the Company does not expect these companies will fail to meet their obligation and further these are neither past due nor impaired, hence no allowance is necessary in respect of trade debts. Aging of trade debts is as follows;"

| | | |
|---|---|---|
| Upto 3 months | **189,114** | 6,342 |

**Other receivables**

These represents amounts receivables mainly from Government against which the Company is actively pursuing for the recovery and the Company expect that the recovery will be made soon. The Company believes that no impairment allowance is necessary in respect of receivable because these are not impaired.

**Bank balances**

The Company limits its exposure to credit risk by maintaining bank accounts only with counter-parties that have stable credit rating. Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations.

The bank balances along with credit ratings are tabulated below

| | Long Term Ratings | Short Term Ratings | 2013 | 2012 |
|---|---|---|---|---|
| | | | Rupees in '000 | |
| United Bank Limited | AA+ | A1+ | **11,608** | 4,003 |
| Habib Bank Limited | AA+ | A1+ | **3,855** | 51 |
| Allied Bank Limited | AA+ | A1+ | **10** | 10 |
| MCB Bank Limited | AA+ | A1+ | **6,994** | 25 |
| Standard Chartered Bank Limited | AAA | A1+ | **912** | 139 |
| National Bank of Pakistan | AAA | A1+ | **1,978** | 844 |
| Faysal Bank Limited | AA | A1+ | **1,202** | 1,062 |
| Bank Al-Falah Limited | AA | A1+ | **510** | 636 |
| Bank Islami Limited | A | A1 | **91** | 11,429 |
| JS Bank Limited | A+ | A1 | **312** | 287 |
| Al-Baraka Bank (Pakistan) Limited | A | A1 | **17** | 36 |
| Soneri Bank Limited | AA- | A1+ | **361** | 1,032 |
| Sindh Bank Ltd | AA- | A1 | **8** | 8 |
| Meezan Bank Limited | AA | A1+ | **487** | 863 |
| | | | **28,345** | 20,425 |

**Financial assets that are either past due or impaired**

The credit quality of financial assets that are either past due or impaired is assessed by reference to historical information and external ratings or to historical information about counter party default rates.

As at the balance sheet date amounts of Rs. 23.868 millions (2012: 22.731 million) receivable from growers were past due against which allowance for doubtful debts have been made. The aging of the past due loans to growers is as under;

| | | |
|---|---|---|
| More than one year | **23,868** | 22,731 |

B **Liquidity risk**

Liquidity risk represents the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. The exposure to liquidity risk along with contractual maturities (undiscounted) of the financial liabilities is as follow;

| Year ended 30 September 2013 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| | | (Rupees in thousands) | | | | |
| Long term financing | | 46,609 | 394,110 | 490,719 | | **931,438** |
| Loan from related parties | | | | | 230,836 | **230,836** |
| Finance lease Liabilities | | 4,161 | 4,420 | 4,696 | | **13,277** |
| Trade and other payables | | 178,167 | 121,930 | | | **300,097** |
| Short-term borrowings | 1,121,105 | | | | | **1,121,105** |
| Accrued mark-up | | 21,136 | 10,167 | | | **31,303** |
| | 1,121,105 | 250,073 | 530,627 | 495,415 | 230,836 | **2,628,056** |

| Year ended 30 September 2013 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| | | | (Rupees in thousands) | | | |
| Long term financing | - | - | 396,852 | 573,005 | - | **969,857** |
| Loan from related parties | - | - | - | - | 230,855 | **230,855** |
| Finance lease Liabilities | - | - | 7,545 | 13,297 | - | **20,842** |
| Trade and other payables | - | 512,498 | 341,241 | - | - | **853,739** |
| Short-term borrowings | - | 398,771 | 640,000 | - | - | **1,038,771** |
| Accrued mark-up | | 40,065 | | | | **40,065** |
| | - | 951,334 | 1,385,638 | 586,302 | 230,855 | **3,154,129** |

The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At September 30, 2013 the Company has PKR 4,449 million (2012: PKR 2,841 million) available unutilized short term borrowing limit from financial institutions and also has PKR 28.345 million (2012: PKR 20.425 million) being balances at banks.

**C Market Risk**

Market risk is the risk that the fair value or future cash flows of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. Market risk comprises of three types of risks: Currency risk, interest rate risk and other price risk.

**D Interest/ markup rate risk management**

Interest rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates. The Company's major interest rate exposure arises from long term financings, short term borrowings and Finance Lease. The Company analyses its mark up/interest rate exposure on a regular basis by monitoring markup/interest rate trends. As at the balance sheet date the interest / markup rate profile of the Company's mark up/interest bearing financial instruments is:

| | Effective interest rates | Carrying Values | |
|---|---|---|---|
| | 2013 | 2013 | 2012 |
| | | --- Rupees in "000" ---- | |
| **Financial Liabilities** | | | |
| Variable Rate Instruments | | | |
| Long Term Financing | See Note 18 | **931,438** | 969,857 |
| Istasna/IERF/Murabaha | See Note 22 | **120,000** | 300,000 |
| Liability Against assets subject to finance lease | See Note 20 | **13,277** | 20,842 |
| WPPF | See Note 22 | **4,512** | 6,562 |
| Short term Borrowings | See Note 24 | **1,121,105** | 1,038,771 |
| | | **2,190,332** | 2,336,032 |
| **Financial Assets** | | | |
| Fixed Rate Instruments | | | |
| Loan to Growers | See Note 12 | **(1,088)** | (4,347) |
| Net exposure | | **2,189,244** | 2,331,685 |

**Fair value sensitivity analysis**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet would not effect profit or loss of the Company.

**cash flow sensitivity analysis**

An increase / decrease of 100 basis points in interest rates at the reporting date would have decreased /increased profit for the year before tax by the amount of Rs. 21,914 (2012:23,403) assuming that all other variables remains constant.

**E Foreign exchange risk management**

Foreign exchange risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk arises mainly from future economical transactions or receivables and payables that exist due to transactions in foreign currencies.

Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivables / payable from / to the foreign entities and outstanding letters of credit, long term foreign currency loans and bills payable. In appropriate cases, the Company takes out forward contracts to mitigate risk. The Company's exposure to foreign currency risk is as follows:

| | | **2013** | | 2012 | **2013** | 2012 |
|---|---|---|---|---|---|---|
| | | **(in thousands)** | | | **(Rupees in thousands)** | |
| **Balance Sheet Exposure** | | | | | | |
| Foreign debtors | $ | 1,787 | $ | 64 | **188,213** | 6,060 |
| **Off Balance Sheet Exposure** | | | | | | |
| Commitments | | | | | | |
| US Dollars | **$** | **-** | $ | 161 | **-** | 15,251 |
| EUROS | **€** | **11,322** | € | 26 | **1,624** | 3,245 |
| GBP | **£** | **-** | £ | 7 | **-** | 1,051 |
| JPY | **JPY** | **-** | JPY | 550 | **-** | 729 |
| | | | | | **1,624** | 20,276 |

The following exchange rate has been applied:

| | **2013** | 2012 |
|---|---|---|
| Rupee per USD | | |
| Average rate | **105.20** | 91.18 |
| Reporting date rate | **105.30** | 95.00 |

**Sensitivity analysis**

A 10 percent strengthening / weakening of the PKR against USD at 30 Sept would have decreased / increased profit before tax by the amounts of Rs. 18,803 (2012: 606). The effect of off balance sheet items would have been Rs.0.163 Million (Rs.2.276 Million) .This analysis assumes that all other variables, in particular interest rates, remain constant.

**F Fair value of financial instruments**

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

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values except those which are described in respective notes.

**G Capital risk management**

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix amongst various sources of finance to minimize risk.

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

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

During 2013 the Company's strategy was to maintain leveraged gearing. The gearing ratios as at September 30, 2013 and 2012 were as follows:

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in '000) | |
| Total borrowings | **2,296,656** | 2,260,325 |
| Less: Cash and bank | **(29,994)** | (21,325) |
| Net debt | **2,266,662** | 2,239,000 |
| Total equity | **732,956** | 653,375 |
| Total equity and debt | **3,029,612** | 2,913,700 |
| Gearing ratio (%) | **74.82%** | 76.84% |

**42 PROVIDENT FUND RELATED DISCLOSURES**

The following information based on latest financial statements of the fund:

| | 2013 Un-audited | 2012 Audited |
|---|---|---|
| | (Rupees in '000) | |
| Size of the fund - Total assets | **27,941** | 22,011 |
| Cost of investments made | **27,098** | 20,490 |
| Percentage of investments made | **96.98%** | 93.09% |
| Fair value of investments | **27,098** | 20,490 |

**42.1** The break-up of fair value of investment is:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Rs. 000s | .... % .... | Rs. 000s | .... % .... |
| | Un-audited | | Audited | |
| Meezan Amdani Certificate | **26,000** | **95.95%** | 20,200 | 98.58% |
| Saving accounts with banks | **1,098** | **4.05%** | 290 | 1.42% |
| | **27,098** | **100.00%** | 20,490 | 100.00% |

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

**43 NUMBER OF PERSONS**

No of persons employed as on year end were 303 (2012: 314) and average number of employee during the year were 376 (2012: 363).

**44 DATE OF AUTHORIZATION**

These financial statements were authorized for issue in the Board of Directors meeting held on December 26, 2013.

**45 EVENTS AFTER BALANCE SHEET DATE**

Subsequent to the year ended September 30, 2013, the Board of Directors has proposed a final cash dividend of Rs.31.678 million at 15% per share of Rs 1.50/- each (2012 Rs.31.678 million at 15% i.e. Re 1.50 per share of Rs 10/- each) ) in their meeting held on December 26, 2013 subject to the approval of the members at the Annual General Meeting scheduled to be held on 31st January 2014.

**46 GENERAL**

**46.1** For fair presentation the following reclassifications have been made in the comparative figures;

| From Component | To Component | (Rs. (000) |
|---|---|---|
| Additions to civil works | Additions to plant and machinery | 25,621 |

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

**YUSUF AYOOB**
Managing Director

**ZIA I.ZAKARIA**
Director

# PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS ON 30-09-2013

| NOs OF SHARESHOLDERS | HOLDINGS | | | | TOTAL SHARES HELD |
|---|---|---|---|---|---|
| 1359 | FROM | 1 | TO | 100 | 30,423 |
| 550 | FROM | 101 | TO | 500 | 133,546 |
| 106 | FROM | 501 | TO | 1000 | 82,424 |
| 166 | FROM | 1001 | TO | 5000 | 390,921 |
| 38 | FROM | 5001 | TO | 10000 | 287,175 |
| 7 | FROM | 10001 | TO | 15000 | 90,477 |
| 12 | FROM | 15001 | TO | 20000 | 225,232 |
| 8 | FROM | 20001 | TO | 25000 | 185,207 |
| 2 | FROM | 25001 | TO | 30000 | 59,500 |
| 4 | FROM | 30001 | TO | 35000 | 127,576 |
| 1 | FROM | 35001 | TO | 40000 | 39,200 |
| 2 | FROM | 40001 | TO | 45000 | 87,719 |
| 2 | FROM | 45001 | TO | 50000 | 97,949 |
| 2 | FROM | 50001 | TO | 55000 | 109,634 |
| 2 | FROM | 55001 | TO | 60000 | 114,766 |
| 1 | FROM | 60001 | TO | 65000 | 60,290 |
| 1 | FROM | 70001 | TO | 75000 | 70,500 |
| 1 | FROM | 80001 | TO | 85000 | 81,928 |
| 1 | FROM | 100001 | TO | 105000 | 100,249 |
| 2 | FROM | 110001 | TO | 115000 | 222,363 |
| 1 | FROM | 115001 | TO | 120000 | 118,463 |
| 1 | FROM | 120001 | TO | 125000 | 124,112 |
| 1 | FROM | 125001 | TO | 130000 | 126,781 |
| 1 | FROM | 130001 | TO | 135000 | 132,927 |
| 3 | FROM | 140001 | TO | 145000 | 430,586 |
| 7 | FROM | 145001 | TO | 150000 | 1,033,165 |
| 1 | FROM | 150001 | TO | 155000 | 154,407 |
| 2 | FROM | 155001 | TO | 160000 | 316,709 |
| 1 | FROM | 160001 | TO | 165000 | 164,566 |
| 1 | FROM | 165001 | TO | 170000 | 166,650 |
| 2 | FROM | 170001 | TO | 175000 | 342,048 |
| 1 | FROM | 180001 | TO | 185000 | 184,786 |
| 2 | FROM | 185001 | TO | 190000 | 375,131 |
| 2 | FROM | 190001 | TO | 195000 | 386,927 |
| 1 | FROM | 195001 | TO | 200000 | 195,838 |
| 2 | FROM | 210001 | TO | 215000 | 424,122 |
| 1 | FROM | 215001 | TO | 220000 | 218,086 |
| 1 | FROM | 220001 | TO | 225000 | 221,055 |
| 2 | FROM | 225001 | TO | 230000 | 455,623 |
| 2 | FROM | 230001 | TO | 235000 | 464,662 |
| 1 | FROM | 285001 | TO | 290000 | 288,924 |
| 1 | FROM | 295001 | TO | 300000 | 298,429 |
| 1 | FROM | 340001 | TO | 345000 | 340,758 |
| 1 | FROM | 375001 | TO | 380000 | 377,818 |
| 1 | FROM | 390001 | TO | 395000 | 390,842 |
| 1 | FROM | 500001 | TO | 505000 | 502,000 |
| 1 | FROM | 740001 | TO | 745000 | 740,713 |
| 1 | FROM | 805001 | TO | 810000 | 806,206 |
| 1 | FROM | 850001 | TO | 855000 | 852,999 |
| 1 | FROM | 870001 | TO | 875000 | 871,557 |
| 1 | FROM | 1295001 | TO | 1300000 | 1,297,000 |
| 1 | FROM | 2415001 | TO | 2420000 | 2,417,910 |
| 1 | FROM | 3295001 | TO | 3300000 | 3,299,784 |
| **2315** | | | | **TOTAL:-** | **21,118,663** |

# CATEGORIES OF SHAREHOLDING AS ON 30-09-2013

| SR.NO. | CATEGORIES OF SHAREHOLDER'S | NUMBER OF SHAREHOLDER'S | SHARES HELD | PERCENTAGE |
|---|---|---|---|---|
| 1 | INDIVIDUALS | 2283 | 11,871,064 | 56.21% |
| 2 | JOINT STOCK COMPANIES | 16 | 4,836,287 | 22.90% |
| 3 | INSURANCE COMPANIES | 1 | 23,551 | 0.11% |
| 4 | FINANCIAL INSTITUTIONS | 8 | 4,006,809 | 18.97% |
| 5 | MODARABA COMPANIES | 1 | 15 | 0.00% |
| 6 | LEASING COMPANIES | 1 | 2,058 | 0.01% |
| 7 | MODARABA MANAGEMENT COMPANIES | 1 | 149,723 | 0.71% |
| 8 | OTHERS | 4 | 229,156 | 1.09% |
| | **TOTAL:-** | **2315** | **21,118,663** | **100.00%** |

# CATEGORIES OF SHARE HOLDING
## AS AT SEPTEMBER 30, 2013

| Categories of Shareholders | No. of Share holders | Sheres Held | Percentage |
|---|---|---|---|
| **ASSOCIATED COMPANIES UNDERTAKINGS AND RELATED PARTIES** | | | |
| Al-Noor Sugar Mills Ltd. | 1 | 3,299,784 | 15.62% |
| Reliance Insurance Co. Ltd. | 1 | 23,551 | 0.11% |
| Al-Noor Modaraba Management (Pvt.) Ltd. | 1 | 149,723 | 0.71% |
| Noori Trading Corporation (Pvt.) Ltd. | 2 | 666,566 | 3.16% |
| **NBP, NIT & ICP** | | | |
| NATIONAL BANK OF PAKISTAN, TRUSTEE DEPARTMENT NI(U)T FUND | 2 | 2,418,010 | 11.45% |
| NATIONAL INVESTMENT TRUST LTD. | 1 | 55,266 | 0.26% |
| NATIONAL BANK OF PAKISTAN | 2 | 5,253 | 0.02% |
| TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST. | 1 | 7,757 | 0.04% |
| TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND | 1 | 221,055 | 1.05% |
| **DIRECTORS , CEO & THEIR SPOUSES AND MINOR CHILDREN** | | | |
| MRS. MUNIRA ANJUM (W/O YUSUF AYOOB) | 1 | 218,086 | 1.03% |
| MR. MUHAMMAD YOUSUF AYOUB | 1 | 377,818 | 1.79% |
| MR.MOHAMMAD SULEMAN AYOOB | 1 | 184,786 | 0.87% |
| MR. ABDUL AZIZ AYOOB | 1 | 170,594 | 0.81% |
| MRS. ZARINA BAI ISMAIL (W/O ISMAIL H. ZAKARIA) | 1 | 158,075 | 0.75% |
| MR. ZIA ZAKARIA | 1 | 228,999 | 1.08% |
| MR. ZOHAIR ZAKARIA | 1 | 226,624 | 1.07% |
| MRS. SURAIYA SULEMAN (W/O SULEMAN AYOOB) | 1 | 132,927 | 0.63% |
| MR. ISMAIL H. ZAKARIA | 1 | 47,949 | 0.23% |
| MRS. MEHRUNNISA A. AZIZ (W/O A. AZIZ AYOOB) | 1 | 43,613 | 0.21% |
| MRS. SANOBER ZIA (W/O ZIA ZAKARIA) | 1 | 10,641 | 0.05% |
| MR. GHULAM MOHIUDDIN | 1 | 871,557 | 4.13% |
| MRS. MANAL GHULAM MOHIUDDIN (W/O GHULAM MOHIUDDIN) | 1 | 60,290 | 0.29% |
| **PUBLIC SECTOR COMPANIES AND CORP.** | 1 | 1,297,000 | 6.14% |
| **BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE COMPANIES, INSURANCE COMPANIES, MODARABAS, LEASING, TAKAFUL AND PENSION FUND.** | 4 | 233,353 | 1.10% |
| **JOINT STOCK COMPANIES** | 13 | 869,937 | 4.12% |
| **OTHERS** | 2 | 344 | 0.00% |
| **INDIVIDUALS** | 2270 | 9,139,105 | 43.28% |
| **TOTAL:-** | **2315** | **21,118,663** | **100.00%** |

SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY

| | | |
|---|---|---|
| **EMPLOYEES OLD AGE BENEFITS INSTITUTION** | | 1,297,000 |
| **NATIONAL BANK OF PAKISTAN TRUSTEE DEPARTMENT NI(U)T FUND.** | --- | 2,418,010 |
| **AL-NOOR SUGAR MILLS LIMITED** | | 3,299,784 |

# PROXY FORM

I/We ....................................................................................................................................................................

in the district of .................................................. being a Member of **SHAHMURAD SUGAR MILLS LIMITED**

and holder of .................................................................................................. Ordinary Shares as per Share
(Number of Shares)

Register **Folio No.** .................... and/or **CDC Participant I.D. No.** .................... **and Sub Account No.** .................

hereby appoint .............................................................. of ...................................................................................

or failing him ....................................................................................................................................................

of........................................................................... also a member; as my/our Proxy in my/our absence to attend and vote for me/us at the 35th Annual General Meeting of the Company to be held on the 31st day of January two thousand and fourteen at 10.30 a.m. and at any adjournment thereof :

Signed this ........................................................................ day of ...................................................... 2014

**WITNESSES:**

1. Signature ..............................................
   Name: ..............................................
   Address ..............................................
   ..............................................
   NIC or
   Passport No. ..............................................

Rupees five
Revenue
Stamp

2. Signature ..............................................
   Name: ..............................................
   Address ..............................................
   ..............................................
   NIC or
   Passport No. ..............................................

Signature of Member(s)

**NOTE:**

If a Member is unable to attend the Meeting, he may sign this Form and send it to Secretary SHAHMURAD SUGAR MILLS LIMITED, KARACHI so as to reach him not less than 48 hours before the time of holding the Meeting. A proxy need to be a member of the company.