





Sustainable Growth

At Mehran we strive to grow in all our business segments in a sustainable manner. This entails keeping a cautious financial stance yet continually looking for opportunities. While we continue to grow our core sugar business, our investments in Ethanol, Power, Farming, Retail and Equities allows us to diversify our balance sheet and ensure continued growth. Our model ensures that we grow sustainably while also achieving social justice, exercise environmental stewardship and strengthen governance.



KEY FIGURES

Turnover (Rs.)

6,747,445,824

Turnover

+13.36%

Profit before tax (Rs.)

323,543,961

Earnings per share (Rs.)

8.40

Sugar Production (M.Tons)

123,210

Exports (M.Tons)

39,248

Dividend

36%

Market Capitalization (Rs.)

3,253,093,242

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

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

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

IMPORTANT EVENTS IN 2014

We were able to achieve the highest sales volume of

128,005 M. tons

which is 13.64% higher as compared to the previous highest sales of

112,644 M. tons

last year.

Our associated undertaking, UNICOL Limited commissioned its

2nd production line,

thus enabling it to double production capacity to

200,000 litres

of ethanol per day.

We paid highest dividend of

Rs. 134.429 million

this year, which is

33%

higher than last year.

Our export sales of

39,248 M. tons

is the highest ever beating the previous year figure of

38,098 M. tons.

We finalized the draft Power Purchase Agreement with

HESCO

for supply of up to

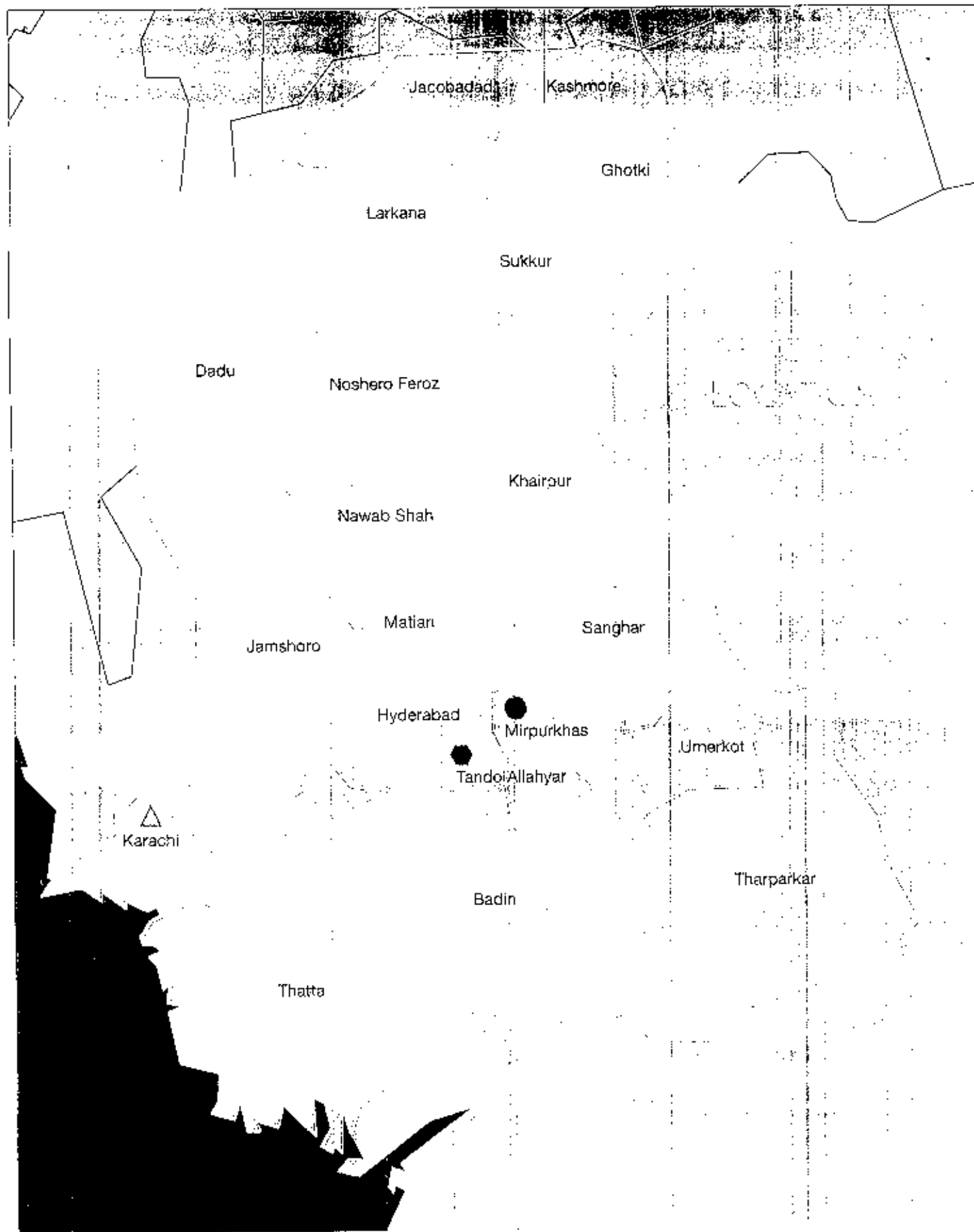
5 MW electricity

during our crushing season. Supplies are expected to start by January 2015.

We launched our consumer packaged sugar and introduced two new brands,

Sugarle and Chasnik.

Both brands cater to the market for packaged brown and white sugar.



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



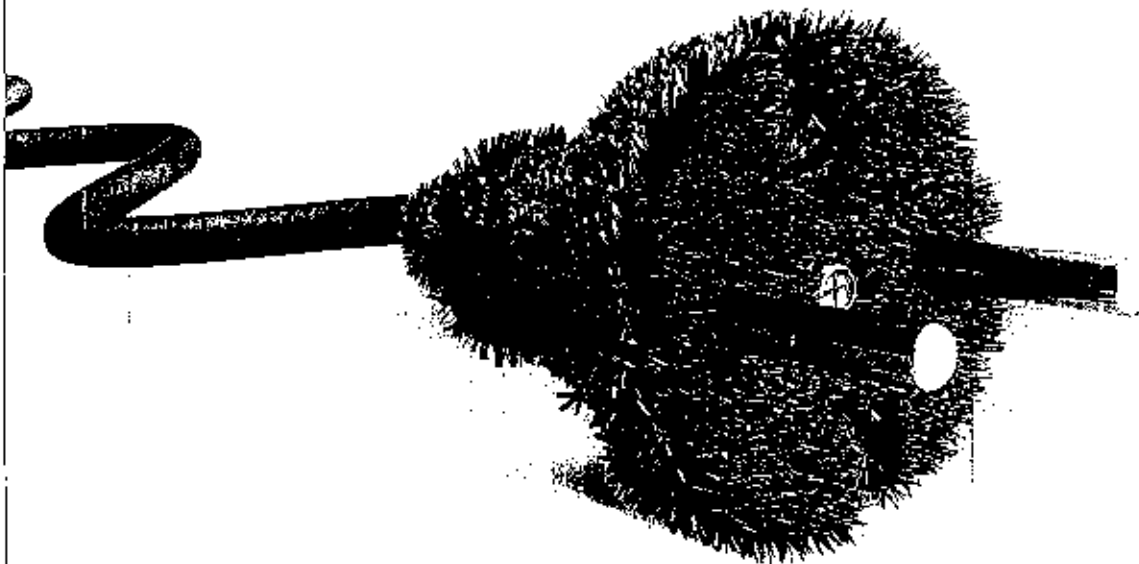
CONTENTS

08. Corporate History	37. Our Mills Profile	67. Notice of the Annual General Meeting
10. Company Information	39. How we Added Value	68. Statement of Compliance with the CCG
14. SWOT Analysis	40. Six Years' Review at a Glance	80. Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance
16. Business Strategy & Goal	42. Six Years' Sugarcane Trends Analysis	91. Auditors' Report to the Members
17. Management Committees	43. Dupont Analysis	92. Financial Statements
20. Board of Directors	44. Organogram	96. Pattern of Shareholding
24. Mehran's Share	45. Chairman's Review	Proxy Form
26. Shareholders Information / Investor Relations	46. Directors' Report	
28. Management Team	54. Corporate Social Responsibility	
32. Horizontal & Vertical Analysis		



Sustainable Growth Through **RENEWABLE ENERGY**

The nation is currently going through a severe power crisis with a reported deficit of 5,000 MW between supply and demand. The Pakistan sugar industry has the potential to collectively provide 1,500 MW of cheap renewable energy. We strive to contribute and as an initial exercise have decided to sell our excess power to the grid. We have invested in infrastructure to connect to the grid and have successfully negotiated our Power purchase agreement with HESCO for supply of 5 MW. Power supply should commence from January 2015. Smooth supplies and payments should pave the way for larger generation capacity in the future.





2014

- Record highest sugar production of **123,210 M. tons.**
- Sales crossed **Rs. 6.0 Billion.**
- Unicol Limited, an associated Company commissioned its new production line, thereby doubling its capacity to **200,000 litres/day.**

1965

The Company is incorporated as a public limited company.

1998

The Company is awarded ISO-9002 - QMS Certification.

1968

Shares of the Company are listed on the Karachi Stock Exchange.

2001

Sales cross Rs. 1.0 Billion.

1968

Plant commences trial production with a crushing capacity of 1,500 TCD. Complete plant is procured from M/s Mitsubishi Japan.

2006

The Company crosses the Rs. 2.0 Billion sales milestone.

1978

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

2007

The joint venture distillery, Unicol Limited commences commercial production.

1983

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

2010

The Company crosses the Rs. 4.0 Billion sales milestone.

1986

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

2013

Record highest sucrose recovery of 11.31 percent. The Company crossed the 100,000 M. tons milestone production for the first time.

1994

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

COMPANY INFORMATION

Company Information

Audit Committee

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

CI O/Company Secretary

Mr. Muhammad Hanif Aziz
FCMA

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Cost Auditors

Haroon Zakaria & Company
Chartered Accountants

Legal Advisor

Sayeed & Sayood
Advocate & Legal Consultants

KMS Law Associates

Advocates & Corporate Consultants

Bankers

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

Registered Office

Executive Tower, Dolmen City,
14-B, 14th Floor, HC-3, Block-4,
Marine Drive, Clifton,
Karachi-75600
Tel : (92 21) 35297814-17
Fax : (92 21) 35297818, 35297827
Email : mrm@mehransugar.com
URL : www.mehransugar.com

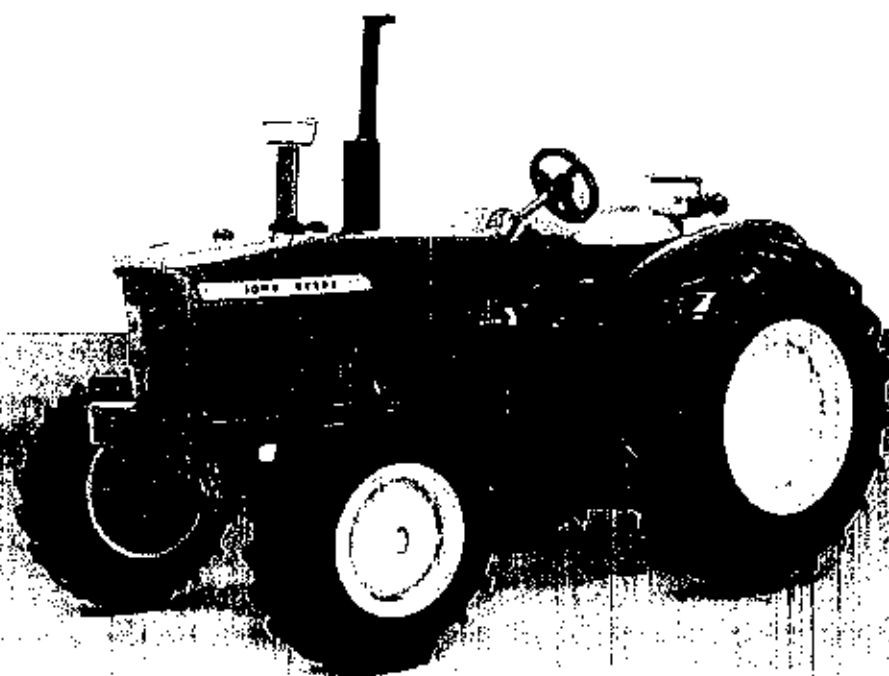
Mills

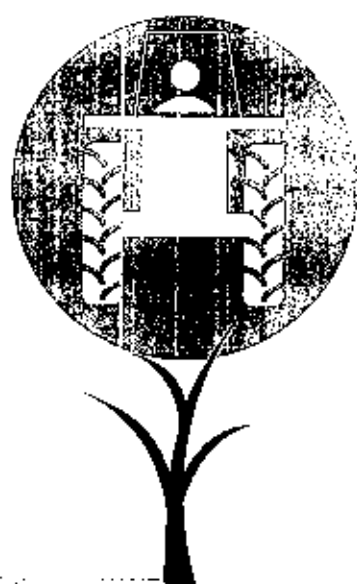
Tando Adam Road, Distt. Tando Allahyar.
Tel:(022) 3890856, 3890107, 3891984
Fax:(022) 3890568



Sustainable Growth Through **CORPORATE FARMING**

Our farms division holds a strategic position where we carry out research and development activity through plantation of high yielding seed varieties. We test these varieties at our farms for up to 3 years before distribution of seeds for commercial production. We provide farmers with quality seeds leading to high sugarcane and sucrose recovery. This further provides us to backward integrate in our value chain enabling us to achieve economies of scale in the production process.





SWOT ANALYSIS

STRENGTHS

- 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.
- 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.
- 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. This investment shall start paying dividends from 2016 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. 500 million. Dividends and capital gains from this portfolio allow a continual income stream which further strengthens the balance sheet.
- Mehran's strength lies in its policy to grow in a conservative yet sustainable manner. This has allowed it to establish a strong balance Sheet which is not heavily leveraged, hence allowing the Company to explore other business avenues to maximise Shareholders' return.

WEAKNESSES

- 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.
- Sugarcane 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 sugarcane 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 competitive.
- The country's law and order situation has at times created hindrances to attract foreign quality manpower in areas of innovation for farm and factory.

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 this year.
- 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.
- There also lies potential in increasing farm yields which would reduce the cost of the farmer thus making sugarcane 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 "Sugara" and "Chashnik". Huge population base of the country allows ample opportunities for further branded products and the company is keenly evaluating opportunities.

THREATS

- Sugar mills are typically located in rural areas which are more susceptible to Law and Order situation. The movement of our cane team as well as farming team in specific areas can also be difficult and restricted.
- Inflation affects the business due to cost increases. It also reduces the consumer buying power. Pakistan has been suffering from near double digit inflation since the last 5 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 impact the Company's finances. 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.
- Since 1970 Pakistan has witnessed annual devaluation of local currency of 6.6%. This devaluation increases the cost of imports thereby increasing our processing cost as well as the cost of capital expenditure.
- 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.
- Sugarcane requires abundant quantity of water for cultivation. Pakistan with its growing population can in the future face such water constraints which could mitigate the growth of sugarcane and the industry.



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

MANAGEMENT COMMITTEES

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

Executive Committee

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

Audit Committee

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

Human Resource Development Committee

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

Information Technology Committee

The Committee meets to decide adaptation of latest innovations in the field of Information Technology. It comprises of Managing Director, Chief Financial Officer and Manager IT.

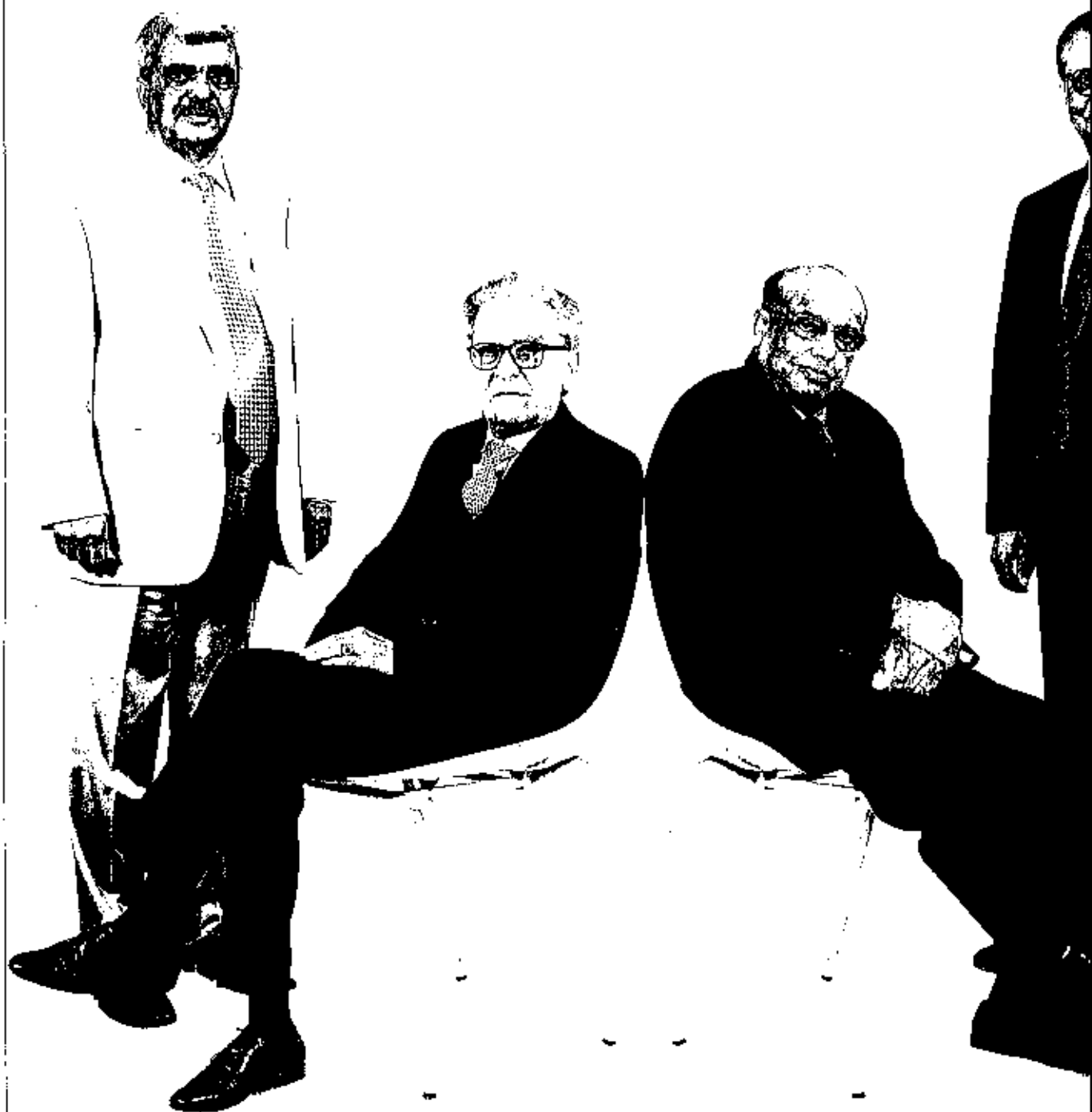
Sustainable Growth Through DIVERSIFIED INVESTMENTS

We at Mehran are continually looking for opportunities to ensure maximization of shareholders wealth. We aim to achieve this by taking decisions for diversified investments within an acceptable risk profile. We have successfully developed and maintained an equity portfolio with a market value in excess of Rs. 500 million with an objective to achieve equilibrium between risk and return. Our efforts have resulted in a portfolio return in excess of the benchmark return of the market.





BOARD OF DIRECTORS



From Left to Right:

Mr. Muhammad Iqbal
Director

Mr. Mohammed Ebrahim Hasham
Chief Executive Officer

Mr. Mohammed Bashir
Director (Independent)

Mr. Mohammed Hussain Hashim
Director

Mr. Amjad Waheed
Director (Independent)

Mr. Mohammed Kasim Hasham
Chairman

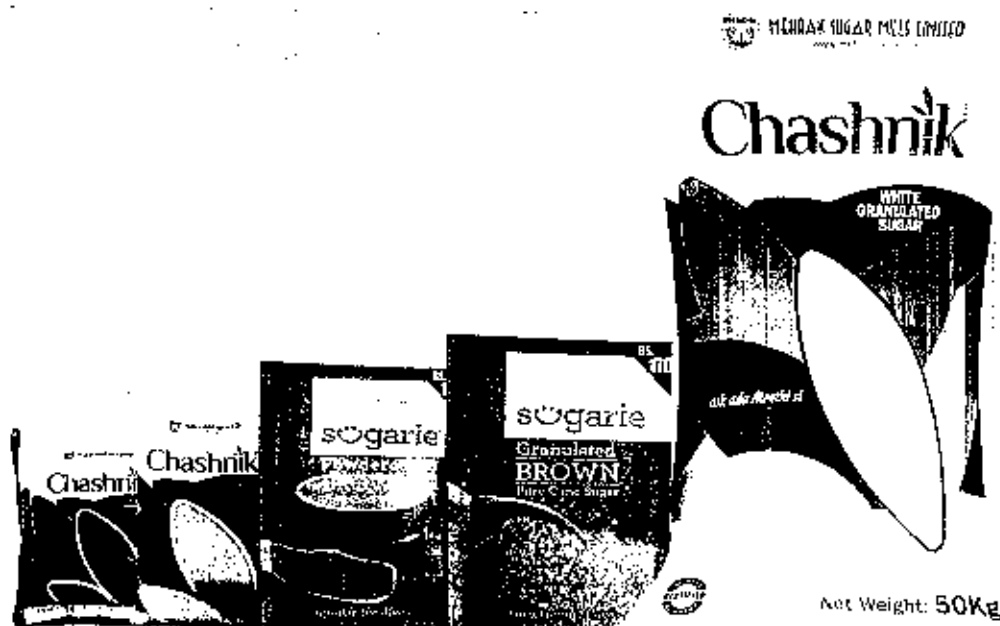
Mr. Khurram Kasim
Director

Mr. Ahmed Ebrahim Hasham
Managing Director



Sustainable Growth Through BRAND DEVELOPMENT

Mehran Sugar Mills is the proud owner of the Chashnik and Sugarie brand. The brands market granulated and powdered brown and white granulated sugar all of which are made from 100% pure sugarcane. Our Sugarie brand is a premium brand which has a niche in the Market due to its exceptional packaging and product attributes. The granulated and powdered brown sugar is targeted to attract customers for baking, cooking and beverages. Today our products are available in all leading outlets of Karachi, Lahore and Islamabad.

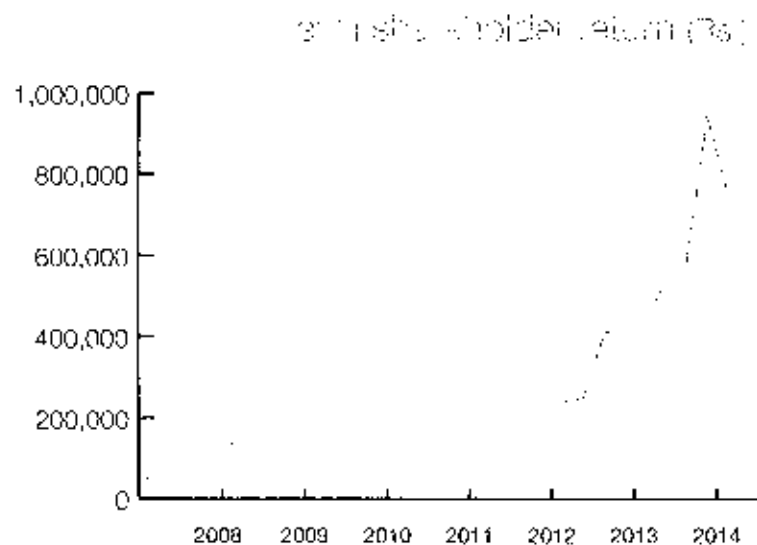




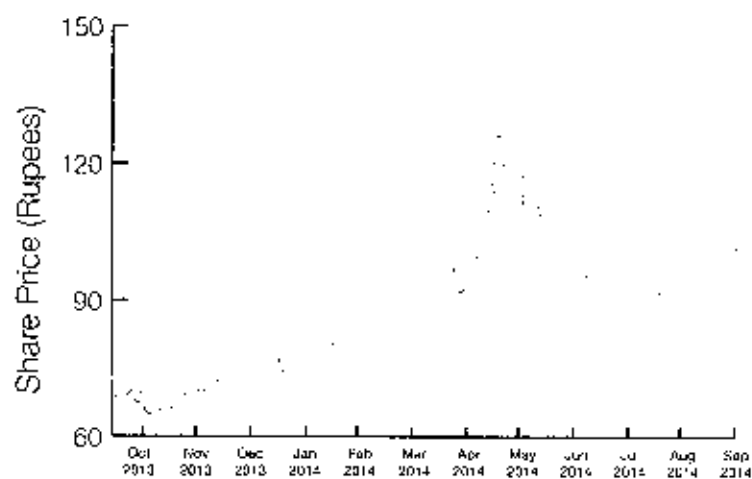
MEHRAN'S SHARE

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. 817,000 on September 30, 2014 representing a cumulative gain of 1,534%. The average annual return of the Mehran share over this period was 63% versus the average annual return of the KSE 100 index which was 22.51%.



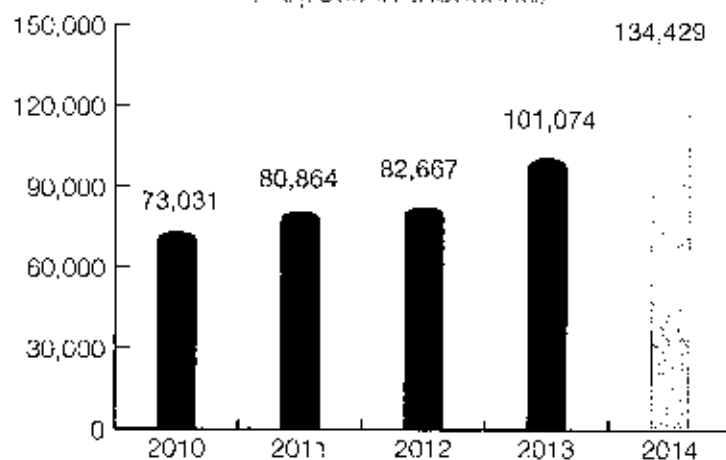
Share Performance (INR)



Merger of Shree
Stock Dividend
than 2001-14

Shree Stock Dividend
than 2001-14

Shareholder Return (INR) (Rupees in thousand)



SHAREHOLDERS INFORMATION / INVESTOR RELATIONS

Share Registrar

Evolution factor (Pvt) Ltd.

407-408, Al Ameer Centre,
Shahrah-e-Iraq, Saddar, Karachi

Ph: +92 - 21 -35662023-24, 35213104

Contact Person

Mr. Ifikhar Jaffery

Date of Annual General meeting

28/01/2015

Date of Board of Directors meeting

1st Qtr	Half Year	3rd Qtr	Annual
January 27, 2015	May 20, 2015	July 30, 2015	December 31, 2015

INVESTORS INFORMATION

Number of Shares (Issued / Paid-up)

2014	2013	2012	2011	2010
25,321,145	20,926,565	17,294,682	14,293,125	11,777,771
21.15	13.02	18.67	16.93	15.70
49.62	45.84	36.55		
885,193,700	947,402,680	753,247,688	649,111,111	511,111,111
42.30	54.78	52.70		
3.25	2.93	3.11		
25	35	35		
20	20	20		
1,397,503	985,330	1,473,487	1,111,111	1,111,111
56.99	68.49	71.00		
39.00	50.10	48.10		

Earning per share

Break-up value per share

Market Capitalization

Market value of share at the close of the year

P/E Ratio

Cash Dividend %

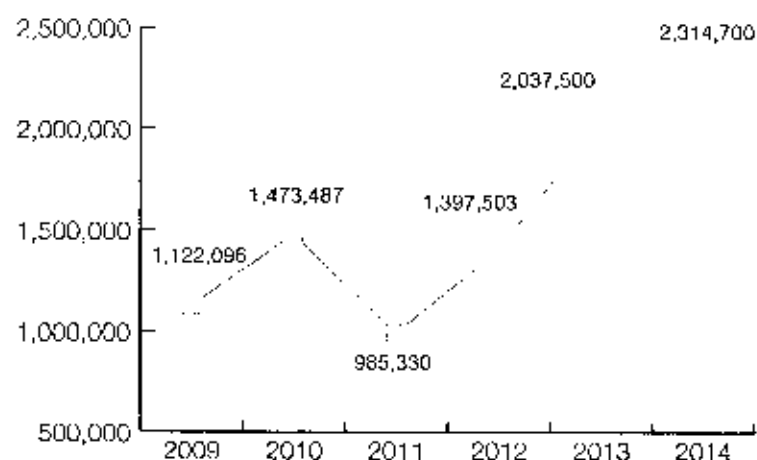
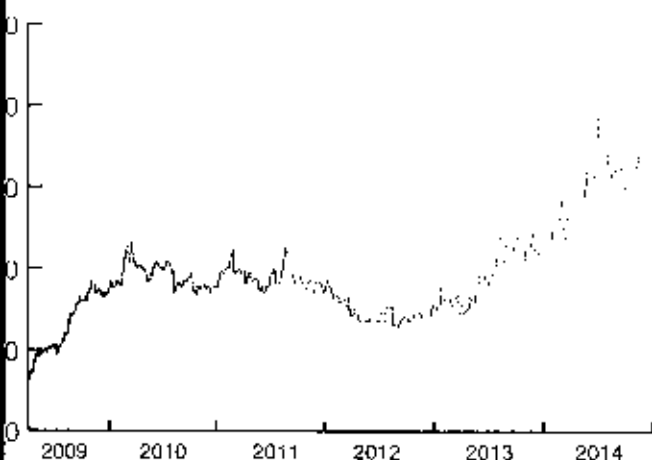
Bonus Shares %

Number of shares Traded

Highest price during the year

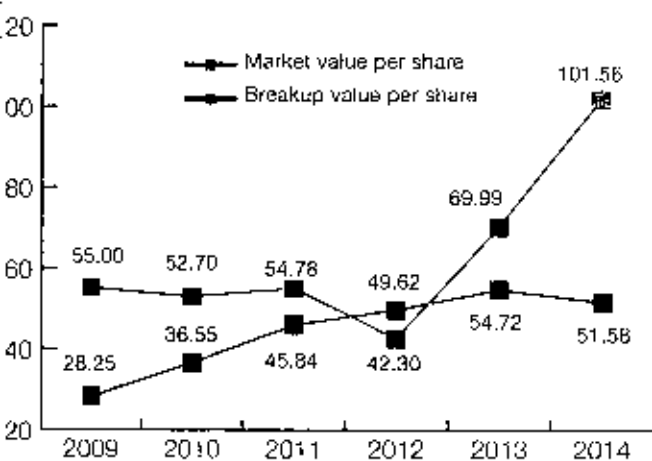
Lowest price during the year

Share Price Trend

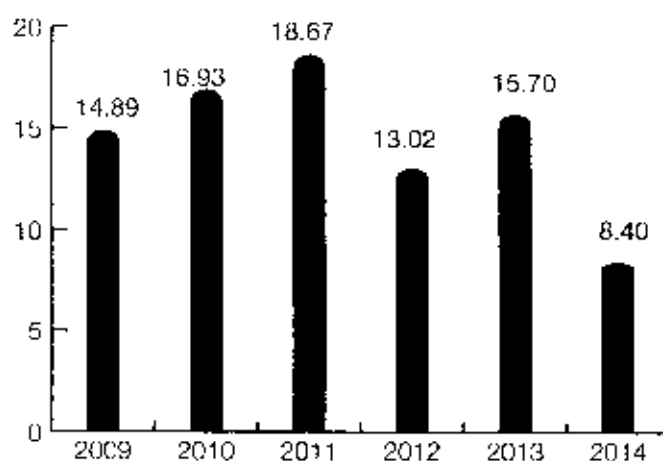


Mehran's Paid up Capital has increased from Rs. 118.13 million in 2009 to Rs. 320.81 million in 2014, thus representing 171% increase in six years.

Breakup vs Market Value



Earnings per Share



MANAGEMENT TEAM



Mohammed Ebrahim Hasham
Chief Executive Officer

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

Ahmed Ebrahim Hasham
Managing Director

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

Muhammad Hanif Aziz
C.F.O. / Company Secretary

FCMA, FCIS
Joined Mehran in 2004



Ikhlas Ahmed Khan
Resident Director

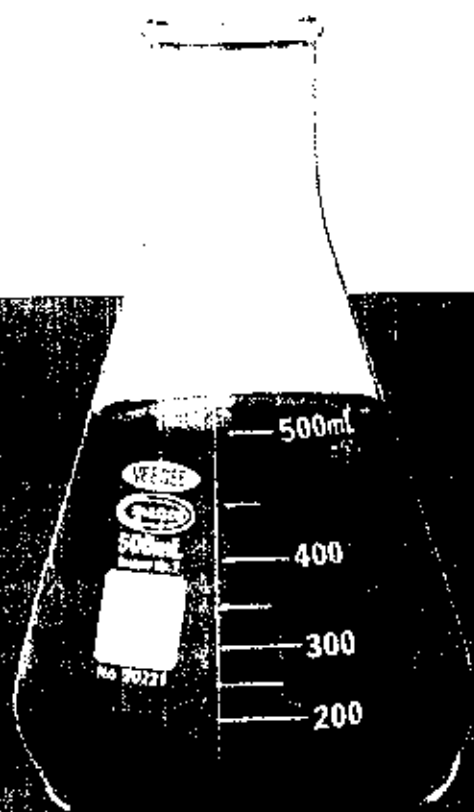
B.E / PGD (Chemical Engineering)
University of Punjab, Lahore
Joined Mehran in 2007

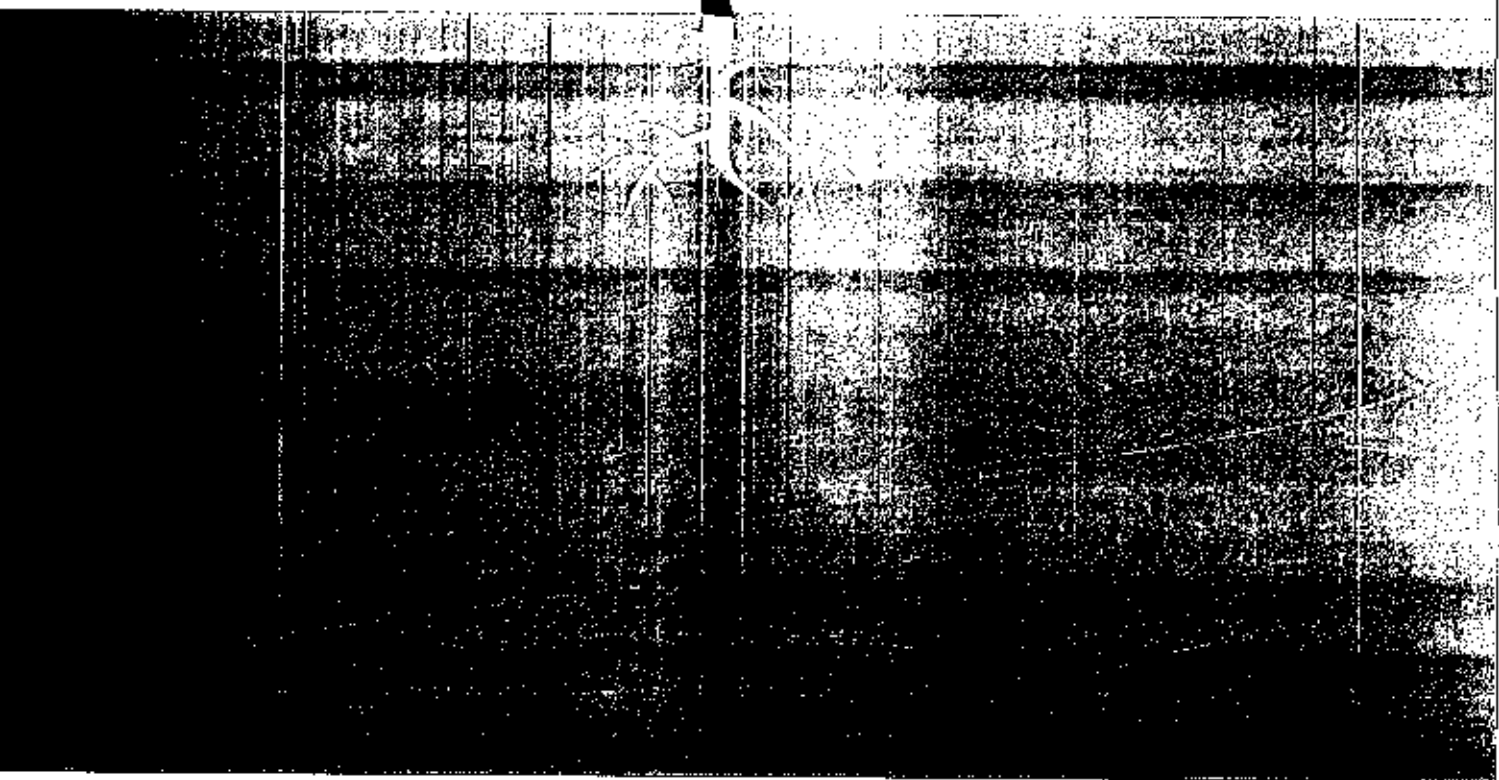
Ehtesham-ud-Din
Director Cane/Development

Bachelor of Arts
Joined Mehran in 2004

Sustainable Growth Through ETHANOL PRODUCTION

One of the by products of sugar production, molasses is used as a raw material to produce ethanol. This provides an opportunity to increase revenue streams and profitability. We are continuously striving to add value through forward integration in the value chain. We thus invested in UNICOL Limited in 2004 for the production of ethanol from molasses. In 2013-2014 Unicol doubled its production capacity to 200,000 litres of ethanol per day. Further, it installed a liquified CO₂ plant. The product is generated as a by product of ethanol production. We are committed to invest further in capacity as well as quality of both ethanol and CO₂ in the future.





HORIZONTAL & VERTICAL ANALYSIS PROFIT & LOSS ACCOUNT

	2014		2013
HORIZONTAL ANALYSIS	Rs. in million	%	Rs. in million
Turnover (Net)	6,498.22	12.09	5,797.47
Cost of sales	(5,866.92)	12.49	(5,215.46)
Gross Profit	631.30	8.47	582.01
Distribution costs	(106.90)	13.82	(93.92)
Administrative expenses	(154.08)	16.46	(132.30)
Other operating expenses	(22.89)	45.73	(15.70)
Other operating income	132.13	(11.44)	149.20
Finance costs	(209.00)	11.86	(186.84)
Share of Profit from an associates	52.98	(58.80)	128.58
Profit before tax	323.54	(24.94)	431.02
Taxation	(54.44)	62.39	(33.52)
Profit after taxation	269.11	(32.30)	397.50

	2014		2013
VERTICAL ANALYSIS	Rs. in million	%	Rs. in million
Turnover (Net)	6,498.22	100.00	5,797.47
Cost of sales	(5,866.92)	(90.29)	(5,215.46)
Gross Profit	631.30	9.72	582.01
Distribution costs	(106.90)	(1.65)	(93.92)
Administrative expenses	(154.08)	(2.37)	(132.30)
Other operating expenses	(22.89)	(0.35)	(15.70)
Other operating income	132.13	2.03	149.20
Finance costs	(209.00)	(3.22)	(186.84)
Share of Profit from an associates	52.98	0.82	128.58
Profit before tax	323.54	4.98	431.02
Taxation	(54.44)	(0.84)	(33.52)
Profit after taxation	269.11	4.14	397.50

2012		2011		2010		2009	
Rs. in million	%	Rs. in million	%	Rs. in million	%	Rs. in million	%
4,150.11	(4.71)	4,355.04	13.37	3,841.34	60.90	2,387.45	85.87
(3,771.97)	(0.04)	(3,773.64)	12.09	(3,366.57)	68.80	(1,994.38)	71.06
378.14	(34.96)	581.40	22.46	474.78	20.79	393.07	231.49
(27.58)	434.02	(5.16)	(5.12)	(5.44)	1.41	(5.37)	(60.72)
(102.13)	(1.17)	(103.33)	26.09	(81.95)	33.06	(61.59)	21.73
(14.01)	(67.83)	(43.54)	30.46	(33.38)	(56.79)	(77.24)	453.74
63.87	(20.43)	80.26	105.39	39.08	73.39	22.54	(20.83)
(116.32)	(13.04)	(133.76)	81.24	(73.80)	12.96	(65.33)	49.71
171.67	322.40	40.64	2,098.94	1.85	(95.34)	39.62	12.02
353.64	(15.09)	416.50	29.70	321.13	30.70	245.69	305.67
(81.08)	(13.41)	(93.64)	18.32	(79.14)	13.42	(69.78)	2,088.36
272.56	(15.58)	322.86	33.42	241.99	37.56	175.91	206.60

2012		2011		2010		2009	
Rs. in million	%	Rs. in million	%	Rs. in million	%	Rs. in million	%
4,150.11	100.00	4,355.04	100.00	3,841.34	100.00	2,387.45	100.00
(3,771.97)	(90.89)	(3,773.64)	(86.65)	(3,366.57)	(87.64)	(1,994.38)	(83.54)
378.14	9.11	581.40	13.35	474.78	12.36	393.07	16.46
(27.58)	(0.66)	(5.16)	(0.12)	(5.44)	(0.14)	(5.37)	(0.22)
(102.13)	(2.46)	(103.33)	(2.37)	(81.95)	(2.13)	(61.59)	(2.58)
(14.01)	(0.34)	(43.54)	(1.00)	(33.38)	(0.87)	(77.24)	(3.24)
63.87	1.54	80.26	1.84	39.08	1.02	22.54	0.94
(116.32)	(2.80)	(133.76)	(3.07)	(73.80)	(1.92)	(65.33)	(2.74)
171.67	4.14	40.64	0.93	1.85	0.05	39.62	1.66
353.64	8.52	416.50	9.56	321.13	8.36	245.69	10.29
(81.08)	(1.95)	(93.64)	(2.15)	(79.14)	(2.06)	(69.78)	(2.92)
272.56	6.57	322.86	7.41	241.99	6.30	175.91	7.37

HORIZONTAL ANALYSIS - BALANCE SHEET

	2014		2013	
	Rs. in million	%	Rs. in million	
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	1,578.53	14.50	1,509.20	
Advance against Purchase of Land	6.25	100.00	-	
Long term receivable - unsecured	-	-	-	
Long term investment	558.40	10.48	505.42	
Long term deposits	1.06	(62.36)	2.80	(3)
	2,144.24	15.16	2,017.42	
CURRENT ASSETS				
Biological assets	58.92	4.67	56.30	
Stores and spare parts	62.22	7.76	67.02	
Stock-in-trade	459.93	(33.9)	688.43	(3)
Trade debts - unsecured	42.87	330.27	9.96	(6)
Loans and advances - unsecured	34.04	(35.64)	53.35	
Trade deposits and short term prepayments	28.29	(25.80)	38.12	
Other receivables	4.70	42.76	3.30	1
Short term investments	487.90	66.80	292.50	
Advance Income Tax	57.59	(31.04)	83.51	
Cash and bank balances	336.91	442.65	6.11	(9)
	1,269.95	(2.21)	1,298.61	(2)
TOTAL ASSETS	3,414.28	2.96	3,316.04	
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Issued, subscribed and paid-up capital	320.31	26.50	253.21	
Reserves	1,331.94	17.63	1,132.34	
	1,652.25	19.25	1,385.55	
NON-CURRENT LIABILITIES				
Subordinated loans	-	-	-	
Long-term financing - secured	416.35	(29.92)	454.24	
Liabilities against assets subject to finance leases	22.88	46.60	16.07	
Deferred liabilities	118.50	21.58	7.56	
Deferred taxation	234.62	(24.65)	240.54	
Provision for quality premium	119.29	-	119.29	
Provision for market committee fee	28.34	100.00	-	
	731.20	(12.71)	837.70	
CURRENT LIABILITIES				
Trade and other payables	455.09	(36.72)	455.50	(6)
Accrued mark-up	29.35	33.43	22.00	
Short term borrowings - secured	457.97	15.31	397.18	
Current maturity of liabilities against assets subject to finance lease	15.89	7.29	125.07	(1)
Current portion of long term financing	11.22	24.82	12.27	
Provision for market committee fee	11.22	(20.83)	59.16	
Income tax payable	-	-	-	
Sales tax / excise duty payable	16.14	99.07	20.61	(4)
	1,030.86	(5.67)	1,092.79	(3)
TOTAL EQUITY AND LIABILITIES	3,414.28	2.96	3,316.04	(6)

2012		2011		2010		2009	
Rs. in million	%	Rs. in million	%	Rs. in million	%	Rs. in million	%
1,388.68	27.54	1,088.78	28.40	847.95	65.56	512.17	20.42
376.83	73.88	216.72	23.08	176.08	1.06	174.23	(100.00)
4.64	(45.69)	8.55	114.05	3.99	100.38	1.99	29.44
1,770.15	34.71	1,314.04	27.82	1,028.02	49.34	688.40	3.10
57.42	32.57	43.32	224.52	13.35	52.57	8.75	120.40
73.20	(5.91)	77.80	36.58	56.96	(5.55)	60.31	49.54
1,095.30	(24.91)	1,458.57	474.61	253.84	79.65	741.30	(67.67)
73.17	1,462.43	4.68	(94.83)	90.56	(19.22)	112.10	267.41
33.54	8.09	31.03	(63.27)	84.49	102.59	41.70	53.28
20.36	38.78	14.67	515.83	2.38	81.31	1.31	(59.23)
1.55	227.32	0.47	(16.14)	0.56	(41.42)	0.96	46.86
204.40	25.41	162.99	78.17	91.48	134.25	39.05	131.09
63.76	100.00	-	-	-	(100.00)	23.22	(9.63)
144.77	1,112.14	11.94	(89.50)	113.75	8,381.63	1.34	(19.10)
1,767.46	(2.11)	1,805.47	155.24	707.37	64.49	430.05	(26.76)
3,537.82	13.40	3,119.51	79.76	1,735.39	55.16	1,118.44	(6.14)
209.27	21.00	172.95	21.00	142.93	21.00	118.13	20.00
829.04	33.74	619.89	63.35	379.48	76.05	215.58	178.68
1,038.30	30.96	792.84	51.76	522.41	56.56	333.68	89.82
380.31	117.32	175.00	(14.11)	203.75	137.71	85.71	(100.00)
12.27	(12.74)	14.06	(13.33)	18.22	229.89	4.92	(32.11)
8.44	13.32	5.68	(1.05)	5.74	17.96	4.87	290.01
230.90	46.09	158.05	35.96	116.25	32.38	87.81	(11.23)
119.29	-	119.29	-	119.29	-	119.29	279.58
749.21	58.70	472.09	2.35	461.25	52.43	302.60	-
1,169.36	(28.44)	1,631.13	169.42	606.53	95.18	310.76	(0.26)
14.08	46.05	9.63	(10.92)	10.81	5.31	10.26	(30.91)
325.43	100.00	-	(100.00)	30.00	(57.46)	70.52	(65.10)
147.19	14.32	128.75	221.86	40.00	3,598.57	1.08	(57.89)
7.12	12.12	6.35	(13.69)	7.37	(79.76)	36.43	(20.15)
50.00	18.88	42.78	30.82	32.70	-	32.70	164.94
-	(100.00)	20.70	30.60	14.82	100.00	-	-
36.94	201.35	12.26	29.20	9.49	(53.50)	20.41	-
1,750.10	(5.63)	1,854.59	146.71	751.72	55.91	482.16	13.70
3,537.62	13.40	3,119.51	79.76	1,735.39	55.16	1,118.44	(32.32)
							(6.14)

VERTICAL ANALYSIS - BALANCE SHEET

	2014		2013	
	Rs. in million		Rs. in million	
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	1,578.62	46.24	1,509.20	45
Advance against Purchase of Land	61.25	71.39	-	-
Long term receivable - unsecured	558.40	16.35	505.42	15
Long term investment	1.06	0.03	2.80	0
Long term deposits	2,144.33	62.80	2,017.42	60
CURRENT ASSETS				
Biological assets	58.92	1.73	56.30	1
Stores and spare parts	62.23	1.82	67.02	2
Stock-in-trade	459.93	13.47	688.43	20
Trade debts - unsecured	42.87	1.26	9.96	0
Loans and advances - unsecured	34.34	1.01	53.35	1
Trade deposits and short term prepayments	28.29	0.83	38.12	1
Other receivables	4.70	0.14	3.30	0
Short term investments	487.90	14.29	292.50	8
Advance Income Tax	57.59	1.69	83.51	2
Cash and bank balances	33.19	0.97	6.11	0
	1,269.95	37.20	1,298.61	39
TOTAL ASSETS	3,414.28	100.00	3,316.04	100
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Issued, subscribed and paid-up capital	320.31	9.38	253.21	7
Reserves	1,331.94	39.01	1,132.34	34
	1,652.25	48.39	1,385.55	41
NON-CURRENT LIABILITIES				
Subordinated loans	-	-	-	-
Long-term financing - secured	318.35	9.32	454.24	13
Liabilities against assets subject to finance leases	22.59	0.66	16.07	0
Deferred liabilities	8.00	0.23	7.56	0
Deferred taxation	234.62	6.87	240.54	7
Provision for quality premium	119.29	3.49	119.29	3
Provision for market committee fee	28.34	0.83	-	-
	731.20	21.42	837.70	25
CURRENT LIABILITIES				
Trade and other payables	288.03	8.44	455.50	13
Accrued mark-up	29.36	0.86	22.00	0
Short term borrowings - secured	457.97	13.41	397.18	11
Current maturity of liabilities against assets subject to finance lease	135.89	3.98	126.07	3
Current portion of long term financing	15.93	0.47	12.27	0
Provision for market committee fee	42.22	1.24	59.16	1
Income tax payable	61.43	1.80	20.61	0
Sales tax / excise duty payable	-	-	-	-
	1,030.84	30.19	1,092.79	33
TOTAL EQUITY AND LIABILITIES	3,414.28	100.00	3,316.04	100

2012		2011		2010		2009	
Rs. in million	%	Rs. in million	%	Rs. in million	%	Rs. in million	%
1,388.68	39.25	1,088.78	34.90	847.95	48.86	512.17	45.79
-	-	-	-	-	-	-	-
376.83	10.65	216.72	6.95	176.08	10.15	174.23	15.58
4.64	0.13	8.55	0.27	3.99	0.23	1.99	0.18
1,770.15	50.04	1,314.04	42.12	1,028.02	59.24	688.40	61.55
57.42	1.62	43.32	1.39	13.35	0.77	8.75	0.78
73.20	2.07	77.80	2.49	56.96	3.28	60.31	5.39
1,095.30	30.96	1,458.57	46.76	253.84	14.63	141.30	12.63
73.17	2.07	4.68	0.15	90.56	5.22	112.10	10.02
33.54	0.95	31.03	0.99	84.49	4.87	41.70	3.73
20.36	0.58	14.67	0.47	2.38	0.14	1.31	0.12
1.55	0.04	0.47	0.02	0.56	0.03	0.96	0.09
204.40	5.78	162.99	5.22	91.48	5.27	39.05	3.49
63.76	1.80	-	-	-	-	23.22	2.08
144.77	4.09	11.94	0.38	113.75	6.55	1.34	0.12
1,767.46	49.96	1,805.47	57.88	707.37	40.76	430.05	38.45
3,537.62	100.00	3,119.51	100.00	1,735.39	100.00	1,118.44	100.00
209.27	5.92	172.95	5.54	142.93	8.24	118.13	10.56
829.04	23.43	619.89	19.87	379.48	21.87	215.56	19.27
1,038.30	29.35	792.84	25.42	522.41	30.10	333.68	29.83
-	-	-	-	-	-	-	-
380.31	10.75	175.00	5.61	203.75	11.74	85.71	7.66
12.27	0.35	14.06	0.45	16.22	0.93	4.92	0.44
6.44	0.18	5.68	0.18	5.74	0.33	4.87	0.44
230.90	6.53	158.05	5.07	116.25	6.70	87.81	7.85
119.29	3.37	119.29	3.82	119.29	6.87	119.29	10.67
749.21	21.18	472.09	15.13	461.25	26.58	302.60	27.06
1,169.36	33.06	1,634.13	52.38	606.53	34.95	310.76	27.78
14.06	0.40	9.63	0.31	10.81	0.62	10.26	0.92
325.43	9.20	-	-	30.00	1.73	70.52	6.31
147.19	4.16	128.75	4.13	40.00	2.31	1.08	0.10
7.12	0.20	6.35	0.20	7.37	0.42	36.43	3.26
50.00	1.41	42.78	1.37	32.70	1.88	32.70	2.92
-	-	20.70	0.66	14.82	0.85	-	-
36.94	1.04	12.26	0.39	9.49	0.55	20.41	1.82
1,750.10	49.47	1,854.59	59.45	751.72	43.32	482.16	43.11
3,537.62	100.00	3,119.51	100.00	1,735.39	100.00	1,118.44	100.00

OUR MILLS PROFILE

Date of Incorporation
December 22, 1965

Permanent Employees
362

Date of Commencement of Business
March 19, 1966

Population of the Staff Colony
593

Start of Commercial Production
January 1969

No. of Students
Daood Memorial School - 534
TCF - Haji Hasham Campus - 185

Installed Capacity
10,000 Tons Cane Crushing Per Day

No. of Faculty members
Daood Memorial School - 23
TCF - Haji Hasham Campus - 9

Total Land Area
118 Acres

No. of Apprentice at Vocational Training Centre
23

Total Farming Area
900 Acres

Housing
92 Family Homes for Executives, Officers and Workers and a Hostel consisting of 55 rooms for Workers and Contractors engaged during the crushing season

Facilities at our Mills

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

HOW WE ADDED VALUE

WEALTH GENERATED	2014		2013	
	Rupees	%	Rupees	%
Gross revenue	6,747,145,824		5,952,044,247	
Expenses	5,583,967,595		4,849,926,197	
	1,163,478,229	100	1,102,118,050	100
WEALTH DISTRIBUTED				
To Government				
Sales Tax, Income Tax, Road Cess	316,709,902	27	184,186,243	28
To Employees				
Salaries, Benefits and Other related cost	253,530,026	22	211,770,835	17
To Providers of capital				
Mark-up on borrowed funds	209,000,843	18	186,842,345	13
Shareholders as Dividend/Bonus shares	109,487,809	9	121,425,352	9
	318,488,652	27	308,267,697	21
Retained with the business				
Depreciation	121,046,166	10	112,185,475	7
Retained profit	153,703,483	14	285,707,800	27
	274,749,649	24	397,893,275	34
	1,163,478,229	100	1,102,118,050	100

Value addition and distribution during the year was 2014 Rs. 1,163.478 million.

- Government as taxes 27%
- Employees as remuneration 22%
- Financial, Dividend and bonus shares 27%
- Retained within the business 24%



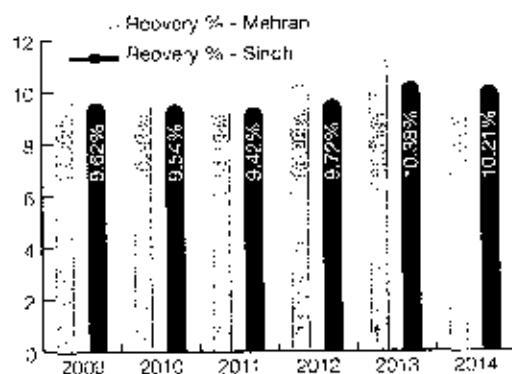
SIX YEARS' REVIEW AT A GLANCE

	2014-15	2013	2012	2011	2010	2009
Operational Trends						
Sugarcane crushed - M.Tons	1,140,502	915,666	722,120	809,034	667,628	538,930
Sugar produced - M.Tons	123,210	103,580	74,201	84,894	69,450	55,678
Average sucrose recovery - %	10.81	11.31	10.28	10.18	10.40	10.33
Crushing days	122	108	104	156	122	113
Average crushing per day - M.Tons	9,348	8,478	6,943	5,186	5,472	4,769
Balance Sheet						
	Rupees in million					
Share capital	320.31	253.21	209.27	172.95	142.93	118.13
Reserves	1,331.94	1,132.34	829.04	619.89	379.48	215.56
Shareholders' equity	1,652.25	1,385.55	1,038.31	792.84	522.41	333.69
Non current liabilities	731.20	837.70	749.21	472.09	461.25	302.60
Current liabilities	1,030.84	1,092.79	1,750.10	1,854.59	751.72	482.16
Total Equity & Liabilities	3,414.29	3,316.04	3,537.62	3,119.52	1,735.38	1,118.45
Fixed Assets	1,578.63	1,509.20	1,388.68	1,068.78	847.95	512.17
Non current assets	565.71	508.23	381.48	225.27	180.06	176.23
Current assets	1,269.95	1,298.61	1,767.46	1,805.47	707.37	430.05
Total assets	3,414.29	3,316.04	3,537.62	3,119.52	1,735.38	1,118.45
Financial Trends						
	Rupees in million					
Turnover	6,747.45	5,952.04	4,419.27	4,603.48	4,025.77	2,692.04
Gross profit	631.30	582.01	378.14	581.40	474.78	393.07
EBITDA	653.59	730.05	565.85	625.82	442.83	347.52
Operating profit	479.56	489.28	298.29	509.61	393.08	271.40
Pre-tax profit	323.54	431.02	353.64	416.50	321.13	245.69
After-tax profit	269.11	397.50	272.56	322.86	241.99	175.91
Capital Expenditure (additions during the year)	225.32	367.19	279.55	258.94	385.83	92.74
Cash Flows						
	Rupees in million					
Operating activities	384.61	(1.16)	10.36	317.29	507.05	292.07
Investing activities	(238.75)	(213.36)	(380.81)	(396.42)	(445.87)	(129.79)
Financing activities	(118.79)	75.86	464.44	7.32	91.75	(65.64)
Cash and Cash equivalents at the end of the year	33.19	6.11	105.94	11.94	83.75	(69.18)
Profitability Indicators						
Gross profit margin (%)	9.36	9.78	8.56	12.63	11.79	14.60
Net profit margin (%)	3.99	6.68	6.17	7.01	6.01	6.53
Return on shareholders' equity (%)	16.29	28.69	26.25	40.72	46.32	52.72
Operating profit on capital employed (%)	20.12	22.01	16.69	40.29	39.96	42.65
Return on total assets (%)	7.88	11.99	7.70	10.35	13.94	15.73
EBITDA margin (%)	9.69	12.27	12.80	13.59	11.00	12.91

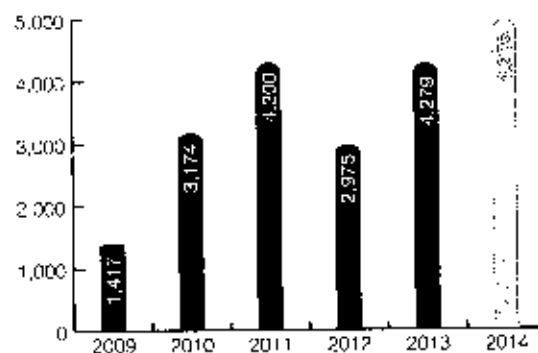
	2014	2013	2012	2011	2010	2009
Capital Efficiency / Operating Performance						
Inventory turnover ratio	10.22	5.85	2.95	4.41	17.04	6.90
Inventory turnover in days	36.00	62.00	124.00	83.00	21.00	53.00
Debtor turnover ratio	255.42	143.19	113.53	96.67	39.73	37.75
Debtor turnover in days	1.43	2.55	3.22	3.78	9.19	9.67
Total assets turnover ratio	1.98	1.79	1.25	1.48	2.32	2.41
Fixed assets turnover ratio	4.27	3.94	3.18	4.23	4.75	5.26
Operating cycle in days	37.43	64.55	127.22	86.78	30.19	62.67
Capital employed turnover ratio	2.83	2.68	2.47	3.64	4.09	4.23
Investment Valuation						
Earning per share	8.40	15.70	13.02	18.87	16.93	14.89
Break-up value per share	51.58	54.72	49.62	45.84	36.55	28.25
Price earning ratio	12.09	4.46	3.25	2.93	3.11	3.69
Dividend yield (%)	2.56	3.57	5.91	5.48	6.64	6.36
Dividend payout (%)	30.95	15.92	19.20	16.07	20.67	23.51
Market value per share (at the year end)	101.56	69.99	42.30	54.76	52.70	55.00
Cash Dividend (%)	26.00	25.00	25.00	30.00	35.00	35.00
Bonus Shares (%)	10.00	20.00	20.00	20.00	20.00	30.00
Financial gearing						
Debt Ratio	0.17 : 1	0.25 : 1	0.27 : 1	0.19 : 1	0.3 : 1	0.21 : 1
Debt : Equity Ratio	17 : 83	25 : 75	27 : 73	19 : 81	30 : 70	21 : 79
Interest cover ratio	2.55	3.31	4.04	4.11	5.35	4.76
Liquidity measurement						
Current ratio	1.23 : 1	1.19 : 1	1.01 : 1	0.97 : 1	0.94 : 1	0.89 : 1
Quick ratio/Acid test ratio	0.79 : 1	0.66 : 1	0.38 : 1	0.19 : 1	0.6 : 1	0.6 : 1
Value addition						
	Rupees in million					
Employees as remuneration	253.53	211.77	187.79	173.52	137.80	121.46
Government as taxes	316.71	184.19	282.00	298.00	239.00	313.06
Financial charges to providers of finance	209.00	186.84	116.32	133.76	73.80	65.33
Shareholders as dividend and bonus shares	109.49	121.43	89.02	82.54	75.04	70.38
Retained within the business	274.75	397.89	352.28	357.69	243.29	206.70

SIX YEARS SUGARCANE TRENDS ANALYSIS

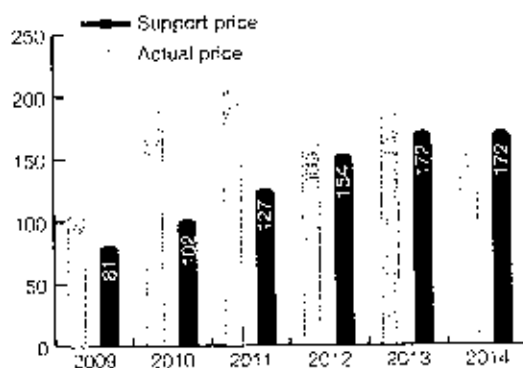
Avg. Recovery % of Mehran vs. 2009



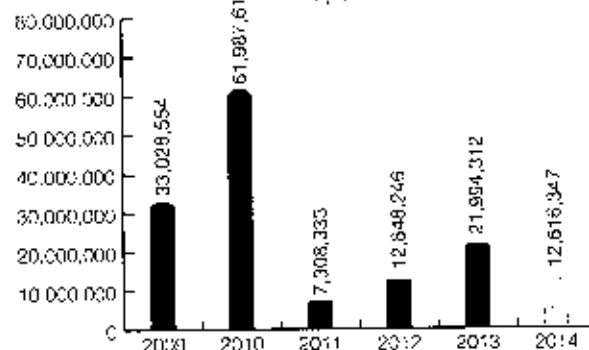
Sugarcane purchases (Rs. million)



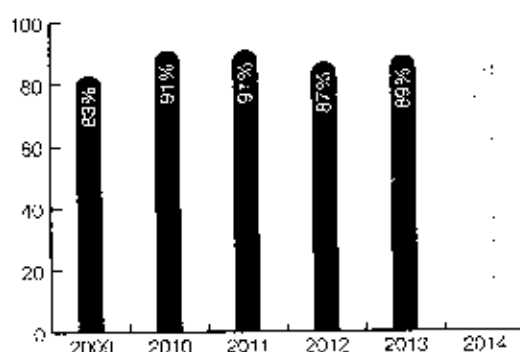
Sugarcane prices (Rs./tonne) - 2009 to 2014



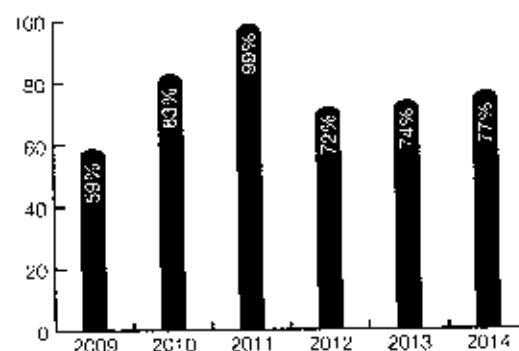
Total Sugarcane Cane Growth (kg/ha)



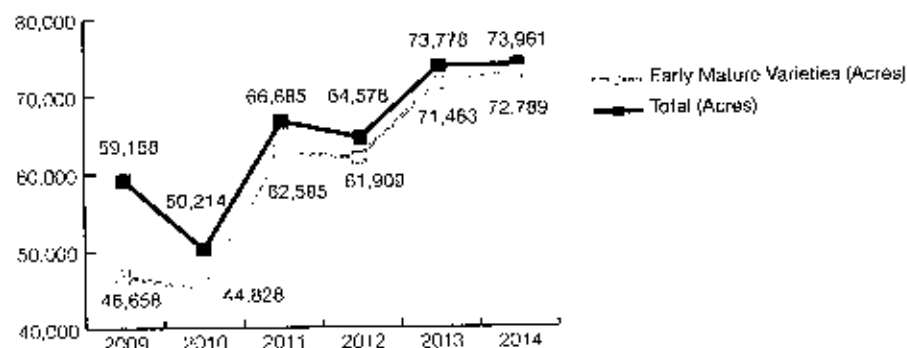
Cane to Cane Growth % of Cane Growth



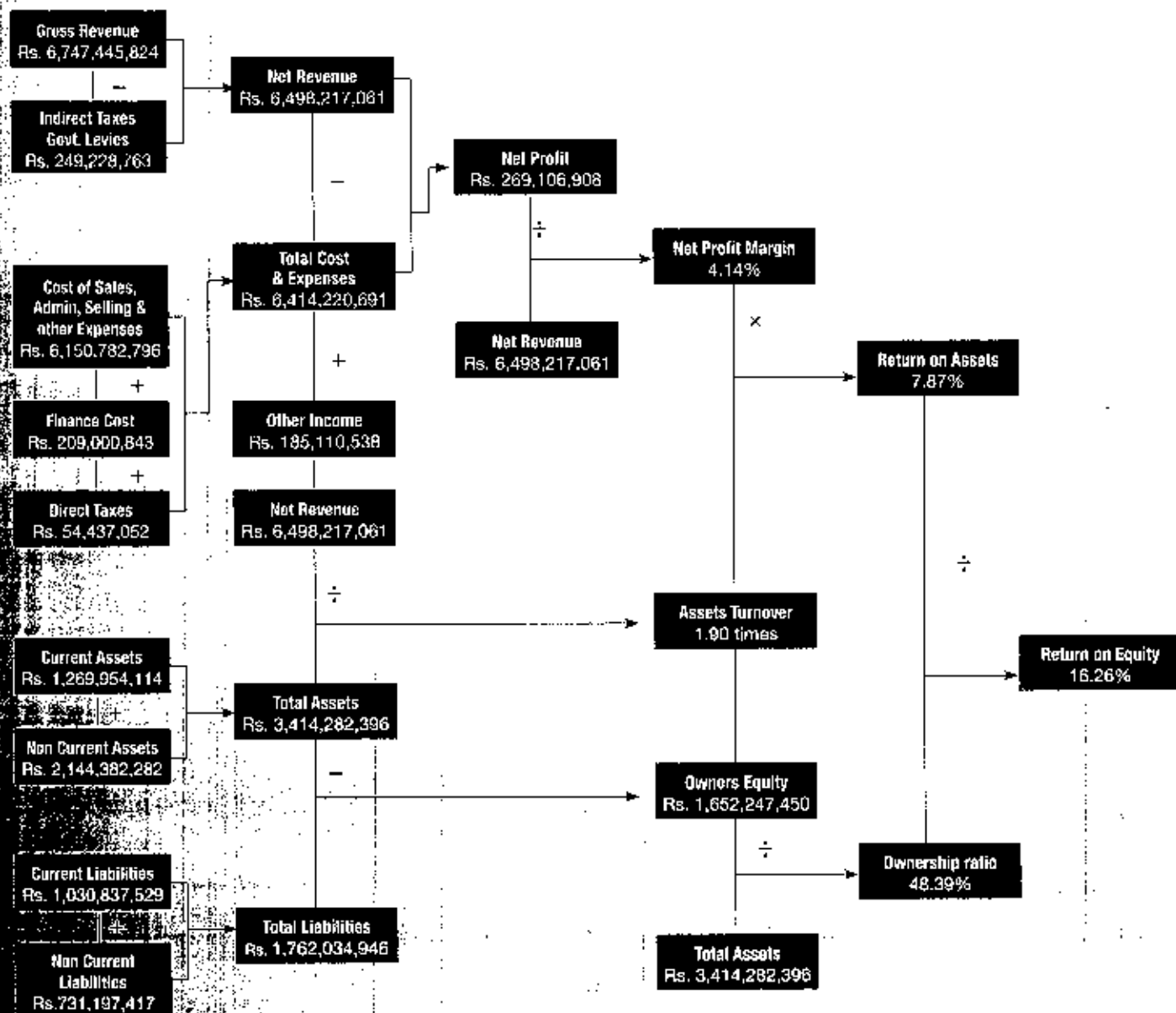
Cost of Cane as % of Turnover



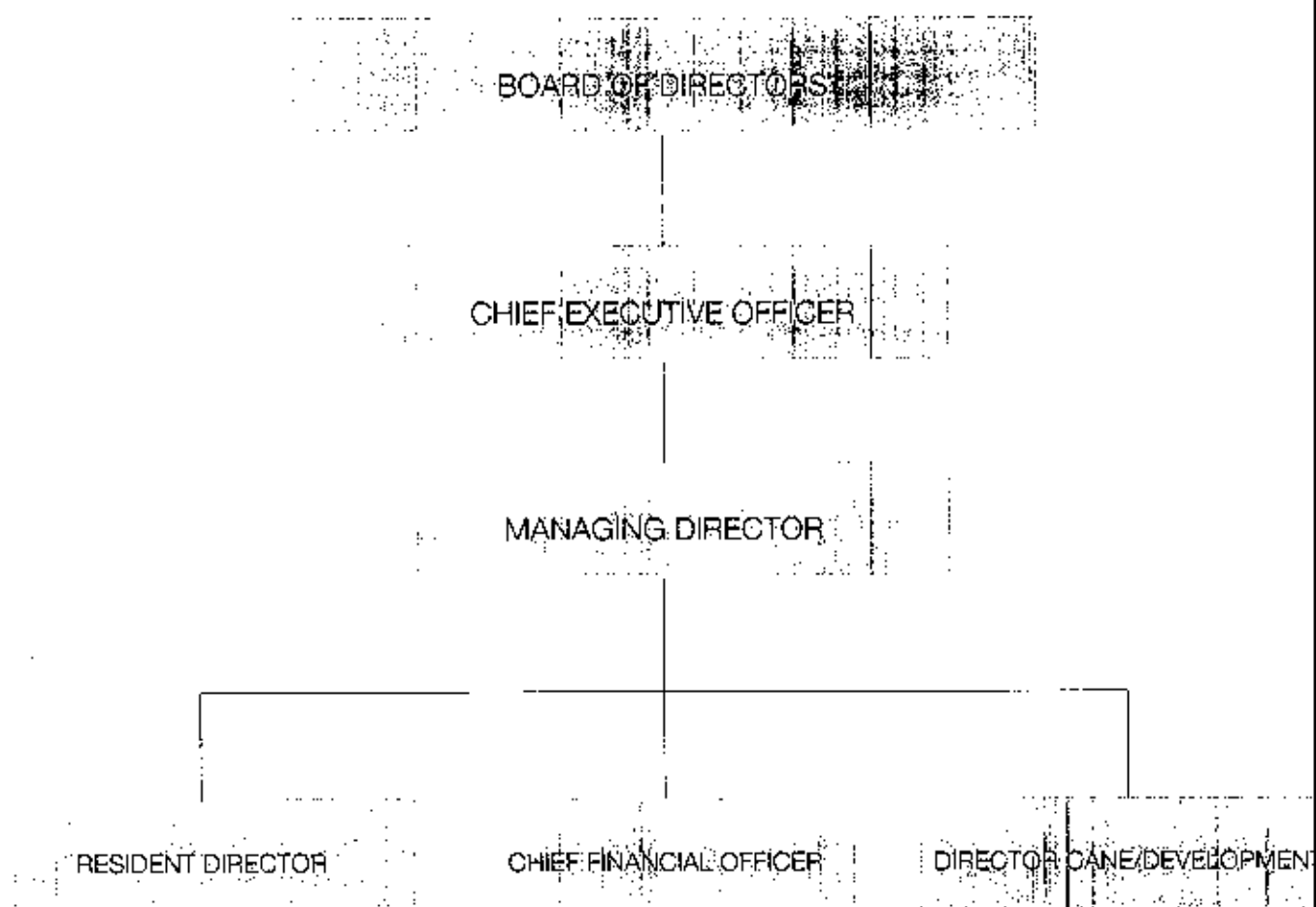
Fond Analysis of Quality Cane (Acres)



DuPONT ANALYSIS



ORGANOGRAM



CHAIRMAN'S REVIEW



Dear Shareholders,

Here we are yet again at the close of another year and it is my pleasure and privilege to present to you my annual review. It has been a challenging year for the entire Sugar Industry, not just in Pakistan but all around the globe. However, the true strength and character of any company is reflected in the way we deal with these challenges and while we may not always be able to overcome them, we can certainly adjust to them.

By the grace of God it is our strength and good fortune at Mehran that we continue to adapt to these challenges and consider them as learning experiences. These harness our growth and strengthen our resolve for further improvement in the future.

The primary objective and responsibility of the board of directors of any company is to develop its future strategic goals. It is my privilege and honour to chair a Board that has a very clear vision for the future strategic route of your company. This vision is rooted in our heritage as responsible corporate and social citizens, with a focus on strengthening our core business as well as exploring new frontiers for further growth.

It is this vision and drive for new frontiers that has led to quite a number of achievements for Mehran even in a difficult season.

We officially launched our retail brands this year after months of research and development. Our entry into the retail sector opens up an entirely new market for Mehran's core business and also elevates our prestige and recognition level as a company. Mehran is also at the threshold of entering the energy sector as we have officially received a power generation license from NEPRA. We have successfully negotiated terms of power purchase agreement with NEPRA, which is expected to go into commission sometime

in early 2015. Unico's expansion also came online during this year, further strengthening Mehran's exposure in the ethanol industry and making an already successful venture even stronger.

While the above were some of the positive highlights in a tough year, a more balanced review of the Company needs to address the inconsistent environment in which we operate. The world sugar market is going through tough times and many of the drivers of demand and supply in the industry have been under pressure. In addition there has been an intense downward pressure on prices, compelling us to compromise on margins.

However, I would like to add that it is my firm belief that while we may sometimes face challenging circumstances, our commitment to a sound and solid financial performance should never waver. In addition, our commitment and focus on being a socially responsible company should be of equal importance. I therefore fully commend and support Mehran's policy of social and environmental awareness and responsibility. I believe and hope that this is where we will be able to implement standards that will not just benefit our business but also enrich and develop society in years to come.

In conclusion I would like to recognize and appreciate the efforts of all the employees of Mehran whose untiring efforts have helped us prosper and grow over so many years. I would also like to thank all my fellow Directors and shareholders for their support and contribution.

God bless us all.

Mohammad Kasim Hasham
Chairman

DIRECTORS' REPORT



On behalf of the Board of Directors, I am pleased to submit Directors Report for the year ended September 30, 2014.

National Economy

Financial year 2014 saw significant improvement in our country's key economic indicators. SBP's reserve management strategy for FY 14-15 was shaped to ensure the security and liquidity of foreign exchange reserves. The reserves have improved and are expected to improve further to US \$ 14 billion at the end of FY14. Stability on the external account received a positive response from international credit rating agencies in the form of an upgrade on Pakistan's Sovereign Bonds from "Negative" to "Neutral". In the same vein, Pakistan's current Account deficit clocked in at US \$ 2.9 billion, 1.2% of GDP, 17% YOY higher than the preceding year mainly due to rising imports.

Improvement on the external account front paved the way for a stronger PKR that appreciated versus the US \$ during the year, with 6.8% appreciation witnessed during 3QFY14 alone. This arose on the back of US \$ 1.5 billion assistance provided by Saudi Arabia, release of US \$ 2.2 billion in four equal tranches by IMF from its US \$ 6.8 billion approved support programme, proceeds of US \$ 2.0 billion from the sale of sovereign Eurobonds and US \$ 1.1 billion from the auction of 3G & 4G licenses.

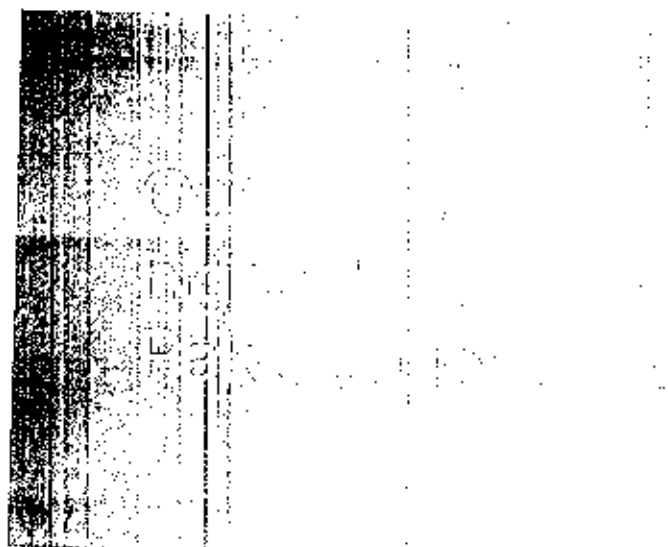
CPI inflation clocked in at 8.6% YOY in FY14 as compared to 7.4% in the same period last year. Inflation largely remained stable during the year allowing the SBP to keep interest rates stable.

On another positive note, FY14 GDP growth was recorded at 4.1% versus 3.6% recorded in the previous year with the manufacturing sector providing the much needed impetus. This indicated improvement in the business environment of the country and confidence by the investors in the future. This was aided by the government's continued focus on energy reforms which is providing stability to the manufacturing sector. However, sustainability of this reform is dependent on resolution of circular debt amidst continuing energy sector reforms. The resolution of the circular debt would also give our industry more confidence to set up power projects and receive guaranteed payments for their sales.

Industry Review

Sugar production in the country was 5.6 Million tons. Consumption is estimated at between 4.5 - 4.6 Million Tons. Exports from Pakistan stood at 750,000 tons. Including the carryover stocks the surplus in the country was estimated at 1.4 Million tons.

Minimum Support for the season 2013-14 remained unchanged at Rs. 172/40 kgs. This was considered a



stop in the right direction as a large sugarcane crop was expected to keep sugar prices under pressure which would have made it difficult for mills to absorb a higher feedstock price.

Ample availability of sugarcane enabled sugar mills to operate at capacity and ensured no price war amongst mills. The Sindh sucrose recovery remained slightly lower at 10.21% versus 10.49% the previous year.

In order to disperse surplus stocks from the country, the Government allowed exports of 1.2 Million tons. The exports were allowed in two tranches of 500,000 each and 200,000 tons respectively. The initial 500,000 tons was exported with a FED concession and Inland Freight Subsidy of Rs. 1,750/ton while the next 500,000 tons were allowed with FED concession and Freight Subsidy of Rs. 1,000/ton. Both incentives were withdrawn from the last exports of 200,000 tons thus this quantity was mostly exported to Afghanistan. Cumulatively exports from Pakistan were cooked in at 750,000 tons for the financial year.

Similarly, Trading Corporation of Pakistan was also mandated to procure sugar from mills. We accepted tenders for supply of 2,580 tons.

Operational Performance

By the grace of God Mehran was able to post yet another operational record breaking performance. Our

sugarcane crushing as well as our sugar production hit all time highs. Sugar production increased by 18.95 percent to a record 123,210 M. Tons surpassing its previous best of 103,580 Tons last year. Our production allowed Mehran to rank in the top 5 sugar producing companies in Pakistan.

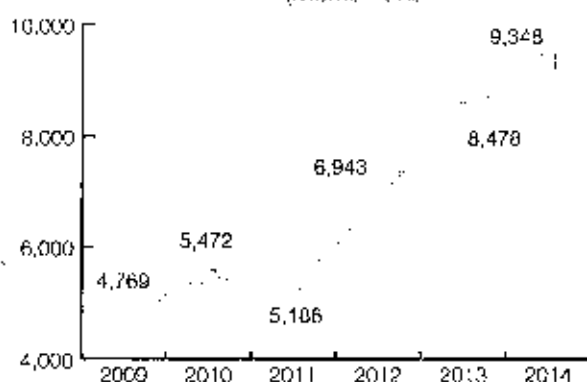
Our sucrose recovery however was slightly lower as compared to last year. The final recovery figure of 10.81% was 4.47% lower than the previous season. The average recovery in Sindh was 10.21% as compared to 10.49% the previous year which was 2.67 % lower.

Our recovery was ranked the 3rd highest amongst sugar mills in Pakistan for the season.

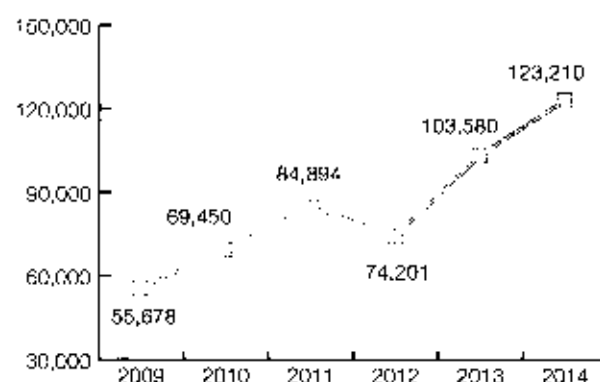
Despite a bearish sugar market due to the sugar glut we were able to discharge growers' payments as past practice. Our entire payments for the season were cleared within 7 days of the mill closing. Mehran's payment policy for sugarcane continues to play a dominant part in its sugarcane procurement as well as cane development in the region. We feel prompt payment is instrumental in strengthening a mills goodwill amongst the farmer community as well as allowing continual development and promotion of sugarcane cultivation in the area of operation. It also helps sugarcane to compete against other crops as a viable and profitable crop. We feel this policy has been one of the most instrumental factors in ensuring that the overall cane crop continues to flourish in our cane growing region.

Operational Highlights	2013-2014	2012-2013
Season Started	01-11-2013	28-11-2012
Season Closed	19-03-2014	15-03-2013
Duration - Days	122	108
Crushing- M.Tons	1,140,502	915,666
Capacity Utilization	93%	85%
Sucrose Recovery	10.81%	11.31%
Sugar Production- M.Tons	123,210	103,580
Molasses production- M.Tons	38,639	38,639
Molasses Recovery	4.22%	4.22%

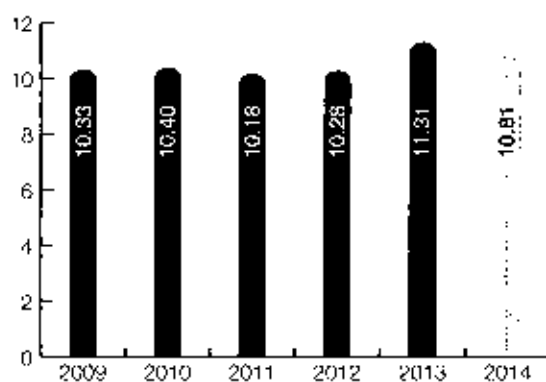
Average Crushing per day
(Metric Tons)



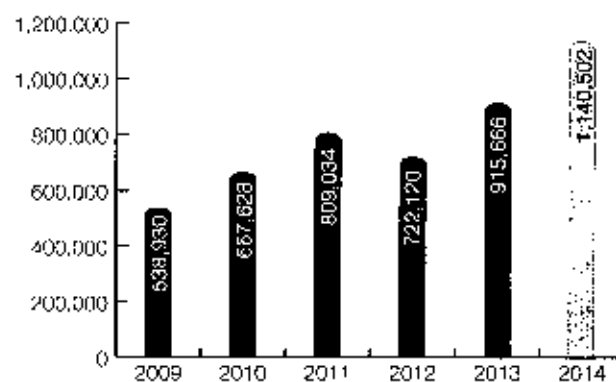
Sugar Produced (Metric Tons)



Sucrose Recovery %

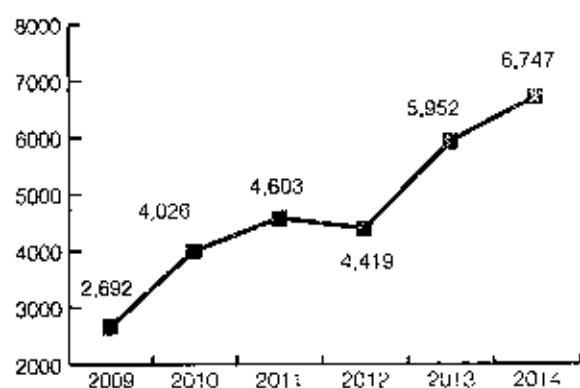


Cane Crushed (Metric Tons)

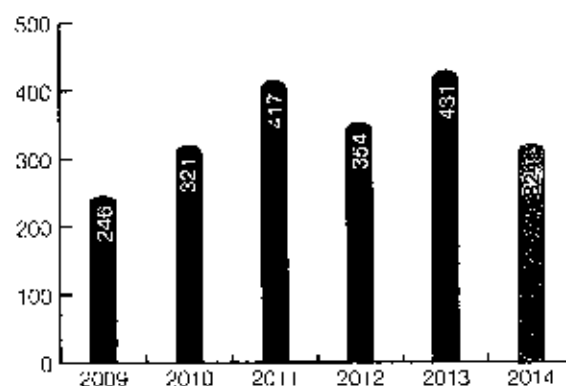


Financial Highlights	Units	2013-2014	2012-2013
Local Sale	Rupees in Thousand	4,939,071	4,122,835
Export Sale	Rupees in Thousand	1,808,375	1,829,209
Total Turnover	Rupees in Thousand	6,747,446	5,952,044
Sales tax /F.E.D	Rupees in Thousand	249,229	154,575
Gross Profit	Rupees in Thousand	631,302	582,010
Gross Profit Margin	%	9.71%	10.04%
Profit before tax	Rupees in Thousand	323,544	431,022
Profit before Tax Margin	%	4.98%	7.40%
Net Profit after Tax	Rupees in Thousand	269,107	397,499
Net Profit Margin	%	4.14%	6.86%
Earnings per share	Rupees	8.40	12.41

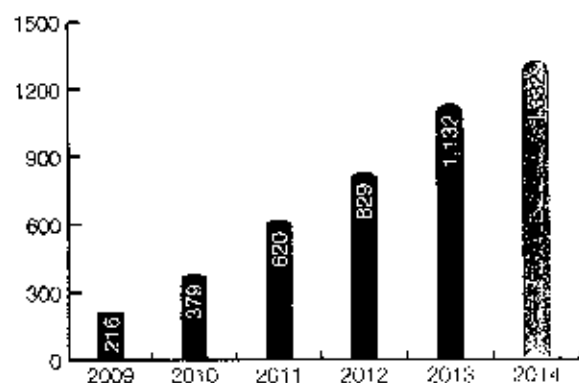
Turnover (Rupees in Million)



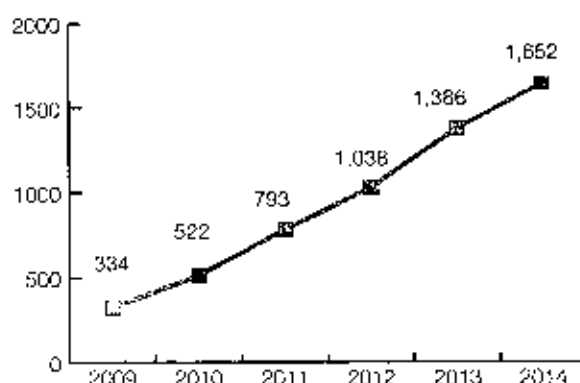
Pre-tax profit (Rupees in Million)



Reserves (Rupees in Million)



Shareholders equity (Rupees in Million)



Turnover for the year crossed the Rs. 6.0 billion mark for the first time. Overall turnover was recorded at Rs. 6.7 billion which was 13.36 percent higher than last year. Our sales growth is impressive considering average selling price for the year remained 4.31 percent lower than last year.

Overall profitability was 32.3 percent lower than last year.

Reasons for decline in profitability are enumerated below:

- Lower selling price of sugar by 4.31 percent.
- Reduction in sucrose recovery by 4.47 percent.
- Decline in share of profit from Unicol from Rs. 128.580 Million to Rs. 52.981 Million.
- Financial Charges were higher by 12 percent as the Company had to resort to short term borrowings to make sugarcane payments on regular basis while sugar sales remained difficult due to the overall surplus in the country.
- Earnings from our Equity portfolio reduced from Rs. 96.62 Millions to Rs. 81.77 Million showing a decline of Rs.14.85 Million.
- Revenue from our Farm Division also showed a decline from Rs. 36.23 Million to Rs.33.61 Million.

- Lack of adequate subsidies on exports as compared to the previous year whereby we had to pay Rs. 56 Million FED more than the previous year.

In line with the Export Policy announced by the Government, we exported 39,248 tons of sugar as against 37,792 tons during the year 2012-13. Major destinations were Africa, Middle East, South East Asia and Afghanistan.

Throughout the year prices continued to decline in the international market due to an abundant surplus which rendered our sugar less competitive. Prices ranged from \$ 550/ton at the beginning of the year to \$ 450/ton at the end of the year. These were further exacerbated by our currency which continued to become stronger during the year.

UNICOL Limited

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

Significant highlights of operation are given hereunder:

Turnover (Rs. '000)	6,700,044
Gross Profit (Rs. '000)	300,257
Gross Profit %	14.85
Pretax Profit (Rs. '000)	156,731
After tax Profit (Rs. '000)	151,767
Earnings per Share	7.45
Sales Quantity (M. Tons)	36,433
Major Destinations	Net Brand, Kenya, India, China, USA
CO ₂ Sales Quantity (Kgs)	1,475,250

Overall profitability remained under pressure due to new ethanol plants which have come online in the industry. This has meant increased demand for molasses which increased feedstock prices substantially.

Due to our plant expansion which was financed equally by debt and equity the Company had to book heavy depreciation and financial charges. The combined effect of these two factors also dented the bottom line considerably compared to FY 2012-13.

We expect profitability to improve again in 2014-2015 due to better cost absorption with the new capacity as well as revenues from the CO₂ division.

Future Outlook

In the present scenario where world sugar prices have crashed to a 5 year low the provincial governments increased the price of cane by 5.8%. This led to a severe disequilibrium between sugarcane and sugar prices which made it difficult for mills to start crushing.

Regulating sugarcane prices and freeing them consistently while leaving sugar prices to be determined by market forces is not auguring well for the sugar industry in Pakistan. Time has come to reevaluate and modify the regime in line with the modern day free market mechanism.

The industry has taken up this matter with all the stakeholders while also asking the honourable high court to review its petition.

In this context The Provincial Government had initially announced a Minimum Support Price of Rs.182/40 Kgs. for crushing season 2014-15. However, owing to continuing depression in local as well as international sugar markets, mills initiated efforts on appropriate forums to either deregulate sugarcane and sugar prices or fix a minimum selling price for sugar as well.

After hectic efforts, the Provincial Government keeping in mind the low sugar prices, took a positive step and initiated a downward revision in the Minimum Support Price to Rs.155/40 Kgs till such time as the matter of sugar price fixation is resolved. This had given a sigh

of relief to the millers, though temporarily, and allowed mills to start crushing. Sadly, the revised notification was rescinded only after few days later by the Provincial Government.

The crushing season 2014-15 started amidst a lot of uncertainty over Minimum Support Price on December 08, 2014. The issue of minimum support price is presently sub-judice in the superior courts and the final outcome would pave the way for future years as how to determine the price of sugarcane.

Sugarcane plantation in our region remains healthy. The country is expected to harvest yet another bumper crop and sugar production is estimated to reach 5.5 Million tons. In order to export the surplus, the Government has announced an export policy for 650,000 tons along with a subsidy of Rs. 10/- Kg. Since the modality of the subsidy has still not been announced no trade has yet taken place.

With its continual variety development and balanced payment policy, Mehran is expected to remain high in terms of grower's choice for sugarcane supply and we expect to achieve results similar to our previous best record of crushing and sucrose recovery.

The continual global and subsequent glut in the Pakistan sugar market has made season 2014-2015 a challenging year. We however are embraced and ready to face this challenge and hope and pray that it will eventually have a positive conclusion for all stakeholders.

Board of Directors

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

During the year under review, a total of four meetings of the Board were convened and the attendance of the

members was as follows:

Sr. #	Name of Directors	Meetings attended
01	Mr. Mohammed Kasim Hasham	3
02	Mr. Mohammed Ebrahim Hasham	3
03	Mr. Mohammed Hussain Hashim	2
04	Mr. Khurram Kasim	3
05	Mr. Ahmed Ebrahim Hasham	4
06	Mr. Muhammad Iqbal	4
07	Mr. Farooq Hassan*	1
08	Mr. Amjad Waheed**	2
09	Mr. Muhammad Bashir**	3

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

*Retired in January 2014 **Elected in January 2014

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 (AC) of the Company comprises of three non-executive and one independent (the Chairman) Directors. A total of four meetings of the AC were held during the year.

External Audit

The Company wishes to place on record its appreciation for the services rendered by the Company's auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder., Chartered Accountants, who completed the audit of financial statements of the Company for the year ended September 30, 2014.

Cost Audit

The Company's Accounts were also subject to cost audit under the Companies (Audit of Cost Accounts) Rules,

1998. M/s. Haroon Zakaria & Company, Chartered Accountants performed the cost audit of the Company, who were recommended for appointment by the Board of Directors and duly approved by the Securities and Exchange Commission of Pakistan (SECP).

Corporate & Financial Reporting Framework

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

- The financial statements, prepared by the management of the Mehran Sugar Mills Limited, present fairly 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 Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements for the year ended September 30, 2014.

- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts upon the Company's ability to continue as a going concern;
- There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations;
- The summary of key operating and financial data for last six years is annexed;
- Company have made contribution towards the national exchequer by paying more than Rs. 316.71 million in the form of Federal, Provincial and local taxes and levies;
- The Company is operating a Provident Fund Scheme for its permanent employees. The value of the fund as at September 30, 2014 was Rs 92.109 million (approx);
- There is also an un-funded gratuity scheme. On the basis of actuarial valuation conducted during 2013, a net liability of Rs. 8,004 million as at September 30, 2014 has been provided;
- None of the directors, CEO, CFO, Company Secretary and their spouses and minor children carried out any transaction in the shares of the Company during the year under review.

Pattern of Shareholding

The pattern of shareholding as on September 30, 2014 is included in the annexed shareholders' information.

Acknowledgment

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

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

For and on behalf of the Board of Directors

Mohammed Ebrahim Hasham

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, 2014 and the Company has not entered into any commitment, which would affect its financial position at the date.

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 and development and competitive career opportunities.

Our employee-training program is continually modified to remain in line with the changing needs of our Company. During this year we continued to invest in our Human resource through training programs at PIM as well as through PSST. A total of 11 members from the Mehran team spent 3 days in Lahore attending the PSST sugar conference. 3 members of our team also visited South Africa for the first time to attend the annual World sugar technologist conference in Durban. This was held from August 19, 2014 to August 31, 2014 and brought together several of the world's finest sugar technologists to discuss future investment trends and innovations in the sugar industry.

Our sugar technology partners from Germany, IPRO also visited our site during 2014 and discussed future ideas with our team for improvements at Mehran.

Investment in Our Working Environment

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

Investment in employee HSE

Ensuring the health and safety of the MSML employees are at the heart of the corporate strategy of the Company. The core objective of the Company is to create conducive working environment, in line with the best industrial practices and ensuring adherence to the requirements of the health and safety codes. The HSE department is entrusted with the responsibility of monitoring of HSE compliance and ensures mandatory usage of relevant safety equipment at work for workers. The department has conducted more than 48 sessions during the year for employees on the subjects of: HSE Orientation, Craft Wise HSE Training, Emergency Response Plan Awareness Sessions, Practical Drills, Fire Drills and Evacuation Drills.

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 rural Pakistan they have an ideal opportunity to contribute where the need for education is most extreme.

One of the core initiatives of our social development programs is to provide education in the rural areas specifically near our mill premises. For this reason, two schools have been established to provide quality education to 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 surrounding areas. Since its incorporation in 1998-99, the Company is providing full operational, financial and logistic support to the school. By the grace of God, and continuous efforts of the management and the teachers, the school is growing steadily and currently, 534 students are enrolled and 23 faculty members are entrusted to provide quality education. We are expecting that the number of students will cross the 600 mark by the year 2014-2015. While growing the number of students increases, we have continued to ensure that there is no compromise on the education standards of the schools. This is benchmarked through teacher training programs as well as results of our students.

- **TCF School – Haji Hasham Campus**

In order to broaden the horizon of our education initiative, a school has been developed in collaboration with The Citizen Foundation in Piyaro Lund area, 13 kilometers from our factory. The school was established in 2011 at a cost of Rs. 10 Million funded by Mehran Sugar. Currently 185 students are enrolled with 9 faculty members and it is expected that number of students will cross the 200 mark by the year 2014-15.

The company is committed to further enhance the education standard through creating an educational competition environment and providing training and development to the teachers.

Vocational training

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

colony and surrounding areas.

Health services

The Company recognizes its responsibility towards provision of health services in the surrounding areas of Tando Allahyar. The MSML mobile dispensary unit has been operational since 2004. The dispensary is fully equipped and provides basic health care services to the needy free of cost. A dedicated full time doctor and relevant staff have been assigned for this unit. During the period from October 2013 to September 2014, the numbers of patients treated are 4,481.

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 seed loaning program has been extremely beneficial in ensuring a better crop in our area.

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

Customer satisfaction

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

RESPONSIBILITY TO SOCIETY

Power generation

Energy is considered to be life line of any economy and 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 (NPRRA) and made necessary investments to connect to the national grid. Further, MSML successfully negotiated Power Purchase

Agreement with HESCO for supply of 5 MW. Power supply is expected to commence from January 2015.

Governance structure

The Company's governance structure has helped to achieve best practice and drive performance from the boardroom to our employees, customers, society and the environment. The business integrity has led to long term success and we are committed to conduct our business responsibly 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. 317 million in respects of payments towards Federal excise duty, income tax and other statutory levies. We have also exported significant quantity of refined sugar and contributed precious foreign exchange amounting USD 18 million to the national economy. Our associated company UNICOL Limited was also able to export USD 31 million of ethanol in the last financial year.

RESPONSIBILITY TO ENVIRONMENT

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

Emission and discharges

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

Waste Water Treatment

We at Mehran are now striving to create a zero wastewater discharge system. We have recently completed stage two of our water discharge system whereby we have accomplished 90 percent reuse of wastewater at the plant. The remaining water is used in our farms adjoining the factory.

Stage 1 and 2 were completed in a period of 3 years. During this time the company invested Rs. 19 million. We are proud to state that our waste water system was created in house by our capable engineering team. The end results being a success was then presented at the annual Pakistan Society of Sugar Technologists seminar in Lahore for the benefit of other sugar mills other sugar mills.

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 49th Annual General Meeting of the members of the Company will be held at I.C. Auditorium, Chartered Accountants Avenue, Clifton, Karachi on Wednesday, January 28, 2015 at 16:30 PS to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 48th Annual General Meeting held on January 27, 2014;
2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended September 30, 2014;
3. To consider and approve Final Cash Dividend @ 10% i.e. Rs. 1 per share in addition to 16% i.e. Rs. 1.60 per share interim dividends already paid and 10% interim bonus shares already issued for the year ended September 30, 2014 as recommended by the Board of Directors of the Company.
4. To appoint auditors for the year ending September 30, 2015 and to fix their remuneration. The retiring auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants being eligible, have offered themselves for re-appointment.
5. To transact any other business with the permission of the Chair.

Karachi: January 06, 2015

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

NOTES

1. The share transfer books of the Company will remain closed from January 21, 2015 to January 28, 2015 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her behalf. Proxies in order to be effective must be received by the Company at its Registered Office not later than 48 hours before the time fixed for holding the Annual General Meeting.
3. The shareholders whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring their CNIC along with their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders the guidelines as contained in SECP's circular 1 of 26th January, 2000 to be followed.
4. The shareholders are requested to notify the Company immediately the change in their address, if any.
5. The shareholders are also requested to intimate us their CNIC # to implement the requirements of Annual Returns (Form A) which the Company is required to file with the SECP under section 156 of the Companies Ordinance 1984.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED SEPTEMBER 30, 2014

The statement is being presented to comply with the Code of Corporate Governance (The Code) contained in Regulation No. 35 of Karachi Stock Exchange for the purpose of establishing a framework of good governance whereby a listed company is managed in compliance with the best practices of Corporate Governance.

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

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

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

The independent directors meet the criteria of independence under clause 1(b) of the COG.

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

Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The Board has assured to arrange an orientation course regarding the Code of Corporate Governance for its directors to apprise them of their role and responsibilities.

10. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
11. No new appointment of Chief Financial officer, Company secretary and head of internal audit was made during the year.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of Shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises four members, of whom one is independent Director, rests are non-executive directors and the chairman of the committee is an Independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the Committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.
18. The board has setup an effective Internal Audit function.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

Karachi: December 30, 2014

Mohammed Ebrahim Hasham
Chief Executive Officer

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

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

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

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

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

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

Karachi: December 30, 2014

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Mehran Sugar Mills Limited (the Company) as at 30 September 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for changes as stated in note 2.3 to the financial statements, with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September 2014 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We draw attention to notes 27.1 to 27.7 to the financial statements which describe the uncertainty relating to the outcome of the lawsuits and appeals filed by / against the Company. Our opinion is not qualified in respect of these matters.

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

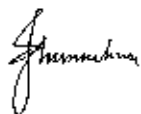
Karachi: December 30, 2014

BALANCE SHEET

As at September 30, 2014

	Note	2014 Rupees	2013 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,584,876,678	1,509,202,543
Long-term receivable	6	-	-
Long-term investment	7	558,396,204	505,415,137
Long-term deposits		<u>1,055,400</u>	<u>2,803,650</u>
		2,144,328,282	2,017,421,330
CURRENT ASSETS			
Biological assets	8	58,924,461	56,295,200
Stores and spare parts	9	62,222,707	67,024,769
Stock-in-trade	10	459,926,470	688,431,560
Trade debts	11	42,871,351	9,963,768
Loans and advances	12	34,340,982	75,491,524
Trade deposits and short-term prepayments	13	28,286,701	15,985,845
Other receivables	14	4,697,979	3,297,801
Income tax - net		57,588,417	83,505,783
Short-term investments	15	487,902,312	292,503,684
Cash and bank balances	16	<u>33,192,734</u>	<u>6,114,516</u>
		1,269,954,114	1,298,614,450
TOTAL ASSETS		<u>3,414,282,396</u>	<u>3,316,035,780</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	17	320,312,450	253,211,430
Reserves		<u>1,331,935,000</u>	<u>1,132,337,395</u>
		1,652,247,450	1,385,548,825
NON CURRENT LIABILITIES			
Long term financing	18	318,348,217	454,241,072
Market committee fee payable	19	28,340,000	-
Liabilities against assets subject to finance leases	20	22,592,870	16,068,494
Deferred liability	21	8,004,115	7,564,191
Deferred taxation	22	234,621,296	240,536,912
Provision for quality premium	23	<u>119,290,919</u>	<u>119,290,919</u>
		731,197,417	837,701,588
CURRENT LIABILITIES			
Trade and other payables	24	288,028,701	455,497,657
Accrued mark up		29,360,066	22,003,620
Short-term borrowings	25	457,972,745	397,176,948
Current portion of long-term financing	18	135,892,855	126,071,428
Current maturity of liabilities against assets subject to finance leases	20	15,928,366	12,269,035
Provision for market committee fee	26	37,860,845	26,455,823
Current portion of market committee fee payable	19	4,360,000	32,700,000
Sales tax and federal excise duty payable		<u>61,433,951</u>	<u>20,610,856</u>
		1,030,837,529	1,092,785,367
CONTINGENCIES AND COMMITMENTS	27		
TOTAL EQUITY AND LIABILITIES		<u>3,414,282,396</u>	<u>3,316,035,780</u>

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



CHIEF EXECUTIVE OFFICER



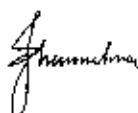
DIRECTOR

PROFIT AND LOSS ACCOUNT

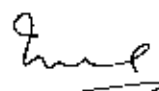
For the year ended September 30, 2014

	Note	2014 ----- Rupees -----	2013 -----
Turnover	28	6,498,217,061	5,797,469,558
Cost of sales	29	(5,866,915,294)	(5,215,459,529)
Gross profit		631,301,767	582,010,029
Distribution costs	30	(106,902,491)	(93,923,771)
Administrative expenses	31	(154,078,845)	(132,299,256)
Other operating expenses	32	(22,886,166)	(15,704,414)
Other income	33	132,129,471	149,200,939
		(151,738,031)	(92,726,502)
Operating profit		479,563,736	489,283,527
Share of profit from an associate – net of tax		52,981,067	128,580,477
Finance costs	34	(209,000,842)	(186,842,345)
Profit before taxation		323,543,961	431,021,659
Taxation	35	(54,437,052)	(33,522,605)
Net profit for the year		269,106,909	397,499,054
			(Restated)
Basic and diluted earnings per share	36	8.40	12.41

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



CHIEF EXECUTIVE OFFICER



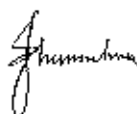
DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2014

	2014	2013
	----- Rupees -----	
Net profit for the year	269,106,909	397,499,054
Other comprehensive income		
Items to be classified to profit and loss account in subsequent periods		
Unrealised gain on revaluation of investments	73,061,584	25,662,918
Reclassification to profit and loss account for gain on sale of investments	(8,141,883)	(18,787,499)
	64,919,701	6,875,419
Total comprehensive income for the year	<u>334,026,610</u>	<u>404,374,473</u>

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



CHIEF EXECUTIVE OFFICER



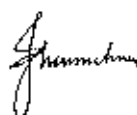
DIRECTOR

CASH FLOW STATEMENT

For the year ended September 30, 2014

	Note	2014	2013
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		323,543,961	431,021,659
Adjustments for non-cash items:			
Depreciation		121,046,166	112,185,475
Share of profit from an associate		(52,981,067)	(128,580,477)
Gain on disposal of fixed assets		(6,679,132)	(3,961,227)
Finance costs		209,000,842	186,842,345
Gain on disposal of short term investments		(58,187,725)	(79,275,183)
Provision for gratuity		1,674,560	1,550,959
Provision for market committee fee		11,405,022	9,156,660
Working capital changes	37	94,940,918	(291,627,601)
		320,219,584	(193,709,049)
Gratuity paid		(1,234,636)	(425,608)
Income taxes paid		(34,435,302)	(43,633,673)
Finance costs paid		(201,644,396)	(178,899,046)
Long term deposits		1,748,250	1,837,250
Net cash generated from operating activities		408,197,461	16,191,533
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(202,859,158)	(236,132,336)
Proceeds from disposal of operating fixed assets		12,817,989	7,384,346
Short-term investments made during the year		(373,919,128)	(353,179,286)
Proceeds from disposal of short term investments		301,627,926	351,222,927
Net cash used in investing activities		(262,332,371)	(230,704,348)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing		(126,071,428)	52,812,500
Short-term borrowings		60,795,797	71,748,109
Liabilities against assets subject to finance lease		10,183,707	8,950,683
Dividend paid		(63,694,948)	(57,653,703)
Net cash (used in) / generated from financing activities		(118,786,872)	75,857,589
Net increase / (decrease) in cash and cash equivalents		27,078,218	(138,655,226)
Cash and cash equivalents at the beginning of the year		6,114,516	144,769,742
Cash and cash equivalents at the end of the year	16	33,192,734	6,114,516

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



CHIEF EXECUTIVE OFFICER



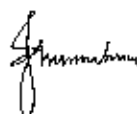
DIRECTOR

STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2014

	Issued, subscribed and paid-up capital	Capita reserve - Share premium	General reserve	Reserves			Total
				Unrealized gain on revaluation of investments	Unappropriated profit	Total reserves	
	Rupees						
Balance as at September 30, 2012	208,265,650	63,281,250	85,000,000	18,742,714	662,313,054	829,037,028	1,036,302,678
Final dividend for the year ended September 30, 2012 @ 7.5%	-	-	-	-	(15,694,766)	(15,694,766)	(15,694,766)
First interim dividend for the year ended September 30, 2013 @ 5%	-	-	-	-	(11,509,145)	(11,509,145)	(11,509,145)
Bonus shares issued in the ratio of 1 ordinary shares for every 10 ordinary shares held	20,925,560	-	-	-	(20,925,560)	(20,925,560)	-
Second interim dividend for the year ended September 30, 2013 @ 7.5%	-	-	-	-	(17,264,275)	(17,264,275)	(17,264,275)
Bonus shares issued in the ratio of 1 ordinary shares for every 10 ordinary shares held	23,019,220	-	-	-	(23,019,220)	(23,019,220)	-
Third interim dividend for the year ended September 30, 2013 @ 5%	-	-	-	-	(12,660,140)	(12,660,140)	(12,660,140)
Net profit for the year	-	-	-	-	397,499,054	397,499,054	397,499,054
Net gain on revaluation of investments	-	-	-	6,875,419	-	6,875,419	6,875,419
Total comprehensive income for the year	-	-	-	6,875,419	397,499,054	404,374,473	404,374,473
Balance as at September 30, 2013	253,211,430	63,281,250	85,000,000	25,618,133	958,436,012	1,132,337,395	1,385,548,825
Final dividend for the year ended September 30, 2013 @ 7.5%	-	-	-	-	(18,990,730)	(18,990,730)	(18,990,730)
First interim dividend for the year ended September 30, 2014 @ 5%	-	-	-	-	(14,559,202)	(14,559,202)	(14,559,202)
Bonus shares issued in the ratio of 15 ordinary shares for every 100 ordinary shares held	37,981,710	-	-	-	(37,981,710)	(37,981,710)	-
Second interim dividend for the year ended September 30, 2014 @ 5%	-	-	-	-	(14,559,225)	(14,559,225)	(14,559,225)
Bonus shares issued in the ratio of 10 ordinary shares for every 100 ordinary shares held	29,119,310	-	-	-	(29,119,310)	(29,119,310)	-
Third interim dividend for the year ended September 30, 2014 @ 6%	-	-	-	-	(19,218,828)	(19,218,828)	(19,218,828)
Net profit for the year	-	-	-	-	259,106,909	259,106,909	259,106,909
Net gain on revaluation of investments	-	-	-	64,919,701	-	64,919,701	64,919,701
Total comprehensive income for the year	-	-	-	64,919,701	259,106,909	324,026,610	324,026,610
Balance as at September 30, 2014	320,312,450	63,281,250	85,000,000	90,537,834	1,093,115,916	1,331,935,000	1,652,247,450

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

1. THE COMPANY AND ITS OPERATIONS

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

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

2.3 New / Revised Standards and Interpretations

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

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

IAS 19 – Employee Benefits – (Revised) [Refer note 4.8.1]

IFRS 7 – Financial Instruments – Disclosures – (Amendments)

- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

IFAS 3 – Profit and Loss Sharing on Deposits

Improvements to Accounting Standards Issued by the IASB

IAS 1 – Presentation of Financial Statements – Clarification of the requirements for comparative Information

IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment

IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any material effect on the financial statements, except for IAS 19 (revised) which has resulted in a change in accounting policy as described in note 4.8.1 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

2.4 Accounting standards not yet effective

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

Standards	Effective date (accounting periods beginning on or after)
IFRS 10 - Consolidated Financial Statements	01 January 2015
IFRS 11 - Joint Arrangements	01 January 2015
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2015
IFRS 13 - Fair Value Measurement	01 January 2015
IAS 16 & 38 - Clarification of Acceptable Method of Depreciation and Amortization	01 January 2016
IAS 16 & 41 - Agriculture: Bearer Plants	01 January 2016
IAS 19 - Employee Contributions	01 July 2014
IAS 32 - Offsetting Financial Assets and Financial liabilities - (Amendment)	01 January 2014
IAS 36 - Recoverable Amount for Non-Financial Assets - (Amendment)	01 January 2014
IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting - (Amendment)	01 January 2014
IFRIC 21 - Levies	01 January 2014

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

In addition to above, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2014. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

	IASB Effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 15 - Revenue from Contracts with Customers	01 January 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

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

Property, plant and equipment

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

Biological assets

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

Inventories

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

Trade debts and receivables

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

Taxation

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

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

Provision for quality premium and market committee fee

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

Owned

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

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

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

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

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

Leased

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

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

Capital work-in-progress

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

4.2 Investments

Associates

Investment in associates is accounted for using equity method of accounting. Investments over which investor has "significant influence" are accounted for under this method i.e., investments to be carried in the balance sheet at cost plus post-acquisition changes in the share of net assets of the associate, less any

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

impairment in value, if material. The profit and loss account reflects the investor's (Company's) share of the results of operations of the investee (associated company) after the date of acquisition. If an associate uses accounting policies other than those of the Company, adjustments are made to conform the associate's policies to those of the Company, if the impact is considered material.

Available-for-sale

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

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

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

Held-to-maturity

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

4.3 Biological assets

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

4.4 Stores and spare parts

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

4.5 Stock-in-trade

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

4.6 Trade debts and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

4.7 Cash and cash equivalents

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

4.8 Staff benefits

Gratuity

The Company operates an unfunded gratuity scheme for its mill employees. The contributions to the scheme are made in accordance with the actuarial valuation using the Project Unit Credit Method. The latest valuation was carried out at September 30, 2013. Actuarial gains and losses are recognised in the period in which they occur in other 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.

During the year, the Company has changed its accounting policy in respect of recognition of actuarial gains and losses. With effect from current year, the Company has recognised actuarial gains and losses as they occur in other comprehensive income, instead of past policy, where actuarial gains and losses were first recognised as income or expense.

However, the above change in accounting policy does not have a material effect. Accordingly, it has not been accounted for retrospectively and the impact has been taken in the current year financial statements.

Provident fund

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

	2014 ----- Rupees ----- (Unaudited)	2013 ----- Rupees ----- (Audited)
General disclosures		
Size of the fund	92,109,684	89,733,811
Cost of investments	77,873,341	66,746,901
Fair value of investments	84,933,012	72,873,341
Percentage of investments	92%	81%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

	2014		2013	
	(Unaudited) (Rupees)	(%)	(Audited) (Rupees)	(%)
Break-up of investments:				
Defence Saving Certificates	75,590,381	82	64,212,165	72
Mutual fund units	9,342,631	10	8,661,176	10
Total	<u>84,933,012</u>	<u>92</u>	<u>72,873,341</u>	<u>82</u>

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

Compensated absences

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

4.9 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation, after taking into account tax credits and rebates available, if any, or one percent of turnover, whichever is higher, and tax based on Final Tax Regime.

Deferred

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

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

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

4.10 Trade and other payables

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

4.11 Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

4.12 Foreign currency transactions and translation

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

4.13 Borrowing costs

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

4.14 Financial instruments

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

4.15 Offsetting of financial assets and financial liabilities

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

4.16 Revenue recognition

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

4.17 Dividend and appropriation to reserves

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

4.18 Functional and presentation currency

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

	Note	2014 ----- Rupees -----	2013
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	1,522,440,753	1,424,307,615
Capital work-in-progress	5.2	62,435,925	84,894,928
		<u>1,584,876,678</u>	<u>1,509,202,543</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

1. GENERAL INFORMATION

5.1 Operating fixed assets

Description	2014							
	Cost at October 01, 2013	Additions/ transfers*/ (deletions)	Cost at September 30, 2014	Accumulated depreciation at October 01, 2013	Depreciation for the year/ transfers*/ (deletions)	Accumulated depreciation at September 30, 2014	Book value at September 30, 2014	Dep. Rate
Rupees								
Owned								
Freehold land	180,720		180,720	-	-	-	180,720	-
Buildings on freehold land								
- Factory	157,590,616	78,781,490	236,372,115	75,735,579	12,154,831	87,890,410	148,481,705	10 %
Non-factory	45,091,244	5,466,297	50,557,541	8,550,081	1,853,793	10,403,874	40,153,667	5 %
Plant, machinery and equipment	1,837,844,056	102,076,907	1,939,920,963	684,377,596	59,198,919	743,576,515	1,196,344,448	7.5 %
Furniture and fittings	9,917,774	268,000	10,185,774	3,292,626	673,420	3,966,046	6,219,728	10 %
Vehicles	27,665,767	1,510,099 16,195,000* (17,010,785)	28,580,081	17,098,505	2,240,574 10,544,973* (10,933,046)	18,861,036	9,629,075	20 %
Office premises	84,611,044	-	84,611,044	5,133,643	3,973,870	9,107,513	75,503,531	5 %
Office equipment	7,860,835	492,500	8,353,335	5,795,843	227,120	6,022,963	2,330,372	10 %
Electric installation	16,653,275	-	16,653,275	9,119,187	753,409	9,872,596	6,780,679	10 %
Weighbridge and scales	1,202,624	-	1,202,624	940,049	55,258	995,307	207,317	10 %
Workshop tools and other equipment	8,910,896	-	8,910,896	5,926,835	298,401	6,225,236	2,685,660	10 %
Computers	8,500,331	1,273,879	9,774,210	5,599,277	1,097,902	6,697,179	3,077,031	30 %
Air conditioners and Refrigerators	11,305,231	2,829,480 (775,326)	13,359,385	6,022,773	656,908 (714,206)	5,965,474	7,393,911	10 %
	2,217,554,413	192,698,361 16,195,000* (17,786,111)	2,406,661,663	827,587,224	112,155,416 10,544,973* (11,647,254)	939,640,353	1,466,021,304	
Leased								
Vehicles	50,965,500	52,619,800 (16,195,000)*	67,390,300	18,625,074	7,890,750 (10,544,973)*	13,970,851	53,419,449	20 %
Total	2,268,510,913	225,318,161 (17,786,111)	2,476,051,963	846,212,298	121,046,166 (11,647,254)	953,611,210	1,522,440,753	

* Represents internal transfer between different classes of operating fixed assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

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

	Cost of sales	Administrative expenses
2014	104,285,611	16,760,555
2013	97,940,981	14,244,494
	121,046,166	112,185,475

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

Particulars	Cost	Accumulated Depreciation	Value	Sale Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of Purchase
Motorcycles	747,200	383,558	363,642	663,750	300,198	Policy	Various employees
Honda CD-70 (KGP-7531)	68,585	4,515	64,070	61,200	(2,870)	Insurance claim	Agencise Insurance Company Ltd/ce
Toyota Corolla 2.0 D (KDW 738)	1,087,000	767,098	320,902	650,000	323,065	Policy	Mt. Kissa Khan - Karachi
Suzuki Ato (ASB-863)	672,000	444,917	227,083	440,908	213,617	Policy	Mt. Abu Bakr - employee
Toyota Corolla AFX-891	1,337,000	284,535	452,465	877,210	424,748	Policy	Mt. Rashid Ali - employee
Suzuki Ato (ASB-862)	672,000	444,917	227,083	440,908	213,617	Policy	Mt. Shafiq Nazki - employee
Toyota Corolla ATR-427	1,289,000	787,700	501,300	815,713	344,413	Policy	Mt. Abou Hazzak Leman - employee
Suzuki Ato ASX-278	652,000	455,257	196,743	429,745	233,012	Policy	Mt. M. Aslam Hani Aziz - employee
Suzuki Ato ASX-279	652,000	455,257	196,743	429,745	233,012	Policy	Mt. Farwanjoun - employee
Suzuki Ato ATL-452	682,000	397,623	284,377	434,338	39,961	Policy	Mt. Mahmood Anwar - employee
Suzuki Ato ATR-451	602,000	397,623	204,377	434,338	39,961	Policy	Mt. C. J. Mahmood - employee
Suzuki Cullus ATR-555	1,070,000	184,000	886,000	800,000	86,000	Policy	Mt. Muhammad Hani Aziz - employee
Range Rover BD-242	7,500,000	5,324,000	2,176,000	8,000,000	2,824,000	Negotiation	Mt. Araf Dawood - Karachi
Air Conditioners	775,326	714,208	61,118	12,817,989	6,079,132	Scrap	Mt. Zula Hassan - Karachi
Total	17,756,111	11,647,254	6,108,857	12,817,989	6,079,132		

5.2 Capital work-in-progress

	Balance as at September 30, 2012	Capital expenditure incurred / advances made during the year	Transfer to operating fixed assets	Balance as at September 30, 2013	Capital expenditure incurred / advances made during the year	Transfer to operating fixed assets	Balance as at September 30, 2014
Civil works	14,702,914	55,012,476	(16,504,253)	53,211,137	30,964,159	(84,135,296)	40,000
Advance against supply of plant and machinery	201,245,098	69,068,042	(238,629,349)	31,683,791	79,397,358	(54,935,224)	56,145,925
Advance against purchase of land	-	-	-	-	6,250,000	-	6,250,000
Total	215,948,012	124,080,518	(255,133,602)	84,894,928	116,611,517	(139,070,520)	62,435,925

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

	Note	2014 Rupees	2013 Rupees
5.1.1 Depreciation charge for the year has been allocated as follows:			
Cost of sales	29	104,285,611	97,940,981
Administrative expenses	31	16,760,555	14,244,494
		<u>121,046,166</u>	<u>112,185,475</u>

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

Particulars	Cost	Accumulated Depreciation	Value	Sale Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of Purchaser
Motorcycles	747,200	383,558	363,642	653,780	300,138	Policy	Various employees
Honda CD-71 (KGP-7681)	58,585	4,515	64,070	61,200	(2,870)	Insurance claim	Adamjee Insurance Company limited
Toyota Corolla 2.0 D (AQW-733)	1,087,000	760,096	326,904	650,000	323,096	Policy	Mr. Misa Khan - Karachi
Suzuki Ato (ASB-863)	572,000	444,917	227,083	440,900	213,817	Policy	Mr. Abu Bakar - employee
Toyota Corolla AHZ-681	1,337,000	884,536	452,462	877,210	424,748	Policy	Mr. Rashid Ali - employee
Suzuki Ato (ASB-862)	572,000	444,917	227,083	440,900	213,817	Policy	Mr. Shano Nazir - employee
Toyota Corolla ATN-427	1,259,000	787,700	501,300	845,713	344,413	Policy	Mr. Abdul Fiazak Usman - employee
Suzuki Ato ASX-278	652,000	455,267	196,733	429,745	233,012	Policy	Mr. Muhammad Harif Aziz - employee
Suzuki Ato ASX-279	652,000	455,267	196,733	429,745	233,012	Policy	Mr. Entesharuddin - employee
Suzuki Ato AIL-452	662,000	397,623	264,377	434,338	169,961	Policy	Mr. Muhammad Anwar - employee
Suzuki Ato AIL-451	662,000	397,623	264,377	434,338	169,961	Policy	Mr. G.I. Muhammad - employee
Suzuki Cullus AZR-958	1,010,000	193,022	816,978	300,000	(516,978)	Policy	Mr. Muhammad Umair Aziz - employee
Range Rover SD-8442	7,500,000	5,324,000	2,176,000	6,000,000	3,824,000	Negotiation	Mr. Altaf Dawood - Karachi
Air Conditioners	775,926	714,208	61,718	210,120	(149,002)	Scrap	Mr. Zulfar Hussain - Karachi
Total	<u>17,785,111</u>	<u>11,047,254</u>	<u>6,138,857</u>	<u>12,517,825</u>	<u>3,678,132</u>		

5.2 Capital work-in-progress

	Civil works	Advance against supply of plant and machinery	Advance against purchase of land	Total
	Rupees			
Balance as at September 30, 2012	14,702,914	201,245,098	-	215,948,012
Capital expenditure incurred / advances made during the year	55,012,476	69,068,042	-	124,080,518
Transfer to operating fixed assets	(16,504,253)	(238,629,349)	-	(255,133,602)
Balance as at September 30, 2013	53,211,137	31,683,791	-	84,894,928
Capital expenditure incurred / advances made during the year	30,964,159	79,397,358	6,250,000	116,611,517
Transfer to operating fixed assets	(84,135,296)	(51,935,224)	-	(136,070,520)
Balance as at September 30, 2014	<u>40,000</u>	<u>56,145,925</u>	<u>6,250,000</u>	<u>62,435,925</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

	Note	2014	2013
		Rupees	
6. LONG-TERM RECEIVABLE			
Tender earnest money		1,000,000	1,000,000
Down payment	6.1	33,125,000	33,125,000
Other costs		8,385,996	8,385,996
		<u>42,510,996</u>	<u>42,510,996</u>
Provision for doubtful receivable		<u>(42,510,996)</u>	<u>(42,510,996)</u>

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

	Note	2014	2013
		Rupees	
7. LONG TERM INVESTMENT			
in an associated company	7.1	<u>558,396,204</u>	<u>505,415,137</u>

- 7.1 The Company holds 23,059,573 (2013: 17,469,373) shares representing 33.33 (2013: 33.33) percent of the total equity of Unicol Limited, an unquoted Company, which is involved in the manufacturing and selling of industrial ethanol.

	Note	2014	2013
		Rupees	
7.2 Movement of investment			
Opening balance		505,415,137	376,834,660
Share of profit for the year -- net of tax		<u>51,455,687</u>	<u>129,206,196</u>
Prior year adjustment	7.2.1	<u>1,525,380</u>	<u>(625,719)</u>
		<u>52,981,067</u>	<u>128,580,477</u>
		<u>558,396,204</u>	<u>505,415,137</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

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

	2014 ----- Rupees ----- (Unaudited)	2013 ----- Rupees ----- (Audited)
Aggregate amount of:		
- assets	5,367,004,000	3,835,668,000
- liabilities	3,678,393,000	2,314,847,000
- revenue	3,165,644,000	2,595,818,000
- profit	154,367,000	392,194,000

	2014 ----- Rupees -----	2013 ----- Rupees -----
8. BIOLOGICAL ASSETS		
Carrying value at beginning of the year	56,295,200	57,424,050
Addition due to cultivation	29,199,004	28,863,440
Gain arising from initial recognition of standing crop less costs to sell	29,725,457	27,431,760
	115,219,661	113,719,250
Reduction due to harvesting	(56,295,200)	(57,424,050)
Carrying value at the end of the year	58,924,461	56,295,200

Operations and principal activities at farms

The Company is principally engaged in sugar cane cultivation.

	Note	2014 ----- Rupees -----	2013 ----- Rupees -----
9. STORES AND SPARE PARTS			
Stores		12,369,778	6,549,100
Spare parts		49,852,929	60,475,669
		62,222,707	67,024,769
10. STOCK-IN-TRADE			
Manufactured sugar			
- Work-in-process		3,004,859	2,103,958
- Finished goods		456,921,611	686,327,602
		459,926,470	688,431,560
11. TRADE DEBTS – unsecured			
Considered good	11.1	42,871,351	9,963,768
Considered doubtful	11.2	16,987,867	16,987,867
		59,859,218	26,951,635
Less: Provision for doubtful debts	11.2	16,987,867	16,987,867
		42,871,351	9,963,768

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

	Note	2014	2013
11.1 The aging of trade debts is as follows:			
Neither past due nor impaired		38,996,100	6,251,497
Past due but not impaired			
- within 90 days		3,875,251	-
- 91 - 180 days		-	-
- over 365 days		-	3,712,271
		3,875,251	3,712,271
		42,871,351	9,963,768

- 11.1 Include receivable amounting to Rs.16.93 million (2013: Nil) from Unicol Limited, a related party.
- 11.2 Include 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 Honorable High Court of Sindh. The said amount has been fully provided as a matter of prudence as the case is pending for a considerable long period. Accordingly, the respective liability of mark-up due to the GoS was also written back.

	Note	2014	2013
12. LOANS AND ADVANCES – unsecured, considered good			
Loans to staff	12.1	4,037,176	3,497,123
Advances			
- to suppliers		16,107,578	26,735,270
- to cane growers		12,616,347	21,994,312
- against expenses		1,579,881	1,126,819
- federal excise duty		-	22,138,000
		30,303,806	71,994,401
		34,340,982	75,491,524

- 12.1 Represent interest-free loans given to employees for purchase of vehicles, repayable latest by September 30, 2015, in monthly installments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2014 Rupees	2013 Rupees
Trade deposits			
Considered good		358,640	478,500
Considered doubtful	13.1	8,196,113	8,196,113
		<u>8,554,753</u>	<u>8,674,613</u>
Less: Provision for doubtful deposits		<u>8,196,113</u>	<u>8,196,113</u>
		358,640	478,500
Short-term prepayments			
Considered good		27,928,061	15,507,345
Considered doubtful		563,441	563,441
		<u>28,491,502</u>	<u>16,070,786</u>
Less: Provision for doubtful prepayments		<u>563,441</u>	<u>563,441</u>
		<u>27,928,061</u>	<u>15,507,345</u>
		<u>28,286,701</u>	<u>15,985,845</u>

- 13.1 Represents amount paid by the Company during the years 1995 and 1996 to the Director General Defence Procurement (DGDP) as tender money, which was withheld by the DGDP on account of his risk purchase claim on the Company, as fully described in note 26.2 to the financial statements. Although the matter is under litigation, the Company, as a matter of prudence, has made full provision against the deposit in these financial statements.

	Note	2014 Rupees	2013 Rupees
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14. OTHER RECEIVABLES— considered good

Due from related parties:			
Pakistan Molasses Company (Private) Limited		3,103,109	2,331,099
Mogul Tobacco Company (Private) Limited		<u>835,750</u>	<u>717,702</u>
		3,938,859	3,048,801
Others		<u>759,120</u>	<u>249,000</u>
		<u>4,697,979</u>	<u>3,297,801</u>

15. SHORT-TERM INVESTMENTS

Held to maturity			
Term deposit certificates	15.1	3,300,000	3,300,000
Available for sale			
Equity securities	15.2	<u>484,602,312</u>	<u>289,203,684</u>
		<u>487,902,312</u>	<u>292,503,684</u>

- 15.1 These carry profit rate of 7.00 (2013: 6.00) percent per annum, having maturity upto six months.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

15.2 Available for sale

2014	2013		2014	2013
Number of shares of par value			Rupees	
Rs. 10/- each				
		Quoted companies		
170,400	124,500	Allied Bank Limited	19,267,128	9,607,665
-	20,000	Attock Cement Pakistan Limited	-	2,633,000
1,758,250	1,100,000	Bank Al-Habib Limited	79,595,977	39,897,000
150,000	-	Bank Al-Falah Limited	4,257,000	-
-	197,934	Chashma Sugar Mills Limited	-	1,329,857
50,000	300,000	Charat Cement Limited	2,619,000	14,838,000
325,000	430,000	D.G.Khan Cement Limited	25,902,500	29,614,100
75,000	25,008	Engro Corporation Limited	12,385,500	3,395,586
100,000	-	Engro Fertilizers Limited	5,361,000	-
350,000	100,000	Fatima Fertilizer Company Limited	9,943,500	2,600,000
100,000	100,000	Fauji Fertilizer Company Limited	11,344,000	10,137,000
145,000	40,000	Habib Bank Limited	30,331,100	6,098,400
600,000	150,000	Hub Power Company Limited	38,388,000	9,559,500
-	427,755	International Industries Limited	-	18,076,926
78,605	-	Jubilee Insurance Company Limited	23,660,105	-
-	50,000	Kohat Cement Company Limited	-	4,628,500
25,000	60,000	Lucky Cement Limited	10,039,750	13,877,400
-	875,000	Maple Leaf Cement Factory Limited	-	18,707,500
10,000	20,000	MCB Bank Limited	2,825,700	5,261,000
1,000,000	580,000	Moozan Bank Limited	41,000,000	21,523,800
-	70,000	Nishat Chunian Limited	-	3,939,600
425,000	200,000	Nishat Chunian Power Limited	18,398,250	7,192,000
35,000	80,000	Nishat Mills Limited	4,165,000	7,413,600
300,000	200,000	Nishat Power Limited	11,490,000	6,160,000
70,000	-	Oil Gas Development Corporation Limited	17,294,200	-
70,000	40,000	Pakistan Oil Fields Limited	37,200,800	17,149,200
202,825	100,271	Pakistan Petroleum Limited	45,848,591	19,111,650
11,000	20,000	Pakistan State Oil Company Limited	3,964,950	5,242,000
155,677	80,000	United Bank Limited	29,320,261	10,610,400
			<u>484,602,312</u>	<u>289,203,684</u>

16. CASH AND BANK BALANCES

	2014	2013
	Rupees	
In hand	134,335	174,742
Cash with banks in current accounts	33,058,399	5,939,774
	<u>33,192,734</u>	<u>6,114,516</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

17. SHARE CAPITAL

2014 (Number of shares)	2013		2014 Rupees	2013 Rupees
Authorized capital				
<u>50,000,000</u>	<u>50,000,000</u>	Ordinary shares of Rs.10/- each	<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid-up capital				
		Ordinary shares of Rs.10/- each		
5,968,750	5,968,750	Fully paid in cash	59,687,500	59,687,500
350,000	350,000	Issued for consideration other than cash	3,500,000	3,500,000
25,712,495	19,002,393	Issued as fully paid bonus shares	257,124,950	190,023,930
<u>32,031,245</u>	<u>25,321,143</u>		<u>320,312,450</u>	<u>253,211,430</u>

18. LONG TERM FINANCING—secured

From banking companies

Note 2014 2013
Rupees Rupees

18.1 318,348,217 454,241,072

18.1	Note	Installments Number	Commencing from	Mark-up	2014 Rupees	2013 Rupees
Diminishing Musharaka						
Al Baraka Bank Pakistan Limited	18.2	16 quarterly	November 2014	6 months KIBOR plus 1.75% per annum	150,000,000	150,000,000
Bank Islami Pakistan Limited	18.2	24 quarterly	January 2015	3 months KIBOR plus 1.25% per annum	50,000,000	50,000,000
Meezan Bank Limited	18.2	16 quarterly	March 2013	3 months KIBOR plus 1.30% per annum	42,187,500	60,937,500
Meezan Bank Limited	18.2	16 quarterly	April 2013	3 months KIBOR plus 1.30% per annum	40,625,000	56,875,000
Term loans						
Bank Al Habib Limited	-	-	-	-	-	25,000,000
Bank Al Habib Limited	18.3	14 quarterly	July 2014	6 months KIBOR plus 1.75% per annum	85,714,286	100,000,000
MCB Bank Limited	-	-	-	-	-	37,500,000
MCB Bank Limited	18.3	14 quarterly	May 2014	3 months KIBOR plus 2% per annum	85,714,286	100,000,000
					<u>454,241,072</u>	<u>580,312,500</u>
Less: Current portion shown under current liabilities					<u>(135,892,855)</u>	<u>(126,071,428)</u>
					<u>318,348,217</u>	<u>454,241,072</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

18.2 These are secured by way of first pari passu charge over fixed assets of the Company amounting to Rs. 450 million.

18.3 These are secured by way of hypothecation charge over fixed assets of the Company amounting to Rs. 268 million.

	Note	2014 Rupees	2013
19. MARKET COMMITTEE FEE PAYABLE			
Market committee fee payable		32,700,000	-
Less: Current portion		4,360,000	32,700,000
	26.2	<u>28,340,000</u>	<u>32,700,000</u>

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Represent finance leases entered into with commercial banks for vehicles. Total lease rentals due under various lease agreements aggregated to Rs.47,521,846/- (2013: Rs.33,044,429/-) and are payable in equal monthly installments latest by August 2019. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee has to pay the entire rent for unexpired period. Financing rates of approximately 9.38 to 10.18 (2013: 11.33 to 13.15) percent per annum has been used as discounting factor. Purchase options can be exercised by the lessee in accordance with the respective lease agreements. The movement in the finance lease liability is as follows:

	2014		2013	
	Minimum lease Payments	Present Value	Minimum lease Payments	Present Value
	(Rupees)			
Within one year	19,316,292	15,928,366	15,142,452	12,269,035
After one year but not more than five years	28,205,554	22,592,870	17,901,977	16,068,494
Total minimum lease payments	47,521,846	38,521,236	33,044,429	28,337,529
Less: Amount representing finance charges	9,000,610	-	4,706,900	-
Present value of minimum lease payments	38,521,236	38,521,236	28,337,529	28,337,529
Less: Current maturity shown under current liability	15,928,366	15,928,366	12,269,035	12,269,035
	<u>22,592,870</u>	<u>22,592,870</u>	<u>16,068,494</u>	<u>16,068,494</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

		2014	2013
	Note	Rupees	
21. DEFERRED LIABILITY			
Staff gratuity	21.1	8,004,115	7,564,191
21.1 Staff gratuity			
Opening balance		7,564,191	6,438,840
Expense for the year		1,674,560	1,550,959
		9,238,751	7,989,799
Benefits paid during the year		(1,234,636)	(425,608)
Closing balance		8,004,115	7,564,191
21.2 Expense for the year			
Current service cost		823,773	715,494
Interest cost		850,787	809,385
Actuarial loss		-	26,080
		1,674,560	1,550,959
21.3 Principal actuarial assumptions			
Discount rate		11.50%	11.5%
Expected rate of increase in salary level		8.50%	8.5%
Expected average remaining life of employees		24 years	24 years
21.4 Comparisons for five years			
		2014	2013
		(Rupees)	
Present value of defined benefit obligation		8,004,115	7,564,191
		6,438,840	5,681,987
		5,742,073	

	2014	2013
	Rupees	
22. DEFERRED TAXATION		
Credit balances arising due to:		
Accelerated tax depreciation	268,155,914	263,149,616
Assets subject to finance leases	4,916,410	2,040,985
Long term investment	32,780,047	33,072,141
	305,852,371	298,262,742
Debit balances arising due to:		
Provision for gratuity	(2,641,358)	(2,571,825)
Provision for doubtful debts	(3,562,528)	(3,670,483)
Provision for doubtful deposits and prepayments	(2,890,653)	(2,978,248)
Provision for doubtful long-term receivable	(14,028,629)	(14,453,739)
Carry over of minimum tax	(47,991,087)	(33,931,175)
Others	(116,820)	(120,360)
	(71,231,075)	(57,725,830)
	234,621,296	240,536,912

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

23. PROVISION FOR QUALITY PREMIUM

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

	Note	2014 Rupees	2013 Rupees
24. TRADE AND OTHER PAYABLES			
Creditors		41,176,074	49,835,584
Accrued expenses		18,928,787	12,139,754
Advances from customers		158,598,442	333,509,308
Workers' Profits Participation Fund	24.1	8,467,229	9,260,652
Workers' Welfare Fund	24.2	27,168,878	21,474,386
Unclaimed dividend		11,943,661	8,310,624
Deposits from employees against purchase of vehicles		8,309,535	10,186,596
Others		13,436,095	10,780,753
		<u>288,028,701</u>	<u>455,497,657</u>
24.1 Workers' Profits Participation Fund			
Opening balance		9,260,652	7,174,383
Allocation for the year		8,467,229	9,260,652
		<u>17,727,881</u>	<u>16,435,035</u>
Payments made during the year		(9,260,652)	(7,174,383)
Closing balance		<u>8,467,229</u>	<u>9,260,652</u>

24.2. During the year ended September 30, 2011, the Company filed a petition in the Honorable High Court of Sindh pleading that the basis for calculating charge for Worker's Welfare Fund (WWF) should be taxable income, instead of higher of accounting profit before tax and taxable income. In June 2011, the Honorable High Court of Sindh granted stay to the Company against payment to WWF till the final decision of the case. Consequently, the Company has not made payment to WWF for the financial years 2011, 2012, 2013 and 2014. However, as a matter of prudence, the Company has provided charge for WWF on the higher of accounting profit before tax (excluding share of profit from associate), being the higher of accounting profit before tax and taxable income.

	Note	2014 Rupees	2013 Rupees
25. SHORT-TERM BORROWINGS – secured			
Running finance under markup arrangements	25.1	32,972,745	122,176,948
Short term finance	25.2	425,000,000	275,000,000
		<u>457,972,745</u>	<u>397,176,948</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

25.1. The aggregate facilities for short term running finance available from various banks as of September 30, 2014 amounted to Rs.600 million (2013: Rs.135 million), of which Rs.467.03 million (2013: Rs.12,823 million) remained unutilized at year end. These facilities are secured against hypothecation of current assets of the Company. These carry mark up at the rates ranging between 10.89 and 12.13 (2013: 10.17 and 12.04) percent per annum, payable quarterly.

25.2. These represent outstanding portion of finance facilities aggregating to Rs.4,600 million (2013: Rs.3,100 million) obtained from various banks. The loans carry mark-up rates ranging between 11.18 and 12.13 (2013: 10.76 and 13.40) percent per annum, payable quarterly. These are secured against pledge of stock-in-trade and are repayable within six months, latest by October, 2014.

		2014	2013
	Note	Rupees	
26. PROVISION FOR MARKET COMMITTEE FEE	26.1	<u>37,860,845</u>	<u>26,455,823</u>

26.1. During the year 1999-2000, the Market Committee filed a law suit for the recovery of market committee fee before the Senior Civil Judge, Tando Allahyar. The Company contested the law suit on the ground that the Market Committee was not lawfully constituted. However, the Senior Civil Judge, Tando Allahyar passed a decree against the Company on March 12, 2003 which amounted to Rs. 43.7 million and fee amounting to Rs. 9.85 million, relating to years upto 2003 and 2004. Subsequently, the GoS withdrew the levy of the Market Committee for crushing season of year 2004-2005. The Company filed an appeal against the aforesaid order of Senior Civil Judge Tando Allahyar with the District Judge, Hyderabad and the same was dismissed by the District Judge during the year 2007. Consequently, in the year 2007 the Company filed an appeal and obtained a stay order from the Honorable High Court of Sindh. In the year 2009, the Honorable High Court of Sindh made a decision in this respect and determined the Company's liability amounted to Rs. 32.70 million upto the month of June 2008. During the year ended 2008, the Company filed an appeal in the Honorable Supreme Court of Pakistan, which is currently pending decision. However, as a matter of prudence, the Company fully provided the amount determined by the Honorable High Court of Sindh and has also provided further liability on account of market committee fee for subsequent crushing seasons 2008-2014 amounting to Rs.37.86 million, which includes Rs.11.10 million provided during the current year.

26.2. During the year, 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. Accordingly, the said liability is shown as long-term market committee fee payable in note 19.

27. CONTINGENCIES AND COMMITMENTS

Contingencies

27.1 Contribution demanded by SESSI amounting to Rs. 3.28 million (2013: Rs. 3.28 million), for the period July 1987 to August 1990, had been disputed by the Company. The case is currently pending decision before the Honorable High Court of Sindh. The Company and its legal counsel are hopeful from favorable outcome of the case and hence, no provision has been made against the above demand in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

- 27.2 DGDGP's risk purchase claim amounting to Rs. 38.58 million (2013: Rs. 38.58 million), was disputed by the Company on the grounds that the goods were delivered in time, however, the DGDGP failed to lift the goods thereby indulging in breach of the contract. The Company has filed a counter claim of Rs. 25.81 million (2013: Rs. 25.81 million) against the said breach of contract. The said cases are pending before the Honorable Supreme Court of Pakistan and the Honorable Lahore High Court. The management and legal counsel of the Company are confident that no liability will arise in respect of the risk purchase claim, and hence no provision has been made for the same in these financial statements.
- 27.3 The Company filed an appeal before the Honorable High Court of Sindh and was granted a stay against the order of Customs, Excise and Sales Tax Appellate Tribunal, Karachi, upholding allegation of non payment of sales tax on advances etc., amounting to Rs.11.087(2013:Rs. 11.087) million. Based on the advise of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these financial statements.
- 27.4 The Company has filed an appeal before Customs, Excise and Sales Tax Appellate Tribunal, Karachi, which is pending for hearing, against the order of the Deputy Collector, Collectorate of Customs, Excise and Sales Tax (Adjudication), Hyderabad to pay off alleged demand of Rs.10.7 (2013: Rs. 10.7) million along with additional tax and penalty. Based on the advise of the tax advisor, the management is confident of a favorable outcome and hence, no provision has been made in these financial statements.
- 27.5 Pakistan Standards and Quality Control Authority (PSQCA) had demanded a fee payment at the rate of 0.1 percent of ex-factory price for the year 2008-09 amounting to Rs. 2.2 million. The Company is of the view that demand notifications so raised are without any lawful authority under the PSQCA Act-VI of 1996 and are in violation of the constitution. Based on the advise of the legal advisor, the management is confident that it would not be liable to pay the said marking fee and hence no provision is made in these financial statements.
- 27.6 The Company filed a petition in the Honorable High Court of Sindh against the complaint lodged by Deputy Commissioner / Collector, District Tando Allahyar (DCO) in District and session court and obtained stay order against any coercive action. Moreover, the case is disposed in the Honorable Court of District and session judge, Tando Allahyar due to withdrawal of complaint by the complainant. The management and legal counsel of the Company are confident that no liability will arise in respect of this matter.
- 27.7 Contingency relating to long-term receivable is described in note 6.1 to the financial statements.

	2014	2013
	----- Rupees -----	
Commitments		
27.8 Commitments in respect of capital expenditure	15,126,474	19,494,000
27.9 Commitments in respect of operating lease rentals for farms	25,353,630	39,150,000
27.10 Commitments in respect of Ijarah rentals	2,132,346	4,551,468

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

	Note	2014 ----- Rupees -----	2013 -----
28. TURNOVER			
Sales			
- Sugar – exports		1,808,375,121	1,829,209,183
- Sugar – local		4,359,218,960	3,760,042,126
- Molasses		562,011,070	346,289,785
- Bagasse		17,840,673	16,503,153
		<u>6,747,445,824</u>	<u>5,952,044,247</u>
Less:			
- Sales tax		2,710,964	2,589,480
- Federal excise duty		246,517,799	151,985,209
		<u>249,228,763</u>	<u>154,574,689</u>
		<u>6,498,217,061</u>	<u>5,797,469,558</u>
29. COST OF SALES			
Manufactured sugar:			
Cost of sugarcane consumed (including procurement and other expenses)		4,975,095,464	4,279,022,978
Market committed fee		11,405,022	9,156,660
Road cess on sugarcane		7,128,471	5,723,047
Salaries, wages and other benefits	29.1	166,024,416	138,705,489
Stores and spare parts consumed		253,979,105	184,310,640
Repairs and maintenance		54,353,921	40,925,629
Fuel, electricity and water charges		18,593,392	15,884,628
Vehicle running and maintenance expenses		7,884,003	6,091,779
Insurance		12,125,739	8,790,384
Depreciation	5.1.1	104,285,611	97,940,981
Other overheads		27,535,060	22,040,848
		<u>5,638,410,204</u>	<u>4,808,593,063</u>
Opening stock of work-in-process		2,103,958	2,959,297
Closing stock of work-in-process		(3,004,859)	(2,103,958)
		<u>(900,901)</u>	<u>855,339</u>
Cost of goods manufactured		<u>5,637,509,303</u>	<u>4,809,448,402</u>
Opening stock of finished goods		686,327,602	1,032,338,729
Closing stock of finished goods		(456,921,611)	(686,327,602)
		<u>229,405,991</u>	<u>406,011,127</u>
		<u>5,866,915,294</u>	<u>5,215,459,529</u>

29.1 Include gratuity expense of Rs 1,674,560/- (2013: Rs.1,550,959/-) and contribution to provident fund of Rs.3,625,871/- (2013: Rs.3,237,005/-).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

	Note	2014	2013
		Rupees	
30. DISTRIBUTION COSTS			
Salaries and other benefits	30.1	2,331,811	1,940,658
Sales promotion expenses		9,956,864	
Selling expenses		15,604,521	1,837,253
Export expenses		67,719,636	80,691,661
Stacking and loading		11,261,973	9,434,199
Insurance		27,686	20,000
		<u>106,902,491</u>	<u>93,923,771</u>

30.1 Include contribution to provident fund of Rs.73,965/- (2013: Rs.70,713/-).

	Note	2014	2013
		Rupees	
31. ADMINISTRATIVE EXPENSES			
Salaries and other benefits	31.1	85,173,799	71,124,688
Rent, rates and taxes		-	2,374,456
Electricity, telephone, fax and postage		7,280,364	6,042,950
Printing and stationery		2,595,599	2,146,591
Travelling and conveyance		7,133,434	6,872,475
Vehicle running and maintenance expenses		10,062,234	8,563,308
Lease rentals		2,252,638	1,737,685
Auditors' remuneration	31.2	1,483,650	1,352,200
Legal and professional		5,317,748	3,386,977
Fees and subscription		3,805,206	2,576,832
Insurance		166,400	166,400
Repairs and maintenance		6,568,723	3,742,115
Advertising		257,564	279,312
Donations	31.3	4,326,800	6,978,200
Depreciation	5.1.1	16,760,555	14,244,494
Other expenses		894,131	710,573
		<u>154,078,845</u>	<u>132,299,256</u>

31.1 Include contribution to provident fund of Rs.2,394,047/- (2013: Rs.1,801,034/-).

		2014	2013
		Rupees	
31.2 Auditors' remuneration			
Statutory audit			
Ernst & Young Ford Rhodes Sidat Hyder			
Statutory audit fee		900,000	825,000
Review of half yearly financial statements and compliance with Code of Corporate Governance		398,400	332,800
Out of pocket expenses		58,750	79,600
		<u>1,357,150</u>	<u>1,237,200</u>
Cost audit			
Haroon Zakaria & Co.			
Cost audit fee		126,500	115,000
		<u>1,483,650</u>	<u>1,352,200</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

- 31.3 Include Rs.4,000,000/- (2013: Rs.6,450,000/-) paid to Hasham Foundation which is a project of Hasham Group. The directors of the Company namely Mr. Mohammed Kasim Hasham, Mr. Mohammed Ebrahim Hasham, Mr. Mohammed Hussain Hasham, Mr. Khuram Kasim and Mr. Ahmed Ebrahim Hasham are the trustees of the said Foundation. No other directors or their spouses have any interest in any donee's fund to which donation was made.

	Note	2014 ----- Rupees -----	2013 ----- Rupees -----
32. OTHER OPERATING EXPENSES			
Workers' Profits Participation Fund	24.1	8,467,229	9,260,652
Workers' Welfare Fund		5,694,492	6,361,262
Exchange loss		8,641,945	-
Zakat		82,500	82,500
		<u>22,886,166</u>	<u>15,704,414</u>
33. OTHER INCOME			
Income from financial assets			
Profit on term deposit receipts		1,191,973	1,495,813
Gain on disposal of short term investments		58,187,725	79,275,183
Exchange gain		-	7,275,311
Dividend income		23,586,362	17,348,099
		<u>82,966,060</u>	<u>105,394,406</u>
Income from non financial assets			
Net farm income		33,605,946	36,226,772
Scrap sales		8,878,333	3,618,534
Gain on disposal of fixed assets		6,679,132	3,931,227
		<u>49,163,411</u>	<u>43,806,533</u>
		<u>132,129,471</u>	<u>149,200,939</u>
34. FINANCE COSTS			
Mark-up on:			
Long-term financing		58,546,224	57,824,932
Short term borrowings		144,926,038	121,420,409
Lease finance		3,123,121	2,217,176
		<u>206,595,383</u>	<u>184,462,517</u>
Bank charges		2,405,459	2,379,828
		<u>209,000,842</u>	<u>186,842,345</u>
35. TAXATION			
Current		60,352,668	25,047,394
Prior		-	(1,158,887)
		<u>60,352,668</u>	<u>23,888,507</u>
Deferred		(5,915,616)	9,634,098
		<u>64,437,052</u>	<u>33,522,605</u>

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

- 35.2 Income tax assessments of the Company have been completed upto the tax year 2013 (accounting year ended September 30, 2012).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

36. BASIC AND DILUTED EARNING PER SHARE

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

	2014	2013
	----- Rupees -----	
Profit after taxation attributable to ordinary shares(Rupees)	269,106,909	397,499,054
Weighted average number of ordinary shares	32,031,245	32,031,245
		(Restated)
Earnings per share (Rupees)	8.40	12.41

37. WORKING CAPITAL CHANGES

	2014	2013
	----- Rupees -----	
(Increase) / decrease in current assets		
Biological assets	(2,629,261)	1,128,850
Stores and spare parts	4,802,062	6,173,462
Stock-in-trade	228,505,090	406,866,466
Trade debts	(32,907,583)	63,207,947
Loans and advances	41,150,542	(41,951,528)
Trade deposits and short-term prepayments	(12,300,856)	4,373,260
Other receivables	(1,400,178)	(1,752,206)
	225,219,816	438,046,251
Increase / (decrease) in current liabilities		
Trade and other payables	(171,101,993)	(713,340,408)
Sales tax and federal excise duty payable	40,823,095	(16,333,444)
	(130,278,898)	(729,673,852)
	94,940,918	(291,627,601)

38. TRANSACTIONS WITH RELATED PARTIES

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

	2014	2013
	----- Rupees -----	
Associates		
Sales	565,549,053	356,106,316
Expenses shared	965,021	1,355,073
Insurance premium	15,425,427	10,758,055
Donations	4,000,000	6,450,000
Retirement benefit plans		
Provident fund contribution	6,093,883	5,108,762

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

39. CAPACITY AND PRODUCTION

	Rated capacity		Capacity utilization	
	M. Tons	Days	M. Tons	Days
Season 2013-2014	10000 TCD	122	9348 TCD	122
Season 2012-2013	10000 TCD	108	8478 TCD	108

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

40. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2014				2013			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	Rupees				Rupees			
Fees	30,000	130,000		160,000	40,000	90,000	-	130,000
Managerial remuneration	4,410,000	3,968,000	19,918,344	28,296,344	3,870,000	4,953,000	13,099,483	21,922,483
Retirement benefits	-		2,047,446	2,047,446	-	-	1,320,068	1,320,068
Perquisites and other benefits	4,365,000	3,611,000	18,307,883	25,973,883	3,555,000	4,561,000	12,725,198	20,841,198
	<u>8,495,000</u>	<u>7,709,000</u>	<u>40,273,673</u>	<u>56,475,673</u>	<u>7,465,000</u>	<u>9,524,000</u>	<u>27,144,747</u>	<u>44,213,747</u>
Number of persons	1	3	20	24	1	3	12	16

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

41.1 Credit risk

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

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

	2014	2013
	Rupees	
Trade debts	42,871,351	9,963,768
Investments	3,300,000	3,300,000
Loans and advances	34,340,982	75,491,524
Deposits	358,640	478,500
Other receivables	4,697,979	3,297,801
Bank balances	<u>33,058,399</u>	<u>5,939,774</u>
	<u>118,627,351</u>	<u>98,471,367</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

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:

	2014	2013
	Rupees	Rupees
41.1.1 Trade debts		
Customers with no defaults in the past one year	42,871,351	9,963,768
41.1.2 Bank balances		
With external credit rating		
A1	1,159,760	1,243,886
A1+	31,898,639	4,695,888
	33,058,399	5,939,774

41.2 Liquidity risk

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

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	Amount in Rupees				
Long-term financing		28,191,954	107,700,891	318,348,217	454,241,072
Liabilities against assets subject to finance lease	-	3,963,188	11,965,178	22,592,870	38,521,236
Trade and other payables	17,670,570	226,065,505	8,814,213	35,478,413	288,028,701
Accrued markup	144,198	29,215,868	-	-	29,360,066
Short term borrowings	-	32,972,745	425,000,000	-	457,972,745
2014	17,814,768	320,409,270	553,480,282	376,419,500	1,268,123,820
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	Amount in Rupees				
Long-term financing		33,750,000	92,321,428	454,241,072	580,312,500
Liabilities against assets subject to finance lease	-	3,359,339	8,909,696	16,068,494	28,337,529
Trade and other payables	8,716,123	385,781,478	10,078,422	10,186,586	424,762,619
Accrued markup	-	22,003,620	-	-	22,003,620
Short term borrowings	-	122,176,948	275,000,000	-	397,176,948
2013	8,716,123	577,071,385	386,309,546	480,496,162	1,452,593,216

41.3 Market risk

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

41.3.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates mainly relates to long term financing, short term borrowings and lease obligations. Management of the Company estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the Company's profit before tax by Rs.1.845 million and a 1% decrease would result in the increase in the Company's profit before tax by the same amount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2014

41.3.2 Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The management of the Company manages the above market risks through diversification of investment portfolio. The management estimates that a 10% increase in the overall equity prices in the market with all of the factors remaining constant would increase the Company's profit before tax by Rs. 28.92 million and a 10% decrease would result in a decrease in the Company's profit before tax by the same amount.

41.3.3 Foreign currency risk

Foreign currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist as a result of transactions with foreign undertakings. Management of the Company estimates that 1% increase in exchange rates, with all other factors remaining constant, would decrease the Company's profit before tax by Rs. 1.586 million and decrease would result in increase in the Company's profit before tax by the same amount.

42. CAPITAL RISK MANAGEMENT

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital. The Company manages its capital structure and makes adjustment to it, in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Company is currently financing of its operations through long-term and short-term financing in addition to its equity. The Company has a gearing ratio of 36.5% (2013: 42.1%) as of the balance sheet date, which in view of the management is adequate considering the size of the operations.

43. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

44. NUMBER OF EMPLOYEES

Number of persons employed as at year end were 569(2013: 505) and the average number of persons employed during the year were 537(2013: 515).

45. DATE OF AUTHORIZATION FOR ISSUE

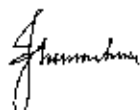
These financial statements were authorized for issue on December 30, 2014 by the Board of Directors of the Company.

46. SUBSEQUENT EVENTS

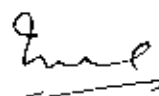
The Board of Directors in its meeting held on December 30, 2014 has recommended a final cash dividend @ 10%. The approval of the members for the proposed final cash dividend will be obtained at the Annual General Meeting of the Company to be held on January 28, 2015.

47. GENERAL

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

PATTERN OF SHAREHOLDING

As at September 30, 2014

Number of Shareholders	Shareholding		Total Number of Shares Held
	From	To	
948	1	100	17,050
300	101	500	77,295
106	501	1000	79,105
157	1001	5000	342,197
50	5001	10000	361,521
16	10001	15000	200,386
9	15001	20000	148,276
12	20001	25000	267,818
2	25001	30000	56,213
5	30001	35000	164,257
4	35001	40000	144,026
2	40001	45000	83,446
1	45001	50000	45,295
2	50001	55000	103,137
1	60001	65000	63,311
2	65001	70000	132,343
2	80001	85000	164,355
2	85001	90000	177,480
1	95001	100000	97,845
1	100001	105000	100,116
1	105001	110000	109,003
1	120001	125000	124,850
1	130001	135000	134,697
1	180001	185000	180,538
1	185001	190000	187,264
1	190001	195000	193,133
1	250001	255000	253,000
1	255001	260000	259,862
1	270001	275000	275,000
1	280001	285000	281,811
1	320001	325000	322,957
1	325001	330000	325,090
1	360001	365000	364,698
1	395001	400000	396,665
2	425001	430000	852,836
1	440001	445000	444,692
1	765001	770000	769,084
1	815001	820000	819,304
1	3380001	3385000	3,381,038
1	3385001	3390000	3,387,623
1	4880001	4885000	4,882,225
1	5625001	5630000	5,628,299
1	5630001	5635000	5,632,204
1,647			32,031,245

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
FINANCIAL INSTITUTION	3	2,841	0.01
INDIVIDUALS	1,621	30,693,068	95.83
INSURANCE COMPANIES	2	322,992	1.01
JOINT STOCK COMPANIES	15	991,133	3.09
INVESTMENT COMPANY	1	1,082	0.00
CHARITABLE TRUST	2	18,440	0.06
SECURITIES COMPANY	1	1,526	0.00
OTHERS	2	163	0.00
	1,647	32,031,245	100.00

As at September 30, 2014

42

PROXY FORM

49th Annual General Meeting

I/We _____
of _____ being member of Mehran Sugar Mills Limited,
holding _____ ordinary shares hereby appoint _____
of _____ or failing
him / her _____
of _____ who is/are also member(s) of Mehran Sugar Mills Limited as my / our proxy in my
/ our absence to attend and vote for me / us and on my / our behalf at the 49th Annual General Meeting of the
Company to be held on January 28, 2015 at 1630 PST and at any adjournment thereof.

As witness my our hand seal this _____ day of _____ 2015

Signed by the said _____

in the presence of _____

Signature of
Shareholders

Please affix
Five Rupees
Revenue
Stamp

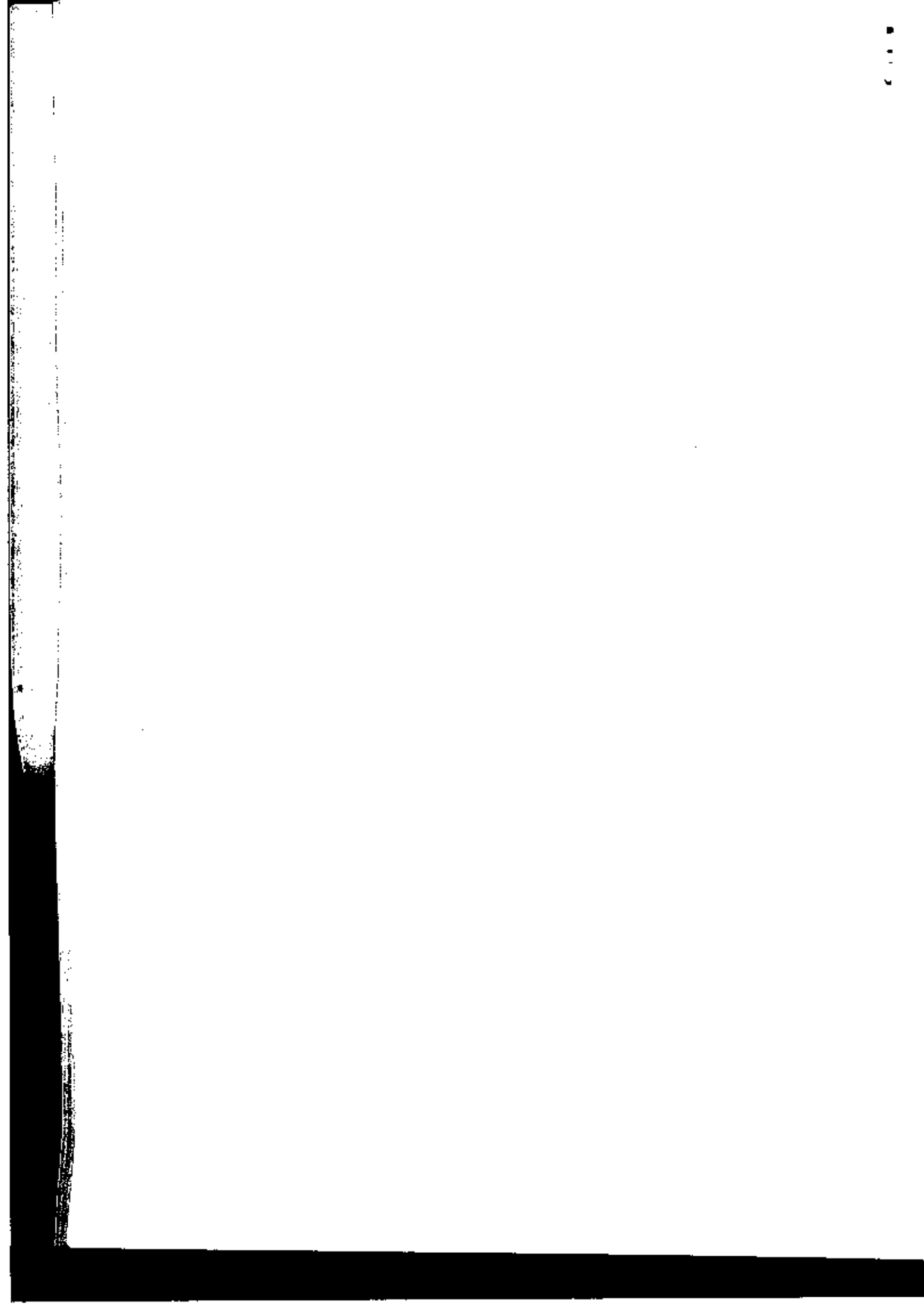
Important:

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

For CDC Account Holders / Corporate Entities.

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

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





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