maintaining the **delicate balance** of success

Annual Report 2018

mehransugar.com

maintaining the **delicate balance** of success

The sugar industry is going through challenging times, but we are proud to say that our foresightedness and sold business strategy has kept us at the top of the game. Things are looking better. We have not only come out of the situation safely, but our timely right decisions have kept us in a profitable position.

Let us share some of the reason we have kept our balance of success.

Contents

maintaining the **delicate balance** of success

achieving targets

Mehran was able to achieve the highest sucrose recovery in the history of the Company at 11.52% which was also the highest ever achieved by any mill in Pakistan.

Key Figures

Turnover (Rs.)
5,031,443,964

Sucrose Recovery
11.52%

Profit before tax (Rs.)
429,722,766

Earnings per share (Rs.)
12.89

Sugar Production (M.Tons)
120,200

Molasses production (M. Tons)
51,526

Bagasse Sold (M. Tons)
48,200

Market Capitalization (Rs.)
3,387,304,159

Our Core Values

MAXIMIZING RETURNS

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

BINDING ASSOCIATIONS

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

EMPOWERING GROWERS

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

ENSURING SAFETY

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

CLEANER ENVIRONMENT

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

PROVIDING EDUCATION

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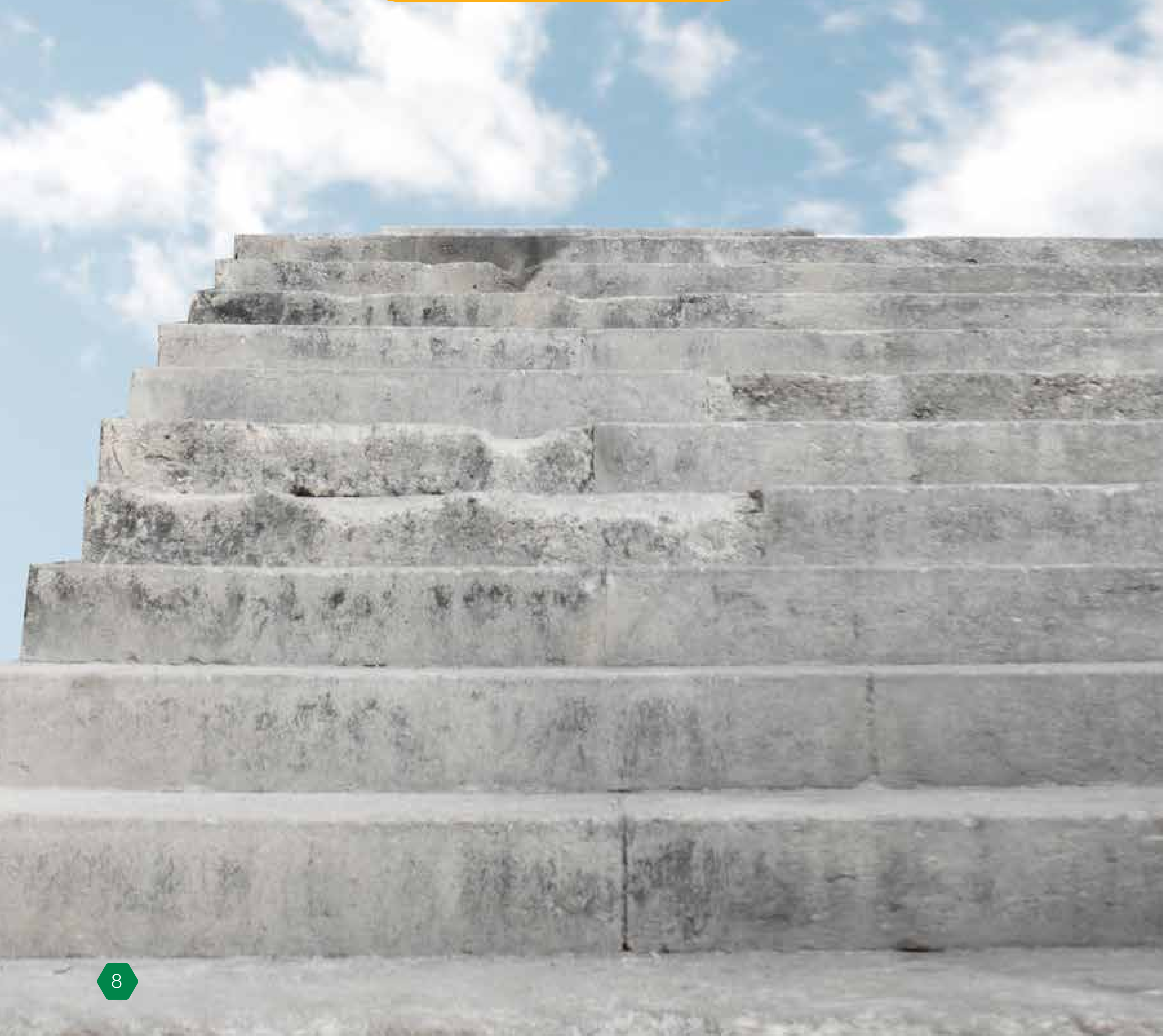
finding solutions

We continue to find solutions to diversify our revenue base by investing in energy efficiency. Over the years from being a net consumer of furnace oil we have become an exporter of power to the National grid. Along with the export of power this season we saved and sold a record volume of Bagasse totaling over 50,000 Tons.

Our Vision

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



Our Mission

Our Mission remains to ensure we can provide sustainable results and consistent growth to our shareholder. Our objective is to achieve this by utilising sugar and it's by products to add value and grow our business.

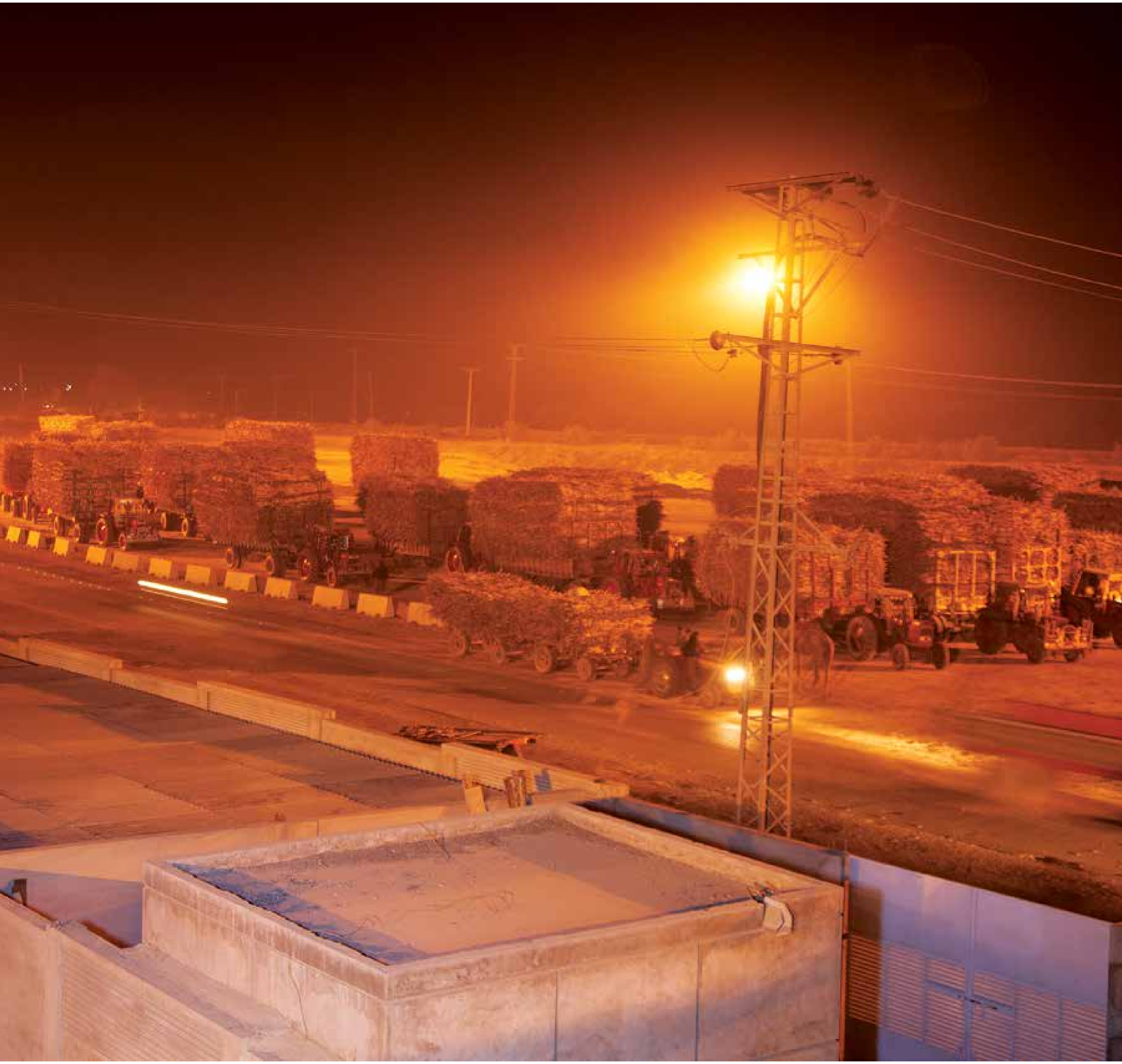
Basic Purpose: The basic purpose of our Enterprise is to perpetuate as a Public Limited Company engaged in manufacturing and marketing white refined cane sugar and brown sugar while utilising its sugar byproducts such as molasses and Baggasse to produce ethanol and power respectively. To ensure sustainability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

maintaining the **delicate balance** of success

contributing through international trade

Our export volume was the highest ever for the company at 74,000 Tons. Even though our production is geared towards the local market we were able to export more than 50 percent of our production this year. We are proud to have played our role in earning foreign exchange for the country of over Approx. USD 30.0 Million.

Geographical Location



Our History

1965 The Company is incorporated as a public limited company.

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

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

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

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

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

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

2001 Sales cross Rs. 1.0 Billion.

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

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

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

2013 Company first time ever crossed sucrose recovery of 11 percent.
The Company crossed the100,000 M. tons milestone production for the first time.

2014

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

2015

Record highest sucrose recovery of 11.42 percent, which was the highest achieved in the country.
Company crossed half a billion profit before tax.
Started supply of co-generated electricity to the National Grid.

2016

The company crosses the Rs. 7.0 billion sales milestone.
Company paid its highest dividend of **57.5%** translating into Rs. **184** million for the year.

2017

Sucrose Recovery of 11.06% was amongst highest in the country.
Bagasse Savings reached level of 35,000 Tons this year.
The state of the art Effluent Treatment Plant commenced its operations.
Upfront Tariff & Generation License have been awarded to 26.5 MW Hp-Cogen Power Plant.
With Continued investment in BMRE, we achieved a Crushing Capacity of 12,500 TCD.

2018

Sucrose Recovery of 11.52% was amongst highest in the history of the Company as well as of the country.
Sugar exports of more than 74,000 tons achieved which is highest in the history of the company.
Bagasse Savings reached level of 50,000 Tons this year.
Profit of our joint venture project Unicol Ltd. crossed Rs. 1 billion mark for the first time.

Key Achievements

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

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2017
Sucrose Recovery of 11.06% was amongst highest in the country.
Bagasse Savings reached level of 30,000 Tons this year.
The state of the art Effluent Treatment Plant commenced its operations.
The Company further diversified its stake in new business ventures namely Mehran Energy Ltd. and Unifood Industries Ltd.
Upfront Tariff & Generation License have been awarded to 26.5 MW Hp-Cogen Power Plant.
Company acheived a crushing Capacity of 12,500 TCD.

2018
Sucrose Recovery of 11.52% was amongst highest in the history of the Company as well as of the country.
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State-of-the-Art

ETP Plant, **Capacity 2,000 m^3/day, Making MSML 100%** NEQS Compliant

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collaborating brings strength

Our joint venture distillery Unicol Limited celebrated 10 years of successful operation this year. Sales and profits at Unicol recorded highest numbers and contributed handsomely to our bottom line.

Company Information

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

CFO and Company Secretary
Mr. Muhammad Hanif Aziz
FCMA, FCIS

Auditors
EY Ford Rhodes
Chartered Accountants

Legal Advisor
Sayeed & Sayeed
Advocate & Legal Consultants

KMS Law Associates
Advocates & Corporate Consultants

Share Registrar
C & K Management Associates (Pvt) Ltd.

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

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

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

Swot Analysis

STRENGTHS

- Over 95 percent of cane in Mehran's cane zone is early maturing and high yielding which allows the Company to achieve sucrose recoveries which are approximately 10% higher than the national average. This gives the Company a comparative advantage as compared to most other sugar mills in Pakistan.

- Mehran's goodwill in the region for payment and commitment allows it to procure cane competitively. The Company is thus able to get a preference in terms of quality, quantity and pricing.

- Mehran has a crushing capacity which is 50% larger than the national average of Pakistan sugar mills which allows it to produce sugar at a lower cost per ton due to better absorption of overheads.

- Mehran's investment in Unicol Limited has diversified its income base and allowed it to add value to its by product, molasses. Unicol has recently doubled its ethanol capacity to 200,000 LPD, besides establishing a CO2 plant which uses raw carbon dioxide, a by-product, which was not being used earlier. This investment started paying dividends from this year which shall become a recurring source of revenue for Mehran in the future.

- Mehran also manages an equity portfolio. The market value of the portfolio has now exceeded Rs. 1 billion. Dividends and capital gains from this portfolio allow a continual income stream which furthers strengthens the balance sheet.

- Mehran's strength lies in its policy to grow in a conservative yet sustainable manner. This has allowed it to establish a strong balance Sheet which is not heavily leveraged, hence allowing the Company to explore other business avenues to maximise Shareholder return.

WEAKNESS

- The nature of the sugar industry remains a controlled one. The provincial government sets cane prices which at times are not in line with sugar sales prices. This reliance on government intervention especially considering cane and sugar can be politically sensitive can have a negative impact on the overall business.

- Change in the size of the sugarcane crop can have an effect on the financial results of the Company. Sugarcane crop sizes vary depending on the weather, water availability and pricing of competitive crops. Sugarcane disease can have a detrimental effect on both farmer and factory yields which could also affect profitability.

- Since sugar is a commodity, the Company does not have much pricing power or any relative advantage as compared to its competitors. The only advantage the Company has is in timing its sales keeping in mind market movements.

- Sugar prices have continued to remain extremely volatile which doesn't allow one to forecast future revenue streams. While sugar production is a seasonal operation, sales continue throughout the year, thus holding inventory is a risk, especially in a high interest rate environment like Pakistan.

- Sugar cane prices are set by the government on the basis of cost of sugarcane production. Low farmer yields have meant that this price is set higher than the global average. The high sugar cane price makes sugar production at times unviable for sale in the global market.

- With changing global environment, innovation is the need of hour to remain competitive, profitable and sustainable. Sugarcane required continuous research for development of new varieties which are disease resistant and have high farm and factory yields. Sadly public or private institutions have not been able to establish any quality research institutes in the country which could eventually make sugarcane farming and sugar milling globally in competitive.

- The counties law and order situation has at times created hindrances to attract foreign quality manpower in areas of innovation for farm and factory.

OPPORTUNITIES

- A modern sugar complex is a sugar, ethanol and power producer. While we at Mehran have tapped sugar production and recently ethanol production the opportunity to produce power remains a huge one.

- Pakistan remains a power deficit nation and the opportunity to produce power remains huge. The sugar industry has the potential to produce over 3,000 MW of power whereby individual mills can set up plants as large as 100 MW. Mehran has also stepped into power generation and its supply to the national grid by signing a 5 MW PPA with NEPRA. By realizing the further potential of generating power from our indigenous source of fuel i.e. bagasse, a by product of sugar mill, we have embarked upon putting up a co-gen plant of 26.5 MW. This will also become a regular source of income.

- The need of the time is to bring new varieties with high sucrose recovery to improve our overall sugar production. Therefore, research and development needs to be given preferred attention for continuous improvement. While Pakistan's national recovery remains between 9.50-10.50% there are varieties being developed which could fetch recoveries of 12.00 % and higher. Such varieties would make Pakistan globally competitive thus enhancing both farmer and miller revenue. Mehran at its own has initiated a research project with the assistance of Mauritius Sugar Research Institute to study and suggest ways and means to increase farm yield.

- There also lies potential in increasing farm yields which would reduce the cost of the farmer thus making sugar cane cheaper as a raw material.

- Pakistan has a large indigenous population of close to 200 Million. This population continues to grow at a healthy rate. The population growth along with income prosperity means that demand for sugar is expected to grow continually for the foreseeable future allowing for future growth in the industry. We foresee sugar demand growing at 4-5 percent annually while many developed countries are seeing stagnant growth.

- Growing awareness has paved the way for brand loyalty. Mehran has also ventured into retail segment by launching Branded Sugar through its two brands "Sugarie" and "Chashnik". These products have yet to tap the full potential of the niche market.

THREATS

- Mehran has one of the most densely populated cane zones in Pakistan. The quantity of cane in the area allows the company to pay minimal transport costs for cane arrivals which gives it a comparative advantage, though frequent intervention by other sugar mills has some what dilated this advantage.

- Sugar mills are typically located in rural areas which are more susceptible to Law and Order situation. The movement of our cane team as well as farming team in specific areas can also be difficult and restricted.

- Inflation affects the business due to cost increases. It also reduces the consumer buying power. Pakistan has been suffering from inflation since last few years. In order to curb inflation, State Bank of Pakistan regularly intervenes and revises interest rates which affect the cost of doing business. A sudden surge in borrowing rates could adversely effect the Company's financials, though at present the rate has been declining. With increasing inflation, Sugar Mills have to produce specific quantity which allows them to get benefit of economies of scale. It requires huge investment for expanding the capacity as well as robust maintenance activity, which may not be possible for every mill due to variety of factors. Hence their competitiveness is affected.

- Proper maintenance during the off-season enables the plant to run smoothly during the season. Since the season is for a limited duration, a major breakdown could affect financial results for the entire year.

- In the last two decades the industry has consistently increased its sugarcane crushing capacities without objectively ensuring an increase in the size of crop. A major challenge going ahead is to ensure increased sugarcane cultivation to match crushing capacity. This requires not only availability of sufficient water but also motivation to growers towards sugarcane crop.

- Sugar cane requires abundant quantity of water for cultivation. Pakistan with its growing population can in the future face such water constrains which could mitigate the growth of sugarcane and the industry.

Code of Conduct & Ethical Values

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

These principles highlight our responsibility to:

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

CONFIDENTIALITY

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

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

HEALTH AND SAFETY

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

THE ENVIRONMENT

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

WORK ATMOSPHERE

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

Business Strategy & Goals

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

Management Committees

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

Executive Committee

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

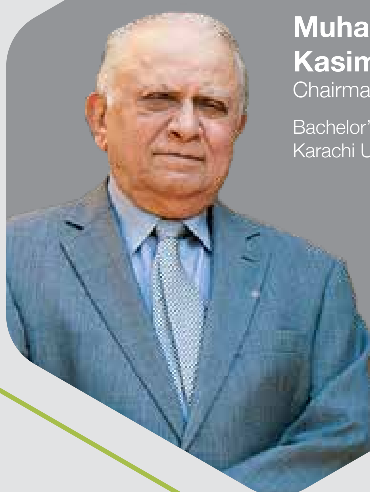
Human Resource Development Committee

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

Audit Committee

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

Board of Directors

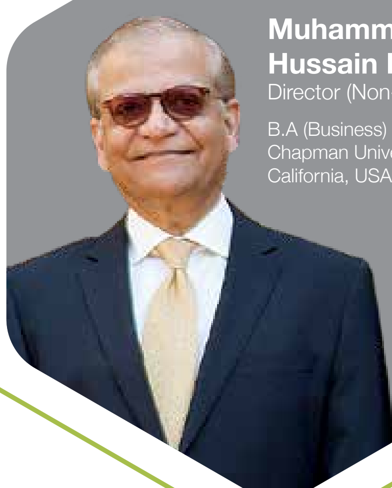


Muhammad Kasim Hasham
Chairman

Bachelor's Degree from Karachi University.

Muhammad Ebrahim Hasham
Chief Executive Officer

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



Muhammad Hussain Hasham
Director (Non-Executive)

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

Ahmed Ebrahim Hasham
Managing Director

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

Khurram Kasim
Director (Non-Executive)

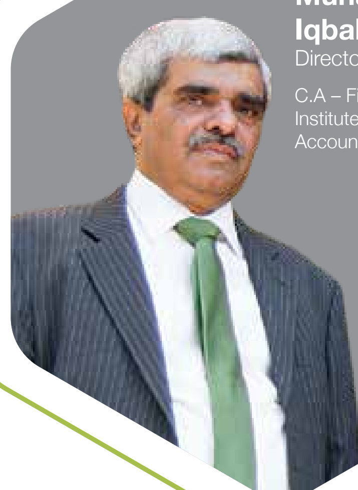
Bachelor of Science (Marketing) Babson College, Massachusetts, USA.

Dr. Amjad Waheed
Director (Independent)

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

Muhammad Bashir
Director (Independent)

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



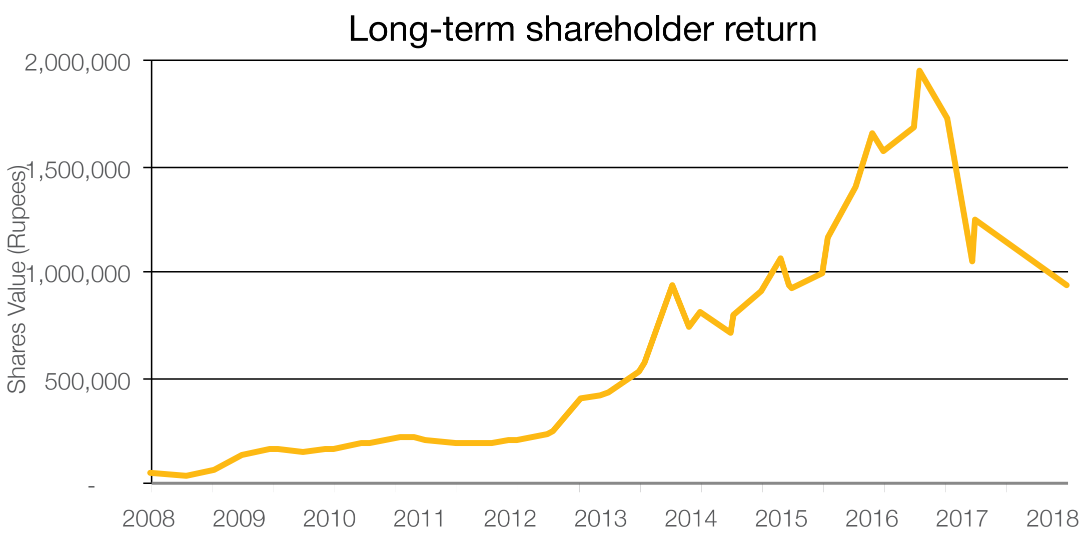
Muhammad Iqbal
Director (Non-Executive)

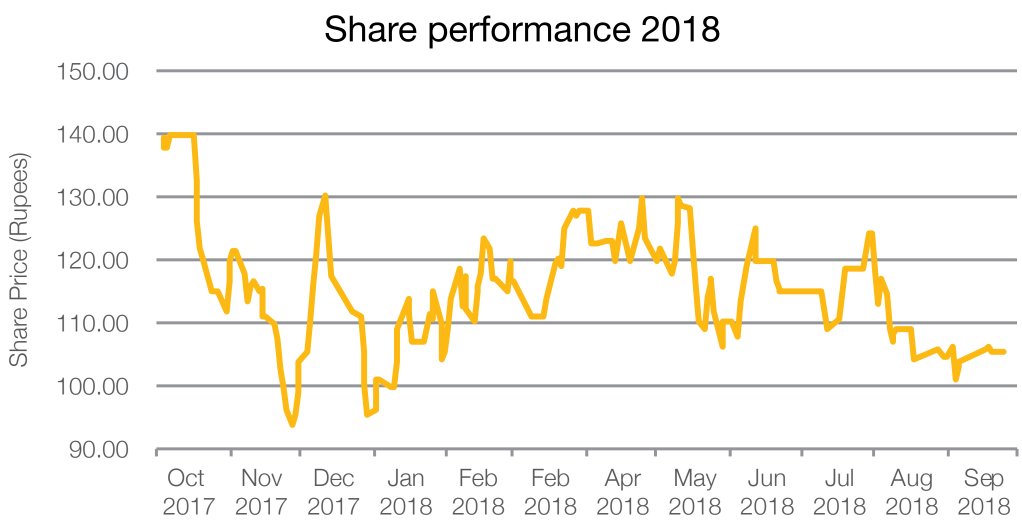
C.A – Finalist
Institute of Chartered Accountants of Pakistan.

Investing in Mehran Sugar

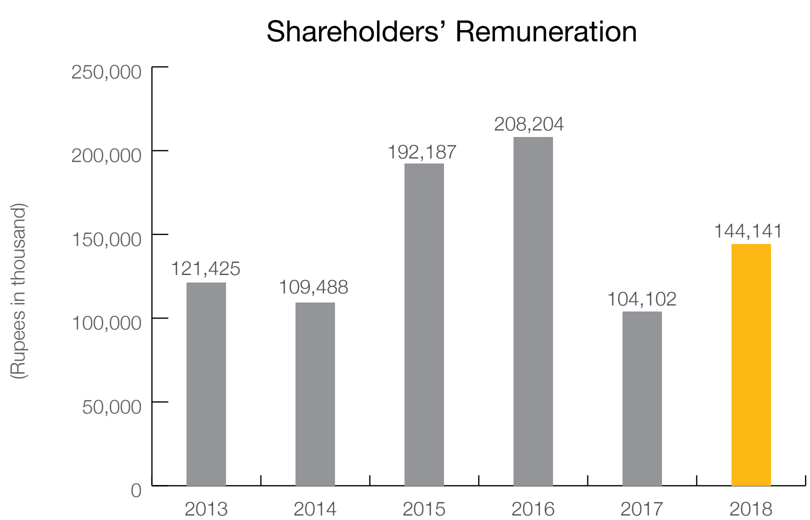
Long-term shareholder return

A shareholder, who on October 1, 2008 invested Rs. 50,000 and acquired 1,863 shares of Mehran Sugar Mills Ltd. at a price of Rs. 26.84 per share, and if all the dividends received were re-invested, would have Mehran shares worth Rs. 941,492 on September 30, 2018 representing a cumulative gain of 1,783%. The average annual return of the Mehran share over this period was 48.4% versus the average annual return of the KSE 100 index was 17.07%.





Mehran Sugar Mills Limited assigned Rs. 144.14 million
to Dividends in 2017-18

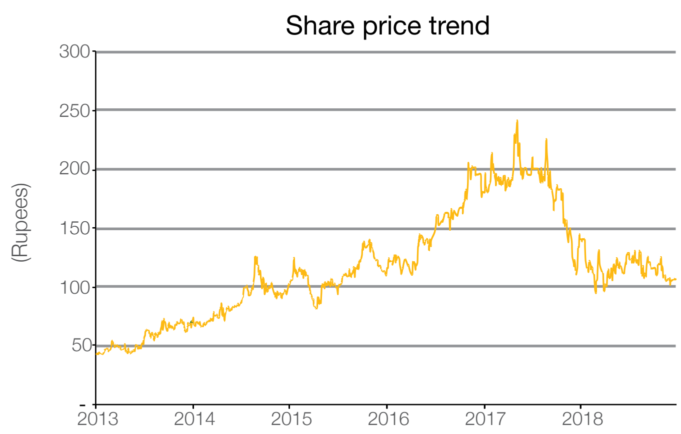


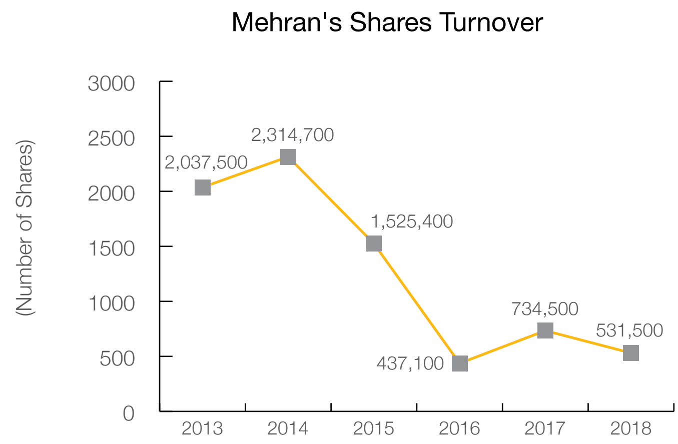
Investor Relations

Share Registrar	C & K Management Associates (Pvt) Ltd. 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi Ph: +92 - 21 -35687839, 35685930
Contact Person	Mr. Muhammad Zakir
Date of Annual General meeting	28/01/2019

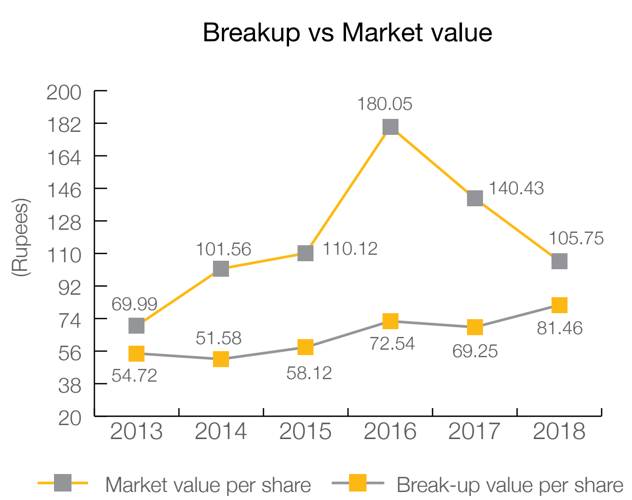
Date of Board of Directors meeting	1st Qtr	Half Year	3rd Qtr	Annual
	29/01/2019	22/05/2019	25/07/2019	19/12/2019

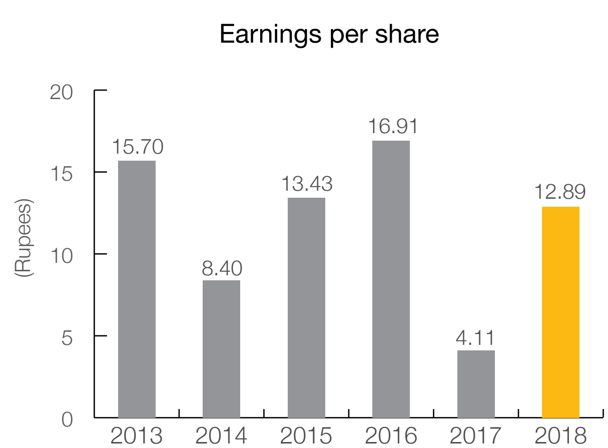
	2018	2017	2016	2015	2014	2013
Number of Shares (Issued / Paid-up)	32,031,245	32,031,245	32,031,245	32,031,245	32,031,245	25,321,143
Earning per share	12.89	4.11	16.91	13.43	8.40	15.70
Break-up value per share	81.46	69.25	72.54	58.12	51.58	54.72
Market Capitalization	3,387,304,159	4,498,147,735	5,767,225,662	3,527,280,699	3,253,093,242	1,772,226,799
Market value of share on 30th September	105.75	140.43	180.05	110.12	101.56	69.99
P/E Ratio	8.20	34.17	10.65	8.20	12.09	4.46
Cash Dividend %	30.00	32.50	65.00	60.00	26.00	25.00
Bonus Shares %	15.00	-	-	-	10.00	25.00
Number of shares Traded	531,500	734,500	437,100	1,525,400	2,314,700	2,037,500
Highest price during the year	140.00	241.50	210.00	143.32	131.99	75.40
Lowest price during the year	94.00	110.00	108.00	79.01	64.50	41.26





Mehran's Shereholders Equity has increased from Rs. 1,386 million in 2013 to Rs. 2,609 million in 2018, thus representing an increase of 88% in six years





Management Team

Mr. Mohammed Ebrahim Hasham
Chief Executive Officer
Joined Mehran in 1973
M.A. (Management) Chapman University, California, USA

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

Mr. Ahmed Ebrahim Hasham
Managing Director
Joined Mehran in 2000
Bachelor of Arts (Economics and IR) Tufts University, Medford MA, USA

Work Experience:
18 years of practical experience in various sectors

Mr. Muhammad Hanif Aziz
CFO & Company Secretary
Joined Mehran in 2004
FCMA - Institute of Cost & Management Accountants of Pakistan
FCIS - Institute of Corporate Secretaries of Pakistan

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

Mr. Syed Ehtesham-ud-Din
Resident Director
Joined Mehran in 2004
Bachelor of Arts

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

Mr. Ubaid-Ur-Rehman
GM Technical
Joined Mehran in 2012
B-Tech (Hons) in Mechanical Engineering From Mehran University of Engineering - Jamshoro

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

Mr. Muhammad Shahid
DGM Production
Joined Mehran in 2018
Master of Science (Chemistry)
From Punjab University

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

Mr. Rashid Ali Baloch
GM Human Resource & Administration
Joined Mehran in 2007
PhD in Public Administration, LLB & M.A Economics from reputable universities of Pakistan

Work Experience:
31 years of practical experience in various industries.

Horizontal & Vertical Analysis
Profit & Loss Account

Rupees in million

HORIZONTAL ANALYSIS	2018 Rs.	2018 %	2017 Rs.	2017 %
Turnover	4,790.79	(12.91)	5,500.84	(22.67)
Cost of sales	(4,201.11)	(19.72)	(5,232.83)	(17.86)
Gross Profit	589.68	120.03	268.00	(63.92)
Distribution costs	(111.45)	34.21	(83.04)	125.12
Administrative expenses	(276.26)	13.58	(243.24)	23.20
Other operating expenses	(69.39)	641.61	(9.36)	(77.29)
Other operating income	169.54	(53.26)	362.73	98.18
Finance costs	(212.41)	8.00	(196.67)	99.41
Share of Profit from an associates	340.02	239.63	100.11	(13.89)
Profit before tax	429.72	116.43	198.55	(70.28)
Taxation	(16.82)	(74.84)	(66.87)	(47.01)
Profit after taxation	412.90	213.57	131.68	(75.70)

VERTICAL ANALYSIS	2018 Rs.	2018 %	2017 Rs.	2017 %
Turnover	4,790.79	100.00	5,500.84	100.00
Cost of sales	(4,201.11)	(87.69)	(5,232.83)	(95.13)
Gross Profit	589.68	12.31	268.00	4.87
Distribution costs	(111.45)	(2.33)	(83.04)	(1.51)
Administrative expenses	(276.26)	(5.77)	(243.24)	(4.42)
Other operating expenses	(69.39)	(1.45)	(9.36)	(0.17)
Other operating income	169.54	3.54	362.73	6.59
Finance costs	(212.41)	(4.43)	(196.67)	(3.58)
Share of Profit from an associates	340.02	7.10	100.11	1.82
Profit before tax	429.72	8.97	198.55	3.61
Taxation	(16.82)	(0.35)	(66.87)	(1.22)
Profit after taxation	412.90	8.62	131.68	2.39

2016		2015		2014		2013	
Rs.	%	Rs.	%	Rs.	%	Rs.	%
7,113.23	63.10	4,361.36	(32.88)	6,498.22	12.09	5,797.47	39.69
(6,370.35)	73.04	(3,681.45)	(37.25)	(5,866.92)	12.49	(5,215.46)	38.27
742.88	**9.26**	**679.91**	**7.70**	631.30	8.47	582.01	53.92
(36.89)	(8.90)	(40.49)	(62.12)	(106.90)	13.82	(93.92)	240.60
(197.44)	13.88	(173.38)	12.53	(154.08)	16.46	(132.30)	29.54
(41.21)	48.56	(27.74)	21.20	(22.89)	45.73	(15.70)	12.09
183.03	13.56	161.18	21.98	132.13	(11.44)	149.20	133.62
(98.63)	(32.71)	(146.57)	(29.87)	(209.00)	11.86	(186.84)	60.63
116.26	23.72	93.97	77.36	52.98	(58.80)	128.58	(25.10)
668.01	22.15	546.88	69.03	323.54	(24.94)	431.02	21.88
(126.20)	8.01	(116.84)	114.64	(54.44)	62.39	(33.52)	(58.65)
541.81	**25.99**	**430.03**	**59.80**	269.11	(32.30)	397.50	45.84

2016		2015		2014		2013	
Rs.	%	Rs.	%	Rs.	%	Rs.	%
7,113.23	100.00	4,361.36	100.00	6,498.22	100.00	5,797.47	100.00
(6,370.35)	(89.56)	(3,681.45)	(84.41)	(5,866.92)	(90.29)	(5,215.46)	(89.96)
742.88	**10.44**	**679.91**	**15.59**	**631.30**	**9.72**	**582.01**	**10.04**
(36.89)	(0.52)	(40.49)	(0.93)	(106.90)	(1.65)	(93.92)	(1.62)
(197.44)	(2.78)	(173.38)	(3.98)	(154.08)	(2.37)	(132.30)	(2.28)
(41.21)	(0.58)	(27.74)	(0.64)	(22.89)	(0.35)	(15.70)	(0.27)
183.03	2.57	161.18	3.70	132.13	2.03	149.20	2.57
(98.63)	(1.39)	(146.57)	(3.36)	(209.00)	(3.22)	(186.84)	(3.22)
116.26	1.63	93.97	2.15	52.98	0.82	128.58	2.22
668.01	9.39	546.88	12.54	323.54	4.98	431.02	7.43
(126.20)	(1.77)	(116.84)	(2.68)	(54.44)	(0.84)	(33.52)	(0.58)
541.81	**7.62**	**430.03**	**9.86**	**269.11**	**4.14**	**397.50**	**6.86**

Horizontal Analysis
Balance Sheet

Rupees in million

	2018		2017	
	Rs.	%	Rs.	%
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	2,168.33	(0.91)	2,188.13	12.04
Long term investment	1,190.22	21.74	977.68	27.71
Long term deposits	0.87	(21.63)	1.11	30.47
	3,359.42	6.08	3,166.92	16.46
CURRENT ASSETS				
Biological assets	8.79	(50.26)	17.66	(59.72)
Stores and spare parts	101.67	21.21	83.88	16.09
Stock-in-trade	1,167.16	(3.18)	1,205.46	192.56
Trade debts - unsecured	130.58	(25.17)	174.51	1,552.61
Loans and advances - unsecured	116.07	(21.76)	148.34	37.08
Trade deposits and short term prepayments	12.88	66.13	7.75	18.94
Other receivables	580.80	12,824.15	4.49	20.89
Short term investments	1,258.74	51.60	830.32	(24.91)
Advance Income Tax	82.33	50.75	54.62	100.00
Cash and bank balances	15.95	(44.53)	28.76	(16.49)
	3,474.98	35.96	2,555.80	42.19
TOTAL ASSETS	6,834.40	19.43	5,722.73	26.70
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Issued, subscribed and paid-up capital	320.31	-	320.31	-
Reserves	2,289.01	20.60	1,897.94	(5.25)
	2,609.32	17.63	2,218.25	(4.53)
NON-CURRENT LIABILITIES				
Long-term financing - secured	745.41	66.11	448.75	47.20
Liabilities against assets subject to finance leases	18.21	(42.54)	31.69	49.39
Deferred liabilities	4.79	(1.91)	4.88	4.98
Deferred taxation	225.77	(21.67)	288.21	(10.67)
Provision for quality premium	119.29	-	119.29	-
Provision for market committee fee	62.22	(5.70)	65.97	(6.20)
	1,175.68	22.62	958.79	13.74
CURRENT LIABILITIES				
Trade and other payables	695.15	(33.99)	1,053.16	(3.32)
Unclaimed dividends	19.50	(45.48)	35.77	49.98
Accrued mark-up	49.25	52.37	32.32	265.60
Short term borrowings - secured	1,966.89	76.08	1,117.04	100.00
Current portion of long term financing	203.33	30.32	156.02	(6.97)
Current maturity of liabilities agaisnt assets subject to finance lease	20.79	(14.91)	24.43	61.51
Provision for market committee fee	30.40	52.25	19.97	112.29
Current portion of market committee fee	3.76	-	3.76	-
Income tax payable	-	-	-	(100.00)
Sales tax / excise duty payable	60.31	(41.57)	103.20	915.64
	3,049.39	19.79	2,545.68	88.52
TOTAL EQUITY AND LIABILITIES	6,834.40	19.43	5,722.73	26.70

2016		2015		2014		2013	
Rs.	%	Rs.	%	Rs.	%	Rs.	%
1,952.92	18.43	1,649.07	4.05	1,584.88	5.01	1,509.20	8.68
765.56	17.35	652.36	16.83	558.40	10.48	505.42	34.12
0.85	(19.16)	1.06	-	1.06	(62.14)	2.80	(39.59)
2,719.34	18.10	2,302.49	7.38	2,144.33	6.29	2,017.42	13.97
43.85	(10.20)	48.83	(17.13)	58.92	4.67	56.30	(1.97)
72.25	(24.66)	95.91	54.14	62.22	(7.16)	67.02	(8.43)
412.04	(71.83)	1,462.63	218.01	459.93	(33.19)	688.43	(37.15)
10.56	(74.92)	42.10	(1.81)	42.87	330.27	9.96	(86.38)
108.22	205.89	35.38	3.02	34.34	(35.64)	53.35	59.07
6.52	(33.60)	9.82	(65.29)	28.29	(25.80)	38.12	87.26
3.72	(45.61)	6.84	45.49	4.70	42.46	3.30	113.37
1,105.80	52.44	725.42	48.68	487.90	66.80	292.50	43.11
-	(100.00)	9.97	(82.69)	57.59	(31.04)	83.51	30.97
34.44	(24.40)	45.55	37.24	33.19	442.85	6.11	(95.78)
1,797.40	(27.60)	2,482.45	95.48	1,269.95	(2.21)	1,298.61	(26.53)
4,516.74	(5.61)	4,784.94	40.14	3,414.28	2.96	3,316.04	(6.26)
320.31	-	320.31	-	320.31	26.50	253.21	21.00
2,003.10	29.95	1,541.45	15.73	1,331.94	17.63	1,132.34	36.58
2,323.42	24.80	1,861.77	12.68	1,652.25	19.25	1,385.55	33.44
304.85	11.57	273.23	(14.17)	318.35	(29.92)	454.24	19.44
21.21	15.30	18.40	(18.57)	22.59	40.60	16.07	30.98
4.65	(50.64)	9.41	17.62	8.00	5.82	7.56	17.48
322.64	11.55	289.25	23.28	234.62	(2.46)	240.54	4.17
119.29	-	119.29	-	119.29	-	119.29	-
70.33	168.86	26.16	(7.69)	28.34	100.00	-	-
842.97	14.57	735.74	0.62	731.20	(12.71)	837.70	11.81
1,089.28	(33.02)	1,626.18	489.02	276.09	(38.26)	447.19	(61.47)
23.85	(46.74)	44.78	274.95	11.94	43.72	8.31	(5.95)
8.84	(23.28)	11.53	(60.75)	29.36	33.43	22.00	56.49
-	(100.00)	190.89	(58.32)	457.97	15.31	397.18	22.05
167.72	11.06	151.02	11.13	135.89	7.79	126.07	(14.35)
15.13	1.77	14.87	(6.67)	15.93	29.83	12.27	72.34
9.41	(81.00)	49.51	17.26	42.22	(28.63)	59.16	18.31
3.76	100.00	-	-	-	-	-	-
22.20	100.00	-	-	-	-	-	-
10.16	(89.70)	98.66	60.59	61.43	198.07	20.61	(44.21)
1,350.35	(38.27)	2,187.43	112.20	1,030.84	(5.67)	1,092.79	(37.56)
4,516.74	(5.61)	4,784.94	40.14	3,414.28	2.96	3,316.04	(6.26)

Vertical Analysis
Balance Sheet

Rupees in million

	2018 Rs.	2018 %	2017 Rs.	2017 %
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	2,168.33	31.73	2,188.13	38.24
Long term investment	1,190.22	17.42	977.68	17.08
Long term deposits	0.87	0.01	1.11	0.02
	3,359.42	49.15	3,166.92	55.34
CURRENT ASSETS				
Biological assets	8.79	0.13	17.66	0.31
Stores and spare parts	101.67	1.49	83.88	1.47
Stock-in-trade	1,167.16	17.08	1,205.46	21.06
Trade debts - unsecured	130.58	1.91	174.51	3.05
Loans and advances - unsecured	116.07	1.70	148.34	2.59
Trade deposits and short term prepayments	12.88	0.19	7.75	0.14
Other receivables	580.80	8.50	4.49	0.08
Short term investments	1,258.74	18.42	830.32	14.51
Advance Income Tax	82.33	1.20	54.62	0.95
Cash and bank balances	15.95	0.23	28.76	0.50
	3,474.98	50.85	2,555.80	44.66
TOTAL ASSETS	6,834.40	100.00	5,722.73	100.00
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Issued, subscribed and paid-up capital	320.31	4.69	320.31	5.60
Reserves	2,289.01	33.49	1,897.94	33.17
	2,609.32	38.18	2,218.25	38.76
NON-CURRENT LIABILITIES				
Long-term financing - secured	745.41	10.91	448.75	7.84
Liabilities against assets subject to finance leases	18.21	0.27	31.69	0.55
Deferred liabilities	4.79	0.07	4.88	0.09
Deferred taxation	225.77	3.30	288.21	5.04
Provision for quality premium	119.29	1.75	119.29	2.08
Provision for market committee fee	62.22	0.91	65.97	1.15
	1,175.68	17.20	958.79	16.75
CURRENT LIABILITIES				
Trade and other payables	695.15	10.17	1,053.16	18.40
Accrued mark-up	19.50	0.29	35.77	0.63
Accrued mark-up	49.25	0.72	32.32	0.56
Short term borrowings - secured	1,966.89	28.78	1,117.04	19.52
Current portion of long term financing	203.33	2.98	156.02	2.73
Current maturity of liabilities agaisnt assets subject to finance lease	20.79	0.30	24.43	0.43
Provision for market committee fee	30.40	0.44	19.97	0.35
Current portion of market committee fee	3.76	0.06	3.76	0.07
Income tax payable	-	-	-	-
Sales tax / excise duty payable	60.31	0.88	103.20	1.80
	3,049.39	44.62	2,545.68	44.48
TOTAL EQUITY AND LIABILITIES	6,834.40	100.00	5,722.73	100.00

2016		2015		2014		2013	
Rs.	%	Rs.	%	Rs.	%	Rs.	%
1,952.92	43.24	1,649.07	34.46	1,584.88	46.42	1,509.20	45.51
765.56	16.95	652.36	13.63	558.40	16.35	505.42	15.24
0.85	0.02	1.06	0.02	1.06	0.03	2.80	0.08
2,719.34	60.21	2,302.49	48.12	2,144.33	62.80	2,017.42	60.84
43.85	0.97	48.83	1.02	58.92	1.73	56.30	1.70
72.25	1.60	95.91	2.00	62.22	1.82	67.02	2.02
412.04	9.12	1,462.63	30.57	459.93	13.47	688.43	20.76
10.56	0.23	42.10	0.88	42.87	1.26	9.96	0.30
108.22	2.40	35.38	0.74	34.34	1.01	53.35	1.61
6.52	0.14	9.82	0.21	28.29	0.83	38.12	1.15
3.72	0.08	6.84	0.14	4.70	0.14	3.30	0.10
1,105.80	24.48	725.42	15.16	487.90	14.29	292.50	8.82
-	-	9.97	0.21	57.59	1.69	83.51	2.52
34.44	0.76	45.55	0.95	33.19	0.97	6.11	0.18
1,797.40	39.79	2,482.45	51.88	1,269.95	37.20	1,298.61	39.16
4,516.74	100.00	4,784.94	100.00	3,414.28	100.00	3,316.04	100.00
320.31	7.09	320.31	6.69	320.31	9.38	253.21	7.64
2,003.10	44.35	1,541.45	32.21	1,331.94	39.01	1,132.34	34.15
2,323.42	51.44	1,861.77	38.91	1,652.25	48.39	1,385.55	41.78
304.85	6.75	273.23	5.71	318.35	9.32	454.24	13.70
21.21	0.47	18.40	0.38	22.59	0.66	16.07	0.48
4.65	0.10	9.41	0.20	8.00	0.23	7.56	0.23
322.64	7.14	289.25	6.05	234.62	6.87	240.54	7.25
119.29	2.64	119.29	2.49	119.29	3.49	119.29	3.60
70.33	1.56	26.16	0.55	28.34	0.83	-	-
842.97	18.66	735.74	15.38	731.20	21.42	837.70	25.26
1,089.28	24.12	1,626.18	33.99	276.09	8.09	447.19	13.49
23.85	0.53	44.78	0.94	11.94	0.35	8.31	0.25
8.84	0.20	11.53	0.24	29.36	0.86	22.00	0.66
-	-	190.89	3.99	457.97	13.41	397.18	11.98
167.72	3.71	151.02	3.16	135.89	3.98	126.07	3.80
15.13	0.34	14.87	0.31	15.93	0.47	12.27	0.37
9.41	0.21	49.51	1.03	42.22	1.24	59.16	1.78
3.76	0.08	-	-	-	-	-	-
22.20	0.49	-	-	-	-	-	-
10.16	0.23	98.66	2.06	61.43	1.80	20.61	0.62
1,350.35	29.90	2,187.43	45.71	1,030.84	30.19	1,092.79	32.95
4,516.74	100.00	4,784.94	100.00	3,414.28	100.00	3,316.04	100.00

Our Mills Profile

Date of Incorporation
December 22, 1965

Date of Commencement of Business
March 19, 1966

Start of Commercial Production
January 1969

Installed Capacity
12,500 Tons Cane Crushing Per Day

Total Land Area
127 Acres

Total Farming Area
174 Acres

Permanent Employees
366

Population of the Staff Colony
1045

No. of Students
Daood Memorial School – 533
MSM Colony
The Citizens Foundation – 481
Piyaro Lund
The Citizens Foundation – 313
Hurri

No. of Faculty members
Daood Memorial School - 21
The Citizens Foundation Piyaro Lund – 26
The Citizens Foundation Hurri – 13

No. of Apprentice at Vocational Training Centre
16

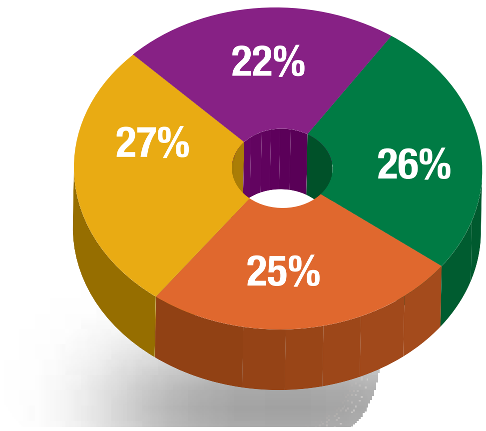
Housing
96 Family Homes for Executives, Officers and Workers and a Hostel consisting of 60 rooms for Workers and Contractors

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

How We Added Value

	2018 Rupees	%	2017 Rupees	%
WEALTH GENERATED				
Net revenue	5,031,443,964		5,897,272,317	
Expenses	3,612,826,608		4,596,514,704	
Wealth generated	1,418,617,356	100	1,300,757,613	100
WEALTH DISTRIBUTED				
To Government				
Sales Tax, Income Tax, Road Cess, WWF	313,941,343	22	496,569,577	38
To Employees				
Salaries, WPPF, Benefits and Other related cost	366,670,908	26	351,594,717	27
To Providers of capital				
Mark-up on borrowed funds	212,409,244	15	196,674,589	15
Shareholders as Dividend/Bonus shares	144,140,603	10	104,102,408	8
	356,549,847	25	300,776,997	23
Retained with the business				
Depreciation	166,710,619	12	152,920,439	12
Retained profit	214,744,639	15	(1,104,117)	0
	381,455,258	27	151,816,322	12
	1,418,617,356	100	1,300,757,613	100

- Government as taxes **22%**
- Employees as remuneration **26%**
- Financial,Dividend and bonus shares **25%**
- Retained within the business **27%**




TEAM

maintaining the **delicate balance** of success

venturing ideas

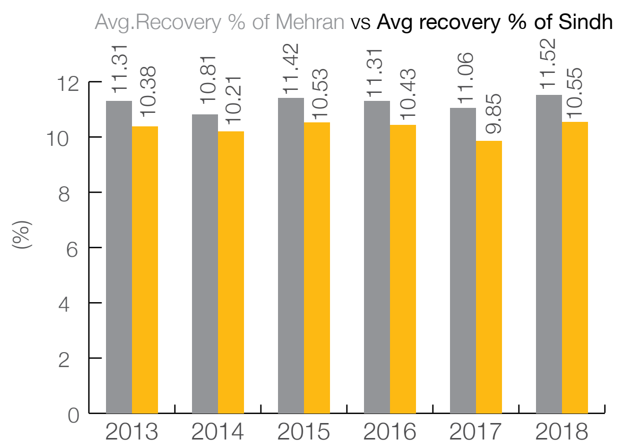
We have continued to look for different ideas of investment either through the capital markets or through strategic long term investments. Our investment in Uni Foods has allowed us to capitalize on the huge youth population of Pakistan. The company started commercial production of cakes under the brand Good-Goodies in March 2018 and gradually has been able to develop a national brand and distribution network.

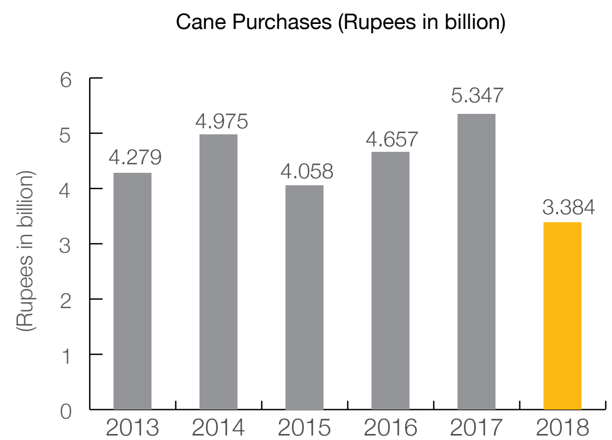
Six Years' Review at a Glance

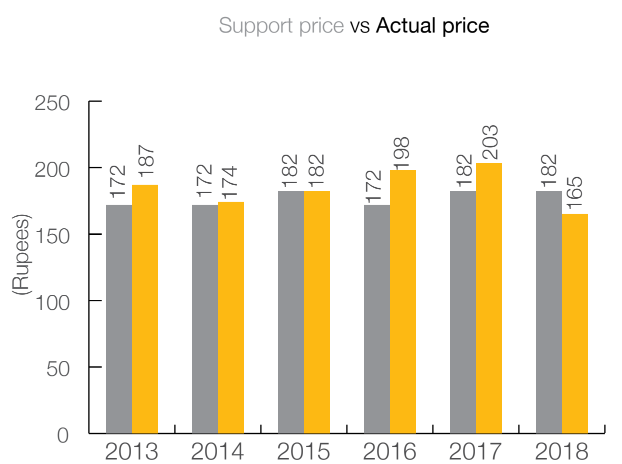
	2018	2017	2016	2015	2014	2013
Operational Trends						
Sugarcane crushed - M.Tons	1,043,279	1,056,198	940,626	946,871	1,140,502	915,666
Sugar produced - M.Tons	120,200	116,780	106,400	108,136	123,210	103,580
Average sucrose recovery - %	11.52	11.06	11.31	11.42	10.81	11.31
Crushing days	129	133	105	108	122	108
Average crushing per day - M.Tons	8,087	7,941	8,958	8,767	9,348	8,478
Balance Sheet		Rupees in million				
Share capital	320.31	320.31	320.31	320.31	320.31	253.21
Reserves	2,289.01	1,897.94	2,003.10	1,541.45	1,331.94	1,132.34
Shareholders' equity	2,609.32	2,218.25	2,323.41	1,861.76	1,652.25	1,385.55
Non current liabilities	1,175.68	958.79	842.97	735.74	731.20	837.70
Current liabilities	3,049.39	2,545.68	1,350.35	2,187.43	1,030.84	1,092.79
Total Equity & Liabilities	6,834.39	5,722.72	4,516.73	4,784.93	3,414.29	3,316.04
Fixed Assets	2,168.33	2,188.13	1,952.92	1,649.07	1,584.88	1,509.20
Non current assets	1,191.09	978.79	766.42	653.42	559.45	508.22
Current assets	3,474.97	2,555.80	1,797.39	2,482.44	1,269.94	1,298.62
Total assets	6,834.39	5,722.72	4,516.73	4,784.93	3,414.27	3,316.04
Financial Trends		Rupees in million				
Turnover	4,790.79	5,500.84	7,113.23	4,361.36	6,498.22	5,797.47
Gross profit	589.68	268.00	742.88	679.91	631.30	582.01
EBITDA	808.84	548.14	904.04	823.59	653.59	730.05
Operating profit	302.12	295.11	650.37	599.47	479.56	489.28
Pre-tax profit	429.72	198.55	668.01	546.88	323.54	431.02
After-tax profit	412.90	131.68	541.81	430.03	269.11	397.50
Capital Expenditure (additions during the year)	242.63	490.27	216.19	211.41	225.32	367.19
Cash Flows		Rupees in million				
Operating activities	(647.40)	(1,078.01)	993.36	854.17	408.20	16.19
Investing activities	(515.78)	16.98	(634.82)	(396.14)	(262.33)	(230.70)
Financing activities	1,150.37	1,055.36	(369.65)	(445.66)	(118.79)	75.86
Cash and Cash equivalents at the end of the year	15.95	28.76	34.44	45.55	33.19	6.11
Profitability Indicators						
Grosss profit margin (%)	12.31	4.87	10.44	15.59	9.71	10.04
Net profit margin (%)	8.62	2.39	7.62	9.86	4.14	6.86
Return on shareholders' equity (%)	15.82	5.94	23.32	23.10	16.29	28.69
Return on capital employed (%)	16.97	12.44	24.21	26.70	22.34	27.79
Return on total assets (%)	6.04	2.30	12.00	8.99	7.88	11.99
EBITDA margin (%)	16.88	9.96	12.71	18.88	10.06	12.59

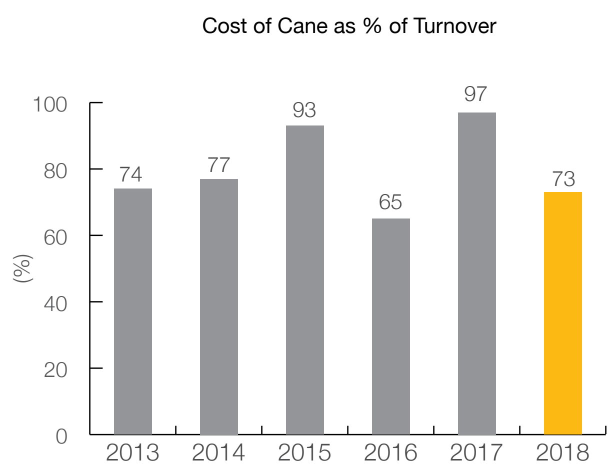
	2018	2017	2016	2015	2014	2013
Capital Efficiency / Operating Performance						
Inventory turnover ratio	3.54	6.47	6.80	3.83	10.22	5.85
Inventory turnover in days	103	56	54	95	36	62
Debtors turnover ratio	3.42	6.22	16.64	9.09	22.84	8.87
Debtors turnover in days	107	59	22	40	16	41
Creditors turnover ratio	11.18	12.44	17.54	22.07	96.09	80.86
Creditors turnover in days	33	29	21	17	4	5
Operating cycle in days	185	92	59	126	52	103
Total assets turnover ratio	0.76	1.07	1.53	1.06	1.93	1.69
Fixed assets turnover ratio	2.20	2.66	3.95	2.70	4.20	4.00
Capital employed turnover ratio	1.27	1.73	2.25	1.68	2.73	2.61
Investment Valuation		Rupees				
Earning per share	12.89	4.11	16.91	13.43	8.40	15.70
Break-up value per share	81.46	69.25	72.54	58.12	51.58	54.72
Price earning ratio	8.20	34.17	10.65	8.20	12.09	4.46
Dividend yield (%)	2.84	2.31	3.61	5.45	2.56	3.57
Dividend payout (%)	23.27	79.08	38.44	44.68	30.95	15.92
Market value per share on 30th September	105.75	140.43	180.05	110.12	101.56	69.99
Cash Dividend (%)	30.00	32.50	65.00	60.00	26.00	25.00
Bonus Shares (%)	15.00	-	-	-	10.00	25.00
Financial gearing						
Debt Ratio	0.62 : 1	0.61 : 1	0.49 : 1	0.61 : 1	0.52 : 1	0.58 : 1
Debt : Equity Ratio	23 : 77	18 : 82	12 : 88	14 : 86	17 : 83	25 : 75
Interest cover ratio	3.02	2.01	7.77	4.73	2.55	3.31
Liquidity measurement						
Current ratio	1.14 : 1	1 : 1	1.33 : 1	1.13 : 1	1.23 : 1	1.19 : 1
Quick ratio/Acid test ratio	0.76 : 1	0.53 : 1	1.03 : 1	0.47 : 1	0.79 : 1	0.56 : 1
Value addtion		Rupees in million				
Employees as remuneration	366.67	351.59	338.88	288.60	262.00	211.77
Government as taxes	313.94	496.57	662.49	347.80	322.40	184.19
Financial charges to providers of finance	212.41	196.67	98.63	146.57	209.00	186.84
Shareholders as dividend and bonus shares	144.14	104.10	208.20	192.19	109.49	121.43
Retained within the business	381.46	151.82	493.68	419.16	274.75	397.89

Six Years' Sugarcane Trends Analysis

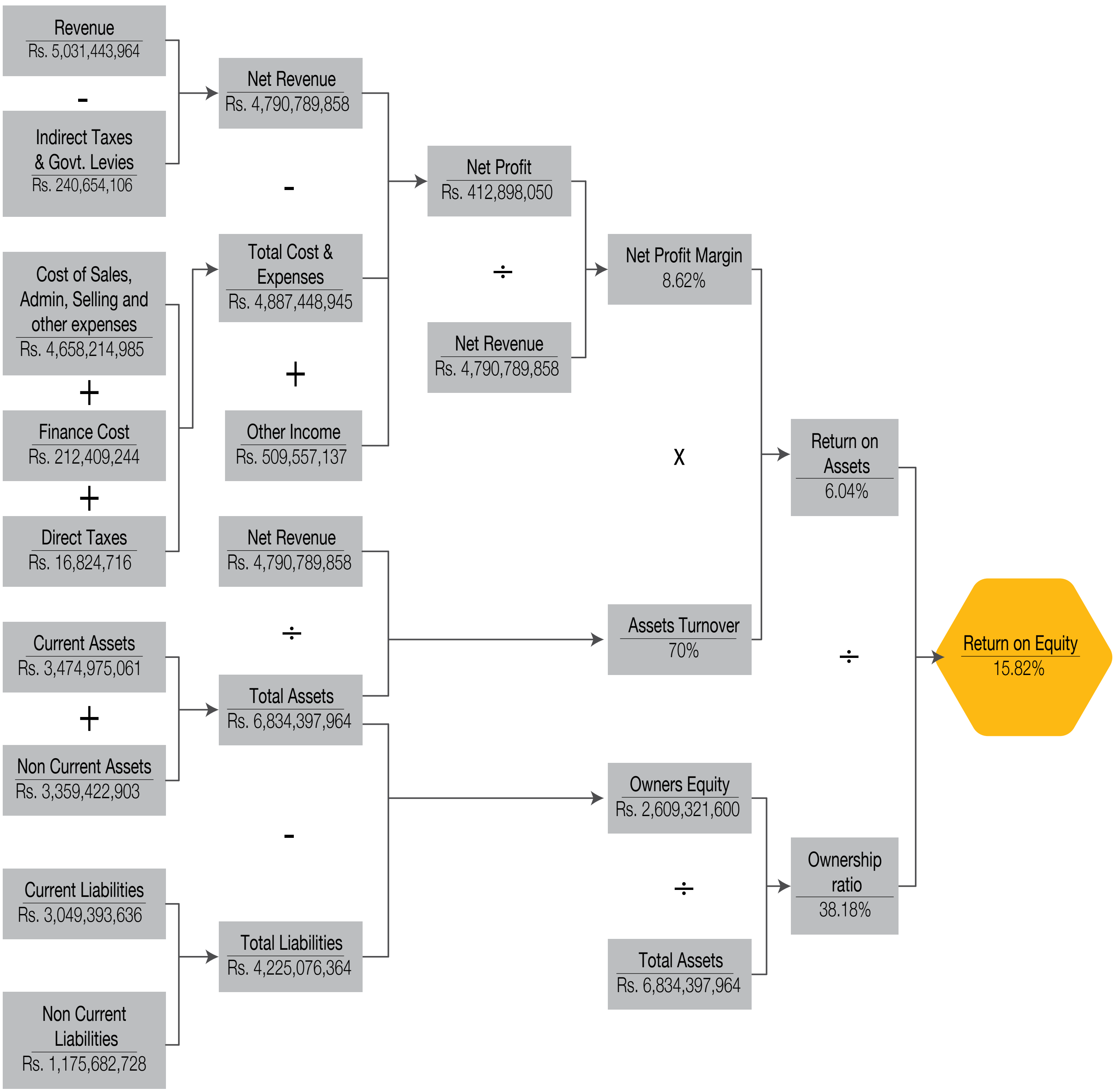








Dupont Analysis

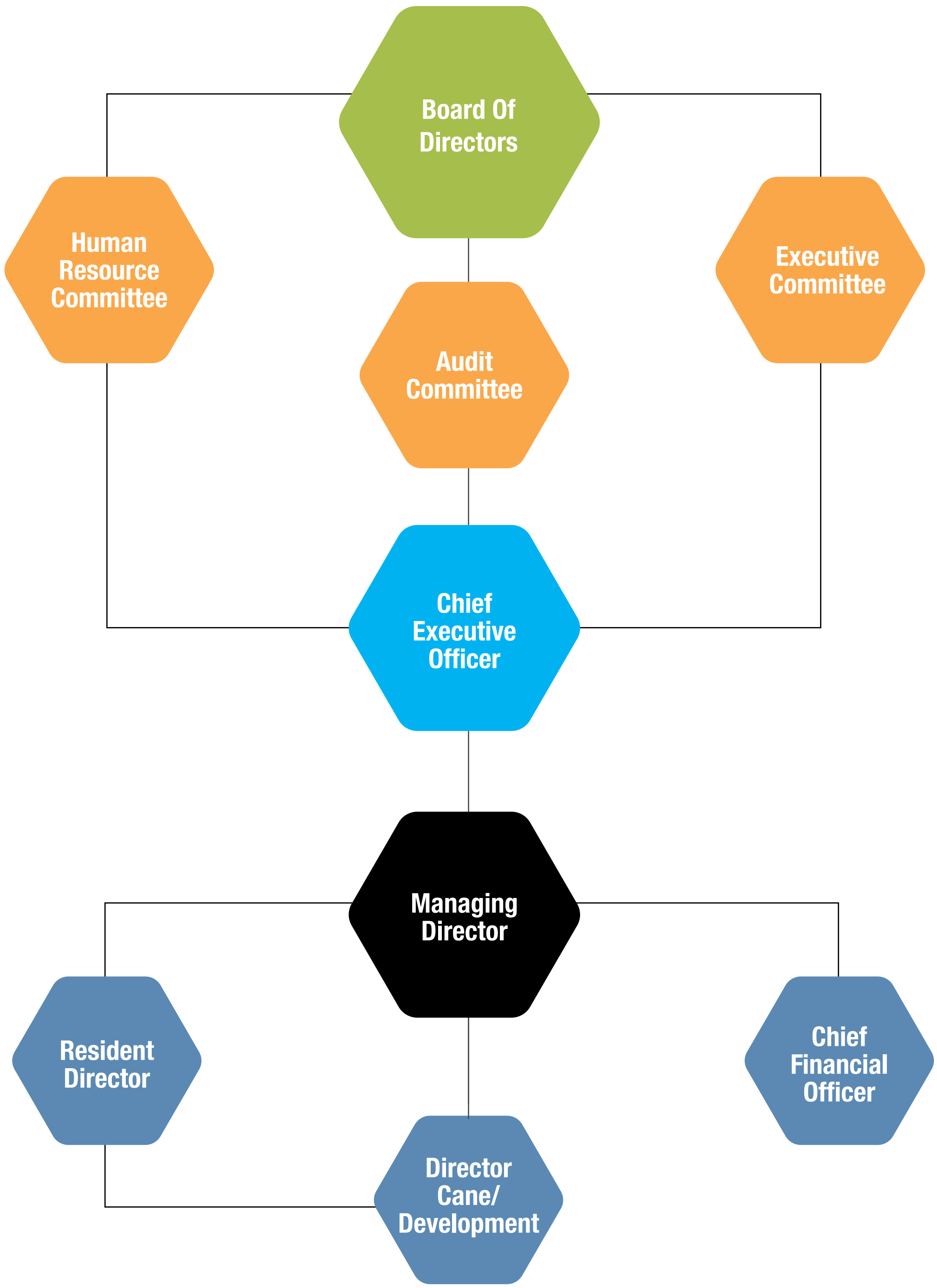


maintaining the **delicate balance** of success

witnessing steady improvements

Our investment in Retail Brands for brown and white sugar has seen steady and continued growth this year. Our Brown Sugar brand Sugarie is now available readily in the 4 important cities of Karachi, Islamabad, Rawalpindi and Lahore as well as the top 10 towns of the country and has become a staple monthly grocery item for many discerning consumers.

Organogram


Board Of Directors
Human Resource Committee
Executive Committee
Audit Committee
Chief Executive Officer
Managing Director
Resident Director
Chief Financial Officer
Director Cane/ Development

Chairman's Review

Mehran is not just a company. It is also a community. A community that we have developed and nurtured over the past five decades and in which we continue to invest, not just financially but also environmentally and socially.

We believe the future of any nation and organization depends on the strength of the efforts it places in human development and at Mehran we put this belief into practice.

While there are universal challenges and needs we currently face as a nation, every community and organization has specific needs that are unique and which are to be acknowledged and addressed at the grass roots level.

Our team at Mehran is cognizant of this reality and is actively involved with the local community in order to ascertain their concerns, based on which Mehran continues to fund diverse programs and initiatives in the sectors of health, education and environment.

We are committed towards implementing measures and systems for energy conservation, environmental protection and occupational health and safety of our employees. With this mindset, our Company has worked towards the provision of comprehensive and wide covered insurance policies for employees, a state of the art ETP plant, subsidized schooling, vocational programs and free of cost hospitality services for the families staying in the staff colony and the surrounding district.

We attract meritorious employees and provide them with opportunities to grow and perform to the best of their abilities by maintaining a congenial work environment, free from any discrimination. We train and encourage our employees to rise to the highest level of their individual potential. We understand that our employees are our most precious assets and empowering them is the key to our success.

Our customers and suppliers are as much part of our community as our employees. We exist because of our strong customer base. Towards them we have a duty to ensure we live up to the trust they have placed in us and our product.

Our suppliers are like our extended Mehran family as we assist and encourage each other to continuously improve the quality of our respective products. We are very proud of the strong relationship and trust we have developed with our suppliers over so many years through communication and cooperation.

With the guidance provided by the continuously evolving code of Corporate Governance to which we have to comply, we are fully aware of our actions and responsibilities as an organization.

It is our duty to deliver our best not just to our investors but also to the various sectors affected by our operations. We recognize and acknowledge our role as an economic entity that provides goods and services for the benefit and development of the economy as well as takes responsibility towards sustaining the development and health of the environment and the communities in which it functions.

Our Board of directors are the guardians of our community. We ensure that the company is governed under carefully considered guidelines. Accordingly, as promulgated by COCG an annual evaluation of the Board of Directors has been carried out to ensure that the Board's overall conduct, performance and effectiveness is ascertained and measured against expectations in context of the vision, mission and goals set for the Company.

Lastly, our shareholders are the pillars of this community who have placed their confidence and trust in us. We want our Shareholders to take pride in owning an investment that enables them to contribute to the development of our country's economy and provides worthwhile livelihood to our people. We thank our shareholders for their support and we assure them that we will continue to serve them with integrity and honesty and to the best of our abilities.

Muhammed Kasim Hasham
Chairman

Directors' Report
to the Shareholders

ABOUT THE COMPANY

Mehran Sugar Mills Limited (the Company) was incorporated in Pakistan as a public limited company in December, 1965 under repealed Companies Ordinance, 1984 (the Ordinance). The main business of the Company is manufacturing of refined sugar. Plant is in Tando Allahyar district having a capacity of 12,500 TCD. We also have a joint venture in Distillery business named "Unicol Ltd." with 1/3rd stake in the Company which has "Ethanol" production capacity of 200,000 liters per day. Recently we also ventured in Power and baking / confectionery businesses, status of these businesses are discussed in detail in the later part of this report.

Earnings per share

12.89

NATIONAL ECONOMY

FY18 has been a challenging year for the economy. The sharp deceleration in revenue growth compared to overall expenditure and increased dependence on imports to meet growing domestic demand led to widening in the twin deficits to unsustainable levels. In fact, persistent increase in imports overshadowed a recovery in exports. The resulting record current account deficit led to increased pressures on foreign exchange reserves and exchange rate. Similarly, the fiscal deficit was highest during the last five years.

The real GDP growth was broad-based, as all the three sectors – agriculture, industry and services contributed. The agriculture sector, in particular, performed quite well on the back of a record contribution from crops such as wheat and sugarcane and livestock subsectors. Besides higher agriculture production, buoyant manufacturing and construction activities – sustained by improved energy supply, CPEC projects, and strong domestic demand – played a key role in pushing up industrial sector growth.

However, looking from the demand side, like previous expansionary cycles, the growth was led by a surge in consumption. A number of factors, including low interest rates, increased fiscal spending, and improved real incomes, provided a boost to domestic demand. More specifically, lower borrowing cost continued to encourage businesses to borrow for both working capital and fixed investment purposes during the last couple of years. On the supply side, the banks had sufficient liquidity due to net retirement of long-term debt by the government.

Encouragingly, exports recorded a broad-based recovery, supported by improved energy supplies at the time of gradually picking up global demand. Moreover, export of surplus wheat and sugar also contributed to a double-digit growth in exports.

Financing of this large current account deficit necessitated increased reliance on external borrowings, leading to a considerably higher accumulation in external debt during FY18. Another worrisome development was heavy reliance on commercial loans, which entail both higher interest rates and lower maturity relative to borrowing from multilateral and bilateral sources. These pressures prompted multiple episodes of exchange rate devaluation during the year and higher interest rates.

This trend seems to continue into 2019. Increase in interest rate and upwards adjustments in the exchange rate, restriction on advance payments and imports on open account, increase in regulatory and custom duty, and imposition of cash margins on selected non-essential goods are aimed at containing imports and narrowing current account deficit.

The more worrisome economic part is the lower water availability this year leading to the decline in the area under sugarcane crop, water shortages at the time of sowing of kharif crops – especially cotton – and weak trends in the off-take of fertilizer indicate that agriculture sector may not repeat last year's extraordinary performance. Therefore, growth in agriculture may fall below the target as well as the last year's level.

INDUSTRY REVIEW

Due to another bumper sugarcane crop the crushing campaign continued until end March in Sindh and Mid April in Punjab. Sugar production in Punjab was approximately 4.2 million metric tons while Sindh's production was 2.3 million metric tons. The overall national production was close to 7.0 million metric tons.

In Sindh, the dispute on Minimum Support Price of Rs.182 per 40 kg could not be resolved amicably between the industry and Provincial Government. The industry was of the opinion that the sugarcane price should be fixed in accordance with the price of domestic sugar and not only on the cost of sugarcane planted in the country. The matter was taken to the Sindh High Court, which ultimately fixed the price at Rs.160 per 40 kg as a tripartite decision between mill, farmers and the government. This decision will remain applicable till the Honourable Supreme Court of Pakistan decides the case finally which pertains specifically to the linkage of sugar and sugarcane.

Considering the previous years' carryover stock and the large anticipated cane crop a timely announcement of sugar export quota for 1,500,000 metric tons was welcomed by the industry. This export notification along with a subsidy of Rs. 10.70 per kg encouraged mills to consistently crush cane and export the surplus sugar. Though, international prices were depressed due to ample availability of sugar in the global market yet the subsidy announced by the Federal and Provincial Governments, made exports viable. The quota was fully utilised with approximately equal sharing between Sindh and Punjab. While Punjab due to its natural locational advantage exported primarily to Afghanistan, Mills from Sindh were able to export to Myanmar, Vietnam, UAE and East Africa. The sugar export was able to generate around $ 500 million of precious foreign exchange for the country.

Despite the large export volume and the promise by the governments to pay, mills have yet not been paid 90 percent of the subsidy amounting to Rs.14 billion.

Sucrose Recovery

11.52

Percent

SEASON 2018-2019 - INDUSTRY PERSPECTIVE

The upcoming sugar season continues to be another challenging one. The country still has over 1.5 Million Tons opening stock and while the estimated crop size is supposed to be 15-20 percent lower, we would still have excess sugar in the country.

In December, the government has announced another quota of 1,100,000 metric tons for sugar exports. However, no subsidies from the federal government are attached with this quota. Punjab, however has recently announced a subsidy of Rs. 6.6 per kg for a quantity of 600,000 Tons.

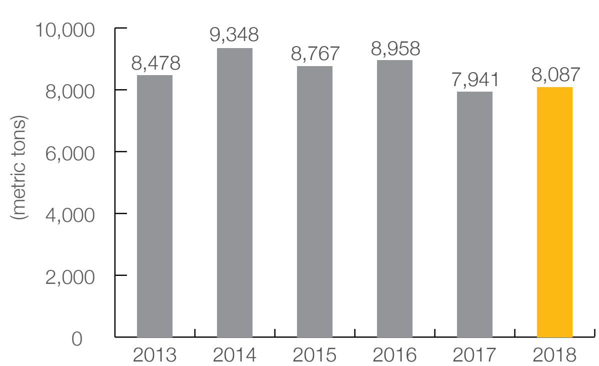
The 30 percent rupee depreciation has made exports comparatively viable at current international levels, which are hovering around $ 310-320 per ton FOB Karachi. Expectations of a lower harvest of sugarcane and reduced sugar production coupled with an export outlet may give a boost to local sugar price, which has the possibility of aligning the sugarcane price notified by the government with the free market price of sugar. As of now, this trend was not achieved but we are hopeful that as the season progresses it would.

Despite regular requests by the industry on revision of sales tax from fixed tax to variable tax based on market price of sugar, the tax remains pegged at 11% of Rs.60 per kg or at Rs. 6,600 per metric ton.

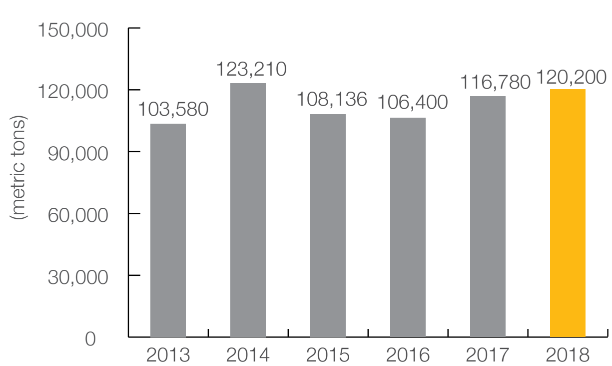
The following are the company's operational and financials highlights:

Operation Highlights	2017-2018	2016-2017
Duration of season - Crushing Days	129	133
Cane crushed - M. tons	1,043,279	1,056,198
Cane crushed - Maunds	26,081,984	26,404,955
Average daily crushing - M. tons	8,087	8,587
Plant Capacity (TCD)	12,500	12,500
Capacity Utilization - %	64.70%	68.70%
Sugar production - M. tons	120,200	116,780
Molasses production	51,526	48,864
Average recovery of sugar	11.52%	11.06%
Average recovery of molasses	4.94%	4.53%

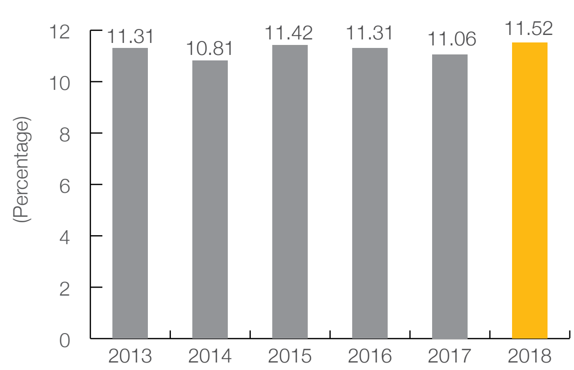
Average Crushing per day



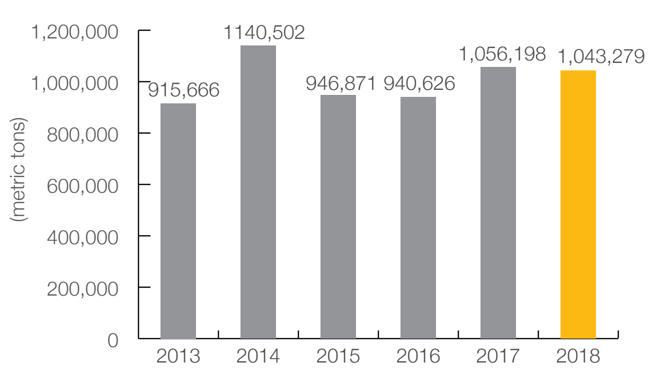
Sugar Produced



Sucrose Recovery

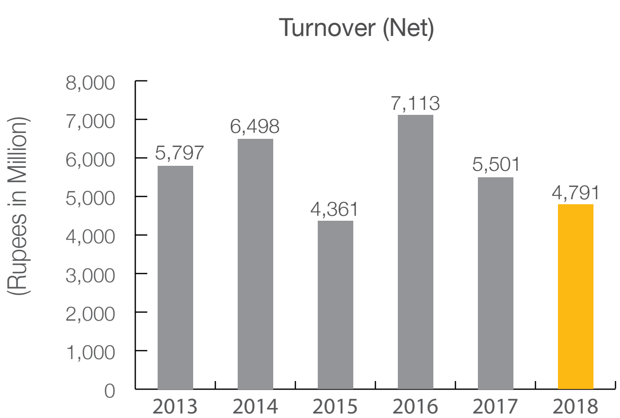


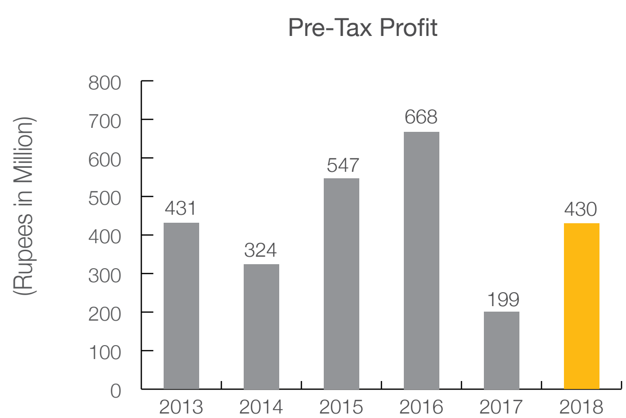
Cane Crushed

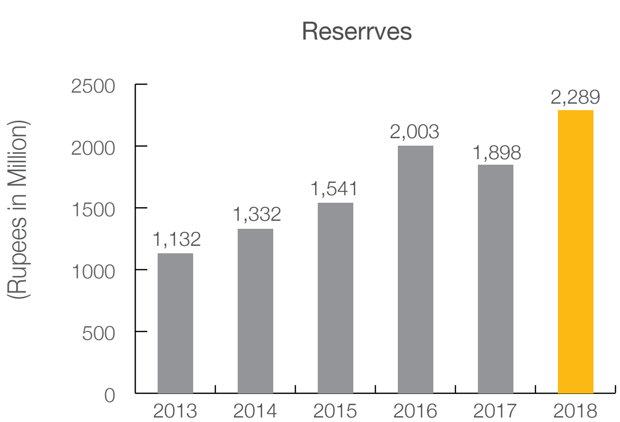


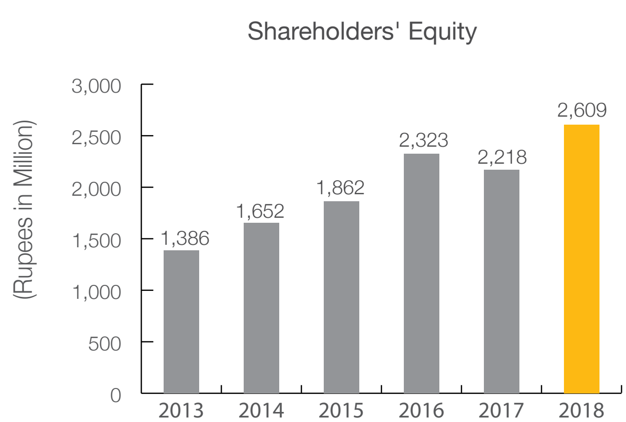
Financial Highlights

	2017-2018	2016-2017
	(Rupees in Thousand except EPS)	
Local Sales	2,218,327	4,211,411
Export Sales	2,813,117	1,685,861
Total Turnover	5,031,444	5,897,272
Sales Tax/F.E.D	240,654	396,436
Gross Profit	589,680	267,768
Gross Profit margin	12.31%	4.87%
Profit befor tax	429,723	198,546
Profit befor tax margin	8.97%	3.61%
Net Profit after tax	412,898	131,675
Net Profit margin	10.14%	2.40%
Earnings per share	12.89	4.11









As evident from the statistics, the sugarcane crushing remained more or less similar to last year's level. We are grateful to Allah for enabling us to attain the highest ever sucrose recovery in our history as well in the industry at 11.52%. We are also proud to announce that we were able to save and sell our highest level of Bagasse as well at over 50,000 Tons.

Molasses extraction also improved from 4.53% to 4.94%.

Factors, which affected financials results, are:

- The company recorded exchange gain on exports totaling Rs. 88.20 million.
- Profit from Unicol Ltd. was Rs. 394.82 million, which was comparatively higher than last year's profit of Rs. 106.78 million.
- Bagasse sales improved to Rs.105.58 million from Rs. 76.06 million last year.
- Molasses sales value was reduced to Rs. 334.81 million from Rs. 440.79 million last year.
- Dividend Income from Equities Portfolio was Rs. 38.15 million compared to Rs. 44.55 million during the last year.
- Power exports to HESCO amounted to Rs. 19.95 million as compared to Rs. 25.83 million last year.
- Export of 74,423 metric tons were the highest ever achieved by the Company in its history totaling Rs. 2.81 billion.
- Improvement in sucrose recovery resulted in better absorption of overheads.
- Loss from diminution in value of investment in Unifoods Ltd. was Rs. 54.72 million.
- Total subsidy on exports of sugar was Rs. 932 million.

UNICOL LTD.

Our JV distillery project, Unicol Ltd performed exceptionally well for the year. The record sugarcane crop allowed for ample and reasonably priced molasses, which allowed for good margins on ethanol production.

Results for Unicol are as follows:

	Units	2017-2018	2016-2017
Turnover	Rs.in '000'	5,167,711	4,455,265
Gross Profit	Rs.in '000'	1,796,594	733,825
Profit Before tax	Rs.in '000'	1,236,832	340,353
Profit after Tax	Rs.in '000'	1,184,448	320,353
Earnings per share	Rs.	7.90	2.14
Production-Ethanol	M. Tons	59,287	57,867
Production- CO_2	M. Tons	13,075	7,640

After ten years of continual reinvestment and growth, Unicol has now started paying regular dividends. We foresee the investment to be now an attractive cash generator for your company. In recognition of its export performance, Unicol has been ranked amongst the top 100 exporters of the country for the year 2018. Also Federation of Pakistan Chamber of Commerce & Industry has awarded Export Trophy to the company in recognition of highest exports in its category at a ceremony presided by the Prime Minister of Pakistan

UNIFOOD INDUSTRIES LTD.

The plant has started commercial production in March 2018 of its signature product Long cakes and Cupcakes both with different fillings.

The company sales forecast are as per plan. A nationwide distribution network is being established along with creation of a master brand by the name *"Good Goodies".* Once the master brand is established and distribution outlined it will make it easier for the company to add different products in its Portfolio. We expect the company sales to continue to grow however, the company will not come into profit before 2021.

UNIENERGY LTD.

During the year under review, no progress was recorded on the wind power project. Management is keeping a close eye on NEPRA's policy in regards of the sector and whether it will award an upfront tariff or a competitive bidding mechanism. Our total investment in UniEnergy till date is Rs. 19.84 million.

MEHRAN ENERGY LTD.

Mehran Energy, our 26.5 MW IPP project also remains uncertain due to government policy. All 12 sugar based power projects are currently undergoing litigation at different levels. CPPA has filed an appeal in Islamabad High Court against decision of NEPRA , which is pending adjudication. NEPRA is also reviewing the mechanism of tariff. The verdict on this matter is vital for the future of these projects. Our total investment in Mehran Energy is Rs. 41.53 million.

RETAIL SALES

Our two sugar brands Sugarie and Chasnik have been growing sales steadily. Year on year volume of Brown sugar sales continue to expand. This has been made possible due to improved geographical coverage. Presently, our product is available in four main cities of the country, Karachi, Lahore Islamabad and Rawalpindi as well as over a dozen adjoining towns.

FUTURE OUTLOOK

Season 2018-2019 seems to be an uncertain one. We foresee the crop size being 15-20 percent lower than the previous year which should help ease the sugar glut in the local market.

The prime reason for the lower crop has been difficulty on the part of the farmer to off load his crop in the previous season due to huge rush and waiting at mills. The other major reason has been the water scarcity all across the country.

Sadly, the sugar industry is bound to suffer in the long term due to both these issues. A lack of linkage between sugar prices and sugarcane prices made the previous season extremely difficult for both the miller and the farmer. The only many beneficiary was the consumer both industrial and direct. This has discouraged the farmer from planting cane and Pakistan from being a net sugar exporter could again become a net sugar importer.

Availability of sugarcane may reduce in the next couple of years unless concrete steps are taken to address these issues. Change in weather patterns and availability of water

remain key factors affecting this crop. In view of these developments, next year looks to be another challenging year.

The Provincial Government has once again notified a Minimum Support Price at Rs.182 per 40 kgs plus a Quality Premium at the rate of fifty paisa per 40 Kg cane for each 0.1 per cent of excess sucrose recovery above 8.7 percent. This is done without giving due consideration to the industry's woes and without following Court order for taking all stakeholders in confidence before notifying the support price. Also the industries long standing request to allow for a fair linkage between sugarcane and sugar price was again ignored.

Sugar mills have sadly once again approached the Sindh High Court for bringing together all stakeholders and finding a solution. Bound by the cane act and in good faith the sugar mills have started cane crushing and are hoping for an amicable decision from the high court.

The federal government in its effort to provide some support to sugar prices considering the high cane price notification has taken some positive steps. Firstly, it has promised clearing the pending Rs. 14 billion subsidy out of which your company is also owed Rs. 650 Million. Secondly, it has announced 1.1 million metric Tons of unconditional exports and thirdly it has promised that the FBR would charge sales tax at market prices and not at a fixed Rate of Rs. 60/- per kg which is much higher than the market price.

We hope that a lower cane crop along with an export policy in place should rebalance the supply and demand position in the country and allow an improvement in sugar prices, which would make it feasible for mills to pay the notified sugar price. This situation would create a balance for the industry whereby the farmer and the miller is given an equitable return and the sustainability of the cane crop can be preserved long term.

Unicol is poised for another stable and healthy financial year. We expect a similar dividend from Unicol for season 2018-19 as well. However, we do not foresee major change in our 26.5 MW Cogen and Wind Power projects in the near future. Recent devaluation of Pak Rupee coupled with interest rate hike is expected to have a mixed impact on our company. While interest rates should increase our cost of borrowings however the devaluation would help us since our major products ethanol and sugar are export based or import replacement products.

ACKNOWLEDGMENT

We are trying to build a stable and long-term future focused on stakeholder's satisfaction. In achieving this objective, we would like to appreciate the devotion and efforts of the workers, staff and executives and anticipate that in the future as well; they will continue to contribute towards the enhancement of the productivity and well-being of the Company with greater zeal and spirit. The Board further extends its gratitude to the government functionaries, associations, banking and financial institutions, shareholders and vendors for their valued support and co-operation for the betterment and prosperity of the Company. Detailed report on Company's efforts towards CSR and compliance of corporate governance regulations and Pattern of Shareholding as at September 30, 2018 are annexed in the report.

For and on behalf of the Board of Directors

Mohammed Ebrahim Hasham
Chief Executive Officer

Muhammad Iqbal
Director

Karachi: December 28, 2018

Corporate Governance Framework

Board of Directors

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

During the year under review, four meetings of the Board convened and the attendance of the members was as follows:

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

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

Directors' Remuneration

The Board of Directors has approved a "Remuneration Policy for Directors"; the salient features of which are:

- The Company will not pay any remuneration to its non-executive directors except as meeting fee for attending the Board and its Committee meetings.
- The remuneration of a director for attending meetings of the Board of Directors or its Committees shall from time to time be determined and approved by the Board of Directors.
- A director shall be provided or reimbursed for all travelling, boarding, lodging and other expenses incurred by them for attending meetings of the Board, its Committees and / or General Meetings of the Company.

Statement of Ethics & Business Practices

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

Audit Committee

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

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

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

Human Resource and remuneration committee

The committee comprises of 4 non-executive members, the Chairman of the committee is an independent Director. During the year two meetings of the committee were held. Attendance of the members was as follows:

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

External Audit

The Company wishes to place on record its appreciation for the services rendered by the Company's auditors M/s. EY Ford Rhodes, Chartered Accountants, who have completed the audit of financial statements of the Company for the year ended September 30, 2018. M/s EY Ford Rhodes, Chartered Accountants, being eligible, have offered themselves for re-appointment for the year ending September 30, 2019, Audit Committee has also recommended for re-appointment, however shareholders approval for the said appointment will be sought in AGM.

Corporate & Financial Reporting Framework

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

- The financial statements, prepared by the management of the Company, fairly present its state of affairs, the result of its operations, cash flows and changes in equity;

- The Company has maintained proper books of accounts as required under the law;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained;
- There are no significant doubts upon the Company's ability to continue as a going concern;
- The summary of key operating and financial data for last six years is annexed;
- The Company has made contribution towards the national exchequer in the form of Federal, Provincial and local taxes and levies; as disclosed in annexed Financial Statements.
- The Company has proposed the final cash dividend of PKR 3 per share (i.e. 30%) and final bonus shares of 15 shares per 100 shares held (i.e. 15%) subject to the approval of shareholders in the upcoming Annual General Meeting scheduled to be held on January 28, 2019.
- The Company has made contribution towards the national exchequer in the form of Federal, Provincial and local taxes and levies; as disclosed in annexed Financial Statements.
- The Company is operating a Provident Fund Scheme for its permanent employees. The value of the fund as at September 30, 2018 was Rs. 154.814 million (un-audited);
- There is also an un-funded gratuity scheme. On the basis of actuarial valuation conducted during 2018, a net liability of Rs. 4.785 million as at September 30, 2018 has been provided;
- The Pattern of Shareholding as at 30th September, 2018 is annexed;
- Mohammed Ebrahim Hasham (CEO), gifted 150,000 shares of the Company to Mrs. Khursheed Ebrahim Hashim (spouse) and 50,000 shares to Mr. Ahmed Ebrahim Hasham (son) – Managing director of the Company, Mr. Mohammed Hussain Hasham (director) gifted 374,910 shares to Mrs. Mary Hussain (spouse), Mr. Ahmed Ebrahim Hasham (Managing director) gifted 50,000 shares to Mrs. Anushey A. Hasham (Spouse), also Mrs. Kulsoom Kasim (spouse of Mr. Kasim Hasham –Chairman BOD) bought 19,700 shares of the company through open market during the year under review, all above transactions were disclosed to the SECP and PSX according to the relevant rules and regulations, None of the other directors, CEO and Executives and their spouses and minor children carried out any transaction in the shares of the Company during the year under review.

Adequacy of Internal Financial Controls

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

Certificate of Related Parties Transactions

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

Material Changes

There have been no material changes since September 30, 2018 and the Company has not entered into any commitment, which would affect its financial position at the date.

For and on behalf of the Board of Directors

Mohammed Ebrahim Hasham
Chief Executive Officer

Muhammad Iqbal
Director

Karachi: December 28, 2018

Corporate Social Responsibility

RESPONSIBILITY TO STAKEHOLDERS

Investment in Human Capital

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

Our employee-training program is being continually upgraded to remain in line with the changing needs of our Company and industry. During this year we continued to invest in our Human Resource through training programs at PIM, MAP and In-house Technical Trainings through UIT and NED University as well. A total of 16 members from the Mehran team spent 2 days in Karachi attending the PSST sugar conference.

We have engaged BMA a renowned technical consultant from Germany for evaluation of our plant heat mass balance, boilers steam efficiencies and to educate us for installation of FFEs in context of our 26.5 MW power project. During the exercise, our technical team along with our sugar technology partner IPRO has developed a great synergy with BMA and our technical team learnt a lot in context of defined areas. BMA also shared a comprehensive report covering their scope of engagement. Based on positive feedback of our Technical team we look forward to working with BMA in future by developing a long standing relationship with them.

Investment in our Working Environment

We have in the last 5 years invested Rs. 67.0 Million on uplifting our working environment for employees at both Head office and Mills. At the mill our Management House and technical House have been modernized. The old factory mosque has also been modernized in its facade and internal areas. A new instrument block has also been made considering the future needs to automate the factory and thus requirement for quality human resource.Last year, we have invested 10.05 millionon Construction of So-safe drinking water filter plant and Colony residence repair maintenance by considering our responsibilityto provide improved facilities to our workers and staffs at our mills. This year, we have invested 35 Million on Water conservation EMP plan in order to conserve Canal water and utilizing Sugarcane water for the processes. The entire boundary wall facing the main road has been re-built; in addition, pavers have been laid in most parts of the residential colony and the factory area walkways.

Investment in employee HSE

MSML employees are at the heart of the corporate strategy of the Company. The core objective of the Company is to create conducive working environment, in line with the best industrial practices and ensuring adherence to the requirements of the health and safety codes. The HSE department is entrusted with the responsibility of monitoring of HSE compliance and ensures mandatory usage of relevant safety equipment at work for workers. Continuing the standard practice this year the HSE department has conducted a three days' workshop on safety training which were also attended by seasonal contractors' supervisory staff. In addition to this Annual third party external

environmental & safety audits, scheduled internal audit & inspection were performed.Through demonstrations safety observation culture was promoted to eliminate hazards which may lead to accidents, more than 3000 safety observations were made. For the awareness of employees and contractors Global Health and Safety/ Environmental Days were also observed during the year.

Contribution towards Education in Rural Pakistan

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

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

- Daood Memorial School (DMS)
  The school is situated within the premises of the mills primarily for our employees and generally for the youth of the surrounding areas. Since its incorporation in 1998-99, the Company is providing full operational, financial and logistic support to the school. By the grace of God, and continuous efforts of the management and the teachers, the school is growing steadily and currently533 students are enrolled and 21 faculty members are entrusted to provide quality education. While the number of students increases, we have continued to ensure that there is no compromise on the education standards of the schools. This is benchmarked through teacher training programs as well as results of our students.

- TCF School–Haji Hasham Campus
  In order to broaden the horizon of our education initiative, a school has been developed in collaboration with The Citizen Foundation in Piyaro Lund area, 13 kilometers from our factory. The school was established in 2011 at a cost of Rs. 11.26 Million funded by Mehran Sugar. Currently 481students are enrolled with 26 faculty members.

- TCF School - Hurri Campus
  MSML has again taken an initiative for broadening the education base by embarking on the development of yet another school at Hurri, 12 kms from our factory. The school is again being developed in collaboration with The Citizens Foundation at a cost of Rs. 16.5 Million, which Mehran Sugar contributed in large interest of the local community. The campus has started its academic session from April 2016. So far 313students are enrolled with 13 faculty members.

Vocational training

In order to bring some improvement in life style of the women of surrounding areas, a Vocational training Centre has been established within the MSML Staff Colony, which provides basic training to the women of the colony and surrounding areas for sewing, embroidery, cooking and stitching to the women of the colony and surrounding areas. This year the entire center has been renovated to give a modern look. At present, the vocational center is providing training to 16plus women in multiple faculties.

Health services

The Company recognizes its responsibility towards provision of health services in the surrounding areas of Tando Allahyar. The MSML mobile dispensary unit has been operational since 2004. The dispensary is fully equipped and provides basic health care services to the needy free of cost. A dedicated full time trained relevant medical staff have been assigned for this unit. Since its establishment, the dispensary has treated a quantum of more than 65,000 patients. In addition, before the start of crushing season every year, all seasonal workers and checked by the doctor for physical fitness for the relevant job.

Farmer support services

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

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

Customer satisfaction

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

RESPONSIBILITY TO SOCIETY

Power generation

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

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

Governance structure

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

Contribution towards economy

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

RESPONSIBILITY TO ENVIRONMENT

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

Emission and discharges

Mehran is proud to state that we are one of the few mills in Pakistan which has installed modern fly ash systems on

Karachi: December 28, 2018

100% of its boilers thus ensuring zero fly ash discharge. The Company has invested approximately Rs. 80 million in the last five years on installing this system as well as maintaining it to ensure it runs at capacity and functions accordingly.

Waste Water Treatment

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

Plantation Drive

We as a nation and responsible citizens need to understand the importance of plantation and must focus upon making our country green. Besides, community awareness and inculcation of civic sense is the need of time. We as a Company will ensure playing its role in this field accordingly this year we have planted 5,000 Trees in thevicinity of our Mills, Colony, and adjacent areas.

For and on behalf of the Board of Directors

Mohammed Ebrahim Hasham
Chief Executive Officer

Muhammad Iqbal
Director

Pattern of Shareholding

as at September 30, 2018

Number of Shareholders	Shareholdings From		Shareholdings To	Total Number of Shares held
839	1	-	100	15,877
263	101	-	500	66,215
79	501	-	1,000	61,268
186	1,001	-	10,000	698,795
13	10,001	-	15,000	157,776
10	15,001	-	20,000	172,408
10	20,001	-	25,000	223,955
10	25,001	-	40,000	310,526
5	40,001	-	60,000	256,526
1	60,001	-	70,000	65,733
1	70,001	-	80,000	70,110
1	80,001	-	85,000	84,185
4	85,001	-	90,000	355,316
3	90,001	-	100,000	282,039
1	100,001	-	120,000	100,003
2	120,001	-	150,000	274,850
1	150,001	-	180,000	150,116
1	180,001	-	185,000	180,538
1	185,001	-	190,000	187,264
1	190,001	-	195,000	193,133
2	195,001	-	250,000	405,808
2	250,001	-	265,000	516,078
2	265,001	-	320,000	551,811
1	320,001	-	340,000	322,957
1	340,001	-	440,000	391,565
4	440,001	-	815,000	2,113,310
3	815,001	-	3,380,000	5,506,927
3	3,380,001	-	5,630,000	12,681,452
1	5,630,001	-	5,635,000	5,634,704
1,451	Total			32,031,245

Shareholders's Category	Number of Shareholders	Number of Shares held	Percentage
Individuals	1,417	30,615,445	%95.58
Joint Stock Companies	20	995,918	%3.11
Insurance Companies	2	322,992	%1.01
Financial Institutions	7	32,746	%0.10
Others	5	64,144	%0.20
	1,451	32,031,245	

Additional Information
as at September 30, 2018

	Categories	Number of Shareholders	Shares held
(a	**NIT & ICP**		
	Investment Corporation of Pakistan	1	1,082
	(IDBL (ICP UNIT	1	639
		2	1,721
(b	**Directors / CEO and their spouse and minor children**		
	Mr. Mohammed Kasim Hasham	1	5,634,704
	Mr. Mohammed Ebrahim Hasham	1	4,582,225
	Mr. Mohammed Hussain Hasham	1	4,718,189
	Mr. Khurram Kasim	1	3,381,038
	Mr. Ahmed Ebrahim Hasham	1	3,337,623
	Mr. Muhammad Iqbal	1	8,134
	Mr. Dr. Amjad Waheed	1	3,162
	Mr. Muhammad Basheer	1	24,035
	Mrs. Kulsoom Kasim	1	492,100
	Mrs. Khursheed Ebrahim	1	969,304
	Mrs. Mary Hussain	1	1,200,000
	Mrs. Anushey A. Hasham	1	150,000
		12	24,500,514
(c	**Executives**		
	(Muhammad Hanif Aziz (Company Secretary	2	29,159
(d	**Public Sectors Companies and Corporations**		
	State Life Insurance Corp. of Pakistan	1	322,957
(e	**Bank, DFIs, NBFIs, Insurance Companies, Mudarbas & Mutual Funds**		
	.EFU General Insurance Ltd	1	35
	Habib Bank Limited	1	1,772
	MCB Bank Limited - Treasury	2	253
	Maple Leaf Capital Limited	1	1
	Habib Bank AG Zurich, Zurich, Switzerland	1	27,900
	Habib Bank Ag Zurich, Deira Dubai	1	1,100
	Arif Habib Limited - MF	1	59,000
	MRA Securities Limited - MF	1	9,600
		9	99,661
(f	**General Public**		
	Physical	830	978,667
	CDC	621	31,052,578
		1451	32,031,245
(g	**or more voting interest %5 Shareholders holding**		
	Mr. Mohammed Kasim Hasham & Mrs. Kulsoom Kasim	2	6,126,804
	Mr. Mohammed Ebrahim Hasham & Mrs. Khursheed Ebrahim	2	5,551,529
	Mr. Mohammed Hussain Hasham & Mrs. Mary Hussain	2	5,918,189
	Mr. Khurram Kasim	1	3,381,038
	Mr. Ahmed Ebrahim Hasham & Mrs. Anushey A. Hasham	2	3,487,623
		9	24,465,183

یونی کول کا یہ ایک اور منافع بخش سال ہوگا۔ ہم امید کرتے ہیں کہ سیزن 19-2018 بھی گذشتہ سال جیسا منافع حاصل کریں گے۔ البتہ ہمیں 26.5MW Cogen اور ہوا سے بجلی بنانے کے منصوبوں میں، مستقبل قریب میں پیش رفت نظر نہیں آرہی، کمپنی پر روپے کی قدر میں حالیہ کمی کے اور شرح سود میں اضافے کے اثرات ملے جُلے ہونگے۔ اگرچہ شرح سود میں اضافے سے ہمارے قرض میں مزید اضافہ ہوگا لیکن چینی اور ایتھونول کی برآمدات سے حاصل ہونے والے زرمبادلہ سے ہم اس کمی کے پورا ہونے کی امید رکھتے ہیں

اظہار تشکر

ہم ایک طویل المدتی اور مستحکم مستقبل کے حصول کے لئے کوشاں ہیں جس میں ہمارے شراکت دار مطمین رہیں۔ اس موقعہ پر ہم اپنے تمام کارکنان ، عملے، ملازمین اور منسلک افراد کہ جنہوں نے اس مقصد کے حصول کی خاطر ایمانداری سے انتھک محنت کی اور کمپنی کی پیداوار میں اپنا جائز حصہ ڈالا، اُن کو کیسے بُھلا سکتے ہیں ہم ان کی کوششوں کا اعتراف کرتے ہیں اور شاباس دیتے ہیں اور ان سے امید رکھتے ہیں مستقبل میں بھی وہ اسی جذبے کے تحت ترقی کے لئے طے کردہ مقاصد کے حصول کے لئے اپنی تمام تر صلاحیتیں استعمال کریں گے ۔

بورڈ اس موقع پر حکومتی اداروں کے نمائندوں، ایسوسی ایشنز، بینکنگ اور مالیاتی اداروں کے نمائندے کہ جنہوں نے ہم سے تعاون کیا، اُن سب کے بے حد شکر گزار ہیں۔

کمپنی کے فروغ اور خوشحالی کے حصول میں تعاون پر ہم اپنے حصص داران اور وینڈرحضرات کے تہہ دل سے مشکور ہیں۔ CSR کی جانب سے ، کمپنی کی ماحولیات سے متعلق قوانین پر عمل پیرا ہونے اور کارپوریٹ ہونے کےناطے ، عائد ہونے والے حکومتی قواعد و ضوابط پر من وعن عمل پیرا ہونے سے متعلق اعتراف بھی اس رپورٹ کا حصہ ہے۔

ازطرف

بورڈ آف ڈائریکٹرز

محمد ابراہیم ہاشم
چیف ایگزیکٹیو آفیسر

محمد اقبال
ڈائریکٹر

کراچی -28 دسمبر 2018

مہران انرجی لمیٹڈ

ہمارا یہ منصوبہ MW IPP 26.5 بجلی کا منصوبہ ہے یہ منصوبہ بھی حکومت کی اس ضمن میں پالیسی کے نتیجے میں غیر یقینی کا شکار ہے ، تمام 12 شوگرملز جو کہ بجلی بنا رہی ہیں وہ سب بھی قانونی مقدمہ بازی کے مختلف مراحل میں ہیں ۔ CPPAنے ایک اپیل اسلام آباد ہائی کورٹ میں NEPRAکے فیصلے کے خلاف دائر کر رکھی ہے۔ جو ابھی زیر التوا ہے۔ جبکہ نیپرا بھی ٹیرف کے طریقہ کار کا بھی جائزہ لے رہا ہے، اس معاملے کے فیصلے پر ان منصوبوں کے مستقبل کا دارومدار ہے۔ اس منصوبے پر ہماری مجموعی سرمایہ کاری 41.53ملین روپے ہے۔

ریٹیل سیلز

ہمارے دو برانڈ ز ،شگری اور چاش نک کے نام سے مارکیٹ میں موجود ہیں اور ان کی فروخت میں سال بہ سال مسلسل اضافہ ہو رہا ہے۔ اس کی ترسیل کی جغرافیائی حدود میں اضافہ نے بھی اہم کردار ادا کیا، اس وقت ہماری مصنوعات ملک کے چار بڑے شہروں کراچی، لاہور، راولپنڈی اور اسلام آباد کے علاوہ ان سے متصل بہت سارے چھوٹے شہروں میں بھی دستیاب ہے۔

مستقبل کا منظر نامہ

سیزن 19-2018 میں غیر یقینی صورتحال کا سامنا ہے گنے کی پیداوارپچھلے سال کی نسبت 15 سے 20 فیصد کمی کی توقع کی جارہی ہے جس کی وجہ سے مقامی منڈی میں پچھلے سال کی اضافی چینی کے ذخائر میں کمی کی توقع ہے۔ گنے کی پیداوار گنے کی پیداوار میں کمی کی وجہ پچھلے سیزن میں زیادہ رش کی بناء پر گنے کی گاڑیوں کا بروقت خالی نہ ہونا اور دوسری بڑی وجہ کاشت کے لئے دستیاب پانی میں کمی ہے۔

بدقسمتی سے ان دونوں وجوہات کی بناء پر شوگر ملزمستقبل قریب بھی پریشانی کا شکا ر نظر آتی ہیں، گذشتہ سیزن میں چینی اور گنے کی قیمت میں توازن بہت ہی مشکل کام تھا جو کہ ملز اور زمیندار دونوں پر اثر انداز ہوا۔ اور فائدہ میں صرف عام اور صنعتی صارفین رہے۔ زمیندار نے اس صورتحال سے دلبرداشتہ ہوکر گنے کی فصل سے عدم توجہی شروع کر دی ہے جس کی وجہ سے پاکستان جوکہ چینی برآمدکنندگان میں شامل ہے چینی درآمدکنندگان میں شامل ہوسکتا ہے۔

موسمیاتی تبدیلی اور پانی کی کمی اس فصل کو متاثر کرنے والے اہم عوامل ہیں جن کی وجہ سے مستقبل قریب میں گنے کی شدید کمی ہو سکتی ہے، جن کی وجہ سے شوگر ملز کے لئے آئندہ چند سیزن مزید مشکلات لے کر آئیں گے ۔اس ضمن میں ٹھوس اقدامات کی فوری ضرورت ہے ۔

صوبائی حکومت نے اس سیزن کے لئے ایک مرتبہ پھر گنے کی کم از کم امدادی قیمت 182 روپے فی 40 کلوگرام مقرر کردی ہے جبکہ اس کے ساتھ کوالٹی پریمیم کے لئے ہر 40 کلوگرام پر 50 پیسے 0.1 فی صد کے حساب سے 8.7 فیصد ریکوری ہونے پر دینے کا اعلان کیا ہے۔ اور اس معاملے میں صنعت کے نمائندوں سے کوئی مشاورت نہیں کی گئی اور انہیں اعتماد میں لئے بغیر یک طرفہ طور پر اعلان کردیا جب کہ یہ معاملہ عدالت میں موجود ہے۔ جبکہ صنعتی نمائندے ایک طویل عرصے سے درخواست کررہے ہیں کہ گنے کی قیمت کو چینی کی قیمت فروخت سے منسلک کردیا جائے۔ اس بات کو ہر مرتبہ نظرانداز کردیا جاتا ہے۔ اس صورتحال پر شوگر ملز نے مجبوری کی حالت میں کورٹ سے رجوع کیا، تاکہ تمام اسٹیک ہولڈر ز مل بیٹھ کر اس مسئلے کا حل نکال سکیں۔ گنے کے لئے طے کردہ قوانین پر عمل کرتے ہوئے اور کورٹ کی جانب سے انصاف کئے جانے کی اُمید پر شوگر ملز نے کریشنگ سیزن کا آغاز کردیا ہے۔ وفاقی حکومت کی جانب سے گنے کی زائد قیمت خرید کو منظر رکھتے ہوئے کچھ مثبت اقدامات دیکھنے میں آرہے ہیں ، جس میں پہلا قدم یہ اُٹھایا گیا ہے کہ پچھلے سال کی سبسڈی جو کہ 13 بلین بنتی ہے دیئے جانے کا حکم دے دیا ہے جس میں سے 650 ملین روپے کمپنی کو ملنے ہیں۔ دوسرا قدم یہ اُٹھایا گیا ہے کہ 1.1 ملین میٹرک ٹن غیر مشروط برآمد کی اجازت دے دی ہے۔ جبکہ تیسرا قدم یہ ہے کہ حکومت نے وعدہ کیا ہے کہ FBR مارکیٹ کی قیمت کے عین مطابق سیلز ٹیکس چارج کرے گا اور اس کی شرح بھی مقرر نہیں کی جائے گی جو کہ مارکیٹ کی قیمت 60 روپے فی کلو گرام سے بھی زیادہ بنتی ہے۔

ہم امید کرتے ہیں کہ برآمد ات اور گنے کی کم دستیابی کی بناء پر طلب اور رسد برابری کی سطح پر پہنچ جائے گی جس کی وجہ سے چینی کی قیمت میں بہتری کا رجحان ہوگا جس کی وجہ سے ملز عدم استحکام کا شکار ہونے سے بچ سکیں گی۔ یہ صورتحال صنعت کے مستقبل کے لئے مثبت ہوگی اور کسان کو بھی گنے کا معقول معاوضہ مل سکے گا اور صنعت کو بھی دیرپا استحکام حاصل ہو سکے گا۔

- چینی کی برآمدات 74,423 میٹرک ٹن رہی جو کہ کمپنی کی تاریخ کی سب سے بڑی برآمدات تھی اس سے حاصل ہونے والی رقم 2.81 بلین روپے بنی۔
- بہتر سکروز ریکوری کی وجہ سے فی ٹن پیداواری لاگت میں کمی واقع ہوئی۔
- یونی فوڈز میں کی گئی سرمایہ کاری میں 54.72 ملین روپے کی کمی واقع ہوئی۔
- برآمدی سبسڈی (زراعانت) 932 ملین روپے رہی۔

یونی کول

ہمارا جے وی ڈسٹلری پلانٹ، یونی کول لمیٹڈ نے متذکرہ عرصے میں بہت اچھی کارکردگی کا مظاہرہ کیا۔ گنے کی ریکارڈ پیداوار کی وجہ سے مولیسس کی پیداوار میں بھی اضافہ ہوا اور مولیسس کی قیمت خرید میں مسابقت پیدا ہوئی اور نتیجتاً مولیسس کے نرخوں میں کمی واقع ہوئی جو کہ ایتھونول میں اضافہ کی بنیادی وجہ بنی۔

یونی کول سے متعلق اہم مالیاتی اعداد و شمار مندرجہ ذیل ہیں:

مالیاتی معلومات (فنانشل ہائی لائٹس)		2017-18	2016-17
مجموعی فروخت (ٹوٹل ٹرن اوور)	روپے ہزاروں میں	5,167,711	4,455,265
خالص منافع	روپے ہزاروں میں	1,796,594	733,825
قبل از ٹیکس منافع	روپے ہزاروں میں	1,236,832	340,353
بعد از ٹیکس منافع	روپے ہزاروں میں	1,184,448	320,353
فی حصص آمدنی	روپے	7.90	2.14
ایتھونول کی پیداوار	میٹرک ٹن	59,287	57,867
CO_2 کی پیداوار	میٹرک ٹن	13,075	7,640

دس سال سے لگاتار سرمایہ کاری کی وجہ مسلسل ترقی ہورہی ہے اب یونی کو ل نے باقاعدہ منافع کی ادائیگی شروع کردی ہے ہم آپ کی کمپنی کے لئے ایسی کوشش کررہے ہیں کہ مسلسل منافع حاصل ہوتا رہے۔ یونی کو ل ملک کی سب سے زائد برآمدات والی 100 کمپنیوں میں سے ایک ہے۔ اس کے علاوہ پاکستان چیمبر آف کامرس اینڈ انڈسٹری نے اپنی جیسی برآمدات کرنے والی کمپنیوں میں سب سے زائد برآمد والی کے کمپنی کے طور پر اس کو ٹرافی سے نوازا ہے یہ ٹرافی ایک پُروقار تقریب میں جناب وزیر اعظم پاکستان نے دی۔

یونی فوڈز انڈسٹری لمیٹڈ

پلانٹ نے تجارتی بنیادوں پر مارچ 2018 سے کام شروع کردیا ہے جس میں دو طرز کے کیک تیار ہورہے ہیں ایک کیک لمبائی میں ہے جو کہ لونگ کیک اور ایک کپ کیک کہلاتا ہے یہ دونوں Good Goodies کے نام سے ہیں دونوں علیحدہ ذائقے رکھتے ہیں۔ فروخت اور معاشی اشاریے اب تک پلان کے مطابق ہیں۔ ملک بھر میں اس کی تشہیری مہم شروع کردی گئی ہے اور اس کی سپلائی کا منظم طریقہ کار بنایا جارہا ہے ۔ ایک بار جب یہ برانڈ مارکیٹ میں اپنی جگہ بنا لے گا تو اس طرز کی دیگرمزید مصنوعات کو بھی شامل کیا جائے گا۔ ہم اس کی فروخت بڑھانے کے لئے مسلسل جدوجہد کرتے رہیں گے اور اُمید کرتے ہیں کہ 2021 تک یہ ادارہ منافع بخش ہوجائے گا۔

یونی انرجی لمیٹڈ

یہ ہوا کے ذریعے بجلی حاصل کرنے کا منصوبہ ہے ، متذکرہ عرصے میں اس منصوبے پر کوئی پیش رفت نہیں ہو پائی، ہم NEPRA کی اس ضمن میں ٹیرف کی پالیسوں پر نظر رکھے ہوئے ہیں کہ کب وہ اس منصوبے کے لئے ایک مناسب ٹیرف طے کرتا ہے۔ اس منصوبے پر ہماری اب تک مجموعی سرمایہ کاری 19.84 ملین روپے ہے۔

کمپنی کے مالیاتی اعداد و شمار اور آپریشنل معلومات درج ذیل ہیں:

آپریشنل ہائی لائٹس	2017-18	2016-17
سیزن کا دورانیہ ۔	129	133
کرشنگ (میٹرک ٹن)	1,043,279	1,056,198
کرشنگ (من)	26,081,984	26,404,955
روزانہ کرشنگ (میٹرک ٹن)	8,087	8,587
پلانٹ کی گنجائش(TCD)	12,500	12,500
پیداواری صلاحیت کا استعمال	64.70%	68.70%
چینی کی پیداوار (میٹرک ٹن)	120,200	116,780
مولاسس کی پیداوار (میٹرک ٹن)	50,526	48,864
سکروز کی ریکوری	11.52%	11.06%
مولاسس کی ریکوری	4.94%	4.53%

فنانشل ہائی لائٹس	2017-18	2016-17
	روپے ہزاروں میں ماسوائے	فی حصص آمدنی
مقامی فروخت	2,218,327	4,211,411
برآمدی فروخت	2,813,117	1,685,861
مجموعی فروخت (ٹوٹل ٹرن اوور)	5,031,444	5,897,272
ایف ای ڈی / سیلز ٹیکس	240,654	396,436
خالص منافع	589,680	267,768
خالص منافع کی شرح	12.31%	4.87%
قبل از ٹیکس منافع	429,723	198,546
قبل از ٹیکس منافع کی شرح	8.97%	3.61%
خالص منافع بعد از ٹیکس	412,898	131,675
خالص منافع کی شرح	10.14%	2.40%
فی حصص آمدنی	12.89	4.11

اعداد و شمار سے واضح ہوتا ہے کہ گنے کی کرشنگ گذشتہ سال کے مقابلے میں کچھ کم یا زائد ہو سکتی ہے۔ ہم اللہ تعالی کے بے حد شکر گذار ہیں کہ ہم نے اپنی تاریخ کی بہترین ریکوری حاصل کی جو کہ 11.52 تھی۔ ہم فخریہ طور پر بتاتے ہیں کہ ہم نے پہلی مرتبہ 50000 پچاس ہزار ٹن سے زائد بگاس Bagasse کی بچت کی ہے۔ مولسس کی پیداوار 4.53% کے مقابلے میں 4.94% رہی۔

مندرجہ ذیل عوامل مالیاتی نتائج پر اثر انداز ہوئے :

- شرح تبادلہ میں اضافہ کی وجہ سے کمپنی نے 88.2 ملین روپے کا منافع ریکارڈ کیا۔
- یونیکول لمیٹڈ سے 394.82 ملین کا منافع حاصل کیا ، پچھلے سال یہ 106.78 ملین روپے تھا۔
- بگاس کی فروخت میں اضافہ جو کہ گذشتہ سال 76.06 ملین تھی جبکہ اس سال 105.58 ملین رہی۔
- مولاسس کی فروخت سے حاصل ہونے والی رقم میں کمی واقع ہوئی اور اس سال 334.81ملین رہی جبکہ پچھلے سال یہ 440.79 ملین تھی
- حصص سے حاصل ہونے والا منافع 38.15ملین روپے تھا جو کہ پچھلے سال 44.55 ملین روپے تھا۔
- HESCOکو بجلی سپلائی کرنے سے حاصل ہونے والی آمدن 19.95ملین رہی جوکہ پچھلے سال 25.83 ملین تھی

جاری رہی ، پنجاب میں چینی کی پیداوار تقریباً 4.2 ملین میڑک ٹن تھی جبکہ سندھ میں 2.3ملین میٹرک ٹن تھی، مجموعی پیداوار تقریباً 7.0 ملین میڑک ٹن رہی۔

سندھ میں گنے کی قیمت صوبائی حکومت نے 182 روپیہ فی 40 کلوگرام مقرر کی تھی یہ تنازع بہتر طورسے حل نہیں ہو پایا۔ صنعت کی طرف سے جو موقف اپنایا گیا وہ یہ تھاکہ ملک میں گنے کی قیمت خرید کو چینی کی قیمت فروخت کو مدنظر رکھتے ہوئے طے کیا جائے۔ یہ معاملہ سندھ ہائی کورٹ میں چلاگیا وہاں بالآخر طے پایا کہ گنے کی قیمت 160 روپے فی 40 کلوگرام دی جائے۔

گنے کی اضافی پیداوار کو دیکھتے ہوئے حکومت کی جانب سے برآمدی کوٹہ 1,500,000 مقرر کیا گیا جس کا صنعت کی جانب سے خیر مقدم کیا گیا۔ چونکہ بین الاقوامی منڈی میں بھی چینی کے نرخ بہت کم تھے اس لئے اس نوٹیفیکیشن میں 10.70فی کلو سبسڈی بھی شامل کی گئی جو کہ صنعت کی حوصلہ افزائی کے لئے تھی جس کی وجہ سے بین الاقوامی منڈی میں چینی کے کم نرخ کے باوجو د اس سبسڈی کی مدد سے ہم برآمدات کے قابل ہوپائے ۔ برآمد ی کوٹہ سندھ اور پنجاب کے درمیان تقریباً برابر طور پر استعمال کیا گیا لیکن پنجاب اپنے قدرتی محل وقوع کی بناء پر زمینی راستے سے افغانستان کو بھیجنے پر قادر تھا جبکہ سندھ کی ملیں میانمار، ویت نام اور متحدہ عرب امارات اور مشرقی افریقہ کوسمندر کے راستے بھیج سکتی تھیں۔ چینی کی برآمدگی سےملک کو 500 ملین ڈالرز کاقیمتی زرمبادلہ حاصل ہوا۔

باوجود اتنی بڑی برآمدات کے ، سبسڈی کی رقم جوکہ 14 بلین روپے بنتی ہے اس کا ابھی تک 90 فی صد بھی حکومت نے صنعت کو ادا نہیں کیا ہے۔

سیزن 19 – 2018 نقطہ نظر

آنے والا سیزن نئے چیلنجوں کے ساتھ نظر آرہا ہے۔ ملک میں اب بھی 1.5 ملین ٹن چینی اسٹاک کی صورت میں موجود ہے جبکہ اس سیزن میں گنے کی پیداوار میں 15 سے 20 فیصد کمی نظر آتی ہے اس کے باوجود بھی ملک میں ضرورت سے زائد چینی موجود ہے۔

دسمبر میں، حکومت نے چینی کی برآمدات کے لئے 1,100,000 میڑک ٹن کے کوٹے کا اعلان کیا ہے ، تاہم وفاقی حکومت کی جانب سے کوئی سبسڈی اس کوٹے کے ساتھ منسلک نہیں ہے۔ جبکہ حال ہی میں حکومت پنجاب نے 600,000ٹن کے برآمدی کوٹے کے ساتھ 6.60 فی کلو سبسڈی کا اعلان کیا ہے۔

روپے کی قدر میں 30 فی صد کمی نے برآمدات کو موجودہ بین الاقوامی سطح سے کچھ قریب کیا ہے جو کہ 310 ڈالر سے لے 320 ڈالر تک ہے۔ گنے کی فصل اس سال توقع سے کم ہونے اور چینی کی مناسب مقدار میں برآمدگی سے مقامی سطح پر چینی کے نرخ میں اضافے کی توقع ہے جبکہ توقع ہے کہ حکومت بھی گنے کی قیمت کو چینی کی قیمت سے منسلک کرے گی۔ اس کے امکانات اب تک تو واضح نہیں ہیں لیکن امید کی جاتی ہے دوران سیزن حالات میں مزید بہتری آئے گی۔ صنعت کی جانب سے ٹیکس ریٹ پر مسلسل نظرثانی کی درخواست کی جاتی رہی ہے کہ سیلز ٹیکس کو چینی کی قیمت سے منسلک کیا جائے جو کہ ابھی فکس کیا ہوا ہے لیکن اب بھی یہ 60 روپے فی کلو 11، فی صد پرہے دوسرے لفظوں میں 6,600 فی میٹرک ٹن ہے۔

ڈائریکٹر ز رپورٹ

مہران شوگر ملز پاکستان کی صف اول کی چینی بنانے اور مارکیٹنگ کرنے والی ملز میں سے ایک ہے جو کہ سفید اور براون دونوں اقسام کی چینی بناتی ہے۔ جبکہ ملز نے ایتھونول بنانے کے لئے مشترکہ سرمایہ کاری بھی کرر کھی ہے ۔ مہران شوگر ملز کا شمار اسٹاک ایکسچینج میں بلیو چپ کی حامل کمپنیوں میں ہوتا ہے۔ مہران شوگر ملز کا قیام 1965 میں بطور پبلک لمیٹڈ کے طور پر لایا گیا آج اسٹاک ایکسچینج میں مہران شوگر ملز کو حوالے کے طور پر پیش کیا جاتا ہے، مہران شوگر ملز کو 3 مرتبہ اسٹاک ایکسچینج کی جانب سے ٹاپ پچیس کمپنیز میں شامل کرتے ہوئے ایوارڈ سے نوازا گیا ۔

قومی معیشت

مالی سال 2018 اقتصادی طور پر ایک چیلنج رہا ۔ آمدنی میں تیزی سے کمی اور اخراجات میں بڑھتے ہوئے اضافہ کے سبب اور درآمدی مال پر بڑھتے انحصار نے کرنٹ اکاونٹ اور تجارتی خسارہ دونوں کو غیر مستحکم کیا۔ مسلسل بڑھتی درآمدات نے دراصل بڑھوتری کو ماند کردیا۔ ریکارڈ کرنٹ اکاونٹ خسارہ کی وجہ سے زرمبادلہ پر دباو بڑھا اور نتیجتاً زرمبادلہ کی شرح میں بھی تنزلی نظر آئی ، اسی طرح مالیاتی خسارہ بھی پچھلے پانچ سال میں سب سے زیادہ ریکارڈ کیا گیا۔

ہماری جی ڈی پی میں اضافہ تین شعبوں زراعت، صنعت اور خدمات پر منحصر ہے ، زراعت کے شعبے نے بالخصوص بہت اچھی کارکردگی کا مظاہرہ کیا جس میں گندم، گنا اور مویشوں کا شعبہ قابل ذکر ہیں۔ زراعت کے شعبے میں اچھی کارکردگی کے علاوہ مینوفیکچررز اور تعمیراتی سرگرمیاں ، توانائی کے شعبے میں بہتری نے صنعتی شعبے کی ترقی اور پیداوار میں اضافے نے اہم کردار ادا کیا۔

پچھلے شماریوں میں ہمیشہ کھپت میں اضافہ کا رجحان رہتا تھا، یاد رکھیں کہ کم شرح سود، مالیاتی اخراجات میں اضافہ اور حقیقی آمدن میں اضافے سے کھپت میں اضافہ ہوتا ہے۔ مزید یہ کہ قرض کی لاگت میں کمی کاروباری اور سرمایہ کاری کے مقاصد کے لئے حوصلہ افزا ہوتے ہیں جو کہ گذشتہ چند سالوں سے میسر تھے حکومت اور بینکوں نے بھی لمبے عرصے کے قرضوں کے لئے اپنی شرائط بہت نرم رکھیں تھیں۔ اس حوصلہ افزائی کے نتیجے میں برآمدات کے شعبے میں بہتری آئی خوش قسمتی سے اس عرصہ میں بین الاقوامی منڈیوں میں بھی طلب کا رجحان برقرار رہا۔ اس کے علاوہ برآمدات میں اضافی گندم اور چینی کی برآمد میں دوگنا اضافہ ہوا۔ بڑے موجودہ مالیاتی خسارے کی فنانسنگ کے لئے بیرونی قرضوں پر زیادہ توازن کی ضرورت ہوتی ہے۔ مالی سال 2018 بیرونی قرضوں کی وجہ سے بہت دباو میں رہا۔ ایک اور مسئلہ ، ترقیاتی و تجارتی قرضوں پر انحصار تھاجس میں دو طرفہ ذرائع سے قرض کے حصول کے لئے سود کی شرح میں اضافہ اور کم عرصہ شامل ہیں۔ اس دباو نے تبادلے کی شرح میں بتدریج اضافہ کردیا۔

ایسا لگتا ہے کہ یہ رجحان 2019 میں بھی جاری رہے گا۔ سود کی شرح میں اضافہ اور تبادلے کی شرح میں توازن پیداکرنے، ایڈوانس کی ادائیگی پر پابندی اور درآمدات پر پابندی، ریگولیٹری اور اپنی مرضی کے مطابق چیزوں میں اضافہ، اور منتخب اور غیر ضروری سامان پر نقد مارجن کی عدم ادائیگی کا مقصد ، درآمدات اور موجودہ اکاؤنٹ خسارہ کو کم کرنے کی کوشش ہے۔

مزید شویشناک بات یہ رہی کہ اس سال زراعت کے لئے پانی کی دستیابی میں واضح کمی ہوئی جس کی وجہ سے گنے کے رقبے میں کمی واقع ہوئی ، خریف کے موسم میں فصلوں کی بوائی کے وقت پانی کی عدم دستیابی نے بالخصوص کپاس کی پیداوار پر بہت بُرے اثرات مرتب کئے۔ جبکہ کھادوں کا بھی فصلوں کو خاطر خواہ فائدہ نہ ہوسکا۔ اس سے لگتا ہے کہ زراعت کا شعبہ شائد اپنی پچھلی کارکردگی کو نہ دہرا سکے۔

صنعت کا جائزہ

لگاتا ر دوسرے سال بھی گنے کی پیداوار توقع سے بھی زیادہ ہوئی جس کی وجہ سے سندھ میں کرشنگ مارچ اور پنجاب میں اپریل کے وسط تک

Notice of The Annual General Meeting

Notice is hereby given that the 53rd Annual General Meeting of the members of the Company will be held at I.C.A.P. Auditorium, Chartered Accountants Avenue, Clifton, Karachi on Monday, January 28, 2019 at 1600 PST to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on January 26, 2018;

2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' Reports for the year ended September 30, 2018;

3. To consider and approve Cash Dividend of 30% i.e. Rs. 3.00 per share final dividend and issuance of 15% bonus shares i.e 15 shares for every 100 shares held, as recommended by the Board of Directors of the Company.

4. To appoint auditors for the year ending September 30, 2019 and to fix their remuneration. The retiring auditors M/s. EY Ford Rhodes, Chartered Accountants being eligible, have offered themselves for re-appointment.

SPECIAL BUSINESS

5. To consider and, if thought appropriate, pass, with or without modification, the following resolution, for investing an additional amount of Rs. 100 million (including cost overruns due to exchange rate fluctuations and other variables) as equity investment in M/s UNI-FOOD INDUSTRIES LIMITED- an associate joint venture unquoted public limited company, in compliance with the provisions of section 199 of the Companies Act, 2017.

   Resolved

   "that the Company be and is hereby authorized to make an additional equity investment of Rs. 100 million (including cost overruns due to exchange rate fluctuations and other variables) in M/s UNI-FOOD INDUSTRIES LIMITED (UFIL) as mentioned in the annexed statement under section 134 sub clause (3) of the Companies Act 2017."

6. To apprise and review the status of investments in Associated Companies, for which statement as required by S.R.O. 1240(I)/2017 dated December 06, 2017 is annexed.

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

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

Karachi: January 07, 2019

NOTES

1. The share transfer books of the Company will remain closed from January 22, 2019 to January 28, 2019 (both days inclusive).

2. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her behalf. Proxies in order to be effective must be received by the Company at its Registered Office not later than 48 hours before the time fixed for holding the Annual General Meeting.

3. The shareholders whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring their original CNIC along with their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders the guidelines as contained in SECP's circular 1 of 26th January, 2000 to be followed.

4. The shareholders are requested to notify the Company immediately the change in their address, if any.

5. The shareholders are also requested to provide us the-copy of their CNIC enabling us to update the record, without which any dividend/bonus shares announced by the company will not be issued / dispatched.

6. As per Section 242 of the companies Act 2017, any cash dividend shall only be paid through electronic mode directly into the bank accounts of the shareholders, therefore shareholders are requested to provide their Bank Account details (IBAN) to CDC or Share Registrar (in case of physical shares).

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Statement as required by S.R.O 1240(I)/2017 dated December 06, 2017

Associated Companies	Total Investment Approved	Amount of Investment made to date	Reasons for not having made complete investments so far	Material Change in financial Statements of associated company since resolution
Mehran Energy Limited	750.00 Million	41.50 Million	Project future remains uncertain due to government policy. All 12 sugar based power projects are currently undergoing litigation at different levels. CPPA has filed an appeal in Islamabad High Court against decision of NEPRA, which is pending adjudication. NEPRA is also reviewing the mechanism of tariff. The verdict on this matter is vital for the future of these projects.	No material change.
UniFood Industries Limited	200.00 Million	168.00 Million	The plant has started commercial production in March 2018 of its signature product Long cakes and Cupcakes both with different fillings. The company sales forecast are as per plan. A nationwide Distribution network is being established along with creation of a master brand by the name "Good Goodies". Once the master brand is established and distribution outlined it will make it easier for the company to add different products in its Portfolio. We expect the company sales to continue to grow consistently.	No material change.
UniEnergy Limited	650 Million	20 Million	During the year under review, no progress was recorded on the wind power project. Management is keeping a close eye on NEPRA's policy in regards of the sector and whether it will award an upfront tariff or a competitive bidding mechanism.	No material change.

Statement of Material Facts concerning Special Business pursuant to Section 134 sub clause (3) of the Companies Act 2017 read with S.R.O S.R.O. 1240(I)/2017 dated December 06, 2017

This statement sets out the material facts concerning the Special Business given in Agenda Item No. 5 of the Notice to be transacted in the Annual General Meeting of the members of Mehran Sugar Mills Limited (MSML) to be held on January 28, 2019 at 4:00 pm at The Institute of Chartered Accountants of Pakistan, Chartered Accountant Avenue, Clifton, Karachi.

The Company has received an offer to subscribe an additional 10.00 million ordinary shares of **UNI-FOOD INDUSTRIES LIMITED (UFIL) - an associate joint venture unquoted public limited company,** at par value of Rs. 10/- each. The Board of Directors in its meeting held on December 28, 2018 has recommended to subscribe the said number of shares as stated in para (a) below subject to the approval of the members through a Special Resolution under Section 199 of the Companies Act, 2017.

Item No. 5 of the agenda

a) In addition to the approval of subscribing 20,000,000 ordinary shares of Rs. 10/ - each at par for 24% of the equity and to provide corporate guarantee, MSML intends to make further equity investment in the said Company in terms of Section 199 of the Companies Act, 2017 in one tranche or from time to time, as required by the Company, in fully paid-up ordinary shares of Rs.10/- each at par, not exceeding Rs. 100 million (Rupees one hundred million only) to obtain 10,000,000 ordinary shares the equity stake after the fresh investment will remain at 24.00%.

b) UFIL's main business activity is to carry on business of manufacture, produce, branding, sell and distribution of confectionery and other baked / food products.

c) The planned capacity of the plant is 25 tons per day. As per the current feasibility study, the project cost is escalated from 1.40 billion to 1.95 billion due to PKR devaluation and publicity campaign. Now, the project is intended to be financed with a 35:65 debt equity ratio.

d) In anticipation of the earnings and capital appreciation it is expected that the Company will generate reasonable profits in future and hence, the Board of Directors of the Company has recommended to make equity investment in UFIL, subject to the approval of the Members of the Company under Section 199 of the Companies Act, 2017. Accordingly, the consent and approval of the Members is sought for making the investment in UFIL as proposed in agenda item (a) above.

e) The Directors of the Company have an interest in UFIL as directors / shareholders of the UFIL.

f) Further information (revised) in terms of notification No. S.R.O. 1240(I) / 2017 dated December 06, 2017 are as follows:

(i)	Name of the Associated Company or Associated Undertaking along with criteria based on which the associated relationship is established;	UFIL– Common Directorship / Significant Shareholding 1. Mr. Khurram Kasim 2. Ahmed Ebrahim Hasham
(ii)	Purpose, benefits and period of investment;	Purpose: To make efficient use of the retain earnings in a diversified business venture. The investment has potential for growth. Benefits: Dividend/capital gain. Period: Strategic investment
(iii)	Maximum amount of investment;	MSML intends to make an equity investment of up to Rupees 100 million (including cost overruns due to exchange rate fluctuations and other variables).
(iv)	Maximum price at which securities will be acquired;	At the par value i.e. Rs. 10/- per ordinary share.
(v)	Maximum number of securities to be acquired;	Up to 10,000,000 ordinary shares of Rs.10/- will be acquired

(vi)	Number of securities and percentage thereof held before and after the proposed investment;	No. of shares before investment: 20,000,000 No. of shares after investment (max up to): 30,000,000 ordinary shares i.e. MSML will subscribe 24.00% of total equity of the Company.
(vii)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs; and	UniFood commenced its commercial operation in March 2018 and is currently in consolidation phase. The brand Good Goodies has already reached major cities of Pakistan and achieved notable market share in such a short span of time i.e 9 Months. 2 new flavors are being introduced in addition to 9 existing flavors. The Company's future prospects are good and once brand recognition is established, profitability will be positive and improved.
(vii)	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intend to be acquired;	Not applicable as UFIL is public unlisted company
(viii)	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements;	As per Audited Financial Statements for the year ended June 30 2018 the BV per share was Re. 6.35/-.
(ix)	Earnings / (loss) per share of the Associated Company or Associated Undertaking for the last three years;	2018 : Rs. (3.26) per share 2017 : Rs. (1.33) per share 2016 : N/A
(x)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; and	Statement of Financial Position As on June 30, 2018 Rs. In Million Non-Current Asset : 727.50 Current Asset : 378.06 Total Assets : 1,105.55 Shareholder Equity : 444.26 Non-Current Liabilities : 565.57 Current Liabilities : 95.72 Total : 1,105.55 Statement of Profit and Loss For the period ended June 30, 2018 Revenue : Rs. 44 Million Gross Loss : Rs. (69) Million Net loss : Rs. (228) Million
(x)	Sources of fund from which securities will be acquired;	The investment will be made by MSML from its own resources.
(xi)	Where the securities are intended to be acquired using borrowed funds,- (I) Justification for investment through borrowings; and (II) Detail of guarantees and assets pledge for obtaining such funds	 Not Applicable Not Applicable
(xii)	Salient features of the agreement(s), if any, entered into with its Associated Company or Associated Undertaking with regards to the proposed investment;	Not applicable

(xiii)	Direct or indirect interest of directors, sponsor, majority shareholders and their relatives, if any, in the Associated Company or Associated Undertaking or the transaction under consideration;	Mr. Khurram Kasim and Mr. Ahmed Ebrahim Hasham (Directors of MSML) are also directors in UFIL. However, they have no direct or indirect interest except in their capacity as director/shareholder of UFIL like any other shareholder to the extent of their shareholding in the proposed company.
(xiv)	Any other important details necessary for the members to understand the transaction.	The funds raised will be used for expanding distribution network across Pakistan to enhance market penetration and for extensive marketing campaigns in shape of TV advertisements, print media, digital media and other trade and customer related activities.
(xv)	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely; (I) Description of project and its history since conceptualizations. (II) Starting and expected date of completion of work. (III) Time by which such project shall become commercially operational; and (IV) Expected time by which the project shall start paying return on investment.	The plant has started commercial production in March 2018. Therefore, this clause is not applicable on UFIL.

Regulation No. 3(1)(b)	
In case of equity investment, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made,-	
Maximum price at which securities will be acquired;	Rs. 10 per share
In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof;	UFIL has started commercial production in March 2018 and extensive investment is required to create distribution network and marketing for brand recognition.
Maximum number of securities to be acquired;	10,000,000 shares
Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities; and	N/A
Fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities;	7.35 per share

Regulation No. 3

Sr.No.	Description	Undertaking
	The directors of the investing company while presenting the special resolution for making investment in its associated company or associated undertaking shall submit an undertaking to the members of the investing company that they have carried out necessary due diligence for proposed investment.	We, the directors of the Mehran Sugar Mills Limited, submit that we have carried out necessary due diligence based on our experience and professional judgment for the proposed transaction particularly the equity investment in the UFIL to the extent as mentioned above.

نوٹ:

1. کمپنی ہذا کی شئیر ٹرانسفر بکس مورخہ 22 جنوری 2019 تا 28 جنوری 2019 (دونوں دن شامل) بند رہیں گی۔

2. کمپنی ہذا کا کوئی بھی رکن جو سالانہ اجلاس عام میں شرکت کرنے اور ووٹ دینے کا اہل ہو ،اپنی جگہ شرکت کرنے اور ووٹ دینے کی غرض سے کسی دوسرے ممبر کو پراکسی مقرر کرسکتا/کرسکتی ہے۔ پراکسیوں کے موثر ہونے کے لئے لازم ہے کہ وہ سالانہ اجلاس عام کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل تک کمپنی کو اس کے رجسٹرڈ آفس میں موصول ہوجائیں۔

3. کمپنی کے ایسے اراکین جن کے حصص سینٹرل ڈپازٹری سسٹم (CDS) کے پاس ان کے اکاونٹ /سب اکاونٹ میں رجسٹرڈ ہیں، ان سے التماس ہے کہ وہ بغرض تصدیق CDSمیں اپنے اکاونٹ نمبر اور شرکت کنندہ کے ID نمبر کے ہمراہ اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ ساتھ لائیں۔ ایسے اکاونٹ ہولڈرزاور سب اکاونٹ ہولڈرز کی جانب سے پراکسی کے تقرر کی صورت میں SECPکے سرکلر نمبر1 مورخہ 26 جنوری 2000 میں شامل گائیڈ لائنز پر عمل درآمد کیا جائے گا۔

4. کمپنی ہذا کے شیئر ہولڈرزسے التماس ہے کہ اپنے موجودہ پتے میں کسی بھی قسم کی تبدیلی ، اگر ہو، تو اس سے کمپنی ہذا کو فوری طور سے مطلع کریں۔

5. حصص یافتگان سے یہ بھی التماس ہے کہ وہ اپنےقومی شناختی کارڈ کی کاپی کمپنی رجسٹرار کو فراہم کریں جس کے بغیر آئندہ کسی بھی قسم کا منافع یا بونس سرٹیفیکیٹ جاری نہیں کیا جائے گا۔

6. کمپنی ایکٹ 2017 کی شق 242 کے تحت حصص یافتگان کو نقد منافع کی تقسیم صرف ان کے بینک اکاونٹ کے ذریعے ہی کی جائے گی ، لہذا کمپنی کے تمام حصص مالکان سے التماس ہے کہ اپنے بینک اکاونٹس کی تفصیلات CDCیا شیئر رجسٹرار کو جمع کرائیں۔

اطلاع برائے سالانہ اجلاس عام

بذریعہ ہذا کمپنی کے اراکین کو اطلاع دی جاتی ہے کہ 53 واں سالانہ اجلاس عام،آئی سی اے پی ICAP آڈیٹوریم، چارٹرڈ اکاونٹنٹس ایونیو، کلفٹن کراچی میں بروزپیر مورخہ 28 جنوری 2019 کو 4:00 بجے منعقد ہوگا جس میں درج ذیل امور طے کئے جائیں گے۔

عمومی معاملات

1. 26 جنوری 2018 کو ہونے والے سالانہ اجلاس عام کی کاروائی کی توثیق کرنا۔

2. 30 ستمبر 2018 کو ختم ہونے والے کاروباری سال کے لئے کمپنی ہذا کے آڈٹ شدہ مالیاتی گوشواروں، ہمراہ ڈائریکٹرز اور آڈیٹرز رپورٹ وصول کرنا، ان پر غور کرنا اور منظوری دینا۔

3. غور کرنا اور کمپنی کے بورڈ آف ڈائریکٹرز کی شفارش کے مطابق 30% یعنی 3.00 روپے فی حصص حتمی منافع منقسمہ اور ہر ایک موجودہ حصص کے لئے 15% بونس حصص یعنی 51 حصص کے اجراء کی منظوری دینا۔

4. 30 ستمبر 2019 تک ختم ہونے والے سال کے لئے آڈیٹرز کی تقرری اور ان کے معاوضہ کا تعین کرنا، ریٹائرڈ ہونے والے آڈیٹر ای وائی فورڈرہوڈز، چارٹرڈ اکاونٹنٹس نے اس ضمن میں اہل ہونے کے سبب دوبارہ تقرری کے لئے اپنی خدمات پیش کی ہیں۔

خصوصی امور

5. غور کرنا اور اگر موزوں سمجھا جائے تو ترمیم کے ساتھ یا اس کے بغیر کمپنی کی ایسوسی ایٹ کمپنی میں 100 ملین روپے کی اضافی رقم (بوجہ کرنسی کی شرح تبادلہ میں اضافہ اور متفرق اخراجات میں اضافہ کے باعث منصوبے کی لاگت میں اضافہ) کی سرمایہ کاری کمپنیز ایکٹ کے سیکشن 199 کے تحت۔

6. ایسوسی ایٹڈ کمپنیوں میں کی گئی سرمایہ کاری کا جائزہ لینا اور اس پر غور کرنا۔

7. صدر مجلس کی اجازت سے کسی اور ضروری امور کی انجام دہی۔

کمپنیز ایکٹ 2017 کی دفعہ 134 ذیلی دفع (3)اور S.R.O 1240 (I) / 2017 مورخہ 6 دسمبر 2017 کی تعمیل میں خصوصی قرارداد سے متعلق ٹھوس حقائق کا اسٹیٹمنٹ اسی رپورٹ کے ساتھ ارسال کیا جارہا ہے۔

حسب الحکم بورڈ آف ڈائریکٹرز

محمد حنیف عزیز
کمپنی سیکریٹری

کراچی ، جنوری 07، 2019

Statement of Compliance with the Code of Corporate Governance

For the year ended September 30, 2018

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

The Company has complied with the requirements of the Regulations in the following manner :

1. The total number of directors are eight (08) as per the following:

a.	Male:	08
b.	Female:	-

2. The Composition of the Board is as follows:

a.	Independent Directors	02
b.	Other Non-Executive Directors	04
c.	Executive Directors	02

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

4. 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.

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

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. 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. The Board has complied with the requirements of Act and Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. Six directors of the Company are exempted from the requirement of the Directors' Training Program and two directors have acquired the certification under the said program.

10. No new appointment of Chief Financial officer, Company secretary and Head of internal audit was made during the year. However, the Company is currently in the process of assigning the position of Company Secretary to a person other than CFO, pursuant to the amendment issued by the Securities and Exchange Commission of Pakistan vide S.R.O 1475(I)/2018 dated 5 December 2018.

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

12. The Board has formed committees comprising of members given below:

a) Audit Committee:

Mr. Amjad Waheed- Chairman

Mr. Khurram Kasim

Mr. Mohammad Hussain Hasham

Mr. Muhammad Iqbal

b) Human Resource and Remuneration Committee :

Mr. Amjad Waheed- Chairman

Mr. Mohammed Kasim Hasham

Mr. Mohammed Ebrahim Hasham

Mr. Khurram Kasim

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were as per following:

a) Audit Committee: Four meetings during the financial year ended September 30, 2018.

b) HR and Remuneration Committee: Two meetings during the financial year ended September 30, 2018.

15. The Board has setup an effective Internal Audit function.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board 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 ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

For and on behalf of the Board of Directors

Mohammed Ebrahim Hasham
Chief Executive Officer

Karachi: December 28, 2018

EY
Building a better working world

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Review Report on the Statement of Compliance contained in Code of Corporate Governance, 2012 and the Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance, 2012 and the Listed Companies (Code of Corporate Governance) Regulations, 2017 (here-in-after referred to as 'Codes'), prepared by the Board of Directors of Mehran Sugar Mills Limited for the year ended 30 September 2018 in accordance with the requirements of Regulation 40 of the Listed Companies (Code of Corporate Governance) Regulations, 2017.

The responsibility for compliance with the Codes is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Codes and report if it does not and to highlight any non-compliance with the requirements of the Codes. 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 Codes.

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

The Codes require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of Section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Codes as applicable to the Company for the year ended 30 September 2018.

Chartered Accountants

Date: 12 January 2019

Place: Karachi

Unconsolidated
Financial Statements

Independent Auditors' Report

To the members of Mehran Sugar Mills Ltd.
Report on the Audit of unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Mehran Sugar Mills Limited (the Company), which comprise the unconsolidated statement of financial position as at 30 September 2018, and the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matter	How our audit addressed the key audit matter
1. Contingencies	
As at the reporting date, the Company has various pending litigations from the concerned authorities as disclosed in note 29 to the accompanying unconsolidated financial statements.	Our key audit procedures on contingencies included, amongst others, obtaining an understanding of the management's processes and controls over litigations through meetings with the management and review of the minutes of the Board of Directors and Audit Committee.

Independent Auditors' Report

To the members of Mehran Sugar Mills Ltd.
Report on the Audit of unconsolidated Financial Statements

Key audit matter	How our audit addressed the key audit matter
Due to the significance of the amounts involved in such matters and the inherent uncertainties in respect of their ultimate outcome, the management judgements and estimates in relation to such contingencies may be complex and can impact the financial statements. For such reasons, we have considered contingencies as a key audit matter.	We have obtained and reviewed confirmations from the Company's external advisors for their views on the legal position of the Company in relation to these contingencies. We also involved our internal tax professionals to assess management's conclusions on contingent tax related matters and to evaluate the consistency of such conclusions with the views of the external tax advisors engaged by the Company. We also evaluated the adequacy of disclosures made in respect of these contingencies in accordance with the applicable financial reporting standards.
2. Valuation of Stock-in-trade	
As disclosed in note 11 to the accompanying unconsolidated financial statements, the stock-in-trade balance constitutes 17% of total assets of the Company. The cost of finished goods is determined at cost including a proportion of production overheads. The obsolescence is calculated by taking into account the Net Realisable Value (NRV) of related stock-in-trade while mainly keeping in view the estimated selling price, forecasted stock-in-trade usage and forecasted sales volume. We have considered this area to be a key audit matter due to its materiality and judgments involved in estimating the NRV of underlying stock-in-trade as well as the management judgment in determining an appropriate costing basis and assessing its valuation.	Our audit procedures included, amongst others, reviewing management's procedures for evaluating the NRV of stock-in-trade held, performing testing on a sample basis to assess the management's estimate of the NRV, evaluating the adequacy of allowance for write down of stock-in-trade to its NRV, if required and observing the physical stock-in-trade held as at the reporting date. Further, we evaluated the appropriateness of the basis of identification of the obsolete stock-in-trade and the accuracy of allowance of write down of inventories to NRV assessed by the management, on a sample basis. We tested the accuracy of the aging analysis of stock-in-trade, on a sample basis and cost of goods with underlying invoices and expenses incurred in accordance with the valuation methods. We also tested the calculations of per unit cost of finished goods and WIP and assessed the appropriateness of management's basis for the allocation of cost and production overheads. We further tested the NRV of stock-in-trade by preforming a review of sales close to and subsequent to the year-end and compared with the cost, for a sample of products. We also assessed the adequacy of the disclosures made in respect of the accounting policies and detailed disclosure in accordance with the applicable financial reporting standards.

Key audit matter	How our audit addressed the key audit matter
3. Preparation of financial statements under Companies Act, 2017	
As referred to in note 3.1 to the accompanying unconsolidated financial statements, the Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the financial statements for the year ended 30 September 2018. The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. In the case of the Company, a summary of key additional disclosures and changes to the existing disclosures have been stated in note 3.1 to the accompanying unconsolidated financial statements. The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.	We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a

Independent Auditors' Report

To the members of Mehran Sugar Mills Ltd.
Report on the Audit of unconsolidated Financial Statements

going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a. proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b. the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c. investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

The engagement partner on the audit resulting in this independent auditors' report is Arif Nazeer.

Chartered Accountants

Date: 12 January 2019

Place: Karachi

Unconsolidated Statement of Financial Position

As at September 30, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	2,168,327,677	2,188,132,989
Long-term receivable	7	-	-
Long-term investments	8	1,190,222,826	977,676,351
Long-term deposits		872,400	1,113,170
		3,359,422,903	3,166,922,510
CURRENT ASSETS			
Biological assets	9	8,785,700	17,662,000
Stores and spare parts	10	101,670,530	83,880,941
Stock-in-trade	11	1,167,157,420	1,205,456,973
Trade debts	12	130,583,180	174,514,430
Loans and advances	13	116,066,589	148,344,754
Trade deposits and short-term prepayments	14	12,881,643	7,753,808
Other receivables	15	580,798,351	4,493,899
Short-term investments	16	1,258,744,288	830,319,250
Taxation – net		82,333,173	54,617,134
Cash and bank balances	17	15,954,187	28,761,062
		3,474,975,061	2,555,804,251
TOTAL ASSETS		6,834,397,964	5,722,726,761
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	18	320,312,450	320,312,450
Reserves	19	2,289,009,149	1,897,941,949
		2,609,321,599	2,218,254,399
NON-CURRENT LIABILITIES			
Long-term financing	20	745,414,175	448,747,505
Liabilities against assets subject to finance lease	21	18,206,588	31,686,538
Market committee fee payable	22	62,216,604	65,974,256
Deferred liability	23	4,785,010	4,878,275
Deferred taxation	24	225,769,432	288,210,549
Provision for quality premium	25	119,290,919	119,290,919
		1,175,682,728	958,788,042
CURRENT LIABILITIES			
Trade and other payables	26	695,153,861	1,053,160,176
Unclaimed dividends		19,503,183	35,771,399
Accrued mark-up		49,254,343	32,324,757
Short-term borrowings	27	1,966,893,276	1,117,039,706
Current portion of long-term financing	20	203,333,332	156,023,610
Current portion of liabilities against assets subject to finance lease	21	20,790,894	24,434,897
Current portion of market committee fee payable	22	3,757,652	3,757,652
Provision for market committee fee	28	30,401,039	19,968,245
Sales tax and federal excise duty payable		60,306,057	103,203,878
		3,049,393,637	2,545,684,320
CONTINGENCIES AND COMMITMENTS	29		
TOTAL EQUITY AND LIABILITIES		6,834,397,964	5,722,726,761

The annexed notes from 1 to 50 form an integral part of these unconsolidated financial statements.

Chief Executive Officer | Chief Financial Officer | Director

Unconsolidated Profit and Loss Account

For the year ended September 30, 2018

	Note	2018 Rupees	2017 Rupees
Turnover - net	30	4,790,789,858	5,500,835,862
Cost of sales	31	(4,201,109,587)	(5,233,068,269)
Gross profit		589,680,271	267,767,593
Distribution costs	32	(111,448,318)	(83,037,172)
Administrative expenses	33	(276,264,701)	(243,000,003)
Other expenses	34	(69,392,379)	(9,357,006)
Other income	35	169,541,014	362,734,920
		(287,564,384)	27,340,739
Operating profit		302,115,887	295,108,332
Share of profit from associates – net		340,016,123	100,112,515
Finance costs	36	(212,409,244)	(196,674,589)
Profit before taxation		429,722,766	198,546,258
Taxation	37	(16,824,716)	(66,871,019)
Net profit for the year		412,898,050	131,675,239
Basic and diluted earnings per share	38	12.89	4.11

The annexed notes from 1 to 50 form an integral part of these unconsolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Unconsolidated Statement of Comprehensive Income

For the year ended September 30, 2018

	2018 Rupees	2017 Rupees
Net profit for the year	412,898,050	131,675,239
Other comprehensive income		
Items to be reclassified to unconsolidated statement of profit or loss in subsequent periods:		
Unrealised (loss) / gain on revaluation of short-term investments – net of tax	(36,796,321)	35,361,786
Reclassification to unconsolidated statement of profit or loss for gain / (loss) on disposal of short-term investments	14,847,391	(95,206,177)
	(21,948,930)	(59,844,391)
Items that may not be reclassified subsequently to unconsolidated statement of profit or loss:		
Actuarial gain / (loss) on defined benefit plan – net of tax	118,080	(819,108)
Total comprehensive income for the year	391,067,200	71,011,740

The annexed notes from 1 to 50 form an integral part of these unconsolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Unconsolidated Statement of Cash Flows

For the year ended September 30, 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		429,722,766	198,546,258
Adjustments for non-cash charges and other items:			
Depreciation	6.1.1	166,710,619	152,920,439
Share of profit from associates – net		(340,016,123)	(100,112,515)
Gain on disposal of operating fixed assets	35	(4,619,829)	(4,843,041)
Finance costs		212,409,244	196,674,589
Gain on disposal of short-term investments		(11,239,520)	(262,320,311)
Provision for gratuity	23	376,206	304,549
Provision for market committee fee		10,432,794	10,561,982
Provision for impairment of short-term investments	34	63,465,886	9,357,006
Working capital changes	39	(876,740,744)	(928,030,095)
		(779,221,467)	(925,487,397)
Gratuity paid		(351,391)	(892,104)
Income taxes paid		(98,553,564)	(172,367,234)
Finance costs paid		(195,479,658)	(173,191,421)
Market committee fee paid		(3,757,652)	(4,360,000)
Long term deposits – net		240,770	(260,000)
Net cash used in operating activities		(647,400,196)	(1,078,011,898)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(140,129,887)	(341,567,241)
Proceeds from disposal of operating fixed assets	6.1.2	7,913,423	7,698,872
Investments made		(1,830,878,662)	(2,816,958,553)
Proceeds from disposal of short-term investments		1,222,319,667	3,167,803,215
Dividend received	8.2	224,999,987	-
Net cash (used in) / generated from investing activities		(515,775,472)	16,976,293
CASH FLOWS FROM FINANCING ACTIVITIES*			
Long term financing obtained		343,976,392	132,206,446
Short-term borrowings obtained		849,853,570	1,117,039,706
Liabilities against assets subject to finance lease		(27,192,953)	(29,635,409)
Dividends paid		(16,268,216)	(164,252,408)
Net cash generated from financing activities		1,150,368,793	1,055,358,335
Net decrease in cash and cash equivalents		(12,806,875)	(5,677,270)
Cash and cash equivalents at the beginning of the year		28,761,062	34,438,332
Cash and cash equivalents at the end of the year	17	15,954,187	28,761,062

*No non-cash items are included in these activities.

The annexed notes from 1 to 50 form an integral part of these unconsolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Unconsolidated Statement of Changes in Equity

For the year ended September 30, 2018

	Issued, subscribed and paid-up capital	Reserves						Total
		Capital	Revenue					
		Share Premium	General reserve	Unappropriated profits	Unrealised gain / (loss) on revaluation of investments	Actuarial gain / (loss) on defined benefit plan	Total reserves	
		---------- Rupees ----------						
Balance as at September 30, 2016	320,312,450	63,281,250	85,000,000	1,704,604,475	146,743,887	3,473,393	2,003,103,005	2,323,415,455
Final dividend for the year ended September 30, 2016 @ 22.5%	-	-	-	(72,070,387)	-	-	(72,070,387)	(72,070,387)
First interim dividend for the year ended September 30, 2017 @ 15%	-	-	-	(48,047,259)	-	-	(48,047,259)	(48,047,259)
Second interim dividend for the year ended September 30, 2017 @ 12.5%	-	-	-	(40,039,143)	-	-	(40,039,143)	(40,039,143)
Additional cash dividend for the year ended September 30, 2017 @ 5%	-	-	-	(16,016,007)	-	-	(16,016,007)	(16,016,007)
Net profit for the year	-	-	-	131,675,239	-	-	131,675,239	131,675,239
Other comprehensive loss	-	-	-	-	(59,844,391)	(819,108)	(60,663,499)	(60,663,499)
Total comprehensive income for the year	-	-	-	131,675,239	(59,844,391)	(819,108)	71,011,740	71,011,740
Balance as at September 30, 2017	320,312,450	63,281,250	85,000,000	1,660,106,918	86,899,496	2,654,285	1,897,941,949	2,218,254,399
Net profit for the year	-	-	-	412,898,050	-	-	412,898,050	412,898,050
Other comprehensive (loss) / income	-	-	-	-	(21,948,930)	118,080	(21,830,850)	(21,830,850)
Total comprehensive income for the year	-	-	-	412,898,050	(21,948,930)	118,080	391,067,200	391,067,200
Balance as at September 30, 2018	320,312,450	63,281,250	85,000,000	2,073,004,968	64,950,566	2,772,365	2,289,009,149	2,609,321,599

The annexed notes from 1 to 50 form an integral part of these unconsolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Director

1. THE COMPANY AND ITS OPERATIONS

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

1.2. These financial statements are separate financial statements of the Company in which investments in subsidiary and associates are accounted for on the basis of cost less impairment losses, if any and equity method respectively.

1.3. Geographical location and addresses of all the business units are as under:

Location	Business unit
Karachi	
14th Floor Dolmen Executive Tower, Marine Drive, Clifton	Head office
Tando Allahyar, Sindh	
Tando Adam Road	Mill
Deh Rechal, P.O. Khokhar	Farm

2. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS DURING THE YEAR

2.1. Adoption of Companies Act, 2017 as disclosed in note 3.1 to these unconsolidated financial statements.

2.2. The Company made additions in its plant and machinery to improve steam efficiency % to cane and up-gradation of process house to enhance sucrose recovery levels (refer note 6).

2.3. The Company made a further investment of Rs. 96 million in the ordinary shares of Uni-Foods Industries Limited, as associated company (refer note 8).

2.4. The Company has obtained new long term loan facility amounting to Rs. 500 million from Allied Bank Limited (refer note 20).

3. BASIS OF PREPARATION

3.1. Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS), issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the Act) and, provisions of and directives issued under the Act. Where the provisions of and directives issued under the Act differ from the IFRS standards, the provisions of and directives issued under the Act have been followed.

The Act has also brought certain changes with regard to the preparation and presentation of these unconsolidated financial statements. These changes, amongst others, included change in nomenclature of primary statements. Further, the disclosure requirements contained in the fourth schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional amended disclosures including, but not limited to, particulars of immovable assets of the Company (refer note 6), management assessment of sufficiency of tax provision in the unconsolidated financial statements (refer note 37), additional

Notes to the Unconsolidated Statement
For the year ended September 30, 2018

disclosure requirements for related parties (refer note 40.2), reason for shortfall between capacity and production (refer note 41) and change in threshold for identification of executives (refer note 42).

3.2. Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except for available for sale investments, investment in associates using equity method and biological assets which are carried at fair value and fair value less costs to sell respectively.

3.3. New standards, interpretations and amendments

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

IAS 7 Statement of Cash Flows – Disclosure Initiative (Amendment)
IAS 12 Income Taxes — Recognition of Deferred Tax Assets for Unrealised losses (Amendments)

3.4. Standards, interpretations and amendments to approved accounting standards that are not yet effective

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

	Effective date (annual periods beginning on or after)
IFRS 2 – Share Based Payments – Classification and Measurement of Share Based Payments Transactions (Amendments)	01 January 2018
IFRS 4 – Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 (Amendments)	01 January 2018
IFRS 9 – Financial Instruments	01 July 2018
IFRS 9 – Prepayment Features with Negative Compensation - (Amendments)	01 January 2019
IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an investor and its Associate or Joint venture Contracts - (Amendments)	Not yet finalised
IFRS 15 – Revenue from Contracts with Customers	01 July 2018
IFRS 16 – Leases	01 January 2019
IAS 19 – Plan Amendment, Curtailment or Settlement - (Amendments)	01 January 2019
IAS 28 – Long-term Interests in Associates and Joint Ventures - (Amendments)	01 January 2019

	Effective date (annual periods beginning on or after)
IAS 40 – Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 – Uncertainty over Income Tax Treatments	01 January 2019

The above standards and amendments are not expected to have any material impact on the Company's unconsolidated financial statements in the period of initial application except for IFRS 15 - Revenue from Contracts with Customers. The Company is currently evaluating the impact of this Standard on the unconsolidated financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019, respectively. The Company expects that such improvements to the standards will not have any material impact on the Company's unconsolidated financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of unconsolidated financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

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

Notes to the Unconsolidated Statement

For the year ended September 30, 2018

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Property, plant and equipment

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

Impairment of Investments

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

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

Inventories

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

Taxation

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

Deferred tax assets are recognised 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 utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Contingencies

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

Biological assets

To ascertain the fair value of the biological assets, the fair value less estimated point-of-sale costs of crops at the end of each reporting period is determined using prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets. Since, there exists an active market for the agricultural produce, the estimated selling price is obtained using the observable inputs and the estimated selling costs are the harvesting charges farmer takes for cutting the crop.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1. Property, plant and equipment

Owned

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

Depreciation is charged to the unconsolidated statement of profit or loss using the reducing balance method, at the rates specified in note 6.1. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month the asset is in use.

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

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

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

Leased

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

Capital work-in-progress

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

Notes to the Unconsolidated Statement

For the year ended September 30, 2018

5.2. Investments

Subsidiaries

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

Associates

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

As the financial statements of all the associates may not necessarily be available at the year end, the Company uses the financial statements of the associates with a lag of three months for applying the equity method of accounting.

Available-for-sale

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

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

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

Held-to-maturity

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

5.3. Biological assets

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

5.4. Stores and spare parts

Stores, spares and consumables are stated at the lower of weighted average cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less net estimated costs to sell, which is generally equivalent to replacement cost.

Items in transit, if any, are valued at cost comprising invoice value plus other charges incurred thereon up to the reporting date.

5.5. Stock-in-trade

Stock-in-trade is valued at the lower of cost and estimated net realisable value.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value signifies the estimated selling price in the ordinary course of business less net estimated costs of completion and sell.

Items in transit, if any, are valued at cost comprising invoice value plus other charges incurred thereon up to the reporting date.

5.6. Trade debts and other receivables

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

5.7. Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and current accounts held with banks, which are subject to insignificant risk of change.

5.8. Employees' benefits

Gratuity

The Company operates an unfunded gratuity scheme for its permanent mill employees. An actuarial valuation of all defined benefit scheme is conducted every year. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are recognised in full in the period in which they occur in the unconsolidated statement of comprehensive income.

All past service costs are recognised at the earlier of when the amendment or curtailment occurs and when the Company has recognised related restructuring or termination benefits.

Provident fund

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

Investments made in provident fund have been made in accordance with the provisions of Section 218 of the Act and the conditions specified thereunder.

Compensated absences

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

5.9. Taxation

Current

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

Deferred

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

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

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

Deferred tax relating to items recognised outside unconsolidated statement of profit or loss is recognised outside unconsolidated statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in unconsolidated statement of comprehensive income or directly in equity.

5.10. Trade and other payables

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

5.11. Provisions

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

5.12. Foreign currency transactions and translation

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

5.13. Borrowing and their costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

5.14. Financial instruments

Recognition

Financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provisions of the instrument and are derecognised in the case of assets, when the contractual rights under the instruments are realised, expired or surrendered and in the case of liability, when the obligation is discharged, cancelled or expired.

Impairment

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's unconsolidated statement of financial position) when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the unconsolidated statement of profit or loss.

5.15. Offsetting of financial assets and financial liabilities

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

5.16. Revenue recognition

- Sales are recognised as revenue when invoiced, which generally coincides with the dispatch of goods. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Company has concluded that it is acting as a principal in all its revenue arrangements.
- Profit on term deposit receipts is recognised on effective interest rate.
- Dividend income is recognised when the right to receive the same is established.

Notes to the Unconsolidated Statement
For the year ended September 30, 2018

- Gain / loss on sale of investment is recognised in the unconsolidated statement of profit or loss in the period in which investment is sold.
- Income from sale of electricity is recognised upon the output delivered at rates specified under the agreement with Hyderabad Electric Supply Company (HESCO).
- Farm and other income is recognised on accrual basis.

5.17. Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the unconsolidated financial statements in the period in which these are approved. However, if these are approved after the reporting period but before the unconsolidated financial statements are authorised for issue, disclosure is made in the unconsolidated financial statements.

5.18. Functional and presentation currency

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

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2018 Rupees	2017 Rupees
Operating fixed assets	6.1	2,064,524,860	1,991,894,970
Capital work-in-progress	6.2	103,802,817	196,238,019
		2,168,327,677	2,188,132,989

6.1. Operating fixed assets

Description	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	
	At October 01, 2017	Additions / *transfers from capital work-in-progress/ **transfers from leased assets/ (deletions)	At September 30, 2018	At October 01, 2017	Charge for the year / (deletions)	At September 30, 2018	At September 30, 2018	Dep. Rate %
	Rupees							
Owned								
Freehold land	83,394,207	-	83,394,207	-	-	-	83,394,207	-
Buildings on freehold land								
- Factory	275,851,465	*18,435,110	294,286,575	131,099,813	15,705,136	146,804,949	147,481,626	10 %
- Non-factory	50,996,147	-	50,996,147	16,128,806	1,743,367	17,872,173	33,123,974	5 %
Plant, machinery and equipment	2,552,597,528	39,048,680 *159,405,195	2,751,051,403	1,011,672,871	122,365,501	1,134,038,372	1,617,013,031	7.5 %
Furniture and fittings	8,820,352	156,001	8,976,353	3,638,759	526,167	4,164,926	4,811,427	10 %
Vehicles	18,790,428	1,245,270	18,750,233	14,684,933	840,693	15,064,357	3,685,876	20%
		**2,469,384 (3,754,849)			(461,269)			
Office premises	85,022,551	-	85,022,551	19,909,811	3,255,637	23,165,448	61,857,103	5 %
Office equipment	5,877,222	395,325	6,272,547	3,304,502	283,994	3,588,496	2,684,051	10 %
Electric installation	13,557,279	11,437,223	24,994,502	6,031,684	1,719,837	7,751,521	17,242,981	10 %
Weighbridge and scales	4,513,889	48,000	4,561,889	1,388,262	316,563	1,704,825	2,857,064	10 %
Workshop tools and other equipment	6,341,923	-	6,341,923	4,868,970	147,295	5,016,265	1,325,658	10 %
Computers	11,868,399	345,490	12,213,889	8,902,230	936,056	9,838,286	2,375,603	30 %
Air conditioners and refrigerators	13,076,108	2,048,795	15,124,903	5,215,484	860,302	6,075,786	9,049,117	10 %
	3,130,707,498	54,724,784 *177,840,305 **2,469,384 (3,754,849)	3,361,987,122	1,226,846,125	148,700,548 (461,269)	1,375,085,404	1,986,901,718	
Leased								
Vehicles	142,649,590	10,069,000 **(5,811,000)	146,907,590	54,615,993	18,010,071 **(3,341,616)	69,284,448	77,623,142	20 %
	3,273,357,088	64,793,784 *177,840,305 **2,469,384 (3,754,849) **(5,811,000)	3,508,894,712	1,281,462,118	166,710,619 (461,269) **(3,341,616)	1,444,369,852	2,064,524,860	
2018	3,273,357,088	235,537,624	3,508,894,712	1,281,462,118	162,907,734	1,444,369,852	2,064,524,860	

Notes to the Unconsolidated Statement

For the year ended September 30, 2018

Description	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	
	At October 01, 2016	Additions/ (deletions)	At September 30, 2017	At October 01, 2016	Charge for the year/ (deletions)	At September 30, 2017	At September 30, 2017	Dep. Rate %
	---------- Rupees ----------							
Owned								
Freehold land	83,394,207	-	83,394,207	-	-	-	83,394,207	-
Buildings on freehold land								
- Factory	262,573,131	13,278,334	275,851,465	115,746,926	15,352,887	131,099,813	144,751,652	10 %
- Non-factory	50,996,147	-	50,996,147	14,293,683	1,835,123	16,128,806	34,867,341	5 %
Plant, machinery and Equipment	2,133,774,436	419,952,591 (1,129,499)	2,552,597,528	905,894,193	106,625,529 (846,851)	1,011,672,871	1,540,924,657	7.5 %
Furniture and fittings	8,708,852	111,500	8,820,352	3,066,915	571,844	3,638,759	5,181,593	10 %
Vehicles	22,240,028	2,058,000 (5,507,600)	18,790,428	17,501,756	918,952 (3,735,775)	14,684,933	4,105,495	20%
Office premises	85,022,551	-	85,022,551	16,482,825	3,426,986	19,909,811	65,112,740	5 %
Office equipment	5,774,222	103,000	5,877,222	3,024,366	280,136	3,304,502	2,572,720	10 %
Electric installation	11,015,603	3,052,383 (510,707)	13,557,279	5,941,863	597,494 (507,673)	6,031,684	7,525,595	10 %
Weighbridge and scales	4,497,389	16,500	4,513,889	1,042,039	346,223	1,388,262	3,125,627	10 %
Workshop tools and other equipment	6,341,923	-	6,341,923	4,705,308	163,662	4,868,970	1,472,953	10 %
Computers	10,345,912	1,522,487	11,868,399	7,435,388	1,466,842	8,902,230	2,966,169	30 %
Air conditioners and refrigerators	12,319,714	756,394	13,076,108	4,382,085	833,399	5,215,484	7,860,624	10 %
	2,697,004,115	440,851,189 (7,147,806)	3,130,707,498	1,099,517,347	132,419,077 (5,090,299)	1,226,846,125	1,903,861,373	
Leased								
Vehicles	95,447,200	49,417,490 (2,215,100)	142,649,590	35,531,407	20,501,362 (1,416,776)	54,615,993	88,033,597	20 %
Total	2,792,451,315	490,268,679 (9,362,906)	3,273,357,088	1,135,048,754	152,920,439 (6,507,075)	1,281,462,118	1,991,894,970	
	2,792,451,315	480,905,773	3,273,357,088	1,135,048,754	146,413,364	1,281,462,118	1,991,894,970	

	Note	2018 Rupees	2017 Rupees
6.1.1 Depreciation charge for the year has been allocated as follows:			
Cost of sales	31	141,997,699	124,920,918
Administrative expenses	33	24,712,920	27,999,521
		166,710,619	152,920,439

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

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchaser	Relationship with purchaser
	----------	----------	(Rupees)	----------	----------			
Vehicles								
Toyota Corolla	2,402,500	903,340	1,499,160	2,140,000	640,840	Negotiation	Mr. Anis Ur Rehman	Third Party
Other assets with book value less than Rs. 500,000 each	4,693,965	2,899,755	1,794,210	5,773,423	3,979,213	Various	Various	Various
Total	7,096,465	3,803,095	3,293,370	7,913,423	4,620,053			

6.1.3 Particulars of immovable assets of the Company are as follows:

Particulars	Usage of Property	Address	Covered Area sq.ft.
Freehold Land	Mill	Tando Adam road , Tando Allahyar	5.5 million sq.ft.
Office premises	Registered Office	14th Floor Dolmen Executive Tower, Dolmen City, Marine Drive , Clifton , Karachi	5,850 sq.ft.
Building on freehold land	Office at mill	Tando Adam road , Tando Allahyar	-

6.1.1. Capital work-in-progress

	Buildings on freehold land	Plant, machinery and equipment	Total
	----------	Rupees	----------
Balance as at September 30, 2016	55,807,969	239,713,997	295,521,966
Capital expenditure incurred / advances made during the year	2,303,289	299,990,948	302,294,237
Transfer to operating fixed assets	(11,958,334)	(389,619,850)	(401,578,184)
Balance as at September 30, 2017	46,152,924	150,085,095	196,238,019
Capital expenditure incurred / advances made during the year	9,017,112	76,387,991	85,405,103
Transfer to operating fixed assets	(25,495,627)	(152,344,678)	(177,840,305)
Balance as at September 30, 2018	29,674,409	74,128,408	103,802,817

Notes to the Unconsolidated Statement
For the year ended September 30, 2018

	Note	2018 Rupees	2017 Rupees
7. LONG-TERM RECEIVABLE			
Tender earnest money		1,000,000	1,000,000
Down payment		33,125,000	33,125,000
Other costs		8,385,996	8,385,996
	7.1	42,510,996	42,510,996
Provision for doubtful receivable		(42,510,996)	(42,510,996)
		-	-

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

	Note	2018 Rupees	2017 Rupees
8. LONG TERM INVESTMENTS			
Subsidiary			
Mehran Energy Limited (MEL)			
4,000,000 Ordinary shares of Rs. 10 each	8.1	40,000,000	40,000,000
Advance against right issue of shares		1,530,339	-
% of holding: 100%		41,530,339	40,000,000
Associates			
Unicol Limited (UL)			
49,999,997 (2017: 49,999,997) Ordinary shares of Rs. 10 each	8.2	1,022,228,271	852,412,955
% of holding: 33.33 (2017: 33.33) %			
UniEnergy Limited (UEL)			
1,999,998 (2017: 1,999,998) Ordinary shares of Rs. 10 each	8.3	19,842,090	19,925,667
% of holding: 20% (2017: 20) %			
UniFoods Limited (UFL)			
16,800,000 (2017: 7,200,000) Ordinary shares of Rs. 10 each	8.4	106,622,126	65,337,729
% of holding: 24% (2017: 24) %		1,148,692,487	937,676,351
		1,190,222,826	977,676,351

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

8.2. UL is incorporated in Pakistan as a public unlisted company with its registered office situated at Sub Post Office Sugar Mills, Umerkot Road, Mirpurkhas. The principal activity of the UL is to manufacture and sell ethanol and carbon dioxide (Co2). The summarised financial information of UL is as follows:

	2018 Rupees	2017 Rupees
Aggregate amount of:		
- assets	5,207,925,000	5,282,734,000
- liabilities	2,141,240,000	2,725,496,000
- revenue	5,167,711,000	4,455,265,000
- profit after taxation	1,184,448,000	320,353,000
Movement of investment is as follows:		
Opening balance	852,412,955	745,628,638
Share of profit – net of tax	394,815,303	106,784,317
	1,247,228,258	852,412,955
Less : Dividend received during the year	(224,999,987)	-
	1,022,228,271	852,412,955

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

	2018 Rupees	2017 Rupees
Aggregate amount of:		
- assets	102,381,073	100,766,856
- liabilities	3,170,466	1,138,422
- loss after taxation	417,887	216,475
Movement of investment is as follows:		
Opening balance	19,925,667	19,935,208
Share of loss	(83,577)	(9,541)
	19,842,090	19,925,667

Notes to the Unconsolidated Statement

For the year ended September 30, 2018

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

	2018 Rupees	2017 Rupees
Aggregate amount of:		
- assets	1,105,554,638	216,475,701
- liabilities	661,295,782	35,905,164
- revenue	44,006,203	-
- loss after taxation	227,981,681	27,759,463
Movement of investment is as follows:		
Opening balance	72,000,000	72,000,000
Right issue	96,000,000	-
Share of loss – net	(61,377,874)	(6,662,271)
	106,622,126	65,337,729

8.5. The investments in associated companies or undertakings have been made in accordance with the requirements under the Act.

		Note	2018 Rupees	2017 Rupees
9.	BIOLOGICAL ASSETS	9.1	8,785,700	17,662,000
9.1.	Carrying value at beginning of the year		17,662,000	43,848,243
	Increase due to cultivation	34.1	12,796,669	13,111,787
	Change in fair value less costs to sell of standing crop		(4,010,969)	4,550,213
			26,447,700	61,510,243
	Reduction due to harvesting	34.1	(17,662,000)	(43,848,243)
	Carrying value at the end of the year		8,785,700	17,662,000

9.2. The Company is engaged in cultivation of different sugarcane varieties. These varieties are then provided to growers for multiplication. During the year, the Company harvested 107,068 (2017: 331,193) maunds sugarcane at the yield of 605 (2017: 1048) maunds per acre. 49,943 (2017:153,301) maunds were supplied to growers for variety multiplication while remaining sugarcane was used for crushing at mill.

		2018 Rupees	2017 Rupees
10.	STORES AND SPARE PARTS		
	Stores	31,699,287	20,040,226
	Spare parts	69,971,243	63,840,715
		101,670,530	83,880,941

	Note	2018 Rupees	2017 Rupees
11. STOCK-IN-TRADE			
Manufactured sugar			
- Work-in-process		1,279,653	2,519,343
- Finished goods	11.1	1,165,877,767	1,202,937,630
		1,167,157,420	1,205,456,973

11.1. During prior year, the finished goods having cost of Rs. 1,253.96 million were carried at NRV of Rs. 1,202.94 million. As of the reporting date, all finished goods are carried at cost being the lower of cost and NRV.

	Note	2018 Rupees	2017 Rupees
12. TRADE DEBTS – unsecured			
Considered good	12.1	130,583,180	174,514,430
Considered doubtful		16,987,867	16,987,867
		147,571,047	191,502,297
Less: Provision for doubtful debts	12.2	(16,987,867)	(16,987,867)
	12.3	130,583,180	174,514,430

12.1. Includes an amount of Rs. 103.351 million (2017: Rs. 138.650 million) due from a debtor to whom export sales amounting to Rs. 91.520 million (2017: Rs. 886.386 million) were made. The jurisdiction falls in South-east Asia for the trade debts pertaining to export sales that were made the current year and similarly, the trade debts pertaining export sales made in prior year falls in Africa. The sales were made with confirmed LC in place.

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

	2018 Rupees	2017 Rupees
12.3. The aging of trade debts is as follows:		
Neither past due nor impaired	-	-
Past due but not impaired (within 90 days)	130,583,180	174,514,430
	130,583,180	174,514,430
13. LOANS AND ADVANCES – considered good		
Loans to employees	3,398,260	2,818,285
Advances		
- to suppliers	29,129,133	24,890,494
- to cane growers	43,926,941	46,632,953
- against expenses	4,788,255	2,120,022
- against sales tax	34,824,000	71,883,000
	112,668,329	145,526,469
	116,066,589	148,344,754

Notes to the Unconsolidated Statement

For the year ended September 30, 2018

	Note	2018 Rupees	2017 Rupees
14. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposits			
Considered good		358,640	318,640
Considered doubtful		8,196,113	8,759,554
		8,554,753	9,078,194
Less: Provision for doubtful deposits	14.1	(8,196,113)	(8,759,554)
		358,640	318,640
Short-term prepayments			
Considered good		12,523,003	7,435,168
		12,881,643	7,753,808

14.1. Represents amount paid by the Company during the years 1995 and 1996 to the Director General Defence Procurement (DGDP) as tender money, which was withheld by the DGDP on account of his risk purchase claim on the Company, as fully described in note 29.1 (ii) to these unconsolidated financial statements. Although the matter is under litigation, the Company, as a matter of prudence, has made full provision against the deposit in these unconsolidated financial statements.

	Note	2018 Rupees	2017 Rupees
15. OTHER RECEIVABLES – considered good			
Subsidy receivable	15.1	579,146,715	-
Due from related parties:			
Pakistan Molasses Company (Private) Limited		738,622	2,068,829
Mogul Tobacco Company (Private) Limited		644,609	422,099
	15.2	1,383,231	2,490,928
Others		268,405	2,002,971
		580,798,351	4,493,899

15.1. Represents subsidy receivable from Federal Government amounting to Rs. 577.938 million (2017: Nil) and Rs. 1.209 million (2017: Nil) to Provincial Government with respect to cash freight support on export sales.

15.2. The ageing analysis of balances due from related parties is as follows:

	2018 Rupees	2017 Rupees
Neither past due nor impaired	-	-
Past due but not impaired (within 90 days)	1,383,231	2,490,928
	1,383,231	2,490,928

15.3. The maximum aggregate amount due from related parties at any time during the year calculated by reference to month-end balances is as follows:

	2018 Rupees	2017 Rupees
Pakistan Molasses Company (Private) Limited	**2,038,461**	2,068,829
Mogul Tobacco Company (Private) Limited	**644,609**	422,099

	Note	2018 Rupees	2017 Rupees
16. SHORT-TERM INVESTMENTS			
Held to maturity			
Term deposit certificates	16.1	3,300,000	3,300,000
Available for sale			
Equity securities	16.2	1,255,444,288	827,019,250
		1,258,744,288	830,319,250

16.1. These carry profit rate of 3.5% (2017: 3.5%) per annum, having maturity up to six months.

16.2. Available for sale

2018	2017		2018	2017
Number of shares of par value Rs. 10/- each			Rupees	Rupees
		Quoted companies		
1,000,000	1,000,000	Aisha Steel Mills Ltd.	12,840,000	18,850,000
90,000	100,000	Allied Bank Limited	9,172,800	8,749,000
25,000	750,000	Bank Al Falah Ltd.	1,241,000	31,815,000
2,400,000	1,885,000	Bank Al Habib Limited	193,656,000	108,576,000
-	81,500	Chashma Sugar Mills Ltd.	-	4,910,375
1,125,000	100,000	Cherat Cement Limited	90,618,750	11,998,000
17,00,000	200,000	D.G.K.Cement Limited	174,097,000	29,372,000
125,000	5,000	Engro Corporation Limited	38,953,750	1,515,450
700,000	500,000	Engro Fertilizers Limited	52,843,000	31,455,000
263,500	-	Faran Sugar Mills Limited	19,762,500	-
-	500,000	Fauji Fertilizer Company Limited		41,570,000
400,000	300,000	Habib Bank Limited	60,548,000	54,228,000
100,000	499,800	Hub Power Company Limited	8,747,000	-
2,500	12,500	Indus Motors Limited	36,085,170	21,510,250
800,000	300,000	International Steel Limited	72,776,000	36,339,000
72,150	70,150	JDW Sugar Mills Limited	21,645,000	26,657,000
130,400	157,115	Jubilee Life Insurance Company Limited	81,500,000	109,980,500
5,000	22,500	Lucky Cement Limited	2,564,700	12,716,550
32,500	41,900	Mari Petroleum Company Limited	50,645,725	63,059,920
370,000	-	MCB Bank Limited	74,447,700	-
900,000	901,000	Meezan Bank Limited	80,262,000	67,061,430
-	10,000	Millat Tractors Ltd.	-	12,482,900
-	50,000	Nishat Mills Limited	-	7,255,000
315,000	311,800	Noon Sugar Mills Ltd.	17,010,000	24,897,230
100,000	250,000	Oil Gas Development Corporation Limited	15,299,000	37,160,000
100,000	-	Cherat Packaging Limited	17,304,000	-
12,500	-	Honda Atlas Ltd.	3,183,878	-
45,500	-	Habib Sugar Mills Limited	1,808,625	-
100,600	-	Bestway Cement Ltd.	12,187,690	-
500,000	-	TRG Pakistan	1,3845,000	-
-	100,000	Sui Northern Gas Pipelines Limited	-	13,386,000
600,000	270,677	United Bank Limited	92,400,000	51,474,645
			1,255,444,288	827,019,250

Notes to the Unconsolidated Statement

For the year ended September 30, 2018

	2018 Rupees	2017 Rupees
17. CASH AND BANK BALANCES		
Cash in hand	59,922	106,686
Cash with banks in current accounts	15,894,265	28,654,376
	15,954,187	28,761,062

18. SHARE CAPITAL

2018	2017		2018	2017
(Number of shares)			Rupees	Rupees
Authorised capital				
50,000,000	50,000,000	Ordinary shares of Rs.10/- each	500,000,000	500,000,000
Issued, subscribed and paid-up capital				
		Ordinary shares of Rs.10/- each issued as:		
5,968,750	5,968,750	Fully paid in cash	59,687,500	59,687,500
350,000	350,000	Consideration other than cash	3,500,000	3,500,000
25,712,495	25,712,495	Fully paid bonus shares	257,124,950	257,124,950
32,031,245	32,031,245		320,312,450	320,312,450

18.1. The voting rights, board selection, right of first refusal and block voting are in proportion to the shareholding of the shareholders.

	Note	2018 Rupees	2017 Rupees
19. RESERVES			
Capital reserve			
Share premium		63,281,250	63,281,250
Revenue reserves			
General reserve		85,000,000	85,000,000
Unappropriated profits		2,073,004,968	1,660,106,918
		2,158,004,968	1,745,106,918
Actuarial gain / (loss) on defined benefit plan		2,772,365	2,654,285
Unrealised gain on revaluation of investments		64,950,566	86,899,496
		2,289,009,149	1,897,941,949
20. LONG TERM FINANCING – secured			
From banking companies	20.1	948,747,507	604,771,115
Less: Current portion		(203,333,332)	(156,023,610)
		745,414,175	448,747,505

20.1. From banking companies

	Installments Number	Installments Commencing from	Mark-up	2018 Rupees	2017 Rupees
Al Baraka Bank Pakistan Limited	16 quarterly	November 2014	6 months KIBOR plus 1.75% per annum	-	42,690,278
Bank Islami Pakistan Limited	24 quarterly	January 2015	3 months KIBOR plus 1.25% per annum	18,747,505	27,080,837
Bank Al Habib Limited	20 quarterly	May 2016	6 months KIBOR plus 0.8% per annum	45,000,000	65,000,000
Bank Al Habib Limited	20 quarterly	December 2015	3 months KIBOR plus 0.8% per annum	130,000,002	170,000,000
Bank Al falah Limited	20 quarterly	February 2018	6 months KIBOR plus 0.5% per annum	255,000,000	300,000,000
Allied Bank Limited	20 quarterly	July 2019	3 months KIBOR plus 0.4% per annum	500,000,000	-
				948,747,507	604,771,115

20.2. The above facilities are secured by way of first pari passu charge over operating fixed assets of the Company amounting to Rs. 1,602 million (2017: Rs. 1,002 million). There is no unutilised long-term financing facility as at the reporting date (2017: Rs. Nil).

21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Represent finance leases entered into with commercial banks for vehicles. Lease rentals are payable in equal monthly installments latest by March 2022. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee has to pay the entire rent for unexpired period. Financing rates of approximately 7.39% to 8.25% (2017: 7.3% to 7.9%) per annum has been used as discounting factor. Purchase options can be exercised by the lessee in accordance with the respective lease agreements. The movement in the finance lease liability is as follows:

	2018		2017	
	Minimum lease Present	Payments Value	Minimum lease Payments	Present Value
	---------------------------- (Rupees) ----------------------------			
Within one year	23,086,576	20,790,894	27,696,310	24,434,897
After one year but not more than five years	21,737,915	18,206,588	33,994,558	31,686,538
Total minimum lease payments	44,824,491	38,997,482	61,690,868	56,121,435
Less: Amount representing finance charges	5,827,009	-	5,569,433	-
Present value of minimum lease payments	38,997,482	38,997,482	56,121,435	56,121,435
Less: Current maturity shown under current liability	20,790,894	20,790,894	24,434,897	24,434,897
	18,206,588	18,206,588	31,686,538	31,686,538

Notes to the Unconsolidated Statement
For the year ended September 30, 2018

	Note	2018 Rupees	2017 Rupees
22. MARKET COMMITTEE FEE PAYABLE			
Market committee fee payable		65,974,256	69,731,908
Less: Current portion		3,757,652	3,757,652
	22.1	62,216,604	65,974,256

22.1. During the year ended September 30, 2014, the Company entered into a settlement with the Market Committee against provision for market committee fee up to June 2008 amounting to Rs.32.7 million. As per the settlement terms, the above amount is now payable in 15 equal yearly installments. Further, the Company entered into a settlement with the Market Committee against provision for market committee fee for the years 2008 to 2015 amounting to Rs.47.329 million. As per the settlement terms, the above amount is now payable in 30 equal yearly installments commencing from July 2016. Further, this liability has not been discounted to the present value, since the impact is considered to be immaterial in the overall context of these unconsolidated financial statements.

	2018 Rupees	2017 Rupees
23. DEFERRED LIABILITY		
Staff gratuity	4,785,010	4,878,275
(a) Staff gratuity		
Opening balance	4,878,275	4,646,722
Expense for the year	376,206	304,549
Benefits paid during the year	(351,391)	(892,104)
Actuarial (gain) / loss	(118,080)	819,108
Closing balance	4,785,010	4,878,275

	2018	2017
(b) Principal actuarial assumptions		
Financial assumptions		
Discount rate	10.00%	8.00%
Expected rate of increase in salary level	10.00%	8.00%
Demographic assumptions		
Expected mortality rate	SLIC 2001-05	SLIC 2001-05
Expected withdrawal rate	Low	Low

(c) Historical information:	2018	2017	2016	2015	2014
	(Rupees)				
Present value of defined benefit obligation	4,875,010	4,878,275	4,646,722	9,414,422	8,004,115

(d) The amount of the defined benefit obligation after changes in the weighted principal assumptions is as follows:

	2018			
	Discount rate		Salary increase	
	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
	----------------(Rupees)------------------			
Present value of defined benefit obligation	4,544,000	5,055,256	5,075,319	4,521,616

	Note	2018 Rupees	2017 Rupees
24. DEFERRED TAXATION			
Credit balances arising due to:			
Accelerated tax depreciation		297,225,280	291,841,201
Assets subject to finance lease		11,201,441	9,573,649
Investment in associates		-	51,851,460
Unrealised gain on available for sale investments		-	8,428,309
		308,426,721	361,694,619
Debit balances arising due to:			
Provisions		(19,386,819)	(20,083,309)
Unused tax losses		(63,167,810)	(53,294,561)
Others		(102,660)	(106,200)
		(82,657,289)	(73,484,070)
		225,769,432	288,210,549
25. PROVISION FOR QUALITY PREMIUM	25.1	119,290,919	119,290,919

25.1. As required under the provisions of Sugar Factories Control Act, 1950, sugar mills in Sindh are required to pay quality premium to cane growers at the rate of 50 paisas per 40 Kg cane for each 0.1 percent of excess sucrose recovery above the benchmark of 8.7 percent, determined on the aggregate sucrose recovery of each mill. The Company along with other sugar mills had challenged the levy of quality premium through the Pakistan Sugar Mills Association (PSMA) – Sindh Zone before the Honorable High Court of Sindh, however, the matter was decided against the Company. Thereafter, the Company filed an appeal with the Honorable Supreme Court of Pakistan (SCP) which then granted stay to the Company, while admitting the appeal against the impugned judgment of the Court. The Punjab Government is not levying any quality premium in view of an earlier decision of Honorable Lahore High Court, in a similar case, wherein the Court had declared the demand of quality premium as unlawful. Until last year, since the matter was under litigation, the Company carried the provision of Rs. 119.291 million against the quality premium pertaining to the periods from the year 1999 till 2008. Subsequently, as per the decision of the Federal Government Steering Committee held on 16 July 2007, the quality premium was suspended till decision of Honourable Supreme Court / consensus on uniform formula to be developed by Ministry of Food, Agriculture and Livestock (MINFAL).

During the current year, the Honorable SCP has issued a verdict dated 05 March 2018 relating to quality premium. Based on advice from the legal advisor appointed by a consortium of appellant sugar mills, the management is of the view that since no valid notification for quality premium under section 16(v) of the Sugar Factories Control Act, 1950 could have been issued by the Provincial Government, no liability for payment of quality premium has arisen between the crushing season 1998-1999 till the date of the Judgment. Further, the management also takes consideration of the additional / excess payments made to the cane growers over and above the minimum support price fixed by the Provincial Government which are considered to be all-inclusive (including payment for quality premium). Accordingly, the Company has reversed the above provision during the current year.

Notes to the Unconsolidated Statement

For the year ended September 30, 2018

26. TRADE AND OTHER PAYABLES

	Note	2018 Rupees	2017 Rupees
Creditors		97,586,364	131,673,446
Accrued expenses	26.1	268,767,715	247,332,030
Advances from customers – unsecured		282,732,425	608,069,641
Payable to provident fund		1,802,552	2,148,265
Workers' Profits Participation Fund	26.2	2,178,468	-
Workers' Welfare Fund		13,779,438	27,555,420
Advance from employees against purchase of vehicles		16,633,102	18,260,730
Others		11,673,797	18,120,644
		695,153,861	1,053,160,176

26.1. Includes accrual of amount Rs. 236.718 million (2017: Rs. 236.718 million), being the difference of sugarcane notified rate of Rs. 182/- by the Government of Sindh and the amount paid at the rate of Rs. 172/- as per provisional consent order of Honourable High Court of Sindh pertaining to the crushing season 2014-15.

26.2. Workers' Profits Participation Fund

	Note	2018 Rupees	2017 Rupees
Opening balance		-	25,970,549
Allocation for the year		2,178,468	-
		-	25,970,549
Payments made during the year		-	(25,970,549)
Closing balance		2,178,468	-

27. SHORT-TERM BORROWINGS – secured

	Note	2018 Rupees	2017 Rupees
Running finance under markup arrangements	27.1	565,909,276	182,539,706
Short term finance	27.2	1,400,984,000	934,500,000
		1,966,893,276	1,117,039,706

27.1. The aggregate facilities for short term running finance available from various banks amounted to Rs. 1,605 million (2017: Rs. 1,125 million). These facilities are secured against hypothecation of current assets of the Company. These carry mark-up ranging between 0.36% to 1% (2017: 0.4% to 1.25%) per annum above one to six months KIBOR payable quarterly.

27.2. The aggregate facilities for short term cash finance available from various banks amounted to Rs. 2,950 million (2017: Rs. 6,235 million). These carry mark-up ranging between 0.5% to 1% (2017: 0.4% to 1.25%) per annum above one to six months KIBOR. These are secured against pledge of stock-in-trade and are repayable within six months, latest by December 2018.

	Note	2018 Rupees	2017 Rupees
28. PROVISION FOR MARKET COMMITTEE FEE	28.1	30,401,039	19,968,245

28.1. Represents provision made for market committee of Rs. 10 (2017: Rs. 10) per sugar cane crushed from 2016 till current crushing season.

29. CONTINGENCIES AND COMMITMENTS

29.1. Contingencies

(i) With the issue of notification in official Gazette of the Province of Sindh dated February 26, 1987 applying the provisions of section 35 to 45 of the Provincial Employees Social Security Ordinance, 1965 (Ordinance), which required the Company to pay the contribution under Section 20 of the Ordinance as the Company has failed to establish and maintain dispensary within the premises of the Mill or hospital at a place where sufficient number of secured persons worked or reside. Therefore, the Mill had to pay the medical allowance at Rs. 210 per month to the workers under an agreement with Collective Bargaining Agent (CBA). The Company had filed an appeal against the application of the said provisions against the liability of Rs. 3.38 million for the period July 1987 to August 1990 on the grounds that arrangements for benefits have been made by the Company under private settlement. The Appeal (Misc. Appeal no.39) in the High Court of Sindh was set aside at no cost under Order sheet M.A. No. 39 of 1997 on May 28, 2018. The Company then filed another appeal in Supreme Court of Pakistan against the said Order by the High Court of Sindh in October 2018 under appeal number CPLA 1150-K/18. The matter is pending in the Court. The management of the Company and its legal counsel are hopeful for a favorable outcome of the case and hence, no provision has been made against the above demand in these unconsolidated financial statements.

(ii) DGDP's risk purchase claim amounting to Rs. 33.582 million, was disputed by the Company on the grounds that the goods were delivered in time, however, the DGDP failed to lift the goods thereby indulging in breach of the contract. DGDP also withheld tender money paid by the Company amounting to Rs. 8.19 million (note 14.1) during the year 1995 and 1996. The said case filed by the Federation of Pakistan – Suit 158/03 is pending before Civil Judge 1st Class, Rawalpindi. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these unconsolidated financial statements.

(iii) The Company filed Constitutional petition no. H-267/05 dated November 21, 2005 on before the Court and was granted a stay against the order number of Customs, Excise and Sales Tax Appellate Tribunal, Karachi, upholding allegation of non-payment of sales tax on advances etc., amounting to Rs. 11.087 million. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these unconsolidated financial statements.

(iv) The Company has filed an appeal no. D-2123 of 2011 dated February 22, 2013 before Customs, Excise and Sales Tax Appellate Tribunal, Karachi, which is pending for hearing, against the order of the Deputy Collector, Collectorate of Customs, Excise and Sales Tax (Adjudication), Hyderabad to pay off alleged demand of Rs. 10.07 million along with additional tax and penalty. On prudent basis, the management has made provision of the said amount in these unconsolidated financial statements.

(v) The Company filed an appeal no. 99 dated September 28, 2015 before the Commissioner Appeals against the order-in-original no. 01/11/2015 dated August 19, 2015 whereby sales tax liability along with penalty amounting to Rs. 18 million has been established for claiming inadmissible input tax adjustment for the tax periods July 2012 to March 2015. The Commissioner Appeals has remanded back the case to Deputy Commissioner Enforcement and Collection which is pending for hearing. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these unconsolidated financial statements.

(vi) During the year, the Deputy Commissioner Inland Revenue (DCIR) had passed an Order in Original No. 5/16/2018-19 dated September 17, 2018 18 for the tax periods from July 2016 to March 2018 and rendered input tax of Rs. 7.185 million inadmissible under section 8(1), (a), (f), (h) and (i) of the Sales Tax Act, 1990 and also ordered for imposition of penalty amounting to Rs. 0.359 million. Against the order, the Company had obtained stay order till 31 October 2018. The case is pending for hearing at Commissioner Inland Revenue (Appeals – II) Karachi. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these unconsolidated financial statements.

Notes to the Unconsolidated Statement

For the year ended September 30, 2018

	Note	2018 Rupees	2017 Rupees
29.2. Commitments			
Capital commitments		97,821,955	49,885,762
Commitments in respect of operating lease rentals for farms		21,309,750	5,622,750
Commitments in respect of finance lease obligation for vehicles		38,997,482	56,121,435
30. TURNOVER – net			
Sales			
- Sugar – exports		2,813,117,374	1,685,861,477
- Sugar – local		1,777,930,322	3,694,548,505
- Molasses		334,812,155	440,796,703
- Bagasse		105,584,113	76,065,632
		5,031,443,964	5,897,272,317
Less:			
- Sales tax		240,654,106	384,863,788
- Federal excise duty		-	11,572,667
		240,654,106	396,436,455
		4,790,789,858	5,500,835,862
31. COST OF SALES			
Manufactured sugar:			
Cost of sugarcane consumed (including procurement and other expenses)		3,383,643,793	5,346,872,541
Market committee fee		10,432,794	10,561,982
Road cess on sugarcane		6,520,684	6,601,405
Salaries, wages and other benefits	31.1	223,111,691	214,360,168
Stores and spare parts consumed		268,087,689	200,273,981
Repairs and maintenance		61,967,854	61,705,415
Fuel, electricity and water charges		12,805,332	12,315,884
Vehicle running and maintenance expenses		4,480,304	3,810,382
Insurance		20,632,533	18,345,608
Depreciation	6.1.1	141,997,699	124,920,918
Others		29,129,661	26,721,171
		4,162,810,034	6,026,489,455
Opening stock of work-in-process		2,519,343	2,702,374
Closing stock of work-in-process	11	(1,279,653)	(2,519,343)
		1,239,690	183,031
Cost of goods manufactured		4,164,049,724	6,026,672,486
Opening stock of finished goods		1,202,937,630	409,333,413
Closing stock of finished goods	11	(1,165,877,767)	(1,202,937,630)
		37,059,863	(793,604,217)
		4,201,109,587	5,233,068,269

31.1. Include gratuity expense of Rs. 376,206 (2017: Rs. 304,549) and contribution to provident fund of Rs. 5.066 million (2017: Rs. 4.814 million).

	Note	2018 Rupees	2017 Rupees

32. DISTRIBUTION COSTS

	Note	2018 Rupees	2017 Rupees
Salaries and other benefits	32.1	3,270,240	2,941,618
Insurance		27,912	29,845
Stacking and loading		18,809,172	16,372,660
Export expenses		64,033,967	45,317,395
Other Selling Expenses		25,307,027	18,375,654
		111,448,318	83,037,172

32.1. Include contribution to provident fund of Rs. 68,988 (2017: Rs. 64,123).

33. ADMINISTRATIVE EXPENSES

	Note	2018 Rupees	2017 Rupees
Salaries and other benefits	33.1	138,110,509	134,292,931
Electricity, telephone, fax and postage		10,986,142	8,463,691
Printing and stationery		2,497,472	2,415,256
Travelling and conveyance		10,019,703	11,566,861
Vehicle running and maintenance expenses		13,359,008	13,003,651
Auditors' remuneration	33.2	2,333,882	1,829,100
Legal and professional		3,263,743	2,720,202
Penalty		25,000	-
Fees and subscription		4,731,519	2,086,883
Insurance		279,117	298,454
Repairs and maintenance		12,409,689	8,885,762
Advertising		153,320	1,324,030
Donations	33.3	52,802,000	26,601,739
Depreciation	6.1.1	24,712,920	27,999,521
Others		580,677	1,319,423
		276,264,701	243,000,003

33.1. Include contribution to provident fund of Rs. 4.882 million (2017: Rs. 5.126 million).

33.2. Auditors' remuneration

	2018 Rupees	2017 Rupees
Statutory audit fee	1,475,000	1,175,000
Review of half yearly unconsolidated financial information	375,000	325,000
Review of compliance with Code of Corporate Governance	175,000	150,000
Certifications	90,000	88,700
Out of pocket expenses	218,882	90,400
	2,333,882	1,829,100

33.3. Include Rs. 47 million (2017: Rs. 10.3 million) and Rs. 5.650 million (2017: Rs. 16.200 million) paid to Usman Memorial Hospital Foundation and Hasham Foundation respectively which are the projects of Hasham Group. Usman Memorial Hospital Foundation includes directors namely Mr. Mohammed Hussain Hasham and Mr. Ahmed Ebrahim Hasham who are the trustees of the said Foundation. Hasham Foundation include directors namely Mr. Mohammed Kasim Hasham, Mr. Mohammed Ebrahim Hasham, Mr. Mohammed Hussain Hasham, Mr. Khurram Kasim and Mr. Ahmed Ebrahim Hasham who are the trustees of the said Foundation. No other directors or their spouses have any interest in any donee's fund to which donation was made in both foundations.

Notes to the Unconsolidated Statement
For the year ended September 30, 2018

	Note	2018 Rupees	2017 Rupees
34. OTHER EXPENSES			
Provision for impairment of available for sale investment		63,465,886	9,357,006
Workers' Profits Participation Fund		2,178,468	-
Workers' Welfare Fund		1,074,441	-
Farm expenses - net	34.1	2,673,584	-
		69,392,379	9,357,006
34.1. Farm expenses – net			
Revenue from farms		(14,988,416)	(61,447,976)
Less: Fair value of harvested crop	9.1	17,662,000	43,848,243
Harvesting and other charges	9.1	12,796,669	13,111,787
		15,470,253	(4,487,946)
Change in fair value less cost to sell of standing crop		(12,796,669)	(13,111,787)
Farm expenses / (income)		2,673,584	(17,599,733)
35. OTHER INCOME			
Income from financial assets			
Dividend income		38,150,664	44,553,112
Gain on disposal of short term investments		11,239,520	262,320,311
Profit on term deposit receipts		1,712,039	389,287
Exchange gain		88,197,472	5,632,500
		139,299,695	312,895,210
Income from non-financial assets			
Farm income – net	34.1	-	17,599,733
Income from sale of electricity		19,945,129	25,827,020
Scrap sales		5,676,361	1,569,916
Gain on disposal of operating fixed assets		4,619,829	4,843,041
		30,241,319	49,839,710
		169,541,014	362,734,920
36. FINANCE COSTS			
Markup / interest on:			
Long-term financing		71,114,967	44,509,992
Short-term borrowings		120,959,833	138,063,141
Lease finance		3,340,534	4,160,703
Workers' Profits Participation Fund		-	581,226
		195,415,334	187,315,062
Bank charges		16,993,910	9,359,527
		212,409,244	196,674,589

	2018 Rupees	2017 Rupees

37. TAXATION

	2018 Rupees	2017 Rupees
Current	69,731,232	88,933,850
Prior	1,106,292	6,614,117
	70,837,524	95,547,967
Deferred	(54,012,808)	(28,676,948)
	16,824,716	66,871,019

37.1. As the major portion is subject to final tax regime on export sales and minimum tax on local sales, therefore, no numerical tax reconciliation is presented.

37.2. Income tax assessments of the Company have been completed upto the tax year 2018 (accounting year ended September 30, 2017).

37.3. The returns of income have been filed on due date and are treated as deemed assessment orders under section 120 of the Ordinance. As per the management, tax provisions for the year 2017, 2016 and 2015 are sufficient and adequately cover the assessed / declared position. A comparison of last three years of income tax provision with tax assessment is presented below:

	2017 Rupees	2016 Rupees	2015 Rupees
Income tax as per provision made	88,933,850	102,913,524	47,747,617
Income tax as per self-assessment	90,040,141	109,527,635	48,366,133

38. BASIC AND DILUTED EARNING PER SHARE

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

		2018	2017
Profit after taxation attributable to ordinary shares	(Rupees)	412,898,050	131,675,239
Weighted average number of ordinary shares		32,031,245	32,031,245
Earnings per share	(Rupees)	12.89	4.11

Notes to the Unconsolidated Statement

For the year ended September 30, 2018

	2018 Rupees	2017 Rupees
39. WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Biological assets	8,876,300	26,186,243
Stores and spare parts	(17,789,589)	(11,625,992)
Stock-in-trade	38,299,553	(793,421,186)
Trade debts	43,931,250	(163,954,495)
Loans and advances	32,278,165	(40,123,143)
Trade deposits and short-term prepayments	(5,127,835)	(1,234,498)
Other receivables	(576,304,452)	(776,532)
	(475,836,608)	(984,949,603)
Increase / (decrease) in current liabilities		
Trade and other payables	(358,006,315)	(36,122,850)
Sales tax payable	(42,897,821)	93,042,358
	(400,904,136)	56,919,508
	(876,740,744)	(928,030,095)

40. TRANSACTIONS WITH RELATED PARTIES

40.1. Related parties of the Company comprise of subsidiaries, associates, retirement funds, directors and key management personnel. Transactions and balances with related parties, other than those disclosed elsewhere in the unconsolidated financial statements, are as follows:

	2018 Rupees	2017 Rupees
Subsidiary		
Reimbursable expenses incurred on behalf of subsidiary	-	29,604,394
Receipts against reimbursement of expenses from subsidiary	-	29,604,394
Investment made during the year	-	40,000,000
Advance against right issue of shares	1,530,339	-
Associates		
Investment made during the year	96,000,000	72,000,000
Dividend received during the year	224,999,987	-
Sales	345,312,029	453,286,878
Expenses shared	1,131,730	1,076,485
Donations	52,650,000	26,500,000
	10,003,645	10,003,645

41.1. All the transactions with related parties are entered into at agreed terms duly approved by the Board of Directors of the Company.

40.3. Following are the related parties with whom the Company had entered into transactions with or has arrangement / agreement in place:

Name	Basis of relationship	Percentage of shareholding
Mehran Energy Limited	Subsidiary	100%
Unicol Limited	Associate	33%
Unifoods Industries Limited	Associate	24%
Unienergy Limited	Associate	20%
Pakistan Molasses Company (Private) Limited	Common directorship	Nil
Mogul Tobbaco Company (Private) Limited	Common directorship	Nil
Hasham Foundation	Common directorship	Nil
Usman Mermorial Foundation	Common directorship	Nil
Hasham (Private) Limited	Common directorship	Nil

41. CAPACITY AND PRODUCTION

	Days	Tons of Cane crushing per Day (TCD)	
		Rated capacity	Average Capacity utilisation
Season 2017-2018	**129**	**12500 TCD**	**8087 TCD**
Season 2016-2017	133	12500 TCD	8587 TCD

The short fall in crushing is due to the decrease in market demand.

42. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

42.1. The aggregate amount, charged in the unconsolidated financial statements for the year are as follows:

	2018					2017				
	Chief Executive Officer	Executive Director	Non-Executive Directors	Executives	Total	Chief Executive Officer	Executive Director	Non-Executive Directors	Executives	Total
	Rupees									
Fees	-	-	370,000	-	370,000	-	-	490,000	-	490,000
Basic salary	7,608,000	7,608,000	-	20,032,300	35,248,300	7,608,000	7,608,000	-	20,835,000	36,051,000
House rent allowance	2,270,400	2,270,400	-	6,979,240	11,520,040	2,270,400	2,270,400	-	6,909,000	11,449,800
Utility allowance	760,800	760,800	-	2,003,230	3,524,830	760,800	760,800	-	2,083,500	3,605,100
Medical allowance	760,800	760,800	-	2,003,230	3,524,830	760,800	760,800	-	2,083,500	3,605,100
Retirement benefits	760,800	760,800	-	2,003,230	3,524,830	760,800	760,800	-	2,083,500	3,605,100
Bonus	2,536,000	2,536,000	-	6,660,667	11,732,667	2,536,000	2,536,000	-	6,945,000	12,017,000
	14,696,800	14,696,800	370,000	39,681,897	69,445,497	14,696,800	14,696,800	490,000	40,939,500	70,823,100
Number of persons	1	1	6	9	17	1	1	6	9	17

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

42.3. As per revised requirement of the Act, executive means an employee, other than chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

Notes to the Unconsolidated Statement

For the year ended September 30, 2018

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

43.1. Credit risk

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

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

	2018 Rupees	2017 Rupees
Long term deposits	872,400	1,113,170
Trade debts	130,583,180	174,514,430
Short term Investments	1,258,744,288	830,319,250
Loans and advances	116,066,589	148,344,754
Short term deposits	358,640	318,640
Other receivables	580,798,351	4,493,899
Bank balances	15,894,265	28,654,376
	2,103,317,713	1,187,758,519

Quality of financial assets

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

43.1.1 Trade debts

There are no customers with defaults or past dues as at the current and prior year reporting date.

43.1.2 Bank balances

With external credit rating:

		2018 Rupees	2017 Rupees
A1+	PACRA	3,985,130	20,869,112
A-1+	JCR – VIS	8,592,779	1,882,790
A1	PACRA	3,316,356	5,902,474
		15,894,265	28,654,376

43.2. Liquidity risk

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

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	----------	----------	-Amount in Rupees-	----------	----------
Long-term financing	-	32,083,333	171,249,999	745,414,175	948,747,507
Liabilities against assets subject to finance lease	-	4,969,857	16,261,418	18,206,588	39,437,863
Provision for quality premium	-	-	-	119,290,919	119,290,919
Trade and other payables	545,842,759	149,311,102	-	-	695,153,861
Unclaimed dividends	19,503,183	-	-	-	19,503,183
Accrued markup	-	49,254,343	-	-	49,254,343
Short term borrowings	-	1,966,893,276	-	-	1,966,893,276
2018	565,345,942	2,202,511,911	187,511,417	882,911,682	3,838,280,952

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	----------	----------	-Amount in Rupees-	----------	----------
Long-term financing	-	27,755,904	128,267,706	448,747,505	604,771,115
Liabilities against assets subject to finance lease	-	6,108,724	18,326,173	31,686,538	56,121,435
Provision for quality premium	-	-	-	119,290,919	119,290,919
Trade and other payables	848,142,772	205,017,404	-	-	1,053,160,176
Unclaimed dividends	35,771,399	-	-	-	35,771,399
Accrued markup	-	32,324,757	-	-	32,324,757
Short-term borrowings	-	1,117,039,706	-	-	1,117,039,706
2017	883,914,171	1,388,246,495	146,593,879	599,724,962	3,018,479,507

43.3. Market risk

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

43.3.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates mainly relates to long term financing, short term borrowings and lease obligations. Management of the Company estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the Company's profit before tax by Rs. 8.6 million (2017: Rs. 5.089 million) and a 1% decrease would result in the increase in the Company's profit before tax by the same amount.

43.3.2 Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments,

Notes to the Unconsolidated Statement
For the year ended September 30, 2018

speculative activities, supply and demand for shares and liquidity in the market. The management of the Company manages the above market risks through diversification of investment portfolio. The management estimates that a 10% increase in the overall equity prices in the market with all of the factors remaining constant would decrease the Company's profit before tax by Rs. 123.104 million (2017: Rs.110.25 million) and 10% decrease would result in a decrease in the Company's profit before tax by the same amount.

43.3.3 Foreign currency risk

Foreign currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables exist as a result of sales made in foreign jurisdictions. Financial assets of the Company include Rs. 103.051 million (2017: Rs. 138.650 million) in foreign currency which is subject to currency risk exposure.

	2018 Rupees	2017 Rupees
The following exchange rate has been applied at the reporting date:		
Pakistani rupee to US Dollars	124	105

The following figures demonstrate the sensitivity to a reasonably possible change in exchange rates, with all variables held constant, of the Company's profit before tax:

	Changes in exchange rate	Effect on profit before tax Rupees
2018	± 5%	6,910,313
2017	± 5%	873,600

44. CAPITAL RISK MANAGEMENT

The Company finances its operations through equity, borrowings and management of working capital with a view of maintaining an appropriate mix between various sources of finance to minimize risk. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business, sustain future development of the business and maximize shareholders value. The Company monitors capital using a debt equity ratio as follows:

	2018 Rupees	2017 Rupees
Long-term financing	948,747,507	604,771,115
Short-term borrowings	1,966,893,276	1,117,039,706
Total debt	2,915,640,783	1,721,810,821
Share capital	320,312,450	320,312,450
Reserves	2,289,009,149	1,897,941,949
Total equity	2,609,321,599	2,218,254,399
Capital (Debt + equity)	5,524,962,382	3,940,065,220
Gearing ratio	53%	44%

45. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities,

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

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

As of the reporting date, the Company has only available-for-sale investments measured at fair value using level 1 valuation technique and the biological assets measured at fair value using level 2 valuation technique. There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year.

	2018 Rupees	2017 Rupees
46. NUMBER OF EMPLOYEES		
Total number of employees as at reporting date	580	585
Total number of factory employees as at reporting date	553	553
Average number of employees during the year	583	583
Average number of factory employees during the year	553	553

47. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on December 28, 2018 by the Board of Directors of the Company.

48. NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

48.1. Subsequent to the year end, the Board of Directors of the Group in their meeting held on December 28, 2018 have proposed a final cash dividend of Rs.3/- (2017: Rs. Nil) per share and issue of bonus shares in the proportion of 15 (2017: Nil) ordinary shares for every hundred (100) ordinary shares held for the year ended September 30, 2018.

48.2. Under section 5A of the Income Tax Ordinance, 2001 (the Ordinance), every public company is obliged to pay tax at the rate 5% on its accounting profit before tax if it derives profit for a tax year but, does not distribute atleast 20% of its after tax profits within six months of the end of the tax year, through cash.

Based on the above fact, the Board of Directors of the Company has recommended a final cash dividend amounting to Rs.3/- per share 30% (2017: Rs. Nil/- per share Nil %) and issue of bonus shares in the proportion of 15 (2017: Nil) ordinary shares for every hundred (100) ordinary shares held for the year ended September 30, 2018. This exceeds the prescribed minimum dividend requirement as referred above. Accordingly, no further tax provision has been recorded under section 5A of the Ordinance.

The approval of the members for the proposed final cash dividend and the proposed bonus issue will be obtained at the Annual General Meeting of the Company to be held on January 28, 2019. The financial statements for the year ended September 30, 2018 do not include the effect of the final cash dividend and proposed bonus issue which will be accounted for in the financial statements for the year ending September 30, 2019.

49. CORRESPONDING FIGURES

49.1. Certain corresponding figures have been reclassified as follows, however, since these have no material impact on the earliest period presented, third unconsolidated statement of financial position is not prepared in these unconsolidated financial statements:

Component	From	To	Rupees
Actuarial loss on deferred liability	Revenue reserve (Unappropriated profits)	Actuarial gain / loss on defined benefit plan	2,654,285

50. GENERAL

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

Chief Executive Officer

Chief Financial Officer

Director

Consolidated
Financial Statements

Independent Auditors' Report

To the members of Mehran Sugar Mills Ltd.

Opinion

We have audited the annexed consolidated financial statements of **Mehran Sugar Mills Limited** and its subsidiary (the Group), which comprise the consolidated statement of financial position as at **30 September 2018,** and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matter	How our audit addressed the key audit matter
1. Contingencies	
As at the reporting date, the Company has various pending litigations from the concerned authorities as disclosed in note 29 to the accompanying consolidated financial statements. Due to the significance of the amounts involved in such matters and the inherent uncertainties in respect of their ultimate outcome, the management judgements and estimates in relation to such contingencies may be complex and can impact the consolidated financial statements. For such reasons, we have considered contingencies as a key audit matter.	Our key audit procedures on contingencies included, amongst others, obtaining an understanding of the management's processes and controls over litigations through meetings with the management and review of the minutes of the Board of Directors and Audit Committee. We have obtained and reviewed confirmations from the Company's external advisors for their views on the legal position of the Company in relation to these contingencies. We also involved our internal tax professionals to assess management's conclusions on contingent tax related matters and to evaluate the consistency of such conclusions with the views of the external tax advisors engaged by the Company. We also evaluated the adequacy of disclosures made in respect of these contingencies in accordance with the applicable financial reporting standards.
2. Valuation of Stock-in-trade	
As disclosed in note 11 to the accompanying consolidated financial statements, the stock-in-trade balance constitutes 17% of total assets of the Company. The cost of finished goods is determined at cost including a proportion of production overheads. The obsolescence is calculated by taking into account the Net Realisable Value (NRV) of related stock-in-trade while mainly keeping in view the estimated selling price, forecasted stock-in-trade usage and forecasted sales volume. We have considered this area to be a key audit matter due to its materiality and judgments involved in estimating the NRV of underlying stock-in-trade as well as the management judgment in determining an appropriate costing basis and assessing its valuation.	Our audit procedures included, amongst others, reviewing management's procedures for evaluating the NRV of stock-in-trade held, performing testing on a sample basis to assess the management's estimate of the NRV, evaluating the adequacy of allowance for write down of stock-in-trade to its NRV, if required and observing the physical stock-in-trade held as at the reporting date. Further, we evaluated the appropriateness of the basis of identification of the obsolete stock-in-trade and the accuracy of allowance of write down of inventories to NRV assessed by the management, on a sample basis. We tested the accuracy of the aging analysis of stock-in-trade, on a sample basis and cost of goods with underlying invoices and expenses incurred in accordance with the valuation methods.

Key audit matter	How our audit addressed the key audit matter
	We also tested the calculations of per unit cost of finished goods and WIP and assessed the appropriateness of management's basis for the allocation of cost and production overheads. We further tested the NRV of stock-in-trade by preforming a review of sales close to and subsequent to the year-end and compared with the cost, for a sample of products. We also assessed the adequacy of the disclosures made in respect of the accounting policies and detailed disclosure in accordance with the applicable financial reporting standards.
3. Preparation of consolidated financial statements under Companies Act, 2017	
As referred to in note 3.1 to the accompanying consolidated financial statements, the Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the consolidated financial statements for the year ended 30 September 2018. The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the consolidated financial statements. In the case of the Company, a summary of key additional disclosures and changes to the existing disclosures have been stated in note 3.1 to the accompanying consolidated financial statements. The above changes and enhancements in the consolidated financial statements are considered important and a key audit matter because of the volume and significance of the changes in the consolidated financial statements resulting from the transition to the new reporting requirements under the Act.	We assessed the procedures applied by the management for identification of the changes required in the consolidated financial statements due to the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the consolidated financial statements.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Arif Nazeer.

Chartered Accountants

Date: 12 January 2019

Place: Karachi

Consolidated Statement of Financial Position

As at September 30, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	2,201,966,743	2,215,892,055
Long-term receivable	7	-	-
Long-term investments	8	1,148,692,487	937,676,351
Long-term deposits		872,400	1,113,170
		3,351,531,630	3,154,681,576
CURRENT ASSETS			
Biological assets	9	8,785,700	17,662,000
Stores and spare parts	10	101,670,530	83,880,941
Stock-in-trade	11	1,167,157,420	1,205,456,973
Trade debts	12	130,583,180	174,514,430
Loans and advances	13	116,066,589	148,344,754
Trade deposits and short-term prepayments	14	12,881,643	7,753,808
Other receivables	15	580,820,851	4,493,899
Short-term investments	16	1,258,744,288	830,319,250
Taxation – net		82,337,170	54,617,134
Cash and bank balances	17	16,197,136	39,156,458
		3,475,244,507	2,566,199,647
TOTAL ASSETS		6,826,776,137	5,720,881,223
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	18	320,312,450	320,312,450
Reserves	19	2,281,181,522	1,895,971,411
		2,601,493,972	2,216,283,861
NON-CURRENT LIABILITIES			
Long-term financing	20	745,414,175	448,747,505
Liabilities against assets subject to finance lease	21	18,206,588	31,686,538
Market committee fee payable	22	62,216,604	65,974,256
Deferred liability	23	4,785,010	4,878,275
Deferred taxation	24	225,769,432	288,210,549
Provision for quality premium	25	119,290,919	119,290,919
		1,175,682,728	958,788,042
CURRENT LIABILITIES			
Trade and other payables	26	695,359,661	1,053,285,176
Unclaimed dividends		19,503,183	35,771,399
Accrued mark-up		49,254,343	32,324,757
Short-term borrowings	27	1,966,893,276	1,117,039,706
Current portion of long-term financing	20	203,333,332	156,023,610
Current portion of liabilities against assets subject to finance lease	21	20,790,894	24,434,897
Current portion of market committee fee payable	22	3,757,652	3,757,652
Provision for market committee fee	28	30,401,039	19,968,245
Sales tax and federal excise duty payable		60,306,057	103,203,878
		3,049,599,437	2,545,809,320
CONTINGENCIES AND COMMITMENTS	29		
TOTAL EQUITY AND LIABILITIES		6,826,776,137	5,720,881,223

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Consolidated Profit and Loss Account

For the year ended September 30, 2018

	Note	2018 Rupees	2017 Rupees
Turnover - net	30	4,790,789,858	5,500,835,862
Cost of sales	31	(4,201,109,587)	(5,233,068,269)
Gross profit		589,680,271	267,767,593
Distribution costs	32	(111,448,318)	(83,037,172)
Administrative expenses	33	(281,959,541)	(244,970,331)
Other expenses	34	(69,392,379)	(9,357,006)
Other income	35	169,541,014	362,734,920
		(293,259,224)	25,370,411
Operating profit		296,421,047	293,138,004
Share of profit from associates – net		340,016,123	100,112,515
Finance costs	36	(212,571,493)	(196,674,799)
Profit before taxation		423,865,677	196,575,720
Taxation	37	(16,824,716)	(66,871,019)
Net profit for the year		407,040,961	129,704,701
Basic and diluted earnings per share	38	12.71	4.05

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Consolidated Statement of Comprehensive Income For the year ended September 30, 2018

	2018 Rupees	2017 Rupees
Net profit for the year	407,040,961	129,704,701
Other comprehensive income		
Items to be reclassified to consolidated statement of profit or loss in subsequent periods:		
Unrealised (loss) / gain on revaluation of short-term investments – net of tax	(36,796,321)	35,361,786
Reclassification to consolidated statement of profit or loss for gain / (loss) on disposal of short-term investments	14,847,391	(95,206,177)
	(21,948,930)	(59,844,391)
Items that may not be reclassified subsequently to consolidated statement of profit or loss:		
Actuarial gain / (loss) on defined benefit plan – net of tax	118,080	(819,108)
Total comprehensive income for the year	385,210,111	69,041,202

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Consolidated Statement of Cash Flows

For the year ended September 30, 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		423,865,677	196,575,720
Adjustments for non-cash charges and other items:			
Depreciation	6.1.1	166,710,619	152,920,439
Share of profit from associates – net		(340,016,123)	(100,112,515)
Gain on disposal of operating fixed assets	35	(4,619,829)	(4,843,041)
Finance costs		212,571,493	196,674,799
Gain on disposal of short-term investments		(11,239,520)	(262,320,311)
Provision for gratuity	23	376,206	304,549
Provision for market committee fee		10,432,794	10,561,982
Provision for impairment of short-term investments	34	63,465,886	9,357,006
Working capital changes	39	(876,682,444)	(927,905,095)
		(779,000,918)	(925,362,187)
Gratuity paid		(351,391)	(892,104)
Income taxes paid		(98,557,561)	(172,367,234)
Finance costs paid		(195,641,907)	(173,191,631)
Market committee fee paid		(3,757,652)	(4,360,000)
Long term deposits – net		240,770	(260,000)
Net cash used in operating activities		(653,202,982)	(1,079,857,436)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(146,009,887)	(369,326,307)
Proceeds from disposal of operating fixed assets	6.1.2	7,913,423	7,698,872
Investments made		(1,829,348,323)	(2,776,958,553)
Proceeds from disposal of short-term investments		1,222,319,667	3,167,803,215
Dividend received	8.2	224,999,987	-
Net cash (used in) / generated from investing activities		(520,125,133)	29,217,227
CASH FLOWS FROM FINANCING ACTIVITIES*			
Long term financing obtained		343,976,392	132,206,446
Short-term borrowings obtained		849,853,570	1,117,039,706
Liabilities against assets subject to finance lease		(27,192,953)	(29,635,409)
Dividends paid		(16,268,216)	(164,252,408)
Net cash generated from financing activities		1,150,368,793	1,055,358,335
Net (decrease) / increase in cash and cash equivalents		(22,959,322)	4,718,126
Cash and cash equivalents at the beginning of the year		39,156,458	34,438,332
Cash and cash equivalents at the end of the year	17	16,197,136	39,156,458

*No non-cash items are included in these activities.

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

Chief Executive Officer | Chief Financial Officer | Director

Consolidated Statement of Changes in Equity

For the year ended September 30, 2018

	Issued, subscribed and paid-up capital	Reserves						Total
		Capital	Revenue					
		Share Premium	General reserve	Unappropriated profits	Unrealised gain / (loss) on revaluation of investments	Actuarial gain / (loss) on defined benefit plan	Total reserves	
	---------- Rupees ----------							
Balance as at September 30, 2016	320,312,450	63,281,250	85,000,000	1,704,604,475	146,743,887	3,473,393	2,003,103,005	2,323,415,455
Final dividend for the year ended September 30, 2016 @ 22.5%	-	-	-	(72,070,387)	-	-	(72,070,387)	(72,070,387)
First interim dividend for the year ended September 30, 2017 @ 15%	-	-	-	(48,047,259)	-	-	(48,047,259)	(48,047,259)
Second interim dividend for the year ended September 30, 2017 @ 12.5%	-	-	-	(40,039,143)	-	-	(40,039,143)	(40,039,143)
Additional cash dividend for the year ended September 30, 2017 @ 5%	-	-	-	(16,016,007)	-	-	(16,016,007)	(16,016,007)
Net profit for the year	-	-	-	129,704,701	-	-	129,704,701	129,704,701
Other comprehensive loss	-	-	-	-	(59,844,391)	(819,108)	(60,663,499)	(60,663,499)
Total comprehensive income for the year	-	-	-	129,704,701	(59,844,391)	(819,108)	69,041,202	69,041,202
Balance as at September 30, 2017	320,312,450	63,281,250	85,000,000	1,658,136,380	86,899,496	2,654,285	1,895,971,411	2,216,283,861
Net profit for the year	-	-	-	407,040,961	-	-	407,040,961	407,040,961
Other comprehensive (loss) / income	-	-	-	-	(21,948,930)	118,080	(21,830,850)	(21,830,850)
Total comprehensive income for the year	-	-	-	407,040,961	(21,948,930)	118,080	385,210,111	385,210,111
Balance as at September 30, 2018	320,312,450	63,281,250	85,000,000	2,065,177,341	64,950,566	2,772,365	2,281,181,522	2,601,493,972

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Notes to the Consolidated Financial Statement
For the year ended September 30, 2018

1. LEGAL STATUS AND OPERATIONS OF THE GROUP

1.1. The Holding Company

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

1.2. Subsidiary Company

Mehran Energy Limited (the Subsidiary), a wholly owned subsidiary of Mehran Sugar Mills Limited (the Holding Company) was incorporated in Pakistan as a public unlisted Company in October 2016. The Company is in start-up phase and has not commenced its operations. The principal activities of the Subsidiary will be to build, operate and maintain a 26.5 MW high pressure co-generation bagasse based power plant for the generation and supply of electric power in relation thereof. The registered office of the Subsidiary is situated at 14th floor, Dolmen City Executive Tower, Marine Drive, Block 4, Clifton, Karachi.

1.3. Geographical location and addresses of all the business units of the Group are as under:

Location	Business unit
Karachi	
14th Floor Dolmen Executive Tower, Marine Drive, Clifton	Head office
Tando Allahyar, Sindh	
Tando Adam Road	Mill
Deh Rechal, P.O. Khokhar	Farm

2. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS DURING THE YEAR, AFFECTING THE GROUP

2.1. Adoption of Companies Act, 2017 as disclosed in note 3.1 to these consolidated financial statements.

2.2. The Group made additions in its plant and machinery to improve steam efficiency % to cane and up-gradation of process house to enhance sucrose recovery levels (refer note 6).

2.3. The Group made a further investment of Rs. 96 million in the ordinary shares of Uni-Foods Industries Limited, as associated Group (refer note 8).

2.4. The Group has obtained new long term loan facility amounting to Rs. 500 million from Allied Bank Limited (refer note 20).

3. BASIS OF PREPARATION

3.1. Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS), issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the Act) and, provisions of and directives issued under the Act.

Where the provisions of and directives issued under the Act differ from the IFRS standards, the provisions of and directives issued under the Act have been followed.

The Act has also brought certain changes with regard to the preparation and presentation of these consolidated financial statements. These changes, amongst others, included change in nomenclature of primary statements. Further, the disclosure requirements contained in the fourth schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional amended disclosures including, but not limited to, particulars of immovable assets of the Group (refer note 6), management assessment of sufficiency of tax provision in the consolidated financial statements (refer note 37), additional disclosure requirements for related parties (refer note 40.2), reason for shortfall between capacity and production (refer note 41) and change in threshold for identification of executives (refer note 42).

3.2. Accounting convention

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

3.3. Basis of consolidation

These consolidated financial statements comprise the financial statements of the Holding Company and the Subsidiary as at the reporting date, here-in-after referred to as 'the Group'.

3.3.1. Subsidiaries

Subsidiaries are those entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);

- exposure, or rights, to variable returns from its involvement with the investee; and

- the ability to use its power over the investee to affect its returns.

The Holding Company meets all the above conditions and hence has power over the subsidiary.

Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the profit and loss account from the date the Group gains control until the date the Group ceases to control the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition is recorded as goodwill. If the cost of acquisition is less than fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill acquired in a business combination is, on the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination. Goodwill is tested annually

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or whenever there is an indication of impairment exists. Impairment loss in respect of goodwill is recognised in consolidated statement of profit or loss and is not reversed in future periods.

The assets, liabilities, income and expenses of subsidiary companies are consolidated on a line by line basis and the carrying value of investments held by the Holding Company is eliminated against the subsidiaries' shareholders' equity in the consolidated financial statements.

All intra-group transactions, balances, income, expenses and unrealised gains and losses on transactions between Group companies are eliminated in full.

The Subsidiary has same reporting period as that of the Holding Company. The accounting policies of the Subsidiary are consistent with the accounting policies of the Group.

3.4. New standards, interpretations and amendments

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

IAS 7 Statement of Cash Flows – Disclosure Initiative (Amendment)
IAS 12 Income Taxes — Recognition of Deferred Tax Assets for Unrealised losses (Amendments)

3.5. Standards, interpretations and amendments to approved accounting standards that are not yet effective

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

	Effective date (annual periods beginning on or after)
IFRS 2 – Share Based Payments – Classification and Measurement of Share Based Payments Transactions (Amendments)	01 January 2018
IFRS 4 – Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 (Amendments)	01 January 2018
IFRS 9 – Financial Instruments	01 July 2018
IFRS 9 – Prepayment Features with Negative Compensation - (Amendments)	01 January 2019
IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an investor and its Associate or Joint venture Contracts - (Amendments)	Not yet finalised
IFRS 15 – Revenue from Contracts with Customers	01 July 2018
IFRS 16 – Leases	01 January 2019

	Effective date (annual periods beginning on or after)
IAS 19 – Plan Amendment, Curtailment or Settlement - (Amendments)	01 January 2019
IAS 28 – Long-term Interests in Associates and Joint Ventures - (Amendments)	01 January 2019
IAS 40 – Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 – Uncertainty over Income Tax Treatments	01 January 2019

The above standards and amendments are not expected to have any material impact on the Group's consolidated financial statements in the period of initial application except for IFRS 15 - Revenue from Contracts with Customers. The Group is currently evaluating the impact of this Standard on the consolidated financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019, respectively. The Group expects that such improvements to the standards will not have any material impact on the Group's consolidated financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of consolidated financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

	Effective date (annual periods beginning on or after)
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 17 – Insurance Contracts	01 January 2021

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these judgments and estimates

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could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The management continually evaluates estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognised prospectively.

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

Property, plant and equipment

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

Impairment of Investments

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

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

Inventories

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

Taxation

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

Deferred tax assets are recognised 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 utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Group, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / nonoccurrence of the uncertain future events.

Biological assets

To ascertain the fair value of the biological assets, the fair value less estimated point-of-sale costs of crops at the end of each reporting period is determined using prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets. Since, there exists an active market for the agricultural produce, the estimated selling price is obtained using the observable inputs and the estimated selling costs are the harvesting charges farmer takes for cutting the crop.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1. Property, plant and equipment

Owned

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

Depreciation is charged to the consolidated statement of profit or loss using the reducing balance method, at the rates specified in note 6.1. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month the asset is in use.

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

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

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

Leased

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

Capital work-in-progress

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

5.2. Investments

Subsidiaries

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

Associates

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

As the financial statements of all the associates may not necessarily be available at the year end, the Group uses the financial statements of the associates with a lag of three months for applying the equity method of accounting.

Available-for-sale

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

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

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

Held-to-maturity

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

5.3. Biological assets

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

5.4. Stores and spare parts

Stores, spares and consumables are stated at the lower of weighted average cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less net estimated costs to sell, which is generally equivalent to replacement cost.

Items in transit, if any, are valued at cost comprising invoice value plus other charges incurred thereon up to the reporting date.

5.5. Stock-in-trade

Stock-in-trade is valued at the lower of cost and estimated net realisable value.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value signifies the estimated selling price in the ordinary course of business less net estimated costs of completion and sell.

Items in transit, if any, are valued at cost comprising invoice value plus other charges incurred thereon up to the reporting date.

5.6. Trade debts and other receivables

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

5.7. Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and current accounts held with banks, which are subject to insignificant risk of change.

5.8. Employees' benefits

Gratuity

The Group operates an unfunded gratuity scheme for its permanent mill employees. An actuarial valuation of all defined benefit scheme is conducted every year. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are recognised in full in the period in which they occur in the consolidated statement of comprehensive income.

All past service costs are recognised at the earlier of when the amendment or curtailment occurs and when the Group has recognised related restructuring or termination benefits.

Provident fund

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

Investments made in provident fund have been made in accordance with the provisions of Section 218 of the Act and the conditions specified thereunder.

Compensated absences

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

Notes to the Consolidated Financial Statement

For the year ended September 30, 2018

5.9. Taxation

Current

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

Deferred

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

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

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

Deferred tax relating to items recognised outside consolidated statement of profit or loss is recognised outside consolidated statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in consolidated statement of comprehensive income or directly in equity.

5.10. Trade and other payables

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

5.11. Provisions

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

5.12. Foreign currency transactions and translation

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

5.13. Borrowing and their costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

5.14. Financial instruments

Recognition

Financial assets and liabilities are recognised at the time when the Group becomes party to the contractual provisions of the instrument and are derecognised in the case of assets, when the contractual rights under the instruments are realised, expired or surrendered and in the case of liability, when the obligation is discharged, cancelled or expired.

Impairment

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

5.15. Offsetting of financial assets and financial liabilities

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

5.16. Revenue recognition

- Sales are recognised as revenue when invoiced, which generally coincides with the dispatch of goods. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Group has concluded that it is acting as a principal in all its revenue arrangements.
- Profit on term deposit receipts is recognised on effective interest rate.
- Dividend income is recognised when the right to receive the same is established.
- Gain / loss on sale of investment is recognised in the consolidated statement of profit or loss in the period in which investment is sold.
- Income from sale of electricity is recognised upon the output delivered at rates specified under the agreement with Hyderabad Electric Supply Company (HESCO).
- Farm and other income is recognised on accrual basis.

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5.17. Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the consolidated financial statements in the period in which these are approved. However, if these are approved after the reporting period but before the consolidated financial statements are authorised for issue, disclosure is made in the consolidated financial statements.

5.18. Functional and presentation currency

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

	Note	2018 Rupees	2017 Rupees
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	2,064,524,860	1,991,894,970
Capital work-in-progress	6.2	137,441,883	223,997,085
		2,201,966,743	2,215,892,055

6.1. Operating fixed assets

	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	
	At October 01, 2017	Additions / *transfers from capital work-in-progress/ **transfers from leased assets/ (deletions)	At September 30, 2018	At October 01, 2017	Charge for the year / (deletions)	At September 30, 2018	At September 30, 2018	Dep. Rate %
	---------- Rupees ----------							
Description								
Owned								
Freehold land	83,394,207	-	83,394,207	-	-	-	83,394,207	-
Buildings on freehold land								
- Factory	275,851,465	*18,435,110	294,286,575	131,099,813	15,705,136	146,804,949	147,481,626	10 %
- Non-factory	50,996,147	-	50,996,147	16,128,806	1,743,367	17,872,173	33,123,974	5 %
Plant, machinery and equipment	2,552,597,528	39,048,680 *159,405,195	2,751,051,403	1,011,672,871	122,365,501	1,134,038,372	1,617,013,031	7.5 %
Furniture and fittings	8,820,352	156,001	8,976,353	3,638,759	526,167	4,164,926	4,811,427	10 %
Vehicles	18,790,428	1,245,270	18,750,233	14,684,933	840,693	15,064,357	3,685,876	20%
		**2,469,384 (3,754,849)			(461,269)			
Office premises	85,022,551	-	85,022,551	19,909,811	3,255,637	23,165,448	61,857,103	5 %
Office equipment	5,877,222	395,325	6,272,547	3,304,502	283,994	3,588,496	2,684,051	10 %
Electric installation	13,557,279	11,437,223	24,994,502	6,031,684	1,719,837	7,751,521	17,242,981	10 %
Weighbridge and scales	4,513,889	48,000	4,561,889	1,388,262	316,563	1,704,825	2,857,064	10 %
Workshop tools and other equipment	6,341,923	-	6,341,923	4,868,970	147,295	5,016,265	1,325,658	10 %
Computers	11,868,399	345,490	12,213,889	8,902,230	936,056	9,838,286	2,375,603	30 %
Air conditioners and refrigerators	13,076,108	2,048,795	15,124,903	5,215,484	860,302	6,075,786	9,049,117	10 %
	3,130,707,498	54,724,784 *177,840,305 **2,469,384 (3,754,849)	3,361,987,122	1,226,846,125	148,700,548 (461,269)	1,375,085,404	1,986,901,718	
Leased								
Vehicles	142,649,590	10,069,000 **(5,811,000)	146,907,590	54,615,993	18,010,071 **(3,341,616)	69,284,448	77,623,142	20 %
	3,273,357,088	64,793,784 *177,840,305 **2,469,384 (3,754,849) **(5,811,000)	3,508,894,712	1,281,462,118	166,710,619 (461,269) **(3,341,616)	1,444,369,852	2,064,524,860	
2018	3,273,357,088	235,537,624	3,508,894,712	1,281,462,118	162,907,734	1,444,369,852	2,064,524,860	

Notes to the Consolidated Financial Statement

For the year ended September 30, 2018

Description	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	
	At October 01, 2016	Additions/ (deletions)	At September 30, 2017	At October 01, 2016	Charge for the year/ (deletions)	At September 30, 2017	At September 30, 2017	Dep. Rate %
	---------- Rupees ----------							
Owned								
Freehold land	83,394,207	-	83,394,207	-	-	-	83,394,207	-
Buildings on freehold land								
- Factory	262,573,131	13,278,334	275,851,465	115,746,926	15,352,887	131,099,813	144,751,652	10 %
- Non-factory	50,996,147	-	50,996,147	14,293,683	1,835,123	16,128,806	34,867,341	5 %
Plant, machinery and Equipment	2,133,774,436	419,952,591 (1,129,499)	2,552,597,528	905,894,193	106,625,529 (846,851)	1,011,672,871	1,540,924,657	7.5 %
Furniture and fittings	8,708,852	111,500	8,820,352	3,066,915	571,844	3,638,759	5,181,593	10 %
Vehicles	22,240,028	2,058,000 (5,507,600)	18,790,428	17,501,756	918,952 (3,735,775)	14,684,933	4,105,495	20%
Office premises	85,022,551	-	85,022,551	16,482,825	3,426,986	19,909,811	65,112,740	5 %
Office equipment	5,774,222	103,000	5,877,222	3,024,366	280,136	3,304,502	2,572,720	10 %
Electric installation	11,015,603	3,052,383 (510,707)	13,557,279	5,941,863	597,494 (507,673)	6,031,684	7,525,595	10 %
Weighbridge and scales	4,497,389	16,500	4,513,889	1,042,039	346,223	1,388,262	3,125,627	10 %
Workshop tools and other equipment	6,341,923	-	6,341,923	4,705,308	163,662	4,868,970	1,472,953	10 %
Computers	10,345,912	1,522,487	11,868,399	7,435,388	1,466,842	8,902,230	2,966,169	30 %
Air conditioners and refrigerators	12,319,714	756,394	13,076,108	4,382,085	833,399	5,215,484	7,860,624	10 %
	2,697,004,115	440,851,189 (7,147,806)	3,130,707,498	1,099,517,347	132,419,077 (5,090,299)	1,226,846,125	1,903,861,373	
Leased								
Vehicles	95,447,200	49,417,490 (2,215,100)	142,649,590	35,531,407	20,501,362 (1,416,776)	54,615,993	88,033,597	20 %
Total	2,792,451,315	490,268,679 (9,362,906)	3,273,357,088	1,135,048,754	152,920,439 (6,507,075)	1,281,462,118	1,991,894,970	
	2,792,451,315	480,905,773	3,273,357,088	1,135,048,754	146,413,364	1,281,462,118	1,991,894,970	

6.1.1 Depreciation charge for the year has been allocated as follows:

	Note	2018 Rupees	2017 Rupees
Cost of sales	31	141,997,699	124,920,918
Administrative expenses	33	24,712,920	27,999,521
		166,710,619	152,920,439

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

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchaser	Relationship with purchaser
	------------------------ (Rupees) ------------------------							
Vehicles								
Toyota Corolla	2,402,500	903,340	1,499,160	2,140,000	640,840	Negotiation	Mr. Anis Ur Rehman	Third Party
Other assets with book value less than Rs. 500,000 each	4,693,965	2,899,755	1,794,210	5,773,423	3,979,213	Various	Various	Various
Total	7,096,465	3,803,095	3,293,370	7,913,423	4,620,053			

6.1.3 Particulars of immovable assets of the Company are as follows:

Particulars	Usage of Property	Address	Covered Area sq.ft.
Freehold Land	Mill	Tando Adam road , Tando Allahyar	5.5 million sq.ft.
Office premises	Registered Office	14th Floor Dolmen Executive Tower, Dolmen City, Marine Drive , Clifton , Karachi	5,850 sq.ft.
Building on freehold land	Office at mill	Tando Adam road , Tando Allahyar	-

6.2. Capital work-in-progress

	Buildings on freehold land	Plant, machinery and equipment	Total
	-------------------- Rupees --------------------		
Balance as at September 30, 2016	55,807,969	239,713,997	295,521,966
Capital expenditure incurred / advances made during the year	2,303,289	327,750,014	330,053,303
Transfer to operating fixed assets	(11,958,334)	(389,619,850)	(401,578,184)
Balance as at September 30, 2017	46,152,924	177,844,161	223,997,085
Capital expenditure incurred / advances made during the year	9,017,112	82,267,991	91,285,103
Transfer to operating fixed assets	(25,495,627)	(152,344,678)	(177,840,305)
Balance as at September 30, 2018	29,674,409	107,767,474	137,441,883

Notes to the Consolidated Financial Statement
For the year ended September 30, 2018

	Note	2018 Rupees	2017 Rupees
7. LONG-TERM RECEIVABLE			
Tender earnest money		1,000,000	1,000,000
Down payment		33,125,000	33,125,000
Other costs		8,385,996	8,385,996
	7.1	42,510,996	42,510,996
Provision for doubtful receivable		(42,510,996)	(42,510,996)
		-	-

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

	Note	2018 Rupees	2017 Rupees
8. LONG TERM INVESTMENTS			
Associates			
Unicol Limited (UL) 49,999,997 (2017: 49,999,997) Ordinary shares of Rs. 10 each % of holding: 33.33 (2017: 33.33) %	8.2	1,022,228,271	852,412,955
UniEnergy Limited (UEL) 1,999,998 (2017: 1,999,998) Ordinary shares of Rs. 10 each % of holding: 20% (2017: 20) %	8.3	19,842,090	19,925,667
UniFoods Limited (UFL) 16,800,000 (2017: 7,200,000) Ordinary shares of Rs. 10 each % of holding: 24% (2017: 24) %	8.4	106,622,126	65,337,729
		1,148,692,487	937,676,351

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

8.2. UL is incorporated in Pakistan as a public unlisted company with its registered office situated at Sub Post Office Sugar Mills, Umerkot Road, Mirpurkhas. The principal activity of the UL is to manufacture and sell ethanol and carbon dioxide (Co2). The summarised financial information of UL is as follows:

	2018 Rupees	2017 Rupees
Aggregate amount of:		
- assets	5,207,925,000	5,282,734,000
- liabilities	2,141,240,000	2,725,496,000
- revenue	5,167,711,000	4,455,265,000
- profit after taxation	1,184,448,000	320,353,000
Movement of investment is as follows:		
Opening balance	852,412,955	745,628,638
Share of profit – net of tax	394,815,303	106,784,317
	1,247,228,258	852,412,955
Less : Dividend received during the year	(224,999,987)	-
	1,022,228,271	852,412,955

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

	2018 Rupees	2017 Rupees
Aggregate amount of:		
- assets	102,381,073	100,766,856
- liabilities	3,170,466	1,138,422
- loss after taxation	417,887	216,475
Movement of investment is as follows:		
Opening balance	19,925,667	19,935,208
Share of loss	(83,577)	(9,541)
	19,842,090	19,925,667

Notes to the Consolidated Financial Statement
For the year ended September 30, 2018

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

	2018 Rupees	2017 Rupees
Aggregate amount of:		
- assets	1,105,554,638	216,475,701
- liabilities	661,295,782	35,905,164
- revenue	44,006,203	-
- loss after taxation	227,981,681	27,759,463
Movement of investment is as follows:		
Opening balance	72,000,000	72,000,000
Right issue	96,000,000	-
Share of loss – net	(61,377,874)	(6,662,271)
	106,622,126	65,337,729

8.5. The investments in associated companies or undertakings have been made in accordance with the requirements under the Act.

		Note	2018 Rupees	2017 Rupees
9.	BIOLOGICAL ASSETS	9.1	8,785,700	17,662,000
9.1.	Carrying value at beginning of the year		17,662,000	43,848,243
	Increase due to cultivation	34.1	12,796,669	13,111,787
	Change in fair value less costs to sell of standing crop		(4,010,969)	4,550,213
			26,447,700	61,510,243
	Reduction due to harvesting	34.1	(17,662,000)	(43,848,243)
	Carrying value at the end of the year		8,785,700	17,662,000

9.2. The Group is engaged in cultivation of different sugarcane varieties. These varieties are then provided to growers for multiplication. During the year, the Group harvested 107,068 (2017: 331,193) maunds sugarcane at the yield of 605 (2017: 1048) maunds per acre. 49,943 (2017:153,301) maunds were supplied to growers for variety multiplication while remaining sugarcane was used for crushing at mill.

		2018 Rupees	2017 Rupees
10.	STORES AND SPARE PARTS		
	Stores	31,699,287	20,040,226
	Spare parts	69,971,243	63,840,715
		101,670,530	83,880,941

	Note	2018 Rupees	2017 Rupees
11. STOCK-IN-TRADE			
Manufactured sugar			
- Work-in-process		1,279,653	2,519,343
- Finished goods	11.1	1,165,877,767	1,202,937,630
		1,167,157,420	1,205,456,973

11.1. During prior year, the finished goods having cost of Rs. 1,253.96 million were carried at NRV of Rs. 1,202.94 million. As of the reporting date, all finished goods are carried at cost being the lower of cost and NRV.

	Note	2018 Rupees	2017 Rupees
12. TRADE DEBTS – unsecured			
Considered good	12.1	130,583,180	174,514,430
Considered doubtful		16,987,867	16,987,867
		147,571,047	191,502,297
Less: Provision for doubtful debts	12.2	(16,987,867)	(16,987,867)
	12.3	130,583,180	174,514,430

12.1. Includes an amount of Rs. 103.351 million (2017: Rs. 138.650 million) due from a debtor to whom export sales amounting to Rs. 91.520 million (2017: Rs. 886.386 million) were made. The jurisdiction falls in South-east Asia for the trade debts pertaining to export sales that were made the current year and similarly, the trade debts pertaining export sales made in prior year falls in Africa. The sales were made with confirmed LC in place.

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

	2018 Rupees	2017 Rupees
12.3. The aging of trade debts is as follows:		
Neither past due nor impaired	-	-
Past due but not impaired (within 90 days)	130,583,180	174,514,430
	130,583,180	174,514,430
13. LOANS AND ADVANCES – considered good		
Loans to employees	3,398,260	2,818,285
Advances		
- to suppliers	29,129,133	24,890,494
- to cane growers	43,926,941	46,632,953
- against expenses	4,788,255	2,120,022
- against sales tax	34,824,000	71,883,000
	112,668,329	145,526,469
	116,066,589	148,344,754

Notes to the Consolidated Financial Statement
For the year ended September 30, 2018

14. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2018 Rupees	2017 Rupees
Trade deposits			
Considered good		358,640	318,640
Considered doubtful		8,196,113	8,759,554
		8,554,753	9,078,194
Less: Provision for doubtful deposits	14.1	(8,196,113)	(8,759,554)
		358,640	318,640
Short-term prepayments			
Considered good		12,523,003	7,435,168
		12,881,643	7,753,808

14.1. Represents amount paid by the Group during the years 1995 and 1996 to the Director General Defence Procurement (DGDP) as tender money, which was withheld by the DGDP on account of his risk purchase claim on the Group, as fully described in note 29.1 (ii) to these consolidated financial statements. Although the matter is under litigation, the Group, as a matter of prudence, has made full provision against the deposit in these consolidated financial statements.

15. OTHER RECEIVABLES – considered good

	Note	2018 Rupees	2017 Rupees
Subsidy receivable	15.1	579,146,715	-
Due from related parties:			
Pakistan Molasses Company (Private) Limited		738,622	2,068,829
Mogul Tobacco Company (Private) Limited		644,609	422,099
	15.2	1,383,231	2,490,928
Others		290,905	2,002,971
		580,820,851	4,493,899

15.1. Represents subsidy receivable from Federal Government amounting to Rs. 577.938 million (2017: Nil) and Rs. 1.209 million (2017: Nil) from Provincial Government with respect to cash freight support on export sales.

15.2. The ageing analysis of balances due from related parties is as follows:

	2018 Rupees	2017 Rupees
Neither past due nor impaired	-	-
Past due but not impaired (within 90 days)	1,383,231	2,490,928
	1,383,231	2,490,928

15.3. The maximum aggregate amount due from related parties at any time during the year calculated by reference to month-end balances is as follows:

	2018 Rupees	2017 Rupees
Pakistan Molasses Company (Private) Limited	**2,038,461**	2,068,829
Mogul Tobacco Company (Private) Limited	**644,609**	422,099

	Note	2018 Rupees	2017 Rupees
16. SHORT-TERM INVESTMENTS			
Held to maturity			
Term deposit certificates	16.1	3,300,000	3,300,000
Available for sale			
Equity securities	16.2	1,255,444,288	827,019,250
		1,258,744,288	830,319,250

16.1. These carry profit rate of 3.5% (2017: 3.5%) per annum, having maturity up to six months.

16.2. Available for sale

2018 Number of shares of par value Rs. 10/- each	2017		2018 Rupees	2017 Rupees
		Quoted companies		
1,000,000	1,000,000	Aisha Steel Mills Ltd.	12,840,000	18,850,000
90,000	100,000	Allied Bank Limited	9,172,800	8,749,000
25,000	750,000	Bank Al Falah Ltd.	1,241,000	31,815,000
2,400,000	1,885,000	Bank Al Habib Limited	193,656,000	108,576,000
-	81,500	Chashma Sugar Mills Ltd.	-	4,910,375
1,125,000	100,000	Cherat Cement Limited	90,618,750	11,998,000
17,00,000	200,000	D.G.K.Cement Limited	174,097,000	29,372,000
125,000	5,000	Engro Corporation Limited	38,953,750	1,515,450
700,000	500,000	Engro Fertilizers Limited	52,843,000	31,455,000
263,500	-	Faran Sugar Mills Limited	19,762,500	-
-	500,000	Fauji Fertilizer Company Limited	-	41,570,000
400,000	300,000	Habib Bank Limited	60,548,000	54,228,000
100,000	499,800	Hub Power Company Limited	8,747,000	-
2,500	12,500	Indus Motors Limited	36,085,170	21,510,250
800,000	300,000	International Steel Limited	72,776,000	36,339,000
72,150	70,150	JDW Sugar Mills Limited	21,645,000	26,657,000
130,400	157,115	Jubilee Life Insurance Company Limited	81,500,000	109,980,500
5,000	22,500	Lucky Cement Limited	2,564,700	12,716,550
32,500	41,900	Mari Petroleum Company Limited	50,645,725	63,059,920
370,000	-	MCB Bank Limited	74,447,700	-
900,000	901,000	Meezan Bank Limited	80,262,000	67,061,430
-	10,000	Millat Tractors Ltd.	-	12,482,900
-	50,000	Nishat Mills Limited	-	7,255,000
315,000	311,800	Noon Sugar Mills Ltd.	17,010,000	24,897,230
100,000	250,000	Oil Gas Development Corporation Limited	15,299,000	37,160,000
100,000	-	Cherat Packaging Limited	17,304,000	-
12,500	-	Honda Atlas Ltd.	3,183,878	-
45,500	-	Habib Sugar Mills Limited	1,808,625	-
100,600	-	Bestway Cement Ltd.	12,187,690	-
500,000	-	TRG Pakistan	1,3845,000	-
-	100,000	Sui Northern Gas Pipelines Limited	-	13,386,000
600,000	270,677	United Bank Limited	92,400,000	51,474,645
			1,255,444,288	827,019,250

Notes to the Consolidated Financial Statement

For the year ended September 30, 2018

	2018 Rupees	2017 Rupees

17. CASH AND BANK BALANCES

	2018 Rupees	2017 Rupees
Cash in hand	59,922	106,686
Cash with banks in current accounts	16,137,214	39,049,772
	16,197,136	39,156,458

18. SHARE CAPITAL

2018 (Number of shares)	2017 (Number of shares)		2018 Rupees	2017 Rupees
Authorised capital				
50,000,000	50,000,000	Ordinary shares of Rs.10/- each	500,000,000	500,000,000
Issued, subscribed and paid-up capital				
		Ordinary shares of Rs.10/- each issued as:		
5,968,750	5,968,750	Fully paid in cash	59,687,500	59,687,500
350,000	350,000	Consideration other than cash	3,500,000	3,500,000
25,712,495	25,712,495	Fully paid bonus shares	257,124,950	257,124,950
32,031,245	32,031,245		320,312,450	320,312,450

18.1. The voting rights, board selection, right of first refusal and block voting are in proportion to the shareholding of the shareholders.

19. RESERVES

	Note	2018 Rupees	2017 Rupees
Capital reserve			
Share premium		63,281,250	63,281,250
Revenue reserves			
General reserve		85,000,000	85,000,000
Unappropriated profits		2,065,177,341	1,658,136,380
		2,150,177,341	1,743,136,380
Actuarial gain / (loss) on defined benefit plan		2,772,365	2,654,285
Unrealised gain on revaluation of investments		64,950,566	86,899,496
		2,281,181,522	1,895,971,411

20. LONG TERM FINANCING – secured

	Note	2018 Rupees	2017 Rupees
From banking companies	20.1	948,747,507	604,771,115
Less: Current portion		(203,333,332)	(156,023,610)
		745,414,175	448,747,505

20.1. From banking companies

	Installments Number	Installments Commencing from	Mark-up	2018 Rupees	2017 Rupees
Al Baraka Bank Pakistan Limited	16 quarterly	November 2014	6 months KIBOR plus 1.75% per annum	-	42,690,278
Bank Islami Pakistan Limited	24 quarterly	January 2015	3 months KIBOR plus 1.25% per annum	18,747,505	27,080,837
Bank Al Habib Limited	20 quarterly	May 2016	6 months KIBOR plus 0.8% per annum	45,000,000	65,000,000
Bank Al Habib Limited	20 quarterly	December 2015	3 months KIBOR plus 0.8% per annum	130,000,002	170,000,000
Bank Al falah Limited	20 quarterly	February 2018	6 months KIBOR plus 0.5% per annum	255,000,000	300,000,000
Allied Bank Limited	20 quarterly	July 2019	3 months KIBOR plus 0.4% per annum	500,000,000	-
				948,747,507	604,771,115

20.2. The above facilities are secured by way of first pari passu charge over operating fixed assets of the Group amounting to Rs. 1,602 million (2017: Rs. 1,002 million). There is no unutilised long-term financing facility as at the reporting date (2017: Rs. Nil).

21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Represent finance leases entered into with commercial banks for vehicles. Lease rentals are payable in equal monthly installments latest by March 2022. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee has to pay the entire rent for unexpired period. Financing rates of approximately 7.39% to 8.25% (2017: 7.3% to 7.9%) per annum has been used as discounting factor. Purchase options can be exercised by the lessee in accordance with the respective lease agreements. The movement in the finance lease liability is as follows:

	2018		2017	
	Minimum lease Present	Payments Value	Minimum lease Payments	Present Value
	---------------------------- (Rupees) ----------------------------			
Within one year	23,086,576	20,790,894	27,696,310	24,434,897
After one year but not more than five years	21,737,915	18,206,588	33,994,558	31,686,538
Total minimum lease payments	44,824,491	38,997,482	61,690,868	56,121,435
Less: Amount representing finance charges	5,827,009	-	5,569,433	-
Present value of minimum lease payments	38,997,482	38,997,482	56,121,435	56,121,435
Less: Current maturity shown under current liability	20,790,894	20,790,894	24,434,897	24,434,897
	18,206,588	18,206,588	31,686,538	31,686,538

Notes to the Consolidated Financial Statement
For the year ended September 30, 2018

22. MARKET COMMITTEE FEE PAYABLE

	Note	2018 Rupees	2017 Rupees
Market committee fee payable		65,974,256	69,731,908
Less: Current portion		3,757,652	3,757,652
	22.1	62,216,604	65,974,256

22.1. During the year ended September 30, 2014, the Group entered into a settlement with the Market Committee against provision for market committee fee up to June 2008 amounting to Rs. 32.7 million. As per the settlement terms, the above amount is now payable in 15 equal yearly installments. Further, the Group entered into a settlement with the Market Committee against provision for market committee fee for the years 2008 to 2015 amounting to Rs. 47.329 million. As per the settlement terms, the above amount is now payable in 30 equal yearly installments commencing from July 2016. Further, this liability has not been discounted to the present value, since the impact is considered to be immaterial in the overall context of these consolidated financial statements.

23. DEFERRED LIABILITY

	2018 Rupees	2017 Rupees
Staff gratuity	4,785,010	4,878,275
(a) Staff gratuity		
Opening balance	4,878,275	4,646,722
Expense for the year	376,206	304,549
Benefits paid during the year	(351,391)	(892,104)
Actuarial (gain) / loss	(118,080)	819,108
Closing balance	4,785,010	4,878,275

	2018	2017
(b) Principal actuarial assumptions		
Financial assumptions		
Discount rate	10.00%	8.00%
Expected rate of increase in salary level	10.00%	8.00%
Demographic assumptions		
Expected mortality rate	SLIC 2001-05	SLIC 2001-05
Expected withdrawal rate	Low	Low

(c) Historical information:

	2018	2017	2016	2015	2014
	(Rupees)				
Present value of defined benefit obligation	4,875,010	4,878,275	4,646,722	9,414,422	8,004,115

(d) The amount of the defined benefit obligation after changes in the weighted principal assumptions is as follows:

	2018			
	Discount rate		Salary increase	
	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
	----------------(Rupees)------------------			
Present value of defined benefit obligation	4,544,000	5,055,256	5,075,319	4,521,616

	Note	2018 Rupees	2017 Rupees
24. DEFERRED TAXATION			
Credit balances arising due to:			
Accelerated tax depreciation		297,225,280	291,841,201
Assets subject to finance lease		11,201,441	9,573,649
Investment in associates		-	51,851,460
Unrealised gain on available for sale investments		-	8,428,309
		308,426,721	361,694,619
Debit balances arising due to:			
Provisions		(19,386,819)	(20,083,309)
Unused tax losses		(63,167,810)	(53,294,561)
Others		(102,660)	(106,200)
		(82,657,289)	(73,484,070)
		225,769,432	288,210,549
25. PROVISION FOR QUALITY PREMIUM	25.1	119,290,919	119,290,919

25.1. As required under the provisions of Sugar Factories Control Act, 1950, sugar mills in Sindh are required to pay quality premium to cane growers at the rate of 50 paisas per 40 Kg cane for each 0.1 percent of excess sucrose recovery above the benchmark of 8.7 percent, determined on the aggregate sucrose recovery of each mill. The Company along with other sugar mills had challenged the levy of quality premium through the Pakistan Sugar Mills Association (PSMA) - Sindh Zone before the Honorable High Court of Sindh, however, the matter was decided against the Company. Thereafter, the Company filed an appeal with the Honorable Supreme Court of Pakistan (SCP) which then granted stay to the Company, while admitting the appeal against the impugned judgment of the Court.

During the current year, the Honorable SCP has issued an order in this matter and has disposed the appeal filed by the sugar mills. However, the implementation of the said order is subject to clarification from relevant authorities. Accordingly, as a matter of prudence the management has retained the above referred provision in these financial statements.

Notes to the Consolidated Financial Statement

For the year ended September 30, 2018

26. TRADE AND OTHER PAYABLES

	Note	2018 Rupees	2017 Rupees
Creditors		97,586,364	131,673,446
Accrued expenses	26.1	268,973,515	247,457,030
Advances from customers – unsecured		282,732,425	608,069,641
Payable to provident fund		1,802,552	2,148,265
Workers' Profits Participation Fund	26.2	2,178,468	-
Workers' Welfare Fund		13,779,438	27,555,420
Advance from employees against purchase of vehicles		16,633,102	18,260,730
Others		11,673,797	18,120,644
		695,359,661	1,053,285,176

26.1. Includes accrual of amount Rs. 236.718 million (2017: Rs. 236.718 million), being the difference of sugarcane notified rate of Rs. 182/- by the Government of Sindh and the amount paid at the rate of Rs. 172/- as per provisional consent order of Honourable High Court of Sindh pertaining to the crushing season 2014-15.

26.2. Workers' Profits Participation Fund

	Note	2018 Rupees	2017 Rupees
Opening balance		-	25,970,549
Allocation for the year		2,178,468	-
		-	25,970,549
Payments made during the year		-	(25,970,549)
Closing balance		2,178,468	-

27. SHORT-TERM BORROWINGS – secured

	Note	2018 Rupees	2017 Rupees
Running finance under markup arrangements	27.1	565,909,276	182,539,706
Short term finance	27.2	1,400,984,000	934,500,000
		1,966,893,276	1,117,039,706

27.1. The aggregate facilities for short term running finance available from various banks amounted to Rs. 1,605 million (2017: Rs. 1,125 million). These facilities are secured against hypothecation of current assets of the Group. These carry mark-up ranging between 0.36% to 1% (2017: 0.4% to 1.25%) per annum above one to six months KIBOR payable quarterly.

27.2. The aggregate facilities for short term cash finance available from various banks amounted to Rs. 2,950 million (2017: Rs. 6,235 million). These carry mark-up ranging between 0.5% to 1% (2017: 0.4% to 1.25%) per annum above one to six months KIBOR. These are secured against pledge of stock-in-trade and are repayable within six months, latest by December 2018.

	Note	2018 Rupees	2017 Rupees
28. PROVISION FOR MARKET COMMITTEE FEE	28.1	30,401,039	19,968,245

28.1. Represents provision made for market committee of Rs. 10 (2017: Rs. 10) per sugar cane crushed from 2016 till current crushing season.

29. CONTINGENCIES AND COMMITMENTS

29.1. Contingencies

(i) With the issue of notification in official Gazette of the Province of Sindh dated February 26, 1987 applying the provisions of section 35 to 45 of the Provincial Employees Social Security Ordinance, 1965 (Ordinance), which required the Group to pay the contribution under Section 20 of the Ordinance as the Group has failed to establish and maintain dispensary within the premises of the Mill or hospital at a place where sufficient number of secured persons worked or reside. Therefore, the Mill had to pay the medical allowance at Rs. 210 per month to the workers under an agreement with Collective Bargaining Agent (CBA). The Group had filed an appeal against the application of the said provisions against the liability of Rs. 3.38 million for the period July 1987 to August 1990 on the grounds that arrangements for benefits have been made by the Group under private settlement. The Appeal (Misc. Appeal no.39) in the High Court of Sindh was set aside at no cost under Order sheet M.A. No. 39 of 1997 on May 28, 2018. The Group then filed another appeal in Supreme Court of Pakistan against the said Order by the High Court of Sindh in October 2018 under appeal number CPLA 1150-K/18. The matter is pending in the Court. The management of the Group and its legal counsel are hopeful for a favorable outcome of the case and hence, no provision has been made against the above demand in these consolidated financial statements.

(ii) DGDP's risk purchase claim amounting to Rs. 33.582 million, was disputed by the Group on the grounds that the goods were delivered in time, however, the DGDP failed to lift the goods thereby indulging in breach of the contract. DGDP also withheld tender money paid by the Group amounting to Rs. 8.19 million (note 14.1) during the year 1995 and 1996. The said case filed by the Federation of Pakistan – Suit 158/03 is pending before Civil Judge 1st Class, Rawalpindi. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these consolidated financial statements.

(iii) The Group filed Constitutional petition no. H-267/05 dated November 21, 2005 on before the Court and was granted a stay against the order number of Customs, Excise and Sales Tax Appellate Tribunal, Karachi, upholding allegation of non-payment of sales tax on advances etc., amounting to Rs. 11.087 million. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these consolidated financial statements.

(iv) The Group has filed an appeal no. D-2123 of 2011 dated February 22, 2013 before Customs, Excise and Sales Tax Appellate Tribunal, Karachi, which is pending for hearing, against the order of the Deputy Collector, Collectorate of Customs, Excise and Sales Tax (Adjudication), Hyderabad to pay off alleged demand of Rs. 10.07 million along with additional tax and penalty. On prudent basis, the management has made provision of the said amount in these consolidated financial statements.

(v) The Group filed an appeal no. 99 dated September 28, 2015 before the Commissioner Appeals against the order-in-original no. 01/11/2015 dated August 19, 2015 whereby sales tax liability along with penalty amounting to Rs. 18 million has been established for claiming inadmissible input tax adjustment for the tax periods July 2012 to March 2015. The Commissioner Appeals has remanded back the case to Deputy Commissioner Enforcement and Collection which is pending for hearing. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these consolidated financial statements.

(vi) During the year, the Deputy Commissioner Inland Revenue (DCIR) had passed an Order in Original No. 5/16/2018-19 dated September 17, 2018 18 for the tax periods from July 2016 to March 2018 and rendered input tax of Rs. 7.185 million inadmissible under section 8(1), (a), (f), (h) and (i) of the Sales Tax Act, 1990 and also ordered for imposition of penalty amounting to Rs. 0.359 million. Against the order, the Group had obtained stay order till 31 October 2018. The case is pending for hearing at Commissioner Inland Revenue (Appeals – II) Karachi. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these consolidated financial statements.

Notes to the Consolidated Financial Statement

For the year ended September 30, 2018

	Note	2018 Rupees	2017 Rupees
29.2. Commitments			
Capital commitments		97,821,955	49,885,762
Commitments in respect of operating lease rentals for farms		21,309,750	5,622,750
Commitments in respect of finance lease obligation for vehicles		38,997,482	56,121,435
30. TURNOVER – net			
Sales			
- Sugar – exports		2,813,117,374	1,685,861,477
- Sugar – local		1,777,930,322	3,694,548,505
- Molasses		334,812,155	440,796,703
- Bagasse		105,584,113	76,065,632
		5,031,443,964	5,897,272,317
Less:			
- Sales tax		240,654,106	384,863,788
- Federal excise duty		-	11,572,667
		240,654,106	396,436,455
		4,790,789,858	5,500,835,862
31. COST OF SALES			
Manufactured sugar:			
Cost of sugarcane consumed (including procurement and other expenses)		3,383,643,793	5,346,872,541
Market committee fee		10,432,794	10,561,982
Road cess on sugarcane		6,520,684	6,601,405
Salaries, wages and other benefits	31.1	223,111,691	214,360,168
Stores and spare parts consumed		268,087,689	200,273,981
Repairs and maintenance		61,967,854	61,705,415
Fuel, electricity and water charges		12,805,332	12,315,884
Vehicle running and maintenance expenses		4,480,304	3,810,382
Insurance		20,632,533	18,345,608
Depreciation	6.1.1	141,997,699	124,920,918
Others		29,129,661	26,721,171
		4,162,810,034	6,026,489,455
Opening stock of work-in-process		2,519,343	2,702,374
Closing stock of work-in-process	11	(1,279,653)	(2,519,343)
		1,239,690	183,031
Cost of goods manufactured		4,164,049,724	6,026,672,486
Opening stock of finished goods		1,202,937,630	409,333,413
Closing stock of finished goods	11	(1,165,877,767)	(1,202,937,630)
		37,059,863	(793,604,217)
		4,201,109,587	5,233,068,269

31.1. Include gratuity expense of Rs. 376,206 (2017: Rs. 304,549) and contribution to provident fund of Rs. 5.066 million (2017: Rs. 4.814 million).

32. DISTRIBUTION COSTS

	Note	2018 Rupees	2017 Rupees
Salaries and other benefits	32.1	3,270,240	2,941,618
Insurance		27,912	29,845
Stacking and loading		18,809,172	16,372,660
Export expenses		64,033,967	45,317,395
Other Selling Expenses		25,307,027	18,375,654
		111,448,318	83,037,172

32.1. Include contribution to provident fund of Rs. 68,988 (2017: Rs. 64,123).

33. ADMINISTRATIVE EXPENSES

	Note	2018	2017
Salaries and other benefits	33.1	138,851,479	134,292,931
Electricity, telephone, fax and postage		10,986,142	8,463,691
Printing and stationery		2,497,472	2,415,256
Travelling and conveyance		10,448,795	11,566,861
Vehicle running and maintenance expenses		13,359,008	13,003,651
Auditors' remuneration	33.2	2,668,782	1,954,100
Legal and professional		7,382,121	4,758,029
Penalty		25,000	-
Fees and subscription		4,731,519	2,086,883
Insurance		279,117	298,454
Repairs and maintenance		12,409,689	8,885,762
Advertising		153,320	1,324,030
Donations	33.3	52,802,000	26,601,739
Depreciation	6.1.1	24,712,920	27,999,521
Others		652,177	1,319,423
		281,959,541	244,970,331

33.1. Include contribution to provident fund of Rs. 4.882 million (2017: Rs. 5.126 million).

33.2. Auditors' remuneration

	2018 Rupees	2017 Rupees
Statutory audit fee	1,650,000	1,300,000
Review of half yearly consolidated financial information	375,000	325,000
Review of compliance with Code of Corporate Governance	175,000	150,000
Certifications	230,400	88,700
Out of pocket expenses	238,382	90,400
	2,668,782	1,954,100

33.3. Include Rs. 47 million (2017: Rs. 10.3 million) and Rs. 5.650 million (2017: Rs. 16.200 million) paid to Usman Memorial Hospital Foundation and Hasham Foundation respectively which are the projects of Hasham Group. Usman Memorial Hospital Foundation includes directors namely Mr. Mohammed Hussain Hasham and Mr. Ahmed Ebrahim Hasham who are the trustees of the said Foundation. Hasham Foundation include directors namely Mr. Mohammed Kasim Hasham, Mr. Mohammed Ebrahim Hasham, Mr. Mohammed Hussain Hasham, Mr. Khurram Kasim and Mr. Ahmed Ebrahim Hasham who are the trustees of the said Foundation. No other directors or their spouses have any interest in any donee's fund to which donation was made in both foundations.

Notes to the Consolidated Financial Statement

For the year ended September 30, 2018

	Note	2018 Rupees	2017 Rupees
34. OTHER EXPENSES			
Provision for impairment of available for sale investment		63,465,886	9,357,006
Workers' Profits Participation Fund		2,178,468	-
Workers' Welfare Fund		1,074,441	-
Farm expenses - net	34.1	2,673,584	-
		69,392,379	9,357,006
34.1. Farm expenses – net			
Revenue from farms		(14,988,416)	(61,447,976)
Less: Fair value of harvested crop	9.1	17,662,000	43,848,243
Harvesting and other charges	9.1	12,796,669	13,111,787
		15,470,253	(4,487,946)
Change in fair value less cost to sell of standing crop		(12,796,669)	(13,111,787)
Farm expenses / (income)		2,673,584	(17,599,733)
35. OTHER INCOME			
Income from financial assets			
Dividend income		38,150,664	44,553,112
Gain on disposal of short term investments		11,239,520	262,320,311
Profit on term deposit receipts		1,712,039	389,287
Exchange gain		88,197,472	5,632,500
		139,299,695	312,895,210
Income from non-financial assets			
Farm income – net	34.1	-	17,599,733
Income from sale of electricity		19,945,129	25,827,020
Scrap sales		5,676,361	1,569,916
Gain on disposal of operating fixed assets		4,619,829	4,843,041
		30,241,319	49,839,710
		169,541,014	362,734,920
36. FINANCE COSTS			
Markup / interest on:			
Long-term financing		71,114,967	44,509,992
Short-term borrowings		120,959,833	138,063,141
Lease finance		3,340,534	4,160,703
Workers' Profits Participation Fund		-	581,226
		195,415,334	187,315,062
Bank charges		17,156,159	9,359,527
		212,571,493	196,674,589

	2018 Rupees	2017 Rupees

37. TAXATION

	2018 Rupees	2017 Rupees
Current	69,731,232	88,933,850
Prior	1,106,292	6,614,117
	70,837,524	95,547,967
Deferred	(54,012,808)	(28,676,948)
	16,824,716	66,871,019

37.1. As the major portion is subject to final tax regime on export sales and minimum tax on local sales, therefore, no numerical tax reconciliation is presented.

37.2. Income tax assessments of the Holding Company have been completed upto the tax year 2018 (accounting year ended September 30, 2017).

37.3. The returns of income of the Holding Company have been filed on due date and are treated as deemed assessment orders under section 120 of the Ordinance. As per the management, tax provisions for the year 2017, 2016 and 2015 are sufficient and adequately cover the assessed / declared position. A comparison of last three years of income tax provision with tax assessment is presented below:

	2017 Rupees	2016 Rupees	2015 Rupees
Income tax as per provision made	88,933,850	102,913,524	47,747,617
Income tax as per self-assessment	90,040,141	109,527,635	48,366,133

38. BASIC AND DILUTED EARNING PER SHARE

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

		2018	2017
Profit after taxation attributable to ordinary shares	(Rupees)	407,040,961	129,704,701
Weighted average number of ordinary shares		32,031,245	32,031,245
Earnings per share	(Rupees)	12.71	4.05

Notes to the Consolidated Financial Statement

For the year ended September 30, 2018

39. WORKING CAPITAL CHANGES

	2018 Rupees	2017 Rupees
(Increase) / decrease in current assets		
Biological assets	8,876,300	26,186,243
Stores and spare parts	(17,789,589)	(11,625,992)
Stock-in-trade	38,299,553	(793,421,186)
Trade debts	43,931,250	(163,954,495)
Loans and advances	32,278,165	(40,123,143)
Trade deposits and short-term prepayments	(5,127,835)	(1,234,498)
Other receivables	(576,326,952)	(776,532)
	(475,859,108)	(984,949,603)
Increase / (decrease) in current liabilities		
Trade and other payables	(357,925,514)	(35,997,850)
Sales tax payable	(42,897,822)	93,042,358
	(400,823,336)	57,044,508
	(876,682,444)	(927,905,095)

40. TRANSACTIONS WITH RELATED PARTIES

40.1. Related parties of the Group comprise of subsidiary, associates, retirement funds, directors and key management personnel. Transactions and balances with related parties, other than those disclosed elsewhere in the consolidated financial statements, are as follows:

	2018 Rupees	2017 Rupees
Associates		
Investment made during the year	96,000,000	72,000,000
Dividend received during the year	224,999,987	-
Sales	345,312,029	453,286,878
Expenses shared	1,131,730	1,076,485
Donations	52,650,000	26,500,000
Retirement benefit plans		
Provident fund contribution	10,003,645	10,003,645

40.2. All the transactions with related parties are entered into at agreed terms duly approved by the Board of Directors of the Group.

40.3. Following are the related parties with whom the Group had entered into transactions with or has arrangement / agreement in place:

Name	Basis of relationship	Percentage of shareholding
Unicol Limited	Associate	33%
Unifoods Industries Limited	Associate	24%
Unienergy Limited	Associate	20%
Pakistan Molasses Company (Private) Limited	Common directorship	Nil
Mogul Tobbaco Company (Private) Limited	Common directorship	Nil
Hasham Foundation	Common directorship	Nil
Usman Mermorial Foundation	Common directorship	Nil
Hasham (Private) Limited	Common directorship	Nil
Staff Provident Fund	N/A	

41. CAPACITY AND PRODUCTION

	Days	Tons of Cane crushing per Day (TCD)	
		Rated capacity	Average Capacity utilisation
Season 2017-2018	**129**	**12500 TCD**	**8087 TCD**
Season 2016-2017	133	12500 TCD	8587 TCD

The short fall in crushing is due to the decrease in market demand.

42. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

42.1. The aggregate amount, charged in the consolidated financial statements for the year are as follows:

	2018					2017				
	Chief Executive Officer	Executive Director	Non-Executive Directors	Executives	Total	Chief Executive Officer	Executive Director	Non-Executive Directors	Executives	Total
	Rupees									
Fees	-	-	370,000	-	370,000	-	-	490,000	-	490,000
Basic salary	7,608,000	7,608,000	-	20,032,300	35,248,300	7,608,000	7,608,000	-	20,835,000	36,051,000
House rent allowance	2,270,400	2,270,400	-	6,979,240	11,520,040	2,270,400	2,270,400	-	6,909,000	11,449,800
Utility allowance	760,800	760,800	-	2,003,230	3,524,830	760,800	760,800	-	2,083,500	3,605,100
Medical allowance	760,800	760,800	-	2,003,230	3,524,830	760,800	760,800	-	2,083,500	3,605,100
Retirement benefits	760,800	760,800	-	2,003,230	3,524,830	760,800	760,800	-	2,083,500	3,605,100
Bonus	2,536,000	2,536,000	-	6,660,667	11,732,667	2,536,000	2,536,000	-	6,945,000	12,017,000
	14,696,800	14,696,800	370,000	39,681,897	69,445,497	14,696,800	14,696,800	490,000	40,939,500	70,823,100
Number of persons	1	1	6	9	17	1	1	6	9	17

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

42.3. As per revised requirement of the Act, executive means an employee, other than chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

Notes to the Consolidated Financial Statement
For the year ended September 30, 2018

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

43.1. Credit risk

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

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

	2018 Rupees	2017 Rupees
Long term deposits	872,400	1,113,170
Trade debts	130,583,180	174,514,430
Short term Investments	1,258,744,288	830,319,250
Loans and advances	116,066,589	148,344,754
Short term deposits	358,640	318,640
Other receivables	580,798,351	4,493,899
Bank balances	16,137,214	28,654,376
	2,103,560,662	1,187,758,519

Quality of financial assets

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

43.1.1 Trade debts

There are no customers with defaults or past dues as at the current and prior year reporting date.

43.1.2 Bank balances

With external credit rating:

		2018 Rupees	2017 Rupees
A1+	PACRA	4,228,079	20,869,112
A-1+	JCR – VIS	8,592,779	1,882,790
A1	PACRA	3,316,356	5,902,474
		16,137,214	28,654,376

43.2. Liquidity risk

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

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	--------------------------------Amount in Rupees--------------------------------				
Long-term financing	-	32,083,333	171,249,999	745,414,175	948,747,507
Liabilities against assets subject to finance lease	-	4,529,476	16,261,418	18,206,588	38,997,482
Trade and other payables	546,048,559	149,311,102	-	-	695,359,661
Unclaimed dividends	19,503,183	-	-	-	19,503,183
Accrued markup	-	49,254,343	-	-	49,254,343
Short term borrowings	-	1,966,893,276	-	-	1,966,893,276
2018	565,551,742	2,202,071,530	187,511,417	763,620,763	3,718,755,452

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	--------------------------------Amount in Rupees--------------------------------				
Long-term financing	-	27,755,904	128,267,706	448,747,505	604,771,115
Liabilities against assets subject to finance lease	-	6,108,724	18,326,173	31,686,538	56,121,435
Trade and other payables	848,267,772	205,017,404	-	-	1,053,285,176
Unclaimed dividends	35,771,399	-	-	-	35,771,399
Accrued markup	-	32,324,757	-	-	32,324,757
Short-term borrowings	-	1,117,039,706	-	-	1,117,039,706
2017	884,039,171	1,388,246,495	146,593,879	480,434,043	2,899,313,588

43.3. Market risk

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

43.3.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates mainly relates to long term financing, short term borrowings and lease obligations. Management of the Group estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the Group's profit before tax by Rs. 8.6 million (2017: Rs. 5.089 million) and a 1% decrease would result in the increase in the Group's profit before tax by the same amount.

43.3.2 Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The management of the Group

Notes to the Consolidated Financial Statement

For the year ended September 30, 2018

manages the above market risks through diversification of investment portfolio. The management estimates that a 10% increase in the overall equity prices in the market with all of the factors remaining constant would decrease the Group's profit before tax by Rs. 123.104 million (2017: Rs.110.25 million) and 10% decrease would result in a decrease in the Group's profit before tax by the same amount.

43.3.3 Foreign currency risk

Foreign currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables exist as a result of sales made in foreign jurisdictions. Financial assets of the Group include Rs. 103.051 million (2017: Rs. 138.650 million) in foreign currency which is subject to currency risk exposure.

	2018 Rupees	2017 Rupees
The following exchange rate has been applied at the reporting date:		
Pakistani rupee to US Dollars	124	105

The following figures demonstrate the sensitivity to a reasonably possible change in exchange rates, with all variables held constant, of the Group's profit before tax:

	Changes in exchange rate	Effect on profit before tax Rupees
2018	± 5%	6,910,313
2017	± 5%	873,600

44. CAPITAL RISK MANAGEMENT

The Group finances its operations through equity, borrowings and management of working capital with a view of maintaining an appropriate mix between various sources of finance to minimize risk. The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business, sustain future development of the business and maximize shareholders value. The Group monitors capital using a debt equity ratio as follows:

	2018 Rupees	2017 Rupees
Long-term financing	948,747,507	604,771,115
Short-term borrowings	1,966,893,276	1,117,039,706
Total debt	2,915,640,783	1,721,810,821
Share capital	320,312,450	320,312,450
Reserves	2,281,181,522	1,897,941,949
Total equity	2,601,493,972	2,218,254,399
Capital (Debt + equity)	5,517,134,755	3,940,065,220
Gearing ratio	53%	44%

45. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities,

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

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

As of the reporting date, the Group has only available-for-sale investments measured at fair value using level 1 valuation technique and the biological assets measured at fair value using level 2 valuation technique. There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year.

46. NUMBER OF EMPLOYEES

	2018 Rupees	2017 Rupees
Total number of employees as at reporting date	580	585
Total number of factory employees as at reporting date	553	553
Average number of employees during the year	583	583
Average number of factory employees during the year	553	553

47. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on 28 December 2018 by the Board of Directors of the Group.

48. NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

48.1. Subsequent to the year end, the Board of Directors of the Group in their meeting held on December 28, 2018 have proposed a final cash dividend of Rs.3/- (2017: Rs. Nil) per share and issue of bonus shares in the proportion of 15 (2017: Nil) ordinary shares for every hundred (100) ordinary shares held for the year ended September 30, 2018.

48.2. Under section 5A of the Income Tax Ordinance, 2001 (the Ordinance), every public company is obliged to pay tax at the rate 5% on its accounting profit before tax if it derives profit for a tax year but, does not distribute atleast 20% of its after tax profits within six months of the end of the tax year, through cash.

Based on the above fact, the Board of Directors of the Company has recommended a final cash dividend amounting to Rs.3/- per share 30% (2017: Rs. Nil/- per share Nil %) and issue of bonus shares in the proportion of 15 (2017: Nil) ordinary shares for every hundred (100) ordinary shares held for the year ended September 30, 2018. This exceeds the prescribed minimum dividend requirement as referred above. Accordingly, no further tax provision has been recorded under section 5A of the Ordinance.

The approval of the members for the proposed final cash dividend and the proposed bonus issue will be obtained at the Annual General Meeting of the Company to be held on January 28, 2019. The financial statements for the year ended September 30, 2018 do not include the effect of the final cash dividend and proposed bonus issue which will be accounted for in the financial statements for the year ending September 30, 2019.

49. CORRESPONDING FIGURES

49.1. Certain corresponding figures have been reclassified as follows, however, since these have no material impact on the earliest period presented, third unconsolidated statement of financial position is not prepared in these unconsolidated financial statements:

Component	From	To	Rupees
Actuarial loss on deferred liability	Revenue reserve (Unappropriated profits)	Actuarial gain / loss on defined benefit plan	2,654,285

50. GENERAL

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

Chief Executive Officer

Chief Financial Officer

Director


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Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

Form of Proxy

I/We____of____

__________________being member of Mehran Sugar Mills Limited, holding _________________Ordinary Shares as per Registered Folio No. / CDC A/c No. (for members who have shares in CDS)______________ hereby appoint Mr./Mrs./Miss____of (full address)____ or failing him / her Mr./Mrs./ Miss____of (full address) ____ (being member of the company) as my/our Proxy to attend, act and vote for me/us and behalf at the 53rdAnnual General Meeting of the Company to be held on January 28, 2019 and /or any adjournment thereof.

As witness my/our hands seal this ____________day of ___________2019.

Signed by ________________________ in the presence of

Witness	2. Witness
Signature _____________________	Signature_________________________
Name _____________________	Name _________________________
Address: ______________________	Address: _________________________
_____________________	_________________________
CNIC No._____________________	CNIC No.________________________

Signature on Rs. 5/-
Revenue Stamp

Important:

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

For CDC Account Holders / Corporate Entitles:

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

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

پراکسی فارم

میں / ہم: ______________________________

____

بطوررُکن (حصص دار) مہران شوگرملزلمیٹڈ (حصص کی تعداد) ______________ جوکہ رجسٹرڈ ہیں بذریعہ فولیونمبرسی ڈی سی/اکاونٹ نمبر (اُن اراکین کے لئے جن کے حصص سی ڈی ایس میں ھیں) ______________

بذریعہ ہذا تقرر کرتا ہوں جناب/محترمہ ______________

مکمل پتہ ______________

میری / ہماری غیر موجودگی میں میرے / ہمارے پراکسی (نمائندے) کے طور پر کمپنی کی 53ویں سالانہ جنرل میٹنگ 28 جنوری 2019 بروز پیر دن 4:00 بجے، بمقام انسٹی ٹیوٹ آف چارٹرڈ اکاونٹس کراچی میٹنگ میں شرکت کرے گا اور میری / ہماری جگہ ووٹ استعمال کرے گا۔

میں بطور گواہ اس ______________ دن ______________ 2019

ریونیو
مُہر

دستخط منظور کنندہ ______________

دستخط کمپنی کے پاس موجود نمونے کے دستخط کے مطابق ہونا چاہیئے

گواہان

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

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

ضروری:

1۔ پروکسی فارم ہذا مکمل اور دستخط کے ہمراہ اجلاس کے انعقاد سے کم از کم اڑتالیس (48) گھنٹے قبل کمپنی کے رجسٹرآفس میں جمع کرادیا جائے۔

2۔ فارم پر ممبر یا اس کا تحریراً مقرر کردہ اٹارنی دستخط کرے گا۔ ممبر کارپوریشن ہونے کی صورت میں اس کی مُہر فارم پر ثبت کرنی ہوگی۔

3۔ اجلاس میں شرکت اور رائے دہی کا اہل ممبر اپنی جانب شرکت اور رائے دہی کے لئے دوسرے ممبر کو اپنا پروکسی مقرر کرسکتا ہے تاہم کارپوریشن کسی بھی غیر ممبر کو اپنا پروکسی مقرر کرسکتی ہے۔

برائے سی ڈی سی اکاونٹ ہولڈرز / کارپوریشن اینٹٹی

مزید براں مندرجہ ذیل شرائط پر عمل کرنا ہوگا:

(i) پروکسی فارم پر دو افراد کی گواہی ہونی چاہیئے جن کے نام، پتے اور سی این آئی سی یا پاسپورٹ نمبر فارم میں درج ہوں۔

(ii) ممبر اور پروکسی کے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ کاپیاں پروکسی فارم کے ہمراہ منسلک کرنی ہونگی۔

(iii) پروکسی کو اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرنا ہوگا۔

(iv) کارپوریٹ اینٹٹی کی صورت میں ڈائریکٹرز کی قرارداد/پاور آف اٹارنی معہ نامزد فرد کے دستخط کا نمونہ (اگر پہلے فراہم نہ کئے گئے ہوں) پروکسی فارم کے ہمراہ کمپنی کو پیش کرنے ہوں گے۔

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